

Embargoed until 0900 Moscow (0600 UTC) 28 December 2018

IHS MARKIT RUSSIA MANUFACTURING PMI®

PMI signals moderate improvement in operating conditions in December

KEY FINDINGS

PMI posts third highest reading in 2018

Output and new order expansions remain solid

Business confidence second-strongest since May 2013

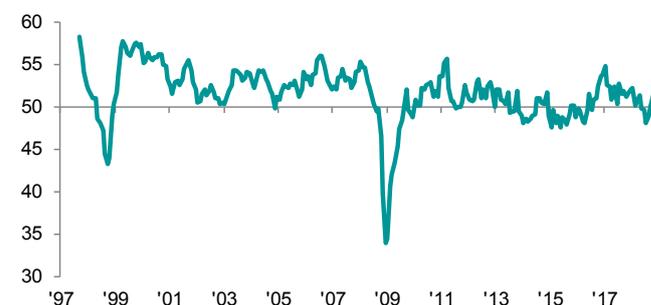
December data indicated a moderate improvement in the health of the Russian manufacturing sector and the third-strongest overall expansion in 2018. Growth was supported by solid upturns in production and new business. Panellists registered a further reduction in backlogs, partly due to a moderate increase in employment. Meanwhile, inflationary pressures softened. The rate of output charge inflation eased to a nine-month low, with panellists suggesting greater competition was slowing rises in output prices. Reassuringly, business confidence strengthened and was the second-highest since May 2013.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 51.7 in December, down from 52.6 in November. The latest headline figure was the third-highest in 2018 and brought to a close the strongest quarterly expansion since the third quarter of 2017.

Output across the Russian goods producing sector increased at a solid rate in December, albeit slightly weaker than November. Where a rise was reported, panellists linked this to greater new order volumes.

New business continued to expand at a solid pace in December and at the second-fastest rate since January. Anecdotal evidence stated that greater client demand and the acquisition of new customers drove the latest upturn. Moreover, new business from abroad increased for the fifth month running and at a rate above the series trend. Some

Manufacturing PMI
sa, >50 = improvement since previous month



firms suggested that the rise in new export orders was due to greater access to new markets.

In line with a sustained increase in new orders, further job creation was recorded in December. Although the weakest for three months, the upturn in employment reduced pressure on capacity and led to a sixteenth successive monthly fall in backlogs.

On the price front, manufacturing firms registered a softer rise in input prices. The rate of cost inflation was marked overall but dipped to a nine-month low. Nonetheless, panellists attributed the increase in cost burdens to higher raw material prices and greater transportation costs.

Average output prices increased at a weaker rate in December. The slowest pace of inflation since March was linked to a softer rise in input prices and greater competition.

Output expectations across the Russian manufacturing sector improved in December to the second-highest since May 2013 (behind September's recent high). Optimism was driven by a sustained rise in new business and access to new markets.

Finally, purchasing activity increased at a mild rate. The slower rise in input buying coincided with a faster fall in pre-production inventories amid the use of stocks in production.

COMMENT

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

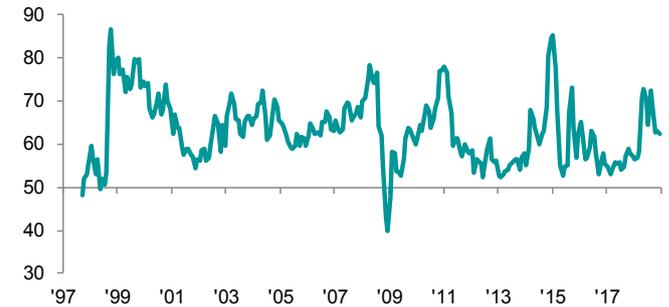
"Russian manufacturers signalled a slight loss of growth momentum in December. Nonetheless, rates of output and new order expansion remained solid and were among the fastest in 2018.

"With an increase in VAT looming in the New Year, firms registered the weakest rise in factory gate charges since March. Some noted that greater competition had driven discounts in selling prices.

"Encouragingly, business confidence picked up further in December. Robust optimism stemmed from greater access to new foreign markets and a sustained rise in new business, which manufacturers expect to see continuing through 2019. Consequently, firms expanded their workforces at a moderate rate."

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.

December 2018 data were collected 5-17 December 2018.

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

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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).