

## IHS Markit Russia Manufacturing PMI®

### Strongest improvement in operating conditions since March 2019

#### Key findings

Renewed expansion in new orders spurs output growth

Inflationary pressures remain substantial

Quickest rise in employment since December 2018

Data were collected 12-24 May 2021.

May PMI® data signalled a modest improvement in the health of the Russian manufacturing sector, and the fastest upturn since March 2019. Overall growth was supported by a renewed increase in new order inflows and subsequent quicker rise in production. Greater new business also led to a quicker rate of job creation, despite a further strong fall in backlogs of work.

At the same time, input prices continued to rise markedly, although the rate of cost inflation softened slightly from April's recent high. The pace of output charge inflation also eased, but was still the second-fastest for over six years. Marked inflationary pressures weighed on output expectations for the year ahead, which slipped to a four-month low.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 51.9 in May, up from 50.4 in April. The improvement in operating conditions across the Russian manufacturing sector was modest overall, and the sharpest in over two years. May data also signalled the fifth successive monthly expansion across the sector.

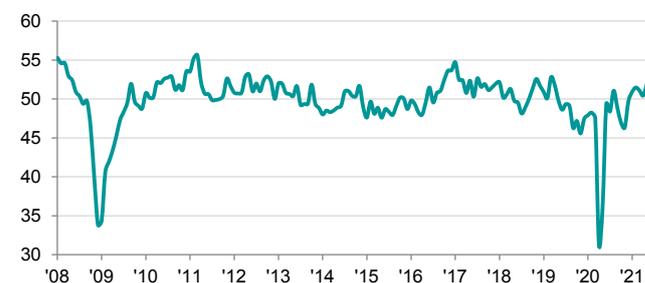
Output growth gained momentum in May, as the rate of the upturn quickened to the fastest since February. Greater production was widely attributed to a renewed increase in new order inflows and stronger client demand.

New order inflows returned to expansion in May, with the rate of growth the sharpest since August 2020. The increase in total sales was often linked to an uptick in customer demand, with some firms also noting that a renewed rise in new

*continued...*

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:

"Russian manufacturers saw a modest improvement in operating conditions in May, and the sharpest since March 2019. Contributing to the upturn was a renewed rise in new orders, as domestic and foreign client demand strengthened.

"Companies reportedly reined in their input buying in an effort to cut costs, and utilised current stocks to supplement production. Nonetheless, employment rose to facilitate incoming new work as backlogs were further reduced.

"A theme sustained into May data were significant supply-chain disruptions. Delays lengthened to the greatest extent for a year and input prices rose markedly.

"Manufacturers were the least upbeat since January, as concerns regarding prices and client purchasing power weighed on confidence. Nonetheless, our current forecast anticipates a near 3% year-on-year increase in industrial production during 2021."

export orders supported total sales. The increase in foreign client demand brought to an end a four-month sequence of decline, as companies suggested that the acquisition of new customers contributed to the upturn.

Vendor performance deteriorated substantially in May. The extent to which delivery times lengthened was the most marked for a year amid supplier shortages and transportation delays. As a result, input prices rose at a marked pace, with firms overwhelmingly linking this to input shortages. Although slightly slower than that seen in April, the rate of cost inflation was historically elevated.

In line with stronger demand conditions, firms were able to partially pass on higher costs to their clients in May. Similar to the trend in input prices, charges rose at a softer rate than in April, but at the second-quickest pace since February 2015.

Meanwhile, employment increased at a faster pace in May. The rate of growth was the steepest since December 2018 as companies stated that greater employment was necessary to support production requirements. Nevertheless, backlogs of work continued to decline, and at a strong rate.

Despite a renewed rise in new orders, firms continued to register a decline in purchasing activity. The decrease in input buying was the quickest in 2021 so far, as manufacturers utilised stocks of purchases and finished goods to supplement production.

Output expectations regarding the year ahead remained upbeat midway through the second quarter, and were historically elevated. That said, the degree of confidence dipped to a four-month low amid soaring input prices and pressure on margins.

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](mailto:economics@ihsmarkit.com).

### Survey dates and history

May data were collected 12-24 May 2021.

Survey data were first collected September 1997.

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