

IHS Markit Russia Manufacturing PMI®

Output continues to grow despite muted demand conditions in December

Key findings

Modest expansion in production but relatively subdued rise in new orders

Inflationary pressures intensify

Vendor performance deteriorates sharply

Data were collected 06-17 December 2021.

Russian goods producers signalled a marginal improvement in the health of the sector at the end of 2021, according to December PMI® data. The rate of overall growth was broadly in line with that seen in November, amid steady expansions in output and new orders. Although domestic demand held up, new export orders returned to contraction. Meanwhile, a further deterioration in vendor performance amid logistical delays pushed input prices up. Cost burdens rose at the fastest pace for five months, with firms increasing their selling prices at a sharper rate in response.

Reports of sufficient capacity to work through incoming new orders led to a slower upturn in workforce numbers and the steepest fall in work-in-hand for six months.

The headline seasonally adjusted IHS Markit Russia Manufacturing PMI® registered 51.6 in December, broadly in line with 51.7 in November. Although marginal, the latest data indicated a third successive monthly improvement in operating conditions across the sector, with the rate of expansion stronger than the long-run series average.

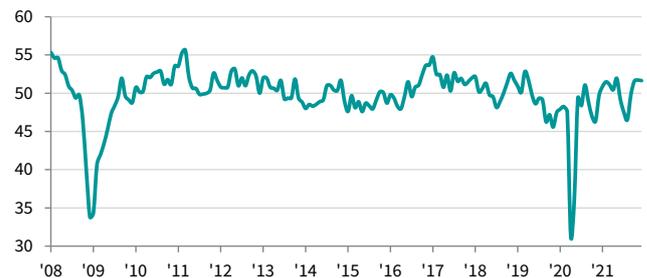
Supporting a further upturn in the health of the sector was a fourth consecutive rise in output at Russian manufacturing firms in December. The pace of growth was modest overall and little-changed from the rate seen in the previous survey period. Where a rise in production was noted, companies linked this to a sustained uptick in new orders.

Contributing to greater production requirements was another rise in new orders at the end of 2021. Some firms stated that steady demand conditions helped drive up total

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:

"The Russian manufacturing sector signalled relatively steady growth in output and new orders at the end of 2021. That said, pressure on capacity waned again and job creation slowed.

"Nevertheless, firms sought to boost stocks as pre- and post-production inventories tumbled again and lead times lengthened to a greater extent. The rate of cost inflation quickened to the fastest for five months, as transportation and logistics issues pushed supplier charges up. Steady demand allowed companies to pass through some of these hikes in costs, however.

"Downside risks to the outlook emerged in December, however, as business optimism regarding future output levels softened. High COVID-19 virus cases and the spread of the Omicron variant, alongside mounting inflationary pressures, are likely to weigh on domestic and foreign client demand thus creating challenges for manufacturers in the opening stages of 2022."

sales, despite the rate of growth being historically subdued. In contrast to the trend for total new orders, foreign client demand fell for the sixth time in the last seven months.

At the same time, Russian goods producers registered a greater deterioration in vendor performance at the end of 2021. The extent to which lead times lengthened was the among the most marked since May 2020.

Transportation and logistical delays, alongside supplier shortages, were also highlighted as having driven input prices up in December. The rate of cost inflation accelerated to the fastest in five months and was marked overall. Manufacturers continued to note the pass-through of higher costs to client where possible, with the rate of charge inflation quickening to a four-month high.

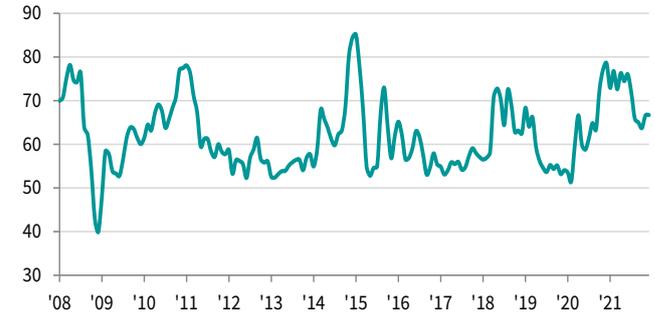
Efforts to secure stocks of inputs amid stronger inflationary pressure led to a further uptick in purchasing activity in December. Goods producers registered only a marginal increase in input buying, albeit one of the fastest in 2021.

That said, pre-production inventories contracted at the quickest pace for three months. Meanwhile, stocks of finished goods fell sharply, and at the second-fastest pace since April.

In line with only a slight upturn in new orders, Russian manufacturers moderated their hiring activity in December. Employment rose only marginally as firms were able to stay on top of workloads. Backlogs contracted at the sharpest pace for six months.

Output expectations dipped at the end of 2021. Although broadly upbeat regarding the outlook for output over the coming year, the degree of confidence at Russian manufacturers slipped to a three-month low.

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

December data were collected 06-17 December 2021.

Survey data were first collected September 1997.

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