HSBC *Purchasing Managers' Index*™ 2012

compiled by markit

Embargoed until: 09:00 (MOSCOW), 2 April 2012

HSBC Russia Manufacturing PMI®

Russian manufacturing sector remains on weak growth path in March

Key findings:

- Moderate increase in output reflects lacklustre new business expansion
- Employment falls for first time in five months
- Input price inflation remains relatively subdued

The Russian manufacturing sector registered another sub-par performance in March, according to the latest HSBC *PMI*® data compiled by Markit. Output and new orders rose since February, but the rates of expansion were modest in both cases. Moreover, goods producers cut workforces on average for the first time in five months. Inflationary pressures generally remained subdued, despite a stronger increase in average input prices than that seen in February.

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 remained above 50.0 for the sixth month running in March, signalling an overall improvement in business conditions in the goods-producing sector. However, at 50.8, little-changed from 50.7, the latest figure signalled only a marginal improvement. The Index remained below its long-run trend level of 52.1. The average reading for Q1 was lower than that registered for Q4 2011, but higher than in Q3 2011.

Central to the relatively subdued performance of the sector in March was only a modest rise in new order volumes. The current sequence of new business growth now stretches to six months, but the pace of expansion over this period has been lacklustre. New export orders rose for the first time in four months, but at only a marginal rate.

Growth of new work was largely sufficient to sustain output growth in March. Production has risen every month since August 2009, though the rate of expansion in 2012 so far has been muted. Moreover, backlogs of work continued to fall in March, suggesting a lack of pressure on capacity.

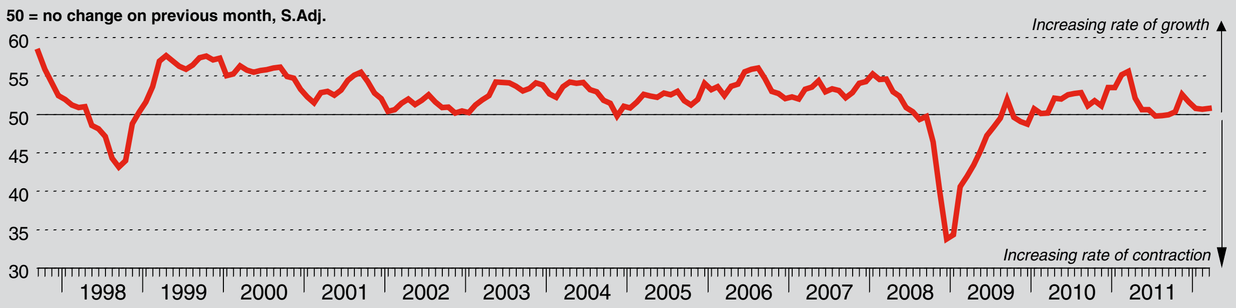
The relatively weak increase in business requirements at Russian manufacturers was reflected in a modest fall in employment in the sector in March. This followed a four-month period of job creation.

Stocks of both inputs and post-production goods continued to decline on average in March. A slightly faster contraction in finished goods stocks contrasted with a weaker reduction in input stocks, which partly reflected the strongest rise in purchasing activity for four months.

Input price inflation strengthened from February's 32-month low in the latest period. That said, the rate of inflation remained weak in the context of historic survey data, and was still the second-lowest since June 2009.

Prices charged by Russian manufacturers rose in March, having been largely flat in the previous month. But the rate of output price inflation was modest, reflecting both tough trading conditions and subdued pressure on firms' input costs.

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



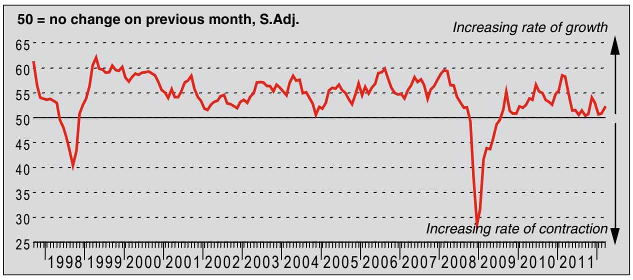
The HSBC Russia *Purchasing Managers' Index*™ (*PMI*®) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, 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.

