

## Press Release

Embargoed until: 00:01 (UK Time), 5<sup>th</sup> December 2013

**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 further

### Key points

- **HSBC Emerging Markets Index: 52.1** (prior 51.7)
- Manufacturing output growth gains momentum

The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the PMI™ surveys, continued its upward trajectory in November on the back of faster manufacturing growth. The EMI rose to 52.1, from 51.7 in October, signalling the fastest expansion in business activity across global emerging markets since March. That said, growth remained only moderate overall.

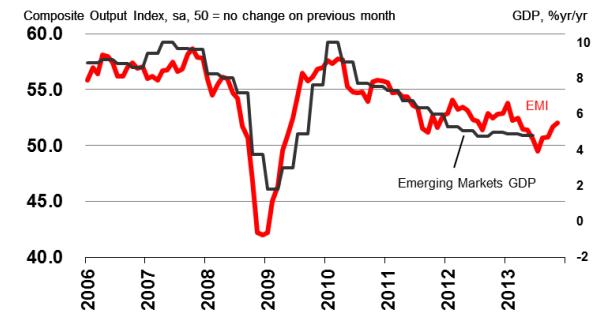
**Manufacturing** production rose at a faster rate in November, reflecting stronger momentum at Chinese goods producers, a resumption of growth in India and marked increases in Turkey and Eastern European economies in particular. Indonesia, Russia, Brazil and South Korea weighed on manufacturing growth in the latest period. Meanwhile, growth of **services** activity across emerging markets was unchanged from October's seven-month high.

Moderate increases in activity across manufacturing and services combined were signalled in **China, Russia and Brazil**. **Indian** private sector output fell for the fifth month running, albeit at the weakest rate in this sequence.

**New order** growth was maintained at a moderate rate in November. Moreover, the volume of **outstanding business** increased at the strongest rate since March 2011. Firms raised **headcounts** on average for the second month running, albeit at a weak rate.

Inflationary pressures were unchanged from October, with **input prices** continuing to rise at a faster rate than **prices charged** for final goods and services.

### HSBC Emerging Markets Index



Sources: HSBC, Markit.

### Data summary

Country/region	Coverage	Index	Nov-13	Oct-13	Nov-12
Emerging Markets	Composite*	Output	52.1	51.7	52.8
	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	52.3	51.8	51.6
India	Composite*	Output	48.5	47.5	53.2
Brazil	Composite*	Output	51.8	52.0	53.0
Russia	Composite*	Output	52.2	53.3	56.2

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

\*Manufacturing & Services

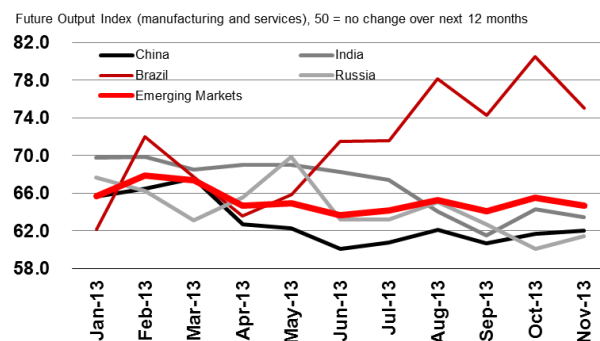
Sources: HSBC, Markit.

### 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 in November, having rebounded to a seven-month high in the previous month. The moderation in sentiment in the latest period reflected weaker expectations at service providers, with goods producers at their most optimistic since April.

Among the largest emerging markets, **Brazil** continued to post a marked degree of sentiment regarding future output, while **Russian** firms were less optimistic, on average, than their counterparts in **China** and **India**.  
*Continued on page 3...*

### Emerging Markets Future Output Index



Sources: HSBC, Markit.

## Comment

### Andre Loes

HSBC Chief Economist, LATAM

"Emerging markets activity picked up in November. Expansion continued in Brazil, China and Russia, though at a moderate pace, contrasting with India, where there was a fifth consecutive month of contraction. New orders were stable, and at a level higher than output, suggesting a year-end with a clear acceleration of activity vis-à-vis previous quarters.

