Embargoed until: 10:30 (MUMBAI), 4 January 2013

HSBC India Services PMI™

Output growth accelerates to a three-month high

Key findings:

- · Business activity expands sharply
- New business increases at fastest rate in ten months
- · Rates of input and output price inflation ease

Business activity in the Indian service sector rose sharply during December, with the pace of expansion quickening to the fastest in three months. The volume of incoming new work also increased sharply. Despite higher payroll numbers, backlogs of work were accumulated. Meanwhile, input and output price inflation persisted, but rates eased. Optimism was signalled for a further month, but the degree of confidence eased from November.

The headline *HSBC Business Activity Index* is based on a single question asking survey respondents to report on the actual change in business activity at their companies compared with one month ago. Readings above 50.0 signal expansions and readings below 50.0 indicate a contraction. After adjusting for seasonal factors, the index posted 55.6 in December, up from 52.1 in the previous month. The latest reading signalled a sharp expansion in output, the fastest in three months. Monitored companies mentioned that output growth was supported by higher new total business and maintained quality of services.

New business at service providers in India increased during December, marking a 44-month sequence of expansion. The rise in new total business was sharp, and the fastest since February. Exactly 28% of panellists reported higher volumes of incoming new work, and linked growth to stronger demand, the acquisition of new equipment and good quality of services.

As has been the case since March, employment in the Indian

service sector increased during December, amid reports of output growth. However, the rate of job creation was only fractional and the slowest in the current sequence.

In contrast to a fall signalled in November, the volume of work-inhand (but not yet completed) at services companies in India rose in December. The pace of accumulation was solid and the fastest in 16 months. Anecdotal evidence suggested that backlogs of work increased in tandem with delayed payments and the sharp rise in new business.

Continuing the trend that started in April 2009, input prices at services companies in India rose during December. The pace of inflation was solid, but the slowest in four months. According to panel members, raw material, fuel and labour costs increased. There were also reports of higher tax rates.

Part of the burden of cost inflation was passed on to clients as average selling prices rose again during December. Almost 9% of the surveyed panel indicated higher charges at their units, but the vast majority (88%) reported no change. Consequently, the overall pace of inflation was moderate and eased to a 25-month low.

Optimism was signalled by service providers in India during December. Approximately 46% of monitored companies expect overall activity to increase in the upcoming year, and they mentioned anticipated rises in demand, the launch of new projects and increased advertising.



The survey uses a methodology identical to the HSBC India Manufacturing PMI™. The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure of the Indian services economy. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

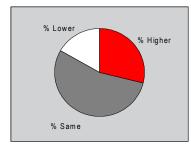




Business Activity Index

Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.



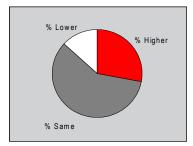


Continuing the trend that started in November 2011, output in the Indian service sector rose during December. In contrast to 29% of panel members reporting higher business activity, 17% noted a fall. Consequently, the overall pace of growth was sharp and the fastest in three months. Anecdotal evidence suggested that output expanded in line with increased new business and maintained quality of services.

New Business Index

Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.

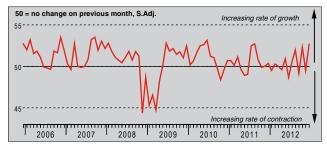


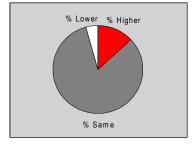


New total business at services firms in India rose during December, amid reports of stronger demand, good quality of services and the acquisition of new equipment. With 28% of monitored companies signalling higher volumes of incoming new work and 13% noting a fall, the overall rate of expansion was steep, and the fastest since February. The New Business Index adjusted for seasonal factors posted above the no-change mark of 50.0 for the forty-fourth successive month.

Outstanding Business Index

Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.



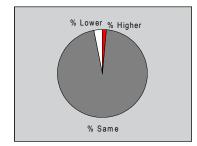


In contrast to a fall registered in November, backlogs of work in the Indian service sector rose during December. The pace of accumulation was solid and accelerated to the fastest since August 2011. Moreover, the seasonally adjusted Outstanding Business Index posted above the historic series average. Exactly 13% of panellists reported higher volumes of work-in-hand (but not yet completed), citing increased business activity and delayed payments.

Employment Index

Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).



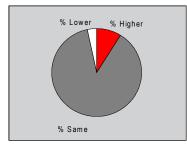


December data indicated increased staffing levels in the Indian service sector, the tenth successive monthly rise recorded. However, the Employment Index adjusted for seasonal variations indicated only a fractional expansion, and posted below its long-run trend. According to service providers, payroll numbers were increased to support growth in activity.

Prices Charged Index

Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago



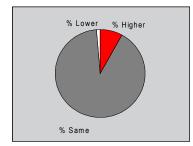


In line with rising costs, output prices at services companies in India increased during December. However, the rate of inflation was moderate, and the slowest in over two years. Almost 9% of monitored companies reported higher prices charged, but 88% indicated no change from November. Average selling prices have increased in each of the past 26 months.

Input Prices Index

Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.



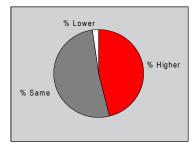


December data signalled persistent cost inflation in the Indian service sector. Although solid, the rate of increase eased from that recorded in November. Whereas 8% of respondents reported higher input prices, the vast majority (91%) indicated no change. A number of monitored firms commented that raw material, fuel and labour costs rose. Higher tax rates were also cited by panellists. Cost inflation has now been recorded for 45 successive months.

Business Expectations Index

Q. In twelve months' time, do you expect overall activity at your business unit to be higher, the same or lower than now?





Data collected in December implied that services companies in India remained optimistic regarding their expectations for business activity. Although strong, the degree of confidence eased from December. Service providers forecast output growth in the upcoming year in line with anticipated rises in demand, the launch of new projects and increased advertising. There were also mentions of planned business expansions at some units. Positive sentiment has been signalled throughout the 85 months of data collection.

Notes on the Data and Method of Presentation

The India Services PMI™ covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants

Each response received is weighted each month according to the size of the company to which the questionnaire refers and the contribution to total service sector output accounted for by the sub-sector to which that company belongs. This therefore ensures that replies from larger companies have a greater impact on the final index numbers than replies from small companies.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no change on the previous month. From these percentages an index is derived such that a level of 50.0 signals no change on the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

The indexes are calculated by assigning weights to the percentages: the percentage of respondents reporting an "improvement/increase" are given a weight of 1.0, the percentage reporting "no change" are given a weight of 0.5 and the percentage reporting a "deterioration/decrease" are given a weight of 0.0. Thus, if 100% of the survey panel report an "increase", the index would read 100. If 100% reported "no change" the index would read $50(100 \times 0.5)$, and so on. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Warning

The intellectual property rights to the HSBC India Services PMI^{TM} provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. $Purchasing Managers' Index^{TM}$ and PMI^{TM} are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.