

News Release

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S&P Global Russia Business Outlook

Russian output expectations strongest for a year in February, cost pressures ease but remain elevated

Key findings

Business confidence improves to 12-month high

Hiring intentions strongest since October 2012

Cost expectations remain elevated but fall slightly

The February S&P Global Russia Business Outlook survey signalled an improvement in private sector firms' expectations for output over the coming year. At +26%, the net balance of companies anticipating greater business activity rose from +14% in October 2022 and was the highest for a year. The net balance was broadly in line with the long-run series average of +27%, though posted below the global average of +32%. Manufacturers and service providers both recorded stronger expectations regarding future output, with goods producers more upbeat than their service sector counterparts.

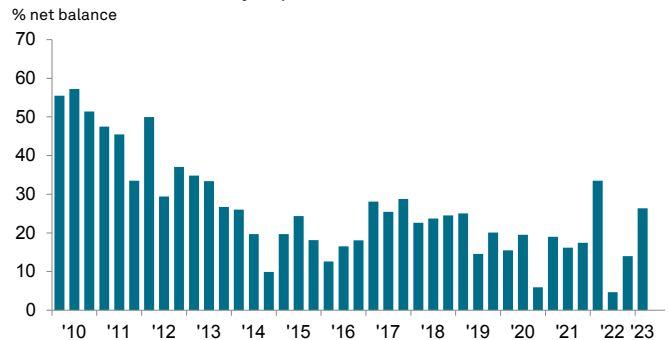
Opportunities for growth reportedly stemmed from investment in product development and machinery, import substitution and diversification. Some companies also stated that a reduction in competition and expansion into new export markets have the potential to boost growth and client demand. Furthermore, firms expressed hopes for greater stabilisation in economic conditions in the country.

Nonetheless, threats to expansions in output remained, as firms highlighted concerns regarding high prices for raw materials and inputs, increased competition and poor logistical solutions for suppliers. Firms also stated that inflation was likely to dampen customer purchasing power and demand.

Employment expectations strongest for over a decade

Hiring intentions for the coming year among Russian private sector firms increased during February. The net balance of companies expecting a rise in workforce

Russia Business Activity expectations



Source: S&P Global.
Data were collected 10-24 February 2023.

numbers (+21%) was the highest since October 2012. Although some companies noted challenges finding suitable candidates, they were generally more upbeat in their predictions for employment following greater confidence towards activity. Although service sector expectations were unchanged from last October, the net balance of manufacturers anticipating increased staff numbers was the highest since February 2010.

Meanwhile, firms remained confident of an uptick in investment spending over the next year. The net balances of companies that foresee higher capital expenditure and R&D spending were slightly lower than those seen last October, however.

Cost pressures set to remain steep, despite expectations easing slightly

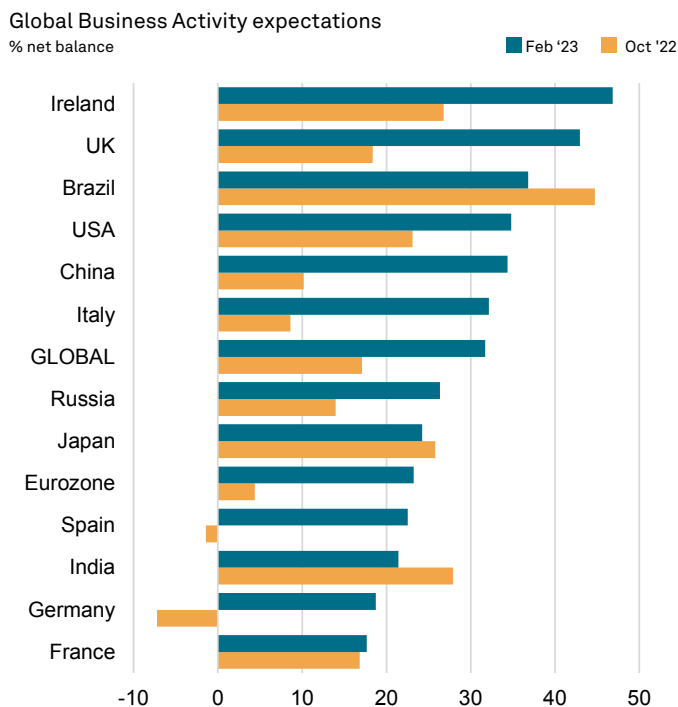
Russian firms continued to expect increases in staff and non-staff costs over the coming year in February. A greater net balance of companies anticipated a rise in staff costs compared to non-staff costs, but the respective net balances fell from last October. Nonetheless, the net balance of firms that foresee upticks in staff costs was above the long-run series average, as businesses seek to expand workforces.

In contrast to the situation last October, manufacturers foresee greater upticks in both staff and non-staff costs over the next year than their service sector counterparts. Although the net balance of goods producers expecting higher cost burdens rose in

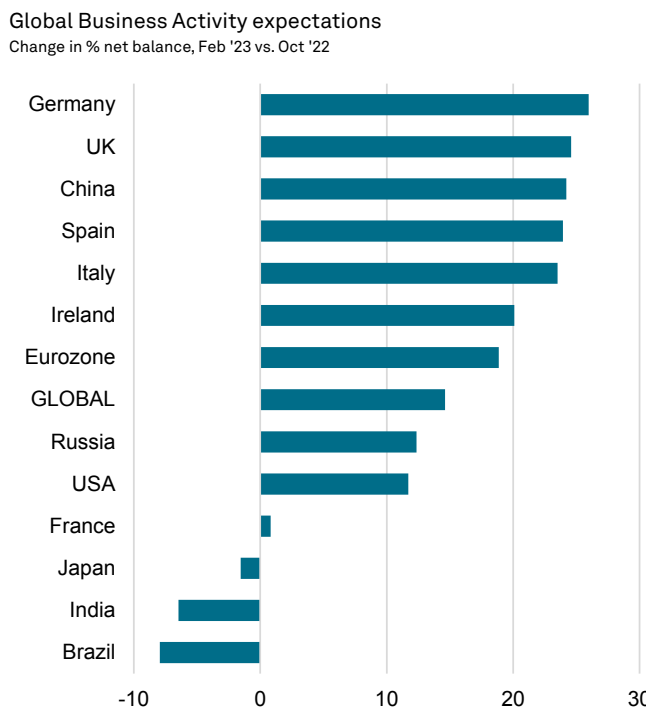
February, service providers moderated their forecasts. Similarly, companies predicted further hikes in selling prices over the coming year. At 42%, the net balance of firms that expect an increase in output charges was among the highest on record, despite dipping from last October's +44%. In the context of global data, Russian firms were much more upbeat in their expectations compared to the worldwide average. Alongside elevated hikes in cost burdens, firms noted that hopes of strengthening demand would enable increases in selling prices.

Profitability expectations strongest since June 2017

Although Russian companies expect to see further elevated rises in cost burdens, opportunities for increasing selling prices and hopes for higher activity boosted anticipated profitability forecasts. The net balance of firms that foresee hikes in profits rose from +10% last October to +24%, the highest level since June 2017.



Source: S&P Global.



Source: S&P Global.

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

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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