Press Release

Embargoed until: 00:01 (UK Time), 7th July 2014

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 markets gain momentum in June

Key points

- **HSBC Emerging Markets Index: 52.3** (prior 50.6)
- Growth picks up in China and India
- Russian private sector output stabilises

The **HSBC Emerging Markets Index (EMI)**, a monthly indicator derived from the PMI™ surveys, indicated stronger output growth across global emerging markets in June. The EMI posted 52.3, up from 50.6 in May, signalling the sharpest rate of expansion since March 2013. That said, it remained below its long-run average of 53.8.

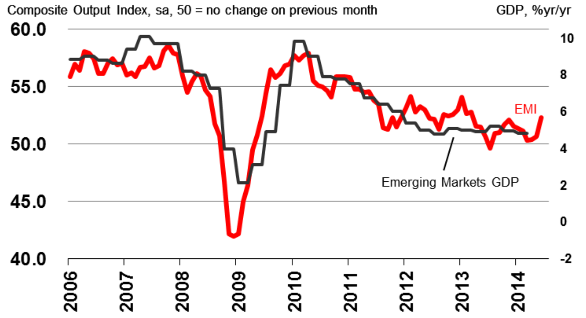
The pick-up in output growth was reflected in both **manufacturing** and **services**, most notably the latter where activity growth hit a 15-month high.

Three of the four largest emerging markets contributed to the faster overall rise in output in June. **China** posted the sharpest increase in output for 15 months, while **India** saw the steepest expansion since February 2013. **Russian** private sector output stabilised, having fallen at the strongest rate in five years in May. Brazil, however, registered a further flat trend in activity.

Stronger output growth reflected the fastest increase in **new orders** since March 2013. Meanwhile, the level of **outstanding business** was unchanged, following a five-month sequence of decline.

Inflationary pressures remained subdued in June, despite **input price** inflation reaching a four-month high. **Prices charged** for finished goods and services continued to rise only fractionally.

HSBC Emerging Markets Index



Sources: HSBC, Markit.

Data summary

Country/region	Coverage	Index	Jun-14	May-14	Jun-13
Emerging Markets	**Composite***	**Output**	**52.3**	**50.6**	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	52.4	50.2	49.8
India	Composite*	Output	53.8	50.7	50.9
Brazil	Composite*	Output	49.9	49.8	511
Russia	Composite*	Output	50.1	47.1	50.1

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

*Manufacturing & Services

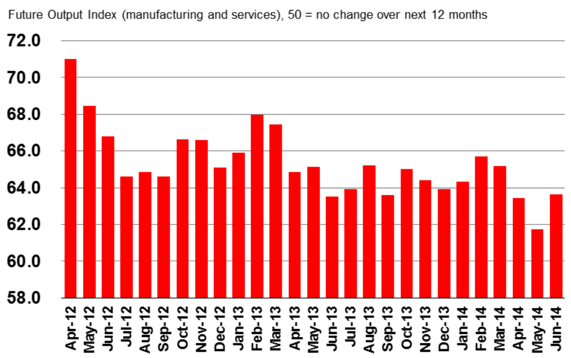
Sources: HSBC, Markit.

Business expectations

The **HSBC Emerging Markets Future Output Index** tracks firms' expectations for activity in 12 months' time. The index rose for the first time since February in June, indicating strengthening sentiment across emerging markets. The improved overall outlook reflected the service sector, while manufacturers were the least optimistic since September 2012.

Three of the four largest emerging economies registered stronger output expectations in June. **India** registered the brightest outlook for the third successive month, ahead of **Brazil** and **China** respectively. **Russian** business expectations were the third-weakest in the 27-month series history. *Continued on page 3…*

Emerging Markets Future Output Index



Sources: HSBC, Markit.

Comment

Chris Williamson
Chief Economist, Markit

"Emerging markets showed new signs of life in June after stagnating in prior months, enjoying the strongest upturn in business activity since the end of the first quarter of last year. The improvement in the survey data is welcome news, and suggests that the emerging economies are joining in the global upturn that has been led by the developed world.

"The June data nevertheless point to only modest growth, and inflows of new business are still disappointingly weak. Momentum in the emerging markets therefore remains meagre at best, and the extent to which emerging market growth continues to lag the developed world economies remains one of the greatest that we have seen in the ten-year history of the PMI surveys.

"At present, the developed world is driving global economic growth, but the emerging markets are now at least showing signs of exerting less of a drag. If momentum can build in coming months, improvements in the emerging markets will help lift global growth higher in the second half of 2014."

