

# 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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## PMI rises to twelve-month high on the back of strengthening domestic demand.

September's survey recorded further robust growth of the Russian manufacturing economy. The Moscow Narodny Purchasing Managers' Index (PMI\* – a seasonally adjusted composite indicator designed to provide a single figure snap-shot of manufacturing business conditions) remained well above the no change mark of 50.0 that divides expansion from contraction, as buoyant conditions in the domestic market continued to stimulate growth. Moreover, a further rise in the PMI signalled an acceleration in the rate of manufacturing expansion for the fourth month running. At 56.1, the PMI pointed to the strongest rate of growth for twelve months.

The latest overall expansion of the Russian manufacturing economy was driven primarily by a further month of strong growth in manufacturing output and employment. Output rose in September at the fastest rate in twenty-one months with over a third of panel members reporting an increase in their production levels. Growth of output has largely been led by sustained strong increases in new orders. Once again, demand posted significant gains over the month in September, fuelled primarily by new business to the domestic market but also by a modest increase in growth of export sales.

September's sharp rise in output was achieved partly through a further expansion of the manufacturing workforce. Measured overall,

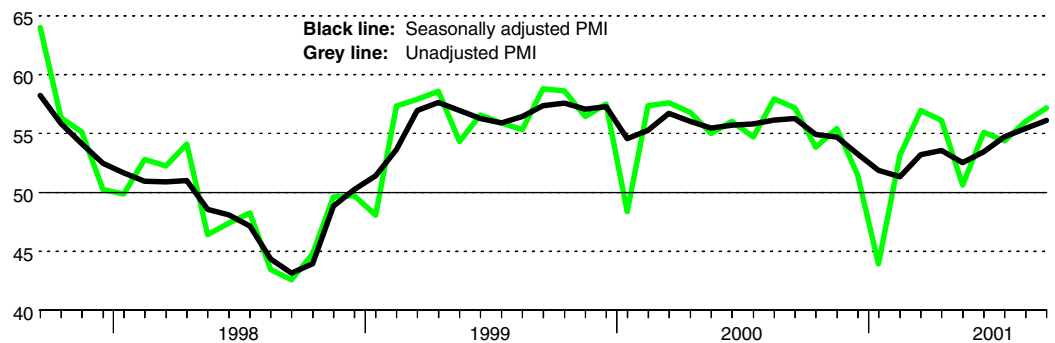
employment rose at the fastest pace for ten months, as over one-in-six panel members reported that they had taken on additional staff in order to raise capacity in the face of increasing demand.

In response to rising levels of output and new orders, the overall demand for inputs by Russian manufacturers rose in September for the thirty-third consecutive month. Strong demand for factor inputs (combined with domestic inflationary pressures) in turn resulted in a further month of robust input price inflation. Nevertheless, with only 17% of panel members reporting an increase in the price of their purchases made, the long-run trend of easing input price inflation continued into September.

Increased demand for inputs also contributed to a further lengthening of supplier lead-times in September. Measured overall, average delivery times lengthened at the fastest rate since July 2000 although, with 91% of firms reporting no change in lead-times over the month, incidences of delays remained relatively scarce.

Russian manufacturing firms continued to struggle to match supply to demand in September. Stocks of finished goods fell sharply over the month as a significant proportion of companies satisfied sales directly from inventories. The same was true for stocks of purchases, which were depleted to meet increased production requirements. In both cases, stocks fell more sharply than in August.

### Moscow Narodny Purchasing Managers' Index



		Moscow Narodny PMI					
		Seasonally Adjusted		Seasonally Adjusted			
		Unadjusted	Adjusted	Unadjusted	Adjusted		
'99	Oct	58.6	57.6	Oct	53.9	54.9	
	Nov	56.4	57.1	Nov	55.5	54.7	
	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	56.1

\* 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.

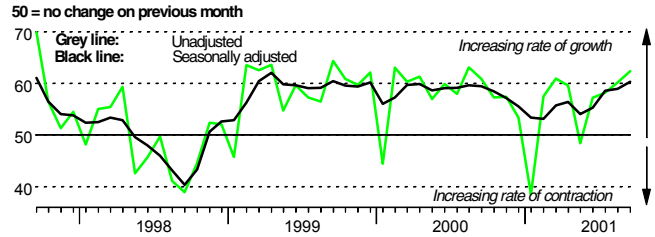
The survey is not an opinion poll but based upon reports of trends in real activity rates in a representative sample of 300 Russian manufacturers.

