#### **Press Release**

Embargoed until: 00:01 (UK Time), 4th April 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 remains subdued in March despite Chinese pick-up

#### **Key points**

- HSBC Emerging Markets Index: 52.6 (prior 52.4)
- Growth reaccelerates in China
- Future output expectations remain stronger than in second half of last year

The HSBC Emerging Markets Index (EMI), a monthly indicator derived from the PMITM surveys, was littlechanged from February's 52.4 in March, posting 52.6. That indicated a subdued rate of economic growth in global emerging markets. However, the average EMI reading for the first three months of 2013 (52.9) exceeded those in both the third and fourth quarters of 2012.

Data broken down by broad sector showed a mild acceleration in growth of manufacturing output, led by China, South Korea and Taiwan. The rate of expansion in the service sector meanwhile eased slightly to a seven-month low.

Among the largest economies covered, faster growth in China was countered by weaker expansions in Brazil, India and Russia.

New business growth in emerging markets stabilised at a moderate pace in March. New order growth picked up slightly in manufacturing, but eased further at service providers. Outstanding business declined marginally in both sectors. Meanwhile, employment continued to rise, but at a rate that remained slightly weaker than the long-run survey average.

The rate of input price inflation in emerging markets slowed from February's ten-month high to the weakest since August 2012, driven by weaker cost pressures in manufacturing. Similarly, prices charged for goods and services rose at the slowest rate for six months.

## **HSBC Emerging Markets Index**



#### **Data summary**

Country/region	Coverage	Index	Mar-13	Feb-13	Mar-12
Emerging Markets	Composite*	Output	52.6	52.4	53.2
	Composite*	New Orders	<b>A</b>	▼	•
	Composite*	Backlogs	<b>•</b>	▼	<b>A</b>
	Composite*	Employment	<b>A</b>	▼	▼
	Composite*	Input Prices	▼	<b>A</b>	<b>A</b>
	Composite*	Output Prices	▼	<b>A</b>	<b>A</b>
	Composite*	Future Output	•	<b>A</b>	n/a
Emerging Markets	Services	Activity	•	•	•
Emerging Markets	Manufacturing	Output	<b>A</b>	•	•
China	Composite*	Output	53.7	51.4	49.9
India	Composite*	Output	51.4	54.8	53.6
Brazil	Composite*	Output	51.0	52.9	53.4
Russia	Composite*	Output	53.4	54.9	53.6

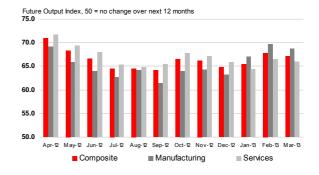
- Above 50, rising
- Above 50, falling
- Above 50, unchanged
- Below 50, rising Below 50, falling
- Below 50, unchanged

#### **Business expectations**

The HSBC Emerging Markets Future Output Index is a new series tracking firms' expectations for activity in 12 months' time. The Index eased slightly in March, but was still the second-highest in ten months. Data indicated slightly weaker sentiment manufacturing and services. By country, stronger sentiment in China was offset by softer (albeit still positive) output expectations in Brazil, India and Russia.

See page 3 for national analysis of business expectations

#### **Emerging Markets Future Output Index**







#### Comment

#### Frederic Neumann

Co-Head of Asian Economic Research

"Manufacturing across emerging markets showed signs of stabilization in March after cooling the previous month. In part, the lift reflects stronger activity in China, where the Lunar New Year holidays had dampened output previously. Economies especially sensitive to changes in demand on the Mainland, including Korea, Taiwan, Indonesia and Vietnam, also showed gains in March.

"However, further afield the lift from rebounding output in China has not had as powerful an effect, notably in Brazil, India, and Russia. This, most likely, reflects harsher global headwinds. In Europe, financial uncertainties continue to weigh on growth. In the United States, the latest surge in business investment may be fading while demand will be impacted by fiscal cutbacks.

"These challenges are already reflected in the details of the latest Emerging Markets Index. Despite the lift from China, growth of both new orders and employment remained moderate. Expected future output also fell back from its February highs across the service and manufacturing sectors. While still elevated, and indeed above the January reading, firms have become more cautious about the outlook.

"None of this is to suggest that the emerging markets boom is about to run out of steam. But the latest Emerging Markets Index highlights, yet again, the growing importance of China amid the ongoing drag from more developed economies in the West."

#### **Pablo Goldberg**

Global Head of Emerging Markets Research

"A gradual but modest recovery is underway in EM. Inflation pressures stay subdued. Regional central banks to maintain an accommodative stance"

## **Regional tweets**

www.twitter.com/HSBC EMI PMI

#### **Murat Ulgen**

HSBC Chief Economist, CEE & Sub-Saharan Africa

"Dragged down by fresh troubles in eurozone, the region's outlook remains bleak. Even the leading economies, Russia and Turkey lost some momentum in March"

## **Simon Williams**

HSBC Chief Economist, MENA

"Led by Saudi and the UAE, the oil states are powering on, but high inflation and slumping demand mean no relief for Egypt"

### Frederic Neumann

Co-Head of Asian Economic Research

"China, once again, is providing a lift to firms across the region. But headwinds are building as the global inventory cycle slows."

