

Embargoed until: 09:00 (MOSCOW), 1 February 2012

HSBC Russia Manufacturing PMI®

PMI indicates only marginal improvement in manufacturing business conditions

Key findings:

- PMI reading of 50.8 reflects weaker gains in output and new orders
- Jobs growth maintained for third month running
- Inflationary pressures remain subdued

The Russian manufacturing sector started 2012 on a weak footing, according to the latest HSBC *PMI*® data compiled by Markit. Output rose at a fractional pace, reflecting slower gains in total new orders as new work from external markets declined. Employment growth was maintained, but input buying and backlogs declined. Meanwhile, inflationary pressures in the goods-producing sector remained relatively muted.

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.

After adjusting for seasonal factors, the PMI fell closer to neutrality in the first month of 2012, posting 50.8. The latest figure was the lowest since October 2011 and signalled only a marginal improvement in overall business conditions.

New orders received by Russian manufacturers rose for the fourth month in succession in January. That said, the rate of expansion slowed for the second survey running, and was weak in the context of historic data. Data signalled that growth was centred on the domestic market, as new export business declined at the fastest rate since last July.

Higher intakes of new work and inroads into backlogs supported output growth in January. The volume of outstanding business

held at manufacturers declined for the twenty-eighth month in succession, and at the fastest rate since last June. Meanwhile, the rise in production during the month extended the current sequence to two-and-a-half years, but the rate of expansion was only marginal.

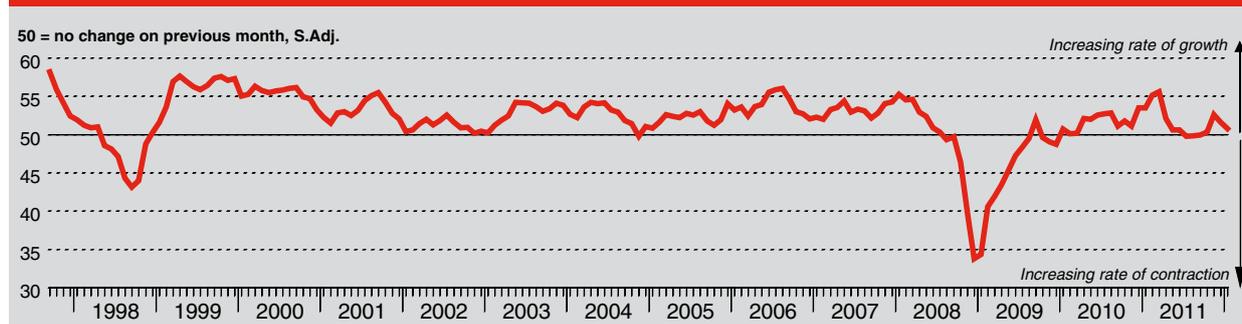
Russian manufacturers expanded their workforces for the third month running in January, following job shedding from last August through to October. A number of firms reported investing in new capacity. The rate of job creation was fractionally sharper than the trend shown for 2011.

Pressure on manufacturers' input costs remained muted in January, despite a slightly faster rate of inflation than in December. The index tracking input prices remained well below its historic average, despite rising to a three-month high. Transport costs were reported as up in price during the month.

The relatively weak rise in input prices in January was reflected in a similarly subdued increase in prices charged for Russian manufactured goods.

The volume of inputs ordered by Russian manufacturers declined for the first time in six months in January. That said, the rate of depletion was only marginal. Firms generally reported that stock levels were sufficient to meet current output requirements, and the level of pre-production inventories continued to decline overall during the month. Stocks of final goods also contracted, and at the fastest pace since December 2010.

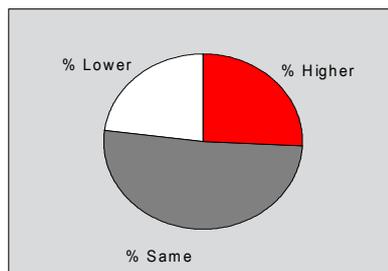
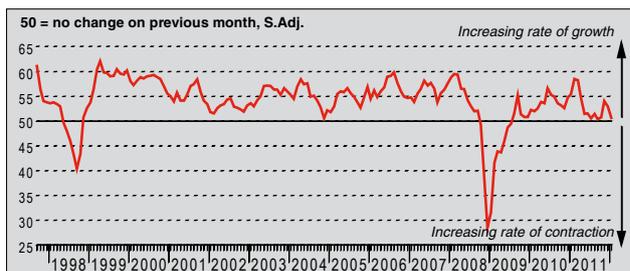
HSBC Russia *Purchasing Managers' Index*™ (PMI®)



