

Press Release

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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

Output growth in emerging markets remains sluggish in May

Key points

- **HSBC Emerging Markets Index: 51.4** (prior 51.4)
- Muted rise in manufacturing production partly reflects weakness in Asian economies
- Future Output Index rises for first time since February

The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the *PMI™* surveys, was unchanged from April at 51.4 in May. That was the joint-lowest level since September 2011 and indicated a muted rise in global emerging market output.

Production growth in **manufacturing** slowed to the weakest rate in the current seven-month sequence of expansion, while **services** activity rose at a slightly faster pace than April's 47-month low.

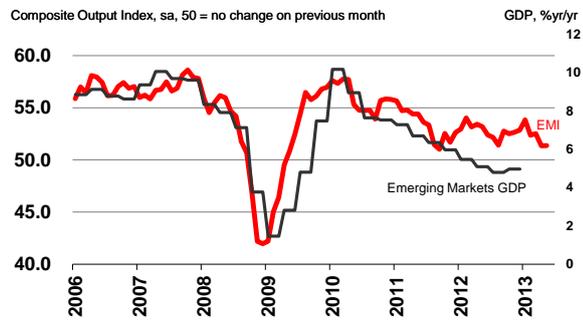
Growth slowed in **China, Brazil and Russia**, but accelerated slightly in **India** on the back of a stronger service sector performance. Manufacturing production declined in India, however, as well as in Taiwan and Vietnam. Chinese production rose only marginally.

New business growth slowed in May, and was the second-weakest in four years. Manufacturing new orders were virtually unchanged since April, weighed down by a second successive drop in new export orders.

Employment rose marginally in May, having been broadly flat in April. This was despite goods producers registering a fractional cut in staffing.

Average **input prices** were broadly unchanged from one month earlier. Manufacturers' input prices fell, reflecting lower commodity prices, while prices paid by service providers increased at the slowest rate since June 2009. Meanwhile, **charges** for goods and services fell for the second month running.

HSBC Emerging Markets Index



Data summary

Country/region	Coverage	Index	May-13	Apr-13	May-12
Emerging Markets	Composite*	Output	51.4	51.4	53.2
	Composite*	New Orders	▼	▼	▼
	Composite*	Backlogs	▲	▼	▼
	Composite*	Employment	▲	▼	▼
	Composite*	Input Prices	▼	▼	▼
	Composite*	Output Prices	▼	▼	▼
	Composite*	Future Output	▲	▼	▼
Emerging Markets	Services	Activity	▲	▼	▼
Emerging Markets	Manufacturing	Output	▼	▼	▼
China	Composite*	Output	50.9	51.1	51.9
India	Composite*	Output	52.0	50.5	55.3
Brazil	Composite*	Output	51.2	51.5	49.6
Russia	Composite*	Output	51.0	52.4	54.5

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

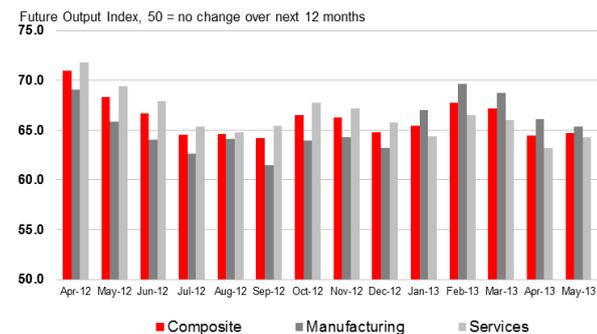
*Manufacturing & Services

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 first time in three months in May, but remained weaker than the average over 14 months of data collection so far. Improved sentiment was driven by the service sector, as manufacturing output expectations were the weakest in five months.

