

Embargoed until 0900 MSK (0600 UTC) 3 August 2020

IHS MARKIT RUSSIA MANUFACTURING PMI®

Further manufacturing deterioration amid challenging demand conditions

KEY FINDINGS

PMI remains below 50.0 neutral mark amid ongoing COVID-19 crisis

Output increases marginally for second month running

Rate of input price inflation accelerates

Data were collected 13-27 July 2020.

Latest PMI® survey data indicated a quicker overall decline in the performance of the Russian manufacturing sector. Although the deterioration was much less severe than that seen in April, it signalled a step backwards for goods producers, as demand conditions faltered.

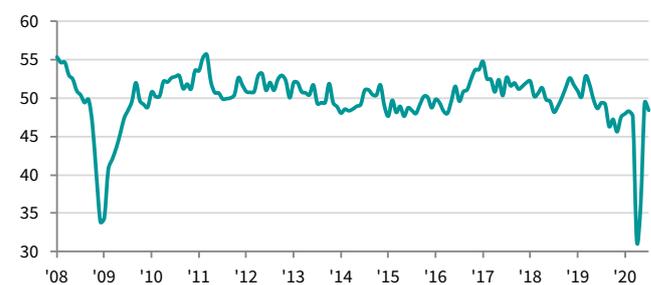
The reopening of factories following the coronavirus disease 2019 (COVID-19) outbreak pushed output higher once again. However, weak new order inflows halted employment, as firms lowered their workforce numbers following evidence of spare capacity. Some firms were buoyed by a recent pick-up in production schedules, as signalled by an improvement in output expectations to a six-month high. Meanwhile, inflationary pressures intensified as input costs rose markedly.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 48.4 at the start of the third quarter, down from 49.4 in June. The latest data signalled a marginal deterioration in operating conditions across the Russian manufacturing sector, and one that was stronger than that seen in June.

Although the sector's overall performance declined, output remained in expansion territory in July. Russian goods producers registered a marginal increase in production as firms continued to state that the resumption of operations following virus-related lockdown measures had aided output. Moreover, the rate of growth was the second-fastest since April 2019.

Demand conditions remained weak, however, as companies noted that uncertainty surrounding the pandemic led to client hesitancy in placing orders. The renewed fall in sales inflows followed a fractional expansion in June. New export orders

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit

continued to contract in July, albeit at the slowest pace since May 2019. The decrease was only slight as global economies began to reopen.

Meanwhile, the rate of input price inflation accelerated in July, as shortages of raw materials and unfavourable exchange rate movements pushed imported costs higher. The pace of increase was marked overall and the second-fastest since March 2019. Firms were conscious not to dissuade clients from making purchases during challenging demand conditions, however, with selling prices rising only marginally.

Reflecting weak demand conditions, manufacturers cut their workforce numbers further in July. Evidence of spare capacity and a drop in new order inflows led to redundancies and the non-replacement of voluntary leavers, amid efforts to reduce cost burdens.

At the same time, companies continued to lower their input buying at the start of the third quarter. Firms reportedly sold from stock due to weak sales and utilised raw material inventories to fulfill production requirements. Some also stated that longer lead times for inputs had partially driven the depletion of pre-production inventories.

Russian goods producers remained upbeat regarding the outlook for output over the coming year, despite signs of weak customer demand. The degree of confidence picked up to a six-month high amid reports of investment in product development and hopes of a return to pre-pandemic output levels over the long term.

COMMENT

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

"The Russian manufacturing sector took a step back in July, as new orders struggled to maintain momentum. Although output expanded, manufacturing sales fell back into contraction territory amid challenging demand conditions and hesitancy among clients.

"Efforts to cut costs led to a further reduction in employment. Manufacturers noted a marked rise in input prices, as raw material shortages pushed cost burdens higher. That said, selling price rose only marginally amid efforts to attract new clients.

"While it is encouraging to see confidence improving among goods producers, our latest forecast is a 6.4% annual contraction in industrial production in 2020 and a slow recovery in output to pre-pandemic levels."

Input Prices Index

sa, >50 = inflation since previous month



Source: IHS Markit

CONTACT

IHS Markit

Siân Jones
Economist
T: +44-1491-461-017
sian.jones@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 (781) 301-9311
katherine.smith@ihsmarkit.com

The IHS Markit Russia Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 250 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

About PMI

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.