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INDEPENDENT NEWS FROM RUSSIA

Conditions for Russian Manufacturers Improve in April

Production and client demand are growing.

By bne IntelliNews

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Russia's manufacturing sector has returned to growth, but lacks momentum. **Mikhail Tereschenko / Moskva News Agency**

Russian manufacturers registered a moderate improvement in operating conditions in April on the back of growing production and a strong increase in client demand, but activity slowed from March, which saw the strongest increase in manufacturing in the last two years.

The seasonally adjusted IHS Markit Russia Manufacturing Purchasing Managers' Index (PMI) stood at 51.8 in April, down from 52.8 in March, but above the 50 no-change mark.

February was a particularly strong month for Russia's manufacturers. Industrial production surged by 4.1 percent but then dropped back to 1.2 percent in March. The manufacturing PMI was also mostly flat in February at 50.1 but then surged in March to 52.8. The services PMI was

a lot stronger at 54.4 in March.

All-in-all, while Russia's manufacturing sector has returned to growth, it has failed to build up substantial momentum as economic growth in general remains weak and constrained by the lack of structural reforms.

It was the domestic markets that drove the upturn in sales in April, reported Markit, with new export orders unchanged from March.

Despite a further monthly rise in new orders, employment fell for the second time in four months. The marginal fall in employment was faster than the series trend and reportedly stemmed from redundancies and efficiency gains in production.

Meanwhile, inflationary pressures softened as the impact of January's hike in VAT continued to peter out. The increase in cost burdens was the slowest since March 2018. And backlogs of work fell for the twentieth successive month, while stocks of finished goods increased for the first time since last October.

Business confidence eased from March's recent peak, but was nonetheless the second-highest since May 2013. Russia's business confidence has been mildly optimistic for four months in a row, according to the most recent Rosstat survey.

"The modest improvement in the health of the manufacturing sector was the second-strongest since last November and broadly in line with the series trend," Markit said in a press release.

Manufacturers stated that the acquisition of new clients and new product development supported an upbeat outlook for output over the coming year. Expectations were robust and the degree of confidence was the second-strongest since May 2013, despite easing from March.

This article is from bne IntelliNews Russia monthly country report.

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