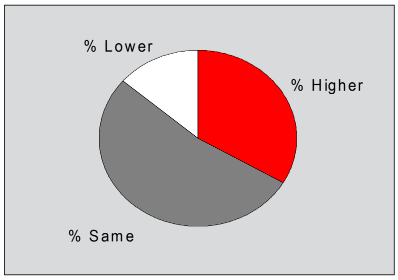
markit

HSBC

Output Index

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

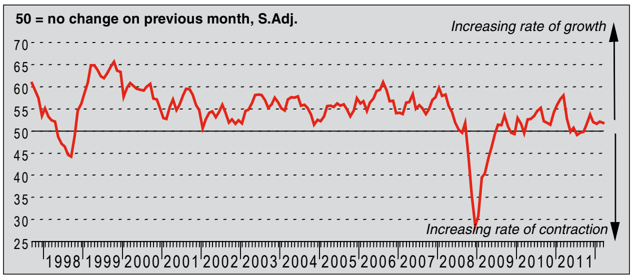


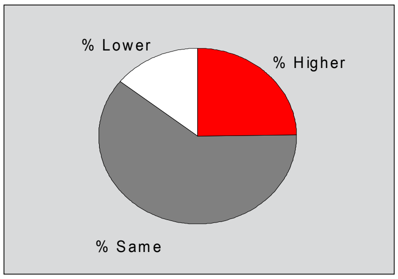


The level of output in Russia's manufacturing sector continued to rise in March. The seasonally adjusted Output Index improved to its highest level in 2012 so far, but still signalled only a modest rate of expansion. The latest figure was below the average for 2011 and the long-run trend since the survey started in September 1997. Output rose in all three broad manufacturing sectors, with expansion fastest in the investment goods sector.

New Orders Index

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

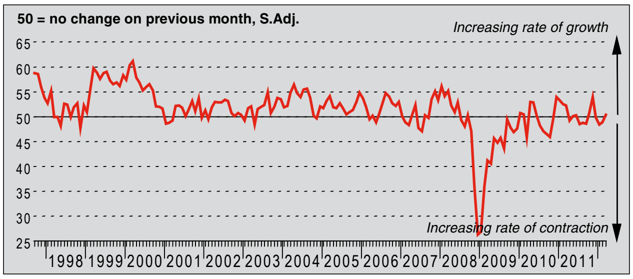


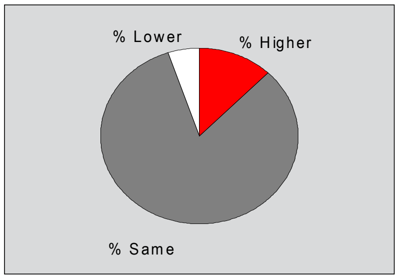


The seasonally adjusted New Orders Index remained above the no-change mark of 50.0 for the sixth successive month in March, signalling further growth of incoming new business at Russian goods producers. The rate of growth remained modest, however, in line with the trend recorded throughout this sequence. The Index was well below its long-run average of 54.6 during the month.

New Export Orders Index

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

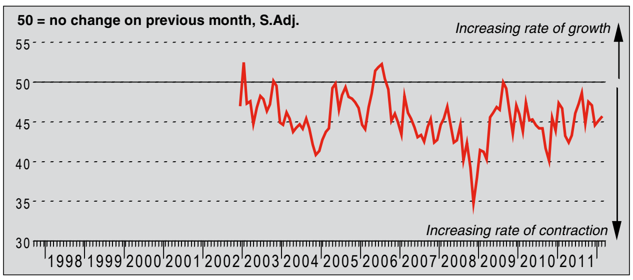


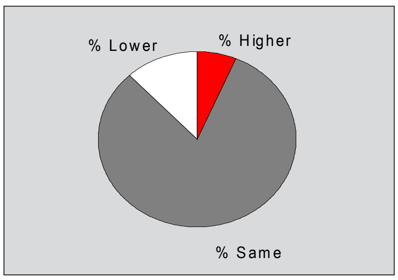


The volume of incoming new work received by Russian manufacturers from export markets rose for the first time in four months in March. That said, the rate of expansion was only marginal. Some firms noted growth from neighbouring CIS economies. Data signalled that growth was centred on the consumer goods sector, as new export orders fell in both the intermediate and investment goods sectors.

