

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

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IHS Markit Russia Manufacturing PMI®

December PMI indicates strongest manufacturing growth since July

Key findings:

- PMI increases to signal solid manufacturing upturn
- Output expansion accelerates to four-month high
- Inflationary pressures remain subdued relative to historical trend

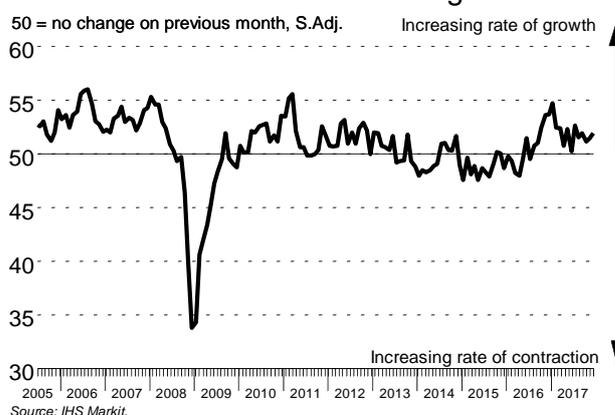
Data collected December 5-15

December survey data signalled a solid improvement in operating conditions in the Russian manufacturing sector. A stronger overall upturn was supported by accelerated growth in output and new orders. That said, backlogs contracted for the fourth consecutive month and employment levels were broadly unchanged. Meanwhile, inflationary pressures remained muted in the context of the series history, with rates of both input price and charge inflation softening despite supplier constraints delaying delivery times further. In line with more favourable demand conditions, business confidence was robust and reached a three-month high.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 52.0 in December, up from 51.5 in November. The latest index reading signalled solid growth across the Russian manufacturing sector and reached a five-month high. The latest PMI was in line with the average for 2017 as a whole.

Production levels at Russian manufacturers increased further in December. Moreover, the pace of expansion accelerated to reach a four-month high. Anecdotal evidence attributed strong output

IHS Markit Russia Manufacturing PMI®



growth to greater new order volumes and more efficient production processes.

Greater demand from new and existing clients supported a solid increase in new orders received by Russian goods producers. Furthermore, the rate of growth quickened and was the fastest since July. Export sales, however, contracted for the first time since August, albeit only marginally.

On the price front, cost burdens faced by manufacturers rose further with panellists attributing inflation to higher raw materials prices and supplier shortages. The rate of inflation eased to a four-month low despite vendor performance deteriorating to the greatest extent since July 2016. Average prices charged also increased at a muted pace, with the rate of inflation softening to a five-month low.

Despite a solid upturn in new orders, backlogs contracted for the fourth successive month in December. Panellists linked the fall in outstanding business to more efficient production processes.

Meanwhile, employment was broadly unchanged following a marginal contraction in the previous survey period.

Greater production requirements led to increased buying activity and stock depletion during December. Moreover, pre-production inventories declined at the strongest rate in six months.

Output expectations were robust in December, with manufacturers reporting the strongest degree of optimism since September. Confidence was largely attributed to planned investment, new product development and more favourable demand conditions.

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 solid and faster expansion in the Russian manufacturing sector. December data indicated that the rise in the PMI, which reached a five-month high, was supported by accelerated growth in output and new orders.”

“In line with recent cuts in interest rates by the Russian central bank, inflationary pressures remained muted in the context of the series history. Moreover, the pace of both input price and output charge inflation softened despite greater supplier delays.”

“The stronger upturn in output was partly attributed to more efficient production processes, which was also reflected in a further contraction in backlogs and broadly unchanged employment levels.”

“December data also indicated a rise in optimism among Russian manufacturers, with the degree of confidence reaching the highest since September. Positive expectations towards the outlook were linked to greater planned investment and more favourable demand conditions.”

-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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About PMI

*Purchasing Managers' Index*TM (PMI[®]) surveys are now available for over 40 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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