

News Release

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S&P Global Russia Manufacturing PMI[®]

Manufacturing conditions improve further as demand strengthens in January

Key findings

Output rises at softer rate, but new orders growth quickens

Cost pressures strengthen

Business confidence highest since March 2019

Russian manufacturing firms signalled a solid improvement in operating conditions at the start of the year, according to the latest PMI[®] data from S&P Global. The upturn was driven by a further uptick in production, fewer supply delays and a faster expansion in new orders. Stronger demand conditions were linked to domestic customers, as new export orders contracted strongly. Greater new orders spurred firms to expand their hiring activity, as employment rose at a solid pace. As a result, sufficient capacity led to a modest drop in backlogs of work. The use of stocks to fulfil production requirements led firms to increase input buying sharply.

Meanwhile, input costs faced by firms rose at a steeper rate. Supplier price hikes were partially passed through to clients, although charges rose only fractionally on the month.

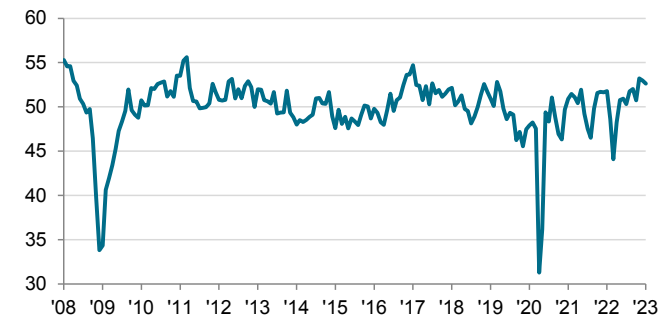
The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 52.6 in January, down slightly from 53.0 in December. The PMI therefore indicates that health of the Russian manufacturing sector improved, albeit at the softest pace for three months. Nonetheless, the rate of expansion was stronger than the series' long-run average and among the fastest for almost four years.

Contributing to the overall upturn at Russian manufacturing firms was a sharper rate of growth in new sales during January. New orders increased at the fastest pace since April 2019 amid stronger client demand and the acquisition of new customers. That said, the pick up in demand was focussed on the domestic market, as new export orders contracted for the twelfth month running. The fall in foreign client demand was strong overall despite easing to the softest since last February.

Increased new orders spurred another monthly rise in production levels at Russian manufacturing firms. The rate of growth was modest overall, having cooled for the second successive month.

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-25 January 2023.

Higher supplier prices and unfavourable exchange rate movements reportedly drove a faster rise in cost burdens during January. Russian manufacturers noted that imported goods prices were pushed up as a result. The rate of cost inflation was the quickest for three months despite being weaker than the series trend.

In response, firms hiked their selling prices for a third month running. The pace of increase in output charges was only fractional, however, and eased from that seen in December, largely reflecting weak pricing power.

Greater new order inflows supported a rise in business confidence across the Russian manufacturing sector. The level of optimism regarding output over the coming year was the strongest for almost four years amid hopes of further expansions in new sales.

At the same time, Russian manufacturers increased their hiring activity. The rate of job creation was the second-sharpest since February 2011 and solid overall. Greater employment allowed firms sufficient capacity to process incoming new work, as backlogs fell modestly.

Demand for input among Russian goods producers remained steep, as input buying rose further. But stocks of purchases and finished goods declined moderately as inventories were used in production or deliberately reduced for cost considerations.

Supplier delivery times continued to lengthen in January, but pressure on supply chains eased. Despite reports of material shortages and logistics delays, the extent to which lead times were extended was the least marked since September 2020.

PMI[®]

by S&P Global

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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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