The HSBC Russia *Purchasing Managers' Index*™ (PMI®) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index*™ and *PMI*® are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

Output Index

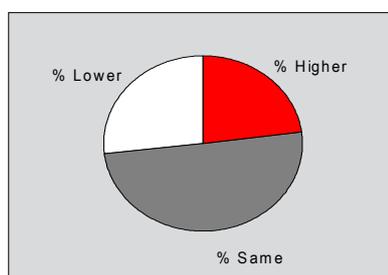
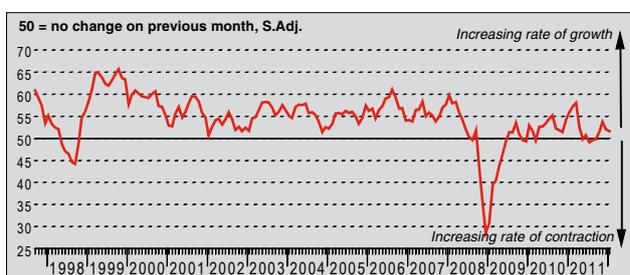
Q. Please compare your production/output this month with the situation one month ago.



Following adjustment for seasonal factors, manufacturing production in Russia rose only marginally at the start of 2012. Growth slowed compared with the average seen over the final quarter of 2011, and was broadly in line with the weak trend shown for Q3 2011. Nonetheless, output growth has now been sustained for two-and-a-half years. Higher output was mainly attributed to rising demand and the expansion of plant capacity.

New Orders Index

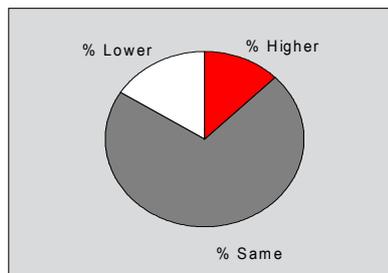
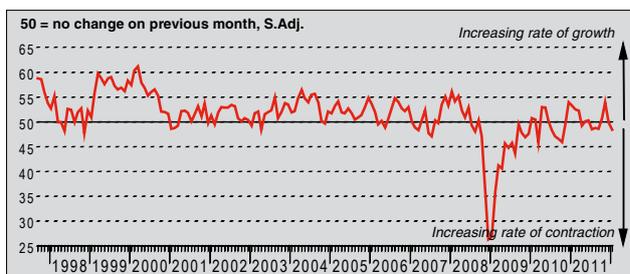
Q. Please compare the level of new orders received this month with the situation one month ago.



The seasonally adjusted New Orders Index remained above the no-change mark of 50.0 in January, to signal further growth of new business received by Russian goods producers. The current sequence of gains now stretches to four months. That said, the rate of expansion weakened slightly to a three-month low, and was subdued in the context of historic survey data.

New Export Orders Index

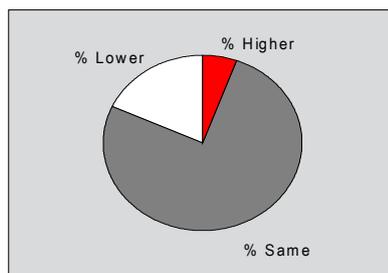
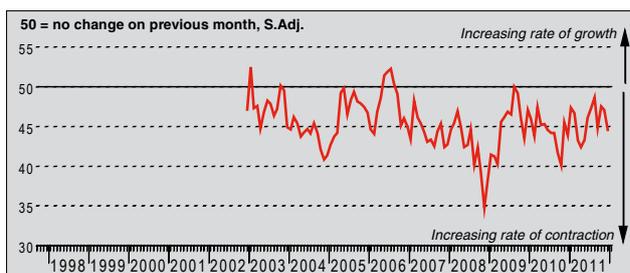
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Russian manufacturers received a lower level of new export business in January compared with the final month of 2011. The seasonally adjusted New Export Orders Index remained below the no-change mark of 50.0 for the second month running and slipped to the lowest level in six months, indicating weakening external demand for Russian manufactured goods.

