

# MOSCOW NARODNY PURCHASING MANAGERS' INDEX

# RUSSIA

The Moscow Narodny Purchasing Managers' Index is a monthly publication, researched and published by NTC Research featuring original research data from a survey of Russian purchasing managers.



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## Growth of Russian manufacturing economy remains robust, but slows for second month running.

The Russian manufacturing economy expanded further in November according to the Moscow Narodny Purchasing Managers' Index (PMI\* – a seasonally adjusted composite indicator designed to provide a single figure snap-shot of manufacturing business conditions). The headline PMI figure posted 53.1 in November, well above the 50.0 no change mark. Although the PMI fell modestly through November from October's reading of 55.1, the pace of growth of the manufacturing economy remained robust and similar to that seen through the second quarter this year.

Growth of the manufacturing economy was again driven by robust demand, with new orders from both the domestic and export markets rising through the month. Although, the Russian economy continued to provide the principle source of new business over the month, slower growth of domestic orders led to a weakening in the rate of expansion of total orders. New export orders, in contrast, rose more sharply in November than October, with the depreciation of the rouble and lower oil prices reported to have boosted foreign sales.

In response to a further month of demand growth, Russian panel members increased production at their units during November. Well over a quarter of panel members reported that output had expanded during the month. Nevertheless, with

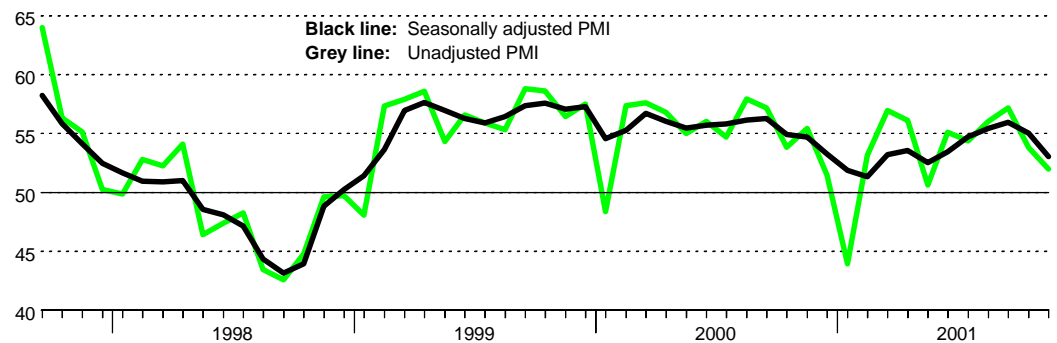
just over a fifth of panel members reporting that they had reduced output through November, (mainly as a result of shortages of working capital), the overall rate of growth of production slowed over the month. Shortages of sufficient funds were also reported to have hit purchasing activity in November, growth of which slowed to the weakest in six months.

Weaker purchasing activity in turn eased the pressure placed on suppliers' capacity and, as a result, the survey recorded no overall change in average delivery times over the month. This represented the first month since January 1999 that lead-times had not lengthened.

The small depreciation of the rouble, whilst helpful for the export volumes of manufactured goods, was a main reason given by panel members for increased input prices during the month. Further to the currency depreciation, energy price hikes were another contributor to input price inflation. Although November witnessed an increase in the overall price of factor inputs, the rate of inflation (growth of prices) eased considerably during the month – a continuation of the general downward trend seen since October 1998.

Finally, the overall level of the manufacturing workforce increased once again in November. Nearly 13% of panel members reported that they had increased their workforces in attempts to expand capacity in the face of strong demand.

### Moscow Narodny Purchasing Managers' Index



Moscow Narodny PMI					
	Unadjusted	Seasonally Adjusted	Unadjusted	Seasonally Adjusted	
'99 Dec	57.5	57.3	Dec	51.5	53.3
'00 Jan	48.4	54.6	'01 Jan	44.0	51.9
Feb	57.4	55.3	Feb	53.2	51.4
Mar	57.6	56.7	Mar	57.0	53.2
Apr	56.8	56.1	Apr	56.1	53.6
May	55.0	55.5	May	50.6	52.5
Jun	56.1	55.7	Jun	55.1	53.5
Jul	54.7	55.9	Jul	54.4	54.8
Aug	57.9	56.2	Aug	56.1	55.4
Sept	57.9	56.3	Sept	57.2	56.0
Oct	53.9	54.9	Oct	53.8	55.1
Nov	55.5	54.7	Nov	52.0	53.1

\* The Moscow Narodny PMI is a composite indicator designed to provide an overall view of activity in the manufacturing sector. 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.

