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Indian consumers in Tier III cities are more optimistic regarding their future consumption plans than those in Tier I and Tier II cities, as evidenced by Boston Analytics' Consumer Confidence data for the month of March 2009

May 6, 2009: Consumer confidence has suffered significantly over the past 12 months in India. Data suggests however that the Government's efforts to ease the money supply and reduce interest rates may be beginning to make an impact in a few cities. In particular, respondents in Tier III cities seem to have reacted positively to lower interest rates by showing a slight drop in their pessimistic attitudes towards spending on big ticket items, such as, durables, vehicles, and houses.

Indeed, it is the optimism of consumers in Tier III cities that is driving an improvement in sentiment related to big-ticket purchases nationwide in March compared to February.

According to the results of the Boston Analytics' March survey on consumer spending sentiment:

Durables/white goods: Nationwide approximately 30% of surveyed respondents reported plans to buy durables/white goods compared to 28% of respondents in February.

Automobiles: Similarly, nationwide optimism regarding plans to buy a vehicle in the near future has increased in the last three months after a continuous fall since July 2008.

In the March survey, close to 23% of respondents said they were likely to buy a vehicle in the next six months compared to 20% expressing similar plans in the February. The news of lower interest rates and the launch of the world's cheapest car (TATA Nano) may be contributing to this difference.

Home purchase: Boston Analytics' March survey also reveals a revival of optimism related to home purchases after almost six months. In March, approximately 17% of surveyed respondents reported that they are likely to buy a house in the next 12 months compared to 15% of respondents with similar purchase plans in the February.

Consumer confidence data is derived from a monthly survey targeting 10,000 respondents across 15 cities across fifteen Indian cities: Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad, Chandigarh, Nagpur, Kochi, Jaipur, Lucknow, Bhubaneswar, Patna, and Vishakhapatnam. A stratified sampling process was adopted for this survey, with the strata 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.