

Embargoed until 0900 MSK (0600 UTC) 1 September 2020

IHS MARKIT RUSSIA MANUFACTURING PMI®

First improvement in operating conditions since April 2019 amid renewed order growth

KEY FINDINGS

Output and new orders rise at the sharpest paces for over a year

Employment falls at the slowest pace for five months

Inflationary pressures intensify

Data were collected 12-24 August 2020.

Latest PMI® survey data signalled a marginal improvement in operating conditions across the Russian manufacturing sector in August. The sector indicated an expansion for the first time since April 2019 amid a faster upturn in output and a renewed rise in new orders. As a result, employment fell at the slowest pace for a year, as the rate of contraction in backlogs of work also softened. Firms remained optimistic in August, despite the degree of confidence moderating slightly.

Meanwhile, higher supplier prices pushed input costs up midway through the third quarter, with firms only able to partially pass greater cost burdens on to clients through increased charges.

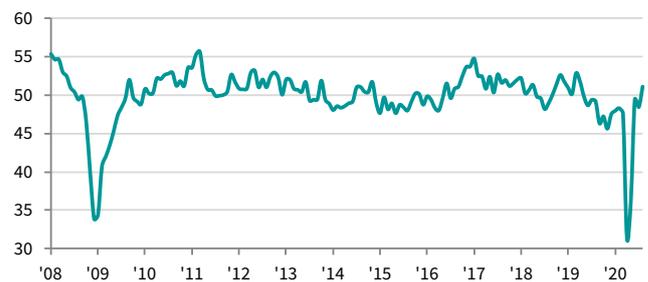
The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 51.1 in August, up from 48.4 in July, to signal the first improvement in the health of the Russian manufacturing sector for over a year. Overall growth was only marginal overall, but broadly in line with the series average.

Amid the further easing of coronavirus disease 2019 (COVID-19) restrictions and the subsequent resumption of operations at clients, firms registered a third successive increase in production. The upturn was solid overall and the sharpest since March 2019. Some companies stated that an uptick in customer demand had driven the rise in output.

Russian manufacturers recorded a renewed increase in new orders in August, albeit only a marginal upturn. Anecdotal evidence attributed sales growth to new client acquisitions and greater customer demand. Although only slight, the expansion in new business was the fastest since April 2019. Meanwhile, new export orders fell only marginally, and at the slowest pace

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit

since May 2019. Panellists continued to state that foreign client demand was historically weak.

Workforce numbers were reduced further in August, albeit at the slowest pace since March 2020. Companies continued to note an increase in redundancies amid challenging demand conditions. At the same time, backlogs of work also contracted at a softer pace.

Business confidence dipped slightly in August, but the degree of optimism remained solid. Firms linked positive sentiment to hopes of an uptick in client demand and an economic recovery.

Meanwhile, manufacturing firms registered a faster rise in input costs in August. Higher operating expenses were commonly linked to greater supplier costs and unfavourable exchange rates which pushed imported goods price up. The rate of inflation was the fastest for four months and strong overall.

Companies were able to raise their selling prices at a quicker rate midway through the third quarter. The rate of increase was only modest, but the fastest for three months.

Finally, input buying rose fractionally and for the first time since August 2019 amid a pick-up in new order inflows. A marked fall in pre-production inventories were meanwhile linked to greater production requirements as firms used stocks to fulfill orders. Stocks of finished goods also fell as companies reportedly shipped products in a timely manner.

COMMENT

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

"Russian manufacturers saw the first improvement in operating conditions since April 2019 in August, amid an uptick in production and new orders. The resumption of business at firms and their clients helped boost output as domestic demand strengthened. By contrast, foreign clients remained hesitant as the pandemic continued and global demand was subdued, with export sales shrinking further in August."

"Although goods producers cited further redundancies as having driven the fall in employment, the decrease was the slowest in five months, as output expectations stayed solid. Our current forecast points to a 6.5% decline in industrial production on the year, with output expected to rise 2.9% in 2021. This suggests that any recovery in the manufacturing sector could be drawn out as demand struggles to gain momentum."

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.