

## IHS MARKIT RUSSIA MANUFACTURING PMI®

### Operating conditions deteriorate further in August

#### KEY FINDINGS

Faster decline in the health of the Russian manufacturing sector

New orders fall at quickest rate since May 2015

Renewed decrease in employment

August data continued to signal a deterioration in operating conditions across the Russian manufacturing sector. The overall decline was driven by the fastest contraction in new orders for over four years. The latest decrease in new business partly stemmed from a sharper fall in new orders from abroad, the strongest since September 2016. Consequently, firms registered a renewed decrease in workforce numbers. Nonetheless, manufacturers expressed the greatest degree of confidence towards future output growth since March.

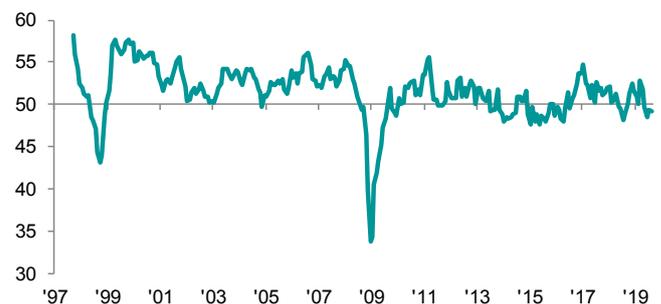
At the same time, inflationary pressures remained historically subdued despite quickening.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 49.1 in August, down from 49.3 in July, and signalling the fastest deterioration in the health of the Russian manufacturing sector since June. Although only marginal, latest data extended the current sequence of decline to four months.

Weighing on the headline PMI was a stronger contraction in new orders in August. The solid fall in new business was reportedly due to weak demand conditions and the loss of key clients. Moreover, external demand was further reduced, as new exports orders fell at the sharpest pace for almost three years.

In line with a fall in client demand, the Output Index posted below the 50.0 neutral mark for the third month running. August data follows a fractional contraction in July.

Manufacturing PMI  
sa, >50 = improvement since previous month



Manufacturers indicated a decrease in workforce numbers in August, the fourth monthly contraction since April. The decline was broadly in line with the series average and attributed to lower new order volumes, with panellists expressing hesitancy towards hiring. Meanwhile, backlogs of work fell markedly. A reduction in pressure on capacity allowed firms to effectively tackle work-in-hand.

Despite a deterioration in overall operating conditions, firms registered a greater degree of confidence towards future output growth in August. The level of optimism was the highest for four months and strong overall. Positive sentiment reportedly stemmed from new product launches and planned investment in new technology.

Although rates of both input price and output charge inflation picked up in August, paces of increase remained relatively muted overall. Manufacturers attributed the rise in cost burdens to currency weakness which drove up the price of imported raw materials. Subsequently, firms partly passed on higher input prices to client through greater charges.

Finally, despite a slight increase in input buying, firms noted a further depletion of pre-production inventories. Some manufacturers linked the fall to efforts to run down stocks amid a sustained decline in new orders.

## COMMENT

Siân Jones, Economist at IHS Markit, which compiles the Russia Manufacturing PMI survey, commented:

*"The Russian manufacturing sector continued to signal a deterioration in August, with the fastest fall in new business for over four years weighing on overall operating conditions. Concurrently, domestic and external demand conditions weakened to a greater extent as firms reported a reduction in client numbers. Nonetheless, output fell only slightly as firms increased efforts to clear backlogs.*

*"Despite a rise in the degree of optimism towards output growth over the coming year, firms were hesitant to hire more employees amid a sustained decline in client demand. Confidence, however, reportedly stemmed from planned investment in new machinery and new product development."*

## Input Prices Index

sa, >50 = inflation since previous month



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### Methodology

The IHS Markit Russia Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

August 2019 data were collected 12-23 August 2019.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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 [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).