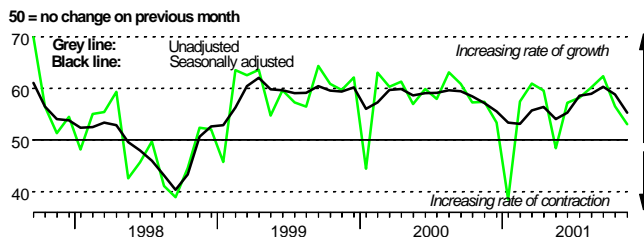
The survey is not an opinion poll but based upon reports of trends in real activity rates in a representative sample of 300 Russian manufacturers.

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**Output Index**

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

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	32.0	50.5	17.5	14.4	57.2	55.4
Jul	34.3	48.0	17.7	16.6	58.3	58.6
Aug	31.8	56.8	11.4	20.5	60.2	59.0
Sep	35.5	53.8	10.8	24.7	62.4	60.3
Oct	28.9	55.3	15.7	13.2	56.6	58.8
Nov	26.4	53.4	20.2	6.2	53.1	55.3

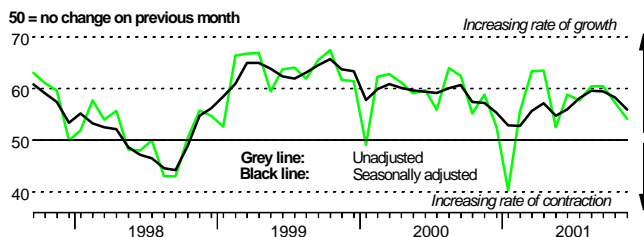


The seasonally adjusted Output Index remained well above the 50.0 no change mark in November to signal a further month of significant growth. Over a quarter of the survey panel reported a rise in production through the month with the majority of those reporting that they had stepped up output in response to sustained growth of demand. Nevertheless, with an increased proportion of firms reporting a fall in output during the month (often linked to shortages of working capital), the overall rate of growth of output fell to levels last seen in Q2.

**New Orders Index**

Q. Please compare the state of your total order book (in units) with one month ago.

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	33.7	50.3	16.1	17.6	58.8	56.0
Jul	31.6	52.3	16.1	15.5	57.8	58.1
Aug	31.3	58.5	10.2	21.0	60.5	59.6
Sep	31.2	58.6	10.2	21.0	60.5	59.5
Oct	28.9	56.9	14.2	14.7	57.4	58.4
Nov	24.5	59.4	16.1	8.3	54.2	55.9

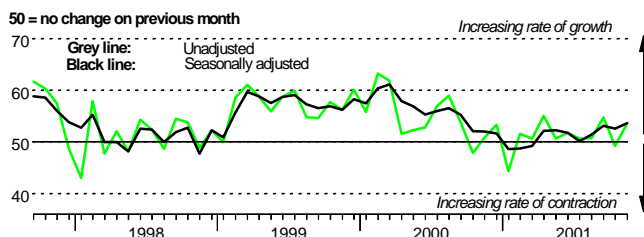


Measured overall, demand for Russian manufactured goods posted another robust increase in November, with nearly a quarter of panel members reporting increased new orders through the month. When broken down, the latest increase in overall demand stemmed from modest demand increases in both the domestic and external economy. Nevertheless, the rate of demand growth eased considerably through the month, to a level last seen in the second quarter.

