

News Release

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

Operating conditions continue to deteriorate during July

Key points:

- PMI remains stuck below 50.0 no-change mark
- Marginal declines in production and new orders signalled
- Fastest cut to input stocks for over six years

Summary:

Operating conditions in Russia's manufacturing sector continued to deteriorate during July, reflective of soft demand which undermined production and new order intakes. Jobs continued to be lost, while firms reduced their inventories at a marked and accelerated pace.

On the price front, competitive pressures and lower demand encouraged firms to cut their charges marginally during July. That was in spite of a marked and accelerated increase in input costs.

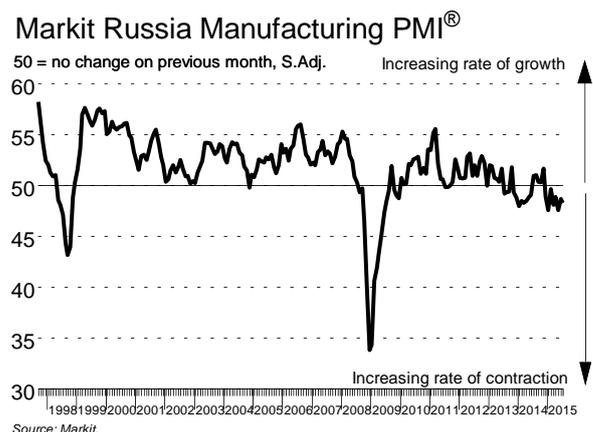
The seasonally adjusted Markit Russia *Purchasing Managers' Index™* (PMI®) – a composite indicator designed to measure the performance of the manufacturing economy – slipped to 48.3 in July, compared to 48.7 in June. The headline index has now posted below the 50.0 no-change mark for eight months in succession.

July's survey data indicated a fall in manufacturing output for a third successive month. However, the rate of decline was fractional and remained centred on the investment goods sector as consumer and intermediate goods both recorded growth of production compared to the previous survey period.

Similar trends were seen for new orders, with a fall in orders for investment goods leading to a decline at the aggregate level. Panellists commented that demand for their products remained soft at a time when the economic climate remained challenging.

Levels of new business from abroad also continued to decline during July, with the rate of contraction

accelerating since the previous survey period to the sharpest recorded since April.



Volumes of outstanding business continued to decline reflective of excess capacity given a lack of incoming new orders. With some idle resource at their plants, a number of companies chose to reduce staffing levels. The result was a twenty-fifth successive fall in employment, with declines recorded across the manufacturing sector.

A lack of incoming new work and lower production requirements led to the sharpest reduction in inventories of purchases for over six years in July. Post-production inventories were also reduced sharply as firms signalled a preference for utilising existing stock wherever possible, rather than raising output.

July's survey highlighted a marked and accelerated increase in average prices paid for inputs. Inflation was at a three-month high, with consumer goods producers indicating the strongest rise in average costs.

Despite the sharper increase in prices paid, competitive pressures and underwhelming demand led to a marginal fall in output charges.

Comment:

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

“A similar story at the start of the third quarter to the one told earlier in the year: the Russian manufacturing sector continues to broadly stagnate, dragged down by weakness in the capital goods category which is offsetting marginal growth in the consumer and intermediate goods areas.”

“The prevailing softness in output reflects underwhelming demand for manufactured goods, which continues to lead to idle resources and associated job cuts. Reflective of the subdued economic climate, a number of manufacturers feel the need to cut output prices in a bid to stimulate demand and bolster order books.”

-Ends-

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Notes to Editors:

The MarkitRussiaManufacturing 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*TM (*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@markit.com.

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About PMI

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

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