

News Release

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S&P Global Russia Manufacturing PMI[®]

New order growth strengthens, and inflationary pressures remain marked

Key findings

Faster rise in new orders spurs quicker uptick in output

Renewed rise in backlogs

Input costs and output charges increase at marked rates

Operating conditions at Russian manufacturing firms improved at a solid pace in October, according to the latest PMI[®] data from S&P Global. The upturn stemmed from stronger expansions in output and new orders. Greater new sales were largely driven by domestic demand as new export orders rose only fractionally. Although firms continued to hire additional workers in line with increased production requirements, manufacturers recorded a renewed rise in backlogs of work as pressure on capacity built. Companies also reportedly struggled to replenish stocks, with input buying stepped up again.

Meanwhile, inflationary pressures remained substantial as input costs and selling prices rose markedly. Although cost inflation softened, it was still among the sharpest in three years.

The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI) posted at 53.8 in October, down slightly from 54.5 in September, to signal another upturn in the health of the sector and one that was the second-fastest since January 2017.

Contributing to overall growth was a stronger rise in new orders at Russian manufacturers in October. The pace of increase in new sales accelerated for the third month running to the sharpest since March 2011. Greater new order inflows were attributed to successful import substitution, the acquisition of new customers and stronger demand conditions.

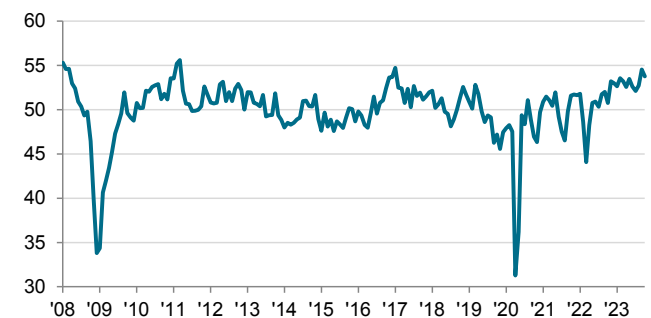
The uptick in total sales was led by greater domestic demand as new export orders rose only fractionally and at the slowest pace in the current three-month sequence of growth. Where export growth was recorded, it was linked to expansion into new export markets.

In line with increased customer demand, goods producers raised their output levels, and at a faster pace. The expansion in production was solid overall and the quickest since May.

Greater new order inflows sparked a renewed rise in backlogs of work during October, bringing to an end a nine-month sequence of contraction. Russian manufacturers recorded a

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-25 October 2023.

modest increase in work-in-hand that was the quickest since July 2017.

Pressure on capacity led firms to expand their workforce numbers further, as employment grew in October. That said, the rate of job creation eased to the second-slowest in eight months amid challenges finding suitable candidates.

On the price front, input costs faced by goods producers continued to increase at a marked pace. Strength in the US dollar, higher transportation charges and greater supplier prices pushed up operating expenses. Although the pace of cost inflation softened on the month, it was among the steepest in the last three years.

In line with another substantial uptick in cost burdens, manufacturing firms registered a marked rise in selling prices in October. The rate of charge inflation was little changed from that seen in September and the second-fastest since April 2022, as firms sought to pass through higher costs to customers.

Meanwhile, Russian manufacturers were buoyed by stronger demand conditions, with output expectations improving to the most optimistic for three months. Confidence was also underpinned by planned investment in new machinery, product development and capacity expansion.

Russian goods producers registered another deterioration in vendor performance during October. Despite a solid extension to delivery times, firms stepped up their input buying at a sharp pace amid greater production requirements.

Companies reportedly utilised both pre- and post-production inventories to fulfil new orders, however, with stocks falling at steeper rates. Moreover, current holdings of finished goods fell at the quickest rate since April 2022 as firms struggled to replenish stocks fast enough.

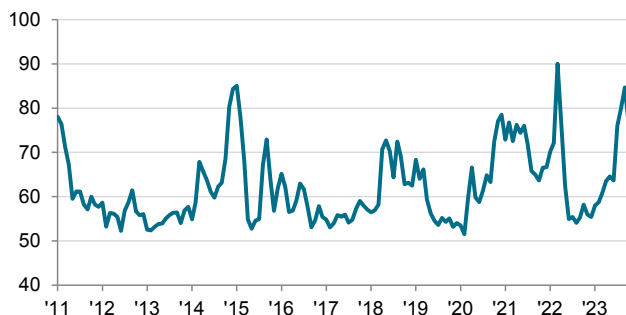
PMI[®]

by S&P Global

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PMI Input Prices 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@spglobal.com.

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