



CONSUMER CONFIDENCE INDEX

REPORT HIGHLIGHTS

August 2008

(Sample copy-For reference purposes only)

The CNBC-TV18-Boston Analytics Consumer Confidence Index (CCI)

Consumer Confidence as an Economic Indicator

Consumer confidence as an economic indicator of household consumption expenditure is a key driver of economic growth. Consumers tend to increase consumption when they feel confident about the current and future economic situation of the country and their own financial situation. Therefore Consumer Confidence Indices have proven to be reliable indicators of the current and future economic health of market economies.

In order to assess consumer confidence and evaluate how it changes over time, it is important to translate respondent perceptions into a numeric index that can be consistently calculated and compared over time. The usefulness of quantifying consumer confidence is evident in academic economic literature on business cycles. The widespread use of two such monthly indices in the United States, the University of Michigan's Consumer Confidence Index and the Conference Board's Consumer Confidence Index, has established the credibility and usefulness of consumer confidence as a key leading economic indicator.

Objective of CNBC-TV18-Boston Analytics CCI

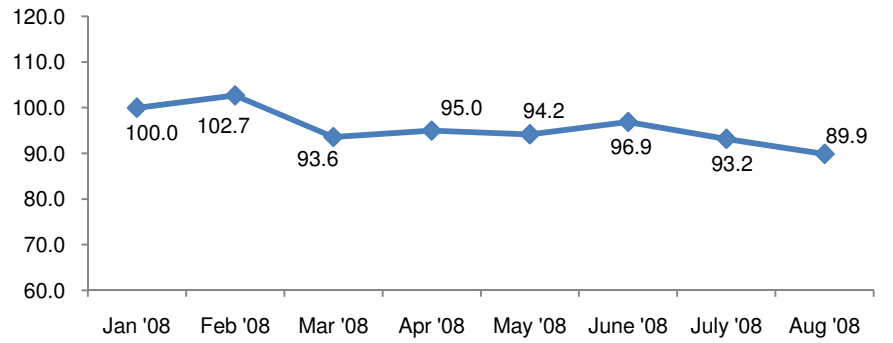
The burgeoning Indian economy has created strong growth opportunities for domestic and international businesses and investors. In order to make effective decisions pertaining to future economic conditions, policymakers, businesses, and investors need an accurate and reliable assessment of consumer confidence.

The CCI is designed to track the level of consumer confidence over time. Inspired by consumer confidence indices in the developed and emerging world—including the University of Michigan's Consumer Confidence Survey and the Conference Board's Consumer Confidence Survey—the CCI has been carefully designed to reflect the conditions and priorities of the Indian economy by a team led by Dr. Sam Thomas, Ph.D., Director of Research and Development for Boston Analytics and Professor of Banking and Finance at the Weatherhead School of Management of Case Western Reserve University in Cleveland, Ohio. The monthly CCI is on its way to become the most frequently published consumer confidence index by an independent research organization in India.

Consumer Confidence drops further in August 2008

Exhibit 1 below depicts the CCI Composite for India between January and August 2008

Exhibit 1: Performance of the CCI Composite for India: January 2008–August 2008



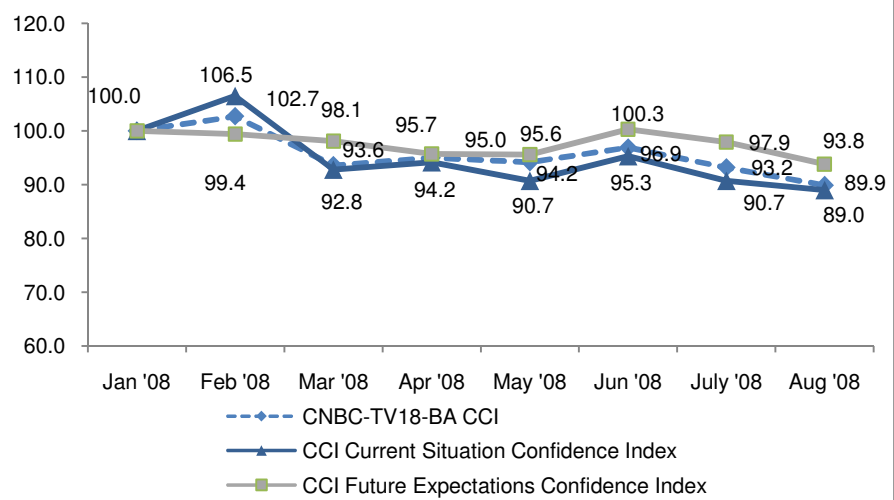
Source: Boston Analytics

The CCI for August stood at 89.9, a decline of 3.5% from July's level of 93.2.

