

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

July PMI signals strong improvement in operating conditions

Key findings:

- PMI rises to six-month high of 52.7
- Output growth fastest since January
- Record increase in backlogs

Data collected from July 12-25

July survey data signalled that business conditions in the Russian manufacturing sector improved at the fastest pace since January. Growth was driven by strong rates of expansion in output and new orders which both reached six-month highs. Meanwhile, the level of outstanding business rose at the fastest pace in the history of that which stretches back to January 2003. On the price front, inflationary pressures softened as both input and output price inflation eased.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 52.7 in July, up from 50.3 registered in June. The latest reading therefore signalled that operating conditions improved at a faster pace than that seen in June.

Output among Russian manufacturing firms increased in July, extending the current sequence of growth to 15 months. Panellists noted that the upturn in production was due to higher client demand and a rise in new orders. Overall, the pace of expansion was strong.

New orders received by Russian manufacturers expanded at a solid pace in July, which accelerated to the fastest since January. Anecdotally, local firms linked higher new business to larger volumes of



orders from new clients.

Input prices paid by Russian manufacturing firms increased in July to extend the current sequence of input cost inflation which began in February 2009. The pace of input price inflation was weak in the context of the series and eased to a four-month low.

Average prices charged by manufacturers in Russia rose for the fourth consecutive month in July. Panellists linked charge inflation to exchange rate fluctuations, especially against the US dollar, which increased cost burdens. That said, the pace of output price inflation was historically weak.

The level of outstanding business among Russian manufacturers grew at the fastest pace since the series began in January 2003 in July. A number of respondents linked higher backlogs to an upturn in new orders.

Conversely, employment in the Russian manufacturing sector contracted for the fifth month running in July. That said, the pace of job shedding

was the weakest in the aforementioned sequence.

In line with growth in output and new orders, buying activity in the Russian manufacturing sector increased in July. The pace of expansion was solid and the strongest since January.

The outlook among Russian manufacturers was positive in July, albeit lower than that seen in June. Anecdotal evidence linked positive sentiment to new product development, increased investment and strong demand from new clients. Optimism within the sector was the lowest since January 2016.

Comment

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

“The latest PMI reading signalled a strong improvement in operating conditions in the Russian manufacturing sector in July. Driven by solid expansions in output and new orders, backlogs increased at a record pace. That said, business confidence slipped to the lowest since January 2016, as manufacturing firms face uncertainty regarding future output.”

“Inflationary pressures in the Russian manufacturing sector eased in July, with both input and output price inflation at historically weak paces.”

“IHS Markit’s latest forecast places industrial production growth for the second quarter at 2.4% year-on-year, following broadly no change in the first quarter. Fluctuations in growth seen in both official and PMI data support the overall industrial production expansion forecast of 2.0% in 2017.”

-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™ (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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About PMI

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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