## **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC Russia Manufacturing PMI®

## Manufacturing output growth remains solid

#### **Summary**

Russia's manufacturers continued their good start to the final quarter of 2012, according to November HSBC PMI® data compiled by Markit. New order growth remained strong, despite easing since October, generating another solid increase in output. New work received from export markets increased, reversing October's marginal gain, and firms increased their purchases at the fastest pace since April. On a less positive note, manufacturing employment stalled, having grown during the previous three months.

The survey's headline figure is the HSBC Purchasing Managers' Index $^{TM}$  (PMI) — 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 remained above neutrality for the fourteenth successive month in November, posting 52.3. That was below October's 52.9, but still greater than the historic survey average of 52.1. On a quarterly basis, PMI data for Q4 so far point to the strongest manufacturing improvement since Q1 2011, and the second-best since Q1 2008.

Driving the overall improvement in business conditions in the Russian manufacturing sector in November was a further strong increase in new orders. Receipts of new business have risen continuously since October 2011, and the rates of expansion over the past two months have been faster than in any period since March 2011. Supporting domestic new business was an increase in new export orders, following a marginal decline in October.

Russian manufacturing backlogs declined only modestly in November, reflecting the ongoing strength of new order inflows. Although backlogs fell overall, data signalled the second-strongest degree of pressure on operating capacity of the past three years.

Strengthening demand for inputs was not matched by rising inflationary pressures in November. Average input prices paid by Russian manufacturers increased, but the rate of inflation slowed further from September's 17-month high to the weakest since June. Moreover, input price inflation remained far below the long-run survey average. A similar trend was evident for output prices the rate of inflation slowed for the second month in a row, and was weak in the context of historic survey data.

#### Comment

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

"Manufacturers were unable to maintain elevated growth momentum in November, the HSBC manufacturing PMI survey found. Yet although output growth eased, it still remained robust, with improvements in the New Export Orders Index from contraction to growth pointing to the likely stabilization of growth rates in Russian manufacturing in the coming months. A marginal contraction in the workforce also speaks for manufacturers' adaptation to the moderate growth outlook.

"So, as opposed to annual indicators of output growth in manufacturing and industry in general that are still sliding down due to negative base effects, the HSBC PMI survey says that manufacturing has been bottoming out recently. Therefore, the survey effectively dismisses the concerns about downside risks to economic growth that the Russian Central Bank voiced recently."

## **Key points**

- Second-fastest gain in new work since March 2011 supported by rise in new export orders
- Strongest growth of purchasing activity for seven months
- Employment broadly unchanged from October

#### **Historical Overview**





Sources: Markit, HSBC.





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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<sup>TM</sup> (PMI*<sup>®</sup>) 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.

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