

Press Release

Embargoed until: 00:01 (UTC), 6th February 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 from today being published on a monthly basis rather than quarterly.

HSBC Emerging Markets Index

Emerging markets growth gains momentum in January

Key points

- **HSBC Emerging Markets Index: 53.9** (prior 53.0)
- Manufacturers register strongest increase in production since May 2011
- China grows at fastest rate in two years

The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the PMI™ surveys, rose from 53.0 in December to 53.9 in January. That was the highest figure since February 2012, and only slightly lower than the seven-year long-run average of 54.2.

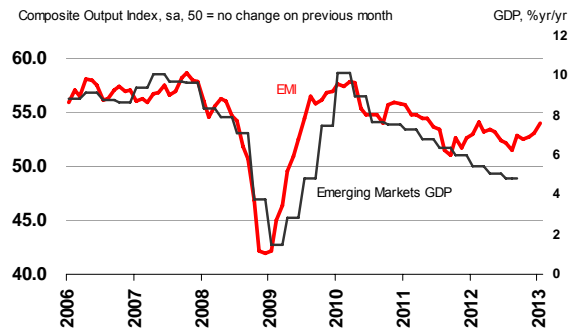
Data broken down by broad sector showed that growth was broad-based across **service providers** and **manufacturers**, as the latter posted a third successive month of expansion and the fastest pace of growth since May 2011. Meanwhile the service sector registered the strongest growth in four months.

New business growth in emerging markets accelerated to a 22-month high in January. Manufacturing new orders rose at the fastest rate since April 2011, and across a broad base of economies. Only Egypt, South Korea, the Czech Republic and Poland posted declines in January.

Cost pressures in emerging markets were at their strongest in three months in January. The rate of input price inflation at service providers eased slightly, while manufacturing input cost inflation hit a 15-month high.

Employment growth was maintained in January, continuing the trend shown since August 2009. Manufacturers raised headcounts for the second month running, the first back-to-back increase in 17 months.

HSBC Emerging Markets Index



Data summary

Country/region	Coverage	Index	Jan-13	Dec-12	Jan-12
Emerging Markets	Composite*	Output	53.9	53.0	53.0
	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	53.5	51.8	49.7
India	Composite*	Output	56.3	56.3	59.6
Brazil	Composite*	Output	54.9	53.2	53.8
Russia	Composite*	Output	54.8	54.1	54.4

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

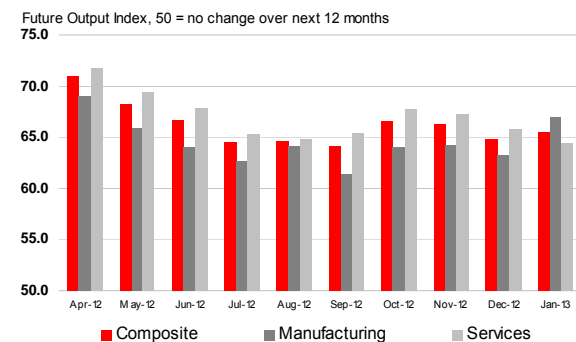
*Manufacturing & Services

Business expectations

The **Composite Future Output Index** is a new series tracking firms' expectations for activity in 12 months' time. The Index improved to a two-month high in January, signalling a strong overall degree of positive sentiment among companies in emerging markets. Manufacturers held the best growth expectations since last April (the first month of data collection for the sector), which offset a further easing in sentiment at service providers.

See page 3 for national analysis of business expectations

Emerging Markets Future Output Index



Comment

Pablo Goldberg

Global Head of Emerging Markets Research

"After a difficult 2012, economic conditions in the emerging markets are continuing the improvement which began last August. Both manufacturing and service readings suggest economic activity is not just being supported by resilient domestic conditions, but also now by a pick up in new export orders. Export order PMIs were above the critical 50 level in 11 of the 16 economies surveyed, a level not seen since last April.

"While the strongest readings continue to come from the services sector, which has proved to be quite resilient to a more challenging external backdrop, the good news is the pick up in manufacturing activity. Furthermore, the recovery in the manufacturing sector appears to have legs, as business expectations for a year out are also at their highest level for nine months. Central to this is the turnaround in the outlook for China, which is slowly pulling the rest of Asia with it. Countries closer to the ailing eurozone are still struggling, however.

"The recovery is not without risks. January PMIs show a pick-up in input prices across the board, which need to be carefully monitored, given the recent rally in oil prices. Yet this pressure does not appear to be being passed onto the consumer. Output prices remain contained which should allow emerging market central banks to retain a loose stance for now".

Regional tweets

www.twitter.com/HSBC_EMI_PMI

Murat Ulgen

HSBC Chief Economist, CEE

"Russia and Turkey are the bright spots. CEE continues to struggle, though the pressure from the eurozone appears to be abating."

Simon Williams

HSBC Chief Economist, MENA

"The EMI shows MENA remains a region divided; Saudi and the UAE powering on, Egypt still suffering the aftermath of the revolution."

Frederic Neumann

Co-Head of Asian Economic Research

"HSBC's new EM Future Output Index points to sharp pick-up in Chinese growth, which will pull up Asia and the world along with it."

Andre Loes

HSBC Chief Economist, LATAM

"Robust start, with best manufacturing since 1Q2011 and solid services in Brazil; manufacturing remains quite strong in Mexico."