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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 Apr	34.2	50.8	15.0	19.2	59.6	56.4
May	24.2	48.5	27.3	-3.0	48.5	54.1
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

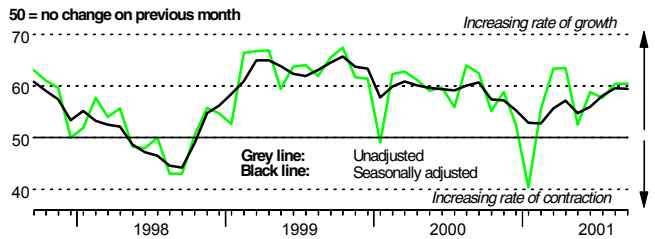


After accounting for the typical seasonal factors associated with September, Russian manufacturing output rose strongly again through the month. The seasonally adjusted Output Index recorded 60.3 in September, to signal the fastest rate of growth in twenty-one months. Over a third of panel members reported that they had increased production during the month - three times the number that reported a decline, largely as a result of escalating demand in the domestic market place.

**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 Apr	38.9	49.2	11.9	26.9	63.5	57.2
May	25.0	55.1	19.9	5.1	52.6	54.8
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

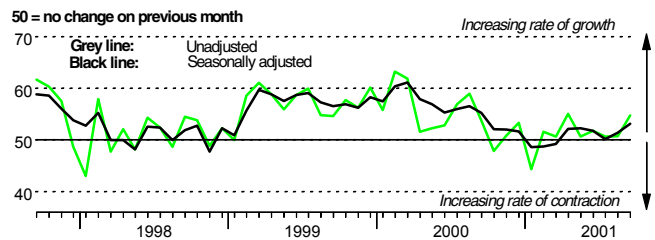


Posting a level of 59.5 in September, the seasonally adjusted New Orders Index signalled another month of robust growth in demand. Just under a third of panel members reported that they had witnessed an expansion in the volume of their order books through the month. Those panel members reporting an improvement in their order books cited that domestic demand had been the principal driver of the growth, as has been the case throughout the past year. Of the one-in-ten firms that saw orders fall, a number reported a lack of funds at customers.

**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 Apr	17.4	75.4	7.2	10.1	55.1	52.2
May	14.1	73.2	12.7	1.4	50.7	52.3
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

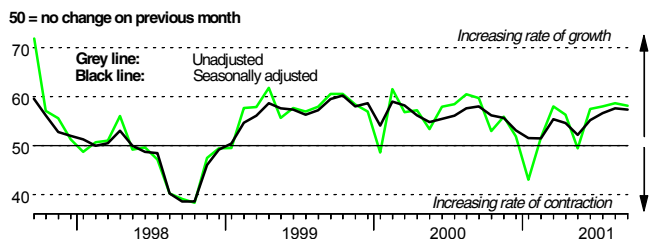


The seasonally adjusted New Export Orders Index recorded a level of 53.2 in September, up from 51.4 the previous month, to signal the fastest rate of growth of new export orders since September 2000. Over one-in-six panel members reported that the volume of export orders had increased through the month, compared to only 8% reporting a decline.

**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 Apr	28.3	56.0	15.7	12.6	56.3	54.6
May	21.4	56.1	22.4	-1.0	49.5	52.2
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

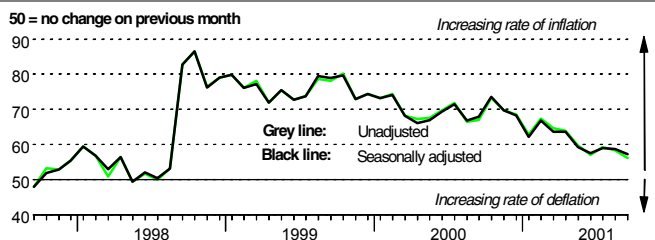


Overall demand for inputs by Russian manufacturers rose in September for the thirty-third consecutive month, as signalled by the seasonally adjusted Quantity of Purchases Index, which recorded a level of 57.3. The further increase in purchases in September reflected the continued strong growth in output. A number of firms also reported that higher purchasing reflected efforts to build stocks.

