

HSBC Russia Manufacturing PMI®

New orders rise markedly at start of 2013

Summary

Russia's manufacturers started 2013 in a better position than at the end of 2012, HSBC PMI® data compiled by Markit showed. Having slowed to a marginal rate in December, output growth accelerated on the back of a marked rise in new work. New export business stabilised and purchasing growth also picked up.

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. Readings above 50.0 indicate an overall improvement in business conditions, below 50.0 an overall deterioration.

The PMI rose from December's 15-month low of 50.0, posting 52.0 in January. That was broadly in line with the long-run survey average (52.1), and indicative of a solid overall improvement in business conditions at goods producers in Russia.

Manufacturing output in Russia rose at a solid rate in January. Production has increased during every month since August 2009, and the latest pace of expansion was in line with the average shown over this period.

New orders received by Russian goods producers rose at the fastest pace since March 2011 at the start of 2013. This mainly reflected strong growth in domestic markets, although new export business stabilised following December's contraction. The overall rise in new work was greater than the long-run survey average.

The sharp increase in new business generated growth of backlogs at Russian manufacturers in January. The overall volume of outstanding business in the sector rose for the first time since September 2006, albeit at a marginal pace.

The main negative from the latest survey was another fall in manufacturing employment, the third in successive months. Moreover, the rate of reduction in staffing was little-changed from December's 40-month record.

Inflationary pressures remained weak in January. Average input prices rose at the second-slowest rate in four years, and one that was much weaker than the survey's historic average. Where prices did increase, this was linked to higher energy and transport costs. Meanwhile, manufacturers increased their prices charged for the eleventh successive month, but at only a modest rate.

Comment

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

"The manufacturing sector has rebounded in January after the bleak results in December 2012, HSBC Russia Manufacturing survey signals. New orders dynamics was particularly strong resembling the one seen before the 2008 crisis. New export orders have stabilized reducing downside risks. At the same time, manufacturers remained cautious regarding demand perspectives, increasing output only moderately and continuing cuts in employment."

"At a first glance, the results of the PMI survey are quite optimistic. However, we tend to align with manufacturers and do not overestimate the positive January data. First, January data are subject to the strongest monthly seasonality among all months, which may change its pattern over time. Second, manufacturers were keeping their production activity subdued in December 2012, in order to reduce their inventories. Therefore, the improved performance in January against the low December base does not tell much about the sustainability of this improvement. That said, we must be observing a stabilization of growth momentum in the Russian manufacturing, at least, and may expect some improvement going forward. In the end, this would prompt growth stabilization of the Russian economy as a whole."

Key points

- New business expansion fastest in 22 months
- Backlogs rise slightly despite pick-up in output growth
- Weak inflation of input prices

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*[™] (*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.

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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

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