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HSBC Russia Manufacturing PMI®

Output growth slows to modest pace in March

Key findings:

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

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. Readings above 50.0 indicate an overall improvement in business conditions, below 50.0 an overall deterioration.

The PMI was above neutrality for the seventeenth time in the past 18 months 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. The downward month-on-month movement in the headline index was reflected in weaker contributions from all five of its components in March (output, new orders, employment, suppliers' delivery times and stocks of purchases).

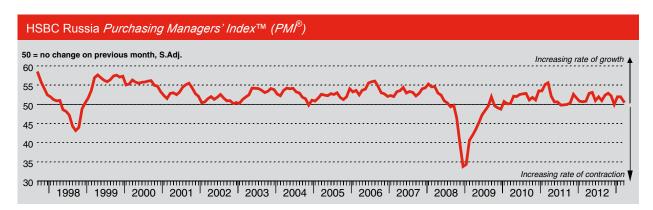
Output in the Russian goods-producing sector rose for the forty-fourth consecutive month in March. That said, the pace of expansion slowed to a modest pace that was among the weakest registered over that sequence.

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 in the Russian manufacturing sector 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 in the context of historic survey data, with only 9% of firms raising their prices.

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.



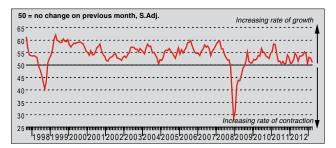
The HSBC Russia $Purchasing\ Managers'\ Index^{TM}\ (PMI^0)$ is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in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

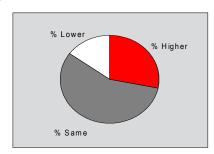




Output Index

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

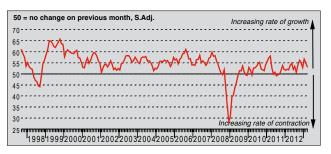


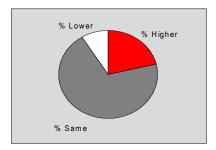


The seasonally adjusted Output Index remained above the no-change level of 50.0 for the forty-fourth consecutive month in March, signalling sustained production growth in Russia's manufacturing sector. Firms linked expansion to new orders and increases in capacity. That said, the rate of growth slowed to a modest pace that was the weakest in 2013 so far, and the second-slowest in over a year. Output rose in the consumer and investment goods sectors, but was flat at intermediate goods producers.

New Orders Index

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

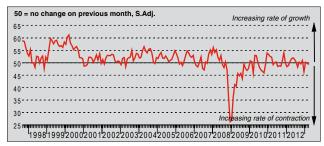


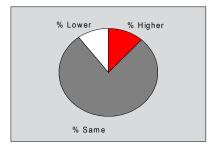


The volume of new work placed with Russian manufacturers rose further in March, extending the current sequence of growth to a year-and-a-half. Some firms reported winning large contracts and marketing drives. The overall rate of expansion was, however, the slowest so far in 2013 and weaker than the long-run survey average. The consumer and investment goods sectors posted robust increases in new business, while only a marginal rise was seen at intermediate goods firms.

New Export Orders Index

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



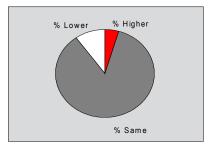


Survey data indicated a second successive month-on-month decline in the volume of new work received from export markets. Though marginal overall, the rate of contraction was slightly sharper than in February. New export orders have fallen five times in the past eight months. By market group, declines were registered in the investment and intermediate goods sectors, while new export orders for consumer goods continued to grow.

Backlogs of Work Index

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

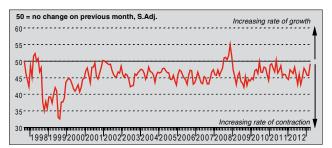


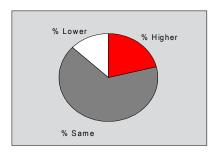


Backlogs of work at Russian goods producers fell for the first time in three months in March. That followed no change in February and a marginal rise in the opening month of 2013. The seasonally adjusted Backlogs of Work Index signalled a modest overall contraction in outstanding business levels. Backlogs fell sharply in the consumer goods sector, and continued to rise at investment goods firms.

