

S&P Global Russia Manufacturing PMI[®]

Stronger demand conditions drive faster improvement in Russian manufacturing sector

Key findings

Strongest expansion in new orders since January 2017

Fastest rise in employment since November 2000

Input buying grows at record pace despite sharper cost inflation

September saw a sharper improvement in the health of the Russian manufacturing sector, according to the latest PMI[®] data from S&P Global. Supporting the upturn was a faster rise in output and the quickest increase in new orders since January 2017. The expansion was largely driven by domestic demand as foreign customer orders rose only marginally. Buoyed by greater new sales, goods producers boosted employment at the steepest rate in almost 23 years, with output expectations for the year ahead also improving. Concurrently, input buying rose at a survey record pace with firms seeking to build safety stocks.

Supplier price hikes and unfavourable exchange rate movements pushed up input costs, with the rate of inflation accelerating. Firms passed through higher prices to customers, as charges rose markedly on the month.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted at 54.5 in September, up from 52.7 in August to signal the sharpest improvement in operating conditions since January 2017. Overall growth accelerated for the second month running and was notably faster than the long-run series average.

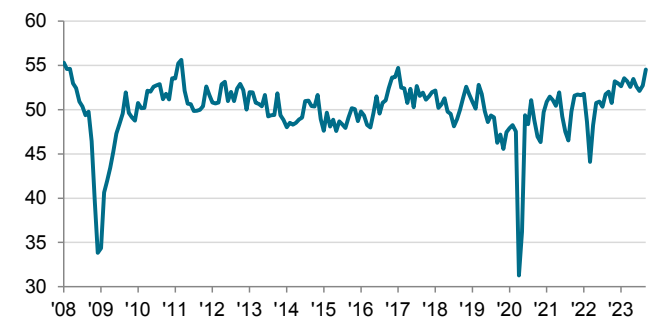
New orders at Russian manufacturers rose at a steeper rate at the end of the third quarter, as the pace of expansion quickened to the fastest since the start of 2017. Stronger client demand, new product launches and successful import substitution reportedly drove the upturn. The acceleration in growth was led by domestic demand, as new export orders increased at a slower and only marginal pace. Challenging economic conditions in key markets were noted as weighing on the rise in sales from abroad.

Stronger demand conditions contributed to a fourteenth successive monthly expansion in output in September. The rate of growth was the fastest since June and broadly in line with the series trend. Panellists stated that the upturn was led by a sharper increase in new orders.

At the same time, a greater inflow of new work led firms

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-25 September 2023.

to expand production capacity in September. Buoyed by stronger expectations of increased output over the next year, manufacturers registered the sharpest rate of job creation since November 2000. Employment growth was also supported by an increased ability to find suitable candidates.

Higher staffing numbers allowed firms to work through incomplete orders in a timely manner, as backlogs fell for the ninth month running. That said, greater new sales led to a slower rate of decrease, with unfinished work declining at the softest pace since March.

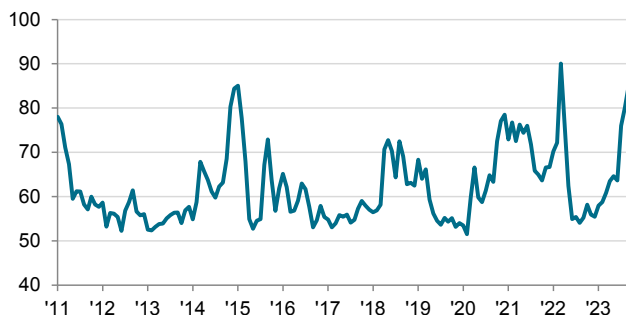
In line with increased production requirements, good producers sought to build safety stocks. Input buying rose at a survey record pace amid efforts to replenish depleted inventories. That said, both pre- and post-production inventories contracted in September as firms struggled to fully replenish current holdings of inputs and finished items. In fact, the latter fell at a strong rate that was the fastest since May 2022.

Greater demand for inputs, alongside logistics issues, led to a further steep deterioration in vendor performance, as measured by a lengthening of supplier delivery times. In turn, manufacturers recorded a sharper hike in input costs during September as demand often exceeded supply. The rate of input price inflation was marked and the quickest since March 2022. Companies also suggested that unfavourable exchange rate movements pushed up the price of imported goods.

Amid a more accommodative demand environment, manufacturing firms were able to pass through higher costs to customers. Selling prices rose at a substantial pace that was the steepest since April 2022.

PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: S&P Global.

Contact

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

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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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