

HSBC Emerging Markets Index

Emerging markets set to lead global economic recovery, says HSBC index

Key points

- Emerging markets output highest for a year.
- Employment increases for first time in 12 months.
- HSBC EMI surges from 50.7 in Q2 to 55.3 in Q3.

“Emerging markets continue to power the growth in the global economy.”

- Michael Geoghegan, HSBC Group CEO

Summary

HSBC, the world's leading international emerging markets bank, today launched the largest survey of emerging markets economic data - the HSBC Emerging Markets Index (EMI) - which suggests emerging markets are likely to lead the global economic recovery.

Compiled with data from over 5,000 purchasing managers from companies in 13 countries, the HSBC EMI is a powerful indicator of the economic and business health of the world's emerging and fast growing markets. This new index shows that emerging markets output in Q3 recorded a robust rise and that forward indicators point to further improvement in Q4.

Stephen Green, Group Chairman of HSBC Holdings plc, said: *“As the world's economic centre of gravity shifts from West to East, the economic strength of emerging markets will play an increasingly central role in the development of financial markets and international relations. The HSBC Emerging Markets Index provides a unique snapshot of the economic heartbeat of emerging markets.”*

HSBC, which serves over 100 million customers in 86 countries and territories, was founded in Hong Kong and Shanghai in 1865. It is the world's largest international emerging markets bank. It is the leading international bank in China, the largest international bank in Asia and the Middle East and has more than 4,000 offices across Latin America.

Michael Geoghegan, Group Chief Executive of HSBC Holdings plc, said: *“It makes perfect sense for HSBC to create this powerful economic indicator. As I travel through Asia, Latin America and the Middle East this month, it is clear to me that these economies have real dynamism and momentum today compared to some misfiring economies in the West. The first ever HSBC Emerging Markets Index shows that emerging markets continue to power the growth in the global economy.”*

The HSBC EMI surged from 50.7 in Q2 to 55.3 in Q3, signalling the strongest quarterly increase in emerging market manufacturing and service output since Q2 of last year. The index has rebounded sharply from an all-time low of 43.8 recorded in the final quarter of last year and 44.3 in Q1. Any reading below 50 indicates a contraction of output during the quarter while readings above 50 signal expansion.

Stephen King, HSBC's Chief Economist, said: *“Although the US remains the most important trading partner for many emerging nations, its relative importance is declining. We now expect emerging nations to see economic growth of 6.0% next year while the developed world will expand by only 1.8%.”*

Tony Cripps, Head of Global Markets at HSBC Bank Australia, said: *“The importance of emerging markets to the Australian economy has become very apparent in recent years so the strength of HSBC's outlook for emerging markets growth bodes well for Australia's economic prospects in the years ahead.”*

The HSBC EMI is calculated using the long-established and highly credible PMI data produced by global financial information services company Markit. HSBC recently announced a partnership with Markit to sponsor and produce a number of emerging market PMIs.

The HSBC EMI will be released quarterly and is available via:

www.hsbc.com/emergingmarketsindex.

The next Emerging Markets Index will be on the 7th of January 2010.

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Notes to Editors:

The HSBC Emerging Markets Index (EMI) is a weighted composite indicator derived from national Purchasing Managers' Index (PMI) surveys in the emerging markets of Czech Republic, Israel, Mexico, Poland, Singapore, South Africa, South Korea, Taiwan, Turkey and the increasingly important BRIC economies of Brazil, Russia, India and China. These surveys collectively track business conditions in over 5,000 reporting companies.

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.

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.

HSBC Holdings plc:

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,422 billion at 30 June 2009, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'. For further information please visit www.hsbc.com.

HSBC in Australia:

In Australia, the HSBC Group offers an extensive range of financial services through a network of 35 branches and offices. These services include personal and commercial financial services, financial planning, trade finance, treasury and financial markets, payments and cash management and securities custody. Principal HSBC Group members operating in Australia include HSBC Bank Australia Limited (ABN 48 006 434 162 AFSL 232595) and The Hongkong and Shanghai Banking Corporation (ABN 65 117 925 970 AFSL 301737). HSBC is marketed worldwide as 'the world's local bank'.

HSBC in Emerging Markets:

- HSBC's birthplace was in Hong Kong and Shanghai in 1865.
- HSBC is the largest international Emerging Markets bank.
- In 2008, HSBC generated PBT US\$ 13.96 bn in Asia, Latin America, and the Middle East.
- HSBC is the leading international bank in China:
 - in 2008 HSBC generated PBT of US\$ 319m in China;
 - 89 outlets in 20 cities on target to open 100 outlets by the end of 2009;
 - 5 Rural Banks opened; 2 more planned by the end of 2009.
- HSBC is the leading international bank in the Middle East.
- HSBC has over 4,000 offices across Latin America.
- HSBC's Global Banking and Markets strategy is Emerging Markets led, financing focused:
 - 47% of H109's record PBT of US\$ 6.3bn was generated in emerging markets;
 - won key industry awards including 'Best Emerging Markets Bank' from Euromoney.
- HSBC has the largest international Commercial Banking franchise:
 - 3.1m customers of which 53% are in emerging markets;
 - In H1 09 57% of PBT was from emerging markets.

About HSBC's data provider

Markit:

Markit is a financial information services company with over 1,200 employees in Europe, North America and Asia-Pacific. Over 1,500 financial institutions use our independent services to manage risk, improve operational efficiency and meet regulatory requirements.

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 26 countries and key regions including the Eurozone and BRIC. 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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