

## Press Release

Embargoed until: 00:01 (UK Time), 8<sup>th</sup> May 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

## Emerging market growth slows in April

### Key points

- **HSBC Emerging Markets Index: 51.3** (prior 52.5)
- Chinese growth slows to six-month low
- Future output expectations across emerging markets weakened to seven-month low

The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the *PMI™* surveys, fell to 51.3 in April, from March's 52.5. That signalled a slowdown in economic growth in global emerging markets, to the weakest for over a year-and-a-half.

Data broken down by broad sector showed similarly weak growth rates for **manufacturing** output and **services** activity.

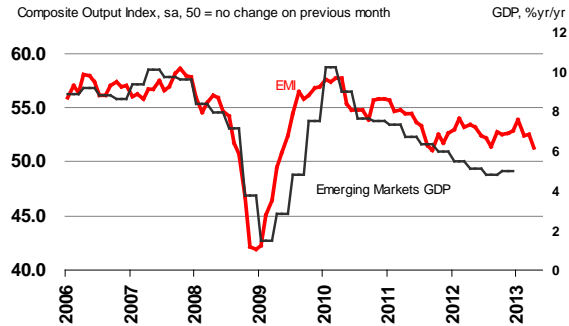
Three of the four BRIC nations registered slower output growth in April, most notably in **China**. The exception was **Brazil**, although its rate of expansion remained modest overall. Elsewhere, manufacturing output growth slowed in the majority of economies covered.

**New business** growth slowed to the weakest since last August. Notably, the rate of expansion in the service sector slowed to the weakest since May 2009, the start of the current growth sequence.

**Employment** barely rose in April, with the rate of growth the joint-weakest in the post-crisis period. Meanwhile, the volume of **outstanding business** declined for the twelfth month in a row.

**Cost pressures** were at their weakest in nearly four years of rising input prices. Manufacturers' input prices declined for the first time since September. Meanwhile, **prices charged** for goods and services declined marginally, following a seven-month sequence of inflation.

### HSBC Emerging Markets Index



### Data summary

Country/region	Coverage	Index	Apr-13	Mar-13	Apr-12
Emerging Markets	Composite*	Output	51.3	52.5	53.4
	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	51.1	53.5	51.4
India	Composite*	Output	50.5	51.4	53.8
Brazil	Composite*	Output	51.5	51.0	52.7
Russia	Composite*	Output	52.4	53.4	53.4

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

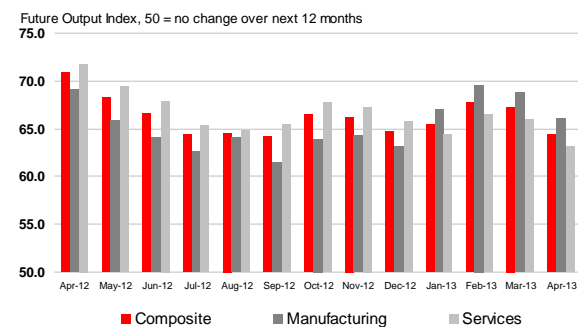
\*Manufacturing & Services

### Business expectations

The **HSBC Emerging Markets Future Output Index** is a new series tracking firms' expectations for activity in 12 months' time. The index fell for the second month running in April, and signalled the weakest sentiment since last September. The weakening in confidence was equally pronounced across both manufacturing and services.

See page 3 for national analysis of business expectations

### Emerging Markets Future Output Index



## Comment

### Frederic Neumann

Co-Head of Asian Economic Research

"Weaker economic growth across most advanced markets is now being felt in the emerging world as well. New export orders in the manufacturing sector, for example, contracted in April after expanding throughout the first quarter of the year. While this could be shrugged off as a temporary correction in the trade cycle, the softness of service sector PMIs suggests that a broader, more home-grown deceleration is occurring across emerging markets as well, even if they are still expanding for the most part.

