

News Release

Embargoed until 0600 UTC 05 June 2023

S&P Global Russia Services PMI[®]

Sustained rise in new business, but demand sparks renewed cost pressures

Key findings

Output and new orders rise further, albeit at softer rates

Input cost inflation regains momentum

Further expansion in employment

May PMI[®] data indicated a further expansion in business activity across the Russian service sector. The solid upturn in output was driven by another increase in new business as firms noted new client wins and strength in foreign markets. The sustained rise in new orders led firms to expand employment, which grew at the second-fastest pace since June 2021. Despite greater workforce numbers, pressure on capacity was evident as backlogs of work returned to growth territory, albeit rising only fractionally. Looking ahead, firms were the least optimistic regarding the outlook for output for four months.

Input price inflation meanwhile regained strength as cost burdens rose at a faster rate. Nonetheless, efforts by firms to drive sales and remain competitive led to a moderation in the pace of increase in output charges.

The seasonally adjusted S&P Global Russia Services PMI[®] Business Activity Index registered 54.3 in May, down from 55.9 in April, to signal a solid expansion in output at Russian service providers. Although the slowest in three months, the rate of growth was slightly stronger than the series trend, as a sustained upturn in new business drove the increase.

Russian service sector firms registered a fourth successive monthly expansion in new orders during May. Companies stated that greater client demand and a wider range of project opportunities following new product development spurred growth. The rate of increase eased for the second month running, however, and was the slowest in the recent four-month span of expansion.

Total new business was supported by a renewed rise in new export orders. The strong upturn was in notable contrast to the marginal contraction seen in April, with the rate of growth the quickest in almost two years.

May data signalled a sharper rise in input costs at Russian services firms. The pace of input price inflation was steep overall, with companies citing the influence of higher supplier

S&P Global Russia Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-26 May 2023.

prices alongside greater wage and utility bills. Nonetheless, the rate of increase was the second-slowest since January 2021 and was weaker than the series average.

Despite stronger cost pressures in May, Russian service providers raised their output charges at a softer pace. The rate of increase was faster than the series trend, but moderated amid efforts by firms to remain competitive and drive new sales.

Services firms recorded a fourth consecutive monthly expansion in employment midway through the second quarter. The sustained increase in workforce numbers was linked to another upturn in business requirements and new orders. Although the pace of job creation eased, it was solid overall and the second-sharpest since June 2021.

Firms reported pressure on capacity, in line with greater inflows of new business in May. Despite another increase in staffing levels, companies registered a renewed increase in backlogs of work. The rise in outstanding business was the second in the last three months, but it was only fractional overall.

Business confidence at Russian service providers slipped in May, as the degree of optimism dropped to a four-month low and was only modest in the context of the series history. Nonetheless, companies remained broadly upbeat regarding the outlook for output over the coming year amid hopes of further upticks in demand and planned investment in marketing.

PMI[®]

by S&P Global

© 2023 S&P Global

S&P Global Russia Composite PMI®

Solid upturn in business activity, as new orders expand further in May

The S&P Global Russia Composite PMI Output Index* posted at 54.4 in May, down slightly from 55.1 in April. The latest reading signalled a solid expansion in private sector business activity, albeit with a slower upturn in service sector output dampening the pace of overall growth.

Similarly, a softer increase in service sector new business offset a sharper expansion in manufacturing new orders. Nonetheless, overall client demand grew at a solid pace. New export orders, however, returned to contraction territory amid a renewed decline in manufacturing foreign client demand.

Meanwhile, the rate of cost inflation picked up and was marked overall. The pace of increase was the fastest for three months amid higher supplier and wage costs. That said, efforts to drive sales led to softer upticks in output charges in both monitored sectors.

Russian firms continued to expand their workforce numbers in May, with employment rising at the second-fastest pace since June 2021. Greater capacity allowed firms to work through their outstanding business as backlogs of work fell.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Survey methodology

The S&P Global Russia Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 250 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in October 2001.

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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

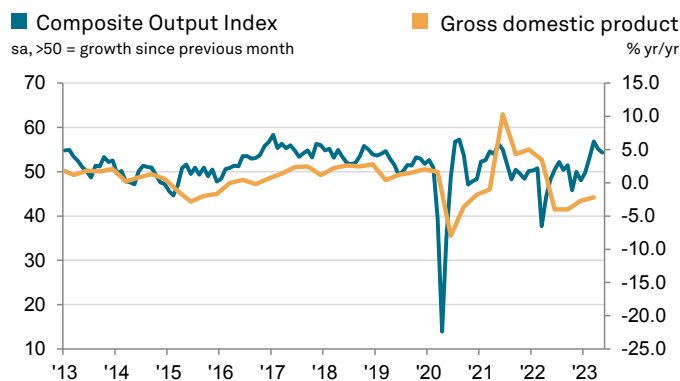
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.



Sources: S&P Global, FSSS.

Contact

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

About S&P Global

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

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. ihsmarkit.com/products/pmi.html