Regional highlights: www.twitter.com/HSBC_EMI_PMI

Murat Ulgen
Global Head of Emerging Markets Research

"Russian output stabilises in June, while Turkish activity disappoints. The improvement across CEE is also losing some momentum"

Frederic Neumann
Co-Head of Asian Economic Research

"China is showing the way with a bounce. Things should improve from here. But Asia's recovery is mostly a domestic affair, with exports still slow"

Andre Loes
HSBC Chief Economist, LATAM

"Strong fall in Brazil industry not compensated by services growth, expectations deteriorating; Mexican manufacturing keep recovering"

Simon Williams
HSBC Chief Economist, MENA

"Another strong month for the booming economies of the Gulf. For Egypt a first positive sign that better times may lie ahead"

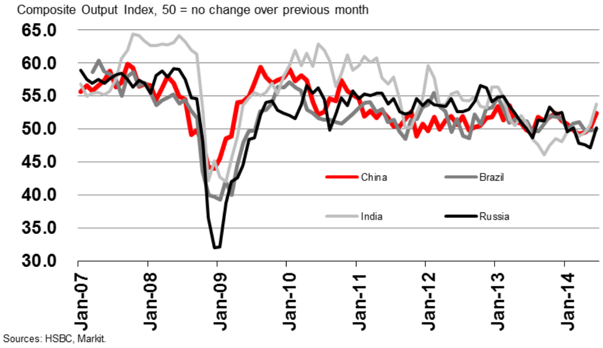
Detailed data summary: Output Index

Country / region	Coverage	Mar-14	Apr-14	May-14	Jun-14
Emerging Markets	**Composite**	▼ Above 50, falling	▲ Above 50, rising	▲ Above 50, rising	▲ Above 50, rising
Brazil	Composite	▲ Above 50, rising	▼ Below 50, falling	▼ Below 50, falling	▲ Below 50, rising
China	Composite	▼ Below 50, falling	▲ Below 50, rising	▲ Above 50, rising	▲ Above 50, rising
India	Composite	▼ Below 50, falling	▲ Below 50, rising	▲ Above 50, rising	▲ Above 50, rising
Russia	Composite	▼ Below 50, falling	▼ Below 50, falling	▼ Below 50, falling	▲ Above 50, rising
Emerging Markets	**Services**	▼ Above 50, falling	► Above 50, unchanged	▼ Above 50, falling	▲ Above 50, rising
Brazil	Services	▲ Above 50, rising	▼ Above 50, falling	▲ Above 50, rising	▲ Above 50, rising
China	Services	▲ Above 50, rising	▼ Above 50, falling	▼ Above 50, falling	▲ Above 50, rising
India	Services	▼ Below 50, falling	▲ Below 50, rising	▲ Above 50, rising	▲ Above 50, rising
Russia	Services	▼ Below 50, falling	▼ Below 50, falling	▼ Below 50, falling	▲ Below 50, rising
Emerging Markets	**Manufacturing**	▼ Below 50, falling	▲ 50, rising	▲ Above 50, rising	▲ Above 50, rising
Brazil	Manufacturing	▲ Above 50, rising	▼ Below 50, falling	▼ Below 50, falling	▼ Below 50, falling
China	Manufacturing	▼ Below 50, falling	▲ Below 50, rising	▲ Below 50, rising	▲ Above 50, rising
Czech Republic	Manufacturing	▼ Above 50, falling	▲ Above 50, rising	▼ Above 50, falling	▼ Above 50, falling
Indonesia	Manufacturing	▼ Below 50, falling	▲ Below 50, rising	▲ Above 50, rising	▼ Above 50, falling
India	Manufacturing	▼ Above 50, falling	▼ Above 50, falling	► Above 50, unchanged	▲ Above 50, rising
South Korea	Manufacturing	▲ Above 50, rising	▼ Below 50, falling	▼ Below 50, falling	▼ Below 50, falling
Mexico	Manufacturing	▼ Above 50, falling	▲ Above 50, rising	▼ Above 50, falling	▲ Above 50, rising
Poland	Manufacturing	▼ Above 50, falling	▼ Above 50, falling	▼ Above 50, falling	▲ Above 50, rising
Russia	Manufacturing	▼ Below 50, falling	▲ Below 50, rising	▲ Below 50, rising	▲ Above 50, rising
Turkey	Manufacturing	▼ Above 50, falling	▼ Above 50, falling	▼ Above 50, falling	▼ Below 50, falling
Taiwan	Manufacturing	▼ Above 50, falling	▼ Above 50, falling	▲ Above 50, rising	▲ Above 50, rising
Vietnam	Manufacturing	▲ Above 50, rising	▲ Above 50, rising	▼ Above 50, falling	▼ Above 50, falling
Egypt	Private sector*	▼ Above 50, falling	▼ Below 50, falling	▼ Below 50, falling	▲ Above 50, rising
Hong Kong	Private sector	▼ Below 50, falling	▲ Below 50, rising	▼ Below 50, falling	▼ Below 50, falling
Saudi Arabia	Private sector*	▼ Above 50, falling	▲ Above 50, rising	▲ Above 50, rising	▲ Above 50, rising
South Africa	Private sector	▼ Below 50, falling	▼ Below 50, falling	▲ Below 50, rising	▼ Below 50, falling
United Arab Emirates	Private sector*	▲ Above 50, rising	▲ Above 50, rising	▼ Above 50, falling	▲ Above 50, rising

▲ Above 50, rising
▼ Above 50, falling
► Above 50, unchanged
▲ Below 50, rising
▼ Below 50, falling
▲ 50, rising
*Non-oil

Sources: HSBC, Markit.

