

## Press Release

Embargoed until: 00:01 (UTC), 6<sup>th</sup> March 2013

**Note:** The HSBC Emerging Markets Index, a weighted composite indicator derived from national HSBC Purchasing Managers' Index™ (PMI™) reports in 16 emerging economies, is now being published on a monthly basis rather than quarterly.

# HSBC Emerging Markets Index

## Broad-based slowdown in emerging markets growth in February

### Key points

- **HSBC Emerging Markets Index: 52.3** (prior 53.8)
- Weaker increases in output across China, India and Brazil
- Future output expectations improve

The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the *PMI™* surveys, fell from 53.8 in January to 52.3 in February. That was the lowest figure since August 2012 and indicated a moderation in economic growth in global emerging markets.

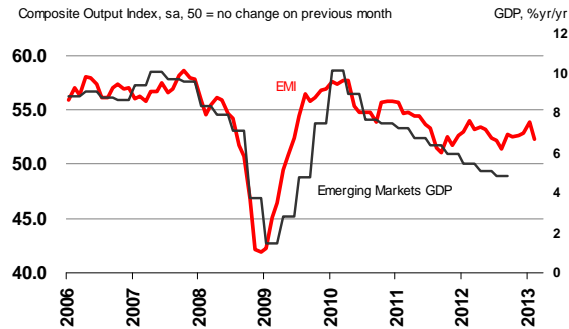
Data broken down by broad sector showed that the slowdown in the pace of expansion was broad-based across **service providers** and **manufacturers**. Goods production rose at the slowest rate since November, while services activity growth eased to a six-month low.

Among the largest economies covered, growth rates slowed in **China, India** and **Brazil** in February. Moreover, softer increases in output were evident in both the manufacturing and services sectors of these countries (except for India, where goods production growth accelerated).

**New business** growth in emerging markets slowed to a six-month low in February, and was also weaker than the trend shown over the course of 2012. All four BRIC economies registered slower increases in new business since January. Meanwhile, **employment** rose at the weakest rate in three months.

The rate of **input price inflation** in emerging markets accelerated to a ten-month high in February, with broadly similar increases seen in manufacturing and services. Meanwhile, **prices charged** for goods and services rose for the sixth successive month, albeit at a modest rate.

### HSBC Emerging Markets Index



### Data summary

Country/region	Coverage	Index	Feb-13	Jan-13	Feb-12
Emerging Markets	Composite*	Output	52.3	53.8	54.0
	Composite*	New Orders	▼	▲	▲
	Composite*	Backlogs	▼	▲	▲
	Composite*	Employment	▼	▼	▲
	Composite*	Input Prices	▲	▲	▲
	Composite*	Output Prices	▲	▶	▲
	Composite*	Future Output	▲	▲	n/a
Emerging Markets	Services	Activity	▼	▲	▲
Emerging Markets	Manufacturing	Output	▼	▲	▲
China	Composite*	Output	51.4	53.5	51.8
India	Composite*	Output	54.8	56.3	57.8
Brazil	Composite*	Output	52.9	54.9	55.5
Russia	Composite*	Output	54.9	54.8	53.7

▲ Above 50, rising  
▼ Above 50, falling  
▶ Above 50, unchanged  
▲ Below 50, rising  
▼ Below 50, falling  
▶ Below 50, unchanged

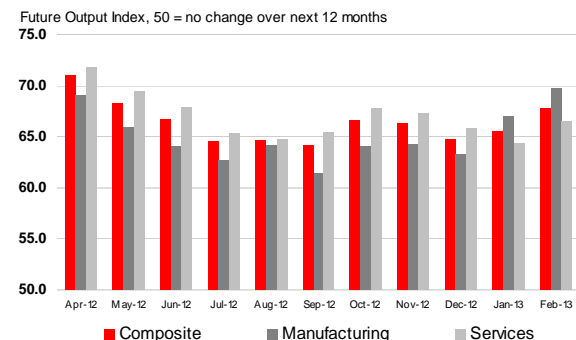
\*Manufacturing & Services

### Business expectations

The **HSBC Emerging Markets Future Output Index** is a new series tracking firms' expectations for activity in 12 months' time. The Index rose for the second month running in February, to its highest since May 2012. This was largely driven by improving sentiment in the manufacturing sector, where the Future Output Index was the highest in 11 months of data collection to date. Business expectations at service providers were the strongest in three months.

