

# IHS Markit Russia Manufacturing PMI®

## Slower expansion in output amid softer client demand

### Key findings

Growth in production moderates

Vendor performance deteriorates to greatest extent since May 2020 but...

...rate of cost inflation eases to five-month low

Data were collected 12-25 March 2021.

March PMI® data signalled another marginal improvement in operating conditions across the Russian manufacturing sector. The overall expansion slowed slightly, however, as the upturns in output and client demand softened. Severe supply chain disruptions continued to impact goods producers, as raw material shortages led to marked hikes in input costs and a further decrease in purchasing activity. At the same time, selling prices rose at the second-fastest pace for over six years as firms sought to partially pass on higher costs.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 51.1 in March, down slightly from 51.5 in February to signal a marginal improvement in the health of the Russian manufacturing sector. The latest headline index reading was, however, broadly in line with the long-run series average.

Contributing to the softer overall upturn was a softer increase in production among goods producers. Although firms linked the increase in output to a sustained rise in client demand, firms noted a loss of growth momentum amid constraints on production imposed by supplier price hikes and raw material shortages.

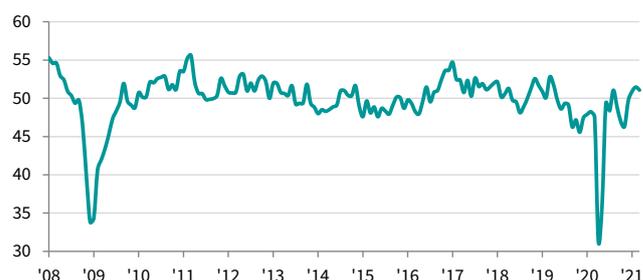
New orders increased for the third successive month in March, albeit at the slowest pace in the aforementioned sequence of expansion. The marginal rise was reportedly linked to greater demand from existing clients. In contrast, new export orders fell further. The rate of contraction softened from February's solid decline, however.

Meanwhile, vendor performance deteriorated to the greatest extent since May 2020 at the end of the first quarter. Longer lead times were commonly attributed to severe

*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:

"March PMI data signalled a loss of growth momentum across the Russian manufacturing sector. Price hikes and supply shortages constrained production, whilst softer client demand weighed on the increase in new orders.

"Strain on global supply chains pushed input costs up once again and at a marked pace. Although firms increased their selling prices at a slower rate, it was nonetheless among the fastest for six years in an effort to partially pass on soaring costs. Further historically elevated rates of inflation in March add to concern regarding building price pressures through 2021 to date by the Central Bank of Russia. We are currently forecasting three more interest rates hikes before the end of the year."

transportation delays, supplier capacity constraints and raw material shortages. The extent to which delivery times lengthened was also one of the most marked in the over-23 year series history.

In line with supply shortages, manufacturers registered a further marked rise in input costs. Although the rate of cost inflation eased to a five-month low it was well above the series trend.

In response, firms continued to raise their selling prices in March. The increase in charges was widely linked to the pass-through of higher costs to clients. The rate of output price inflation was slightly softer than that seen in February, but was nonetheless the second-sharpest for over six years.

Supply chain disruptions also impacted stock control at manufacturing firms. Companies registered a renewed drop in input buying amid supplier price hikes. As a result, pre- and post-production inventories dwindled amid challenges replenishing stocks, with the latter falling at the quickest rate since June 2020.

At the same time, softer new order growth led to a further decline in backlogs of work. The level of outstanding business fell solidly amid sufficient capacity to process incoming new work. Subsequently, employment was broadly unchanged in March, bringing to an end a two-month sequence of expansion.

Finally, output expectations at manufacturing firms softened slightly, but were upbeat overall. The degree of optimism was the second-highest since January 2020 amid hopes of an uptick in client demand and planned investment.

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

March data were collected 12-25 March 2021.

Survey data were first collected September 1997.

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