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## IHS MARKIT RUSSIA MANUFACTURING PMI®

### December PMI rises to four-month high amid slower fall in new orders

#### KEY FINDINGS

Rates of contraction in output and new business ease

Output charges rise only fractionally

Muted business confidence

Russian manufacturers indicated a moderate deterioration in operating conditions in December, despite the headline PMI rising to a four-month high. The slower overall contraction resulted from weaker declines in both production and client demand. Firms continued to reduce their workforce numbers and business confidence remained relatively subdued.

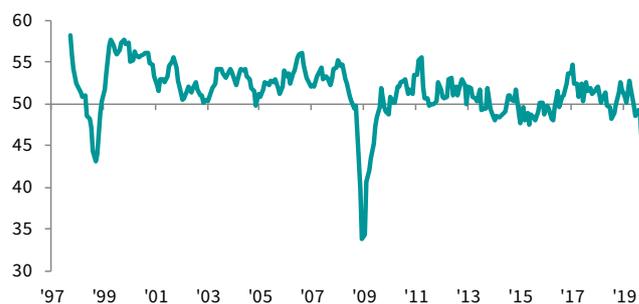
At the same time, output prices rose only slightly in December as firms struggled to pass on higher cost burdens amid challenging demand conditions.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 47.5 at the end of 2019, up from 45.6 in November. The latest figure signalled a modest deterioration in the health of the Russian manufacturing sector. Although the decline was the slowest since August, the quarterly average for the final three months of 2019 indicated the weakest manufacturing performance for over a decade.

Driving the softer overall decline was only a weaker decrease in production, with the rate of contraction easing notably from November. Nevertheless, firms stated that lower output was due to further lacklustre client demand and a drop in new order inflows.

Similarly, the decrease in new business softened in December, but was still solid overall. A slump in client demand continued to drive new order volumes down both domestically and globally, with new business from abroad falling for the eighth month running. The rate of contraction

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

was strong despite easing to the slowest for five months.

Challenging demand conditions also limited opportunities for manufacturers to raise their factory gate charges in December. The increase in output prices was only fractional and the joint-slowest since April 2017 despite a faster rise in cost burdens. Input price inflation reportedly stemmed from higher raw material prices.

Meanwhile, output expectations remained historically subdued, with the degree of confidence at the second-lowest for over two years. Muted forecasts for the year ahead were linked to lacklustre domestic client demand and global economic uncertainty.

December data signalled a further contraction in workforce numbers across the Russian goods-producing sector. The rate of decline in employment was solid overall and broadly in line with those seen in recent months. Reduced strain on capacity was also reflected in a sharp decrease in backlogs of work.

Finally, input buying across the Russian manufacturing sector fell for the fourth month running in December amid lower output requirements. Subsequently, firms reduced both their pre- and post-production inventory levels further.

## COMMENT

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

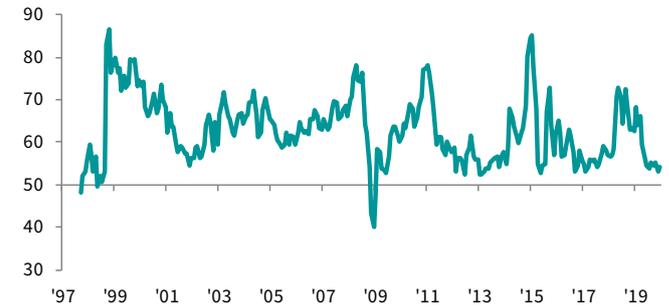
*"The Russian manufacturing sector remained in the doldrums at the end of 2019, with December data further extending the current run of deteriorating manufacturing health. Although the contraction in new orders eased, demand conditions remained challenging amid hesitancy among clients.*

*"Meanwhile, muted business confidence weighed further on hiring decisions, as firms reduced their workforce numbers for the fifth straight month.*

*"In line with signals from the PMI through the fourth quarter, official data is expected to show industrial production growth having eased in the final months of 2019. Our current forecast points to a year-on-year rise of 2.4% in the final quarter."*

## 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.

December 2019 data were collected 5-17 December 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).