"Manufacturing activity gained traction during the month, reaching its fastest pace of expansion since March. This mainly reflects acceleration of both output and new orders, while employment remained disappointing. The positive highlights were geographically concentrated in Eastern Europe, Middle East and Africa, with UAE, Czech and Turkey showing the healthiest growth, followed by Poland, Saudi Arabia and Egypt. Particularly strong export orders for East European countries suggest a positive spill-over effect from the Eurozone. Asian countries saw a mild expansion, in tandem with China, while both Brazil and Russia showed a small contraction of industrial activity.

"Services confirmed the steady expansion of recent months – including output, orders and employment – although the pace was unchanged from October. The services print for the BRIC countries replicates the overall performance of the composite index: moderate growth for Brazil, China and Russia, and a disappointing reading for India showing a fifth month of contraction, even though it has recovered from September's recent low."

### Pablo Goldberg

Global Head of Emerging Markets Research

"Recovery remains on track in EM with output trending up, while new order and employment eased a touch. The good news is that exports should recover."

**Regional tweets:** [www.twitter.com/HSBC\\_EMI\\_PMI](http://www.twitter.com/HSBC_EMI_PMI)

### Simon Williams

HSBC Chief Economist, MENA

"UAE now leads the boom in the oil-rich Gulf. Egypt finally stabilising but at a low base; further gains contingent on political order"

### Frederic Neumann

Co-Head of Asian Economic Research

"All around solid growth. Even India is back above water. Don't get too carried away though: exports and employment still shaky"

### Andre Loes

HSBC Chief Economist, LATAM

"No positive month for Brazil, with a slight industry contraction and minor growth of services; Mexico rebounding firm on manufacturing"

### Murat Ulgen

HSBC Chief Economist, CEE & Sub-Saharan Africa

"Activity gains traction across the region barring Russia's poor performance; Turkey and CEE enjoy new businesses from the eurozone"

## Detailed data summary: Output Index

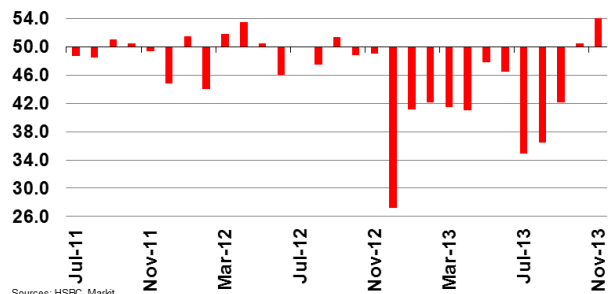
Country / region	Coverage	Aug-13	Sep-13	Oct-13	Nov-13
<b>Emerging Markets</b>	<b>Composite</b>	▲	▶	▲	▲
Brazil	Composite	▲	▲	▲	▼
China	Composite	▲	▼	▲	▲
India	Composite	▼	▼	▲	▲
Russia	Composite	▲	▼	▲	▼
<b>Emerging Markets</b>	<b>Services</b>	▲	▼	▲	▶
Brazil	Services	▼	▲	▲	▲
China	Services	▲	▼	▲	▼
India	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  
▲ Below 50, rising  
▼ Below 50, falling  
▼ 50, falling  
\*Non-oil

Sources: HSBC, Markit.

## Egyptian non-oil output growth hits record high

Egypt Output Index, sa, 50 = no change on previous month



Sources: HSBC, Markit.

## Manufacturing

Production at **Chinese** manufacturers increased at the fastest rate since March in November. Growth was supported by a quicker expansion of total new orders, driven by domestic demand.

New export orders in **South Korea** grew at a solid pace in November, though growth eased from October's 31-month high. Some panellists attributed the latest increase to an expansion in demand in key Asian markets. Output rose only marginally, however.

Operating conditions in **Taiwan's** manufacturing sector improved to the greatest extent since March 2012. Both output and new orders increased sharply and there was a solid rise in backlogs despite higher employment.

