

IHS Markit Russia Manufacturing PMI®

Output contracts solidly amid sharp fall in new orders

Key findings

Client demand weakens amid outbreak of COVID-19

Business confidence drops to series low

Inflationary pressures strengthen

Latest PMI® survey data signalled a further deterioration in the health of the manufacturing sector in March. The decline was the fastest for three months amid stronger contractions in production and new orders. As a result, business confidence dropped to a series low as firms expressed uncertainty towards the global economic outlook following the outbreak of coronavirus disease 2019 (COVID-19). Nonetheless, employment was broadly unchanged despite a strong fall in backlogs of work. The headline figure was also slightly buoyed by a solid deterioration in vendor performance (usually a signal of strong demand conditions).

Meanwhile, rates of input price and output charge inflation accelerated to the fastest for a year.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® dropped from 48.2 in February to 47.5 at the end of the first quarter. The decline in operating conditions across the sector was the strongest for three months.

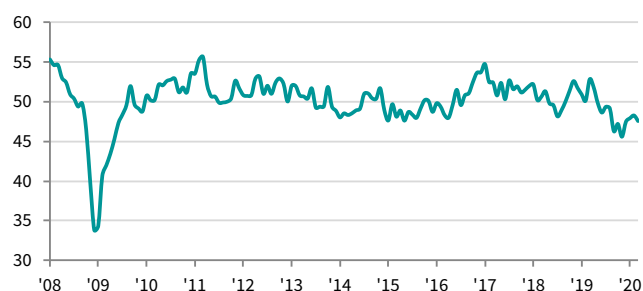
A key factor behind the latest overall contraction was a solid decrease in production. Although a number of firms stated that greater competition and a general drop in client demand drove the decline, others linked the downturn to the impact of COVID-19 on business. Furthermore, the fall in output was the fastest since last November.

Concurrently, domestic and foreign demand conditions weakened as the outbreak of COVID-19 resulted in more stringent measures regarding the operations of businesses across the world. The sharp fall in total new orders was the quickest for four months and extended the current sequence of contraction that began in June 2019. Mirroring the trend for total sales, new export orders decreased steeply in March.

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Russia Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Siân Jones, Economist at IHS Markit, said:

"The Russian manufacturing sector remained in contraction in March, as the impact of the outbreak of COVID-19 began to emerge in global supply chains and external demand conditions. A sharper decline in new orders was also linked to weak domestic demand, as firms struggled to build growth momentum.

"Nonetheless, the decline in workforce numbers eased as employment was broadly unchanged, despite reports of redundancies.

"Uncertainty regarding the strength of the global economy and future demand weighed heavy on manufacturers' minds as business confidence sank to a series low. Our current forecast for industrial production indicates a contraction in year-on-year terms in the first quarter of 2020, with the decline accelerating through to the latter stages of the year."

In line with weak demand conditions and global economic uncertainty, the degree of confidence at manufacturers fell to a series low. Firms nonetheless still expect output to rise over the coming 12 months, although the level of optimism was noticeably lower than at any other point in the series eight-year history.

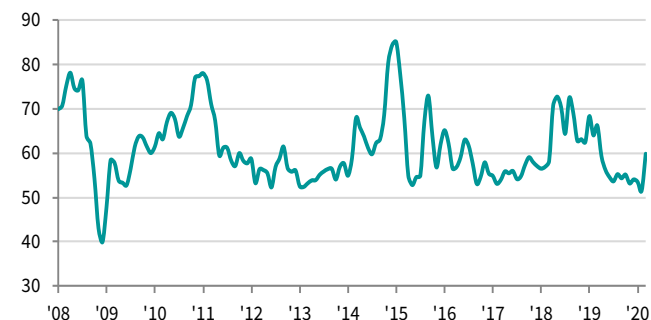
On the price front, rates of input cost and output charge inflation quickened in March as raw material shortages resulted in supplier price hikes. The pace of increase in cost burdens was the fastest for a year. At the same time, goods producers increased their factory-gate charges at a strong rate, as they partly passed on higher input prices to clients.

Despite a further fall in new orders, the pace of contraction in employment softened and workforce numbers were broadly unchanged at the end of the first quarter. Where a decrease was reported, this was often linked to redundancy amid spare capacity. Reduced strain on capacity was also reflected in a strong reduction in backlogs of work.

Purchasing activity fell sharply in March, as firms reported raw material shortages, reduced production requirements and supplier delays. Vendor performance showed the greatest deterioration since mid-2016. At the same time, data showed strong declines in holdings of both pre- and post-production inventories.

Input Prices Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Russia Manufacturing PMI® is compiled by IHS Markit 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.

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.

Survey dates and history

March data were collected 12-25 March 2020.

Survey data were first collected September 1997.

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Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html