

## Press Release

Embargoed until: 00:01 (UK Time), 8<sup>th</sup> May 2015

**Note:** The HSBC Emerging Markets Index, a weighted composite indicator derived from national HSBC Purchasing Managers' Index™ (PMI™) reports in 17 emerging economies, is now being published on a monthly basis rather than quarterly.

# HSBC Emerging Markets Index

## Emerging market growth moderates further

### Key points

- **HSBC Emerging Markets Index: 51.3** (prior 51.5)
- Russian output increases for first time in seven months
- Brazil sees steepest downturn in over six years

Emerging markets registered a further moderation in the rate of economic growth in April, according to the latest survey data from HSBC and Markit. The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the PMI™ surveys, fell to 51.3, from 51.5 in March. The latest figure signalled the weakest rate of expansion since January, and the average over the first quarter (51.6) was well below the average since the series started in late-2005 (53.6). The EMI is broadly consistent with emerging market GDP rising at an annual rate of around 5%.

The slowdown mainly reflected a weaker rise in **manufacturing** output, where the rate of growth was the weakest in a year. **Services** activity increased at a rate little-changed from March's moderate pace.

**China** registered the weakest rise in output since January. **Indian** private sector business activity meanwhile rose for the twelfth consecutive month, albeit at the weakest pace since October, while **Brazil** saw the sharpest drop in over six years. On a brighter note, **Russia** posted a rise in output for the first time since last September, albeit at only a weak rate.

**New business** growth in emerging markets was unchanged from March's ten-month low, and backlogs of work declined at the strongest rate since July 2013.

**Input prices** rose at the weakest rate in three months and manufacturing input prices declined, mainly reflecting a sharp fall in China. Input price inflation in the Russian manufacturing sector eased sharply to a 15-month low. Meanwhile, prices charged for goods and services in emerging markets were unchanged during the month.

### Business expectations

The outlook for global emerging markets remained subdued in April. The **HSBC Emerging Markets Future Output Index**, which tracks firms' expectations for activity in 12 months' time, fell further February's eight-month high to the lowest in 2015 so far. Sentiment remained particularly weak in Brazil, while Russia posted the strongest output expectations in 11 months.

Continued on page 3...

### HSBC Emerging Markets Index



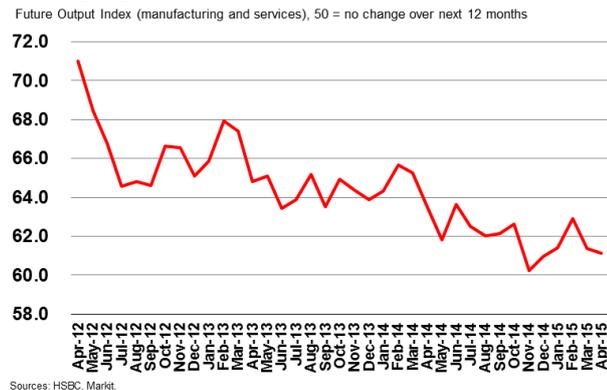
### Data summary

Country/region	Coverage	Index	Apr-15	Mar-15	Apr-14
Emerging Markets	Composite*	Output	51.3	51.5	50.5
	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	51.3	51.8	49.5
India	Composite*	Output	52.5	53.2	49.5
Brazil	Composite*	Output	44.2	47.0	49.9
Russia	Composite*	Output	50.8	46.8	47.6

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

\*Manufacturing & Services  
Sources: HSBC, Markit.

### Emerging Markets Future Output Index



## Comment

**Chris Williamson**

Chief Economist, Markit

*“The emerging markets continued to act as a brake on global economic growth at the start of the second quarter. The EMI is broadly consistent with GDP rising in these markets at an annual rate of 5%, which is well below the near-double digit pace commonly seen in the years leading up to the global financial crisis.*

*“Weakness is particularly evident in the manufacturing economy, where emerging markets are seeing the worst performance for a year amid a near-stalling of global trade flows.*

*“The most worrying development in April was the steepening downturn seen in Brazil. With the rate of economic decline accelerating to the fastest since 2009, Brazil faces the prospect of a deep recession in 2015.*

*“Continuing malaise is evident across much of Asia. Already-weak rates of expansion slowed further in both China and India during April, albeit with India remaining a relatively bright light in a generally gloomy Asian landscape. The manufacturing economies of Taiwan, Indonesia and South Korea have all sunk back into decline.*

*“There was better news in Russia, where growth was recorded for the first time in seven months. The overall rate of expansion was only marginal, but the improvement should call into question those forecasting a deep recession this year.”*

## Detailed data summary: Output Index

Country / region	Coverage	Jan-15	Feb-15	Mar-15	Apr-15
<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*	▼	▲	▲	▼
South Africa	Private sector	▲	▲	▲	▼
United Arab Emirates	Private sector*	▲	▼	▼	▲

▲ Above 50, rising

▼ Above 50, falling

▶ Above 50, unchanged

\*Non-oil

▲ Below 50, rising

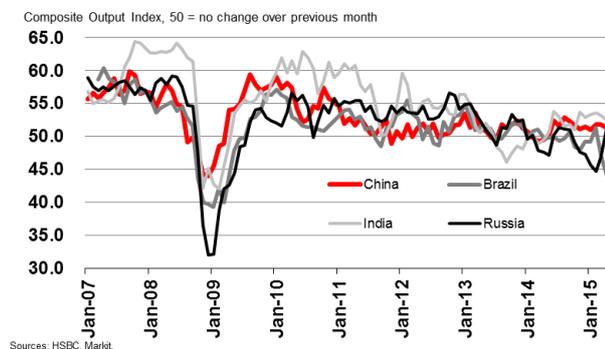
▼ Below 50, falling

▲ 50, rising

▼ 50, falling

Sources: HSBC, Markit.

