

News Release

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S&P Global Russia Manufacturing PMI[®]

PMI rises to highest since March 2019 amid quicker rise in output in September

Key findings

Modest rises in production and new orders

Cost pressures muted, as output charges fall

Business confidence rises to highest since March 2019

Russian manufacturing firms signalled a modest improvement in operating conditions in September, according to the latest PMI[®] data from S&P Global. Overall growth was supported by increases in production and new orders, as client demand picked up. Demand conditions for manufacturers continued to be driven by domestic customers, as new export orders contracted sharply again. Firms also expanded their workforce numbers, as backlogs of work declined markedly. Business confidence strengthened amid greater new order inflows, with the level of positive sentiment reaching its highest since March 2019.

Meanwhile, the rate of input cost inflation remained subdued, despite quickening slightly. Some companies reported lower input prices for certain materials, and firms lowered their output charges on average in response.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 52.0 in September, rising from 51.7 in August. The latest data signalled a modest upturn in the health of the Russian manufacturing sector, and one that was the fastest for three-and-a-half years.

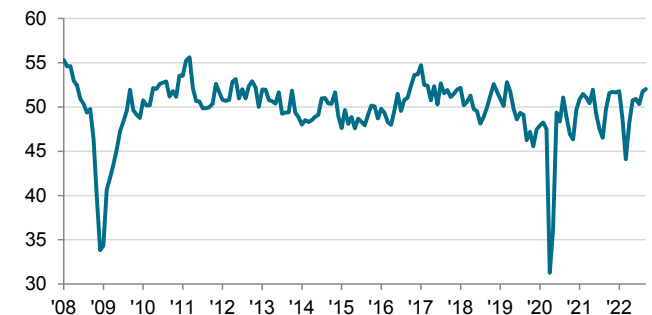
Contributing to the overall expansion was a second successive monthly rise in production during September. Russian manufacturers stated that increased output was due to greater client demand and higher new order inflows, in turn often led by import substitution. The rate of growth in output accelerated from August and was the joint-fastest since February 2021.

Supporting the upturn in production was a further increase in new order inflows at the end of the third quarter. Greater client demand reportedly drove growth, alongside the acquisition of new customers. The pace of expansion eased slightly, but was the second-quickest since April 2019.

Client demand was focused on domestic customers, however, as new export orders declined steeply. The decrease in foreign client demand was attributed to the loss

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-26 September 2022.

of customers and the impact of sanctions.

On the price front, average cost burdens rose at a relatively subdued pace during September. The rise in input costs was much slower than those seen earlier in the year, despite quickening from August. Softer increases in input costs were often attributed to reductions in some material and energy prices.

Firms sought to drive sales through price discounting as output charges fell for the third time in four months. Companies passed on lower costs to clients, where input prices had decreased. The decline in selling prices was only marginal, however.

Meanwhile, business confidence increased, as firms were more upbeat regarding the outlook for output over the coming 12 months. Investment in product development and hopes of an uptick in client demand supported stronger optimism, which rose to the highest since March 2019.

Softer price hikes compared to earlier in the year also reflected less severe supply chain disruption. Although still marked, lead times lengthened to the smallest extent since January.

Greater client demand led to a renewed rise in input purchasing during September, albeit only slight overall. Firms continued to utilise their current holdings of inputs and finished items, however, as both pre- and post-production inventories fell.

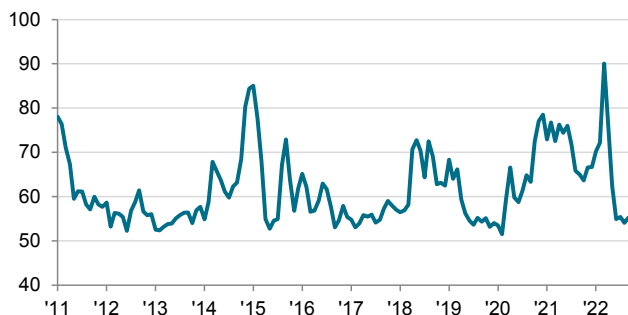
Russian manufacturing firms reported lower backlogs of work again at the end of the third quarter. Companies noted sufficient capacity to work through incoming new orders as firms recorded a renewed rise in employment. Job creation was often attributed to greater production requirements.

PMI[®]

by S&P Global

PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: S&P Global.

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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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