

IHS Markit Russia Manufacturing PMI®

Production growth slows amid renewed fall in client demand in April

Key findings

Output expansion slows as new orders fall

Input costs rise markedly amid severe supply-chain pressure

Business expectations strongest since January 2020

Data were collected 12-26 April 2021.

April PMI® data signalled a fractional improvement in the health of the Russian manufacturing sector. The overall speed of recovery slowed from that seen in March following softer output growth and a renewed decline in new orders. At the same time, input costs soared once again, as supplier delivery delays and logistical issues weighed on vendor performance. One of the quickest increases in cost burdens for six years reportedly led firms to raise their selling prices at the sharpest rate since February 2015 in an effort to pass on part of the hike in input prices.

Despite rising inflationary pressures and subdued demand, Russian manufacturers remained upbeat regarding the outlook for output over the coming year, as business confidence ticked up to the highest since January 2020.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 50.4 in April, down slightly from 51.1 in March, to signal the slowest improvement in operating conditions across the Russian manufacturing sector in the current four-month sequence of expansion. Moreover, overall growth was only fractional.

Output across the goods-producing sector continued to increase in April, thereby extending the current sequence of growth to four months. That said, weak client demand reportedly weighed on the upturn in production which slowed to only a marginal pace.

Meanwhile, panellists commonly stated that weak customer demand led to the first contraction in new orders at manufacturers in the year-to-date. The marginal fall was linked by some firms to lower purchasing power at clients amid strong inflationary pressures.

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Russia Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Siân Jones, Economist at IHS Markit, said:

"April data saw the Russian manufacturing sector take a slight step backwards in its move towards recovery. Although output continued to expand, a renewed contraction in client demand weighed on growth and resulted in little change to employment numbers.

"Cost pressures continued to build, with some companies highlighting that greater charges had caused customers to rein in their spending. Ongoing supply chain disruptions exacerbated previous raw material shortages.

"Nevertheless, optimism among firms continued to prevail as hopes of economic recovery and stronger demand lifted confidence to its highest since January 2020."

New export orders also declined at the start of the second quarter, albeit at a softer pace than in March. Some manufacturers commented on a boost from the gradual easing of lockdown restrictions in key export markets.

Supply chain disruptions and transportation restrictions were the main factors contributing to a strong deterioration in vendor performance during April. Lead times lengthened to one of the greatest extents since the second quarter of 2020.

Goods producers noted that supplier delays and shortages of raw materials and components pushed up input costs in April. The rate of cost inflation was among the fastest for six years and marked overall.

As firms sought to pass on greater cost burdens to clients, selling prices increased robustly at the start of the second quarter. The rise in output charges was the sharpest since February 2015.

In an effort to improve cash flow, input buying was broadly unchanged in April. Moreover, firms registered depleted stocks of purchases and finished goods, as current inventory holdings were used to supplement production and fulfil sales.

Employment continued to rise at only a fractional pace in April, as backlogs of work and pressure on capacity remained muted. The latest fall in work-in-hand was the fastest since May 2020 amid a decline in new order inflows.

Finally, output expectations picked up to the strongest since January 2020. A greater degree of confidence reportedly stemmed from new product development and hopes of an uptick in client demand.

Russia Manufacturing PMI Input Prices Index
sa, >50 = inflation since previous month



Source: IHS Markit.

Contact

Sian Jones
Senior Economist
IHS Markit
T: +44-1491-461-017
sian.jones@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

Survey methodology

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.

Survey dates and history

April data were collected 12-26 April 2021.

Survey data were first collected September 1997.

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