

News Release

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S&P Global Russia Services PMI®

Service sector growth surge continues into April, hiring accelerates

Key findings

Output and new orders expand further

Rate of job creation fastest for almost two years

Cost pressures ease, but output charges rise at sharper rate

Strong business activity growth was sustained across the Russian service sector during April, according to the latest PMI® data. A further solid expansion in new orders contributed to resurgent activity, with firms also stepping up their hiring in response to greater business requirements. Client demand growth was broadly focused on the domestic market amid a renewed contraction in new export orders. Firms were also more upbeat with regards to the outlook for output over the coming 12 months, as the degree of confidence rose to the highest since last July.

Meanwhile, input prices rose at a softer rate. The pace of cost inflation dipped further below the series average, but firms continued to hike selling prices, and at a faster rate. The pace of increase in output charges was the sharpest in 2023 so far.

The seasonally adjusted S&P Global Russia Services PMI® Business Activity Index registered 55.9 in April, down from March's two-and-a-half year high of 58.1. The latest upturn in output was nonetheless still sharp overall, and the second-fastest since June 2021. Output increased due to a strong rise in new orders, driven by the domestic market.

April data signalled a third successive monthly upturn in new business at service sector firms. New orders expanded in line with a sustained rise in client demand and increased customer referrals. Although the rate of growth softened from that seen in March, it was solid overall and the second-sharpest since August 2022.

Weighing on the expansion in total new orders was a renewed contraction in new business from abroad at the start of the second quarter. The fall in new export orders was the thirteenth in the last 14 months, though it was only marginal overall.

Greater client demand supported a further rise in workforce numbers during April. Service providers stated that higher employment was due to a need for increased capacity to

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



Source: S&P Global.
Data were collected 12-26 April 2023.

process incoming new business. The rate of job creation accelerated to the fastest since June 2021 and was solid overall.

The level of outstanding business fell during April, following a marginal expansion seen in March. Companies noted that greater employment had allowed them to process incoming new work more quickly. The rate of backlog depletion was slight, however, and slower than the long-run series average.

Turning to prices, input costs at service providers increased at a steep rate in April. That said, the rate of inflation slowed to the weakest since July 2020 and was softer than the long-run series average. While some firms linked higher operating expenses to increased supplier prices and wage bills, others noted lower material costs.

Nevertheless, firms continued to pass-through higher input costs to clients as selling prices rose at a faster rate. The pace of charge inflation accelerated to the sharpest since last December.

Service providers remained optimistic about the outlook for output over the coming 12 months in April. The degree of confidence ticked up to the highest since last July. Positive expectations reportedly stemmed from planned investment in facilities and service lines, as well as hopes of greater client demand and new customer acquisitions.

PMI®

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S&P Global Russia Composite PMI®

Strong rise in private sector business activity in April

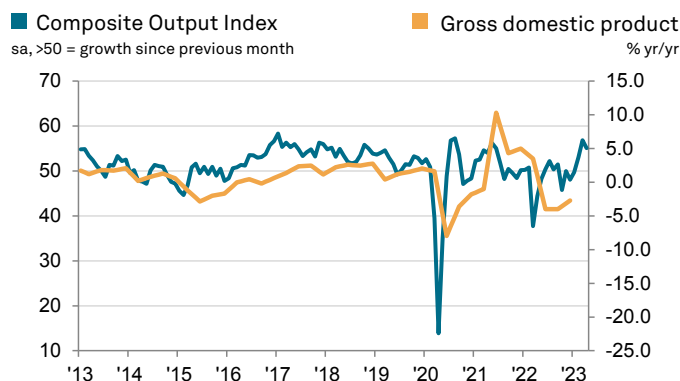
The S&P Global Russia Composite PMI Output Index* posted at 55.1 in April, down slightly from March's recent high of 56.8. Despite the decline in the headline reading, the latest data signalled a strong expansion in business activity that was the second-fastest since May 2021. Softer upturns were seen at both manufacturers and service providers.

New orders continued to grow at a solid rate during April. Although easing from that seen in March, the rate of expansion was the second-steepest since August 2022. Despite a renewed contraction in services foreign client demand, manufacturers drove a marginal increase in total new export orders.

Overall input costs rose at a marked pace, albeit the slowest since July 2020. The moderation was led by service providers, as goods producers signalled a quicker rise in cost burdens. Meanwhile, the rate of charge inflation picked up to the fastest in 2023 so far.

Finally, the rate of job creation across the private sector accelerated to the steepest since May 2011.

*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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