#### **Andre Loes**

HSBC Chief Economist, LATAM

"Worsening inflation is proving an extra hurdle for Brazil growth, while headwinds from the US limit Mexico's growth speed. 2Q may still be challenging"

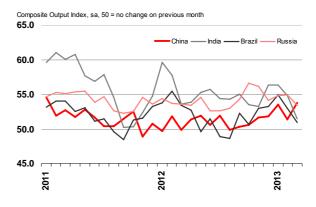
#### **Detailed data summary: Output Index**

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

- 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:

# China accelerates while remaining BRIC countries all slow since February



#### Manufacturing

The rate of expansion in **Chinese** production accelerated to a solid pace in March that was the second-fastest in two years. Behind the rise in output, total new orders rose solidly.

Brazilian manufacturing production expanded in March, reflecting higher volumes of incoming new work from both domestic and international clients. That said, growth of both new orders and output eased. Input costs rose at the fastest rate in 22 months.

Mexican goods producers registered slower rates of both output and new order growth in March. In particular, the rise in production was the joint-slowest since April 2011.

**Indian** manufacturing output increased modestly in March as persistent power shortages hampered production. The pace of growth was the slowest in 16 months.

Manufacturing conditions in **South Korea** improved further in March. Solid increases were reported for both output and new orders and this encouraged manufacturers to hire more staff – the rate of job creation was the strongest for over two years. Meanwhile, production and new orders at plants in **Taiwan** rose for the fourth month in a row.

In South East Asia, March data pointed to modest recoveries in manufacturing production and new orders in Vietnam, following contractions in the prior month. Companies benefited from an improving domestic market. March data also signalled an improvement in operating conditions across the Indonesian manufacturing sector. Underpinning this was a faster expansion in new orders, which in turn supported a slight rise in production. Export business and input buying both rose.

The pace of **Russian** manufacturing growth faltered in March, while inflationary pressures remained subdued. Output, new orders and purchases of inputs all rose at slower rates, while new export business declined further and firms cut staff for the fifth month running.

March PMI data showed an ongoing downturn in the Polish manufacturing sector. Moreover, the pace of decline accelerated, reflecting sharper declines in output, employment and stocks of purchases. Underlining the challenging business climate was a record fall in output prices. Meanwhile the Czech manufacturing sector continued to contract, with a renewed fall in new orders in March and output decreasing for the eighth month running.

March data signalled further increases in output and new orders at **Turkish** manufacturers. The rates of expansion were, however, weaker than in the previous three months.

In the Middle East, manufacturing data derived from PMI non-oil economy surveys in **Saudi Arabia** and the **United Arab Emirates** indicated faster output growth in the former, and a weaker rate of expansion in the latter. Manufacturing output in **Egypt** fell for the fifth month running, and at a rate that remained sharp.

#### **Business expectations**

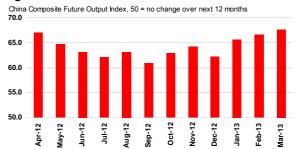
Country/region	Coverage	Index	Mar-13	Feb-13
Emerging Markets	Composite*	Future Output	•	<b>A</b>
Emerging Markets	Services	Future Activity	•	<b>A</b>
Emerging Markets	Manufacturing	Future Output	•	<b>A</b>
China	Composite*	Future Output	<b>A</b>	<b>A</b>
India	Composite*	Future Output	▼	•
Brazil	Composite*	Future Output	▼	<b>A</b>
Russia	Composite*	Future Output	▼	▼

- ▲ Above 50, rising
- ▼ Above 50, falling
- ► Above 50, unchanged

\*Manufacturing & Services

Chinese business expectations strengthened again in March to the highest in 12 months of data collection for both manufacturing and services. Sentiment improved in both sectors, remaining stronger at goods producers.

## China Composite Future Output Index at record high



In contrast, the 12-month outlooks for output moderated since February in the three remaining BRIC economies. The weakest degree of sentiment was in Russia, followed by Brazil. The outlook for India was the strongest overall among the four BRIC countries, but nevertheless the weakest since last September.

In the Middle East, non-oil private sector business expectations remained strongly positive in Saudi Arabia and the United Arab Emirates. Private sector companies in Egypt forecast output growth over the next 12 months, but are at their least confident since April 2012.

Focusing on manufacturing output expectations for the next 12 months, the strongest were registered in Saudi Arabia, Indonesia, Mexico, United Arab Emirates and Vietnam. The weakest outlooks were registered in Russia, Brazil, Egypt, South Korea and the Czech Republic.

#### **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
Mob +852 6331 0731
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* ( $PMI^{TM}$ ) surveys in the following economies:

- China
- South Korea
- Taiwan
- Hong Kong
- Vietnam
- Indonesia
- India
- Brazil

- Mexico
- Turkey
- United Arab Emirates
- Saudi Arabia
- Egypt
- Russia
- PolandCzech Republic

The *Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>)* 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.

## **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.

### **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 Caroline Lumley, Corporate Communications Telephone +44 20 7260 2047 E-mail 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.