Backlogs of Work Index

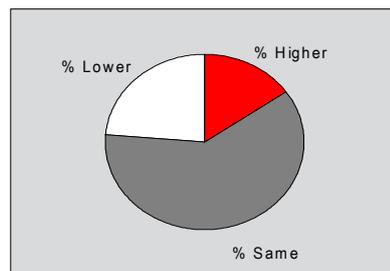
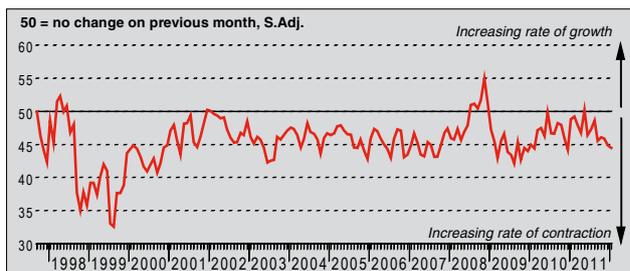
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Reflective of a weakening rate of new business growth in January, backlogs at Russian manufacturers declined at a faster pace during the month. Outstanding work has declined for 28 successive months, and the latest month-on-month contraction was the sharpest since last June. The Index was below its long-run trend level of 45.4 in the latest period.

Stocks of Finished Goods Index

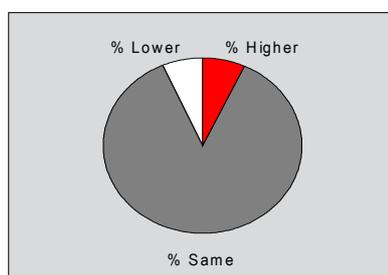
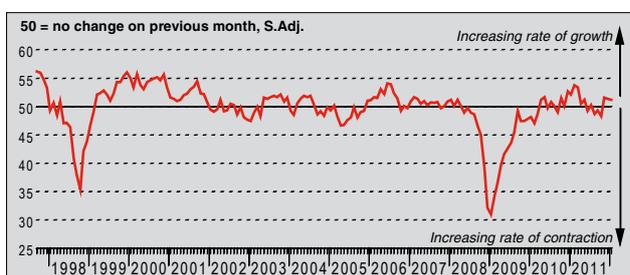
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The average level of post-production inventories continued to decline markedly in January. The rate of contraction was slightly sharper than one month previously, and the fastest since December 2010. The current run of destocking across the sector now stretches to over three years, except for a negligible rise in May 2011.

Employment Index

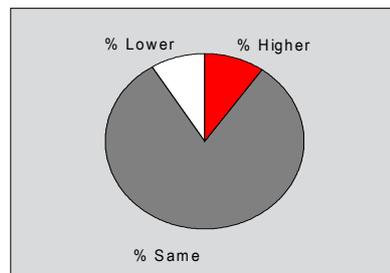
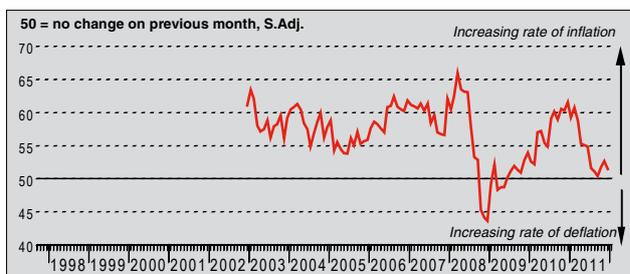
Q. Please compare the level of employment at your unit with the situation one month ago.



Job creation was maintained in January, despite slower growth of both output and new orders. Manufacturing employment in Russia has now risen for three successive months. The pace of expansion eased in the latest period, but was slightly stronger than the average for 2011. Anecdotal evidence provided by respondents linked recruitment to the expansion of capacity.

Output Prices Index

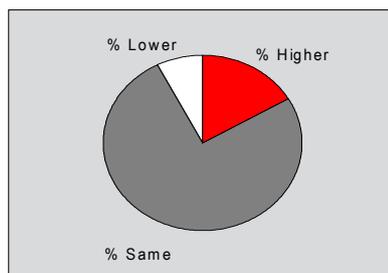
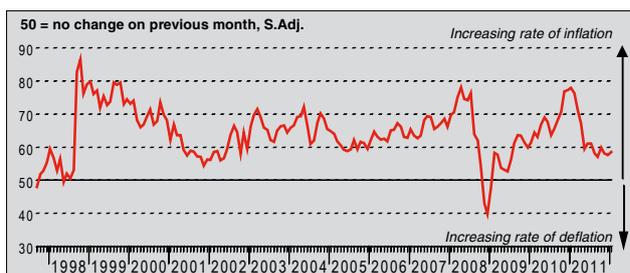
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Russian goods producers raised the price of their products on average in January, as has been the case since July 2009. That said, the rate of inflation remained muted. The seasonally adjusted Output Prices Index remained well below its long-run trend (56.9), and fell to a three-month low. Around four-fifths of respondents report no change in charges compared with one month previously.

