

News Release

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S&P Global Russia Manufacturing PMI[®]

New orders continue to rise, but inflationary pressures build

Key findings

New order growth hits three-month high

Fastest rise in input costs in 17 months

Employment increases, but at softer pace

Russian manufacturing production continued to expand midway through the third quarter of the year on the back of solid new order growth. That said, inflationary pressures intensified again due to currency weakness, pushing rates of input cost and output price inflation to the strongest in 17 and 16 months respectively.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index™ (PMI[®]) remained above the 50.0 no-change mark in August, signalling a further improvement in the overall health of the sector. At 52.7 in August, the index was up from 52.1 in July, pointing to a solid strengthening of operating conditions that was more pronounced than seen in the previous survey period. The health of the sector has now improved in each of the past 16 months.

New order growth quickened to a three-month high as firms reported improving market demand. Total new business was supported by a solid expansion in new export orders. Moreover, the rate of growth was the steepest since March 2008. Some firms reported having secured new business from customers in neighbouring countries.

With new orders up, firms expanded production for the thirteenth month in a row, albeit at a modest pace that was the softest in the current sequence of growth.

Despite the overall improvement in operating conditions, manufacturers in Russia were faced with steep cost increases amid weakness of the ruble. Input prices rose at the fastest pace since March 2022, with 59% of respondents signalling an increase over the month.

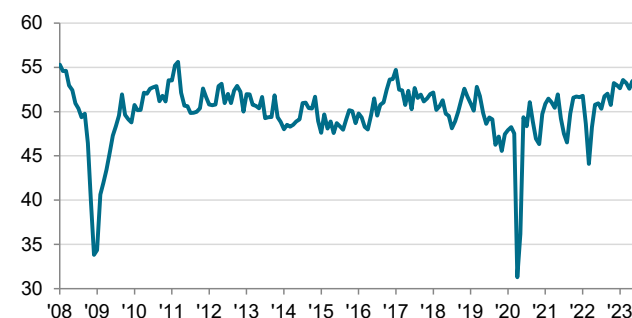
In turn, the pace of output price inflation also quickened and was the fastest in 16 months.

The potential impact of currency weakness acted to dampen business confidence, which fell to a six-month low. Nonetheless, firms continued to predict an increase in output over the coming year, often reflecting plans to expand production lines and improve efficiency.

Employment continued to rise in August as manufacturers

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-24 August 2023.

responded to higher new orders. That said, staff shortages and employee resignations reportedly limited the pace of job creation, which eased to a nine-month low.

Firms also increased their purchasing activity, and at a rapid pace that was faster than that seen in July. According to respondents, the rise in input buying was in part due to efforts to replenish stocks of purchases which had fallen sharply in the previous survey period. As a result, the rate of depletion in pre-production inventories was much softer in August, although the use of inputs to support output meant that a decline was still registered.

The delivery of purchased items continued to be impacted by logistical challenges. Suppliers' delivery times lengthened markedly, and to the greatest extent since last October.

As well as seeing a decline in stocks of purchases, manufacturers also posted a reduction in stocks of finished goods, the second month running in which that has been the case. Moreover, the rate of depletion was solid and the most pronounced since May 2022. Panellists reported that the shipping of finished products from warehouses to help meet order requirements was a key factor behind the fall in inventories.

The use of stocks of finished goods in fulfilling new orders meant that firms were able to reduce backlogs of work again in August. Outstanding business decreased for the eighth successive month, and to the largest extent since October last year.

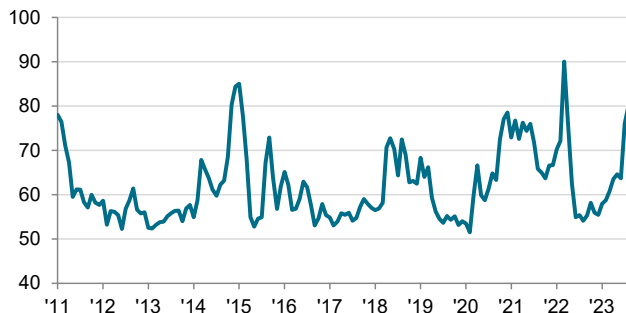
PMI[®]

by S&P Global

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■ PMI Output 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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