

News Release

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S&P Global Russia Manufacturing PMI[®]

Production falls in June amid further steep export losses, but domestic demand rises as selling prices decrease

Key findings

Further declines in output and exports but new orders increase

Output charges fall as input costs rise at slower pace

Renewed expansion in employment

June data signalled a marginal improvement in operating conditions across the Russian manufacturing sector, amid a return to growth in new orders. Nonetheless, output continued to decline amid a further steep fall in exports and shortages of raw materials. On the price front, input price rises stemmed from hikes in imported material costs. That said, the rate of cost inflation eased to the slowest since February 2020 which fed through to the first fall in output charges since March 2017.

Meanwhile, employment returned to growth as firms stepped up their hiring activity. Longer term sentiment was also buoyed by greater new order inflows as business confidence ticked up to the highest since February.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 50.9 in June, broadly in line with 50.8 registered in May, signalling a slight upturn in the health of the Russian manufacturing sector midway through 2022. The rate of expansion was also close to the long-run series average.

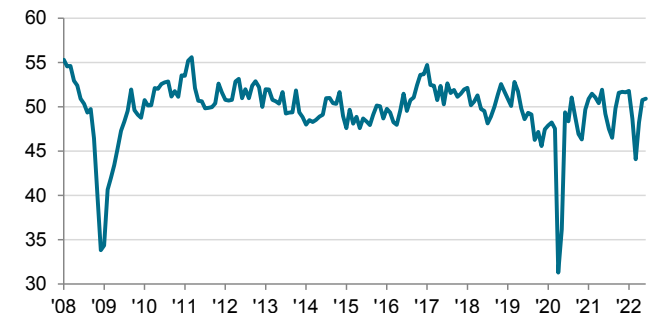
Supporting the headline figure was a renewed rise in new orders received by Russian manufacturers during June. The increase in new sales was marginal overall, but followed four successive monthly contractions. Where new order growth was noted, firms linked this to greater domestic demand and the agreement of new projects.

At the same time, foreign client demand remained subdued as new export orders contracted further. The rate of decline was the slowest since February but remained steep, and was attributed to the impact of sanctions and the suspension of contracts with customers in Europe.

Output levels also decreased again in June. The pace of decline quickened from May and was solid overall, as firms stated that challenges sourcing raw materials due to shortages and higher imported input costs hampered efforts to step up production.

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 13-24 June 2022.

June data signalled a notable slowdown in input cost inflation across the Russian manufacturing sector. The pace of increase was much slower than March's survey record and was the softest since February 2020. Although some firms suggested lower supplier prices dampened price hikes, other stated that imported purchase costs drove inflation.

A slower rise in input costs led to the first fall in output charges at Russian manufacturers since March 2017. The decrease in selling prices was only marginal, but signalled a marked turnaround from March's series high.

Amid further substantial delays in lead times, firms recorded a drop in input buying midway through 2022. As a result, companies worked through their current holdings of inputs and finished goods, as pre- and post-production inventories decreased solidly.

Greater new order volumes at Russian manufacturing firms led to a renewed rise in employment in June. The marginal increase in workforce numbers brought to an end a four-month sequence of decline.

Firms noted sufficient capacity to process incoming new work, however, as outstanding business fell for the fifth month running at the end of the second quarter. The rate of contraction was marginal, but quickened from that seen in May.

Finally, output expectations regarding the year ahead across the Russian manufacturing sector remained upbeat in June. The degree of confidence was the strongest since February amid hopes of greater client demand and a stabilisation in economic conditions.

PMI[®]

by S&P Global

PMI Input Prices Index

sa, >50 = inflation since previous month



Sources: S&P Global, Russia Federal Reserve.

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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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