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IHS MARKIT RUSSIA MANUFACTURING PMI®

Solid output growth driven by strong upturn in new orders

KEY FINDINGS

New business expansion softens but remains above series trend

Workforce numbers contract

Output expectations second-highest since May 2013

Russian manufacturers registered a moderate improvement in operating conditions in April, supported by a solid rise in production and a strong increase in client demand. Domestic markets drove the upturn in sales, with new export orders unchanged from March. Despite a further monthly rise in new orders, employment fell for the second time in four months. Meanwhile, inflationary pressures softened as the impact of January's hike in VAT continued to peter out. The increase in cost burdens was the slowest since March 2018. Business confidence eased from March's recent peak, but was nonetheless the second-highest since May 2013.

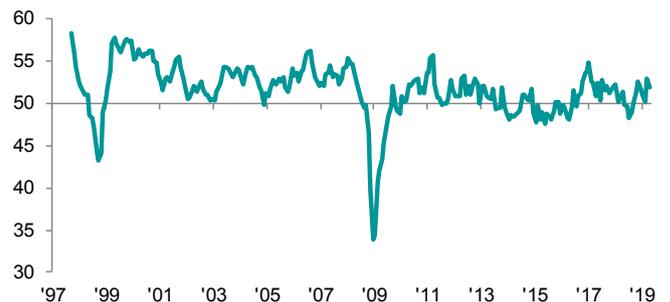
The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 51.8 in April, down from 52.8 in March. The modest improvement in the health of the manufacturing sector was the second-strongest since last November and broadly in line with the series trend.

Production across the Russian manufacturing sector increased at a solid pace in April, albeit at a slightly softer rate than that seen in March. The upturn stemmed from greater new order book volumes and stronger client demand. The increase in output was the second-fastest since January 2018.

Similarly, the rate of new business growth eased from March, but remained above the series trend. The acquisition of new clients and greater customer demand were contributing factors towards the latest upturn. That said, new export

Manufacturing PMI

sa, >50 = improvement since previous month



orders were unchanged from March, but contrasted with contractions seen in the preceding three months.

Strong demand conditions did not result in greater hiring activity, as firms reduced their staffing levels for the second time in the last four months. The marginal fall in employment was faster than the series trend and reportedly stemmed from redundancies and efficiency gains in production. In the same vein, backlogs of work fell for the twentieth successive month.

Manufacturers stated that the acquisition of new clients and new product development supported an upbeat outlook for output over the coming year. Expectations were robust and the degree of confidence was the second-strongest since May 2013, despite easing from March.

Meanwhile, input cost inflation softened in April, with fewer panellists linking the rise in purchase prices to January's hike in VAT. The rate of increase was the slowest since March 2018, but was still sharp. Subsequently, the pace of charge inflation eased to a four-month low.

A slower rise in cost burdens did not lead to a quicker rise in input buying. The upturn was only marginal as firms supplemented production with pre-production inventories. Conversely, stocks of finished goods increased for the first time since last October.

COMMENT

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

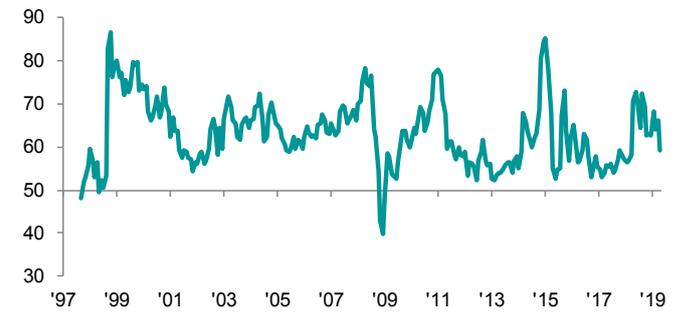
"Russian manufacturers signalled a moderation in overall growth in April, following a spike in output and new orders in March. A fall in employment, coupled with softer production and new business expansions contributed to the lower headline PMI reading.

"Meanwhile, cost inflation eased from January's VAT-driven record, but firms were still able to raise charges at a solid pace.

"Panellists remained robustly optimistic of a rise in output over the coming 12 months, despite forecasts of a slowdown in manufacturing growth through 2019. IHS Markit currently expects industrial production to rise 2.0% in 2019, down from 2.9% in 2018 and largely driven by oil and gas output."

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.

April 2019 data were collected 10-24 April 2019.

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).