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## IHS MARKIT RUSSIA MANUFACTURING PMI®

### PMI drops to lowest since May 2009 in November

#### KEY FINDINGS

New orders fall at sharpest pace since March 2009

Business confidence at lowest level for two years

Inflationary pressures soften

Russian manufacturing firms indicated a sharper deterioration in operating conditions in November, with the headline PMI figure dropping to the lowest since May 2009. The overall contraction was driven by weaker demand conditions, with production and new orders falling at steeper rates. In turn, goods producers reduced their workforce numbers further and output expectations slumped to the weakest for two years.

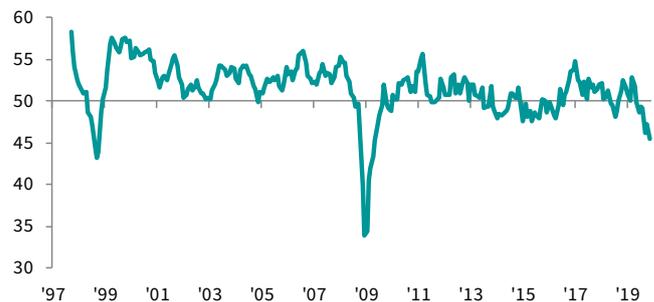
Inflationary pressures eased to historically muted rates, with weak client demand and greater efforts to discount leading to only a fractional rise in output charges.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 45.6 in November, down from 47.2 in October and signalling the worst performance across the Russian manufacturing sector for over a decade. The strong deterioration in the health of the manufacturing sector extended the current sequence of decline to seven months.

A key factor behind the sustained contraction was a further fall in production midway through the final quarter of 2019. Anecdotal evidence stated that the decrease in output was linked to a slump in client demand and a reduced customer base. The strong rate of decline quickened from that seen in October and was among the sharpest for over a decade.

Concurrently, new orders received by Russian manufacturers also took a tumble, with the rate of contraction accelerating to the steepest since March 2009. The fall in new business

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

was commonly linked to hesitancy among clients to place orders. Foreign demand also dropped, and at a marked rate. A reduction in new order volumes from key export partners reportedly drove the decline.

Subsequently, firms noted a lower degree of confidence towards the outlook for output over the coming year in November. The level of optimism was the weakest for two years, with the reduction in positive sentiment generally attributed to challenging demand conditions.

Hesitancy towards the outlook also extended to hiring decisions, with manufacturers cutting workforce numbers at the fastest pace since May amid lower production requirements. A reduction in pressure on capacity was also seen in a sharp fall in backlogs of work.

Meanwhile, price pressures remained historically subdued. Cost burdens rose at the slowest pace since February 2017, as weaker demand for inputs reportedly led some suppliers to offer discounts. At the same time, firms increased their factory gate charges only marginally amid efforts to remain competitive.

Finally, a sustained fall in purchasing activity led to inventory levels being depleted further as firms increasingly fulfilled pre-existing demand by selling from stock and utilising previously purchased raw materials.

## COMMENT

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

*"Russian manufacturing firms continued to highlight challenging domestic and foreign demand conditions, with the sector recording its worst performance since May 2009 in November. The deterioration was driven by a slump in new business and subsequent drop in production.*

*"As a result, firms were less certain of a rise in output over the coming year, with hesitancy also reflected in a sharper fall in employment.*

*"Our current industrial production forecast points towards a slowdown in output in the final quarter of 2019 and during the opening months of 2020 as muted domestic consumer spending is expected to weigh on the expansion."*

## Input Prices Index

sa, >50 = inflation since previous month



Source: IHS Markit

## CONTACT

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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.

November 2019 data were collected 12-25 November 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).