

News Release

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S&P Global Russia Services PMI[®]

Fastest fall in business activity since May 2020 as new orders contract markedly

Key findings

Steep declines in output and new business

Inflationary pressures strengthen to reach series highs

Employment contracts at sharpest rate since June 2020

Russian service providers registered a marked contraction in business activity in March, according to the latest PMI[®] data. The decline in output was the fastest since May 2020, following a substantial drop in client demand and new orders. Weaker domestic and foreign customer demand was recorded. Subsequently, firms cut back on workforces, with employment declining at the sharpest pace since June 2020. Reduced staffing numbers also reflected subdued business confidence, as expectations regarding the year-ahead outlook slumped to their lowest in two years.

Meanwhile, inflationary pressures intensified notably compared to February. Rates of input price and output charge inflation accelerated to series-record highs amid hikes in supplier charges and input costs.

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 38.1 in March, down from 52.1 in February. The latest data signalled a marked decrease in business activity across the Russian service sector, which contrasted with the modest expansion seen in the previous survey period. The fall in output was the sharpest since the early stages of the pandemic almost two years ago. Where a decrease in activity was reported, firms linked this to the impact of higher selling prices on demand, and geopolitical uncertainty.

March data indicated a substantial drop in new orders at Russian service sector firms. The decline was the fastest since May 2020 and followed broadly unchanged levels of new business in February. Panellists noted that lower order volumes were due to greater economic uncertainty, which weighed heavily on customer demand.

At the same time, service providers signalled a renewed contraction in new export orders. Foreign client demand fell substantially and at the steepest rate since April 2020's series record low.

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-29 March 2022.

On the price front, cost burdens surged again in March. The rate of input price inflation quickened notably from that seen in February and was the sharpest on record. Higher costs were commonly attributed to soaring supplier prices and unfavourable exchange rate movements.

In line with a record rate of cost inflation, Russian service providers raised their selling prices at the fastest pace since the series began in October 2001. The hike in output charges was overwhelmingly linked to the pass-through of higher costs to clients.

Weak client demand led firms to reduce their workforce numbers during March. The fall was the fourth in as many months, with the pace of job shedding quickening to the strongest since June 2020.

The decrease in staffing numbers reflected waning pressure on capacity at the end of the first quarter. Backlogs of work fell further at Russian service sector firms, and at a marked rate that was the quickest in almost two years.

Business confidence regarding the outlook for output over the coming 12 months turned negative in March. Russian services firms signalled a marked turnaround in sentiment from the strong degree of optimism seen in February, as the level of confidence dropped to the lowest since March 2020. Where firms were pessimistic, this was often linked to greater economic and geopolitical uncertainty.

PMI[®]

by S&P Global

S&P Global Russia Composite PMI®

Private sector business activity contracts at fastest pace since May 2020

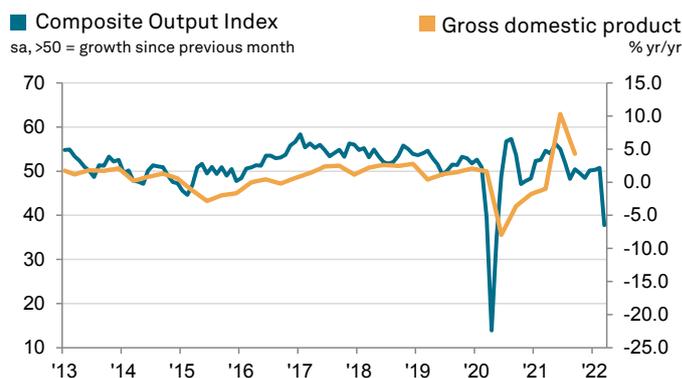
The S&P Global Russia Composite PMI Output Index* posted 37.7 in March, down notably from 50.8 in February. The latest data signalled a marked contraction in private sector business activity as manufacturers and service providers alike recorded substantial declines.

The decrease in output stemmed largely from marked falls in new business across the private sector following increased economic and geopolitical uncertainty. The rate of contraction in new orders was the fastest since May 2020, as foreign client demand also fell substantially.

Inflationary pressures intensified notably in March as both input prices and output charges soared. The respective rates of increase accelerated to hit series records amid unfavourable exchange rates movements and hikes in supplier prices.

Meanwhile, employment contracted at a faster pace as private sector firms recorded sharp declines in backlogs of work and expectations towards future output.

*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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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.