

Press Release

Embargoed until: 00:01 (UK Time), 4th June 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

EMI falls to 12-month low as manufacturing contracts

Key points

- **HSBC Emerging Markets Index: 50.7** (prior 51.3)
- Manufacturing output falls for first time since April 2014
- Brazil faces steepening downturn

The rate of output growth in emerging markets slowed for the third month running in May, 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 50.7, from 51.3, the lowest reading since May 2014 and signalling only marginal growth.

Both the **services** and **manufacturing** sectors contributed to the overall slowdown in expansion in May. Services output rose at the slowest rate since January, while manufacturing production fell for the first time since April 2014, albeit only marginally.

Among the four largest emerging economies, **Brazil** registered the fastest rate of decline since March 2009. **China** and **India** registered the slowest rates of growth in four and seven months respectively. In contrast, **Russia** saw private sector activity rise for the second month running, and at the fastest – albeit modest – pace since December 2013.

Another weak increase in **new business** in May suggested that output would remain lacklustre in June. Moreover, the volume of **outstanding business** fell for the fourth consecutive month in the latest period.

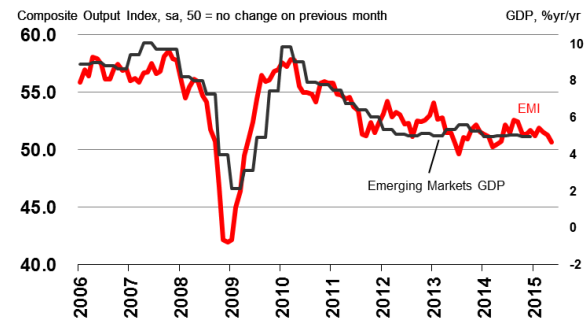
Emerging markets registered a further fall in **employment** in May, the third in successive months. This marked the longest sequence of job shedding since that which lasted from October 2008 to July 2009.

Inflationary pressures picked up slightly in May. **Input prices** rose at the strongest rate in ten months, while **output prices** grew at the fastest rate since February. That said, the rates of inflation in both cases remained relatively weak.

The outlook for global emerging markets remained subdued in May. The **HSBC Emerging Markets Future Output Index**, which tracks firms' expectations for activity in 12 months' time, rose for the first time since February, but remained well below its trend level since the series started in April 2012. Sentiment was notably weak in Brazil.

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HSBC Emerging Markets Index



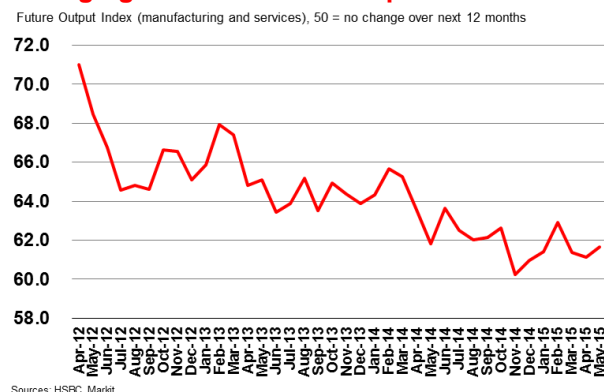
Data summary

Country/region	Coverage	Index	May-15	Apr-15	May-14
Emerging Markets	Composite*	Output	50.7	51.3	50.7
	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	51.2	51.3	50.2
India	Composite*	Output	51.2	52.5	50.7
Brazil	Composite*	Output	42.9	44.2	49.8
Russia	Composite*	Output	51.6	50.8	47.1

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

*Manufacturing & Services
Sources: HSBC, Markit.

Emerging Markets Future Output Index



Comment

Chris Williamson

Chief Economist, Markit

“Growth of emerging markets ground almost to a halt in May, according to the latest PMI surveys, highlighting the deepening malaise facing many parts of the global economy.”

“Economic growth in the emerging world has sunk to the weakest for a year, led down by a near-stalling of global trade flows which has hit manufacturing, as well as lacklustre demand in local economies and an accompanying lack of job creation.”

“Brazil in particular is heading for a deep recession, with high inflation and rising interest rates killing demand to the extent that the economy is contracting at its fastest rate for six years.”

“Growth has meanwhile slowed to a crawl in both China and India compared to pre-crisis rates of expansion, acting as major brakes on the global economy. In China, it is the mighty manufacturing economy which is leading the downturn, registering its first drop in production since late last year. In India, the dominant service sector is in decline for the first time for over a year.”

“Manufacturing across Asia ex-Japan contracted for a second successive month as a result, and service sector growth faltered in the region.”

“The sole bright spot appears to be Eastern Europe, which appears to be benefitting from revived growth in the eurozone. However, weakness in Russia, linked to low oil prices and sanctions imposed by the West, remains a drag on wider European growth. Although Russia saw growth pick up to the highest since the end of 2013, its industrial sector remains in decline with manufacturing output contracting in May.”

