

# News Release

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## S&P Global Russia Manufacturing PMI<sup>®</sup>

### Weaker improvement in operating conditions as demand growth moderates

#### Key findings

Rates of expansion in output and new orders ease

Input costs rise at fastest pace since May

Solid decline in employment

October saw a further improvement in operating conditions at Russian manufacturing firms, according to the latest PMI<sup>®</sup> data from S&P Global. Overall growth eased, however, amid softer increases in output and new orders. Although new sales continued to rise, companies recorded another reduction in backlogs of work. Employment returned to contraction amid staff shortages. Meanwhile, cost burdens rose at a sharper pace, as logistics and transportation expenses increased. Firms did not, however, pass on hikes in costs to their customers, as output charges were broadly unchanged on the month.

Manufacturers remained upbeat regarding the outlook for output over the next year, with the degree of confidence the second-highest since April 2019.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) posted 50.7 in October, down from 52.0 in September. The latest index reading signalled only a marginal improvement in the health of the Russian manufacturing sector and one that was the slowest since July.

Nonetheless, production levels increased for the third successive month at the start of the final quarter of 2022. Higher output was often linked to greater new order inflows and a rise in client demand. That said, the pace of growth was only slight overall and slowed from that seen in September.

Contributing to a slower upturn in production was a softer increase in new orders at Russian manufacturers. Although firms noted that import substitution efforts boosted demand, the rate of expansion was the slowest for four months.

At the same time, new export orders continued to weigh on total sales as foreign client demand declined sharply. Anecdotal evidence often mentioned that the drop was due to limitations on international trading partners following sanctions.

Cost inflation at Russian manufacturing firms picked up

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-25 October 2022.

pace for the second successive month during October. The rate of increase was the sharpest since May despite being slower than the series average. Hikes in input costs were reportedly due to higher logistics, transportation, supplier and imported goods prices.

Despite an acceleration in the pace of cost inflation, Russian goods producers recorded broadly unchanged output charges in October. Some firms stated that efforts to pass through higher costs to clients pushed up selling prices, but others noted that efforts to drive sales resulted in lower charges.

Meanwhile, manufacturers saw employment fall for the seventh time in the last nine months. The decrease in workforce numbers was solid overall and the quickest since April. A number of firms suggested that the decline in staffing numbers was due to labour shortages.

Nevertheless, backlogs of work fell further in October. The decrease in work-in-hand was the fastest since June 2021.

In line with reports of higher cost burdens due to logistics challenges, vendor performance deteriorated sharply. Lead times lengthened to the greatest extent since July, but firms stepped up their input buying during October. Purchasing activity rose at the steepest rate since August 2017, with companies utilising their stocks of purchases to fulfil output requirements in the meantime. Greater production and an uptick in new sales led to the first rise in post-production inventories since May 2019.

Finally, output expectations across the Russian manufacturing sector remained positive in October. Although lower than September, the degree of confidence in the year-ahead outlook was the second-highest since April 2019 amid hopes of greater client demand and investment in product development.

PMI<sup>®</sup>

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](mailto:economics@ihsmarkit.com).

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