See page 3 for national analysis of business expectations

### Emerging Markets Future Output Index



## Comment

### Murat Ulgen

HSBC Chief Economist, Central and Eastern Europe and Sub-Saharan Africa:

"Emerging Market economies continued to expand in February but the pace of growth lost steam. The slowdown appears to be broad-based across manufacturing and services, with BRIC activity moderating after a promising start to the new year. The February EMI report suggests the softening in new orders was felt across the BRIC economies, particularly for new export orders in the manufacturing industry. The improvement in employment conditions was weak and marginally slower than the previous two months. The fall in the index shows that for now growth is still the big issue for emerging markets and that for many economies, inflation is set to remain a secondary issue.

"We see two scenarios here. Either the emerging markets will wobble along, buffeted by worries in the developed world, be it US fiscal issues, lingering structural and political challenges in the Eurozone, or the continued deluge of capital inflows, set to be boosted further thanks to Japanese monetary stimulus. In that scenario, external headwinds may restrain the mighty EM growth engine. Alternatively, the current slowdown will prove temporary as the inventory cycle works its way through and improved underlying fundamentals bring back the days of strong growth.

"For now, we lean towards the second scenario. In fact, expectations of 'future output' by EM businesses, specifically by manufacturers, improved sharply in February as a sign of strong sentiment. Our hopes are mainly pinned on China, Asia and commodity producers in the Middle East, as LatAm and CEEMEA are yet to show more convincing strength."

### Pablo Goldberg

Global Head of Emerging Markets Research

"A pickup in external headwinds suggests concerns might move from inflation to growth. The emerging world needs China to keep a strong pace of expansion."

## Regional tweets

[www.twitter.com/HSBC\\_EMI\\_PMI](http://www.twitter.com/HSBC_EMI_PMI)

### Murat Ulgen

HSBC Chief Economist, CEE & Sub-Saharan Africa

"Benign inflation offers room for stimulus in CEE and Germany's resilience could help though only Russia and Turkey are doing well."

### Simon Williams

HSBC Chief Economist, MENA

"Middle East oil producers are powering on, but Egypt's pain continues with high inflation now compounding the problem of weak growth."

### Frederic Neumann

Co-Head of Asian Economic Research

"Softer Asian growth likely temporary. China's New Year weighed on activity, but new order to inventory ratio suggests output to hold up in coming months."

### Andre Loes

HSBC Chief Economist, LATAM

"Expanding, but weaker than previous month. Mexico feeling the US moderation, while Brazil converges to a mild growth speed."

## Detailed data summary: Output Index

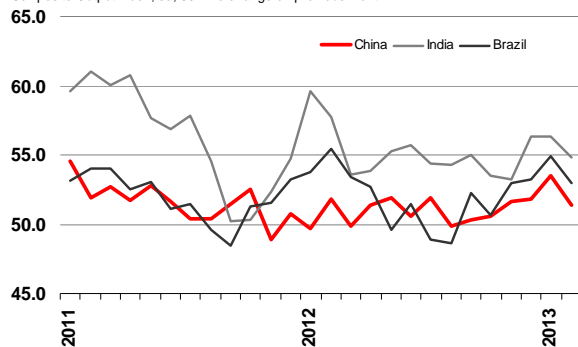
Country / region	Coverage	Nov-12	Dec-12	Jan-13	Feb-13
<b>Emerging Markets</b>	<b>Composite</b>	▲	▲	▲	▼
Brazil	Composite	▲	▲	▲	▼
China	Composite	▲	▲	▲	▼
India	Composite	▼	▲	▶	▼
Russia	Composite	▼	▼	▲	▲
<b>Emerging Markets</b>	<b>Services</b>	▼	▲	▲	▼
Brazil	Services	▲	▲	▲	▼
China	Services	▼	▼	▲	▼
India	Services	▼	▲	▲	▼
Russia	Services	▼	▼	▼	▲
<b>Emerging Markets</b>	<b>Manufacturing</b>	▲	▲	▲	▼
Brazil	Manufacturing	▲	▼	▲	▼
China	Manufacturing	▲	▲	▲	▼
Czech Republic	Manufacturing	▲	▼	▲	▲
Indonesia	Manufacturing	▼	▲	▼	▲
India	Manufacturing	▲	▲	▼	▲
South Korea	Manufacturing	▲	▲	▼	▲
Mexico	Manufacturing	▲	▲	▲	▼
Poland	Manufacturing	▲	▲	▲	▼
Russia	Manufacturing	▼	▼	▲	▼
Turkey	Manufacturing	▼	▲	▲	▼
Taiwan	Manufacturing	▼	▲	▲	▼
Vietnam	Manufacturing	▲	▼	▲	▼
Egypt	Private sector*	▲	▼	▲	▲
Hong Kong	Private sector	▲	▲	▲	▼
Saudi Arabia	Private sector*	▼	▲	▼	▲
United Arab Emirates	Private sector*	▼	▲	▼	▲