Detailed data summary: Output Index

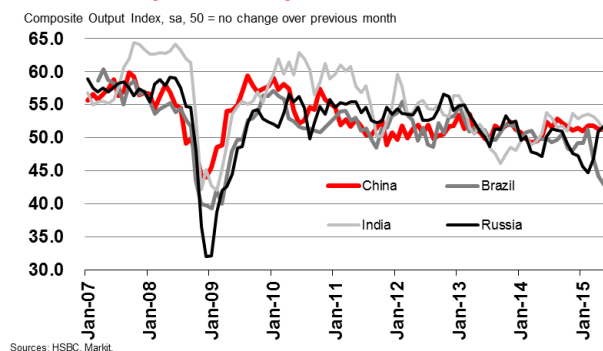
Country / region	Coverage	Feb-15	Mar-15	Apr-15	May-15
Emerging Markets	Composite	▲	▼	▼	▼
Brazil	Composite	▲	▼	▼	▼
China	Composite	▲	▶	▼	▼
India	Composite	▲	▼	▼	▼
Russia	Composite	▼	▲	▲	▲
Emerging Markets	Services	▲	▲	▶	▼
Brazil	Services	▲	▼	▼	▼
China	Services	▲	▲	▲	▲
India	Services	▲	▼	▼	▼
Russia	Services	▼	▲	▲	▲
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*	▲	▲	▼	▼
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

May data signalled a renewed fall in **Chinese** manufacturing output. Although the decline was only marginal, it was the first contraction since last December. Furthermore, new orders fell for the third month running, on the back of the steepest drop in new export business in nearly two years.

Taiwanese manufacturing output fell for the second month running in May. That said, the rate of contraction was only slight. In contrast, new orders fell at the fastest pace in 22 months.

Latest data highlighted worsening operating conditions in the **South Korean** manufacturing sector. Production declined at the fastest pace since August 2013, alongside a further fall in new orders.

A further deterioration in **Indonesian** manufacturing operating conditions was recorded in May. Although output and new orders both fell at weaker rates, reductions in foreign orders and purchasing activity accelerated to new survey records.

Growth in the **Vietnamese** manufacturing sector gathered pace in May, with rising client demand leading to record growth of output and new orders. The rate of job creation also picked up pace during the month.

The upturn in the **Indian** manufacturing sector gathered pace in May, with production and new orders rising at the fastest rates since January 2015.

Turkish manufacturing output fell for the fifth successive month in May, but the rate of contraction slowed to a marginal pace. The same trends were evident for new orders and new export business. On the other hand, employment growth was maintained, albeit at a modest pace, while firms increased their purchasing activity.

Manufacturers in **Russia** registered a further deterioration in operating conditions during May, with output, new orders and employment all posting declines compared to the previous month. More positively, input cost inflation continued to descend from January's record pace.

Poland's manufacturing upturn continued to soften in May, with output and new orders both rising at the slowest rates since last October. New export business and purchasing also rose more slowly.

The **Czech** manufacturing sector maintained strong growth momentum in May. Rates of expansion for output and new orders accelerated, while employment in the sector increased at the strongest pace in over four years. Solid increases in exports, backlogs and purchasing were also signalled.

The **Brazilian** manufacturing sector remained in contraction during May. Sharp declines in both output and new orders were registered again, with firms responding by trimming employment at the quickest pace since July 2009.

May data indicated that output and new business growth across the **Mexican** manufacturing sector remained weaker than the peaks seen in January. Although the latest survey highlighted a slowdown in overall new order gains, the upturn in export sales was close to the three-year high recorded during April, thereby suggesting robust external demand trends.

Middle East & Africa

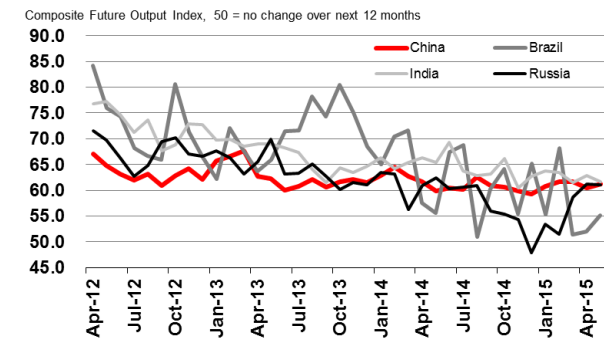
Growth of **Saudi Arabian** non-oil output eased to a four-month low in May. This mainly reflected new orders rising at the slowest pace since September 2011. Companies in Saudi Arabia also reported a slower expansion in new export orders during May. The rate of growth eased to an 11-month low.

May data pointed to a further improvement in business conditions at **UAE** non-oil private sector firms. Output increased more quickly, underpinned by ongoing growth of new work inflows. That said, the latest rise in new orders was the least marked since August 2013.

Business conditions in **Egypt's** non-oil private sector worsened again in May, as has been the case throughout 2015 so far. That said, with output and employment both rising during the month, the latest overall contraction was only slight. In contrast, new business stagnated, led by a solid reduction in new export work.

South Africa's private sector edged closer to stagnation in May, as output declined for the first time since January. New business rose for the third successive month, but the pace of expansion slowed and was modest overall.

Business expectations



Business sentiment in **China** picked up slightly from April's four-month low in May, but remained relatively subdued. In **Russia**, output expectations were little-changed from April's 11-month high. Expectations for future activity in **Brazil** were the highest in three months, but still very weak, while **Indian** firms registered weaker sentiment.

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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.

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