Input Prices Index

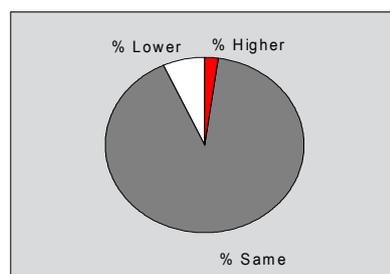
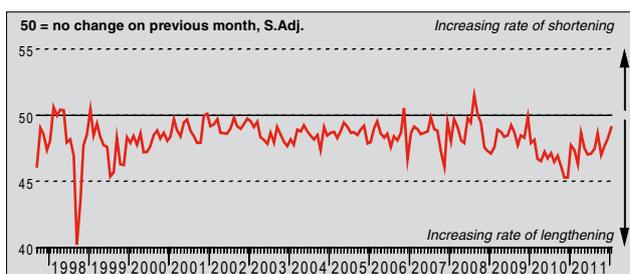
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Cost pressures in the Russian manufacturing sector remained weak by the survey's historic standards in January. The seasonally adjusted Input Prices Index rose slightly to a three-month high, but was well below its long-run level of 64.5. A number of survey respondents linked higher average input prices to rising transport costs.

Suppliers' Delivery Times Index

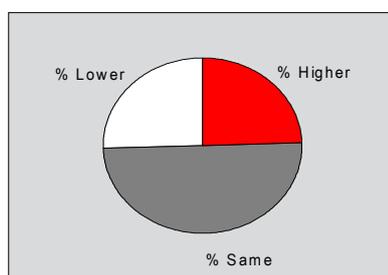
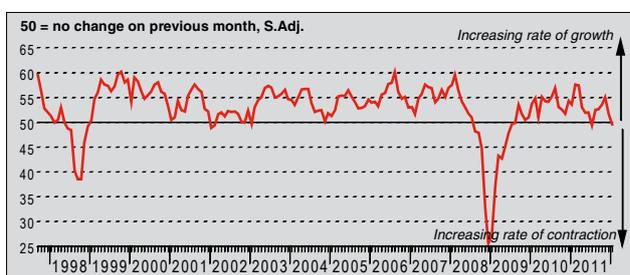
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Survey data suggested little pressure on suppliers' operating capacity in January. The seasonally adjusted Suppliers' Delivery Times Index was slightly below the 50.0 no-change mark, indicating that average lead times had lengthened only marginally. Moreover, around 90% of firms reported that delivery times were unchanged from December.

Quantity of Purchases Index

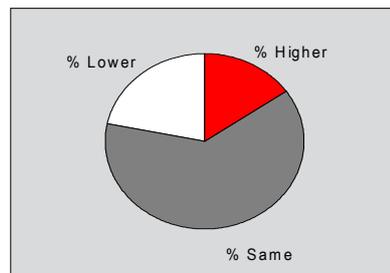
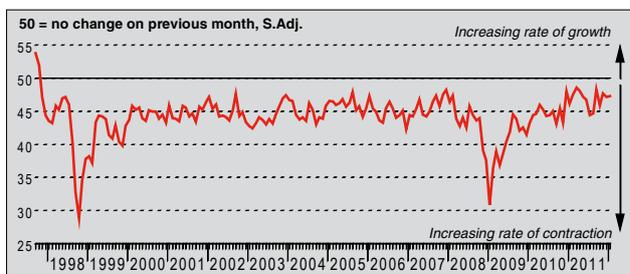
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity by Russian manufacturers declined in January. The seasonally adjusted Quantity of Purchases Index dipped below the no-change mark of 50.0, signalling a marginal contraction. That ended a five-month sequence of growth. Firms mainly linked lower purchases to reduced output requirements or adequate stock levels.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Russian manufacturers' input stocks continued to fall on average in January. The rate of decline was little-changed from December's moderate pace. A number of survey respondents reported allowing warehouse levels to drop as stocks were sufficient for current output requirements.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ 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.

Warning

The intellectual property rights to the HSBC Russia Manufacturing PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.