

News Release

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S&P Global Russia Manufacturing PMI[®]

Strongest improvement in manufacturing conditions for six years in February

Key findings

Quicker expansions in output and new orders

Inflationary pressures strengthen

Stocks of purchases rise at sharpest rate since October 1997

Russian manufacturing firms indicated a further improvement in operating conditions during February, according to the latest PMI[®] data from S&P Global. Overall growth was extended, with the rate of expansion quickening to the fastest since early-2017. The upturn was supported by sharper expansions in production and new sales. Greater output spurred another strong round of input buying as firms sought to build stocks of purchases ahead of anticipated rises in client demand. Input inventories consequently accumulated to the greatest extent since October 1997. Although optimistic in the year-ahead outlook, the degree of confidence at manufacturers slipped to a four-month low. Concurrently, the rate of job creation eased further.

At the same time, cost pressures strengthened again amid hikes in supplier charges. In turn, firms increased their selling prices at a steeper rate.

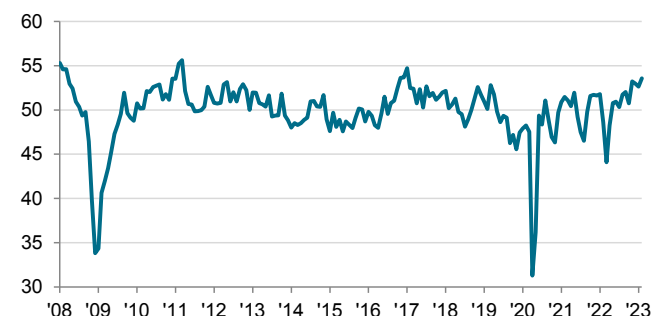
The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 53.6 in February, up from 52.6 in January. The latest data signalled a solid improvement in the health of the Russian manufacturing sector, and one that was the most marked in just over six years. The upturn extended the current sequence of growth to ten months.

Contributing to the improvement in operating conditions was a solid rise in production during February. The increase in output quickened from January and was slightly faster than the series average. Monitored Russian manufacturing firms highlighted that the upturn was linked to import substitution and a further expansion in new orders.

February data indicated a faster rise in new orders across the Russian manufacturing sector. The increase in new sales was often linked to greater customer demand and the acquisition of new clients. The rate of growth was strong overall and the quickest since March 2019. Stronger demand conditions stemmed largely from domestic customers, as new export orders fell again. Although the slowest since February 2022, the rate of export decline remained solid overall.

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-22 February 2023.

On the price front, input costs increased further in February, with the rate of inflation accelerating. The pace of increase in input prices was sharp and the fastest since May 2022. Hikes in supplier charges, alongside unfavourable exchange rate movements, reportedly drove prices higher.

Selling prices set by Russian manufacturers also increased at a quicker pace midway through the first quarter. Companies often mentioned efforts to pass through greater costs to customers. That said, the rate of charge inflation was only marginal overall and slower than the long-run series average.

Increased production requirements following greater new orders drove a further increase in employment during February. Hiring activity was expanded at a modest pace, albeit the slowest for three months.

Russian manufacturers noted an ability to process incoming new orders in a timely manner during February, as backlogs of work fell at a marginal pace. The rate of decline eased from that seen in January.

Output expectations for the year ahead remained upbeat overall in February. Hopes of further upticks in client demand and expansion of the customer base spurred confidence. Although still above the series average, the degree of positive sentiment fell notably from January's near four-year high.

At the same time, purchasing activity increased for a sixth month running, and at a strong rate in February. Higher input buying fed through to a renewed rise in pre-production inventories, with some companies seeking to build stocks amid anticipated increases in sales. Moreover, the rise was the most marked since October 1997. Stocks of finished goods, meanwhile, were broadly unchanged on the month, as some firms mentioned that inventories stabilised amid the timely shipment of items.

PMI[®]

by S&P Global

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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