**New Export Orders Index**

Q. Please compare the state of your export order book (in units) with one month ago.

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	18.1	67.5	14.5	3.6	51.8	51.8
Jul	15.1	71.2	13.7	1.4	50.7	50.2
Aug	12.3	76.9	10.8	1.5	50.8	51.4
Sep	17.8	74.0	8.2	9.6	54.8	53.2
Oct	11.8	75.0	13.2	-1.5	49.3	52.6
Nov	17.6	72.1	10.3	7.4	53.7	53.7

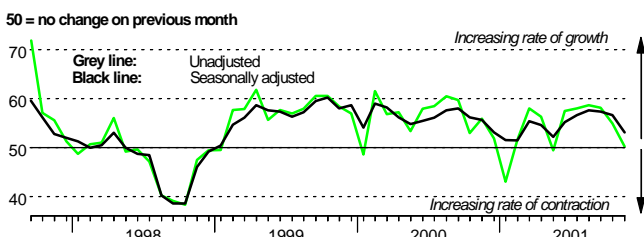


Although still remaining modest, November witnessed the sharpest increase in export demand for manufactured goods in fourteen months. Over one-in-six panel members reported that foreign demand for their goods had increased through the month, compared to one-in-ten reporting a decline. The increase in export demand was generally attributed to a small decline in the rouble through the month and lower oil prices.

**Quantity of Purchases Index**

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

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	29.0	57.0	14.0	15.0	57.5	55.3
Jul	30.5	55.2	14.4	16.1	58.0	56.7
Aug	27.7	61.8	10.4	17.3	58.7	57.6
Sep	29.3	57.6	13.0	16.3	58.2	57.3
Oct	26.0	57.8	16.1	9.9	54.9	56.7
Nov	21.9	56.8	21.4	0.5	50.3	53.1

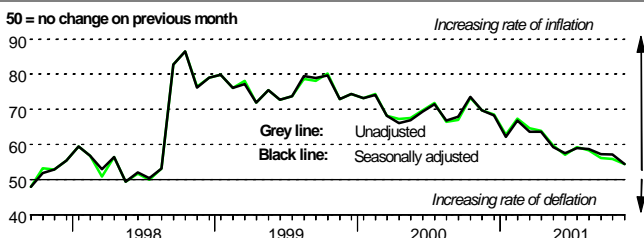


In response to recent easing in the growth of manufacturing demand and output, Russian panel members eased their growth of purchasing activity in November. The seasonally adjusted Quantity of Purchases Index recorded 53.1 in November, the lowest Index reading in six months and well down on last month's values. Importantly, the volume of purchases made by panel members expanded, as it has done since the beginning of 1999.

**Prices Index**

Q. Please compare the price of your purchases (volume weighted) with a month ago.

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	19.3	75.6	5.1	14.2	57.1	57.6
Jul	21.9	74.8	3.2	18.7	59.4	59.0
Aug	20.6	75.5	3.9	16.8	58.4	58.8
Sep	16.9	78.8	4.4	12.5	56.3	57.3
Oct	16.0	80.0	4.0	12.0	56.0	57.2
Nov	12.4	84.3	3.4	9.0	54.5	54.5

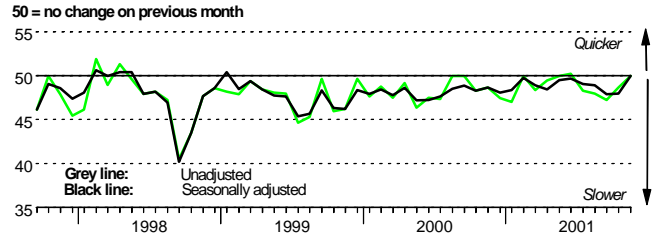


Input price inflation eased in November in a continuation of the long-run trend following the financial crisis in late 1998. The seasonally adjusted Prices Index, fell to 54.5 in November, down sharply from 57.2 in October. One-in-eight panel members reported an increase in their overall factor input prices during the month. Where panel members saw their input costs rise, they generally attributed the rise in costs to an increase in energy prices and a small depreciation of the rouble against the dollar.

**Suppliers' Delivery Times Index**

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

Month	Faster %	Same %	Slower %	Net	Index	S. Adj Index
2001 Jun	5.8	88.9	5.3	0.5	50.3	49.7
Jul	2.9	90.8	6.4	-3.5	48.3	49.1
Aug	3.5	89.0	7.5	-4.0	48.0	48.9
Sep	1.6	91.3	7.1	-5.5	47.3	47.9
Oct	2.6	92.1	5.2	-2.6	48.7	48.0
Nov	3.1	93.7	3.1	0.0	50.0	50.0

