

Purchasing Managers' Index[™] MARKET SENSITIVE INFORMATION

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IHS Markit Russia Manufacturing PMI[®]

Manufacturing growth strongest since July 2017

Key findings:

- PMI increases and signals solid improvement in business conditions
- Output growth accelerates to six-month high
- Upturn in new orders underpins strong future expectations

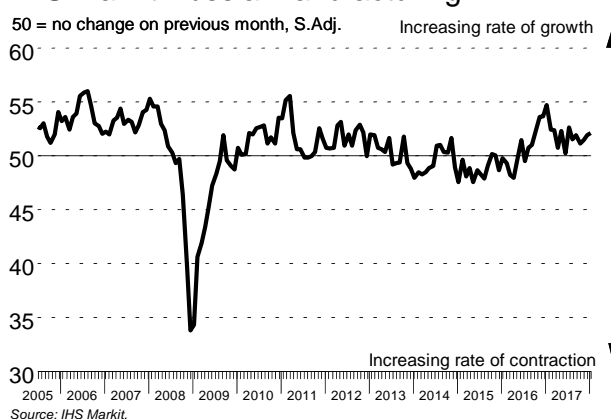
Data collected January 12-25

Russian goods producers signalled a solid start to the year, with overall growth in the manufacturing sector picking up to the strongest in six months in January. The latest upturn in output accelerated and was supported by strong client demand and a faster rise in new orders. Meanwhile, new business from abroad returned to growth, following a marginal contraction in December. Greater global demand for raw materials added pressure to supply chains with vendor performance deteriorating further. However, input cost and output charge inflation remained subdued in the context of the series history.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) – a composite single-figure snapshot of the performance of the manufacturing economy – posted 52.1 in January, up slightly from 52.0 in December. The latest PMI figure indicated a solid improvement in operating conditions across the Russian manufacturing sector. Moreover, overall growth accelerated to the strongest rate in six months.

Production levels at Russian manufacturers increased further in January, with the pace of expansion quickening to the fastest since July 2017. Anecdotal evidence commonly attributed the

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rise in output to greater new order volumes and stronger client demand.

New business received by manufacturers expanded strongly at the start of the year, supported by the acquisition of new clients. In addition, more favourable global demand conditions were reflected in a marginal increase in new export orders.

In line with stronger domestic and foreign demand for materials and parts, supplier delivery times lengthened solidly. That said, despite ongoing raw material price rises, the rate of input cost inflation softened and remained muted in the context of the series history. Similarly, increases in factory gate prices were subdued when compared to the series trend.

Greater pressure on supply chains was reflected in pre-production inventory depletion. Panellists stated that current stocks were being used to fulfil orders in the production process despite growth in purchasing activity accelerating. Moreover, the latest fall in pre-production inventory levels was the

fastest since June 2017.

Although manufacturing firms signalled a strong rise in new orders, there was little sign of capacities being under strain as backlogs contracted solidly and for the fifth consecutive month. Employment levels also decreased in January, albeit fractionally.

Business confidence among goods producers was meanwhile robust and increased to a four-month high. Panellists suggested that optimism was buoyed by more favourable global demand conditions and the latest upturns in production and new orders.

Comment

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

“Production growth across the Russian manufacturing sector continued to accelerate in January, and was the strongest since July 2017. The overall improvement in business conditions was also supported by a faster upturn in new orders. The latest survey data signalled a solid start to the year, with IHS Markit currently forecasting a 1.7% rise in industrial production in 2018.”

“Despite greater global demand for raw materials and commodities putting added pressure on supply chains, both input cost and output charge inflation remained subdued in the context of the series history. In addition, many predict further interest rate cuts throughout 2018.”

“Goods producers remained optimistic towards the year-ahead outlook, with the degree of confidence rising to a four-month high in January. A number of panel members stated that positive sentiment was driven by more favourable global demand conditions.”

-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*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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About PMI

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