

News Release

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S&P Global Russia Services PMI[®]

Business activity expands at fastest pace in over a year as demand strengthens

Key findings

Sharpest rise in new orders since August 2020 drives output up

Cost pressures ease further

Renewed expansion in employment

Russian service providers registered a stronger upturn in business activity during July, according to the latest PMI[®] data. The rate of output growth was the fastest for just over a year, with activity supported by a sharper upturn in new business. Greater client demand was domestically-focussed, however, as new export orders contracted markedly and at an increased pace. Pressure on capacity following increased new orders and input shortages was reflected in renewed upticks in employment and backlogs of work.

Meanwhile, the rate of cost inflation slowed for the fourth month running but remained historically elevated. Although the pace of increase in prices charged quickened, it was well below those seen earlier in the year.

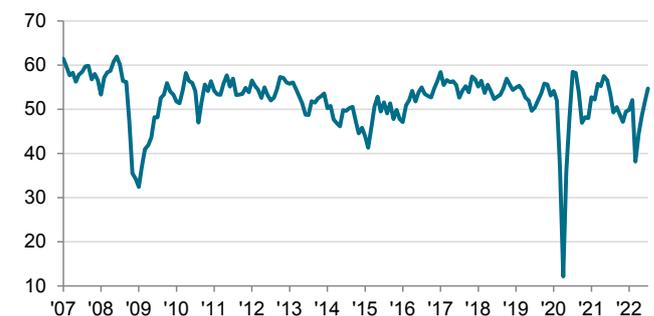
The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 54.7 in July, up from 51.7 in June, to signal the fastest rise in business activity since June 2021. Russian service providers stated that the upturn in output was due to greater new business inflows and stronger domestic client demand.

Contributing to the growth in output across the Russian service sector was a second consecutive monthly increase in new orders at the start of the third quarter. The rise in new business was sharp overall and the fastest since August 2020. The upturn also signalled a notable turnaround from the marked contractions seen earlier in the year.

That said, stronger customer demand was confined to the domestic market as new export orders fell substantially in July. The ongoing impact of sanctions reportedly dampened foreign client demand.

At the same time, average cost burdens rose further during July. Where an increase in input prices was recorded, firms linked this to higher supplier and input costs, alongside hikes in wages. Some companies also stated that the impact of sanctions and unfavourable exchange rates had driven imported input costs up. Despite being sharper

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



Source: S&P Global.

Data were collected 12-27 July 2022.

than the series long-run trend, the rate of inflation eased further from March's recent peak and was the slowest since February.

Service providers in Russia continued to pass-through higher costs to clients via increases in selling prices during July. The pace of charge inflation quickened from June's 16-month low, but was much softer than the rates seen earlier in the year.

In line with greater new business, firms stepped up their hiring activity during July. Employment rose for the first time since November 2021 and at the sharpest pace for a year. Companies noted that job creation stemmed from increased business requirements.

Nevertheless, pressure on capacity grew. Russian service providers indicated a renewed rise in backlogs of work, the first in a year-and-a-half. Input shortages and a stronger upturn in new business led to the steepest rate of growth in unfinished business since November 2003.

Finally, Russian service sector firms registered the strongest degree of confidence in the outlook for output over the coming year for ten months. Companies attributed optimism to improvements in the health of the wider economy and further upticks in client demand.

PMI[®]

by S&P Global

S&P Global Russia Composite PMI®

Private sector output rises at fastest pace in over a year in July

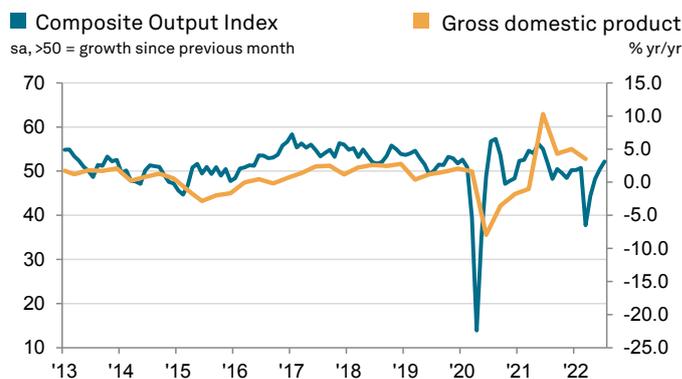
The S&P Global Russia Composite PMI Output Index* posted 52.2 in July, up from 50.4 in June. The latest index reading signalled a modest upturn in private sector business activity that was the steepest since June 2021. The expansion was led by the service sector, as manufacturers registered a stronger decline in production.

In contrast, new orders increased across the private sector. Client demand strengthened on the month, but was driven exclusively by the domestic market as new export orders contracted sharply again.

On the price front, overall cost burdens rose at a softer pace as manufacturers and services providers recorded rates of increase far slower than those seen earlier in the year. Higher supplier and material costs continued to be passed on to clients via increases in output charges, but to a lesser extent than March's recent peak.

Pressure on capacity led to renewed increases in employment and backlogs of work during July, led by the service sector.

*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.

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