

News Release

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S&P Global Russia Manufacturing PMI[®]

Solid upturn in Russian manufacturing operating conditions in March

Key findings

Output and new orders expand at solid rates

Input costs rise at sharper pace

Employment growth accelerates

Russian manufacturing firms registered a solid upturn in the health of the sector in March, according to the latest PMI[®] data from S&P Global. Overall growth was supported by a faster rise in output and a further increase in new orders. Weighing on the expansion in new sales was another monthly fall in new export orders. At the same time, input costs rose at a marked pace, with operating expenses increasing at the sharpest rate for almost a year. Efforts to boost sales dampened hikes in selling prices, despite output charges rising at the fastest rate since April 2022.

Meanwhile, greater new orders and a slower fall in backlogs of work sparked another round of job creation. Amid stronger expectations for future output, employment rose at a solid pace. A more upbeat outlook also spurred on stockpiling activity, as post-production inventories rose at the steepest pace since November 2008.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 53.2 in March, down from 53.6 in February, to signal a solid improvement in operating conditions across the Russian manufacturing sector. Although easing from February, the rate of growth was among the strongest since January 2017.

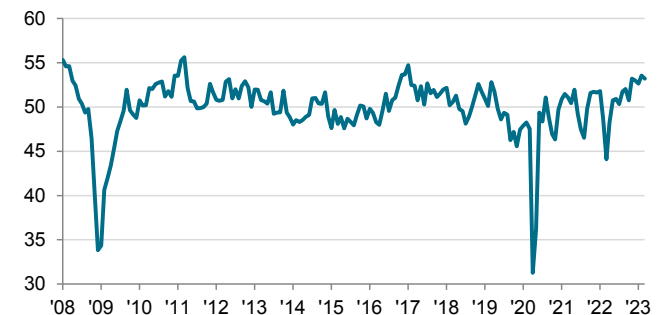
Output at Russian goods producers increased at a solid pace at the end of the first quarter, as the rate of growth quickened to the fastest for three months. Greater new orders and strong client demand contributed to the upturn in production.

Although at a slower pace than that seen in February, new sales made by Russian manufacturers continued to increase during March. The rise in new orders was the second-fastest since April 2019, as some companies noted that reduced competition, new customer referrals and import substitution helped to boost sales.

That said, improvements in demand conditions were largely confined to the domestic market, as new export orders contracted further in March. The decline in foreign client demand worsened, as new export sales fell strongly and at the steepest pace in 2023 so far.

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-27 March 2023.

On the price front, cost burdens at Russian goods producers rose at a sharper rate in March. Input prices increased at a marked pace that was the steepest since May 2022. Hikes in supplier prices and unfavourable exchange rate movements reportedly pushed up operating expenses.

Companies passed on some of the uptick in costs to their clients through a faster rise in selling prices during March. Although the pace of inflation was only modest overall, it quickened to the sharpest for almost a year.

Meanwhile, Russian manufacturers increased their staffing levels at a solid rate. Employment rose for the fifth month running, with the pace of expansion accelerating from February. The rate of job creation was among the fastest since November 2018, as firms adjusted workforce numbers upwards to account for greater production requirements.

Although backlogs of work fell for the third successive month, the rate of contraction was only marginal and the slowest in the aforementioned sequence. Increased new order inflows reportedly placed pressure on capacity.

Amid greater new orders and hopes of further upticks in output, Russian manufacturers increased their purchasing activity strongly in March. Efforts to stockpile were reflected in back-to-back expansions in both pre- and post-production inventories. The latter grew at the steepest pace since November 2008.

Finally, Russian goods producers expressed stronger optimism in the outlook for output over the coming year at the end of the first quarter. Opportunities for import substitution, investment in product development and hopes of further expansion in new order inflows all reportedly drove confidence. The level of positive sentiment was the second-highest for four years and was above the long-run series average.

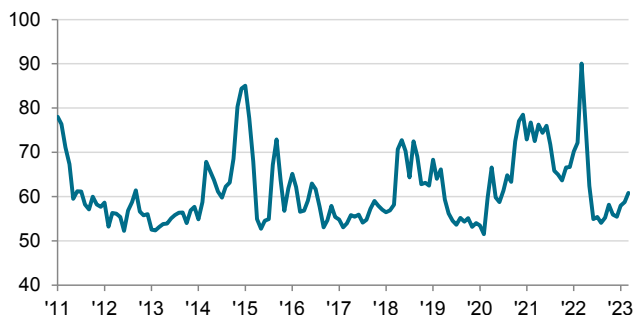
PMI[®]

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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