▲ Above 50, rising  
▼ Above 50, falling  
▶ Above 50, unchanged  
▲ 50, rising  
▲ Below 50, rising  
▼ Below 50, falling  
▶ Below 50, unchanged  
\*Non-oil

## Monthly focus point:

### Growth slows in China, India and Brazil

Composite Output Index, sa, 50 = no change on previous month



## Manufacturing

The rate of expansion in **China's** manufacturing sector eased in February. New orders rose for the fifth successive month, but at a modest pace. New export orders also increased at a fractional rate.

**Brazilian** manufacturing output increased for the sixth successive month, as companies stepped up production in response to rising levels of new work. Manufacturers generally cited improved domestic conditions as the main spur to growth, although some firms also benefited from a modest increase in new export orders.

The expansion of **Mexico's** manufacturing sector continued in February. However, the rate of growth was the slowest for over a year as both output and new orders increased at weaker rates. Manufacturers meanwhile took a cautious approach to hiring. The rate of input cost inflation was the fastest since last June.

Reflective of higher levels of total new business, production in the **Indian** manufacturing sector rose during February. The pace of growth was solid, and faster than that seen in January. Purchasing activity expanded at the quickest rate in nine months.

Output in the **South Korean** manufacturing sector fell slightly during February. Companies continued to report challenging economic conditions, although new orders increased and firms raised purchasing at the fastest rate in ten months, suggesting higher output in the coming months. Meanwhile in **Taiwan**, output growth nearly stagnated as new orders rose only slightly.

In South East Asia, goods production in **Vietnam** fell for the first time in four months, while a flat trend was registered in **Indonesia**. Moreover, new export orders declined in both countries.

Growth momentum in the **Russian** manufacturing sector was broadly maintained in February. Domestic markets drove new business growth as new export orders stagnated, continuing the flat underlying trend shown since the second half of 2012.

**Poland's** manufacturing economy remained in contraction in February as both output and new business continued to fall. Factory gate prices declined at the fastest rate since July 2009 as companies attempted to stimulate demand. Meanwhile in the **Czech Republic**, business conditions showed signs of recovery as new orders increased for the first time since March 2012.

February data signalled a further rise in output and new orders at **Turkish** manufacturing companies, while payroll numbers increased further. Moreover, firms raised their prices at the fastest rate since October 2011.

In the Middle East, manufacturing data derived from PMI non-oil economy surveys in **Saudi Arabia** and the **United Arab Emirates** indicated sustained output growth in both countries in February. That said, new business expansion weakened to the slowest in seven and 14 months respectively. Meanwhile in **Egypt** production fell for the fourth month running, albeit at the slowest rate since November.

## Business expectations

Country/region	Coverage	Index	Feb-13	Jan-13
Emerging Markets	Composite*	Future Output	▲	▲
Emerging Markets	Services	Future Activity	▲	▼
Emerging Markets	Manufacturing	Future Output	▲	▲
China	Composite*	Future Output	▲	▲
India	Composite*	Future Output	▶	▼
Brazil	Composite*	Future Output	▲	▼
Russia	Composite*	Future Output	▼	▲

▲ Above 50, rising      ▲ Below 50, rising  
▼ Above 50, falling      ▼ Below 50, falling  
▶ Above 50, unchanged      ▶ Below 50, unchanged

\*Manufacturing & Services

**Brazil's** combined manufacturing and services economy registered the strongest degree of positive sentiment in four months in February and the highest among the BRICs, in contrast to January when sentiment had weakened.

