News Release

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S&P Global Russia Services PMI®

Services demand strengthens in June, with job creation fastest since May 2011

Key findings

Sharper rise in new business drives greater activity

Employment growth steepest for over 12 years

Input costs and output charges increase at marked rates

Data were collected 12-28 June 2023.

Russian service sector performance improved in June, as business activity expanded at the fastest rate since March, according to the latest PMI® data from S&P Global. The rise in output was supported by stronger demand conditions and greater customer interest. The upturn in new orders accelerated, as the domestic and external demand environment proved more accommodating. Subsequently, firms recorded another monthly increase in employment. Job creation was the steepest for just over 12 years as pressure on capacity intensified.

On the price front, input costs and output charges rose at quicker rates. Business expenses increased in response to greater wage bills and rising supplier prices, with many firms passing higher costs through to customers.

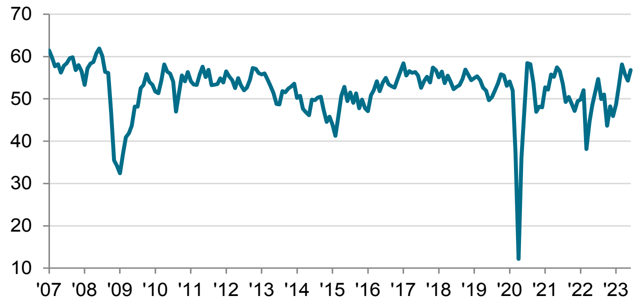
The seasonally adjusted S&P Global Russia Services PMI® Business Activity Index registered 56.8 in June, up from 54.3 in May. The latest data signalled a sharp rise in output at service providers, and one that was the second-fastest since May 2021. The pace of increase was steeper than the series average as firms noted that a stronger demand environment and greater customer interest drove the upturn in business activity.

Concurrently, new business received by service sector firms grew at a sharp pace at the end of the second quarter. New orders rose for the fifth month running, with the rate of expansion reaccelerating to the fastest since March. Panellists often stated that demand conditions were conducive to greater sales, amid increased reports of client referrals.

At the same time, services firms recorded a third expansion in new export orders in the last four months. Foreign client demand was centred on well-established export markets, anecdotal evidence showed. New orders from abroad grew at the steepest rate in over four years, signalling a notable turnaround from the marginal contraction seen in April.

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Greater new orders spurred service providers to increase their workforce numbers during June. Employment rose at a strong pace that was the fastest since May 2011. Firms also sought to broaden capacity following an expansion in business requirements.

Meanwhile, backlogs of work at service sector firms were accumulated for the second month running in June. Although only marginal, the pace of growth in outstanding business was the sharpest since March.

Russian service providers saw cost pressures gain momentum at the end of the second quarter. Although the rate of input price inflation was slightly softer than the series average, it quickened for the second month running to the quickest since February. Anecdotal evidence often linked the rise in business expenses to greater supplier prices and increases in wage bills.

Many firms highlighted that more accommodating demand conditions allowed them to pass through higher costs to customers. June data signalled a substantial uptick in selling prices, as service providers sought to protect margins. The rate of charge inflation was sharper than the series average and the fastest since September 2022.

In line with a boost to client spending, service sector firms registered stronger expectations regarding the outlook for activity over the coming year. Positive sentiment partly reflected hopes that greater client referrals would translate into higher customer numbers. After easing in May, the degree of confidence rebounded close to April's nine-month high.

S&P Global Russia Composite PMI®

Stronger expansion in private sector business activity in June

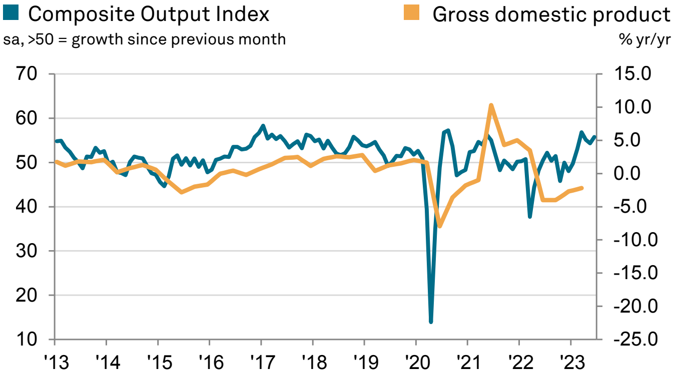
The S&P Global Russia Composite PMI Output Index* posted at 55.8 in June, up from 54.4 in May. The latest data signalled a strong upturn in private sector business activity, with the pace of increase accelerating to the fastest since March. Stronger growth was driven by a sharper uptick in services output, as the rise in manufacturing production eased.

Similarly, the service sector led the increase in new business, with manufacturers recording a softer rise in new orders. At the same time, total new export orders moved back into expansion territory, following a slight contraction in May.

Price pressures gained momentum in June, as input costs rose at the steepest pace since February. Encouraging demand conditions allowed firms to pass through higher costs to customers, as output charges increased at the fastest pace since May last year.

Meanwhile, companies continued to hire additional employees as pressure on capacity at service providers led to the strongest rate of employment growth since January 2004.

*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 PMI, FSSS via S&P Global Market Intelligence.

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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.