News Release

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S&P Global Russia Business Outlook

Confidence in outlook for output at two-year low

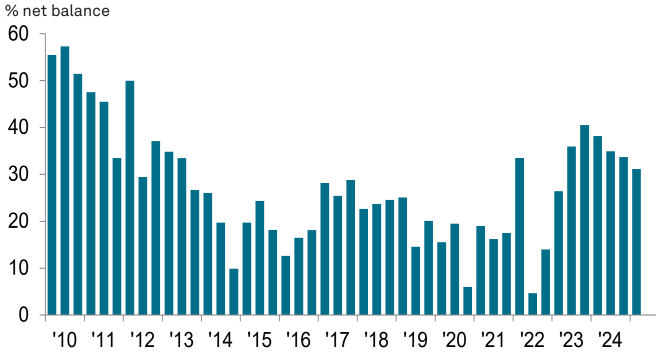
Key findings

Weaker optimism regarding business activity

Employment and investment intentions among the best globally

Steep staff cost inflation expected

Russia Business Activity expectations



Source: S&P Global PMI.
Data were collected 10-26 February 2025

The February S&P Global Russia Business Outlook survey pointed to waning confidence regarding future business activity in the opening quarter of 2025. Hiring plans were also scaled back, but they remained among the highest globally, with investment intentions also relatively strong. Staff cost inflation expectations increased, with companies planning to raise their selling prices more quickly in response in order to maintain positive profits forecasts.

The net balance of companies anticipating higher business activity in 12 months' time was at +31% in February, down from +34% last October and the lowest in two years. Despite easing, optimism in Russia was stronger than the global average (+26%).

The weakening of overall confidence was centred on the manufacturing sector, where the net balance fell sharply to +28% in February from +45% last October. On the other hand, services confidence actually ticked higher and was the strongest for a year (net balance +32%).

When asked about opportunities for growth over the coming year, companies often mentioned that stability in the economy would play a key role in supporting improvements. Expanded product ranges and the opportunity to benefit from import substitution were also noted.

On the other hand, firms expressed caution about wider economic conditions and the geopolitical situation. Inflation, high interest rates and staff shortages were also reported as likely challenges over the coming year.

Staff cost expectations hit new peak

Russian companies predicted a sharp increase in staff costs over the coming year. At +56% in February, the net balance was the highest since combined manufacturing and services data were first available in 2019. In services, where the series goes back to 2007, staff cost expectations were the highest since early 2008.

The net balance for staff costs in Russia was well above the global average (+32%).

Although non-staff input prices are also set to rise over the coming year, at +23% the net balance was much lower than the equivalent for staff costs and also below that seen in October last year (+27%). While non-staff cost expectations in Russia were above the average for the emerging markets covered by the survey, they were below the global average.

With staff costs in particular due to increase sharply over the coming year, Russian companies predicted a rise in selling prices. Here too the net balance came in at +56% and was the highest since the October 2023 outlook survey.

Selling price expectations were broadly similar across the manufacturing and services sectors. This reflected an intensification of price pressures in the service sector, but an easing in manufacturing.

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Optimism around profits ticks higher

Plans to increase selling prices in response to rising input costs meant that Russian companies expect to be able to record profits growth over the next 12 months. In fact, the respective net balance ticked up to +31% in February from +29% last October. Confidence around profitability in Russia was the strongest of the 12 economies for which comparable data are available.

Hiring expectations remain elevated

In line with the outlook for business activity, forecasts around employment also dropped to the lowest in two years in February. That said, at +22%, the net balance was still above the series average and signalled the joint-strongest optimism on staffing levels globally, equal with Brazil and Ireland.

Manufacturers were slightly more confident in plans to hire additional staff than service providers (net balance +26% versus +20%).

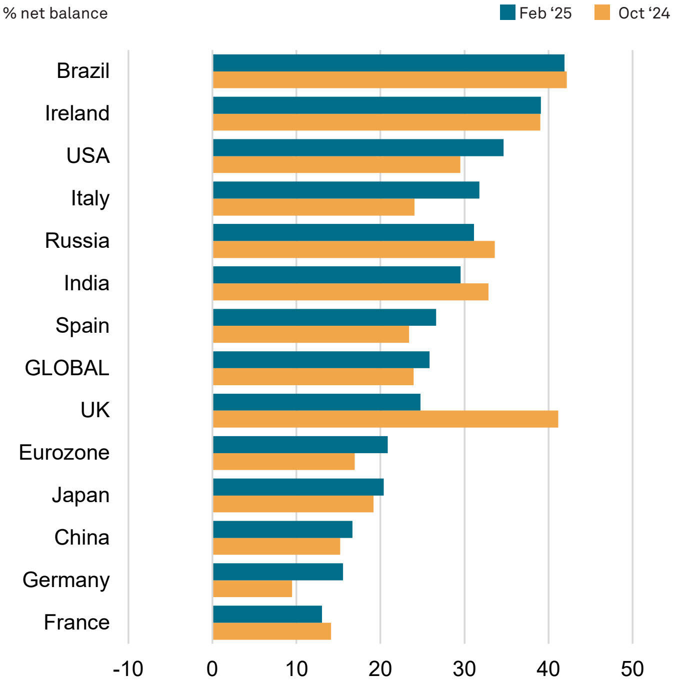
Investment intentions in Russia were also relatively strong in February, with the respective net balances for capital expenditure (capex) and research and development (R&D) investment the highest of all economies monitored.

At +24%, the capex net balance was unchanged from that seen last October. Although sentiment among manufacturers dropped to the lowest since October 2022, this was balanced out by a slight improvement in expectations among service providers.

This combination of weaker manufacturing confidence and higher services sentiment was also seen with regards to R&D investment intentions. The overall net balance ticked down to +21% in February from +22% last October.

Global Business Activity expectations

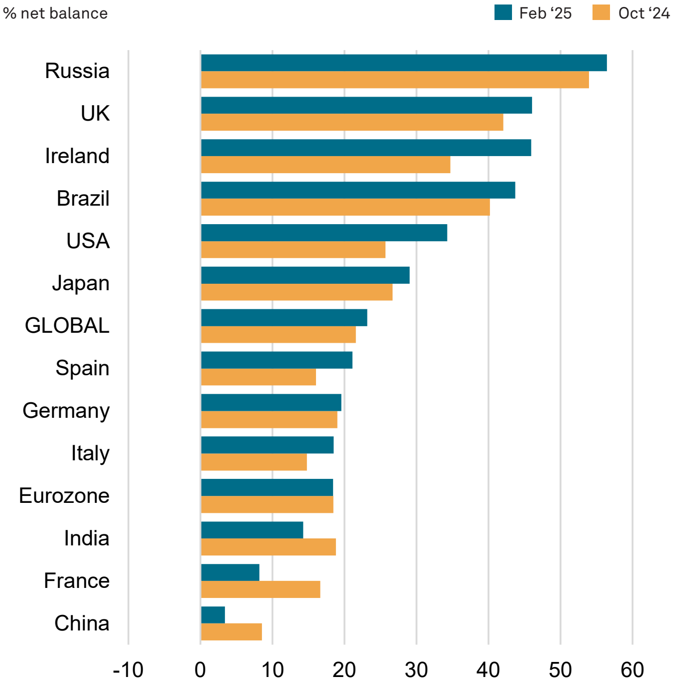
% net balance



Source: S&P Global PMI.

Global Output Charges expectations

% net balance



Source: S&P Global PMI.

Full data available on request from economics@spglobal.com.

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Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/ decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

* The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.

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