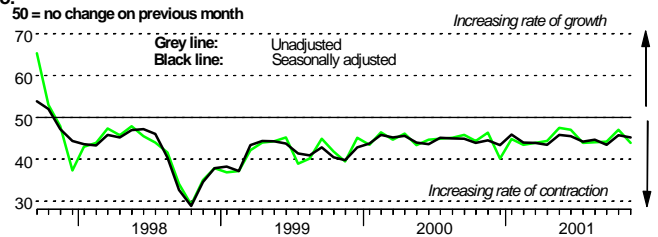


Posting a level of 50.0 in November, the seasonally adjusted Suppliers' Delivery Times Index signalled that average delivery times were unchanged through the month, with nearly 94% of panel members reporting neither an increase or decrease in delivery times. November is the first month since January 1999 that average delivery times had not lengthened over the month. Where panel members witnessed an increase in delivery times (only 3%) the lengthening was widely attributed to problems on the railways.

**Stocks of Purchases Index**

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

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	14.2	65.8	20.0	-5.8	47.1	45.6
Jul	8.8	70.2	21.1	-12.3	43.9	44.2
Aug	8.2	71.8	20.0	-11.8	44.1	44.7
Sep	9.4	69.6	21.0	-11.6	44.2	43.4
Oct	12.1	70.0	17.9	-5.8	47.1	45.7
Nov	10.5	66.8	22.6	-12.1	43.9	45.2

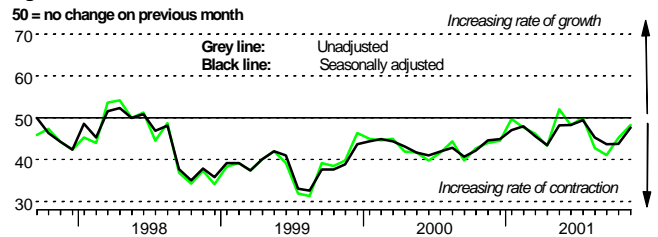


Stocks of purchases held by panel members declined in November as they have done through the majority of the four-year survey history. As has been the case throughout much of this period, in November falling inventory levels were attributed to a combination of shortages of working capital, and efforts to keep stocks as low as possible for cost considerations.

**Stocks of Finished Goods Index**

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

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	16.6	63.5	19.9	-3.3	48.3	48.3
Jul	16.9	66.2	16.9	0.0	50.0	49.4
Aug	13.2	59.1	27.7	-14.5	42.8	45.4
Sep	8.6	65.0	26.4	-17.8	41.1	43.7
Oct	11.8	66.9	21.3	-9.6	45.2	43.8
Nov	16.9	62.7	20.3	-3.4	48.3	47.7

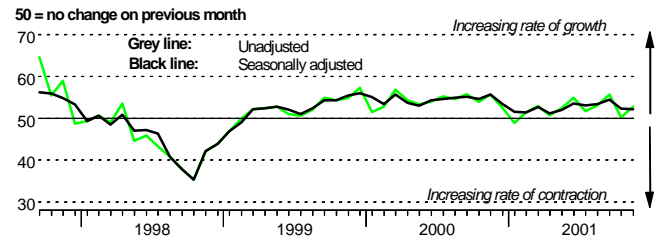


As they have done since July 1998, inventories of finished goods contracted over the month. Over a fifth of panel members reported that their stocks of finished goods had fallen during November compared to 17% reporting an increase. The seasonally adjusted Stocks of Finished Goods Index registered 47.7 in November, up from 43.8 last month to signal a marked deceleration in the pace of inventory depletion.

**Employment Index**

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

Month	Higher %	Same %	Lower %	Net	Index	S. Adj Index
2001 Jun	16.1	77.6	6.3	9.9	54.9	53.5
Jul	14.4	74.7	10.9	3.4	51.7	53.1
Aug	13.1	80.0	6.9	6.3	53.1	53.4
Sep	16.8	77.8	5.4	11.4	55.7	54.5
Oct	10.8	78.9	10.3	0.5	50.3	52.3
Nov	12.9	79.9	7.2	5.7	52.8	52.2



The seasonally adjusted Employment Index registered 52.2 in November, above the 50.0 no change mark, to signal expansion of the Russian manufacturing workforce over the month. Nearly 13% of panel members reported an increase in staffing levels through the month, largely in response to sustained, albeit easing, expansion of orders and output and the subsequent requirement to increase capacity. Nevertheless over 7% of panel members reported that staffing levels at their plants had declined through the month.