"The decline in input price pressures, especially in manufacturing, likely reflects the recent drop in commodity prices. The impact of this differs sharply across emerging markets. For commodity exporters, especially in Latin America and the Middle East, this represents a headwind. For most of Asia, by contrast, as well as for Eastern Europe, cheaper energy and commodity costs will help support consumer spending and buffer profit margins of firms. While cheaper commodities should help sustain investment amid mostly record low interest rates, the drop in the future output indices suggests that capital spending may only receive a gradual lift.

"The pull-back in EM growth at the start of the second quarter does not yet signal a sharper downturn, with ample liquidity providing an important backstop to demand virtually everywhere. However, slower growth raises the vulnerability of emerging markets to a broader shake-out in advanced economies, whether a deeper slump in Europe or renewed financial stress that would quickly propagate across emerging markets as well."

### Pablo Goldberg

Global Head of Emerging Markets Research

"The slowdown in EM continues. External demand weakens and employment readings now show some softening. Luckily inflation eases as well, allowing for loose policies"

### Regional tweets

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

### Murat Ulgen

HSBC Chief Economist, CEE & Sub-Saharan Africa

"The region is losing further momentum with only a few exceptions. Steep fall in commodity prices will likely support further easing"

### Simon Williams

HSBC Chief Economist, MENA

"Gulf demand is holding up well for now, but slumping growth and rising inflation show Egypt's problems continuing to worsen"

### Frederic Neumann

Co-Head of Asian Economic Research

"Asia's trade cycle turned, weighing especially on China. Local demand has softened, too, but ample liquidity will prevent full downturn"

### Andre Loes

HSBC Chief Economist, LATAM

"Soft US economy remains a headwind in Mexico, while services lead to slight acceleration in Brazil; manufacturing remains tepid though"

## Detailed data summary: Output Index

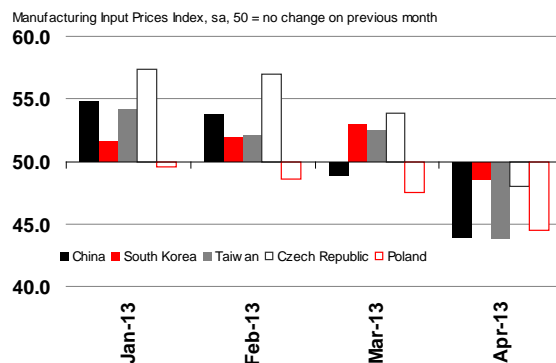
Country / region	Coverage	Jan-13	Feb-13	Mar-13	Apr-13
<b>Emerging Markets</b>	<b>Composite</b>	▲	▼	▲	▼
Brazil	Composite	▲	▼	▼	▲
China	Composite	▲	▼	▲	▼
India	Composite	▶	▼	▼	▼
Russia	Composite	▲	▲	▼	▼
<b>Emerging Markets</b>	<b>Services</b>	▲	▼	▼	▼
Brazil	Services	▲	▼	▼	▲
China	Services	▲	▼	▲	▼
India	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:

### Input prices fall at goods producers in North East Asia and Central & Eastern Europe



## Manufacturing

Production at manufacturing plants in **China** increased at only a marginal pace in April. New orders displayed a similar trend, with growth easing to a five-month low, while new export orders declined for the first time since last December. There were reports of softer demand from key American, Asian and European export markets.

**Indian** manufacturing production increased fractionally in April, following a solid rise registered over the first quarter of the year. Evidence suggested that persistent power shortages continued to hamper output, which increased at the slowest pace in four years.

**South Korean** manufacturers fared better than their counterparts across other Asian economies in April. Manufacturing output volumes increased at the highest pace seen for a year, as a wider improvement in economic conditions led to a similar sized rise in new orders. Output also expanded in the **Taiwanese** manufacturing sector for the fifth month in a row, but at a weaker pace. Manufacturing input prices declined in both economies for the first time since last July and September respectively. Elsewhere in Asia, growth rates for new export orders slowed to near-stagnation in both **Indonesia** and **Vietnam**.