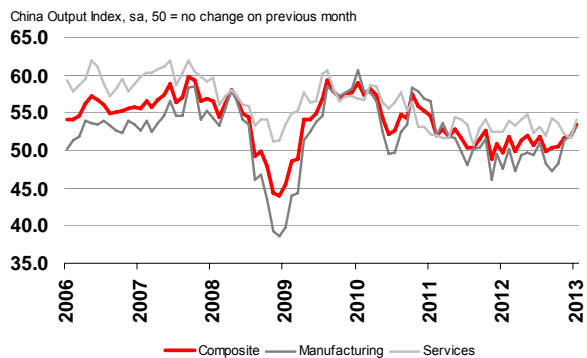
Detailed data summary: Output Index

Country / region	Coverage	Oct-12	Nov-12	Dec-12	Jan-13
Emerging Markets	Composite	▼	▲	▲	▲
Brazil	Composite	▼	▲	▲	▲
China	Composite	▲	▲	▲	▲
India	Composite	▼	▼	▲	▶
Russia	Composite	▲	▼	▼	▲
Emerging Markets	Services	▼	▼	▲	▲
Brazil	Services	▼	▼	▲	▲
China	Services	▼	▼	▼	▲
India	Services	▼	▼	▲	▲
Russia	Services	▲	▼	▼	▼
Emerging Markets	Manufacturing	▲	▲	▲	▲
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
▲ Below 50, rising
▼ Below 50, falling
▶ Below 50, unchanged
*Non-oil

Monthly focus point

China: Output growth at two-year high



Manufacturing

Manufacturing output in **China** rose at the strongest rate since March 2011 in January, supported by new order growth accelerating to a two-year high. Data signalled higher new export business following December's fall, as some firms noted improving demand from US and European markets.

Brazil's manufacturing sector gained momentum in January, posting the strongest output growth in nearly two years. Furthermore, firms increased their staffing levels for the first time in ten months.

Mexican manufacturers continued to outperform their counterparts in Brazil, albeit to a lesser extent than in recent months. As was the case throughout 2012, the Output Index for Mexico was higher than that for Brazil, but the gap narrowed to a new low in January.

Goods production in **India** rose at the slowest rate in three months, amid evidence from the survey panel that ongoing issues with the supply of power had restricted operations. This contributed to a rise in backlogs – India registered the strongest increase in manufacturing backlogs of all economies covered except Saudi Arabia.

Manufacturers in South East Asia fared less well than other emerging markets in January. **Indonesia** posted a fall in production for the first time in seven months, albeit at a marginal pace, and firms shed staff for the third month running as new orders stagnated. Meanwhile in **Vietnam**, manufacturing output rose only modestly, and new export orders declined for the ninth month running.

There were contrasting fortunes for manufacturers in **Taiwan** and **South Korea**, with the latter registering a fall in output for the seventh time in eight months, while Taiwan posted the strongest growth since March 2012.

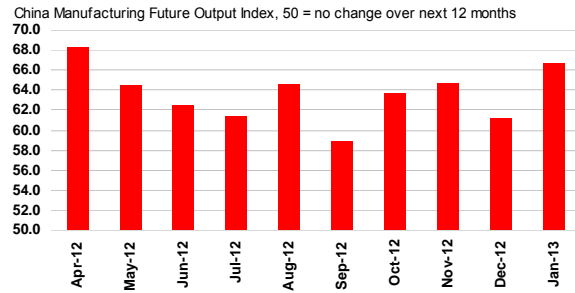
Manufacturing downturns in **Poland** and the **Czech Republic** continued in January but, as with the Eurozone, showed signs of easing. Output stabilised in Poland and fell only modestly in the Czech Republic, although both countries registered further declines in new orders and exports.

Further east, **Russian** manufacturing production growth recovered some momentum from December's near-stagnation, but remained below-par. The near-term outlook looked bright as new order growth reached a 22-month high, while cost pressures weakened further.

Operating conditions at **Turkish** manufacturing firms improved solidly at the beginning of 2013. Output grew at the sharpest rate since March 2011, while new orders and purchasing activity also saw marked increases.

Manufacturing data derived from three PMI surveys for the Middle East showed output growth easing in **Saudi Arabia** to a 15-month low, while the **United Arab Emirates** posted only a moderate expansion. Production in **Egypt** fell sharply, albeit at a much slower pace than in December.

Chinese manufacturers upbeat



Business expectations

Country/region	Coverage	Index	Jan-13	Dec-12
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

*Manufacturing & Services

Of the BRIC economies, overall sentiment across **manufacturing and services** improved in January in both China and Russia. Expectations remained positive in Brazil and India, but weakened since December in each case.

The weakest overall degree of sentiment among the BRICs was in **Brazil**, marking a turnaround from last October when it had lead the rankings. Manufacturers and service providers in **India** were the most confident at the start of the year, on average, followed by their counterparts in **Russia**.

China registered the strongest degree of positive sentiment since April 2012, the first month of data collection for the combined manufacturing and services future output series.

Focusing on **manufacturing** output expectations, the strongest level of sentiment was registered in **Saudi Arabia**, followed by **Mexico** and the **United Arab Emirates**. Manufacturers in **Indonesia** and **Vietnam** were the next most optimistic. At the other end of the sentiment league table was **Egypt**, the only country surveyed to register a negative outlook. The weakest positive expectations were seen in the **Czech Republic** and **Poland**, reflecting relative exposure to weak European demand.

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.

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.

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