

HSBC Russia Manufacturing PMI®

Manufacturing PMI improves to four-month high in September

Summary

Survey data signalled an improving business climate for Russian manufacturers in September. The latest HSBC PMI® data compiled by Markit extended the current sequence of gains to 12 months, and marked the best overall performance since May. Growth rates for output, new orders and employment all accelerated, and new export business stabilised having declined the previous month. The latest survey findings also signalled a strengthening of inflationary pressures in the sector.

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. The PMI improved to a four-month high of 52.4 in September, up from 51.0 in August and slightly above its historic average of 52.1.

Russian goods production increased in September, continuing the trend observed since August 2009. Moreover, the rate of expansion accelerated to the fastest since April. Output continued to be supported both through increases in new business and the completion of backlogs.

New orders placed with Russian manufacturers rose for the twelfth month in a row in September. The rate of growth was the strongest in four months, supported by a marginal increase in new export business.

September data signalled a marked fall in backlogs of work at Russian goods producers, in line with the downward trend of the past three years. Moreover, the rate of depletion was the fastest since June 2011.

Employment in the sector rose in September, following little change during the previous two months. Workforce numbers have expanded eight times in the past 11 months.

Firms also increased the volume of purchasing activity in September but, with the pace of expansion remaining weaker than that observed for output, the level of inputs held in stock continued to fall. The rate of contraction in pre-production inventories was the fastest since August 2011.

Inflationary pressures built up in the latest survey period. Average input prices rose at the fastest rate since April 2011, driven by food, energy and transport costs. Output price inflation also accelerated, to the strongest since July 2011. That said, the rates of increase in both cases remained below the long-run survey averages.

Comment

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

"Growth momentum in Russian manufacturing improved in September, with stronger growth of output, new orders and employment registered by relevant PMI Indexes. New export orders have pleased too resuming their crawly growth. Complementing this benign picture, price pressures have intensified as both input and output prices accelerated their growth markedly in September. Indeed, with stocks of finished goods falling at the fastest rate for many months, companies should have found it natural to respond to stronger demand and rising costs with higher charges for their goods."

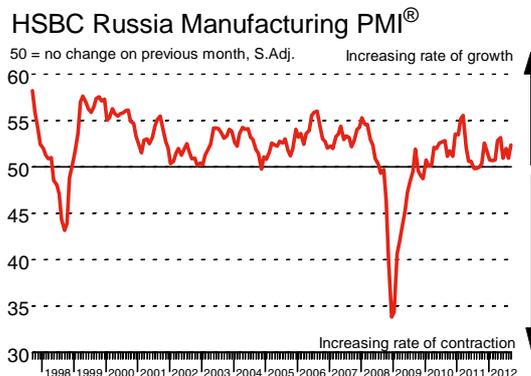
"The September HSBC Manufacturing PMI release proves the ability of Russian manufacturing to grow despite global headwinds. The energy-biased structure of Russian exports makes it pretty resilient to weaknesses of international trade. Besides, a large and growing domestic market gives some independent impetus to manufacturing growth."

"Overall, the PMI report provides arguments for the continuation of monetary policy tightening, we think. Yet, fewer work days in September 2012 than a year ago will likely translate into a weak industrial production print for this month masking a stronger underlying growth in manufacturing. Therefore, in the end the authorities may become cautious about tightening policy too fast."

Key points

- New orders rise for twelfth successive month, and at faster pace
- New export business stabilises
- Input price inflation strengthens to 17-month high

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

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-7815-812-162
Email caroline.lumley@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.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 6,900 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 60 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 84 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 221,000 shareholders in 134 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 Paveletskaya Square, Building 2, Moscow 115054 Russia.