

News Release

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S&P Global Russia Services PMI®

Business activity growth slows sharply amid softer demand conditions in February

Key findings

Output and new orders rise at weakest rates in 13 months

Input costs increase at slowest pace since July 2020

Employment growth only fractional

The Russian service sector lost growth momentum during February, according to the latest PMI® survey from S&P Global. A weaker rise in output stemmed from a slower increase in new orders as demand conditions softened. Moreover, the slowest rise in new orders for over a year led firms to moderate their hiring activity and business confidence, with job creation easing notably to only a fractional rate.

Meanwhile, inflationary pressures eased at service providers. Input costs rose at the weakest pace since July 2020, while efforts to drive sales led selling prices to increase at the slowest rate in 11 months.

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 51.1 in February, down notably from 55.8 in January and signalling the weakest upturn in output in the current 13-month sequence of growth. The rise in business activity was only marginal overall and well below the long-run series average. Although firms, on balance, continued to note greater incoming new work, many highlighted a slowdown in new orders amid softer demand conditions.

The more moderate expansion in activity reflected a weaker rate of new business growth. New orders posted the smallest increase in the current sequence of expansion that began just over a year ago, with growth having slowed notably from January to a historically muted pace. Some companies stated that higher prices for services had led to the loss of customers and smaller orders being placed.

At the same time, new export orders expanded at a slower pace. The rate of growth was only marginal and the weakest since last August as logistics issues deterred international customers from placing orders.

Some instances of reduced supplier and transportation costs led to the slowest rise in input prices since July 2020 at Russian service providers in February. The pace of cost

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-27 February 2024.

inflation eased for the third month running and was below the long-run series average. Where a rise in cost burdens was reported, this was attributed to higher wage bills and increased material prices.

In line with a weaker rise in input costs and signs of softer customer demand, services firms moderated the pace at which output charges increased during February. The rate of selling price inflation was the slowest since March 2023 and among the weakest in three years.

Challenges retaining staff and slower new order growth led some firms to not replace voluntary leavers, which resulted in only a fractional rise in employment midway through the first quarter. The rate of job creation was the softest in the current seven-month sequence of growth.

February data signalled a further rise in backlogs of work at service providers. The level of outstanding business increased amid reports of insufficient capacity to process incoming new orders in a timely manner. Moreover, the rate of accumulation picked up from January.

Finally, service sector firms remained upbeat regarding the outlook for output over the next year in February. Although slipping from January's near five-year high, the degree of confidence was stronger than the series trend. Optimism partly stemmed from planned investment in expanding customer bases.

PMI®

by S&P Global

S&P Global Russia Composite PMI®

Weakest rise in business activity since January 2023

The S&P Global Russia Composite PMI Output Index* posted at 52.2 in February, down from 55.1 in January, to signal the slowest expansion in business activity in the current 13-month sequence of growth. Although manufacturers recorded a faster upturn in production, the private sector performance was weighed down by slower service sector growth.

Similarly, despite a sharper rise in new orders at goods producers, total new sales increased at the slowest rate since last July amid less robust demand conditions among service providers. Exports, meanwhile, continued to contract, and at a steeper pace.

Overall cost inflationary pressures eased in February amid reports of reductions in some material and supplier prices. Firms' efforts to price competitively and drive new sales also led to a softer uptick in selling prices. Input costs and output charges rose at the slowest rates since July 2020 and March 2023, respectively.

Although manufacturers registered a renewed rise in employment, slower job creation among service providers dampened the overall upturn in staffing numbers.

*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.

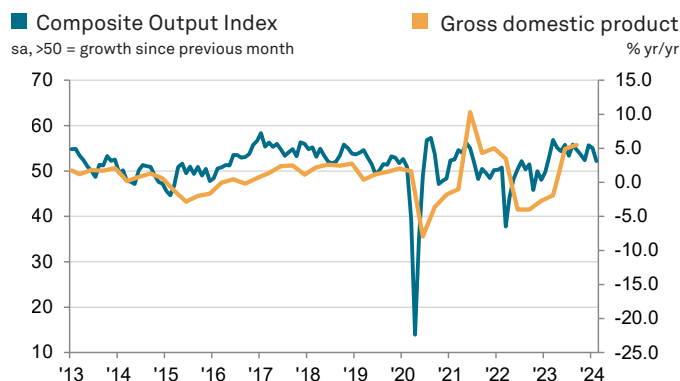
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi