

HSBC Emerging Markets Index Press Release

Embargoed until: 03:30 (New York), 7 January 2010

HSBC Emerging Markets Index

Emerging markets growth hits two year high, says HSBC index

Key points

- HSBC Emerging Markets Index jumps to 56.1 in Q4 2009.
- Index indicates emerging markets as a leader in the global economic recovery.
- Growth of output and new orders accelerate.
- Manufacturing exports show largest gain for nearly five years.
- Emerging markets not reliant on developed economies.

Summary

Manufacturing and services output in emerging market economies surged in the final quarter of 2009 at the fastest rate since Q4 2007, the latest HSBC Emerging Markets Index (EMI) shows. This leap in production, driven by exports and rising demand, positions emerging nations as leaders of the global economic recovery.

The improvement in emerging markets output was recorded predominantly in manufacturing where the Q4 increase in export orders was the largest since Q1 2005, signaling a strong revival in emerging market trade flows. The expansion of services activity, meanwhile, was the best since Q2 2008.

In the final quarter of 2009, the HSBC EMI rose to 56.1, up from 55.3 in the third quarter and significantly higher than a year ago when the index hit a trough of 43.8.

Stephen King, HSBC's Chief Economist, said: *"The data shows that the trend we first identified in October 2009 is gaining momentum - emerging nations are going from strength to strength and a global recovery is likely to be emerging markets-led. Drivers of the global economy continue to shift to the East and we are seeing emerging nations becoming increasingly dependent on each other rather than on the economies of developed countries."*

China is proving pivotal to the fortunes of emerging nations. Continued Chinese demand for commodities and other goods is keeping prices high, thereby bolstering the export earnings of other emerging nations. This, in turn, provides commodity-producing countries with a buffer against the economic vagaries of Western nations.

Despite easing from the previous quarter, Chinese output growth remained robust in Q4. India came a close second where, like Brazil and Russia, growth also accelerated in Q4. Of the four largest countries in the emerging world, Russia posted the weakest growth but still reported its largest rise in overall activity since Q3 2008.

To meet this growth in activity, employment is picking up. Job creation in emerging markets hit a two-year high in Q4 with manufacturing again reporting a significantly stronger increase than services (a reaction to more aggressive job cutting by manufacturers earlier in the year). Chinese employment growth hit a record high, followed closely by Brazil. A more modest rise was reported in India, while employment continued to fall in Russia.

"The HSBC Emerging Market Index is another demonstration of the global expertise we offer U.S. investors," added Tony Murphy, CEO, HSBC, Global Banking and Markets, Americas. *"The past quarter's rise further underscores the gains made in emerging markets, and the continued increase in the HSBC EMI indicates this trend may continue, providing significant opportunities for U.S. investors and corporations."*

The HSBC EMI is calculated using the long-established PMI data produced by global financial information services company Markit. HSBC announced last year a partnership with Markit to sponsor and produce a number of emerging market PMIs.

The HSBC EMI will be released quarterly and is available via:

www.hsbc.com/emergingmarketsindex

For further information, please contact:

HSBC

Gordian Kemen, Latin America Fixed Income Strategist
Telephone +1 212 525 2593
E-mail gordian.x.kemen@us.hsbc.com

HSBC Media Relations

Juanita Gutierrez
Telephone 212 525 6282
Email juanita.gutierrez@us.hsbc.com

Notes to Editors:

The HSBC Emerging Markets Index (EMI) is a weighted composite indicator derived from national Purchasing Managers' Index (PMI) surveys in the emerging markets of Czech Republic, Hong Kong, Israel, Mexico, Poland, Singapore, South Africa, South Korea, Taiwan, Turkey and the increasingly important BRIC economies of Brazil, Russia, India and China. These surveys collectively track business conditions in over 5,000 reporting companies.

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 Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,422 billion at 30 June 2009, HSBC is one of the world's largest banking and financial services organizations. HSBC is marketed worldwide as 'the world's local bank'. For further information please visit www.hsbc.com.

HSBC operates globally through its banking affiliates, including HSBC Bank USA, NA., member FDIC and an Equal Credit Opportunity Lender. Securities, advisory, corporate finance and other investment banking activities operate globally through its Global Banking and Markets affiliates, including, HSBC Securities (USA) Inc., a registered broker-dealer and member of NYSE, FINRA and SIPC, and, in other jurisdictions, locally registered entities.

HSBC in Emerging Markets:

- HSBC's birthplace was in Hong Kong and Shanghai in 1865.
- HSBC is the largest international Emerging Markets bank.
- In 2008, HSBC generated PBT US\$ 13.96 bn in Asia, Latin America, and the Middle East.
- HSBC is the leading international bank in mainland China:
 - in 2008 HSBC generated PBT of US\$ 319m in mainland China;
 - 99 outlets in 23 cities;
 - 7 Rural Banks opened.
- HSBC is the leading international bank in the Middle East.
- HSBC has over 4,000 offices across Latin America.
- HSBC's Global Banking and Markets strategy is emerging markets-led, financing-focused:
 - 47% of H109's record PBT of US\$ 6.3bn was generated in emerging markets;
 - won key industry awards including 'Best Emerging Markets Bank' from Euromoney.
- HSBC has the largest international Commercial Banking franchise:
 - 3.1m customers of which 53% are in emerging markets;
 - In H1 09 57% of PBT was from emerging markets.

www.hsbc.com/emergingmarketsindex

Issued by HSBC Holdings plc © 2010
Registered Office and Group Head Office:
8 Canada Square, London, E14 5HQ, United Kingdom
Web: www.hsbc.com
Incorporated in England with limited liability. Registered number 617987

About HSBC's data provider

Markit:

Markit is a leading, global financial information services company with over 1,400 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, see 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 26 countries and key regions including the Eurozone and BRIC. The PMIs have become the most closely watched business surveys in the world, favored 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

Claire Gorman, Corporate Communications
Telephone +44 20 7064 6032
E-mail claire.gorman@markit.com

The intellectual property rights to the HSBC Emerging Markets Index provided herein is owned by Markit Group Limited. Any unauthorized 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. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.

www.hsbc.com/emergingmarketsindex

Issued by HSBC Holdings plc © 2010
Registered Office and Group Head Office:
8 Canada Square, London, E14 5HQ, United Kingdom
Web: www.hsbc.com
Incorporated in England with limited liability. Registered number 617987