Disaggregation of the data reveals that the primary drivers of the decline in consumer confidence were—decrease in respondents' confidence in the economy and in the employment conditions. Confidence related to inflation has remained pessimistic since the beginning of the year, but fell sharply in August. Despite observed and expected increase in household income, the CCI Consumer Spending Confidence Index recorded a marginal decline in August.

Exhibit 2 below depicts the two sub-indices of the overall CCI Composite—the CCI Current Situation Confidence Index and the CCI Future Expectations Confidence Index, graphed against the movement of the overall CCI Composite Index.

Exhibit 2: Performance of the CCI Composite, the CCI Current Situation Confidence Index, and the CCI Future Expectations Confidence Index: January 2008–August 2008



Source: Boston Analytics

The CCI Current Situation Confidence Index stood at 89 for August, a decline of 1.9% from the previous month's level. The CCI Future Expectations Confidence Index declined by 4.2% from 97.9 in July to 93.8 in August.

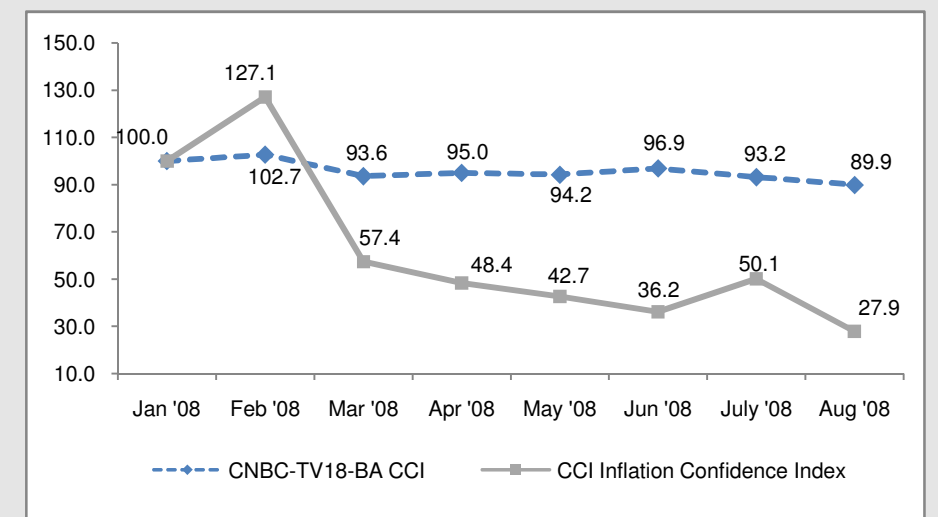
The decline in the CCI Current Situation Confidence Index and the CCI Future Expectations Confidence Index may be attributed to concern about rising inflationary pressure. Confidence regarding the present state of the economy has also decreased compared to the previous month. Concerns about increasing unemployment and rising interest rates were additional drivers.

Inflationary fears appear to be the major driver of the pullback in consumer confidence

While consumer confidence related to inflation improved in July, there was a significant drop in August.

Exhibit 3 below depicts the performance of the CCI Composite and the CCI Inflation Confidence Index between January and August 2008.

Exhibit 3: Performance of the CCI Composite and the CCI Inflation Confidence Index: January 2008–August 2008



Source: Boston Analytics

The CCI Inflation Confidence Index increased by approximately 38% between June and July (when the government announced aggressive inflation fighting measures), recorded a steep fall in August. The Index is based on the respondent's observed and expected change in prices of goods and services, in general, and interest rates in the country. A lower Index value indicates higher price levels. The Index declined by approximately 44% from 50.1 in July to 27.9 in August. Consumer confidence in the government's inflation fighting measures appears to have weakened significantly in the wake of further spikes in the Wholesale Price Index (WPI).

