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## IHS MARKIT RUSSIA MANUFACTURING PMI®

### September PMI at lowest since May 2009

#### KEY FINDINGS

Solid deterioration in operating conditions

Faster contractions in output and new orders

Output expectations weakest since December 2017

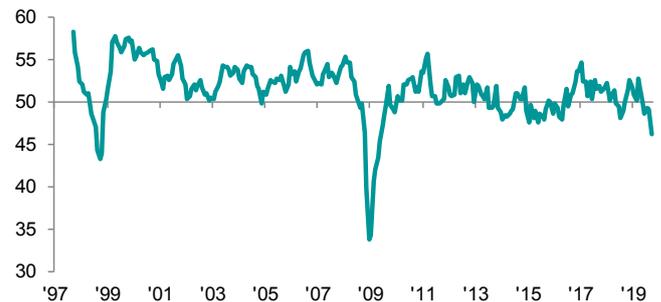
The Russian manufacturing sector registered the fastest deterioration in operating conditions for over a decade in September. Driving the overall headline figure lower were faster contractions in production and new business, the sharpest falls since 2009. Subsequently, workforce numbers were cut at a quicker rate and business confidence dipped to its lowest since December 2017. On the price front, cost pressures remained relatively muted, with output charges rising only fractionally.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 46.3 in September, down from 49.1 in August. The solid decline in the health of the Russian goods-producing sector was the sharpest since May 2009. The latest quarterly average (48.2) signalled the worst performance across the sector since the second quarter of 2015.

Russian manufacturers registered the quickest fall in production since April 2009 in September. The decrease in output was largely linked to lower new order volumes and the loss of clients. The strong contraction was in contrast to the long-run series trend which points towards a solid expansion.

Similarly, the decline in new business gained momentum in September, accelerating to the fastest since April 2009. Panellists stated that new orders contracted following weak demand conditions and difficulties gaining new clients. The steep decrease in total new orders was also reflected in a

Manufacturing PMI  
sa, >50 = improvement since previous month



sharp fall in foreign client demand. The drop in new export orders was the quickest for three years and partly stemmed from greater competition for clients.

Although optimistic overall, manufacturers noted a lower degree of confidence towards output over the coming 12 months in September. Concerns reportedly stemmed from weak demand conditions and the loss of clients, with positive sentiment dropping to its lowest since the end of 2017.

Meanwhile, firms registered a second successive decline in employment in September, with the pace of contraction quickening to the sharpest since May. The fall in workforce numbers was attributed to lower production requirements and redundancies. At the same time, backlogs of work were depleted further and at a sharp pace.

Inflationary pressure were historically muted in September, with rates of both input price and output charge inflation easing. A more favourable ruble exchange rate reportedly partly stymied increases in cost. Output charges, however, rose only fractionally due to greater competition.

Finally, lower production requirements led to a fall in purchasing. The solid decrease was also reflected in a sharp decrease in pre-production inventories. Lower new order volumes also resulted in a decline in stocks of finished goods.

## COMMENT

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

*"The deterioration in operating conditions across the Russian manufacturing sector gathered pace in September, as the PMI dipped to its lowest since May 2009, following the sharpest contractions in output and new business for over a decade.*

*"Weak domestic and foreign demand conditions also weighed on output expectations for the coming 12 months, as business confidence slipped to the lowest since December 2017.*

*"Subdued inflationary pressures, lower domestic demand and a global manufacturing slowdown have been highlighted by the Central Bank of Russia as key factors behind the recent cut in interest rates. We also expect further reductions to the policy rate going into 2020."*

## 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.

September 2019 data were collected 12-24 September 2019.

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### 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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).