

Russian Manufacturing PMI Falls to Record Low

Conditions at their worst since 1997.

April 30, 2020



Russia has shutdown all non-essential businesses until at least May 12. Sergei Vedyashkin / Moskva News Agency

The outlook in the Russian manufacturing industry is at its worst in more than two decades, the influential purchasing managers' index (PMI) reading has shown.

Levels of both production and sales dropped at the fastest rate since records began in 1997 between March and April, IHS Markit said Thursday, in yet another sign of the unprecedented economic slump Russia is facing as a result of the coronavirus.

The manufacturing PMI index fell to 31.3 on a reading where scores below 50 indicate the sector is in contraction. The index had previously not posted a score below even 45 at any point in the last decade.

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Economists at IHS Markit said economic conditions for Russian producers were aggravated by the slump in the value of the ruble, which has led to higher costs for imported goods and materials, at a time when demand is collapsing and customers have cancelled orders. Exports have been particularly badly hit, as demand from key markets in Europe has also crashed.

A recent study by the Bank of Finland found that as a result of Russia's <u>reliance</u> on oil and raw material exports, Russia is more exposed to the spillover effects of economic shutdowns in other countries than in more diversified economies, including Germany, the U.S., France, Japan and China.

Optimism that the coronavirus slump could be shortlived also dissipated within the sector, IHS Markit found, as the outlook for the future sank to its lowest level since 2012.

"Key concerns for companies were the length of lockdowns and how quickly the economy will recover once emergency measures are lifted."

Economists expect Russia to be hit hard by the economic consequences of the coronavirus. The International Monetary Fund said GDP will <u>contract</u> by 5.5% in 2020 — almost twice the fall predicted for the global economy.

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