Survey respondents were asked to express their confidence about the current state of inflation along with their expectations regarding inflation after one year. Nearly 88% respondents observed an increase in current price levels compared to 84% in July. Regarding the future state of inflation, approximately 88% respondents expected an increase in prices in the next 12 months compared to 79% in July.

As a step towards the computation of the CCI Inflation Confidence Index, respondents were also asked to express their confidence about the current and expected interest rates. Approximately 83% respondents observed an increase in interest rates compared to 73% in July. Furthermore, August survey revealed that 84% respondents expect the interest rates to increase in the next 12 months compared to 68% in July.

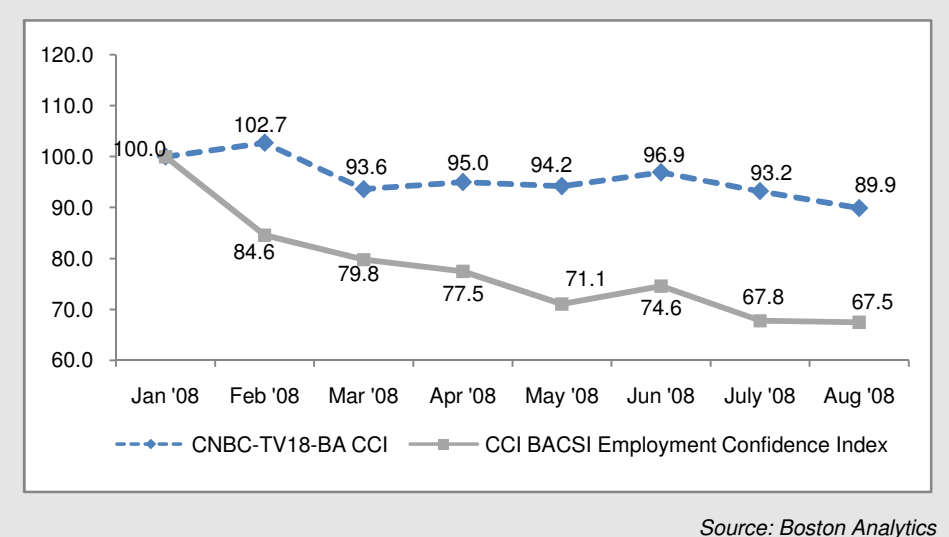
We noticed interesting differences across cities within the aggregate CCI Inflation Confidence Index. For example, respondents in Chennai were far more pessimistic about inflation than respondents in Hyderabad. For a detailed discussion on other city-wise differences please refer to the full-length CCI report for August 2008.

The CCI Employment Confidence Index at the lowest level since inception

Confidence pertaining to employment continues the persistent dismal decline which began at the beginning of the year.

Exhibit 4 below depicts the performance of the CCI Composite and the CCI Employment Confidence Index between January and August 2008

Exhibit 4: Performance of the CCI Composite and the CCI Employment Confidence Index: January 2008–August 2008



The CCI Employment Confidence Index stood at 67.5 for August, a slight decrease of 0.4% from the previous month's level.

In the August survey, approximately 62% respondents expect unemployment to increase in the next 12 months compared to 49% in July. Furthermore, 55% respondents are confident about creating alternative means of employment if they lose their current job or business compared to 56% in the July survey. The positive impact of increasing job security counteracts the negative impact of observed and expected increase in unemployment and decreasing confidence in creating alternative means of employment.

