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HSBC Russia Manufacturing PMI®

Manufacturing output growth remains solid

Key findings:

- Second-fastest gain in new work since March 2011 supported by rise in new export orders
- Strongest growth of purchasing activity for seven months
- Employment broadly unchanged from October

Russia's manufacturers continued their good start to the final quarter of 2012, according to November HSBC PMI^{\otimes} data compiled by Markit. New order growth remained strong, despite easing since October, generating another solid increase in output. New work received from export markets increased, reversing October's marginal gain, and firms increased their purchases at the fastest pace since April. On a less positive note, manufacturing employment stalled, having grown during the previous three months.

The survey's headline figure is the HSBC *Purchasing Managers' Index*TM (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 neutrality for the fourteenth successive month in November, posting 52.3. That was below October's 52.9, but still greater than the historic survey average of 52.1. On a quarterly basis, PMI data for Q4 so far point to the strongest manufacturing improvement since Q1 2011, and the second-best since Q1 2008.

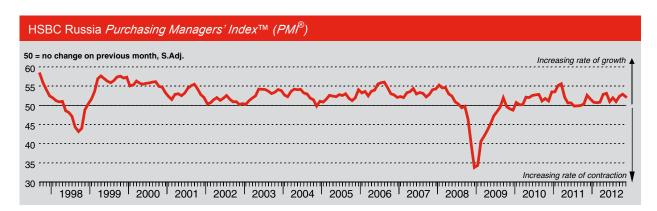
Driving the overall improvement in business conditions in the Russian manufacturing sector in November was a further strong increase in new orders. Receipts of new business

have risen continuously since October 2011, and the rates of expansion over the past two months have been faster than in any period since March 2011. Supporting domestic new business was an increase in new export orders, following a marginal decline in October.

Russian manufacturing backlogs declined only modestly in November, reflecting the ongoing strength of new order inflows. Although backlogs fell overall, data signalled the second-strongest degree of pressure on operating capacity of the past three years.

Goods producers in Russia raised their input volumes for the tenth month running in November, and at the fastest rate since April. Despite this, suppliers' delivery times lengthened only marginally, and manufacturers' input stocks declined at the fastest rate in 16 months.

Strengthening demand for inputs was not matched by rising inflationary pressures in November. Average input prices paid by Russian manufacturers increased, but the rate of inflation slowed further from September's 17-month high to the weakest since June. Moreover, input price inflation remained far below the long-run survey average. A similar trend was evident for output prices - the rate of inflation slowed for the second month in a row, and was weak in the context of historic survey data.



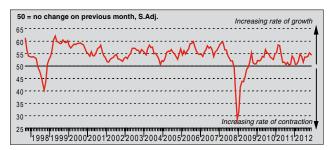
The HSBC Russia $Purchasing\ Managers'\ Index^{TM}\ (PMI^0)$ is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in 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. $Purchasing\ Managers'\ Index^{TM}\ and\ PMI^0$ 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.

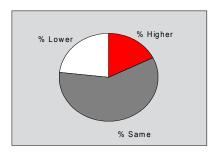




Output Index

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

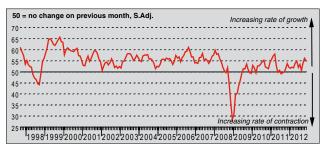


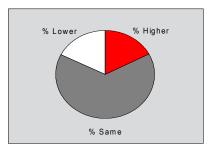


Russian manufacturing production rose at a solid rate in November. The seasonally adjusted Output Index fell from October's 19-month high, indicating a weaker rate of expansion, but one that was still the third-strongest in 2012 so far. The Index was also slightly higher than its long-run trend level during the month. Output growth was mainly linked to improving demand. Growth remained broad-based by sector, led by intermediate goods producers.

New Orders Index

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

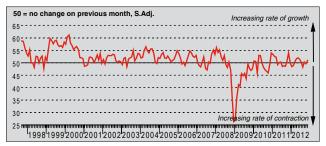




November marked another strong rise in new business received by Russian goods producers. Firms reported improving market conditions and successful marketing campaigns. The rate of growth was weaker than in October, but still the second-fastest since March 2011. The current sequence of continuous growth now stretches to 14 months. All three broad sectors posted higher new orders in November, with the strongest increases seen in the intermediate and consumer goods sectors.

New Export Orders Index

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

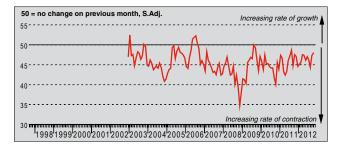


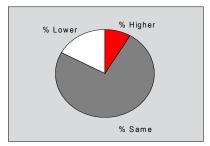


November data signalled a tentative recovery in export growth at Russian manufacturers, following a decline in the previous month. The seasonally adjusted New Export Orders Index was above neutrality for the seventh time in nine months. Though only marginal overall, the rate of growth signalled was the strongest since June. Improving demand from CIS markets was mentioned by a number of firms. Export growth was concentrated in the consumer goods sector.