**Chinese** business expectations brightened again in February, with the strongest degree of positive sentiment since April 2012, the first month of data collection for the combined manufacturing and services future output series.

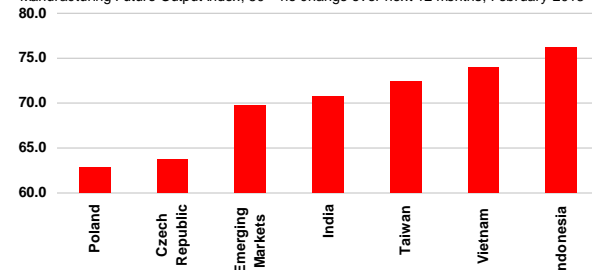
In contrast, the 12-month output outlook moderated in **Russia** to the weakest in six months, while the strength of business expectations was unchanged since January in **India**.

In the Middle East, non-oil private sector business expectations were strongly positive in **Saudi Arabia** and the **United Arab Emirates**. Private sector companies in **Egypt** also forecast output growth over the next 12 months.

**Manufacturing** output expectations for the next 12 months improved in January in the majority of economies surveyed. **Mexico, Indonesia** and **Vietnam** held the strongest overall expectations among the economies covered by manufacturing PMI surveys. The weakest outlooks were registered in **Poland** and the **Czech Republic**.

### Manufacturers in Asia more upbeat than competitors in Central Europe

Manufacturing Future Output Index, 50 = no change over next 12 months, February 2013



### Further analysis

For more PMI survey findings, please visit

<http://www.hsbc.com/hsbc-com/news-and-insight/emerging-markets>

## For further information, please contact:

### Pablo Goldberg

Global Head, EM Research  
Tel + 1 212 525 8729  
pablo.a.goldberg@us.hsbc.com

### Lisa Baitup

HSBC Media Relations  
Tel + 44 20 79910624  
lisa.baitup@hsbcib.com

### Murat Ulgen

Chief Economist, Central & Eastern Europe & Sub-Saharan Africa  
Tel +44 20 7991 6782  
muratulgen@hsbc.com

### Simon Williams

Chief Economist, MENA  
Tel +971 4 423 6925  
simon.williams@hsbc.com

### Frederic Neumann

Co-Head of Asian Economic Research  
Tel +852 2822 4556  
fredericneumann@hsbc.com.hk

### Andre Loes

Chief Economist, LATAM  
Tel +55 11 3371 8184  
andre.a.loes@hsbc.com.br

## Notes to Editors:

The HSBC Emerging Markets Index (EMI) is a weighted composite indicator derived from national *Purchasing Managers' Index™* (PMI™) surveys in the following economies:

- China
- South Korea
- Taiwan
- Hong Kong
- Vietnam
- Indonesia
- India
- Brazil
- Mexico
- Turkey
- United Arab Emirates
- Saudi Arabia
- Egypt
- Russia
- Poland
- Czech Republic

The *Purchasing Managers' Index™* (PMI™) surveys on which the EMI is based have become the most closely-watched business surveys in the world, with an unmatched reputation for accurately anticipating official data. The survey data are collected using identical methods in all countries, with survey panels stratified geographically and by International Standard Industrial Classification (ISIC) group, based on contributions to GDP.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators, a 'diffusion' index is produced, which reflects the percentage of positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. All data are seasonally adjusted.

Data collected at the national level for manufacturing and services are then weighted together according to relative contributions to national or regional GDP to produce indicators at the national whole economy or aggregate emerging market level.

## HSBC Holdings plc:

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 58 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 81 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 220,000 shareholders in 129 countries and territories.

## Markit:

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see [www.markit.com](http://www.markit.com).

## Markit Economics:

Markit Economics is a specialist compiler of business surveys and economic indices, including the *Purchasing Managers' Index™* (PMI™) series, which is now available for over 30 countries and also for key regions including the Eurozone. The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

Chris Williamson, Chief Economist  
Telephone + 44 20 7260 2329  
E-mail [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44 20 7260 2047  
E-mail [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

The intellectual property rights to the HSBC Emerging Markets Index provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.