

News Release

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S&P Global Russia Manufacturing PMI[®]

Russian manufacturing upturn softens as cost pressures remain elevated

Key findings

Expansions in output and new orders ease

Marked rise in input costs, while output charge inflation quickens

Input buying grows at fastest pace since February 2008

Data collected between 12th and 26th of June 2023.

Russian manufacturing performance continued to improve in June, according to the latest PMI[®] data from S&P Global. The upturn slowed slightly from May following softer expansions in output and new orders. Nonetheless, demand growth was sustained as total new sales were supported by a renewed increase in new export orders. Manufacturers were spurred by greater new order inflows to step up their hiring and buying activity. Input purchasing rose at the sharpest pace in over 15 years.

Meanwhile, input costs rose at the second-sharpest pace since April 2022 as worsening supplier delays pushed up prices. Firms passed through higher costs to clients, causing selling prices to increase at the steepest rate for just over a year.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 52.6 at the end of the second quarter, down from 53.5 in May. The latest data indicated a modest improvement in operating conditions across the Russian manufacturing sector, albeit the joint-weakest since last October.

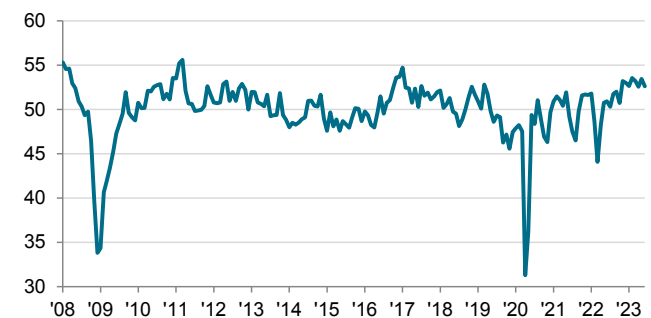
Production continued to expand in June, as Russian manufacturers registered an eleventh successive monthly upturn in output. Increases were often linked to greater new order inflows and new client wins. Although the pace of growth softened from that seen in May, it was broadly in line with the series average and solid overall.

Driving the latest rise in output was a further upturn in new sales in June. New orders growth was supported by sustained improvements in domestic demand, alongside a renewed increase in new sales to external markets. Import substitution, the diversification of export markets and investment in finding new customers reportedly sparked the latest expansion in new orders. The rate of total new order growth eased only slightly from May, and was among the fastest for just over four years.

Price pressures softened slightly in June, but input costs

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

continued to rise at a marked pace. Goods producers registered the second-sharpest increase in operating expenses since April 2022. Higher cost burdens were often attributed to unfavourable exchange rate movements, material shortages and supplier price hikes.

Manufacturers commonly highlighted the passing through of higher costs to clients, as selling prices increased in June. The rate of charge inflation was the quickest in a little over a year.

Supplier lead times lengthened to a greater extent following logistics challenges as firms stepped up their input buying. Purchasing activity rose at the steepest pace since February 2008 as firms sought to build stock levels, which in many cases had been depleted due to shortages.

Pre-production inventories fell for a second month running and at the quickest rate since January. Stocks of finished goods, however, rose marginally as greater production supported the upturn in holdings of finished items.

In line with greater new orders, Russian goods producers engaged in a further round of hiring. Employment rose for the eighth month running in June. The rate of job creation slowed from May's 22-and-a-half year high to the softest since last November, but was solid nonetheless.

Manufacturing firms meanwhile continued to see a decrease in backlogs of work at the end of the second quarter. Greater employment helped support efforts to work through incoming new orders in a timely manner.

Business confidence among Russian goods producers remained upbeat, as firms recorded a strong degree of optimism in the outlook for output over the coming year. Positive sentiment was reportedly underpinned by planned investment in new product ranges, hopes of stronger client demand and expansion into new export markets.

PMI[®]

by S&P Global

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PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: S&P Global PMI.

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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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