

News Release

Embargoed until 0600 UTC 01 October 2024

S&P Global Russia Manufacturing PMI[®]

First decline in Russian manufacturing performance since April 2022

Key findings

Renewed declines in output and new orders

Sharper rises in input costs and selling prices

Fastest fall in employment since October 2022

The Russian manufacturing sector slipped into contraction territory during September, bringing to an end a 28-month sequence of expansion, according to latest PMI[®] data from S&P Global. The overall decline was only fractional, but was driven by renewed contractions in output, new orders and employment. Alongside weak demand conditions, production levels were hampered by input delivery delays and material shortages as supplier quality declined sharply again. Nonetheless, backlogs of work were depleted. Meanwhile, the degree of confidence in the year-ahead outlook dipped to a 19-month low.

On the price front, rates of both input cost and output charge inflation quickened amid higher transportation and supplier prices which have largely been passed through to customers. Moreover, the pace of increase in selling prices was the sharpest for almost a year.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI) posted 49.5 at the end of the third quarter, down from 52.1 in August. Although only fractional, the latest data signalled a deterioration in the sector's performance, the first such decline since April 2022.

Driving the overall downturn was a renewed and solid contraction in output levels in September. The decrease in production was linked to subdued demand conditions and supplier delivery delays which led to input shortages and hampered output. The fall was the first since July 2022.

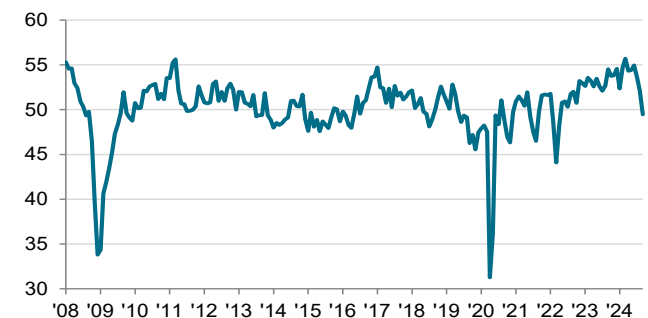
Contributing to the downturn in production levels was a contraction in new orders at the end of the third quarter, thereby ending a 27-month sequence of growth. Panellists suggested the decline was due to muted customer demand.

Nonetheless, Russian manufacturers recorded an increase in new export orders, with the pace of growth quickening to the fastest since August 2023. The expansion reportedly stemmed from stronger demand from Central Asia.

Supply chain issues including delays to rail transportation and international logistics led to a sharp deterioration in vendor

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-24 September 2024.

performance in September. The extent to which lead times lengthened was the second-greatest since July 2022.

Subsequently, Russian goods producers reported a faster rise in input costs during September amid raw material shortages and greater transportation fees. The increase in operating expenses was marked overall but slightly softer than the long-run series average.

Manufacturing firms sought to pass through higher costs to customers in September, as output prices rose at the fastest rate since last October. The pace of inflation was historically elevated.

In line with lower new order inflows, Russian goods producers reduced workforce numbers at the end of the third quarter. The pace of job shedding was the quickest since October 2022, with a fall in production requirements coinciding with some reports of difficulties finding skilled candidates for vacancies.

Nevertheless, backlogs of work declined for the third time in four months during September. The rate of depletion was solid and the steepest since February as firms were able to process backlogged orders effectively.

Meanwhile, supplier delays and the use of stocks to supplement production led to a further, but only slight drop in pre-production inventories. Firms continued to increase input buying, albeit at the slowest pace in two years. Stocks of finished goods grew at the sharpest rate since June 2023, amid lower than anticipated new orders.

Finally, businesses remained confident of an expansion in output over the coming year in September amid planned investment in new product ranges. Although historically elevated, the degree of optimism dipped to the lowest since February 2023.

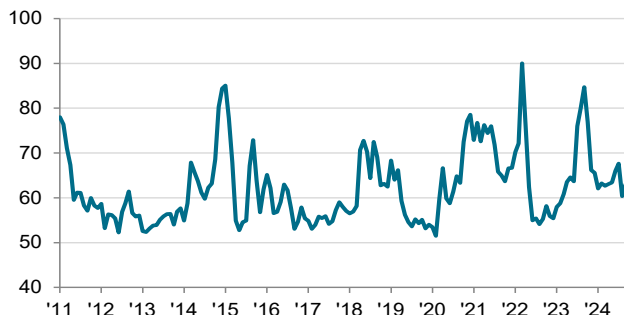
PMI[®]

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@spglobal.com.

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