

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

EMBARGOED UNTIL: 09:00 (Moscow) / 06:00 (UTC), September 1st 2017

IHS Markit Russia Manufacturing PMI®

Russian manufacturing growth loses momentum

Key findings:

- Solid, but slower gains in output and new orders
- Employment levels contract further
- Business confidence lowest since January 2016

Data collected from August 11-24

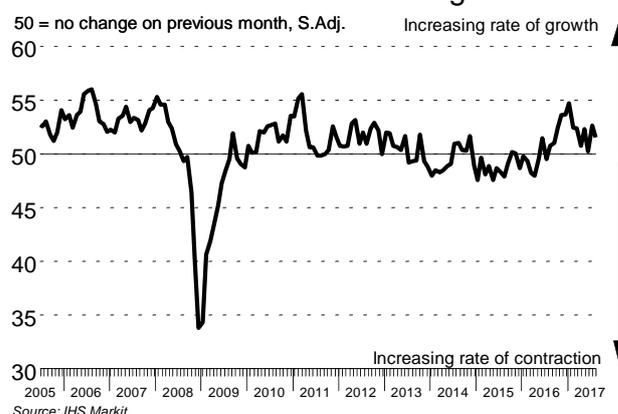
August survey data signalled a solid, but slower improvement in operating conditions in the Russian manufacturing sector. Rates of expansion in output and new orders both eased from July, and employment fell slightly. Meanwhile, price pressures continued to be muted in the context of the series despite accelerating slightly. Firms reported the lowest level of business confidence since January 2016.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 51.6 in August, down from July's reading of 52.7. This signalled a solid, but slower improvement in overall operating conditions and one that was in line with the series average.

Production among Russian manufacturers increased for the sixteenth month running. Anecdotal evidence indicated that the upturn in output was due to a greater volume of new orders. Despite easing from July, the rate of expansion was solid.

In line with this, new orders received by Russian manufacturers expanded at a solid rate in August. Panellists linked the rise in new business to stronger client demand.

IHS Markit Russia Manufacturing PMI®



New business from abroad continued to contract in August, although the pace of decline was marginal overall.

Russian goods producers reported a sixth consecutive month of decreasing workforce numbers in August. Although the pace of the downturn was only marginal, it was slightly faster than that seen in July. Lower headcounts partly contributed to a rise in backlogs for the fourth straight month.

August survey data signalled an extension to the current trend of input price inflation which stretches back to February 2009. A number of survey respondents stated that cost burdens increased due to exchange rate fluctuations. Panellists also noted that a rise in average prices charged was caused by higher input prices which were passed on to clients. That said, overall price pressures remained muted and weak in the context of the series history. Meanwhile, lead times at suppliers lengthened to the greatest extent since May.

Despite increased prices, Russian goods producers

increased their buying activity for the thirteenth month running in August. Pre-production inventories decreased at a solid pace, however.

Business confidence among Russian manufacturing firms remained positive in August. Panellists linked continued positive sentiment to new product development and new market opportunities. That said, optimism was at a 19-month low with some respondents linking uncertainty to a slow recovery in consumer demand.

Comment

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

“August’s PMI reading indicated a slower, but solid improvement in overall operating conditions in the Russian manufacturing sector. IHS Markit currently forecasts industrial production to rise by 2.9% in 2017. Solid gains in output and new orders seen so far this year are expected to support the recovery.”

“Price pressures within the sector remained historically muted despite the paces of both input price and charge inflation accelerating. Vendor performance also deteriorated to the greatest extent since May.”

“Business confidence remained positive, although it slipped to the lowest since January 2016. Overall sentiment signalled uncertainty within the sector as consumer demand recovers slowly.”

-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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