See page 3 for national analysis of business expectations

Emerging Markets Future Output Index



Comment

André Loes

HSBC Chief Economist, LATAM

"Economic activity across emerging markets expanded at the same weak pace in May as in April (51.4). Softness proved slightly more broad-based than in April, with more countries showing a slowdown in their respective output index. Yet, the rise in the Future Output index, a new series tracking firms' expectations for activity in 12-months time, is good news. India has been the bright spot among the largest EM countries, while a combination of external headwinds and domestic issues has led to weakening growth in Brazil, China and Russia.

"The persistent soft patch has translated into weaker pricing power. Beyond the commodity-induced reduction in manufacturers' input prices, it is worth highlighting the lowest rate of growth of input prices for service providers since June 2009, as well as a second month of falling output prices for both manufacturing and services. Commodity price weakness is good news for industrial exporting EM countries, but should affect negatively commodity exporters such as Brazil, Russia and the Middle-East countries.

"The divide between manufacturing and services increased in May, with manufacturing the weak link. Another slowdown in the pace of growth of manufacturing output in China may have negatively affected the rhythm of industrial expansion in other Asian countries. This is a reminder of the bigger impact that prolonged weakness of manufacturing in China could have on the EM space as a whole."

Pablo Goldberg

Global Head of Emerging Markets Research

"Growth in EM continues to slow down. External demand remains weak and job creation lacklustre. More easing might follow."

Regional tweets

www.twitter.com/HSBC_EMI_PMI

Murat Ulgen

HSBC Chief Economist, CEE & Sub-Saharan Africa

"CEEMEA was already performing poorly due to the weak outlook in eurozone. The sluggish EM picture is a further drag on activity."

Simon Williams

HSBC Chief Economist, MENA

"EM as a whole may be slowing, but the oil-rich states of the Gulf continue to prosper, led by the UAE, and a resurgent Dubai."

Frederic Neumann

Co-Head of Asian Economic Research

"Asia's manufacturers hit another speed bump. A near-term lift appears unlikely, with new orders slowing and inventories still high."

Andre Loes

HSBC Chief Economist, LATAM

"While Brazil keeps struggling with weak domestic demand, Mexico manufacturing output starts to rebound from a slow year start."

Detailed data summary: Output Index

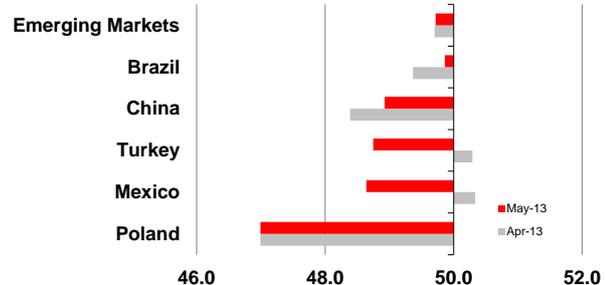
Country/region	Coverage	Feb-13	Mar-13	Apr-13	May-13
Emerging Markets	Composite	▼	▲	▼	►
Brazil	Composite	▼	▼	▲	▼
China	Composite	▼	▲	▼	▼
India	Composite	▼	▼	▼	▲
Russia	Composite	▲	▼	▼	▼
Emerging Markets	Services	▼	▼	▼	▲
Brazil	Services	▼	▼	▲	▼
China	Services	▼	▲	▼	▲
India	Services	▼	▼	▼	▲
Russia	Services	▲	▼	▼	▼
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
▲ 50, rising
▼ 50, falling
▲ Below 50, rising
▼ Below 50, falling
► Below 50, unchanged
*Non-oil

Monthly focus point:

New export orders in manufacturing decline for second month running

Manufacturing New Export Orders Index, 50 = no change over previous month



Manufacturing

Chinese manufacturing output rose during May, but only marginally. Behind the meagre expansion of output, total new orders declined for the first time since last September. Demand from abroad also weakened over the month, with new export orders falling for the second month in a row.