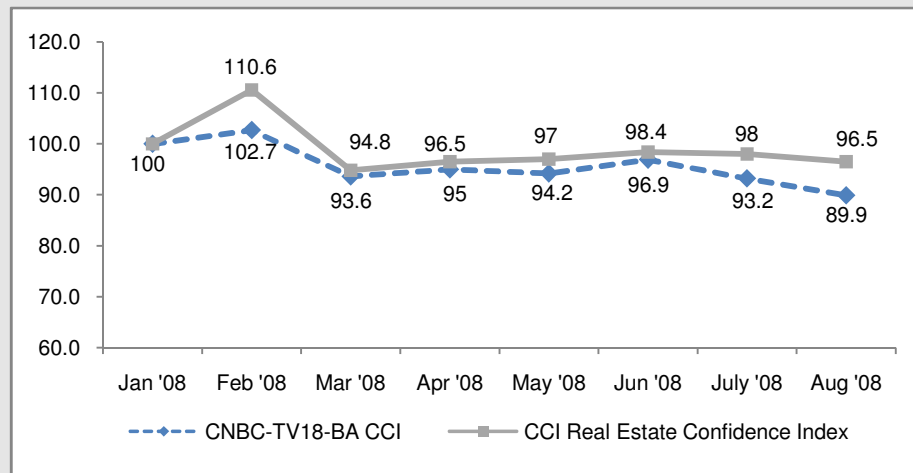
The survey results also indicate that opinions among Chennai respondents were significantly different compared to other metros. Detailed coverage of this can be found in the full-length CCI report for August 2008.

The CCI Real Estate Confidence Index has declined

The negative impact of increasing real estate prices has outweighed the positive impact of increasing construction activity and therefore leading to a marginal decline in the CCI Real Estate Confidence Index in August 2008.

Exhibit 5 below depicts the performance of the CCI Composite and the CCI Real Estate Confidence Index between January and August 2008

Exhibit 5: Performance of the CCI Composite and the CCI Real Estate Confidence Index: January 2008–August 2008



Source: Boston Analytics

The Index which had been steadily recovering since March 2008 recorded a marginal decline between July and August. The CCI Real Estate Confidence Index for August 2008 stood at 96.5, a decline of 1.5% from July's level of 98. The Index captures the confidence level of respondents toward current and expected change in the real estate activity based on change in real estate prices and construction activity.

Survey respondents were asked to express their observation and expectation about the current and future state of real estate price and construction activity levels. Nearly 88% respondents observed an increase in current real estate price levels compared to 82% in July. Regarding the future state of real estate prices, the August survey showed approximately 89% respondents expect an increase in prices in the next 12 months compared to 83% in July.

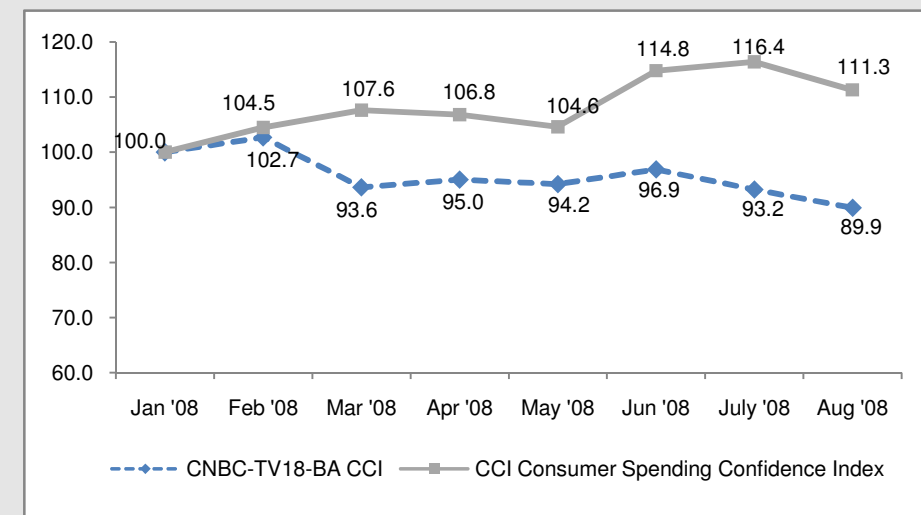
Approximately 82% respondents observed an increase in construction activity compared to 90% in July. Furthermore, the August survey reported that 81% of the respondents are expecting construction activity level to increase in the next 12 months compared to 85% in the July survey.

There exist interesting city-wise differences underlying the aggregate CCI Real Estate Confidence Index. For a detailed discussion on these differences please refer to the full-length CCI report for August 2008.