## HSBC Composite Output Index



## Manufacturing

**Chinese** manufacturers saw a further deterioration in operating conditions in April, with total new orders declining at the strongest pace for a year while production stagnated. Data suggested that relatively weak domestic demand was the main driver of reduced new business, as new export work picked up slightly. Meanwhile, input and output costs both fell at accelerated rates.

April data signalled a deterioration in operating conditions faced by **Taiwanese** manufacturers, with output and new orders both declining for the first time in four months. New orders in the **South Korean** manufacturing sector declined for the second straight month in April, alongside a fall in production.

April PMI data pointed to a solid improvement in business conditions in the **Vietnamese** manufacturing sector as improving client demand led to stronger rises in output and new orders. Further falls in both input costs and output prices were recorded.

The downturn in **Indonesia's** manufacturing economy extended into April, with output, new orders and new export business all dropping for the seventh month in succession. Moreover, new work from abroad decreased at the sharpest pace in the 49-month survey history.

Following the solid readings seen in March, the **Indian** manufacturing economy recorded a growth slowdown during April. Total new orders increased at a weaker pace and, as a consequence, companies reduced staffing levels and raised output to a lesser degree.

**Brazil's** manufacturing economy dipped further into contraction during April, with reductions in output, new business and buying levels accelerating over the month. Meanwhile, both input costs and output charges rose at stronger rates.

April saw a sustained upturn in **Mexican** manufacturing sector business conditions, although growth momentum was still weaker than seen at the start of 2015. Stronger export sales were the main positive development during April, alongside a rebound in production growth from March's recent low. Meanwhile, the weaker exchange rate continued to push up the price of imported raw materials.

Manufacturing output, new orders and new export business in **Turkey** all fell for the fourth successive month, with the latter posting a faster rate of decline. The strong US dollar was again cited as the main factor driving up average input prices, which increased at the fastest rate since March 2014.

Operating conditions for **Russian** manufacturers remained challenging during April. Although overall output rose modestly, total new orders continued to fall. That was despite some manufacturers reportedly benefiting from import substitution amongst their clients. Having increased at a survey-record pace at the start of 2015, input price inflation continued to dramatically weaken in April, hitting a 15-month low.

The rate of **Polish** manufacturing output growth remained sharp, but new orders rose at the slowest rate of the year so far. More positively, new export business increased at the strongest rate since February 2014. Meanwhile, input price inflation slowed to a weak pace and prices charged by manufacturers continued to fall.

**Czech** manufacturing business conditions improved further in April. That said, the overall pace of expansion moderated to the slowest in 2015 so far, reflecting weaker gains in output, new orders and employment.

### Middle East & Africa

Despite easing from the previous month, the rate of output growth in **Saudi Arabia's** non-oil private sector remained strong in April, amid reports of solid demand conditions and new project opportunities. New orders rose in line with output, although export growth eased to a six-month low.

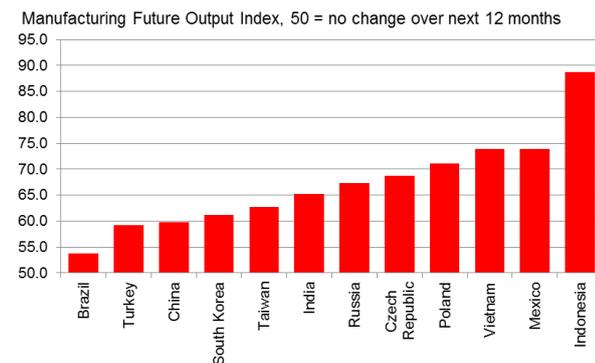
Output growth in the **UAE's** non-oil private sector remained strong in April. According to panellists, new marketing initiatives had helped to strengthen demand conditions, contributing to the latest expansion in output. New orders and new export business both rose sharply.

April data pointed to renewed growth of output at **Egyptian** non-oil private sector companies. Although only modest, the latest expansion ended a three-month period of decline. New orders increased for the second month running while new export business also rose fractionally, having fallen throughout the opening quarter of 2015.

April data signalled a third successive monthly rise in output at **South African** private sector firms, with companies commenting on improved demand and increased new business. New order growth was driven by domestic demand, as new export orders fell further. Meanwhile the rate of job creation was the best in six months.

### Business expectations

Among manufacturers, business expectations were strongest in Indonesia, followed by Mexico and Vietnam. Brazil, Turkey and China registered the weakest output sentiment in April.



Sources: HSBC, Market

## For further information, please contact:

### Lisa Baitup

HSBC Media Relations  
Tel + 44 20 79910624  
lisa.baitup@hsbcib.com

### Murat Ulgen

Global Head of Emerging  
Markets Research  
Tel +44 20 7991 6782  
muratulgen@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

### Simon Williams

Chief Economist, CEEMEA  
Tel +971 4 423 6925  
simon.williams@hsbc.com

## Notes to Editors:

The HSBC Emerging Markets Index (EMI) is a weighted composite indicator derived from *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
- South Africa
- 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 8,000 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 for Israel (produced by IPLMA) and Singapore (SIPMM). Markit does not have access to the latest figures for these surveys prior to publication.

## HSBC Holdings plc:

HSBC is one of the world's largest banking and financial services organisations. With more than 6,200 offices in both established and emerging markets, we aim to be where the 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 52 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 74 countries and territories in Europe, the Asia-Pacific region, the Middle East, Africa, North America and Latin America.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 in 129 countries and territories.

## Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,500 people in 10 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see [www.markit.com](http://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](mailto:chris.williamson@markit.com).

Joanna Vickers, Corporate Communications  
Telephone +44 207 260 2234  
E-mail [joanna.vickers@markit.com](mailto:joanna.vickers@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.