

News Release

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S&P Global Russia Services PMI®

Business activity growth slows amid a softer rise in demand

Key findings

Output rises only fractionally as new order growth eases

Slowest rate of job creation since February

Inflationary pressures pick up

Business activity across the Russian service sector continued to increase during September, albeit at only a fractional pace amid a weaker rise in demand, according to the latest PMI® survey from S&P Global. New order growth slowed from August, with services firms softening the pace of job creation in response. Companies also registered signs of spare capacity as the level of incomplete business fell for the sixth month running. Nonetheless, the degree of confidence towards future activity picked up to the highest since May.

Despite an uptick in the pace of cost inflation, input prices rose at a rate that was slower than the series trend. That said, the pass-through of higher costs to customers led to a historically strong increase in selling prices.

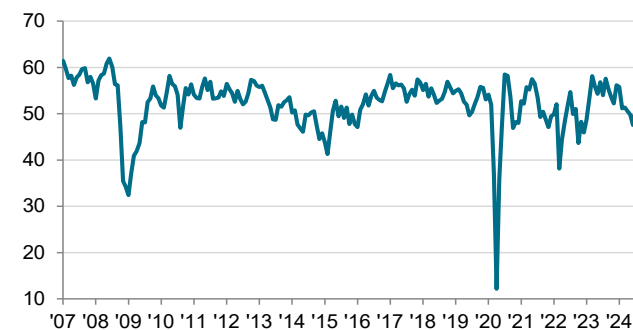
The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 50.5 in September, down from 52.3 in August, to signal only a fractional rise in output at service providers. The latest upturn was the third in as many months, but the slowest in this period of growth and historically muted. Although the expansion was linked to greater new order inflows, growth in customer demand softened, according to panellists.

New business at service sector firms increased for the third successive month in September, but the pace of growth slowed from August and was only modest. Anecdotal evidence noted that despite demand increasing on average, there were instances of a slowdown in client activity.

In line with a softer uptick in new business, Russian service providers registered a slower increase in employment at the end of the third quarter. The pace of job creation was in line with the long-run series average, but eased notably from August to the weakest since February. Greater workforce numbers largely stemmed from the hiring of full-time staff, panel member reports showed.

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-26 September 2024.

At the same time, services companies recorded a further depletion of backlogs of work. Spare capacity was evidenced for a sixth consecutive month, with the level of incomplete business dropping modestly.

Meanwhile, input prices rose at a robust pace at the end of the third quarter. Where cost burdens increased, this was commonly linked to greater wage bills and an uptick in supplier prices. The rate of cost inflation accelerated slightly from August but remained slower than the series average.

In a bid to protect margins, Russian services firms hiked their selling prices in September. Efforts to pass through higher costs to customers underpinned a historically elevated rate of charge inflation. The pace of increase was among the fastest in 2024 so far.

Despite the upturn in demand conditions losing momentum, planned investment in advertising and hopes of greater new orders spurred business confidence. Service providers expected output to rise over the coming year, with the degree of optimism ticking up to the highest in four months.

PMI®

by S&P Global

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S&P Global Russia Composite PMI®

Fastest fall in private sector output since December 2022

The S&P Global Russia Composite PMI Output Index* posted at 49.4 in September, down notably from 52.1 in August, to signal a renewed contraction in private sector business activity. The fall was driven by a decrease in manufacturing production, and slower rise in services output.

Contributing to the decline in output was a fresh drop in manufacturing new orders, alongside only a modest rise in services new business in September. Total new sales increased, but at the weakest rate in the current 20-month sequence of growth.

On the price front, cost burdens rose at a faster pace in September, amid sharper input price inflation at manufacturers and service providers. Firms opted to pass-through higher costs to customers, as selling prices also rose at a steeper rate.

With a quicker reduction in backlogs of work pointing to signs of spare capacity, private sector firms raised their employment levels only fractionally. A slower pace of job creation at services firms coincided with a renewed contraction in manufacturing workforce numbers.

*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.

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.

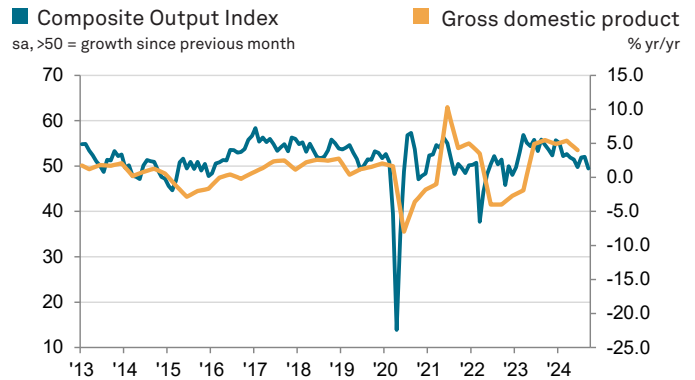
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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Sources: S&P Global PMI, FSSS via S&P Global Market Intelligence.

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi