

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

## IHS Markit Russia Manufacturing PMI<sup>®</sup>

### PMI rises in March, but signals only marginal manufacturing growth

#### Key findings:

- PMI indicates slight improvement in operating conditions
- Output growth rate slips to five-month low
- Upturn in new orders the weakest in current 20-month sequence of expansion

Data collected March 12-23

March survey data indicated a marginal improvement in operating conditions across the Russian manufacturing sector. Overall growth was slightly stronger than that seen in February but below the long-run series average. Output and new orders increased at weaker rates, with new business growth easing to the slowest in the current 20-month sequence of expansion. Inflationary pressure meanwhile remained muted in the context of the series history. Business confidence dipped to a three-month low, but was strongly positive overall.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 50.6 in March, up from 50.2 in February. The latest PMI figure signalled a marginal manufacturing expansion that was the second-weakest since June 2017. Meanwhile, the first quarterly average for 2018 (51.0) was the weakest since the third quarter of 2016.

Output levels at Russian manufacturers continued to rise solidly in March, despite the rate of expansion easing to a five-month low. Anecdotal evidence attributed the sustained increase to a continued upturn in client demand.



In line with weaker production growth, new orders received by manufacturing firms rose at a softer pace. Moreover, the rate of increase was the slowest in the current 20-month sequence of expansion. Although some panellists linked the rise to the acquisition of new clients, others raised concerns regarding signs of more fragile demand. That said, export order growth remained solid overall.

A slower upturn in new orders led to spare production capacity, with both backlogs and employment contracting in March. Moreover, the decline in the level of outstanding business was the fastest since February 2016. The fall in staffing levels was the third in as many months, Although the rate of job shedding was only marginal.

Cost burdens increased at the fastest pace since last October, driven by greater raw material prices. Panellists reportedly passed on higher costs to clients through a rise in charges. That said, inflationary pressures remained muted in the context of the series history, despite rates of both input price and output charge inflation accelerating.

A sustained deterioration in vendor performance held back buying activity growth in March. In addition, latest data showed the weakest decline in stocks of purchases since May 2012 as firms aimed to conserve inventory levels amid longer lead times.

Finally, expectations towards the year-ahead outlook for output dipped to a three-month low but remained strong overall. Survey respondents linked optimism to product development and hopes of more robust client demand.

## Comment

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

*“March survey data indicated a marginal improvement in operating conditions across the manufacturing sector. Although the overall pace of growth was faster, both output and new orders expanded at weaker rates. Moreover, average growth in the first quarter of 2018 was the slowest since the third quarter of 2016.”*

*“Meanwhile, despite both input price and output charge inflation accelerating, rates of increase remained subdued in the context of the series history.”*

*“Although output growth eased for the second successive month, business confidence was nonetheless strong in March. Those expecting output to rise over the next 12 months attributed their optimism to new product development and hopes of more robust client demand.”*

-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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