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Boston Analytics Launches the India Consumer Sentiment Index

Monthly updated Consumer Sentiment Index for India designed to be the most insightful barometer of the macro economy and household financial conditions for India

MUMBAI, May 27, 2008—Customized knowledge services company Boston Analytics today announced the launch of the Boston Analytics Consumer Sentiment Index (BACSI) for India. The BACSI is a new monthly barometer of Indian consumers' changing opinion (on the current state) and expectations (in the future) towards the macro economy, household financial conditions and consumption.

"India Inc." has attracted tremendous attention in the recent past, and is likely to remain on a high growth trajectory in the future. In this context, there is need for comprehensive periodic assessment of consumer sentiment as a leading indicator of economic conditions to guide policymakers and businesses. The Boston Analytics Consumer Sentiment Index for India fills this void providing investors around the globe with a critical gauge of the country's economy that has heretofore been unavailable. The BACSI is designed to be the most frequently released consumer sentiment index by an independent third party research operation in India.

"Launching the index represents an important milestone for economists around the world. With more data being analyzed at a faster rate than any index of its kind in India, BACSI is the most comprehensive gauge of consumer sentiment in India available to the public," said Rashid Bilimoria, CEO and co-founder, Boston Analytics.

The index 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 U.S. 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 and requirements by a team led by Sam Thomas Ph.D., director of research and development, Boston Analytics.

The index is based on a monthly survey conducted across four metros – Delhi, Mumbai, Kolkata and Chennai – targeting a diverse set of demographics representative of a consuming class. It addresses macro-level variables reflecting the nation's economic conditions, including indicators such as employment, inflation, interest rates, real estate and stock market performance. 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 is comprised of two sub-indices—the current situation index and the expectation index—and five derived indices covering employment conditions, inflation, real estate, investment and consumer spending.

Consumer Sentiment in May

The BACSI for the month of May stood at 94.2, dropping by 0.8 percent from April's level. The fall in the BACSI reflects an inclination to save more and spend less and is attributable primarily to increasing inflationary concerns. The persistent decline in the BACSI portends a decrease in aggregate demand on the part of the consumers and a possible slowdown in the overall economy.

BACSI and Sub-Index Values

Index	Jan	Feb	Mar	Apr	May
BACSI	100	102.7	93.6	95.0	94.2
Current Situation Index	100	106.5	92.1	94.2	90.7
Expectations Index	100	99.4	98.1	95.7	95.6
Derived Sentiment Indices					
Inflation Sentiment Index	100	127.1	57.4	48.4	42.7
Employment Index	100	84.6	79.8	77.5	71.1
Real Estate Index	100	110.6	94.8	96.5	97
Consumer Spending Index	100	104.5	107.6	106.8	104.6
Investment Index	100	110.2	133.8	88.1	80.3

Some interesting findings from the survey:

1. The BACSI Inflation Sentiment Index recorded a steep fall in the past few months. On a month on month basis it fell by more than 10% between April and May, 2008. The falling BACSI Inflation Sentiment Index is pulling down the BACSI Composite index, underlying the importance of inflationary fears.
2. The BACSI Real Estate Sentiment Index appears to follow the BACSI Composite closely. The trend has been observed since the inception of BACSI in January. Survey respondents seem to be using home ownership as an anchoring variable.
3. On a month on month basis, between April and May, there has been a dip of 10% of respondents who believe that job security will strengthen in coming 12 months. Also, there has been a decline of about 12% in number of respondents who are expecting confidence levels to rise in securing new sources of employment in case of a job loss or shutdown in business. The combined effect of a sense of low job security, dampening confidence in creating alternative means of employment, and a dip in optimism about Employment rate has led to a fall in the BACSI Employment Sentiment Index.

About BACSI

The index is derived from a monthly survey of 3,000 respondents across four major Indian metropolitan areas — Delhi, Mumbai, Kolkata, and Chennai. A stratified sampling process was adopted for this with the stratas based on the socio-economic conditions of the respondents in order to ensure a proper representation of the population. All data is collected via face-to-face interviews. The index value in January 2008 is set to 100 to serve as the starting benchmark value of the time series

The BACSI is computed from 25 questions covering various variables affecting a consumer's consumption sentiment. Diffusion values (representing the positive bias in responses) are computed for each question. The Grand index then is computed from the ratio between weighted diffusion value sums of the current and base surveys. The weights are based on the importance of each variable to 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 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 their 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.

More information can be found at www.bostonanalytics.com

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