HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 09:00 (Moscow), 2 May 2012

HSBC Russia Manufacturing PMI®

Russian manufacturing sector gains momentum in April

Summary

The Russian manufacturing sector registered a positive start to the second quarter, according to the latest HSBC *PMI*[®] data compiled by Markit. Output, new orders and purchases of inputs all expanded at faster rates than one month previously, and goods producers expanded workforces at the sharpest pace for over a year. Input price pressures remained weak by the historic standards of the survey.

The HSBC Purchasing Managers' Index[™] (PMI) is a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy. Readings above 50.0 indicate an overall improvement in business conditions, below 50.0 an overall deterioration. The PMI rose solidly from March's 50.8 to 52.9, signalling the best overall performance of the sector since March 2011.

New orders rose at a solid pace in April. The rate of expansion was the fastest since March 2011, as companies reported a recovery in market conditions. That said, new business growth has yet to return to its long-run trend pace since the survey began in late-1997. New export business registered a second successive monthly rise, and at a slightly faster pace than in March.

The improved flow of new business led to a stronger rise in output in April. Production increased at the fastest rate since March 2011, and growth was slightly sharper than the long-run survey average. With output growth remaining stronger than new business expansion, backlogs of work continued to fall. However, the rate of depletion eased to the weakest in seven months.

Russian manufacturers expanded their workforces on average in April, following a reduction in March. Moreover, the rate of job creation was the strongest since March 2011.

Growth of purchasing activity picked up further in April, having stagnated at the beginning of the year. The latest increase in input volumes was the fastest since last November, and stronger than the long-run series average. Reflecting this, stocks of purchases fell only marginally across the sector.

Input price inflation remained relatively weak in April, and well below the long-run survey average. Only one-fifth of respondents reported higher input prices than one month previously, citing price hikes by raw material suppliers and higher energy costs. Meanwhile, prices charged for Russian manufactured goods rose only marginally during the month.

Comment

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

"Manufacturers surprised positively in April, expanding their portfolio of new orders and increasing output and staff levels faster than before, according to the results of the HSBC Russia Manufacturing PMI survey. The arrival of a late yet very warm spring to the European part of Russia must have improved manufacturers' confidence. Importantly, new export orders managed to stay in the 'growth zone' and improved from the March reading. So, Russian producers have proved to be resilient, at least for now, in contrast to the weakness in manufacturing activity revealed by the flash April PMI readings in the Eurozone and China.

"Given the rather strong HSBC Russia Manufacturing PMI release, the official industrial output reading for April will likely surprise to the upside recovering from the low March reading. Despite that, we look forward with caution. In the uncertain global economic environment, downside risks to industrial growth in Russia still prevail, in our opinion."

Key points

- PMI increases to highest level in over a year
- Faster growth of new orders and output generates job creation
- Input price inflation remains below long-run average

Historical Overview



Sources: Markit, HSBC.





For further information, please contact:

HSBC

Julia Molchanova, Corporate Communications Telephone + 7 495 721 1515 Email julia.molchanova@hsbc.com

Markit

Trevor Balchin, Senior Economist
Telephone +44-1491-461-065
Email trevor.balchin@markit.com

Rachel Harling, Corporate Communications
Telephone +44-20-7064-6283
Mobile +44-782-789-1072
Email 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' IndexTM (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:

HSBC is one of the world's largest banking and financial services organisations. With around 7,200 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 89 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 85 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 132 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

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

The intellectual property rights to the HSBC Russia Manufacturing *PMI*® provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI*® are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.

The HSBC Group, HSBC means HSBC Holdings plc, the company established in accordance with and regulated by the laws of England and Wales, and/or HSBC Bank plc, the Bank established in accordance with and regulated by the laws of England and Wales, and every company that is a member of the group, controlled by this Bank.

OOO HSBC Bank (RR) («Bank», «HSBC in Russia»). General license issued by the Bank of Russia 3290, 2 Paveletskava Square, Building 2, Moscow 115054 Russia.