**India's** manufacturing sector saw an improvement in November, with a return to growth of new orders leading companies to raise production for the first time since April. Purchasing activity also rose and job creation was sustained.

Amid fears of a difficult economic climate and weak export demand, **Indonesian** manufacturers reduced production in November. New orders from export markets fell for the sixth month running, albeit only slightly. Meanwhile, growth of the **Vietnamese** manufacturing economy weakened to a fractional pace as a fall in new orders broadly offset higher output and employment. There were reports that weaker client demand had been exacerbated by stormy weather and associated flooding.

**Brazilian** manufacturing output rose for the third successive month in November, but the rate of expansion slowed and was only marginal. Total new orders decreased despite a stabilisation in new export business. The underlying weakness in the sector was confirmed by a further fall in employment. In contrast, business conditions in **Mexico's** manufacturing sector improved at the fastest pace in eight months in November. Output growth resumed following the strongest rise in new orders since March. Employment also rose, albeit at a weak rate.

**Turkish** manufacturing firms reported a sharp increase in production in November, as new order growth accelerated to the quickest in over two-and-a-half years. Meanwhile, backlogs of work accumulated for the first time since January and buying activity rose markedly.

Business conditions in the **Russian** manufacturing sector deteriorated in November. Growth of both new business and output lost the momentum gained in October, increasing only marginally. Moreover, firms cut jobs and purchases of new inputs. Weak external demand continued to weigh on the sector.

The manufacturing upturns in Poland and the Czech Republic gathered pace in November. In **Poland**, new orders increased at the fastest rate since the start of 2011, and output rose at the strongest pace in over two-and-a-half years. Meanwhile, **Czech** goods producers posted one of the fastest increases in new export business in the survey history, leading to stronger growth of output and backlogs.

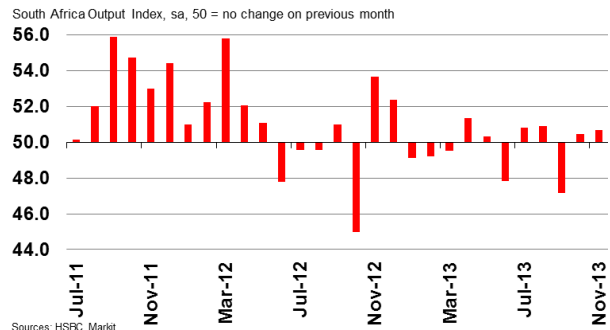
## Middle East & Africa

**Egypt's** non-oil private sector companies reported solid increases in activity and new orders in November, with the rates of expansion the quickest recorded in the survey history. Meanwhile, employment levels continued to decline and companies raised their output charges in response to increased input costs.

Non-oil private sector companies in the **United Arab Emirates** reported a sharp rise in activity in November, as new orders expanded at the fastest rate in the survey history. The rate of growth in new export business also jumped to a record high.

November data also signalled a sharper rise in activity in **Saudi Arabia's** non-oil private sector economy. Firms reported improving demand linked to good marketing efforts, increased tourism and higher construction activity.

HSBC's new survey of the **South African** private sector signalled a further rise in activity, with the pace of growth broadly similar to October. New orders increased at a faster pace, with companies commenting on higher tourism and the securing of new projects. New business from abroad rose for the first time in six months.



## Business Expectations

Manufacturing sentiment strengthened in the majority of economies covered in November. In particular, the 12-month outlook in **Brazil** surged to a new record high. Business expectations in the **Indonesian** and **Czech** manufacturing sectors were also at record highs, while **Vietnam** registered the second-strongest output expectations in 20 months of data collection for the series. In contrast, manufacturing sentiment in **Mexico** and **Russia** were the weakest and second-weakest on record respectively.

The 12-month outlook for non-oil private sector output in **Egypt** remained strongly positive in November, with overall sentiment the same as in October. Meanwhile, business expectations improved to a six-month high in **Saudia Arabia**, and a five-month high in the **United Arab Emirates**.

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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.

## 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 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 55 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 80 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.

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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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