compiled by markit

HSBC Russia Manufacturing PMI®

Russian manufacturing PMI slumps to 67-month low in January

Summary

The latest HSBC PMI® data compiled by Markit signalled a steepening downturn in the Russian manufacturing sector at the start of 2015, alongside a continued escalation of inflationary pressure. A faster fall in new orders led to a renewed decline in production, while input price inflation accelerated for the sixth consecutive month to the second-highest on record, again widely linked to the effect of the weakening ruble on import prices. This subsequently pushed output price inflation to a new high.

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 registered 47.6 in January, down from 48.9 in December and indicative of the sharpest deterioration in overall business conditions in the Russian manufacturing sector since June 2009. The PMI has been in negative territory 13 times in the past 19 months.

Russian manufacturing new orders declined for the second month running in January, following a five-month sequence of growth between July and November last year. The rate of decline accelerated slightly since December and was the fastest since last April. International demand continued to weigh on overall new business inflows, as new export orders fell for the seventeenth consecutive month and at the strongest rate since October.

Falling new business resulted in a drop in manufacturing output for the first time since last May. The rate of contraction was modest overall, but nevertheless the strongest signalled since March 2014. Although production fell, the volume of outstanding business at manufacturers declined at the strongest rate since January 2009.

Input price inflation in the Russian goods-producing sector accelerated for the sixth month running in January to the highest since October 1998. Firms widely linked upward pressure on costs to higher import prices as a result of the weakening ruble. This fed through to prices charged for final manufactured goods, with factory gate inflation setting a new survey record in January.

Russian manufacturing employment declined for the nineteenth consecutive month in January, and at the fastest rate since July 2009. Firms also cut purchases of new inputs at the joint-strongest rate in over five-and-a-half years, leading to the sharpest depletion in input stocks in over five years.

Key points

- Output falls for first time in eight months as new orders continue to decline
- Sharp acceleration in output price inflation to highest for over a decade
- Input price inflation accelerates for sixth month running to second-highest on record

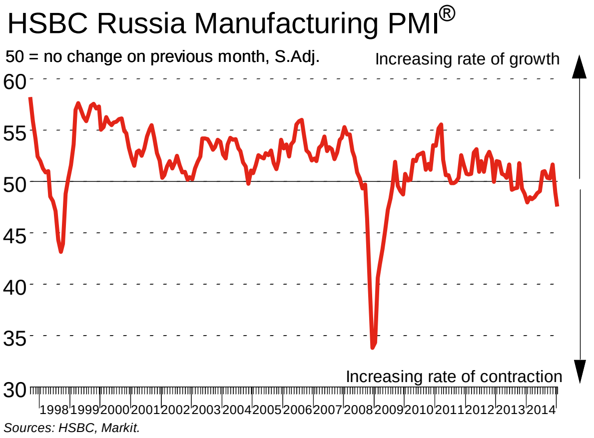
Comment

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

"Signs of contracting business activity became more visible, the January HSBC Russia Manufacturing survey revealed. Yet, the path of output contraction is slow. Low business expectations weigh less on output and more on other business activity indicators. Companies combine much lower input purchasing activity with the faster de-stocking and shed labour at a fast rate, preparing for difficult times that are yet to come."

"Meanwhile, price pressures intensified further, increasing the probability of a 'bad equilibrium': high price growth amidst falling demand. This is a signal to monetary authorities to be cautious with their rate policy and refrain from moving policy easing forward."

Historical Overview



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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.

HSBC:

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About Markit:

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About PMI:

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