HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC Russia Manufacturing PMI™

Sharp slowdown in new order growth led to weaker rise in output

Summary

Survey data compiled by Markit for HSBC signalled faltering growth of the Russian manufacturing sector in April, following a strong first quarter. The headline seasonally adjusted HSBC Russia Manufacturing PMI™, a composite index designed to track overall business conditions, fell for the first time in five months in April. The latest figure of 52.1 was the lowest since last November, and the monthly drop in the Index (from 55.6 in March) was the largest observed since December 2008. Any figure greater than 50.0 signals improvement, below 50.0 contraction.

New business rose for the thirteenth month in a row in April. The pace of growth slowed sharply, however, to the weakest since last November. Moreover, the volume of new export orders declined for the first time in five months.

The deterioration in new order expansion led to a slower rise in production in April. The current period of growth was extended to twenty-one months, but at the weakest pace since last November. That said, the pace of expansion was slightly faster than the historic average for the survey. Slower gains in new work also led to the sharpest fall in backlogs for five months.

Input prices rose sharply in April, with the rate of inflation continuing to run above its long-run average despite slowing further to an eight-month low. Raw materials and energy prices were again highlighted as having driven cost pressures. Manufacturers hiked their output prices in response to rising costs, and the rate of charge inflation remained above the long-run average despite easing to a nine-month low.

The current strength of business conditions was sufficient to generate a further rise in manufacturing employment in April, extending the current sequence of hiring growth to seven months. However, as new orders rose more slowly, the rate of job creation eased to a marginal pace.

Weaker new business flows also led to a moderation in growth of purchasing activity by Russian manufacturers in April. This alleviated pressure on suppliers somewhat, as average input delivery times lengthened to the weakest extent since December 2009.

Comment

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

"Growth in Russian manufacturing slowed down markedly in April, the HSBC Russia Manufacturing PMI showed. At the moment, the current rate of production expansion is fully in line with the long-run average. Nevertheless, a decline in new export orders is worrisome, as it usually points to the direction of change in overall manufacturing growth momentum in the coming months. At this point, we expect export demand weakness in Russia to be temporary, as we are observing strong growth momentum in manufacturing in other key world economies. What has changed, however, is that the impact of export demand and manufacturing growth on Russian GDP growth has declined. It raises the importance of a growth pick-up in other sectors in order to sustain overall growth momentum in the economy.

Despite the registered ease of inflationary pressures, they remain elevated. With year-on-year PPI growth rate currently exceeding 20%, there are little grounds for complacency about inflation. "

Key points

- Manufacturing PMI fell to five-month low of 52.1.
- Input price inflation eased further to eight-month low.
- Employment rose for seventh month running, but only marginally.

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.

HSBC Group:

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HSBC Group operates in Russia through OOO HSBC Bank (RR). HSBC Russia provides a wide range of corporate banking, investment banking and financial markets products and services to corporate and institutional customers.

About Markit:

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About PMIs:

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