

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit Russia Manufacturing PMI®

Manufacturing growth eases to four-month low in February

Key findings:

- PMI dips amid slower rises in output, new orders and employment
- Charges drop for first time since July 2015
- Outlook improves to brightest in 21 months

Data collected from February 10-22

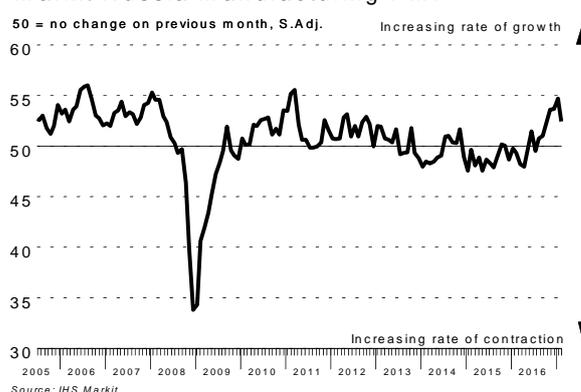
Growth of Russia's manufacturing sector moderated in February, following an acceleration seen at the start of the year. Both output and new orders rose more slowly, although the respective expansions remained solid overall. Relatively muted cost pressures enabled firms to lower their charges for the first time in 19 months, with discounts linked in some cases to efforts to stimulate demand. Meanwhile, manufacturers' outlook towards the year ahead improved to the brightest since May 2015.

The seasonally adjusted Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – dropped from January's near six-year high of 54.7 to 52.5 in February. Despite falling to the lowest in four months, the latest reading still pointed to an improvement in business conditions that was strong relative to the long-run average.

Both output and new orders continued to expand solidly in February. That said, the respective rises were the weakest since last September, reflective of the slowdown in growth of the sector as a whole. Among the three monitored sub-sectors, consumer goods was the only one to see faster increases in the latest period.

The rise in total new work was again hampered by falling exports. New orders from abroad have declined continuously for three-and-a-half years.

Markit Russia Manufacturing PMI®



In line with the trends seen for production and new business, the rate of job creation eased in February. Some companies took on extra staff in an effort to increase capacity, but others preferred to optimise activity by reducing their payrolls. The slight expansion of workforce numbers was insufficient to alleviate pressure on operating capacity. That said, backlogs of work rose only modestly.

Input buying at Russian manufacturers also increased at a slower pace in February. Growth remained robust overall, however, and was sharper than the long-run series average. Meanwhile, both pre- and post-production inventories declined.

Russian goods producers registered another rise in purchase costs during February, but the rate of inflation eased to the joint-weakest in four years. In some instances, subdued cost pressures were attributed to an appreciation of the ruble versus the US dollar. With input prices increasing at a weaker pace, firms lowered their own charges for the first time since July 2015.

Despite February's slowdown in growth, companies remained confident of raising output over the coming year. In fact, the degree of optimism strengthened to a 21-month high. Panellists expect factors such as improving demand, new long-term contracts and an economic upturn to help boost production in 12 months' time.

Comment

Commenting on the Russia Manufacturing PMI survey data, **Paul Smith**, Senior Economist at IHS Markit, which compiles the survey, said:

"Russia's manufacturing upturn continued in February, but latest PMI figures signalled a loss of momentum. Rates of growth in output, new orders and employment all eased from January peaks. With client demand improving at a weaker rate, companies lowered their selling prices for the first time in 19 months amid a slower rise in purchase costs.

"That said, February data still pointed to a sector in good health. Business conditions improved strongly relative to the long-run average. Most encouragingly, optimism picked up to the brightest since May 2015."

-Ends-

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Note to Editors:

The 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*[™] (*PMI*[®]) 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.

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 Markit. Please contact economics@ihsmarkit.com.

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Purchasing Managers' Index[™] (*PMI*[®]) surveys are now available for over 30 countries (PMI[®]) 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 www.markit.com/product/pmi.

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