Backlogs of Work Index

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



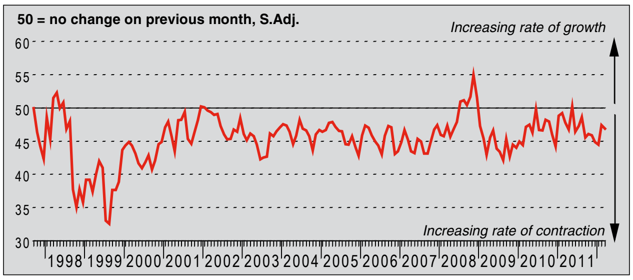


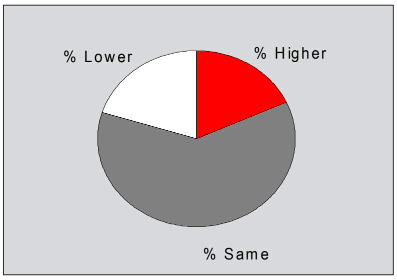
The level of incomplete work at Russian goods producers fell in March, extending the current sequence of reduction to two-and-a-half years. The rate of backlog depletion eased for the second month running, but remained sharp and was broadly in line with the survey's long-run trend. The latest anecdotal evidence linked declining backlogs to lacklustre new business flows.

All Intellectual Property Rights owned by Markit Economics Limited

Stocks of Finished Goods Index

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

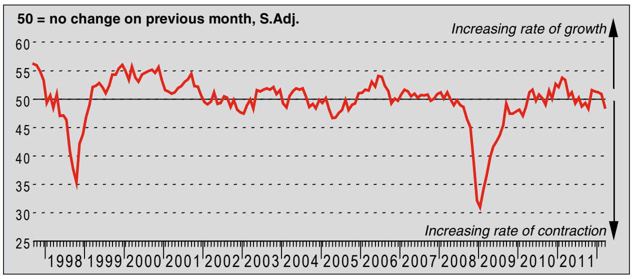


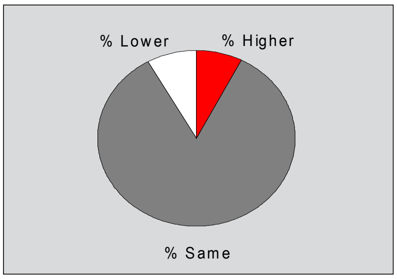


Inventories of finished goods continued to be cut on average in March. The current period of inventory reduction now stretches to ten months. The seasonally adjusted Stocks of Finished Goods Index signalled a slightly faster rate of contraction than in February, but nevertheless one that remained slower than the long-run survey average. Stocks rose slightly in the consumer goods sector, but this was more than offset by falls in the remaining two areas covered.

Employment Index

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

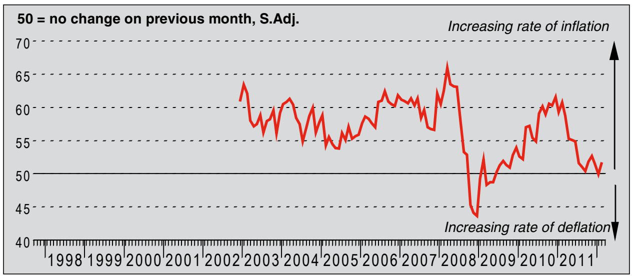


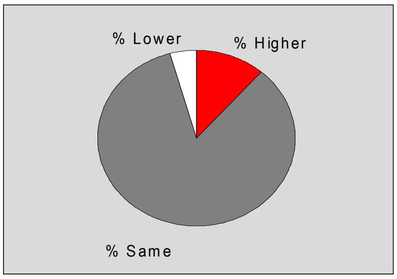


The seasonally adjusted Employment Index fell below the neutral threshold of 50.0 in March, indicating a contraction of the Russian manufacturing workforce. It was the first decline in staffing in the sector since last October. That said, the rate of job shedding was only modest. Firms linked smaller headcounts to subdued workloads, or difficulties in retaining staff. Job shedding was indicated in the consumer and intermediate goods sectors, while a flat trend was registered at investment goods producers.

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.

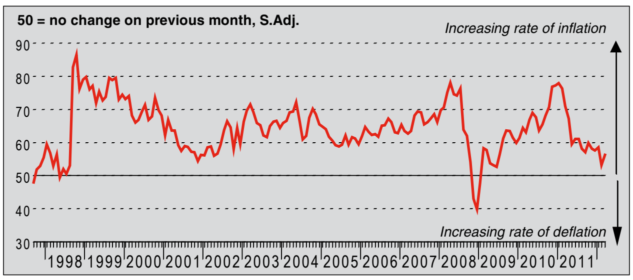


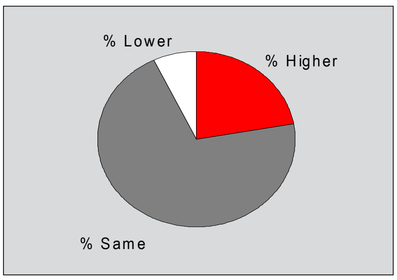


March data signalled a tentative recovery in pricing power at manufacturers in Russia at the end of the first quarter. The seasonally adjusted Output Prices Index posted above the no-change mark of 50.0, having indicated broadly no change in charges in the previous month. Firms mainly linked higher output prices to rising transport and raw material costs. That said, the rate of factory gate price inflation was much weaker than the long-run series average.

