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

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# HSBC Russia Manufacturing PMI®

## Output growth slows to modest pace in March

#### **Summary**

The pace of Russian manufacturing growth faltered in March while inflationary pressures remained subdued, HSBC PMI® data compiled by Markit showed. Output, new orders and purchases of inputs all rose at slower rates, while new export business declined further and firms cut staff for the fifth month running. Input and output prices both rose on the month at historically weak rates.

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 was above neutrality in March, indicating an overall improvement in business conditions at Russian goods producers. That said, the headline index declined from 52.0 to 50.8, the second-lowest level in the past 12 months.

Output in the Russian goods-producing sector rose for the forty-fourth consecutive month in March. That said, the pace of expansion slowed to a modest pace that was among the weakest registered over that sequence.

New business growth was maintained at the end of the first quarter, but at a reduced pace. The rate of expansion was the slowest in 2013 so far, and broadly in line with the average over the current 18-month sequence of gains. New export business continued to weigh on overall growth, registering a second successive monthly drop – albeit at a marginal rate.

Inflationary pressures remained weak in March. Average input prices rose for the fiftieth consecutive month. Input prices rose at only 11% of firms, mostly those operating in the consumer goods sector. Meanwhile, average prices charged for Russian manufactured goods rose in March, following a marginal fall the previous month. That said, the rate of output price inflation was weak.

The volume of outstanding business declined for the first time in three months in March. That said, the rate of backlog depletion was modest, and weaker than the long-run survey average.

Manufacturing employment in Russia declined for the fifth successive month in March. Although the rate of job shedding was marginal, the current sequence of declining employment is the longest in three years. Purchasing growth was maintained for the fourteenth consecutive month but slowed to a marginal pace, leading to a further decline in inventories.

#### Comment

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

"The HSBC Russian Manufacturing PMI survey revealed a broad-based weakening of growth momentum in March. A deeper decline in new export orders and more significant staff level reduction (both on a seasonally-adjusted basis) is particularly concerning. In this respect, slower yet still robust growth of new domestic orders gives some comfort about continued expansion in the coming months. Producers remain cautious in assessing the prospects for sustainable growth of demand for their goods. They seem to prefer charging more for their goods than increasing output more vigorously.

"So, manufacturers have made their bets. If they are right, we should see a further moderation of demand growth and weaker output data. If they are wrong, we should expect stronger output growth once producers improve their confidence in demand for their goods. We have been observing a stronger growth of new demand compared to output growth since September 2012, which signals that manufacturers have been wrong so far. Will they be right this time? Maybe, if we see a further decline in oil prices.

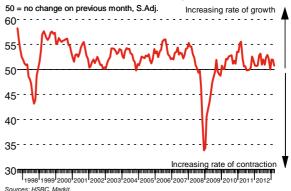
"In contrast to the weaker growth momentum in Russian manufacturing revealed by the PMI survey, we expect an improvement in the March annual industrial production (IP) print. As opposed to February, March industrial data will not suffer from the negative calendar effect. Besides, cold weather should boost heat and electricity production in March."

#### **Key points**

- Weakest rise in production since December
- New export orders decline for second straight month
- Employment falls for fifth month running

#### **Historical Overview**

# HSBC Russia Manufacturing PMI®







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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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Purchasing Managers' Index™ (PMl®) 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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