News Release

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S&P Global Russia Manufacturing PMI®

Russian manufacturing sector sees slower production downturn and price pressures ease, but exports remain in steep decline

Key findings

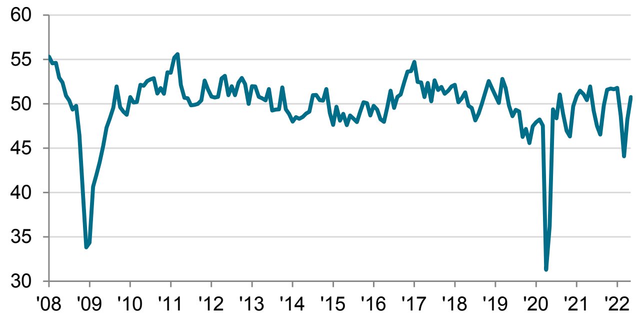
Declines in output and new orders ease, despite export slump

Price pressures ease notably

Business confidence strengthens to three-month high

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-25 May 2022.

Manufacturing output and new orders declined further in Russia during May as sanctions continued to dent client demand, albeit at a slower pace. New export orders continued to fall at a rate rarely exceeded in the survey's history and supplier delivery times lengthened substantially as trade and logistics routes were reduced.

Despite a severe deterioration in vendor performance, input prices rose at the slowest pace since July 2020. Subsequently, the rate of selling price inflation eased to only a marginal pace that was the softest for almost two years. Hopes of improvements in domestic economic conditions and client demand supported business confidence which reached the highest for three months.

Slower declines in output, new orders, employment and stocks of purchases all helped to boost the seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index™ (PMI®) to 50.8 in May, up from 48.2 in April, to signal a renewed upturn in the performance of the Russian manufacturing sector. Longer lead times, ordinarily a sign of improving demand conditions but driven by sanctions and logistics delays here, also contributed positively to the latest index reading.

Output levels remained in contraction during May, with the rate of decline solid overall but easing to the slowest since January.

Driving the fall in production was another monthly decline in new orders midway through the second quarter. The fall in new orders reflected weak domestic and foreign client demand, as new export orders decreased at one of the fastest paces on record, due largely to the effect of sanctions. A number of firms stated that new export sales contracted as previously held agreements were brought to an end or scaled back.

Following the introduction of sanctions, input prices rose markedly with firms continuing to record substantial increases in cost burdens in May. Currency fluctuations and sanctions reportedly pushed up imported input prices. That said, the rate of cost inflation softened to the slowest since July 2020 as some material prices fell.

Although output charges increased further, firms responded to softer upticks in cost burdens with only a marginal rise in selling prices. The pace of charge inflation was the slowest since June 2020.

At the same time, input buying returned to growth for the first time since January. Material purchases were made in anticipation of greater future client demand. Nonetheless, both pre- and post-production inventories contracted further. Stocks of purchases fell at the joint-slowest pace since December 2020, however, as current holdings of inputs were utilised to supplement production.

Meanwhile, business confidence across the Russian manufacturing sector picked up in May. The degree of optimism was the strongest for three months amid hopes of greater client demand in the coming 12 months. The level of positive sentiment was below the series trend, however.

Finally, Russian manufacturers depleted workforce numbers further in May. The fall in employment was solid overall as firms highlighted sufficient capacity to process incoming new work, but also a lack of skilled applicants to replace voluntary leavers. Backlogs of work declined only fractionally, however, amid some reports that material delivery delays held up the processing of incoming new orders.

PMI by S&P Global

PMI Input Prices Index

sa, >50 = inflation since previous month

Sources: S&P Global, Russia Federal Reserve.

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Survey methodology

The S&P Global Russia Manufacturing PMI® is compiled by S&P Global 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. Data collection began in September 1997.

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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About PMI

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. ihsmarkit.com/products/pmi.html.

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