

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:00 (Moscow), March 1st 2016
06:00 (UTC), March 1st 2016

Markit Russia Manufacturing PMI™

Operating conditions in Russia's manufacturing sector deteriorate further

Key points:

- Headline PMI remains below 50.0 for third successive month
- Output levels broadly unchanged despite slight rise in incoming new orders
- Decline in new export orders accelerates to sharpest in 19 months

Summary:

Russian manufacturers reported a further deterioration in operating conditions during February, the third in as many months. Job cuts were evident amid a sharp fall in backlogs of work. However, production remained broadly unchanged as a slight rise in new orders was reported. Meanwhile, price pressures remained evident, as both output charges and input costs rose.

The seasonally adjusted Markit Russia Purchasing Managers' Index™ (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – posted 49.3 in February. Down from 49.8 in January, the latest figure signalled a sustained downturn in the manufacturing sector of Russia. Moreover, a decline in operating conditions has been reported in each of the past three survey periods.

Output levels in the manufacturing sector of Russia were broadly unchanged during February, giving firms the opportunity to work through their outstanding business levels. The rate at which backlogs of work was depleted was sharp despite easing since January. Moreover, falling work-in-hand has been reported in every survey since March 2013.

Russian goods producers recorded a slight expansion in new business volumes during February. According to anecdotal evidence, a higher volume of new work reflected the

development of new products. However, the rise in new orders was driven by the domestic market, as new export orders declined further. The rate of contraction accelerated to the sharpest in 19 months and was marked overall.



Latest survey data indicated a decrease in buying activity amongst Russian goods producers, after reporting a slight rise in January. Panel members associated the drop in input buying to a lack of working capital in the sector. With the quantity of purchased inputs falling, survey participants reported a further deterioration in pre-production inventories.

Manufacturing firms in Russia remained cautious about their inventory holdings during February, as stocks of finished goods again declined. Although the rate at which post-production inventories decreased eased to the softest since July last year, it was still relatively solid.

Output prices continued to increase at Russian goods producers in February. Panel members linked the rise to a higher cost for inputs. Moreover, the rate of input price inflation was sharp despite weakening since January.

Finally, average lead times faced by the manufacturing sector of Russia continued to lengthen during February, extending the current sequence to just over two years.

Comment:

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

“Russian manufacturing sector conditions remain in a fragile state, highlighted by February’s headline PMI posting below the 50.0 threshold for the third successive month.

“Disappointingly for goods producers, scrutinising the survey data leaves little encouraging news. Workforce numbers continued to slide while outstanding business was depleted at a sharp pace. Although there was a slight expansion in new orders, albeit underwhelming, export orders contracted at the quickest rate in 19 months, highlighting the difficulty facing Russian goods exporters at present.

“With both low oil prices and the instability of the rouble also acting as factors for concern, the upcoming months look set to be challenging for the sector.”

-Ends-

For further information, please contact:

Markit

Samuel Agass, Economist
Telephone +44-1491-461-006
Email samuel.agass@markit.com

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

Notes 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*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.

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@markit.com.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

About PMI

*Purchasing Managers' Index*TM (*PMI*[®]) surveys are now available for over 30 countries 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 goto www.markit.com/economics.

The intellectual property rights to the Russia Manufacturing *PMI*[®] provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*TM and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.