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Press Release

MNB Manufacturing PMI

Russian manufacturing economy records upturn in growth during October.

The Moscow Narodny Manufacturing PMI is a monthly publication, researched and published by NTC Research featuring original research data from a survey of 300 Russian purchasing managers.

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NTC Research specialises in the generation and publication of economic data and undertakes over thirty continuous surveys of economic conditions in fourteen countries.

Having eased during the previous three months, expansion of the Russian manufacturing economy ticked up during October. Buoyed by stronger new order and employment growth, along with a further robust rise in output, the seasonally adjusted Moscow Narodny *Purchasing Managers' Index (PMI[®])* improved from September's five-month low of 53.1, to a level of 53.4, as operating conditions remained favourable.

The Moscow Narodny Manufacturing PMI is derived from a monthly survey of 300 purchasing executives in Russian manufacturing companies which has been conducted since September 1997. Readings above 50.0 signal an increase on the previous month while reading below 50.0 signal a contraction.

Commenting on the survey, Paul Timmons, Economist at MNB, reported that:

"The rebound in this month's survey data continues to reflect the robust performance of Russia's real economy, as higher new orders and stronger export demand contributed to a further expansion in the manufacturing sector.

While access to working capital still represents a major constraint on the medium-term sustainability of Russia's SMEs, the current growth path in the country's investment related sectors remains encouraging. Moreover, these favourable conditions continue to stimulate higher employment activity and the employment index accelerated at its fastest pace in almost two years.

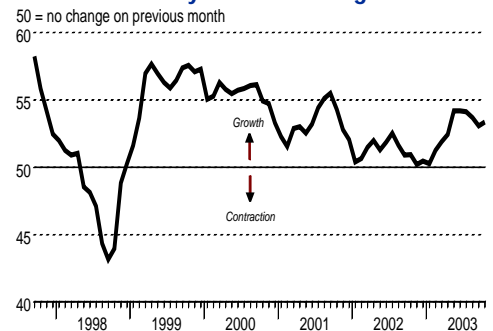
As expected, the end-year inflationary pressures begin to emerge, with panel members reporting rising input and output prices."

Output and demand

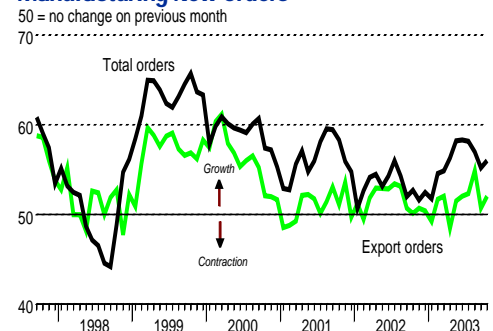
New orders placed with Russian manufacturers continued to rise during October. Moreover, the rate of growth strengthened from September, with widespread reports of improved demand for manufactured goods from within the Russian economy. Panellists also signalled that demand from abroad had firmed in October, with new export orders rising for a sixth successive month – and at a faster rate. Improved confidence in global markets was reported to have led to an increase in new exports.

With overall levels of new orders rising further in October, **output** in the Russian manufacturing sector continued to rise. Production has now increased in every month throughout the last five years, with the rate of growth remaining robust in October, albeit slightly slower than in September.

Moscow Narodny Manufacturing PMI



Manufacturing New Orders



Supplier Performance and Prices

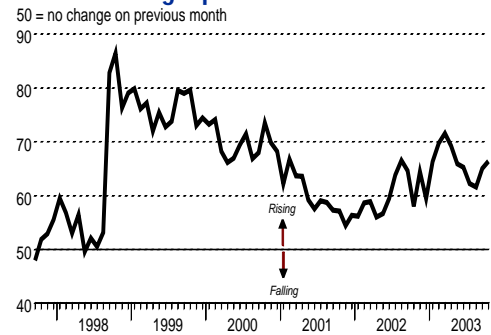
As has been the case since the start of 2002, **average lead times** in the Russian manufacturing economy lengthened further in October, although the rate at which terms worsened was only modest. Transportation problems, particularly on the railways, and shortages of certain factor inputs were reported to be the main causes of delays.

Russian manufacturers took advantage of increased demand for their products by raising their **average charges** at their fastest rate for three months. However, the majority of panellists reported that output price inflation was generally the result of higher **input costs**, which rose at their fastest rate since April. Higher supplier prices, rising energy costs, and shortages of certain commodities were all reported to have driven up overall input costs.

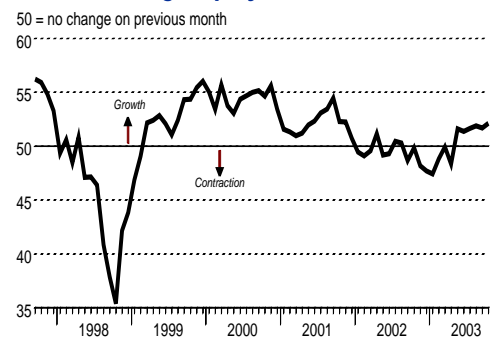
Employment

A number of panellists reported that they had dealt with greater workloads by raising capacity at their plants through employment growth in October. Moreover, the overall increase in the Russian manufacturing workforce was the fastest since November 2001.

Manufacturing Input Prices



Manufacturing Employment



Notes to Editors

A full report on the survey and data for the publication of charts are available from **Paul Smith at NTC** on **+44 (0)1491 418 638**. For all other press enquiries please contact **Paul Forrest**, Group Economist at Moscow Narodny Bank on **+44 (0)20 7815 9333**.

The PMI is derived from indices which measure changes in output, orders, employment, suppliers' delivery times and stocks. As with all indices in this release, a reading below 50.0 indicates that the manufacturing economy is generally declining; above 50.0 that it is generally expanding.

The PMI and related indices are directly comparable with all other national Purchasing Managers' Indices, and are produced using identical methodologies in each country.

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