

IHS MARKIT RUSSIA MANUFACTURING PMI®

November PMI rises to highest since July 2017

KEY FINDINGS

PMI signals solid improvement in operating conditions

Rates of output and new order growth accelerate

New export business rises at fastest pace since April

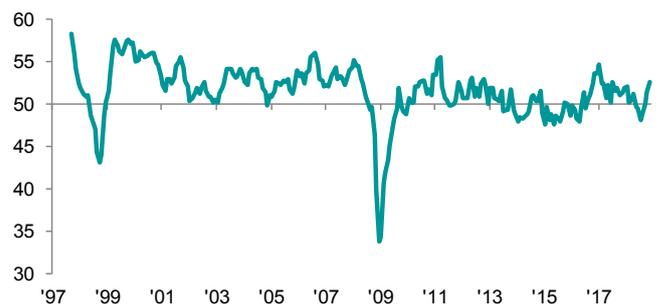
November survey data indicated the most marked improvement in the health of the Russian manufacturing sector since July 2017. The overall expansion was driven by faster upturns in output and new business, and the strongest increase in employment since January 2017. Foreign client demand also picked up, with new export orders rising solidly. Encouragingly, firms registered a robust degree of confidence in future output. Although price pressures remained marked, the rate of input cost inflation was well below those seen in the middle of the year, with some firms partly passing on higher costs to clients.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure snapshot of the performance of the manufacturing economy – registered 52.6 in November, up from 51.3 registered in October. The latest index figure signalled the second successive improvement in the health of the sector and the strongest overall upturn in nearly a year-and-a-half.

Russian manufacturers reported a faster rise in output during November, with the rate of expansion reaching a ten-month high. Anecdotal evidence suggested the latest upturn was driven by greater new order book volumes and stronger client demand. Some firms also stated that production increased due to greater efforts to clear backlogs.

New orders received by Russian goods producers increased solidly in November. The rate of growth quickened to the fastest since January, and the rise was attributed to new client acquisitions and new product launches. The

Manufacturing PMI
sa, >50 = improvement since previous month



improvement in demand was broad-based, with new export orders increasing at the fastest rate for seven months.

Reflecting a stronger rise in new business, manufacturing firms increased workforce numbers at the quickest rate since January 2017. The solid rise was linked to greater production requirements. That said, pressure on capacity softened further in November, with backlogs of work contracting for the fifteenth successive month.

Meanwhile, rates of both input price and output charge inflation accelerated in November. Greater cost burdens were attributed to higher imported input prices, stemming from the strength of the US dollar, and increased fuel costs. Some firms were reportedly able to partly pass on costs to clients through greater factory gate prices. The rate of charge inflation was strong overall.

Higher input prices and longer lead times contributed to a weaker rise in purchasing activity, with input buying rising at only a modest rate.

Finally, business confidence increased in November, with manufacturers noting the second-strongest degree of optimism since May 2013. Positive sentiment was linked to new product launches and expansion into new markets.

COMMENT

Siân Jones, Economist at IHS Markit, which compiles the Russia Manufacturing PMI survey, commented:

"The Russian manufacturing sector continued to show strength in November, with growth in output and new orders accelerating to ten-month highs. The upturn in new business from abroad also gained momentum.

"Reassuringly, firms were upbeat towards future output and as such continued to increase workforce numbers. Job creation was the fastest since early-2017.

"Although well down on the rates seen earlier in the year, higher fuel and raw material prices led to a faster rise in input costs. That said, greater foreign and domestic demand encouraged manufacturers to increase factory gate charges at a strong pace."

Input Prices Index

sa, >50 = inflation since previous month



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Methodology

The IHS Markit Russia Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November 2018 data were collected 12-26 November 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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 go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).