

IHS Markit Russia Manufacturing PMI®

Renewed expansion in output as demand conditions stabilise

Key findings

First rise in production since June as domestic demand conditions improve

Inflationary pressures soften

Supply chain disruption eases to least marked in 11 months

Data were collected 13-24 September 2021.

September PMI® data signalled a fourth successive monthly deterioration in operating conditions across the Russian manufacturing sector. That said, the rate of decline was only fractional overall, as the health of the sector neared stabilisation amid a renewed rise in output and client demand. Meanwhile, firms noted a reduction in the severity of supply chain disruption which was reflected in softer hikes in input prices. Although still marked, rates of input cost and output charge inflation eased.

Hesitancy regarding future demand conditions and signs of excess capacity persisted, however, as output expectations dipped to an 11-month low and employment continued to fall.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 49.8 in September, up from 46.5 in August, to signal only a fractional deterioration in the health of the Russian manufacturing sector. The downturn was the slowest in the current four-month sequence of decline.

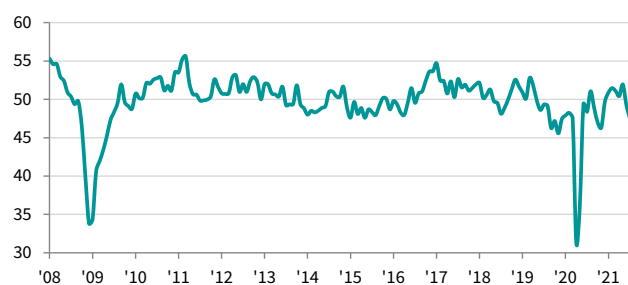
Contributing to the slower overall deterioration was the first expansion in output since June. September data signalled a fractional rise in production across the Russian manufacturing sector as firms noted stronger client demand at new and existing customers.

Although client demand remained historically weak, the latest data signalled an end to a four-month sequence of contraction in new sales. Where an increase in orders was reported, companies partly attributed this to the acquisition

continued...

Russia Manufacturing PMI®

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"Russian manufacturers signalled a more positive end to the third quarter, as production returned to expansion territory. Although domestic demand conditions improved, new export orders fell further.

"Manufacturers were more hesitant in their expectations regarding the outlook for output in the coming year as confidence hit an eleven-month low. At the same time, muted pressure on capacity led to another round of job losses across the sector.

"A slower deterioration in vendor performance helped to rein in cost pressures. Input prices rose at the slowest pace for a year. Nonetheless, supplier price hikes were still widespread, and our current forecast indicates that consumer price inflation will only ease to around 6.0% by the end of 2021. Alongside supply disruptions, further upside risks to inflation stem from the ongoing economic recovery and a lower projected unemployment rate, which are expected to boost consumer spending."

of new clients.

New export orders continued to decline in September. The rate of contraction outpaced the series average, despite easing to a three-month low.

On the price front, the rate of input cost inflation slowed at the end of the third quarter. The pace of increase was the softest for a year and only slightly faster than the series average. Firms linked higher costs to greater supplier prices and unfavourable exchange rate movements.

Manufacturers continued to note the partial pass-through of greater costs to clients where possible. That said, the rate of charge inflation also eased, with selling prices rising at the slowest pace since October 2020.

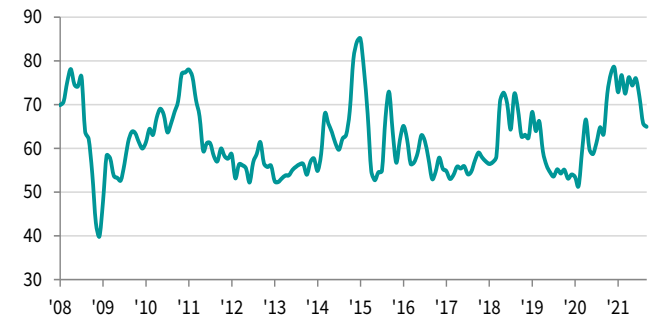
Meanwhile, the deterioration in vendor performance moderated, as lead times lengthened to the least marked extent for ten months in September. Firm still stated that transportation issues delayed input deliveries, however.

Greater production requirements and a strong fall in pre-production stocks led to the fastest rise in purchasing activity at Russian manufacturing firms since February. At the same time, inventories of finished goods declined at the quickest pace since June due to sales made from stock.

Pressure on capacity remained muted overall as backlogs of work decreased at a solid rate. Although the rate of decline eased to the slowest for six months, many firms did not require additional staff. This was highlighted by a modest decrease in manufacturing employment in September.

Finally, expectations regarding the outlook for output over the coming year slipped to the weakest since October 2020. Sentiment was upbeat overall, however, as firms hoped for further upticks in client demand.

Russia Manufacturing PMI 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

September data were collected 13-24 September 2021.

Survey data were first collected September 1997.

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