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Continued Low Consumer Confidence Telegraphs Significant Concern regarding Current and Future State of Indian Economy

Overall Consumer Sentiment Remains Unchanged in October Due to Economic, Employment, and Consumer Spending Factors; However, Improved Inflation Sentiment Reflects Recent Moderation in Commodity and Crude Prices

MUMBAI, November 10, 2008—Customized knowledge services company Boston Analytics today released the Boston Analytics Consumer Sentiment Index (BACSI) for the month of October 2008. 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 – stood at 84 for October, unchanged from the previous month’s reading.

The index is based on a monthly survey targeting a diverse set of Indian consumers. In an effort to capture the country’s heterogeneity, the BACSI’s October survey has been extended in terms of both geographic coverage and sample size with the inclusion of additional cities. The survey is now conducted across eleven cities: Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bengaluru, Nagpur, Kochi, Lucknow, Chandigarh, and Jaipur. 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, savings, and other elements.

The BACSI for the month of October stood at 84.0, unchanged from the previous month’s reading. Disaggregation of the data reveals weakness in respondents’ confidence in the general economy and in employment conditions. Sentiment related to consumer spending fell for the fourth consecutive month indicating cautious spending in reaction to global financial turmoil. Sentiment related to inflation improved in October due to moderation in commodity and crude prices in the past few weeks.

"The urban consumer in India continues to telegraph significant concern about the future of the Indian economy," said Sam Thomas, Ph.D., Boston Analytics’ director of research and development. "The primary drivers of the declining sentiment were fears of continued weakness in the state of the general economy and a marked declining trend in consumer spending plans."

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	June	July	Aug	Sept	Oct
Composite Index	100.0	102.7	93.6	95.0	94.2	96.9	93.2	89.9	84.0	84.0
Current Index	100.0	106.5	92.8	94.2	90.7	95.3	90.7	89.0	88.4	88.1
Expectations Index	100.0	99.4	98.1	95.7	95.6	100.3	97.9	93.8	83.8	83.4
Inflation Index	100.0	127.1	57.4	48.4	42.7	36.2	50.1	27.9	39.0	44.0
Employment Index	100.0	84.6	79.8	77.5	71.1	74.6	67.8	67.5	65.8	65.8
Real estate Index	100.0	110.6	94.8	96.5	97.0	98.4	98.0	96.5	98.2	96.9
Consumer Spending Index	100.0	104.5	107.6	106.8	104.6	114.8	116.4	111.3	95.9	94.2
Savings Index	100.0	110.2	133.8	88.1	80.3	71.9	114.9	79.5	114.2	156.3

Interesting Findings from the October BACSI Survey:

- Sentiment related to inflation has improved given the moderation in commodity and crude prices in past few weeks. The BACSI Inflation Sentiment Index, which began trending south in February has been upward bound since August 2008. The Index recorded an uptick in the last month of about 135 increasing from 39 in September to 44 in October 2008
- News of economic turmoil in the west is leading to employment stability concerns for the average citizen. Respondents' sentiment related to job security and ease of creating alternative means of employment has decreased over several months. The negative impact of decreasing job security and ease of creating alternative means of employment has outweighed the positive impact of an expected reduction in employment. The BACSI Employment Sentiment Index stands at 65.8 for October 2008, unchanged from the previous reading.
- The Consumer Spending Sentiment Index fell for the fourth consecutive month indicating that the consumer appears careful and watchful in spending as a reaction to recent economic events in the news. The BACSI Consumer Spending Sentiment Index which fell below the benchmark value of 100 in September fell further in October. The current index value stands at 94.2, a marginal decline of about 1.8% during the last month.

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 6,500 respondents across 11 cities—Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Chandigarh, Nagpur, Kochi, Lucknow, and Jaipur. A stratified sampling process is used with stratum 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.

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