

Embargoed until 0900 MSK (0600 UTC) 30 April 2020

IHS MARKIT RUSSIA MANUFACTURING PMI®

COVID-19 impact leads to unprecedented declines in output and new orders

KEY FINDINGS

Fastest contractions in production and total sales since September 1997

Inflationary pressures intensify

Output expectations slump to series low

Data were collected 7-24 April 2020.

Latest PMI® survey data signalled a substantial contraction in production across the Russia manufacturing sector, as emergency public health measures to halt the spread of the coronavirus disease 2019 (COVID-19) led to factory closures and a marked reduction in client demand. Although firms remained optimistic of an increase in output over the coming year, expectations dropped to a series low (since April 2012) and workforce numbers were reduced steeply.

Meanwhile, inflationary pressures intensified as supplier shortages and an unfavourable exchange rates pushed the price of imported inputs up.

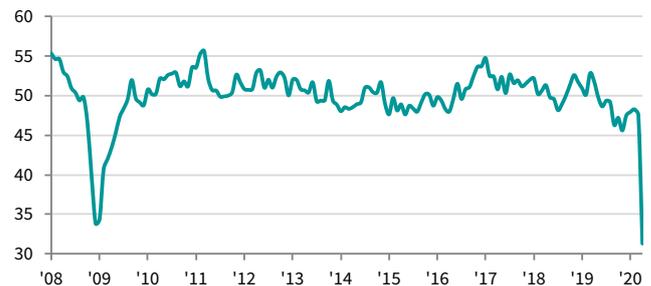
The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® posted 31.3 in April, down notably from 47.5 in March, and signalled the greater deterioration in operating conditions across the Russian manufacturing sector since data collection for the survey began in September 1997.

The drop in the headline figure was driven by a faster downturn in production across the Russian manufacturing sector in April. The rate of contraction was the strongest since data collection began in September 1997, as COVID-19-related factory closures and lockdowns weighed on client demand.

Concurrently, new orders fell at an unprecedented pace at the start of the second quarter. The decline in total sales was largely driven by challenging domestic and foreign demand conditions following the escalation of the virus outbreak across Europe. New export orders contracted at a record rate, with a number of firms stating that clients had cancelled or postponed orders since emergency public health measures were put in place.

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit

Meanwhile, a depreciation of the ruble pushed imported input prices higher in April. Unfavourable exchange rates were partially behind the sharp increase in cost burdens during the month, with the pace of inflation accelerating to the fastest since the hike in VAT in January 2019. Nonetheless, firms passed some part of the rise in input prices to their clients through a strong increase in output charges.

Manufacturers registered a decrease in the degree of optimism towards the outlook for output over the coming 12 months. Although still expecting a rise in production, firms were their least confident since the series began in April 2012. Key concerns for companies were the length of lockdowns and how quickly the economy will recover once emergency measures are lifted.

In line with a marked drop in client demand, firms cut their workforce numbers at the quickest rate since January 2009. The decrease in employment was a stark turnaround from the broadly unchanged levels seen in March.

At the same time, backlogs of work fell at the strongest pace since December 2008, thereby expanding spare capacity further.

Despite a sharp reduction in purchasing activity across the Russian manufacturing sector, vendor performance continued to deteriorate, and to the greatest extent since data collection began in September 1997. Longer lead times stemmed from logistical issues following the outbreak of COVID-19 and supplier shortages.

COMMENT

Siân Jones, Economist at IHS Markit, which compiles the Russia Manufacturing PMI survey, commented:

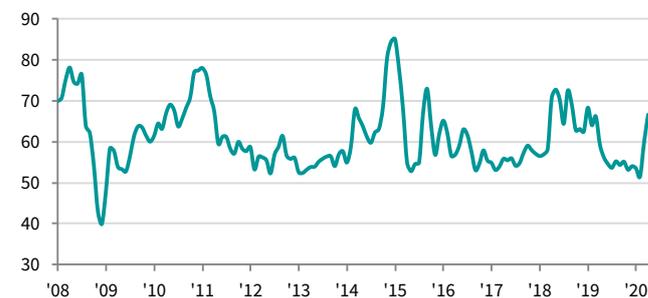
"Already-difficult demand conditions across the Russia manufacturing sector were further exacerbated by factory closures and lockdowns following the escalation of the outbreak of COVID-19. Output and new orders contracted at unprecedented rates as domestic and foreign client demand slumped.

"Of concern was a sharp uptick in input prices, with the rate of inflation at the fastest since the hike in VAT in early-2019. A depreciation of the rouble and supplier shortages drove costs higher, with some firms still partly able to pass costs on to clients.

"We expect industrial production in Russia to decline 3.8% in 2020, as the impact of the COVID-19 outbreak takes hold. Manufacturers remained optimistic of a rise in output in the coming year, but confidence was knocked such that it dropped to a series low."

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

April data were collected 7-24 April 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.