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

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# HSBC Russia Services PMI®

# Russian private sector output growth remains strong in November

#### **Summary**

The Russian service sector maintained a strong growth rate approaching the end of 2012, according to HSBC PMI<sup>®</sup> data compiled by Markit. Together with a further solid performance in the manufacturing economy, total activity rose at a rate close to October's two-and-a-half year high. Private sector employment rose at the strongest rate in six months, despite a slight dip in manufacturing jobs.

The headline figure for the services survey is the seasonally adjusted HSBC Russia Services Business Activity Index. The Index was little-changed at 57.1 in November, the second-highest since May 2011. Taken together, data for Q4 so far suggests underlying service sector growth is the strongest since Q3 2008. Manufacturing production rose solidly (54.6) and, across both sectors, the average growth rate was the second-fastest in 29 months with the Composite Output Index posting 56.2.

The ongoing strength of growth in total services activity was reflected in a sharper rate of job creation in the sector in November. Companies expanded workforces at the fastest rate since May 2011, and all areas of the services economy registered growth in headcounts. In contrast, manufacturing employment fell slightly for the first time since June.

Recruitment by Russian service providers supported the completion of existing workloads in November. The rate of backlog depletion was moderate, and broadly in line with that registered at manufacturers.

Manufacturing new orders rose at the second-fastest rate in 20 months in November, while the rate of new business growth in services slowed to a pace that was broadly in line with the average for 2012 to date. Overall new business growth eased since October and was slightly weaker than the survey's historic trend.

The overall degree of sentiment regarding services activity trends over the next 12 months remained positive in November, although less than half of service providers forecast growth. Consequently, the degree of confidence remained weaker than the historic trend since the survey began in late-2001.

Inflationary pressures also remained weak in the context of historic survey data in both manufacturing and services in November. Input price inflation eased to a four-month low in services, and to a five-month low in manufacturing, Both sectors also registered below-average increases in prices charged.

#### Comment

Commenting on the Russia Services and Composite  $PMI^{\circledcirc}$  survey, Alexander Morozov, Chief Economist (Russia and CIS) at HSBC, said:

"After rebounding in September and October, the Russian economy sustained good growth momentum in November, the HSBC Russia Composite PMI survey showed. Economic growth has eased only marginally.

"How come? Most annual macroeconomic indicators have been steadily deteriorating over the past few months. But this is nothing more than a trap of headline numbers. They reflect more of the weaker growth in the past few quarters, rather than of recent months. Moreover, we should expect some further deterioration of annual growth indicators before they start improving. They will - this is what the HSBC PMI indicators predict.

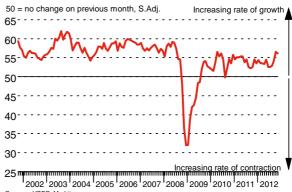
"Do not expect too much though. Be ready for 2.5% GDP growth next year, which would match the potential growth rate of the Russian economy, we think."

# **Key points**

- Composite Output Index at strong level of 56.2
- Business Activity Index little-changed at 57.1
- Employment in service sector increases at fastest rate since May 2011

#### **Historical Overview**

## **HSBC** Russia Composite Output Index









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#### **Notes to Editors:**

The HSBC Russia Services PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The HSBC Russia Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 600 companies based in the Russian manufacturing and service sectors.

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'.

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.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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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 <a href="https://www.markit.com/economics">www.markit.com/economics</a>

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