**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 Apr	29.7	68.6	1.7	27.9	64.0	63.6
May	21.9	75.8	2.2	19.7	59.8	59.3
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

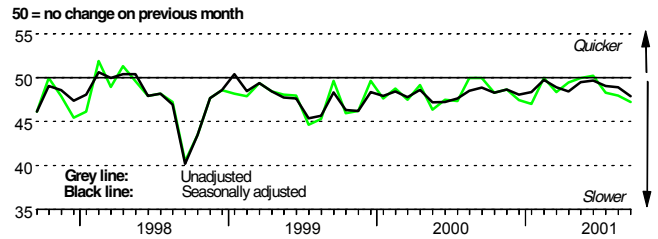


The seasonally adjusted Prices Index continued its long run trend (since the financial crisis in the final quarter of 1998) in September of signalling easing input price inflation. Nevertheless, at 57.3, well above the 50.0 no change mark, the seasonally adjusted Prices Index continued to signal significant input price inflation. One-in-six panel members reported that the prices paid for their purchases had increased through the month, with the rise largely attributable to strong demand for factor inputs and domestic inflationary pressures.

**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 Apr	4.2	90.6	5.2	-1.0	49.5	48.4
May	5.1	89.8	5.1	0.0	50.0	49.5
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

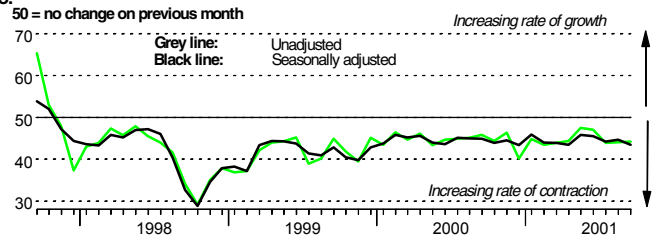


In line with increasing output (and therefore demand for factor inputs), the average time taken for suppliers to deliver their goods to Russian manufacturers lengthened over the month. The seasonally adjusted Suppliers Delivery Times Index recorded 47.9 in September, down from 48.9 the previous month to signal the fastest rate of delivery time lengthening for fourteen months and suggesting shortages of capacity on the supply side. Nevertheless, the majority of panel members (91%) reported that delivery times had remained stable through the month.

**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 Apr	10.2	68.4	21.4	-11.2	44.4	43.5
May	12.8	69.4	17.9	-5.1	47.4	45.9
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

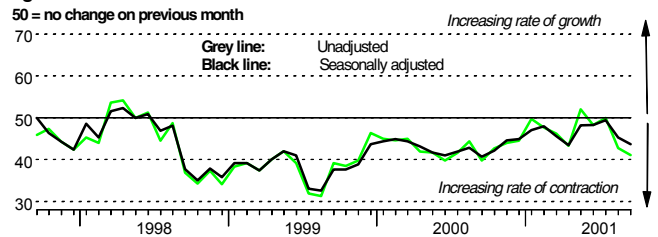


The seasonally adjusted Stocks of Purchases Index remained below the 50.0 no change mark in September to signal a further contraction of inventories, as has been the case since November 1997. Over a fifth of panel members reported that their stocks of purchases had fallen through September, as the rate of which firms could increase their purchasing struggled to keep pace with growth of output.

**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 Apr	11.1	64.4	24.4	-13.3	43.3	43.5
May	20.1	63.7	16.2	3.9	52.0	48.2
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

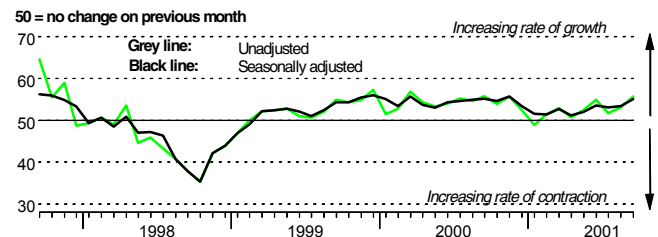


At 43.7 in September, the seasonally adjusted Stocks of Finished Goods Index signalled a further contraction of finished goods inventories and an acceleration in the pace of inventory depletion. Of the quarter of panel members that reported lower levels of inventories, the decline was generally attributed to excess sales over output.

