News Release

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IHS MARKIT RUSSIA MANUFACTURING PMI®

Output levels increase for first time since June

KEY FINDINGS

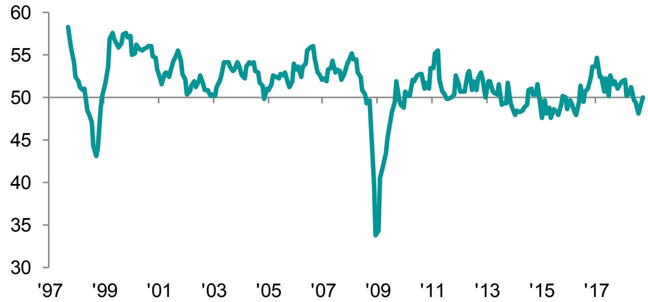
Output and new orders rise fractionally

New export order expansion accelerates

Rate of charge inflation picks up further

Manufacturing PMI

sa, >50 = improvement since previous month



The Russian manufacturing sector saw no change with regards to its overall health in September. The overall stagnation did however mask a return to growth of both output and new orders. Notably, new business from abroad rose at the fastest pace since April amid greater foreign client demand. Pressure on capacity was also indicated through a weaker fall in backlogs and a marginal rise in employment.

Meanwhile, the rate of input price inflation remained elevated, stemming from an unfavourable exchange rate. The pace of increase in output charges accelerated for the second month running as firms partly passed costs on to clients.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 50.0 in September, up from 48.9 in August. The latest index figure signalled no change in operating conditions across the Russian manufacturing sector, ending a four-month sequence of contraction.

For the first time since June, output levels at Russian manufacturers rose in September. That said, the increase in production was only fractional and well below the series trend. Where an upturn was reported, panellists linked this to new order growth. Others, however, highlighted concerns surrounding weaker market demand due in part to an unfavourable exchange rate.

New orders received by goods producers also increased fractionally in September. Currency movements were again stated as a factor behind fragile demand conditions. That said, manufacturing firms reported a solid rise in new business from abroad that was the fastest since April.

On the price front, the rate of input cost inflation remained marked and well above the series average. Anecdotal evidence attributed the rise in costs to an unfavourable exchange rate which was pushing up imported purchase prices. Despite fragile demand conditions, firms raised their factory gate charges sharply in September, and at the quickest rate for five months.

Meanwhile, there was evidence of greater pressure on capacity, with employment rising for the first time since April. Backlogs decreased at the weakest rate in four months, and at a pace broadly in line with the series trend.

Reflective of higher purchase prices, buying activity declined for the fifth successive month. Many firms stated that they were delaying purchasing or utilising stocks during production.

Finally, Russian manufacturing firms signalled a robust degree of confidence regarding the year-ahead outlook for output, linked in part to greater foreign client demand and new product development. The level of optimism was the highest since May 2013.

PMI® By IHS Markit

COMMENT

Siân Jones, Economist at IHS Markit, which compiles the Russia Manufacturing PMI survey, commented:

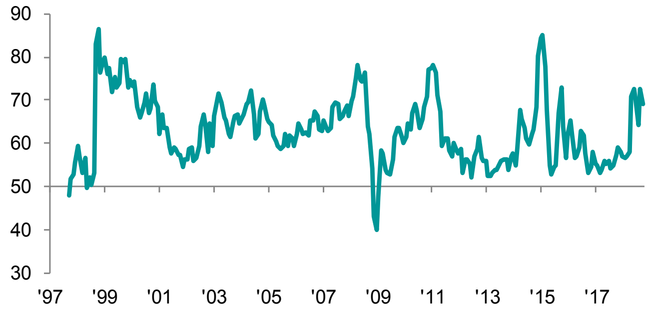
"Following a four-month sequence of contraction, the Russian manufacturing sector signalled no change in operating conditions in September. Output and new orders entered growth territory once again, despite reports of fragile demand conditions. The bright spot came from foreign client demand, with new export orders rising at the fastest pace since April.

"That said, foreign and domestic demand conditions have reportedly stemmed from a weak currency. Higher purchase prices for imported goods were reflected in a marked rise in cost burdens and subsequently a sharp increase in charges.

"Such inflationary and exchange rate pressures were highlighted by the Central Bank of Russia as key factors behind the unexpected interest rate rise in September."

Input Prices Index

sa, >50 = inflation since previous month



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Methodology

The IHS Markit Russia Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September 2018 data were collected 12-24 September 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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 go to ihsmarkit.com/products/pmi.html.