

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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IHS Markit Russia Manufacturing PMI®

Manufacturing growth performance weakest since June

Key findings:

- October PMI signals softer manufacturing growth
- Expansions in output and new orders ease
- Input prices increase at fastest rate since July 2016

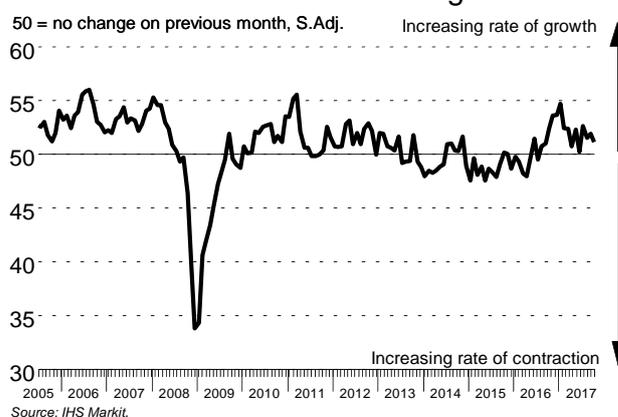
Data collected from October 12-25

October survey data indicated a further improvement in operating conditions in the Russian manufacturing sector, though the pace of the expansion softened from September. The upturn was supported by sustained, albeit slower, growth in output and new orders. Export business also increased, and at a stronger pace. Meanwhile, input price inflation accelerated to a marked rate that was the fastest since July 2016. Output charge inflation, however, eased to a three-month low. Business confidence was robust and buoyed by expanding client bases.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 51.1 in October, down slightly from September's reading of 51.9. Although the latest index figure signalled the softest expansion in the manufacturing sector since June, it extended the current upturn – now 15 months - to the longest sequence of growth seen since June 2011.

Production levels at Russian manufacturing firms continued to rise in October. The rate of growth eased to a 15-month low, however, and was moderate overall. Panellists commented that higher output levels were due to larger new order volumes.

IHS Markit Russia Manufacturing PMI®



In line with the trend in output, the level of new orders received grew at a slightly softer rate in October. New business expanded at the weakest pace since June, but one that was solid nonetheless. Anecdotal evidence linked the rise to new client orders. Export sales increased at the strongest pace since November 2011. The upturn was largely attributed to robust foreign demand.

Average input prices paid continued to rise in October, with the rate of inflation accelerating to the fastest since July 2016. A number of survey members noted that the increase was due to exchange rate fluctuations and higher supplier prices. Supplier delivery times meanwhile deteriorated to the greatest extent since May. Conversely, the pace of output charge inflation eased to a three-month low. The overall rate of increase was also muted in the context of the series history.

Reflecting weaker pressure on production capacities, backlogs continued to fall at a modest pace. Although workforce numbers grew for the second successive month, the rate of job creation

was fractional overall.

Buying activity contracted for the first time since July 2016, with panellists linking the fall to softer new order growth. Pre-production inventories were depleted further in October, but at the weakest rate since May 2012.

Business confidence among Russian goods producers towards future output remained robust, despite falling slightly from September. Anecdotal evidence stated that optimism was due to planned investment and larger client bases.

Comment

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

“The latest survey data signalled a softer start to the final quarter of 2017. October’s PMI reading indicated that overall growth eased to a four-month low, with sustained, but slower increases in both output and new orders. On a more positive note, export orders expanded at the fastest rate since November 2012.”

“October’s survey showed a reduction in pressure on production capacity, indicating a second consecutive month of backlog depletion. Job creation also eased to a fractional rate.”

“On the price front, cost burdens increased sharply and at the fastest rate since July 2016, as supplier shortages and exchange rate fluctuations impacted input prices. Average output charge inflation slowed and was muted in the context of the series history, however.”

“Business confidence remained robust in October, with panellists stating that larger client bases and planned investment drove optimism.”

-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*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.

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.

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