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## IHS MARKIT RUSSIA MANUFACTURING PMI®

### PMI signals slowest contraction since last August

#### KEY FINDINGS

Declines in output and new orders moderate

Inflationary pressures remain subdued

Output expectations pick up

The Russian manufacturing sector continued to signal a deterioration in operating conditions in January, largely driven by further contractions in production and new orders. The sustained fall in client demand also led to another round of job cuts. That said, rates of decline in output, new business and employment all eased to the slowest in five months. As a result, business confidence increased to a robust level.

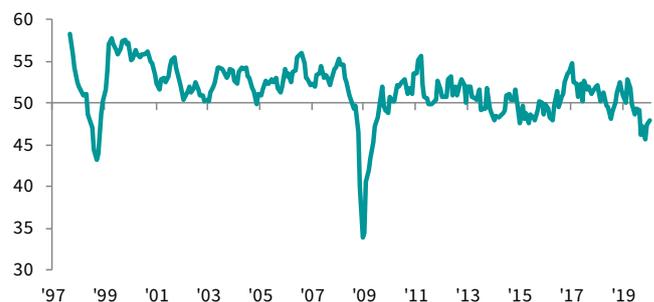
At the same time, cost pressures softened and remained historically muted. Nonetheless, firms raised output charges at a slightly faster pace.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 47.9 in January, up from 47.5 in December and signalling a moderate deterioration in the health of the Russian manufacturing sector at the start of 2020. Nonetheless, the pace of contraction was the slowest since last August.

Partially driving the slower decline in overall operating conditions was a softer fall in production. The decrease in output was only modest and eased to the least marked for five months. That said, firms still highlighted that lower production was due to difficult demand conditions and weak purchasing power.

Meanwhile, new business continued to decline at a solid rate in January. The drop in new order volumes was commonly attributed to lower domestic and foreign client demand. Moreover, new export sales decreased for the ninth month

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

running and at a solid rate. That said, the rate of contraction softened further from October's recent low.

In contrast, business confidence ticked up at the start of 2020, with manufacturers registering a stronger level of positive sentiment regarding the outlook for output in the coming 12 months. The degree of optimism reached a five-month high as firms were buoyed by new product launches and hopes of greater client demand.

On the price front, input costs rose at a historically subdued pace in January. Firms noted that the slower increase in input prices was linked to negotiation with suppliers following a further drop in purchasing activity. Meanwhile, output charges continued to rise, albeit at only a marginal pace.

Firms reportedly utilised current stocks of finished goods and inputs to fulfill production requirements. Therefore, inventory levels continued to fall. Although purchasing activity declined, delivery times deteriorated further amid logistical issues at suppliers.

Russian manufacturers cut workforce numbers further in January. Although the rate of job shedding was only marginal, panellists continued to attribute the fall to lower production requirements. At the same time, backlogs of work decreased at a sharper pace as pressure on capacity was further reduced.

## COMMENT

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

*"Russian manufacturers started 2020 on a low note as production and new business continued to decline. That said, paces of contraction eased for the second month running, with firms signalling slow and tentative moves towards a potential recovery in operating conditions.*

*"Nonetheless, demand remained weak as firms struggled to kickstart a boost in sales, resulting in a further reduction in their workforce numbers. Manufacturers do foresee an improvement over the coming year, however, with business confidence picking up in January.*

*"Our current forecast for industrial production growth in the opening three months of 2020 is just under 2% compared to the same period a year ago, with the expansion set to gradually quicken as the year progresses."*

## 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.

January 2020 data were collected 13-27 January 2020.

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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).