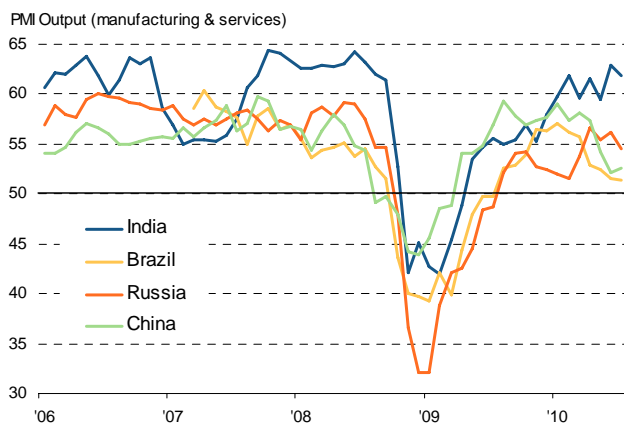


Emerging markets

India's growth heats up while China and Brazil cool off

Emerging markets are currently showing very different growth rates, with a buoyant pace in India contrasting with cooling economic growth in China and Brazil.

PMI Composite (all-sector) Output Index

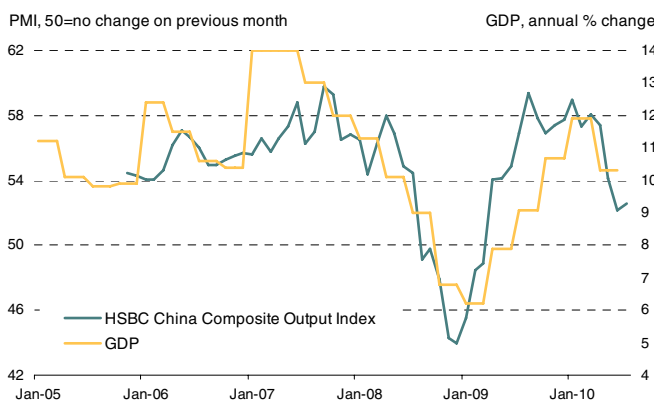


Sources: Markit, HSBC, VTB.

China slows

China PMIs produced by Markit for HSBC showed manufacturing output falling marginally for the second month running in July, in marked contrast to the surging growth rate seen earlier in the year, but business activity in the service sector grew at a faster rate. Measured across both sectors, the rate of growth picked up slightly on the back of the service sector improvement, but remained close to June's 15-month low to suggest that growth of China's GDP will have continued to cool from the 10.3% annualised pace seen in Q2.

China GDP



Sources: Markit, HSBC, NBS.

Slower growth in China is being accompanied by similar weakness in other Asian countries, as trade flows cool from record rates earlier in the recovery. Most notably, manufacturing output growth rates have slowed sharply in both South Korea and Taiwan, the latter even showing a contraction in July for the first time since February of last year.

Brazil continues rapid cooling

Growth in Brazil likewise slowed according to the PMI surveys also produced by Markit for HSBC, slipping for the sixth successive month from the post-recession peak seen in January to signal only a modest increase in output in July. Growth has collapsed in manufacturing from a four-year survey record at the start of the year, with the pace of expansion now broadly in line with that seen in services.

Russia shows further modest expansion

PMIs produced for VTB in Russia meanwhile showed the weakest pace of growth for four months, with the pace cooling in both manufacturing and services, but nevertheless consistent with GDP growth of approximately 2.4%.

India's growth surge sustained into July

However, even Russia's growth paled in comparison to the ongoing booming pace of expansion recorded by the HSBC India PMIs. The composite Output Index slipped from June's peak but remained above the averages recorded in both Q1 and Q2 to suggest that growth could even accelerate in Q3 beyond the 8.5%–9.0% rate signalled for Q2. Surging growth rates were seen in manufacturing and services.

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