India and China record faster growth in June



Sources: HSBC, Markit.

Manufacturing

Chinese manufacturing output rose for the first time in five months in June, supported by the strongest expansion of new work since March 2013. Increased volumes of new business led to the quickest depletion of stocks of finished goods for nearly three years.

Taiwanese manufacturing output increased for the tenth successive month in June, and at the quickest rate since February. The stronger expansion of output was supported by sharp increases in total new business and new export orders.

Output and new business in **South Korea's** manufacturing sector fell further in June. Downward pressure on costs remained, linked to the appreciation of the won leading to lower imported raw material prices.

June data indicated that operating conditions in the **Indonesian** manufacturing economy continued to improve, as a further marked rise in new orders led companies to scale up production. Furthermore, panellists indicated that input buying expanded, while employment returned to growth. The **Vietnamese** manufacturing sector also continued to see improving conditions in June, although rates of growth in output and new orders eased during the month.

Indian manufacturing output rose at the fastest rate since February in June, supported by greater domestic and foreign demand. Buying activity expanded at a faster rate, while employment continued to rise marginally.

June data indicated that business conditions in the **Brazilian** manufacturing sector deteriorated further. Output dipped at the quickest rate in over two-and-a-half years, reflecting an ongoing weakness in domestic demand. Exports rose marginally.

June data signalled a further moderate improvement in business conditions across the **Mexican** manufacturing sector, driven by faster expansions of output and new business. However, employment numbers decreased for the first time in eight months and input cost inflation accelerated to its strongest since March.

Turkey's manufacturing sector contracted at the end of the second quarter. Output, new orders, exports, backlogs and purchasing activity all declined during the month. Firms generally linked falling order inflows to stagnant market conditions and geopolitical uncertainty, notably in the Middle East.

Russian manufacturing new orders declined marginally in June, reversing May's gain, although output increased for the first time in 2014 so far. Employment fell further, albeit at a slower rate, while inflationary pressures eased.

In **Poland**, manufacturing lost further momentum. New orders were largely unchanged, halting a 12-month sequence of growth. This weighed on growth of both output and employment. Inflationary pressures were subdued. Meanwhile, in the **Czech Republic** output, new orders, exports, purchasing and employment all continued to grow solidly, albeit at weaker rates than in May.

Middle East & Africa

June data signalled the continued expansion of the **Saudi Arabian** non-oil private sector, with output growth quickening to a 26-month high. New business from abroad also improved, albeit at a slower pace than total new orders. Data also indicated the sharpest rise in input buying since the survey began in August 2009.

The **UAE's** non-oil producing private sector companies reported sustained sharp increases in output, new orders and new export orders in June, with the rates of growth for both output and new exports reaching their highest levels since the survey began in August 2009.

Companies in the **Egyptian** non-oil producing private sector observed solid improvements in output, new orders and new exports in June. Purchasing activity increased at the fastest rate since the survey began in April 2011.

South African private sector companies reported further declines in both output and new orders, with the rates of contraction accelerating slightly since the previous month. Companies reported that mining strikes remained one of the main factors weighing on private sector demand.

Business expectations

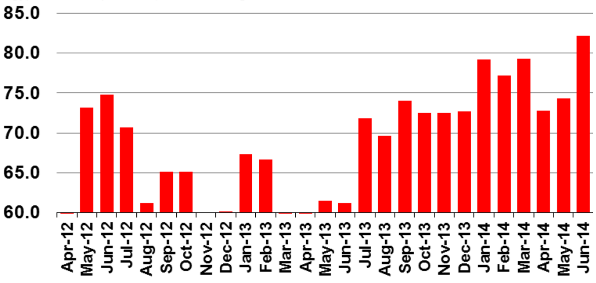
In June, **Chinese** manufacturers were at their least optimistic regarding the 12-month outlook for output since September 2012. Future output expectations also weakened since May in **South Korea**, **Indonesia** and **Vietnam**, while **Taiwan** and **India** bucked the wider Asian trend.

In Latin America, **Brazilian** goods producers held the worst 12-month outlook for production since the series began in April 2012, a marked turnaround from record positive sentiment back in November 2013. Output expectations were brighter in **Mexico**, but still weaker than the series average.

Elsewhere across emerging markets, **Czech** manufacturers remained more optimistic than their counterparts in **Poland**, while **Russian** goods producers were less upbeat than in April and May. **Turkish** manufacturing output expectations sank to a 19-month low.

In the Middle East, non-oil output expectations improved in **Saudi Arabia** but deteriorated in the **UAE**. **Egyptian** companies meanwhile held the best outlook for activity since the series started in April 2012.

Egypt Future Output Index, 50 = no change over next 12 months



Sources: HSBC, Markit.

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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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