Backlogs of Work Index

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

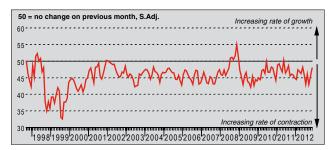


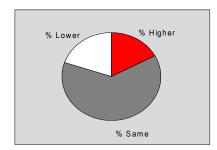


The volume of outstanding business held in the Russian manufacturing sector continued to fall in November. The seasonally adjusted Backlogs of Work Index remained below the no-change mark of 50.0 for the thirty-eighth successive month, but was well above its long-run average and signalled the weakest rate of decline since September 2011. The Index was also at its second-highest level in just over three years. Backlogs rose in the intermediate goods sector, fell in the investment goods sector and were unchanged at manufacturers of consumer goods.

Stocks of Finished Goods Index

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





Stocks of finished goods at Russian manufacturers continued to decline in November, continuing the trend seen over the past year-and-a-half. That said, the seasonally adjusted Index rose on the month, and indicated the slowest rate of inventory depletion in six months. The Index was also greater than its long-run average during the latest period. Anecdotal evidence mainly identified stock optimisation programmes and rising sales as having been contributory factors.

Employment Index

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

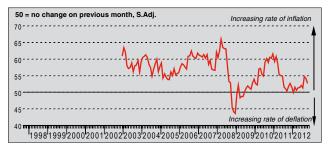


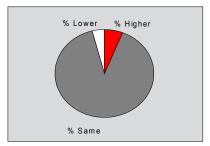


Russian manufacturing employment stagnated in November, as the seasonally adjusted Index edged fractionally below the no-change mark of 50.0. That ended a three-month period of mild job creation. Workforces were unchanged on average at consumer goods producers, while declines in staff were registered in both the intermediate and investment goods-producing sectors.

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.

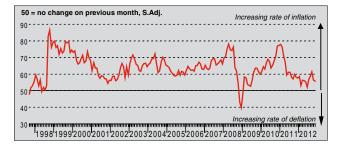


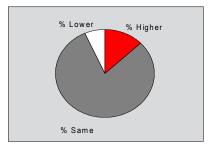


Prices charged by Russian manufacturers rose for the ninth consecutive month in November, but at only a moderate rate. The rate of inflation slowed further from September's 14-month high, and remained weak in the context of historic survey data. The weakening in overall output price inflation during the month mainly reflected the trend in the intermediate goods sector.

Input Prices Index

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

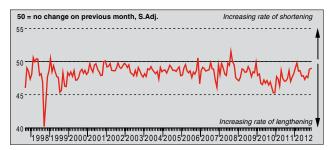


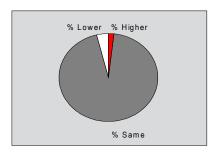


The seasonally adjusted Input Prices Index remained above neutrality in November, indicating higher average input costs faced by Russian goods producers. Some firms mentioned higher prices for foodstuffs. The consumer goods sector registered the strongest rate of input cost inflation, and intermediate goods the weakest. The overall rate of inflation slowed further from September's 17-month peak, to the weakest since June. The Index remained well below its long-run average of 64.1.

Suppliers' Delivery Times Index

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

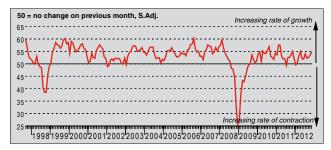


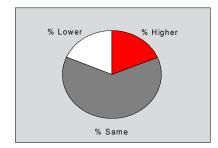


The performance of suppliers to the Russian manufacturing sector deteriorated only slightly in November. The seasonally adjusted Suppliers' Delivery Times Index signalled only a marginal lengthening in lead times, and was the closest to neutrality since February. Longer suppliers' delivery times were most common in the investment goods sector.

Quantity of Purchases Index

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

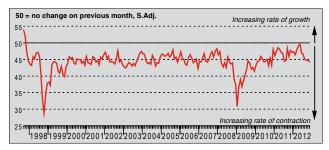


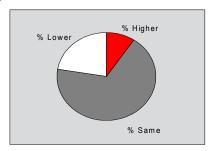


The volume of inputs purchased by Russian goods producers rose for the tenth consecutive month in November. Moreover, the rate of expansion accelerated for the third straight month, to the fastest since April. Firms primarily linked greater purchases to increased production. The seasonally adjusted Quantity of Purchases Index remained above its long-run average during the month. Purchasing growth was strongest in the intermediate goods sector.

Stocks of Purchases Index

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





Pre-production stocks at Russian goods producers continued to decline in November. Moreover, the rate of contraction was the fastest since July 2011, as around 22% of survey respondents reported lower input holdings compared with one month previously. By sector, falling warehouse levels were more common at manufacturers of consumer and investment goods than those in the intermediate goods sector.

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' IndexTM (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.

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