

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

### Russian manufacturing growth accelerates further at the start of 2017

#### Key findings:

- Firms record strongest manufacturing upturn since March 2011
- Production, new business and employment all increase at faster rates
- Backlogs of work accumulate at the sharpest pace in almost ten-and-a-half years

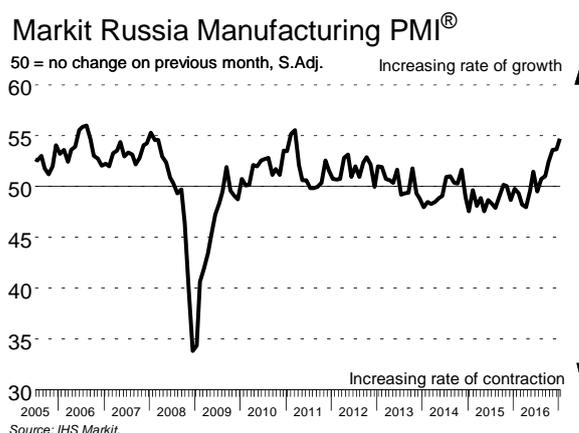
Data collected from January 12-25

Russia's manufacturing sector shifted into a higher gear at the beginning of 2017. A sharp increase in new orders was reflected in goods producers raising their output to the greatest extent for almost six years. Subsequently, backlogs rose at the fastest pace since August 2006, leading firms to add to their headcounts at a historically strong rate. Meanwhile, both output and input prices rose at slower rates.

The seasonally adjusted Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – hit a 70-month high of 54.7 in the opening month of 2017. Up from 53.7 in December, the latest figure pointed to a strong improvement in the health of Russia's manufacturing sector and extended the current sequence of growth to six months.

Stronger demand for Russian manufactured goods was reflected in the sharpest uptick in new work for almost six years. The rate of growth outstripped the historical average and was substantial. Conversely, firms recorded a fall in their new export business, lengthening the current downturn to almost three-and-a-half years.

Faced with higher new orders, goods producers operating in Russia registered a further build-up of backlogs of work. Moreover, the rate of



accumulation was the quickest in almost ten-and-a-half years. Greater workloads encouraged manufacturers to add to their workforce numbers for a second successive month and at the fastest rate since March 2011.

Meanwhile, Russian goods producers raised their production at a substantial pace during January. The rate of growth quickened to a 70-month high, with panellists reflecting on stronger underlying demand in the sector. However, finished goods stocks declined further, as firms used post-production inventories to satisfy the rise in new orders.

Russian manufacturers raised their buying activity further during January. In fact, the rate of increase was the quickest since March 2011. However, volumes of input stock declined for another month, although the rate of decrease was weaker than the series average.

On the price front, both output charges and input costs increased at a slower pace than at the end of 2016. According to anecdotal evidence, unfavourable exchange rate movements, alongside higher prices for steel, iron, copper and cotton, contributed to the overall increase in average cost burdens during January.

Russian business confidence towards output growth over the coming 12 months remained strong at the start of 2017, with the level of positive sentiment rising to a five-month high.

Finally, average lead times in Russia's manufacturing sector lengthened again during January, albeit only marginally.

### Comment

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

*“Russian manufacturers carried the momentum they built up during the closing stages of 2016 through to the new year, as firms recorded the sharpest improvement in operating conditions for nearly six years.*

*“The sector continues to go from strength to strength, supported by robust demand for goods from domestic clients. This is being reflected in the accumulation of outstanding work, which is encouraging businesses to add to their workforce numbers at a pace not seen since March 2011. In fact, backlogs of work rose to the greatest extent in almost ten-and-a-half years, suggesting the current intensity of growth is likely to be sustained over the next few months.”*

-Ends-

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**Note to Editors:**

The 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*<sup>TM</sup> (PMI<sup>®</sup>) 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.

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 Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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