**Notes on Data and Survey Methodology**

The Moscow Narodny Purchasing Managers' Index Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in 300 industrial companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on the regional, and industry contribution to GDP.

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'.

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.

In some months, seasonal factors (such as summer holidays) distort the indexes. With only a short run of data, a sophisticated statistical analysis of seasonality cannot yet be made for this survey. It is possible, however, to produce a second best estimate by taking into consideration all replies in which panel members cited seasonal factors as having had a significant influence on activity in each month.

The Moscow Narodny Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights derived by the National Association of Purchasing Management in its survey in the US: 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.

## Price changes / Supply shortages

as reported by panel members in November

## Items in Short Supply

<b>Metals:</b> Zinc - 3rd consec. month	<b>Chemicals:</b> Ethyl Silicate Man-Made Fibber Methylcellulose - 2nd consec. month Nicotinic Acid Nitrate Sorbite - 2nd consec. month Petroleum Solvent - 2nd consec. month Polyvinyl Chloride Product Powder Paints	<b>Food:</b> Aspartame Grain Pork - 18th consec. month Sunflower Grain - 3rd consec. month Sunflower Seeds Vegetable Oil
<b>Metal Manufactures:</b> Ferrous Metal Scrap - 2nd consec. month Flop Forging Heavy-Walled Tube - 2nd consec. month Non-Ferrous Metal Scrap - 2nd consec. month Pipes Rolled Aluminium - 3rd consec. month Rolled Ferrous Metal - 8th consec. month Rolled High Alloy Steel Rolled Non-Ferrous Metal Steel Strip - 4th consec. month	<b>Plastics:</b> High-Pressure Polyethylene Low-Pressure Polyethylene - 5th consec. month	<b>Miscellaneous:</b> Anodyne For Injections - 4th consec. month Axles - 2nd consec. month Calcium Glucanate For Injection - 3rd consec. month Cement - 2nd consec. month Chassis KAMAZ - 2nd consec. month Imported Glass Laminated Bakelite Panels Periclase Refractory Brick Silica Brick
<b>Electrical/Electronic:</b> Cable Product Car's Wire Product Compressors Electronic Components - 3rd consec. month	<b>Paper &amp; Timber:</b> Chipboard Fibreboard Timbers	
	<b>Textiles &amp; Fabrics:</b> Wool	

## Items Down in Price

<b>Metals:</b> Nickel	<b>Textiles &amp; Fabrics:</b> Cotton	Sunflower Oil Vegetable Oil - 2nd consec. month
<b>Plastics:</b> Polystyrene	<b>Food:</b> Flour Pepper Rye - 3rd consec. month Sugar - 4th consec. month	<b>Fuel &amp; Energy:</b> Oil & Lubricants
<b>Paper &amp; Timber:</b> Paper		

## Items Up in Price

<b>Metals:</b> Aluminium - 2nd consec. month Ferrous Metal Scrap - 2nd consec. month Metal Platinum - 2nd consec. month Steel - 2nd consec. month	<b>Chemicals:</b> Chemicals Ethyl Silicate Hydrochloric Acid - 2nd consec. month Hydrogen Peroxide Paint Silicized Carbon	Sunflower Oil - 3rd consec. month Treacle - 2nd consec. month Vanilla Vegetable Oil - 5th consec. month Yeast
<b>Metal Manufactures:</b> Aluminium Rod Copper Rod Ferrous Metal Scrap Non-Ferrous Metal Scrap Rolled Ferrous Metal Rolled Metal Rolled Stainless Steel Steel Stripe	<b>Plastics:</b> ABC-Plastics High-Pressure Polyethylene	<b>Fuel &amp; Energy:</b> Electricity - 6th consec. month Oil Petrol - 3rd consec. month
<b>Electrical/Electronic:</b> Electric Engines Electric Product Electrodes Wire	<b>Food:</b> Chicken Eggs Chocolate Icing Egg Powder - 2nd consec. month Flavourings Margarine - 3rd consec. month Milk Products Sugar - 4th consec. month Sunflower Grain	<b>Miscellaneous:</b> Construction Materials Fur Vehicles

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