

News Release

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S&P Global Russia Manufacturing PMI[®]

Further solid improvement in Russian manufacturing operating conditions in December

Key findings

Solid upturn in output amid continued uptick in new orders

Employment growth fastest since September 2001

Cost pressures ease but output charges rise at quicker pace

December data signalled a solid improvement in the health of the Russian manufacturing sector, according to the latest PMI[®] data from S&P Global. The expansion in output was historically strong, with the rate of growth easing only slightly from November's 27-month high. Meanwhile, new orders continued to rise, driven by domestic demand, as new export sales fell again. Greater production led to an acceleration in the pace of job creation, with employment rising at the fastest rate in over 21 years. Increased confidence in the outlook was also reflected in a steep uptick in purchasing activity and stronger output expectations.

At the same time, the pace of cost inflation softened to the slowest in three months. That said, output charges rose at the sharpest rate since April as greater demand allowed firms to partially pass-through higher costs to clients.

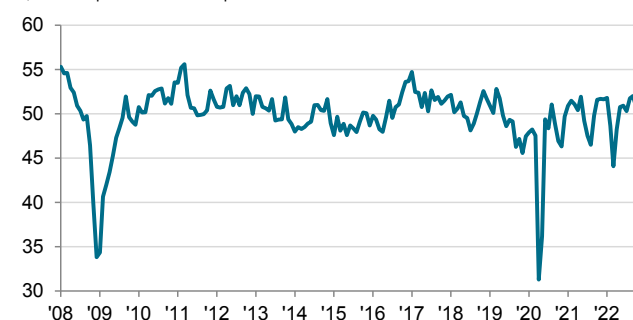
The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index[™] (PMI[®]) posted 53.0 at the end of 2022, down only slightly from 53.2 in November. The latest data indicated a solid upturn in operating conditions across the Russian manufacturing sector, and one that was the second-sharpest since January 2017.

Contributing to the headline figure was a further expansion in output at Russian manufacturers. Higher production levels were linked to another monthly upturn in new orders and the acquisition of new customers. The rate of output growth softened from November's recent high but was the second-fastest since August 2020.

Supporting the rise in output was a further increase in client demand during December. The upturn was largely driven by domestic customers, as foreign client demand fell again due to the impact of sanctions. The rate of growth in new sales was modest overall, and slower than the series average. Weighing on the expansion in total sales was a strong decrease in new export orders, albeit the slowest since July.

Russia Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 06-19 December 2022.

Greater output led firms to expand their workforce numbers for the second month running at the end of the year. Russian goods producers signalled the fastest rise in employment since September 2001, with companies linking the upturn to increased new order inflows.

Capacity pressures were also evident as Russian manufacturers recorded back-to-back expansions in work-in-hand. Although only marginal, the rate of growth in backlogs of work was the steepest since January.

Meanwhile, the rate of cost inflation at Russian manufacturing firms eased again in December. Although hikes in cost burdens were linked to higher supplier prices and material shortages, the pace of increase was the slowest since September.

Despite a slower rise in input costs, firms increased their selling prices at a quicker pace in December. Output charges rose marginally, but at the fastest rate since April as companies sought to pass through greater costs to clients amid more favourable demand conditions.

Output expectations strengthened in December, as Russian manufacturers registered the second-strongest degree of confidence in the outlook since March 2019. Hopes of stronger client demand and investment in new products reportedly drove optimism.

Despite further supply chain disruption and longer lead times for inputs, Russian goods producers increased input buying sharply at the end of 2022. Stocks of purchases fell as companies used current holdings of inputs and semi-finished items to supplement production. Firms sought to build their stocks of finished goods, however, as material delays and greater new order inflows led to a need to increase post-production inventories.

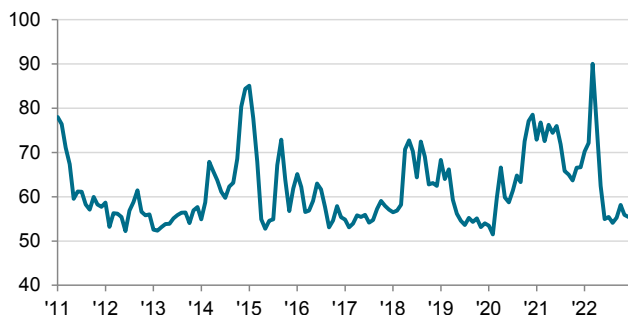
PMI[®]

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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