

Press Release

Embargoed until: 00:01 (UK Time), 5th March 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 strengthens to five-month high

Key points

- **HSBC Emerging Markets Index: 51.9** (prior 51.2)
- Russian downturn deepens
- India continues to show solid growth

The rate of growth in global emerging market output strengthened in February, according to the latest survey data from HSBC and Markit. The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the PMI™ surveys, rose to 51.9, from 51.2 in January. The latest figure signalled the fastest rate of expansion since last September. That said, the EMI remained well below its long-run trend level of 53.7.

Service sector growth picked up from January's eight-month low, but remained modest. Meanwhile, goods production increased at the fastest rate in six months.

Three of the four largest emerging economies registered higher output in February. **India** recorded the strongest rate of expansion, followed by **China** where growth picked up to a five-month high. In **Brazil**, private sector business activity rose for the first time in five months. In contrast, **Russian** private sector output declined at the strongest rate since May 2009.

Stronger output growth was driven by a sharper increase in new business, and also a slight decline in outstanding workloads. Marginal employment growth was registered for the third successive month.

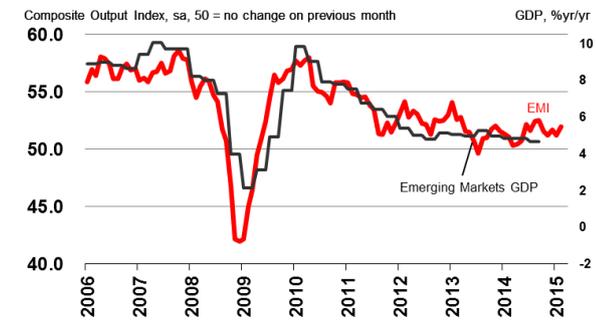
The rate of inflation in average input prices at firms across emerging markets accelerated from January's 20-month low, but remained modest. Manufacturing input prices fell further, mainly reflecting declines in Asian economies including **China**. Output price inflation strengthened from January's marginal pace, but was weak overall.

Business expectations

The outlook for global emerging markets strengthened in February. The **HSBC Emerging Markets Future Output Index**, which tracks firms' expectations for activity in 12 months' time, improved to an eight-month high. Sentiment strengthened in both manufacturing and services. By country, **China** and **Brazil** registered brighter output expectations, while sentiment in **Russia** remained weak.

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HSBC Emerging Markets Index



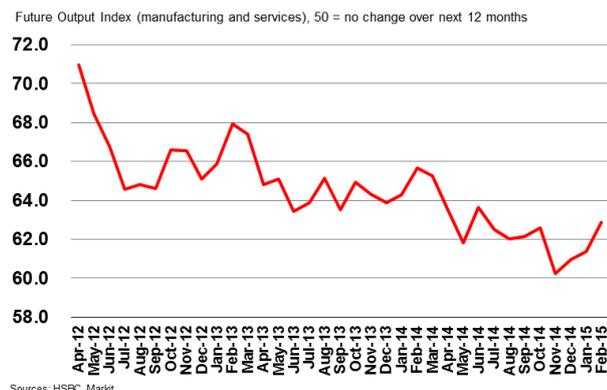
Data summary

Country/region	Coverage	Index	Feb-15	Jan-15	Feb-14
Emerging Markets	Composite*	Output	51.9	51.2	51.1
	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	51.8	51.0	49.8
India	Composite*	Output	53.5	53.3	50.3
Brazil	Composite*	Output	51.3	49.2	50.8
Russia	Composite*	Output	44.7	45.6	50.2

- ▲ 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

“February saw some welcome signs of renewed life across the emerging markets as a whole, albeit qualified by growing concerns over the plight of Russia as its downturn deepens.

“However, despite seeing the fastest growth for five months, emerging markets collectively continued to significantly underperform against the developed world, sustaining the trend that has been evident over the past two years and therefore once again acting as a material drag on global economic growth.

“Looking at the largest emerging markets, growth accelerated in China and India, reaching five- and three-month highs respectively, but perhaps the most welcome development was a return to growth in Brazil after four months of decline. February’s expansion was the largest that Brazil has seen since December 2013. However, despite picking up, growth rates in all three countries remained only modest, and far below typical rates of expansion seen prior to the global financial crisis.

“Although weak, the expansions in China, India and Brazil contrasted with the steepening downturn recorded in Russia, which is suffering the worst performance of all major economies so far this year. February saw Russian business activity contract to the greatest extent since May 2009, the rate of decline having gathered momentum over the past five months as sanctions from the West and the oil price rout continued to hit the economy.”