**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 Apr	10.4	80.7	8.9	1.6	50.8	51.2
May	13.3	78.6	8.2	5.1	52.6	52.0
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	55.1



Russian manufacturing employment continued to expand in September, with the rate of expansion the fastest rate for ten months. One-in-six panel members reported that staffing levels had risen at their plants through the month, compared to only 5% reporting a decline. Panel members frequently reported that employment was raised in September in order to boost capacity at their units in the face of strong demand.

**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 September

## Items in Short Supply

<b>Metals:</b>	<b>Electrical/Electronic:</b>	<b>Textiles &amp; Fabrics:</b>
Armoured Steel	Dielectrics	Heat-Resistant Gloves
Ferroalloys - 4th consec. month	Electronic Components	Natural Leather
High Grade Steel	Rigid Crystalline Indicator	
Metal		<b>Food:</b>
Metal Scrap	<b>Chemicals:</b>	Beef - 9th consec. month
Non-Ferrous Metals	Broad Fractions Light Hydrocarbon	Meat & Bone Flour
Zinc	Butane - 2nd consec. month	Pork - 16th consec. month
	Chemical Products	Sunflower Grain
	Commercial Butane	
<b>Metal Manufactures:</b>	Ferromanganese	<b>Fuel &amp; Energy:</b>
Cooled-Rolled Strip	Nitrosorbite - 2nd consec. month	Fuel - 2nd consec. month
Heavy-Wall Pipe	Paint Powder	
Long Link Chain	Polyamide	<b>Miscellaneous:</b>
Metal Sheet 50-100mm	<b>Plastics:</b>	Anodyne For Injections - 2nd consec. month
Rolled Aluminium	High-Pressure Polyethylene	Armoured Glass
Rolled Brass	Low-Pressure Polyethylene - 3rd consec. month	Calcium Glucanate For Injection
Rolled Copper		Fluoride Calcium
Rolled Ferrous Metals - 6th consec. month	<b>Paper &amp; Timber:</b>	Imported Glass
Steel Strip - 2nd consec. month	Chipboard	Interline
Welding Wire - 2nd consec. month	Fibreboard	Laminated Bakelite
		Lime-Sand Brick
		Refractory Products - 4th consec. month

## Items Down in Price

<b>Food:</b>	Rye Flour	Wheat Flour
Chicken Eggs	Rye Flour (Peeled Grinding)	<b>Fuel &amp; Energy:</b>
Chisel	Salt	Fuel
Fodder Grain - 3rd consec. month	Sugar - 2nd consec. month	<b>Miscellaneous:</b>
Nuts	Treacle	Calcium Glucanate
Rye	Wheat	Bolting

## Items Up in Price

<b>Metals:</b>	<b>Paper &amp; Timber:</b>	Soda
Ferrous Metal	Chipboard	Spirits - 2nd consec. month
Iron	Fibreboard	Sugar - 2nd consec. month
Non-Ferrous Metal	High Quality Timber	Sunflower Oil
	Paper	Sunflower Seeds
		Vegetable Oil - 3rd consec. month
<b>Metal Manufactures:</b>		Wheat Flour
Brass Ingot	<b>Packaging:</b>	<b>Fuel &amp; Energy:</b>
Channel Bar	Polyethylene Containers	Electricity - 4th consec. month
Hardware & wire product		Energy
Metal Bars		Gas
Metal Pipes	<b>Rubber:</b>	Mazout
Non-Ferrous Metal's Product	Pitch	Petrol
Rolled Metal	Technical Rubber	
Rolled Non-Ferrous Metal - 3rd consec. month		<b>Miscellaneous:</b>
		Construction Materials - 2nd consec. month
<b>Electrical/Electronic:</b>	<b>Food:</b>	Filler Blocks
Electric Engines - 4th consec. month	Animal Fat	Filling Knives
	Cattle	Furniture
	Cream	Nitrate Base
	Frozen Fish	Piping Accessories
<b>Chemicals:</b>	Margarine	Railway Tariff
Paints & Varnishes Product - 4th consec. month	Milk	Special Clay
Polyester String	Peanuts	
Soda Ash - 2nd consec. month	Pigs	

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