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## IHS MARKIT RUSSIA MANUFACTURING PMI®

### PMI improves to reach six-month high in October

#### KEY FINDINGS

PMI signals modest manufacturing growth

Output and new order expansions accelerate

Employment rises at fastest pace since January 2017

The Russian manufacturing sector regained growth momentum in October, with the headline PMI® signalling the first monthly improvement in operating conditions since April. Overall performance across the goods-producing sector was supported by solid and faster expansions in output and new orders, with foreign demand also increasing. Encouragingly, employment growth accelerated to the quickest since January 2017 as pressure on capacity became more apparent. In line with firmer client demand, firms expressed a robust degree of optimism towards future output.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 51.3 in October, up from September's figure of 50.0. The latest reading was the highest in six months and indicated a modest improvement in the health of the goods-producing sector.

Key to the manufacturing sector regaining growth momentum was a faster increase in output in October. The solid expansion was the strongest in six months and largely attributed to a sustained upturn in new business and greater client demand.

Growth in new business received by goods producers accelerated to the fastest since January amid reports of new client acquisitions and new product launches. The moderate expansion in new orders was supported by foreign client demand, with new export orders increasing solidly.

Manufacturing PMI  
sa, >50 = improvement since previous month



In line with a stronger expansion in production, respondents registered the quickest rate of job creation since January 2017. Manufacturers reported greater pressure on capacity, with backlogs declining only fractionally and at the weakest pace in the current 14-month sequence of contraction.

Greater production requirements also drove a first monthly rise in input buying since April. Moreover, the increase in purchasing activity was the fastest in over a year. Nevertheless, pre-production inventories continued to contract strongly in October as firms reportedly used current stocks in production.

On the price front, rates of both input cost and output charge inflation softened in October and were below their respective long-run series averages. An unfavourable exchange rate and higher fuel costs reportedly drove the latest marked rise in cost burdens, with input prices partly passed on to clients through greater output charges. Encouragingly, supplier delivery times improved for the first time in six months in October.

Finally, business confidence remained strongly optimistic in October, with manufacturing firms signalling the second-highest degree of confidence since May 2015. A number of survey respondents suggested new product development helped drive output expectations.

## COMMENT

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

*"October saw the first improvement in Russian manufacturing operating conditions since April. More robust domestic and foreign demand supported growth momentum, while employment growth accelerated to the fastest since January 2017.*

*"Cost pressures softened slightly, as input price inflation dipped to a seven-month low. Although firms reported partly passing on higher input prices to clients, charge inflation also eased to the least marked since March.*

*"A stronger overall manufacturing performance also drove confidence in future output, which was the second-highest since May 2015, behind September's recent peak."*

## Input Prices Index

sa, >50 = inflation since previous month



## 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.

October 2018 data were collected 12-25 October 2018.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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).