

News Release

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S&P Global Russia Manufacturing PMI[®]

Stronger fall in output amid shortages, but demand conditions improve

Key findings

Production falls at fastest pace in three months

Renewed decline in employment

Output charges decrease at fastest pace since January 2009

July data indicated that operating conditions improved only fractionally in the Russian manufacturing sector. Weighing on overall growth was a sharper contraction in output as firms struggled to hire and retain workers amid salary competition. Subsequently, workforce numbers declined. Nevertheless, new orders increased for the second month running and at the fastest rate since April 2019. Stronger demand conditions were largely domestically-driven as new export orders contracted again.

At the same time, inflationary pressures remained historically subdued. Cost burdens rose at the second-slowest pace since February 2020, with softer increases in input prices reflected in a solid decrease in selling prices.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 50.3 in July, down from 50.9 in June. The latest index reading signalled only a slight improvement in the health of the Russian manufacturing sector, albeit the slowest in the current three-month sequence of expansion.

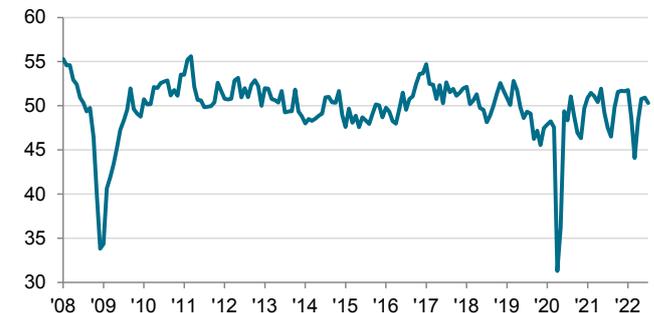
Contributing to the lower headline figure was a sixth successive monthly contraction in production during July. Russian manufacturing firms registered the sharpest fall in output since April, as companies noted raw material shortages and relatively subdued demand conditions. Some firms also noted challenges hiring and retaining employees.

Despite being slower than the series average, the rate of expansion in new orders was the sharpest since April 2019. The increase was linked to stronger demand conditions than those seen in June.

The rise in total new orders was largely focussed on the domestic market as new export orders fell further. The rate of contraction in foreign client demand was strong overall, but the slowest since February.

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-25 July 2022.

Although new order levels increased at a faster pace, Russian goods producers recorded a renewed fall in employment during July. The fall was marginal overall, but contrasted with the expansion seen in June. Where a decrease in workers was noted, firms linked this to challenges retaining and hiring staff due to salary competition.

Pressure on operating capacity was limited, however, as backlogs of work declined again. The rate of contraction in the level of work-in-hand was the quickest for three months.

Meanwhile, input prices rose at an historically muted pace in July. Although quickening slightly from that seen in June, the rate of cost inflation was far slower than earlier in the year and was the second-softest since February 2020.

Softer upticks in costs were reflected in a decrease in selling prices at the start of the third quarter. Output charges fell for the second month running and at the steepest pace since January 2009.

Business confidence across the Russian manufacturing sector picked up in July. The level of optimism regarding the outlook for output over the coming 12 months improved to the strongest since February. Hopes of greater stability in domestic economic conditions and further increases in new orders supported positive sentiment.

Price increases and unfavourable exchange rate movements led firms to rein in their input buying during July, as purchasing activity fell at the sharpest pace since March. In line with a fall in input buying and the use of stocks to supplement production, both pre- and post-production inventories declined at faster rates.

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@ihsmarkit.com.

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