The CCI Consumer Spending Confidence Index drops in August

Exhibit 6 below tracks the movement of the CCI Consumer Spending Confidence Index against the movement of the CCI Composite Index between January and August 2008

Exhibit 6: Performance of the CCI Composite and the CCI Consumer Spending Confidence Index: January 2008–August 2008



Source: Boston Analytics

The CCI Consumer Spending Confidence Index which was upward bound since May 2008 recorded a marginal decline during the last month. The Index value stands at 111.3, a decline of approximately 4.4% over the July level. The Index is based on the respondent's expected expenditure on consumer durables, automobiles, and homes; and observed and expected expenditure on basic necessities.

Disaggregation of the CCI Consumer Spending Confidence Index reveals that there is a general perception that expenditure on basic necessities has risen considerably. This might be due to the inflationary impact on the basket of goods while assuming no major change in consumption behavior. Furthermore, the Indian consumer seems reluctant to spend on durables and automobiles.

At a nationwide level, almost 83% respondents observed an increase in expenditure on basic necessities compared to 77% in July. Furthermore, approximately 85% respondents expect expenditure on basic necessities to increase in the near future compared to 73% in July.

Furthermore, 36% respondents in August are planning to buy consumer durables in the next 6 months compared to 47% in July.

There exist interesting city-wise differences underlying the aggregate CCI Consumer Spending Confidence Index. Despite inflationary pressure, consumer spending remains strong in Delhi, Mumbai, Chennai, and Hyderabad, while respondents in Kolkata, Chandigarh, and Nagpur have not reported ambitious shopping plans. For a detailed discussion on these differences please refer to the full-length CCI report for August 2008.

CCI Methodology

The CCI Questionnaire is administered monthly to a sample of 8,300 respondents across 15 Indian cities—Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad, Chandigarh, Nagpur, Kochi, Jaipur, Lucknow, Bhubaneswar, Patna, and Vizag. All data are collected via face-to-face interviews. The sample is stratified based on the socio-economic characteristics of the Indian population in order to ensure sufficient sample sizes for sub-groups of interest.

The CCI is computed from responses to 25 questions covering various variables known to affect consumer confidence. As a first step towards computing the Index, diffusion values (representing the positive bias in responses) are computed for each question. Secondly, each diffusion value is weighted based on the importance of this variable in driving overall perception of economic conditions. Finally, the grand Index is computed as the ratio of the weighted sum of the diffusion values of the current survey and the base survey.

Sample Distribution

Gender: The survey comprised 66% males and 34% females.

Age: In the survey, 16% respondents were in the age group of 18 years to less than 25 years; 26% in 25 years to less than 35 years; 26% in 35 years to less than 45 years; 19% in 45 years to less than 55 years; and 13% in 55 years and above.

Annual Household Income: Of the total respondents, 12% had an annual household income of less than Rs 2.5 Lakhs; 23% were recorded between Rs 2.5 to 5 Lakhs; and 31% comprised the Rs 5 Lakhs to 10 Lakhs category. The higher brackets of Rs 10 to 20 Lakhs and more than Rs 20 Lakhs were represented by 26% and 8% of the respondents, respectively.

Monthly CCI Reports and Executive Summaries

Monthly CCI reports—Executive Summary and Full Report and the Data Sets—Nationwide Aggregate and City-wise Disaggregate Data are available for purchase from Boston Analytics at www.bostonanalytics.com/India_Watch/India_Watch.html. In addition, customized disaggregated reports can be produced by Boston Analytics to meet clients' specialized requirements.

To learn more, or to purchase a complete single report or annual subscription, visit www.bostonanalytics.com, e-mail IndiaWatch@bostonanalytics.com, or contact

In India:

Shirin Bagga
Boston Analytics
3rd Floor, Plant # 19A
Godrej & Boyce Complex
LBS Marg, Vikhroli (W)
Mumbai 400 079, India
+91.22.25182092

In the US

Ted Thorbjornsen
Boston Analytics
175 Federal Street
14th Floor
Boston, MA 02110
+1.617.457.7888 ext. 302

Core Team:

Dr. Sam Thomas Ph.D., Ted Thorbjornsen, Kimberlee Luce, Mireille Leger, Shirin Bagga, Debopam Chaudhuri, Shyam Sundar Kundu , Abhishek Tupe.