HSBC Purchasing Managers' Index™ Press Release

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HSBC Russia Manufacturing PMI®

June sees strongest improvement in manufacturing business conditions in four months

Key points

- PMI rises for first time since January
- Solid rate of new order growth
- Employment increases for first time in eight months

Summary

The business climate facing Russian goods producers improved in June, HSBC PMI[®] data compiled by Markit showed. New business and output both increased at faster rates, leading to a rise in employment in the sector for the first time since last October.

The survey's headline figure is the HSBC Purchasing Managers' IndexTM (PMI) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy. The PMI remained above the no-change mark of 50.0 in June, continuing the trend shown since the start of 2013. Moreover, the headline figure rose to a four-month high of 51.7, from 50.4 in May, signalling a stronger overall improvement in business conditions facing goods producers.

The main factor driving the improvement in manufacturing performance in June was a stronger increase in new orders, the fastest since February. Domestic demand drove the improvement, while new export orders rose marginally for the second month running. By sector, consumer goods firms registered the strongest increase in new orders.

Russian manufacturing production rose in June, extending the current sequence of growth to nearly four years. The rate of expansion accelerated to a fourmonth high, but remained weak compared with the long-run survey average.

Faster growth of output and new orders was accompanied by a sharper increase in the volume of inputs ordered by manufacturers. The rate of expansion was the fastest since February.

Russian goods producers expanded their workforces on average in June, ending a seven-month sequence of job shedding. That said, the rate of employment growth was only marginal.

Average input prices rose at the fastest rate in six months in June, linked to higher metal prices and currency fluctuations. The rate of inflation remained weak in the context of historic survey data, however. A similar trend was evident for output price inflation, which accelerated to a six-month high but remained historically modest.

Comment

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

"Manufacturing growth gained stronger momentum in June, the HSBC Russia Manufacturing PMI survey found. All key PMI indexes have improved. Thus, a previous series of weakening PMI prints has been broken. A faster growth of output, domestic and foreign demand, and the rise in staffing level is particularly encouraging. Seeing more robust demand growth, Russian manufacturers responded with even stronger output growth in June, for the first time over past few months. In other words, the previous cautious manufacturers' view on the sustainability of demand growth seems to have become more optimistic.

Obviously, it would be wrong to assume that manufacturing and industrial growth in Russia is set to strengthen further from now on. Although export demand edged up again in June, the global economy is not in a great shape, posing downside risks for Russia. Yet, the PMI survey's results clearly downplayed the risks of this sector's sliding into stagnation. Growth stabilization – this is a couple of words that describes the current stance in the Russian manufacturing, in our opinion.

The HSBC Russia Manufacturing PMI survey points to the high likelihood of annual industrial production growth returning to positive numbers in June. We keep expecting annual IP growth to average 1.8% in the coming months. This does not warrant the use of monetary stimulus at this point."

Historical Overview

HSBC Russia Manufacturing PMI®



Increasing rate of contraction 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012





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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™ (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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