Detailed data summary: Output Index

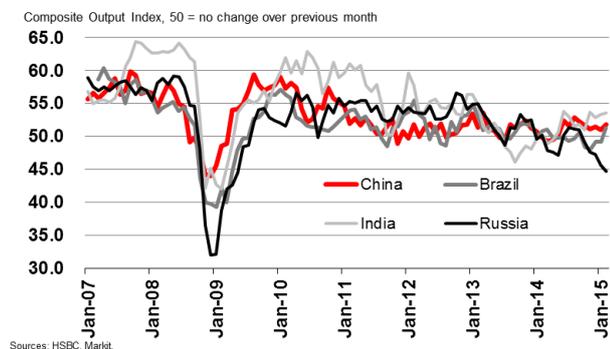
Country / region	Coverage	Nov-14	Dec-14	Jan-15	Feb-15
Emerging Markets	Composite	▼	▲	▼	▲
Brazil	Composite	▼	▲	▲	▲
China	Composite	▼	▲	▼	▲
India	Composite	▲	▼	▲	▲
Russia	Composite	▼	▼	▼	▼
Emerging Markets	Services	▼	▲	▼	▲
Brazil	Services	▲	▲	▼	▲
China	Services	▲	▲	▼	▲
India	Services	▲	▼	▲	▲
Russia	Services	▼	▲	▼	▼
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

Manufacturers in **China** saw a renewed improvement in overall operating conditions in February, with output and total new orders both expanding at faster rates. However, latest data indicated that external demand was relatively weak, with new export business declining for the first time in ten months. Meanwhile, average input costs declined sharply over the month.

Taiwanese manufacturers saw output and new orders both expand at slightly faster rates in February. Lower purchasing costs, particularly for oil and oil-related products, led to another sharp reduction in average input prices.

South Korean manufacturing output rose at the fastest pace since April 2013, alongside a sustained moderate increase in new orders. Meanwhile, downward cost pressures remained, with both input and output prices falling.

Indonesia's manufacturing sector continued to contract during February, and at a slightly accelerated pace. Output and new orders were the primary drags on overall performance, with both falling at survey-record rates.

The **Vietnamese** manufacturing sector maintained its recent period of growth in February, with new orders and output both rising at faster rates than at the start of the year. A further steep reduction in input prices was recorded in line with lower fuel costs, and this fed through to another marked fall in prices charged.

Amid evidence of slower new order growth, manufacturing production in **India** expanded at a weaker rate during February. Prices paid for inputs by goods producers decreased for the first time since March 2009.

February's survey data indicated the continued broad stagnation of **Brazil's** manufacturing sector. Both output and new orders fell since January, following modest growth in January, amid reports of a lack of demand at a time when a strong US dollar against the Brazilian real was pushing up prices.

Mexican manufacturing companies indicated further strong rises in production and new business volumes during February. Meanwhile, input price inflation accelerated to its sharpest for over two-and-a-half years, which firms mainly linked to higher costs for imported raw materials.

Lacklustre market conditions in **Turkey's** manufacturing sector were compounded by severe winter weather during February, resulting in a steeper drop in output and longer supplier delivery times. More positively, the contraction in new orders eased slightly and firms continued to add to payrolls.

Russian manufacturing business conditions deteriorated only fractionally in February, as stronger domestic demand drove an increase in new work and production rose slightly. Inflationary pressures eased during the month, but remained severe.

Growth rates for **Polish** manufacturing output and new orders remained historically sharp in February, despite easing since January, while manufacturing employment increased at the second-fastest rate in the survey history. Prices charged for manufactured goods continued to fall.

Czech manufacturers continued their bright start to 2015 in February. The overall momentum of growth remained strong, with rates of expansion of output, new orders and employment all running above long-run survey averages. Moreover, input prices continued to decline, allowing firms to lower their own prices charged for finished goods.

Middle East & Africa

Underpinning the strong performance of **Saudi Arabia's** non-oil private economy was marked growth of new business in February. Moreover, the increase in total new work was supported by a robust expansion in export orders during the month. Output rose at the fastest rate since last October.

February data highlighted weaker but still strong growth at **UAE's** non-oil private sector companies in February. The overall slowdown was driven by milder expansions in output, new orders and new export business. Purchasing activity also rose at a slower pace during the month, contrasting with a faster rate of job creation. Meanwhile, the rate of purchase price inflation eased to a four-and-a-half year low.

Business conditions in **Egypt's** non-oil private sector worsened at the quickest rate since September 2013. The overall deterioration was underpinned by robust contractions in output, new orders and employment during the month. Meanwhile, overall input prices rose at the fastest rate in seven months.

February data signalled a stabilisation in operating conditions at **South African** private sector companies. Output increased, following mild declines in each of the previous two months. Meanwhile, companies reported no change in new orders.

Business expectations

Manufacturing output expectations improved in February in all emerging markets covered except **Taiwan**. **Indonesia** posted the strongest overall sentiment, and the second-highest in the near-three year series history. **Poland** also registered the second-strongest degree of output expectations since future output data were first collected in April 2012. **Russian** goods producers reported the strongest sentiment since last August.

In the Middle East, non-oil output expectations improved to four-month highs in both **Saudi Arabia** and the **United Arab Emirates**. In contrast, **Egyptian** firms' business expectations weakened to a five-month low.

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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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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.

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