

Media Contacts:

In India

Shirin Bagga
+91-22-25182092
sbagga@bostonanalytics.com

In the US

Jon Lavietes
(415) 572-4408
jlavietes@jwdewitt.com

Consumer Sentiment at the Lowest Level since the Inception of the Index
Economic Conditions, Employment Conditions, and Consumer Spending Drive Decline in Overall Consumer Sentiment in September

MUMBAI, October 6, 2008—today Boston Analytics, a customized knowledge services company, released the Boston Analytics Consumer Sentiment Index (BACSI) for the month of September 2008. The past month registered a 6.6% 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 which targets a diverse set of Indian consumers. In an effort to capture the country’s heterogeneity, the BACSI’s August survey has been extended in terms of both geographic coverage and sample size with the inclusion of two Tier II cities. The survey is now conducted across seven cities: Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Chandigarh, Nagpur, Kochi, 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 August stood at 84.0, down 6.6% from the previous month’s reading of 89.9. 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 consumer spending fell sharply in September signaling a low key festival holiday season ahead. The sentiment related inflation has been pessimistic since the beginning of the year but moved upward in September.

"The urban consumer in India continues to signal significant concern about the future of the Indian economy," said Sam Thomas, Ph.D., Boston Analytics’ director of research and development. "What is particularly note-worthy in the September survey is the fact that the consumer spending sentiment sub-index of the BACSI registered a significant decline, falling below 100 for the first time this year. The consumer spending sub-index had been the strongest component of the BACSI since the beginning of the year".

The BACSI consists of two sub-indices: the current situation index and the expectation index. It also consists of five derived indices which cover employment conditions, inflation, real estate, savings, and consumer spending.

BACSI and Sub-Index Values

Index	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep
BACSI	100.0	102.7	93.6	95.0	94.2	96.9	93.2	89.9	84.0
Current Situation Index	100.0	106.5	92.1	94.2	90.7	95.3	90.7	89.0	88.4
Expectations Index	100.0	99.4	98.1	95.7	95.6	100.3	97.9	93.8	83.8
Derived Sentiment Indices									
Inflation Sentiment Index	100.0	127.1	57.4	48.4	42.7	36.2	50.1	27.9	39.0
Employment Sentiment Index	100.0	84.6	79.8	77.5	71.1	74.6	67.8	67.5	65.8
Real Estate Sentiment Index	100.0	110.6	94.8	96.5	97	98.4	98.0	96.5	98.2
Consumer Spending Sentiment Index	100.0	104.5	107.6	106.8	104.6	114.8	116.4	111.3	95.9
Saving Sentiment Index	100.0	110.2	133.8	88.1	80.3	71.9	114.9	79.5	114.2

Interesting Findings from the September BACSI Survey:

- For the first time since March, the BACSI Future Expectations Index fell below the BACSI Current Situations Index. The BACSI Current Situation Sentiment Index stands at 88.4 for the month of September 2008, a decline of 0.7% from the previous month's level. The BACSI Future Expectations Index declined by 10.7% from 93.8 in August 2008 to 83.8 in September 2008.
- Sentiment related to inflation remains pessimistic but has improved in the last month. The BACSI Inflation Sentiment Index increased by about 40% from 27.9 in August to 39 in September.
- There are signals of India facing the heat of the US recession, particularly following recent layoffs in the IT and financial services sector. The Employment Sentiment Index declined further in September, echoing the overall downbeat sentiment about future economic conditions. The BACSI Employment Sentiment Index stands at 65.8 for the month of September 2008, a slight decrease of 2.5% from the previous month's level.
- In September, the BACSI Consumer Spending Sentiment Index fell below the benchmark value of 100 since the inception of the index, signaling a low-key festive season ahead. The index value stands at 95.9, a decline of about 13.8% 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. It provides 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 5,350 respondents across seven cities—Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Chandigarh, Nagpur, Kochi, 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 the most current, accurate, and actionable research and analysis to its corporate, consulting, and financial clients 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