

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:00 (Moscow) / 06:00 (UTC), June 1st 2018

IHS Markit Russia Manufacturing PMI®

PMI signals first deterioration in manufacturing business conditions since July 2016

Key findings:

- PMI dips below the 50.0 'no-change' mark for first time in 22 months
- Output and new order growth slows, while employment falls
- Input price inflation quickest since September 2015

Data collected May 11-24

For the first time since July 2016, PMI data signalled a deterioration in business conditions in the Russian manufacturing sector in May. Although the decline was only fractional, it was driven by falls in employment and stocks of purchases, while May also saw slower growth in output and new orders. Despite signs of slower client demand, business confidence remained robust overall.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 49.8 in May, down from 51.3 in April. Although the decline across the Russian manufacturing sector was only fractional, it was the first such deterioration since mid-2016. Alongside weaker expansions in production and new business, there were contractions in employment, and stocks of purchases.

Output levels across the manufacturing sector expanded at a slower rate in May, contributing to the fall in the headline PMI. The pace of growth was marginal and the weakest since October 2017. Still, where increases were reported, panellists linked



this to a sustained upturn in new orders.

Similarly, the rate of growth in new business received by manufacturing firms eased to a marginal pace, and one that was the slowest seen in 22 months. Some panellists raised concerns regarding lower demand from traditional customers. Meanwhile, new export orders increased only marginally, and at the weakest rate for four months.

On the price front, cost burdens faced by goods producers continued to rise markedly. The steep rate of inflation was the fastest seen since September 2015, and was reportedly linked to exchange rate weakness that drove import prices higher. Although the pace of charge inflation softened slightly, it was still the second-quickest in almost two years.

Employment levels contracted in May, marking the fifth decrease in the last seven months. Anecdotal evidence linked job shedding to slower growth in new orders and efforts to cut costs. Reduced pressure on capacities was also reflected in a faster

decline in the level of outstanding business.

Following a slight improvement in April, supplier delivery times lengthened in May. The deterioration in vendor performance and higher input costs were commonly stated as factors behind the first fall in purchasing activity since October 2017. Supplier delays also contributed to a further decline in pre-production stocks.

Expectations towards output over the coming year remained robust in May, despite slipping to a five-month low. Anticipations of production growth and more favourable demand conditions drove optimism.

Comment

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

“Contractions in employment and stocks of purchases drove the first deterioration in business conditions across the Russian manufacturing sector since July 2016. There were also signs of client demand from foreign and domestic customers starting to falter, with rates of production and new business growth softening to multi-month lows.

“Meanwhile, input costs rose at the fastest pace since September 2015 amid reports of exchange rate weakness. Charges also increased strongly as firms tried to pass on higher cost burdens.

“On a more positive note, business confidence remained robust in May. Optimism largely stemmed from hopes of improved market conditions and greater production growth in the year ahead.”

-Ends-

For further information, please contact:**IHS Markit**

Sian Jones, Economist
Telephone +44-1491-461-017
Email sian.jones@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207-260 -2234
E-mail joanna.vickers@ihsmarkit.com

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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