Manufacturing output growth in **Brazil** slowed for the third month running in April, to a six-month low. Similarly, new orders rose at the slowest rate since October of last year. New business from export markets fell slightly.

Although **Mexican** manufacturing production continued to rise in April, the rate of output growth was only modest and unchanged from March's low. The growth rate of new orders slowed for the fourth consecutive month. Firms attempted to boost new orders by reducing their selling prices.

New order growth at **Russian** goods producers lost momentum for the third month in succession, partly reflecting a further drop in new export business. As a result, firms shed staff for the sixth consecutive survey, and output rose only modestly.

**Poland's** manufacturers endured a steepening downturn in April. Business conditions deteriorated at the strongest overall pace since July 2009, on the back of sharper declines in output and new orders. Input and output prices both fell markedly, with the rate of reduction in the latter hitting a new survey record. In contrast, production rose slightly in the **Czech Republic**, despite a further fall in new orders. This led to a decline in backlogs of work for the first time since January.

**Turkish** manufacturers reported a near-stagnation in output growth in April, partly reflecting marginal increases in both new orders and new export orders. That said, a further robust rate of job creation was registered.

In the Middle East, goods production rose at slower rates in both **Saudi Arabia** and the **United Arab Emirates**, according to manufacturing data derived from PMI non-oil economy surveys. Meanwhile, manufacturing output in **Egypt** fell for the sixth month running, and at a sharp rate.

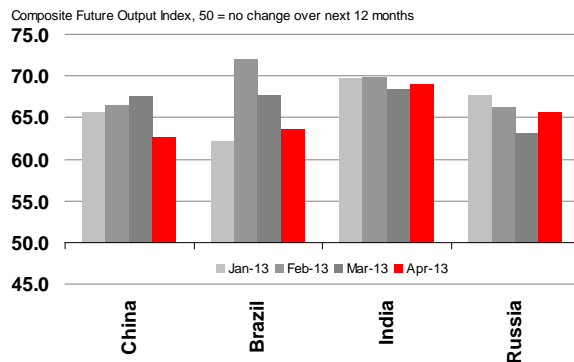
## Business expectations

Country/region	Coverage	Index	Apr-13	Mar-13
<b>Emerging Markets</b>	<b>Composite*</b>	<b>Future Output</b>	▼	▼
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  
▼ Above 50, falling  
\*Manufacturing & Services

**Chinese** business expectations weakened in April to the lowest in 2013 so far. Sentiment weakened strongly at both manufacturers and service providers, with the latter posting the weakest degree of optimism since the services survey started in late-2005. The 12-month activity outlook for **Brazil** also weakened in April. Sentiment picked up in **India** and **Russia**, but remained lower than at the start of the year in both cases.

### Business expectations weaken in China and Brazil



In the Middle East, non-oil private sector business expectations remained strongly positive in **Saudi Arabia** and the **United Arab Emirates**, and improved slightly since March in both cases. Meanwhile, **Egyptian** private sector companies were the least confident since data collection began in April 2012.

### Manufacturing Future Output Index, April 2013

Highest	Lowest
1. Saudi Arabia	1. Egypt
2. Indonesia	2. Brazil
3. United Arab Emirates	3. Czech Republic
4. Mexico	4. China
5. Vietnam	5. South Korea

### Further analysis

For more PMI survey findings, please visit

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

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## 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. Around 7,500 firms are surveyed in total.

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.

Note on revisions: The EMI figure is subject to one revision post-release. This reflects the addition, post-release, of manufacturing PMI data produced by third parties, including Israel (produced by IPLMA), Singapore (SIPMM) and South Africa (BER), and non-manufacturing PMI data for Mexico (produced by IMEF). Markit does not have access to the latest figures for these surveys prior to publication.

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## 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.

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