

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (Moscow) / 06:00 (UTC), July 2<sup>nd</sup> 2018**

## IHS Markit Russia Manufacturing PMI®

### Operating conditions deteriorate for a second successive month in June

#### Key findings:

- June PMI signals further marginal deterioration in manufacturing sector
- Output growth dips to joint-weakest since July 2016
- New orders fall for the first time in almost two years

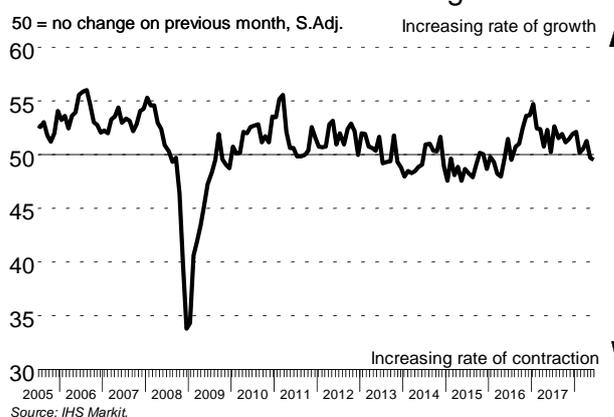
Data collected June 13-25

June survey data signalled a second successive month of deterioration in operating conditions across the Russian manufacturing sector. The latest decline was driven by the first fall in new orders since July 2016 and a further drop in employment. Output growth also eased for the second month running. Meanwhile, input price inflation remained marked despite easing from May's 32-month high and charges rose at the second-fastest rate since September 2015.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 49.5 in June, down from 49.8 in May. The latest figure signalled a marginal deterioration in operating conditions across the Russian manufacturing sector. The current sequence of decline (at two months) is now the longest since May 2016.

Output growth remained marginal in June, and softened to the joint-weakest since July 2016. The latest expansion extended the current sequence of increase to 26 months, but the rate of growth was below the long-run series average.

IHS Markit Russia Manufacturing PMI®



New orders meanwhile contracted for the first time in almost two years, albeit only marginally. The decline was largely attributed to weaker client demand and a reduction in new customers. New business from abroad remained in growth territory, though the rate of expansion eased to a fractional pace. Moreover, the upturn was the slowest for six months.

Input cost inflation remained elevated in June, despite easing to a three-month low. The marked pace of increase was largely attributed to higher raw material costs, especially oil, and exchange rate depreciation. The rise in cost burdens was faster than the long-run series average.

Despite difficult demand conditions, manufacturing firms reported a sharp rise in output charges. The pace of factory gate price inflation was the second-fastest since September 2015, and stemmed from robust increases in input costs.

Lower new orders contributed to further contractions in employment and backlogs. Rates of decline accelerated for each, with the pace of

backlog depletion quickening to the fastest since January 2016.

Similarly, buying activity at goods producers declined for the second successive month in June, and at a marginal rate. Panellists stated that the latest fall was driven by weaker output growth and reduced incentives to stockpile inputs. To that end, pre-production inventories decreased at a strong rate.

Output expectations for the coming year remained robust in June, despite dipping to a six-month low. Anecdotal evidence linked optimism to hopes of greater production and increased product development.

## Comment

Commenting on the Russia Manufacturing PMI survey data, **Sian Jones**, Economist at IHS Markit, which compiles the survey, said:

*“Weaker output growth and the first contraction in new orders since July 2016 were key factors behind a deterioration in operating conditions in June. Less robust client demand was also evident in reduced pressure on capacities, with employment levels and backlogs contracting further.”*

*“Meanwhile, input price inflation remained marked and well above the series trend. Increased input prices helped drive a sharp rise in output charges, the second-fastest since September 2015.”*

*“On a more positive note, Russian manufacturers remained strongly optimistic towards the output outlook for the year ahead. Confidence was supported by hopes of greater output growth and product development.”*

-Ends-

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**Note to Editors:**

The IHS Markit Russia Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 manufacturing companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to Russian Industrial Production. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>®</sup>) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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