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IHS MARKIT RUSSIA MANUFACTURING PMI®

November PMI drops to six-month low

KEY FINDINGS

Faster contractions in output and new orders drive the downturn

Strong decline in employment amid weak pressure on capacity

Cost burdens rise at fastest rate since February 2015

Data were collected 12-24 November 2020.

November PMI® data signalled another monthly contraction in the health of the Russian manufacturing sector. The overall deterioration largely stemmed from weak client demand and a faster fall in production. Meanwhile, firms shed workers at a strong pace amid a further decrease in backlogs of work.

On the inflation front, input costs rose markedly as supplier shortages and greater transportation fees drove prices higher. As a result, firms sought to partially pass on higher costs to clients through the fastest rise in charges since February 2019.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 46.3 in November, down from 46.9 in October. The latest reading signalled the sharpest deterioration in operating conditions since May, albeit much slower than April's nadir (31.3). November data indicated that the rate of contraction accelerated for the second month running as the manufacturing sector entered a second phase of decline since the coronavirus disease 2019 (COVID-19) outbreak.

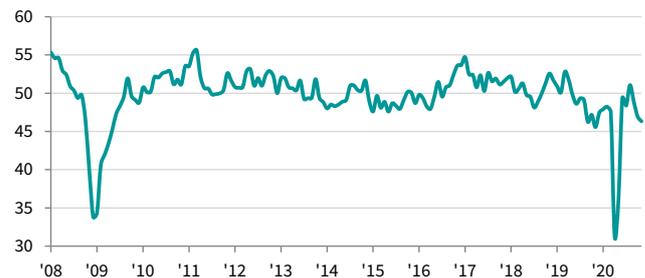
The overall downturn stemmed from weaker demand conditions, as new orders fell at the sharpest rate for six months. Panellists stated that demand was dampened by ongoing COVID-19 restrictions. The decline was broadly driven by domestic demand, however, as new export orders rose at the quickest rate since December 2018.

In line with lower inflows of new work, manufacturers registered a steeper drop in production. The decrease was also the steepest since May, but far slower than the historic lows seen during the depths of the pandemic.

Lower production requirements reportedly led to a further reduction in workforce numbers in November as pressure on

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit

capacity waned. The rate of job shedding was strong overall and the fastest for four months. The depletion in staffing numbers was also linked to lower backlogs of work. Firms were better able to process outstanding business due to the drop in client demand.

Meanwhile, inflationary pressures ticked up notably in November. The pace of increase in cost burdens was marked and the sharpest since February 2015. Higher input prices were commonly linked to supplier shortages of raw materials and unfavourable exchange rate movements. Firms were still able to partially pass on greater costs to clients, however. The rate of output charge inflation was the quickest since February 2019.

Supply chain disruptions continued to cause further delays to suppliers' delivery times in November, as transportation issues were exacerbated by COVID-19 border restrictions. That said, manufacturers reduced their input buying sharply amid subdued client demand. Inventories were also streamlined across the manufacturing sector, although the rates of contraction in pre- and post-production stocks eased since October.

Finally, business confidence improved slightly in November as firms noted hopes of a return to more substantial demand over the coming year. The degree of optimism was still below the series average, as the global economic downturn and pandemic weighed on business sentiment.

COMMENT

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

"Russian manufacturing firms signalled accelerated declines in output and new orders in November, as the COVID-19 pandemic once again weighed significantly on demand. New export sales were a glimmer of light, however, as they increased moderately.

"Supply chain issues remained evident, as raw material shortages and transportation delays pushed cost burdens higher. Input prices rose at the sharpest rate for almost six years amid greater costs for imported items, with firms seeking to pass on at least part of the hike to clients by raising selling prices steeply.

"According to PMI data, the overall sector contraction quickened for the second month running, with the fourth quarter set to round off a challenging year for manufacturers. Our current forecast expects industrial production to contract by 5.1% in 2020."

Input Prices Index

sa, >50 = inflation since previous month



Source: IHS Markit

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The IHS Markit Russia Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 250 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.

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.

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