

**Media Contacts:**

**In India**

Shirin Bagga  
+91-22-25182092  
[sbagga@bostonanalytics.com](mailto:sbagga@bostonanalytics.com)

**In the US**

Jon Lavietes  
(415) 572-4408  
[jlavietes@jwdewitt.com](mailto:jlavietes@jwdewitt.com)

**Consumer Sentiment in India Continues Decline in July**

*Declining Confidence in Job Security, Household Income, and Economic Conditions Drives Decline in Overall July 2008 Boston Analytics Consumer Sentiment Index for India*

**MUMBAI, August 11, 2008**—Customized knowledge services company Boston Analytics today released the Boston Analytics Consumer Sentiment Index (BACSI) for India results for the month of July 2008. The past month registered a marginal 3.8% decrease in the BACSI, a monthly barometer of Indian consumer opinion regarding the current state and future expectations of the macro economy, household financial conditions and consumption.

The index is based on a monthly survey targeting a diverse set of demographics representative of Indian consumers. In an effort to capture the country's heterogeneity, the BACSI's July survey has been extended in terms of both geographic coverage and sample size with the inclusion of Hyderabad. The survey is now conducted across five cities—Delhi, Mumbai, Kolkata, Chennai, and Hyderabad—targeting a diverse set of demographics representative of Indian consumers. It addresses macro-level variables reflecting the nation's economic conditions, including indicators such as employment, inflation, interest rates and real estate. The BACSI also studies micro-level variables such as household income, commitment towards expenditure on basic necessities (durables, automobile, and house), savings and other elements.

The BACSI for the month of June stood at 93.2, down 3.8% from the previous month's reading of 96.9. Disaggregation of the data reveals that the primary drivers of the decline in consumer sentiment were decreases in respondents' confidence in the economy and in employment conditions. Sentiment related to inflation remained pessimistic but improved relative to the June reading, most likely due to the government's highly visible campaign to combat inflation. Despite the overall composite sentiment index trending down, the consumer spending component remained strong in July.

"It appears that overall consumer sentiment in India is trending lower in a gradual manner, unlike the dramatic declines in consumer sentiment being reported in the United States and Europe," said Sam Thomas, Ph.D., Boston Analytics' director of research and development. "It is also notable that despite a worldwide slowdown in consumer spending, and continued concerns about inflation, Indian consumer attitudes toward spending remain optimistic, reflecting an upward trend in the BACSI since May."

The BACSI consists of two sub-indices—the current situation index and the expectation index—and five derived indices covering employment conditions, inflation, real estate, savings, and consumer spending.

**BACSI and Sub-Index Values**

Index	Jan	Feb	Mar	Apr	May	Jun	July
BACSI	100.0	102.7	93.6	95.0	94.2	96.9	93.2
Current Situation Index	100.0	106.5	92.1	94.2	90.7	95.3	90.7
Expectations Index	100.0	99.4	98.1	95.7	95.6	100.3	97.9
Derived Sentiment Indices							
Inflation Sentiment Index	100.0	127.1	57.4	48.4	42.7	36.2	50.1
Employment Sentiment Index	100.0	84.6	79.8	77.5	71.1	74.6	67.8
Real Estate Sentiment Index	100.0	110.6	94.8	96.5	97	98.4	98.0
Consumer Spending Sentiment Index	100.0	104.5	107.6	106.8	104.6	114.8	116.4
Saving Sentiment Index	100.0	110.2	133.8	88.1	80.3	71.9	114.9

### **Interesting Findings from July's BACSI Survey:**

- The Indian government's visible inflation firefighting measures appear to have tempered the Indian consumer's pessimistic outlook towards inflation. The BACSI Inflation Sentiment Index improved by almost 38% from 36.2 in June to 50.1 in July.
- The BACSI Employment Sentiment Index dropped significantly in July compared to its level in June. Decreasing job security combined with lower confidence level in creating alternative means of employment has led to a decline in the Employment Sentiment Index. The current index value for July stands at 67.8, a decrease of about 9% over June's reading.
- The BACSI Consumer Spending Index has recorded a marginal uptick in July compared to its level in June. The upward-bound index signifies that the Indian consumer remains optimistic about spending despite slowdown around the world. The current index value stands at 116.4, an increase of about 1.3% over its level in June.

### **About the BACSI**

The Boston analytics Consumer Sentiment Index (BACSI) for India is based on a systematic and insightful disaggregation architecture supported by economic theory to provide an effective measurement of the level and shifts in consumer sentiment in India over time. Inspired by the product design and index computation methodologies of US indices—such as the University of Michigan's Consumer Sentiment Index and the Conference Board's Consumer Confidence Index—the BACSI has been adapted to the Indian economy's unique conditions by a team led by Sam Thomas, Ph.D., director of research and development for Boston Analytics.

The index is derived from a monthly survey of 3,750 respondents across five major Indian metropolitan areas—Delhi, Mumbai, Kolkata, Chennai, and Hyderabad. A stratified sampling process was adopted with stratas based on socio-economic conditions of respondents to ensure proper representation of the consumer population in urban India. All data are collected via face-to-face interviews. The index value in January 2008 was set to 100 to serve as the starting benchmark value of the time series.

The BACSI is computed from 25 questions of the Boston Analytics Consumer Sentiment questionnaire covering various variables affecting consumer sentiment in India. In the first stage, diffusion values capturing the degree of positive bias in responses are computed for each question. Then a composite index is computed from the ratio of the weighted sum of the diffusion values of the current survey and the base survey. The weights are based on the importance of each variable on a consumer's consumption sentiment.

Monthly BACSI reports are available for purchase from Boston Analytics. A more detailed description of the BACSI, as well as the executive summary of this month's report, is available at [www.bostonanalytics.com/India\\_Watch/India\\_Watch.html](http://www.bostonanalytics.com/India_Watch/India_Watch.html).

### **About Boston Analytics**

Boston Analytics provides its corporate, consulting and financial clients the most current, accurate and actionable research and analysis—so they can be the first to uncover and exploit opportunities. The firm's work powers knowledge processes and enables effective decisions at all levels of its clients' businesses. Boston Analytics brings together leading analytical minds worldwide, delivers robust offerings of knowledge services, and works as a genuine partner.

Boston Analytics delivers enterprise-wide knowledge advantage by providing fully customized knowledge services as well as flexible, preconfigured knowledge products and repositories. All knowledge services and products are tailored to meet the specific needs of corporations, consulting companies, and financial services firms.

Boston Analytics is headquartered in Boston with offices in New York, London, and Mumbai. For more information visit [www.bostonanalytics.com](http://www.bostonanalytics.com)