

# News Release

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## S&P Global Russia Services PMI®

### Contractions in Russian service sector output and new orders ease in November

#### Key findings

Declines in activity and new orders only marginal overall

Cost burdens continue to rise at marked pace

Renewed optimism among service providers

Russian service sector firms signalled back-to-back contractions in business activity in November, according to the latest PMI® data, as client demand weakened. That said, the rates of decline in output and new orders softened and were only marginal, as some firms noted the acquisition of new customers. The slower pace of contraction in new orders contrasted with a sharper fall in new business from abroad, as foreign customer demand weighed on total sales. Muted demand conditions led to a further decline in employment, as backlogs of work decreased at a solid pace. Nonetheless, firms recorded a return to positive expectations for output over the coming year.

Meanwhile, rates of input price and output charge inflation were little-changed from October. Cost burdens rose markedly, but growing reports of discounts in an effort to drive sales led to the slowest increase in selling prices since February 2021.

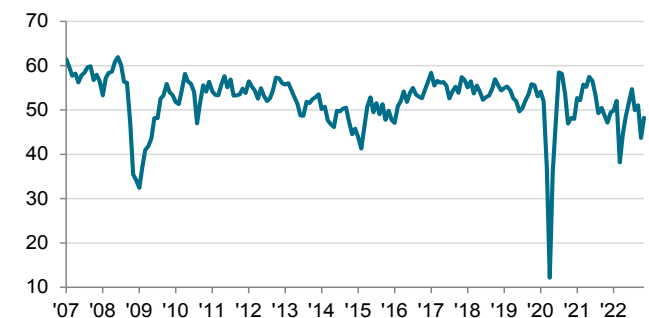
The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 48.3 in November, up from 43.7 in October. The latest data signalled a marginal contraction in output at Russian service providers. The rate of decline softened notably from that seen in the previous survey period. Where a fall in activity was noted, firms attributed this to weak client demand and another monthly decrease in new orders.

November data indicated only a marginal decline in new business at Russian service sector firms. The fall in new orders slowed from October, as companies stated that the acquisition of new customers had led to a less severe contraction. Nevertheless, firms highlighted subdued demand conditions.

At the same time, new export orders fell sharply midway through the fourth quarter amid weak global client demand and logistics issues. New business from abroad fell at a rate that was quicker than that seen in October and steeper than

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-28 November 2022.

the series average.

Hikes in supplier and logistics costs drove input prices higher in November, as Russian service providers registered a marked rise in overall operating expenses. The increase in input prices was fractionally slower than in October, but quicker than the series trend pace.

Despite a further substantial rise in cost burdens, November data indicated the slowest uptick in output charges since February 2021. A number of Russian service sector firms stated that discounts and concessions made to clients were intended to drive sales.

Although new business contracted for a second month running, Russian service providers registered renewed optimism in November regarding the outlook for output over the coming year. Confidence was reportedly due to hopes of greater client demand and a reduction in competition. The degree of positive sentiment was historically subdued, however.

Stronger output expectations were not reflected in hiring activity among Russian service sector firms, as employment fell for the fourth month running. Lower staffing levels were attributed to reduced business requirements following weak client demand. The fall in workforce numbers was strong overall.

Lower new orders also led to a further contraction in backlogs of work at service providers in November. Firms noted sufficient capacity to process incoming new work, as the level of incomplete business fell at a solid pace.

PMI®

by S&P Global

# S&P Global Russia Composite PMI®

## Output stagnates in November, as service sector weakness offsets manufacturing expansion

The S&P Global Russia Composite PMI Output Index\* posted 50.0 in November, up from 45.8 in October, to signal no change in private sector business activity during the month. A further contraction in service sector output counteracted a solid rise in manufacturing production.

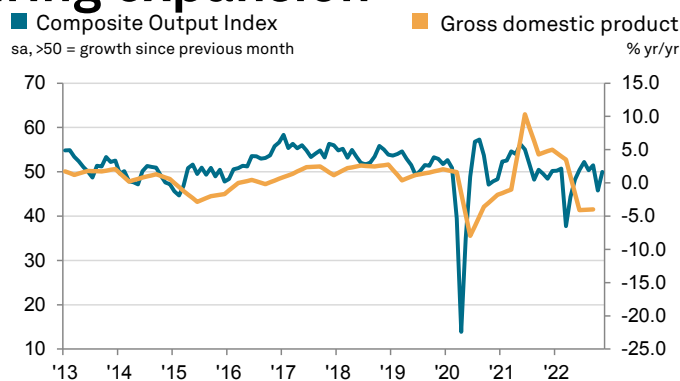
Similarly, new orders were broadly unchanged across the Russian private sector as service sector weakness dampened a quicker monthly expansion in manufacturing demand. Export sales continued to decline sharply, however.

Cost pressures at private sector firms eased slightly in November, as input prices rose at a slower pace. Output charges meanwhile increased at the joint-softest rate since August 2020.

Total employment fell for the fourth month running midway through the final quarter of 2022, as backlogs of work declined further.

Meanwhile, business confidence was buoyed by stronger expectations at manufacturers and renewed optimism at service sector firms.

\*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.



Sources: S&P Global, FSSS.

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### 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](mailto:economics@ihsmarkit.com).

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