

Russian Manufacturing PMI Falls to Lowest Level Since April 2022

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An ATM manufacturing plant in Moscow. **Yaroslav Chingaev / Moskva News Agency**

Russia's manufacturing sector suffered its steepest downturn in nearly three years last month, according to the latest [data](#) from S&P Global, as faltering domestic and export demand drove declines in output and new orders.

The Purchasing Managers' Index (PMI) for Russian manufacturing fell to 48.2 in March, down from 50.2 in February — its second month of weak performance after the relatively strong 53.1 posted in January.

The Russian Central Bank has been predicting a sharp economic slowdown since August 2024 as the regulator started to introduce [non-monetary policy methods](#) to cool an overheated economy to bring down stubborn inflation that was running at 9.9% in January.

The PMI collapse signaled a renewed deterioration in operating conditions and was the sharpest decline since April 2022 and the first contraction since September last year.

However, the silver lining is that [inflation probably peaked in January](#) and may begin to fall from here, analysts at Renaissance Capital said in a note in February. However, sky-high interest rates, currently at 21%, are unlikely to be cut anytime soon, the analysts said.

The poor performance in manufacturing is mirrored in both the service sector and the combined PMI scores. In February 2025, Russia's services sector also posted a notable deceleration in growth. The S&P Global Russia Services PMI declined to 50.5, down from January's 54.6.

At the same time, the composite PMI, which combines manufacturing and services data, slipped to 50.4 in February from January's 12-month high of 54.7. New services and combined PMI scores are due to be posted later this week and are expected to show similar falls to below the 50 benchmark.

The contraction was led by a solid fall in production, ending a four-month run of expansion. S&P Global noted that the decline in output was the sharpest since July 2022.

The downturn was attributed to weakening demand, with new order inflows falling for the first time since October 2023. Export sales also declined, compounding the reduction in total new business.

Manufacturers responded by curtailing input purchases, drawing down inventories instead.

“Muted client demand sparked a further reduction in input buying during March,” the report stated, adding that “the decline in purchasing activity was the sharpest since August 2022.”

Firms also reported difficulty replenishing stocks, and while supply chain pressures eased slightly, delays linked to logistics and rail transport continued to affect delivery times.

As Rencap predicted, inflationary pressures moderated during the month, as more favorable exchange rate movements helped limit the cost of imported goods.

“Input costs rose at a historically subdued pace,” with the latest increase marking the weakest since December 2022. Output charges rose further, but the pace of selling price inflation was the slowest in two years and below the historical series average.

Though the Central Bank is attempting to engineer a soft landing for the economy, some have predicted that Russia will see a [wave of bankruptcies](#) later this year, while others say Russia's economy is more robust than it first appears.

The PMI indices will provide a good measure of how well the Central Bank and the Finance Ministry are managing the enforced economic slow-down to tackle inflation.

A positive sign that the authorities are doing a good job so far is that despite the downturn in demand, business confidence improved, driven by expectations of stronger future output supported by investment in product development and marketing.

“The level of positive sentiment was marked and the highest in four months,” the survey noted. This outlook prompted modest hiring, with employment rising at the second-fastest pace since August 2024. However, job creation remained marginal.

Backlogs of work declined at an accelerated pace, reflecting the combination of higher staffing and reduced order volumes. The fall in outstanding business was the joint-steepest since February 2024.

Overall, the data point to mounting pressures on Russia's industrial economy as subdued demand and logistical constraints weigh on performance, despite pockets of optimism and easing cost pressures.

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