Input Prices Index

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

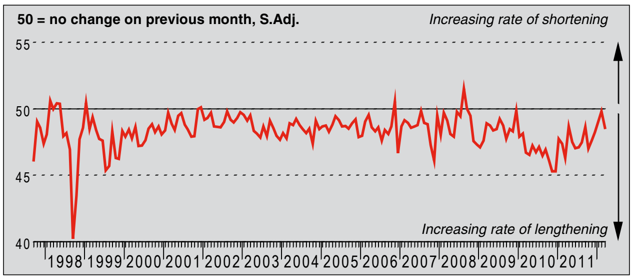


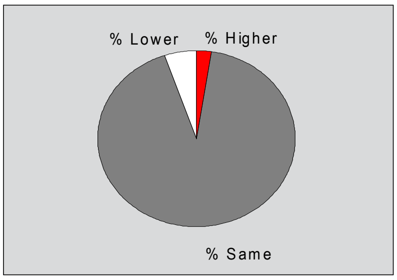


Having eased to a thirty-two month low the previous month, input price inflation strengthened in March. Average input prices have risen every month since February 2009. About 22% of survey respondents reported higher input prices, more than three times the proportion that cited lower cost burdens. The overall rate of inflation was, however, much weaker than the long-run survey average. Input price inflation was strongest at intermediate goods producers.

Suppliers' Delivery Times Index

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

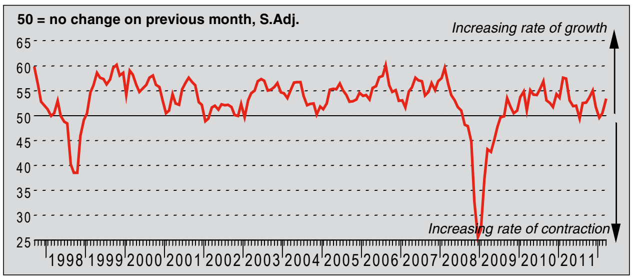


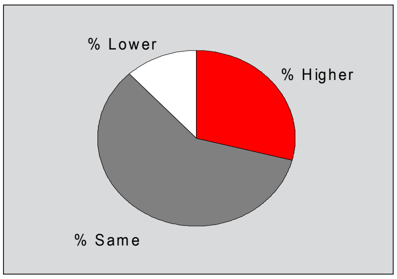


Having signalled a broadly stable trend in vendor performance the previous month, the seasonally adjusted Suppliers' Delivery Times Index moved down in March, indicating longer lead times for inputs ordered by Russian manufacturers. That said, delays were only slightly more common, and the latest survey findings generally signalled a lack of pressure on supplier capacity.

Quantity of Purchases Index

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

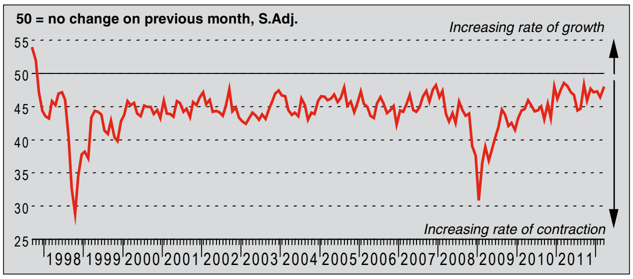


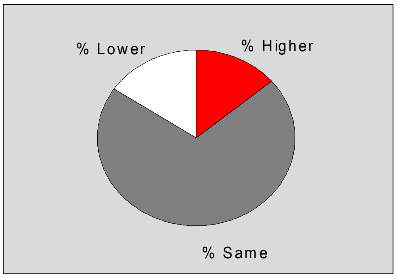


The seasonally adjusted Quantity of Purchases Index rose in March, signalling a faster rate of growth in inputs ordered by Russian goods producers. The latest expansion was the fastest in four months, and partly reflected firms' expectations for future growth of output requirements. That said, the rate of purchasing expansion remained weak in the context of historic survey data.

Stocks of Purchases Index

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





Russian manufacturers' stocks of inputs continued to decline on average in March, continuing the survey's long-run trend. The rate of contraction eased since February, to the slowest since last September. Inventories fell sharply in the intermediate goods sector and, in contrast, expanded slightly at consumer goods producers.

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.