

IHS Markit Russia Manufacturing PMI®

August PMI drops to lowest since November 2020 amid weak demand conditions

Key findings

Contractions in output and new orders gather pace

Employment falls at fastest pace since November 2020

Rate of cost inflation softens to 11-month low

Data were collected 12-24 August 2021

August PMI® data signalled another decline in operating conditions across the Russian manufacturing sector. Driving the overall contraction were faster downturns in production and new orders, as domestic and foreign client demand weakened. As a result, pressure on capacity eased with backlogs of work falling solidly and employment contracting at the fastest pace since November 2020. Nevertheless, output expectations strengthened amid hopes of a pick-up in customer demand over the coming months.

Meanwhile, input costs rose at the slowest pace for almost a year. In contrast, firms hiked their selling prices at a faster pace in an effort to pass on higher cost burdens.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 46.5 in August, down from 47.5 in July, to signal a third successive monthly deterioration in operating conditions across the Russian manufacturing sector. The decline the health of the sector was the strongest since November 2020 and solid overall.

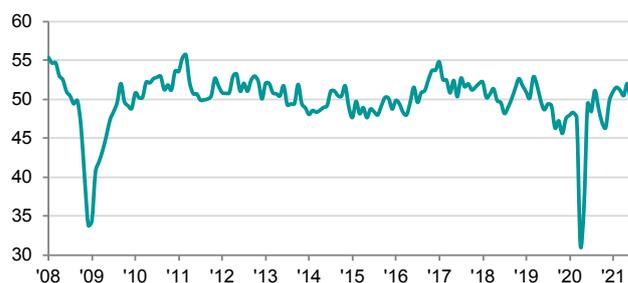
Contributing to the contraction was a sharper fall in output during August. Russian manufacturers noted that production decreased following weaker client demand and another decline in new order inflows. The rate of decrease in output quickened to a strong pace that was the steepest for 15 months.

In line with subdued demand conditions, new orders decreased at a sharp pace midway through the third quarter. The rate of contraction was the fastest since November 2020. Alongside weaker domestic demand, total sales were

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 saw the health of the sector continue on a downward trajectory during August, as demand conditions weakened further. Total sales fell at a quicker pace amid worsening domestic and foreign customer demand.

"As a result, firms were reluctant to replace staff who left voluntarily, and employment fell at the fastest pace since November 2020. Cost cutting efforts were also reflected in a sharp drop in input buying.

"Although price pressure remained historically marked, there was a notable slowdown in the rate of cost inflation as input prices rose at the softest pace for almost a year. Firms stepped up their efforts to defend margins in August, as charges increased at an accelerated rate.

"Our current forecast for industrial production expects a rise of 5.9% on the year in 2021, although downside risks to growth remain apparent as virus cases remain high and customer demand softens."

dampened by a decrease in foreign customer demand. New export orders fell at a marked pace that was the quickest since May 2020.

Lower new order inflows reduced pressure on capacity, as backlogs of work fell further. The decrease in work-in-hand was solid despite easing to the slowest for five months. As a result, firms cut workforce numbers for the third month running. The rate of job shedding quickened to the sharpest for nine months as firms reportedly did not replace voluntary leavers.

At the same time, inflationary pressures across the Russian manufacturing sector eased in August. Although cost burdens rose markedly, the rate of increase softened to the slowest since September 2020. Where a rise in input prices was reported, firms linked this to hikes in supplier costs and material shortages.

Nevertheless, the rate of output charge inflation accelerated from that seen in July. Manufacturers hiked their selling prices in an effort to pass through higher costs to clients where possible.

Raw material shortages remained severe during August, as vendor performance deteriorated markedly again. That said, lead times lengthened to the smallest extent for nine months amid a sharp decline in purchasing activity.

Firms continued to utilise stocks of purchases and finished goods to fulfill new orders. Post-production inventories fell at the slowest pace since January 2020, however, amid weak demand conditions.

Finally, business confidence regarding the outlook for output over the coming year strengthened in August. Optimism stemmed from hopes of greater client demand in the coming months.

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

August data were collected 12-24 August 2021.

Survey data were first collected September 1997.

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