

News Release

Embargoed until 0600 UTC 01 August 2023

S&P Global Russia Manufacturing PMI[®]

Manufacturing performance continues to improve, but output and new order growth loses momentum

Key findings

Slower expansions in production and new orders

Marked acceleration in rates of inflation

Output expectations strongest since March 2019

The health of the Russian manufacturing sector continued to improve in July, according to the latest PMI[®] data from S&P Global. The overall expansion was in part driven by sustained upturns in output and new orders, although in both cases the rate of growth slowed. New sales rose at the softest pace in 2023 to date as new export orders returned to contraction. Nonetheless, goods producers expanded employment at a solid pace, with backlogs of work being depleted as a result. The degree of confidence in the outlook for output meanwhile strengthened, supporting hopes of further improvements in the months ahead. Subsequently, firms raised their input buying following cuts to both pre- and post-production inventories.

On the price front, input costs and output charges both rose at markedly faster rates.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 52.1 in July, down from 52.6 in June, to signal a modest upturn in operating conditions at Russian manufacturers. The improvement was the slowest for nine months, though remained sharper than the long-run series average.

New orders growth slowed in July, with the rate of expansion easing for a second successive month to the joint-slowest since October 2022. Nonetheless, the upturn was moderate overall, with firms highlighting sustained client demand and the acquisition of new customers.

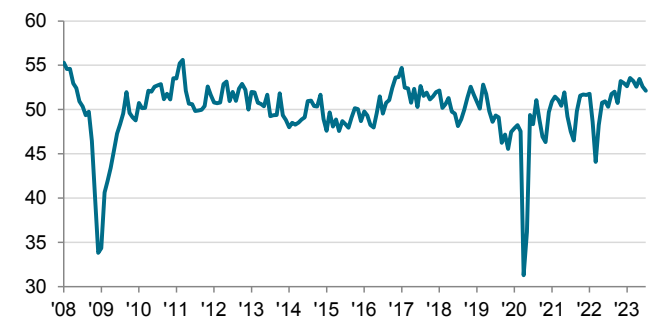
Weighing on the rise in total new sales was a decrease in new export orders, following a marginal expansion in June. Higher selling prices were often noted as the driving factor behind lower customer interest.

Consequently, Russian manufacturers saw a softer increase in output during July, with the upturn slowing to only a marginal rate. The resulting increase was the weakest in the current 12-month sequence of growth.

Meanwhile, input costs rose at a marked pace during July, with the rate of inflation quickening notably from that seen in June. The pace of increase was the sharpest since April

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-25 July 2023.

2022. Anecdotal evidence suggested that, alongside hikes in supplier prices, the depreciation of the ruble had led to higher costs for imported goods.

Firms passed greater expenses through to customers via a substantial uptick in selling prices at the start of the third quarter. The rate of output charge inflation was the steepest in 15 months and well above the long-run series average.

Hopes of stronger demand conditions, a sustained increase in new orders and planned investment in product development led to improved expectations regarding the outlook for output over the coming year. Manufacturers were their most upbeat since March 2019.

Greater optimism in the outlook and predictions of increased new orders underpinned an ongoing rise in employment. The rate of job creation was solid and quickened from that seen in June, helping drive down backlogs of work at a faster rate.

A sustained rise in new sales also supported a sharp expansion in input buying at Russian manufacturers in July. Despite easing to the slowest for three months, the increase in purchasing activity was faster than the long-run series average.

At the same time, logistics challenges and some reports of supplier shortages led to another monthly deterioration in vendor performance. Delays were the most pronounced in 2023 to date.

Subsequently, firms were forced to utilise their current holdings of inputs and finished items to support production and fulfil new order requirements. Pre-production inventories fell at the quickest pace since September 2022. Stocks of finished goods, meanwhile, returned to contraction territory and declined at the fastest rate in almost a year.

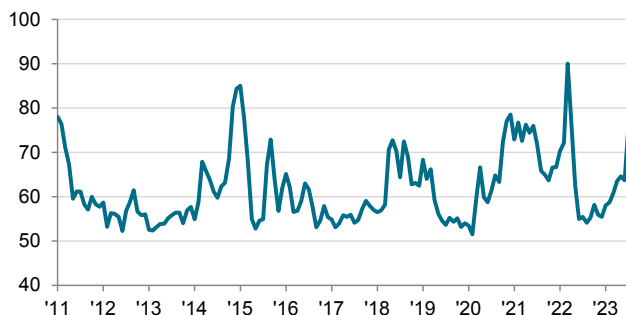
PMI[®]

by S&P Global

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PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: S&P Global PMI.

Contact

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

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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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