Manufacturing generally weakened elsewhere in Asia. Reflective of weaker gains in incoming new work and persistent power outages, **Indian** output decreased in May, the first decline registered since March 2009. Meanwhile, **Vietnam's** manufacturing sector continued its subdued start to 2013 as May saw levels of output, new orders and employment all slip back into contraction following modest gains in the prior two months. Meanwhile, business conditions in the **Taiwanese** manufacturing sector worsened in May, with output and new orders each decreasing solidly during the month. **Indonesian** goods producers fared comparatively better during May, as output increased for the third consecutive month amid higher levels of incoming new work. Growth in production remained moderate and eased slightly from April, but new export orders rose at the fastest rate since last November.

Output and new orders in **South Korea** continued to rise, but at slower rates than in April. New export orders rose for a fifth successive month, but at a modest pace that was the slowest since January. The US remained a source of export growth, but demand from China was reported to have suffered.

Manufacturing business conditions in Latin America continued to improve in May, but at a weaker pace. In **Mexico**, the rate of new order growth remained unchanged from April's 20-month low, partly reflecting a renewed reduction in new export work. Concurrently, job creation eased over the month, and output rose only modestly. Meanwhile in **Brazil**, output expanded at the slowest pace since October 2012. Incoming new work increased for the eighth consecutive month, but the overall rate of expansion was also the slowest since last October. New export orders stabilised during May, having fallen in April, but anecdotal evidence pointed to muted demand from European clients.

Business conditions in the **Russian** manufacturing sector barely improved in May, although this was influenced by a higher than usual number of bank holidays. Although new orders continued to rise and export demand stabilised, output growth slowed to a fractional rate and firms cut staff for the seventh month in a row.

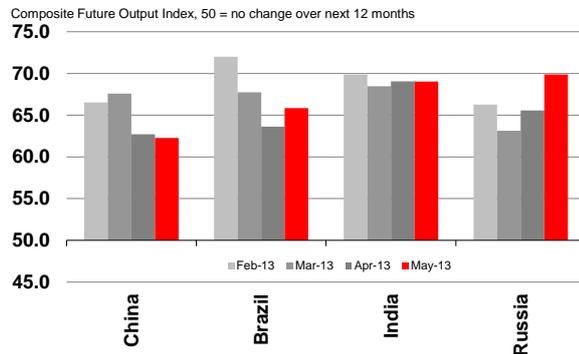
The **Polish** manufacturing sector remained in contraction for the fourteenth successive month in May, but there were signs of the downturn easing as new orders, output and employment all fell at slower rates. Meanwhile, business conditions in the **Czech** manufacturing sector stabilised despite a further slight fall in new orders, as output rose marginally for the second month running, having previously fallen for eight months in a row. Moreover, firms expanded workforces for the first time since July 2012.

May PMI data signalled a stagnation in production levels at **Turkish** manufacturers. New orders increased at the weakest rate in the current nine-month growth sequence. Meanwhile, new export orders fell for the first time since last November.

Middle East non-oil economy

Non-oil private sector output in **Saudi Arabia** continued to rise in May, but the rate of expansion slowed on the month to the weakest since the survey started in August 2009. New business growth eased to a four-month low and backlogs were unchanged. The **United Arab Emirates** posted another solid rise in non-oil output in May, with the rate of growth edging up to a three-month high and remaining greater than the near four-year survey average. Non-oil output in **Egypt** fell for the eighth month in a row, but at the weakest rate since last November, while input price inflation slowed substantially from April's record high.

Business expectations



Chinese business expectations weakened in May to the lowest in 2013 so far, remaining relatively subdued at both manufacturers and service providers. Sentiment improved in **Brazil**, but remained below the levels seen in February and March. Output expectations in the **Indian** private sector economy were broadly unchanged from April, while **Russian** companies registered the best outlook since last October.

Manufacturing Future Output Index, May 2013

Highest	Lowest
1. Indonesia	1. Czech Republic
2. United Arab Emirates	2. South Korea
3. Saudi Arabia	3. Taiwan
4. Russia	4. Egypt
5. Vietnam	5. Poland

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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