News Release

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IHS Markit Russia Manufacturing PMI®

Operating conditions improve at strongest pace since May

Key findings

Output growth quickens amid faster rise in new orders

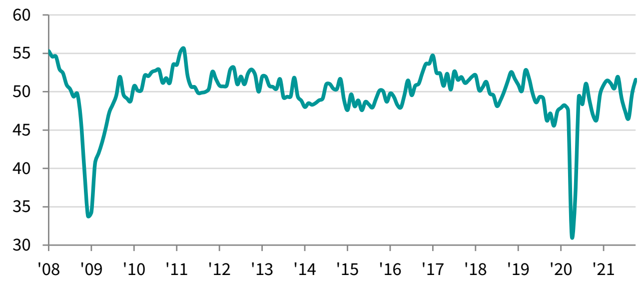
First expansion in employment for five months

Vendor performance deteriorates to greatest extent since April 2020

Data were collected 12-25 October 2021

Russia Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

October PMI® data signalled a renewed improvement in operating conditions across the Russian manufacturing sector. The overall rate of growth was the strongest since May, with faster expansions in output and new orders supporting the upturn. At the same time, employment expanded for the first time in five months amid greater production requirements.

Supply-chain disruption continued to constrain output, as vendor performance deteriorated to the greatest extent since April 2020. On the price front, the pace of cost inflation eased to the softest since September 2020 and was much slower than the marked rates seen earlier in 2021. Selling prices continued to rise at a sharp pace.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 51.6 in October, up from 49.8 in September and signalled the first improvement in the health of the Russian manufacturing sector for five months. Although signalling only a marginal upturn across the sector, the rate of growth indicated was faster than the long-run series average which spans over 24 years of data collection.

Contributing to the overall upturn was a faster rise in production at Russian goods producers at the start of the final quarter of the year. The rate of output growth was only marginal, but the fastest since May amid reports of greater customer demand and increased inflows of new orders.

New sales at manufacturers increased at a slightly quicker pace in October. Greater demand from new and existing clients supported the rise in orders. The marginal upturn

continued...

Comment

Commenting on the latest survey results, Siân Jones, Senior Economist at IHS Markit, said:

"Russian manufacturers signalled a return to expansionary territory in October, as operating conditions improved for the first time since May. Stronger increases in output and new orders supported the marginal upturn, as firms also recorded a renewed rise in employment.

"Nevertheless, pressure on capacity remained as supply chains continued to be held back by further disruption. Lead times lengthened to the greatest extent since the initial stages of the pandemic in April 2020 and holdings of materials and finished items were depleted further.

"Encouragingly, the rate of cost inflation eased to the slowest for over a year. Firms continued to partially pass on higher input prices, however, with the pace of charge inflation accelerating.

"Goods producers were confident of a rise in output over the coming year, and this positivity mirrors our latest forecast for the sector. We expect a 4.3% increase in industrial production on the year in 2021."

in total sales contrasted with a sharp decline in new export orders. The rate of contraction quickened and was faster than the long-run series average.

Employment returned to expansionary territory, thereby ending a four-month sequence of job shedding. The rate of job creation was only fractional and mostly linked to an uptick in new order inflows.

At the same time, goods producers signalled another monthly decline in backlogs of work in October. The fall in work-in-hand was solid overall, but eased to the slowest since February as demand for goods picked up.

Production capacity was again hampered by supply-chain disruption, as suppliers' delivery times lengthened markedly. The extent to which delays were extended was the greatest since the initial pandemic outbreak in April 2020. Firms often stated that longer lead times were due to supplier shortages and extensive transportation delays.

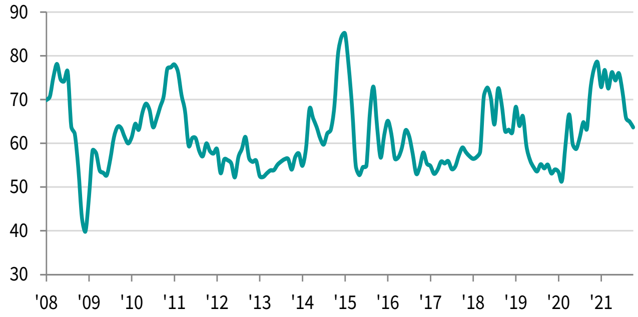
In line with raw material shortages and delivery delays, input prices rose markedly in October. Manufacturers suggested that greater supplier and energy costs drove inflation, despite the pace of increase easing to the slowest since September 2020. Companies continued to pass on costs to their clients, and the rate of charge inflation quickened since the previous month.

Although firms continued purchasing more inputs, the rise was only marginal in October. As such, both pre- and post-production inventories fell as companies supplemented production with stock.

Finally, output expectations for the coming year remained broadly positive amid hopes of greater client demand and new product development.

Russia Manufacturing PMI Input Prices Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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Survey 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 250 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

October data were collected 12-25 October 2021.

Survey data were first collected September 1997.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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. ihsmarkit.com/products/pmi.html.