

# HSBC Russia Manufacturing PMI®

## PMI indicates only marginal improvement in manufacturing business conditions

### Summary

The Russian manufacturing sector started 2012 on a weak footing, according to the latest HSBC PMI® data compiled by Markit. The survey's headline figure is the HSBC Purchasing Managers' Index™ (PMI) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy. After adjusting for seasonal factors, the PMI fell closer to the neutral level of 50.0 in the first month of 2012, posting 50.8. The latest figure was the lowest since October 2011 and signalled only a marginal improvement in overall business conditions.

New orders rose for the fourth month in succession in January. That said, the rate of expansion slowed for the second survey running, and was weak in the context of historic data. Data signalled that growth was centred on the domestic market, as new export business declined at the fastest rate since last July.

Higher intakes of new work and inroads into backlogs supported output growth in January. The volume of outstanding business held at manufacturers declined for the twenty-eighth month in succession, and at the fastest rate since last June. Meanwhile, the rise in production during the month extended the current sequence to two-and-a-half years, but the rate of expansion was only marginal.

Russian manufacturers expanded their workforces for the third month running in January, following job shedding from last August through to October. A number of firms reported investing in new capacity. Pressure on manufacturers' input costs remained muted in January, despite a slightly faster rate of inflation than in December. The index tracking input prices remained well below its historic average, despite rising to a three-month high. Transport costs were reported as up in price during the month.

The relatively weak rise in input prices in January was reflected in a similarly subdued increase in prices charged for Russian manufactured goods.

The volume of inputs ordered by Russian manufacturers declined for the first time in six months in January. That said, the rate of depletion was only marginal. Firms generally reported that stock levels were sufficient to meet current output requirements, and the level of pre-production inventories continued to decline overall during the month. Stocks of final goods also contracted, and at the fastest pace since December 2010.

### Comment

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

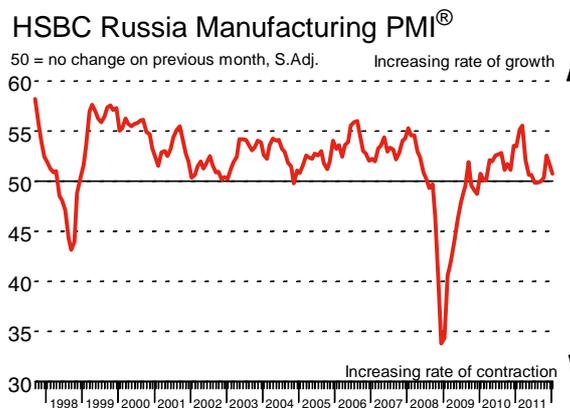
*"Business activity growth at Russian manufacturers lost much of its steam in January after two relatively strong preceding months. While new domestic orders appeared to continue growing moderately, the decline in new export orders intensified. As a lead indicator, the latter points to a rather weak outlook for the sector. Yet, 'weak' does not mean 'bad'. Both the headline and output PMI indexes remain in growth territory. Besides, manufacturers have reduced inventories at a faster rate, effectively expecting weaker demand in the near future, which might not come true. In the end, manufacturers may realise that there are opportunities for somewhat faster output growth than the current pace. All in all, slow growth remains our baseline scenario for the manufacturing sector in 2012."*

*"Official industrial growth in Russia slowed to a modest 2.5% year-on-year in December 2011. Of course, this number is most likely distorted downwards because of negative one-off effects related to fewer working days and the warm weather. Yet, the HSBC Russia Manufacturing PMI results for January suggest that Russian industrial growth will unlikely accelerate in 2012. And yet it moves!"*

### Key points

- PMI reading of 50.8 reflects weaker gains in output and new orders
- Jobs growth maintained for third month running
- Inflationary pressures remain subdued

### Historical Overview



Sources: Markit, HSBC.

**For further information, please contact:**

### **HSBC**

Julia Molchanova, Corporate Communications  
Telephone + 7 495 721 1515  
Email [HSBC\\_Russia\\_PR@hsbc.com](mailto:HSBC_Russia_PR@hsbc.com)

### **Markit**

Trevor Balchin, Senior Economist  
Telephone +44-1491-461-065  
Email [trevor.balchin@markit.com](mailto:trevor.balchin@markit.com)

Rachel Harling, Corporate Communications  
Telephone +44-20-7064-6283  
Mobile +44-782-789-1072  
Email [rachel.harling@markit.com](mailto:rachel.harling@markit.com)

### **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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*Purchasing Managers' Index™ (PMI®)* surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics)

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