Stocks of Finished Goods Index

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

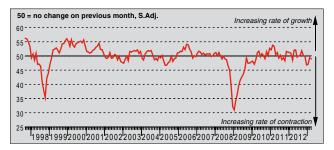


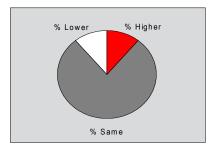


Survey data indicated only a marginal decline in finished goods stocks in the Russian manufacturing sector at the end of the first quarter. Final goods inventories have declined every month since June 2011, but the rate of depletion in the latest period was the weakest over this sequence. The investment goods sector posted a sharper decline than the consumer goods industry, while a flat trend was signalled at intermediate goods producers.

Employment Index

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





Manufacturing employment in Russia declined for the fifth consecutive month in March. The rate of job shedding remained only marginal, but accelerated slightly since February. The current sequence of job shedding by goods producers is the longest registered in three years. Some firms linked staffing cuts to lower production and new orders. Employment fell in the consumer and investment goods sectors, but rose slightly in the intermediate goods sector.

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.

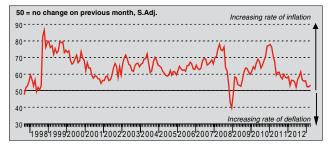


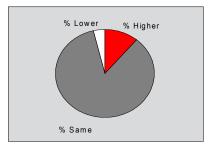


Russian manufacturers raised their prices charged in March. That followed a slight decline in February, which was only the second time when charges had not risen during the past 45 months. The main reasons given for higher charges were the correction of rates in line with inflation, and increased costs. All three sectors registered higher output prices, led by consumer goods.

Input Prices Index

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

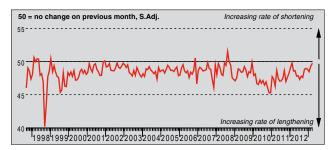


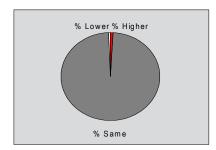


Continuing the trend shown since February 2009, average input prices paid by Russian goods producers rose in March. The rate of inflation accelerated slightly from February's eight-month low, but remained weak in the context of historic survey data. Input price inflation was strongest in the consumer goods sector, followed by investment goods.

Suppliers' Delivery Times Index

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

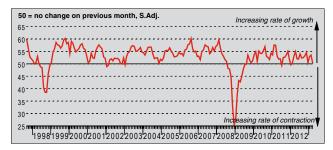


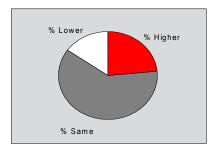


Survey data indicated broadly no change in suppliers' delivery times in March, with 98% of survey respondents reporting unchanged times since February. The seasonally adjusted Suppliers' Delivery Times Index was only fractionally below neutrality, and at the highest level in 13 months. The intermediate goods sector registered a slight improvement in vendor performance in March.

Quantity of Purchases Index

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

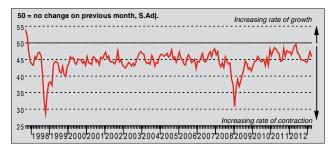


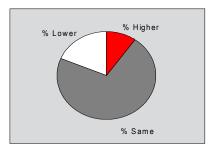


The volume of inputs ordered by Russian goods producers rose further in March, linked to new orders and higher production. The seasonally adjusted Quantity of Purchases Index remained above the no-change mark of 50.0 for the fourteenth successive month, but fell sharply since February and indicated only a marginal rate of growth that broadly matched December's ten-month low. Purchases rose at consumer goods producers, but declined in both the intermediate and investment goods sectors.

Stocks of Purchases Index

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





Pre-production stocks at Russian manufacturers fell on average in March. The seasonally adjusted Stocks of Purchases Index declined since February, but still signalled the second-weakest rate of depletion in the past eight months. Inventories declined in all three market group sectors, with a particularly sharp drop registered in consumer goods.

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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