

## HSBC Russia Manufacturing PMI™

Rate of improvement in manufacturing business conditions eased in September

### Summary

HSBC survey data covering the Russian manufacturing sector signalled sustained growth in September. The headline figure from the survey is the seasonally adjusted HSBC Russia Manufacturing PMI™, a composite index designed to track overall business conditions. The PMI remained above the 50.0 no-change value in September, posting 51.2. However, this was the lowest figure since March, and below the long-run trend (since September 1997) of 52.1.

New orders rose for the sixth month running in September. However, the rate of expansion slowed to the weakest in the current period of expansion. Demand was notably weak in international markets as new export business declined for the third month running, and at the fastest pace since March.

Reflecting overall growth of new work, production rose in September. The current run now stretches to fourteen months, but the rate of expansion in the latest period was the slowest since March.

September survey data indicated a lack of pressure on capacity in the manufacturing sector. Firms cut workforces on average for the second time in four months, albeit only marginally, while backlogs of work declined. The rate of contraction in outstanding business was unchanged from August's marked pace.

Inflationary pressures intensified in September. The rate at which average purchase prices increased was the second-fastest in the current twenty-month sequence of rising costs. Metals and foodstuffs were often reported as having become more expensive during the month. Meanwhile, output prices rose at the fastest rate since July 2008. Firms mainly reported raising their prices in response to greater cost pressures.

In line with weaker growth of both output and new orders, the rate at which purchasing volumes increased slowed in September. Input buying expanded at the weakest rate since March, contributing to a sharper decline in warehouse stocks of pre-production goods.

Despite the weaker rise in purchasing activity by Russian manufacturers during September, suppliers' delivery times continued to increase. This reflected shortages of raw materials, the effect of recent wildfires and delayed imports.

### Comment

Commenting on the Russia Manufacturing PMI survey, Alexander Morozov, Chief Economist (Russia and CIS) at HSBC, said:

*"Manufacturing growth in September remained positive yet kept weakening further, HSBC Russia Manufacturing PMI showed. All five indexes comprising headline PMI have come weaker than in August pointing to the steady loss of growth momentum. Confirming our concerns last month, domestic growth drivers failed to sustain robust growth in manufacturing in the absence of export demand growth in September."*

*"Inflation in the manufacturing sector keeps escalating according to the PMI price indexes. Both input and output prices rose as fast as before the crisis in September. Manufacturers increasingly pass their cost pressures onto customers despite weak demand growth. It points to the increase in inflationary expectations."*

*"So, manufacturing growth moderates while price growth accelerates. Is it the stagflation scenario we are heading too? We shall see it in the near future."*

### Key points

- Output growth slowed to six-month low.
- Employment fell marginally.
- Output price inflation highest since July 2008.

### Historical Overview



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### Notes to Editors:

The HSBC Russia Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 manufacturing companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to Russian Industrial Production. 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 the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

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.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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