

News Release

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S&P Global Russia Services PMI[®]

Strong rise in new business spurs further expansion of activity in October

Key findings

Growth in output and new orders remains robust but shows signs of cooling

Inflationary pressures ease

Business confidence highest since April 2019

Business activity increased further across the Russian service sector in October, according to the latest PMI[®] survey from S&P Global. Output growth slowed to an eight-month low but remained robust by historical standards, supported by another strong expansion in new business. The rise in total sales was largely driven by foreign client demand, as new export orders grew at the second-fastest pace on record. In turn, confidence in the outlook for future output improved to their most upbeat in four-and-a-half years. Greater optimism and increased workloads spurred another round of hiring, with the pace of job creation quickening from September.

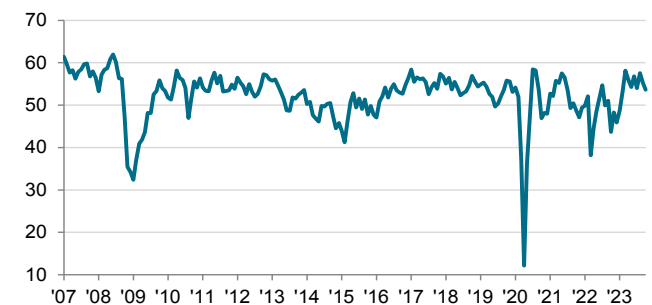
Meanwhile, inflationary pressures remained historically elevated, as input costs and output charges rose markedly. Rates of increase eased, however, to the softest since June and May, respectively.

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 53.6 in October, down from 55.4 in September but nevertheless signalling a solid expansion in output at Russian service providers. The latest rise extended the current sequence of growth to nine months, despite the rate of increase easing to the slowest since February. Greater output was commonly attributed to strong client demand and another monthly uptick in new business.

October data indicated a marked rise in new business, as the acquisition of new customers and greater demand conditions supported growth at Russian service providers. Although the pace of new business expansion eased for the second month running from August's recent peak, it remained quicker than the long-run series average.

Supporting the uptick in total new orders was a further sharp increase in new international sales at the start of the fourth quarter. New exports orders expanded at the second-fastest pace since data collection for the series began in September 2014.

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



Source: S&P Global PMI.

Data were collected 12-27 October 2023.

At the same time, average cost burdens increased at a substantial pace in October. Service sector firms stated that higher wage bills and supplier price hikes led the uptick in business expenses. The rate of cost inflation was sharper than the series average, albeit slowing for a second successive month.

Service providers continued to raise their selling prices at a marked pace as companies often sought to pass higher costs on to customers. In line with the trend for input prices, however, the rate of charge inflation eased and was the slowest since May.

Robust demand conditions helped support an improvement in service providers' expectations for output over the coming year in October. The degree of optimism was the strongest since April 2019 and historically upbeat. Some firms also suggested that expanding client bases would drive business activity growth in the coming months.

Greater confidence in the outlook contributed to a further round of hiring, as firms anticipate increases in workloads. Service providers raised employment at a modest pace that was quicker than that seen in September.

Pressure on capacity was evident in a third successive monthly rise in backlogs of work at service sector firms. The rate of expansion was the weakest in this sequence, however, as increased staffing numbers helped ease the burden of growing incomplete business.

PMI[®]

by S&P Global

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S&P Global Russia Composite PMI®

Output increases at solid pace as demand conditions remain resilient

The S&P Global Russia Composite PMI Output Index* posted at 53.6 in October, down from 54.7 in September, to signal a solid, though slower, expansion in business activity across the private sector. Manufacturing and service sector firms indicated similar rates of growth in output, albeit with a softer upturn seen among service providers.

Firms recorded a sharp increase in new orders at the start of the fourth quarter, as overall demand conditions for goods and services remained strong. Total sales growth was supported by a further rise in new export orders, as service providers registered a marked expansion.

Pressure on capacity remained evident in October, as backlogs of work expanded again. Growth in incomplete business nonetheless slowed amid another round of job creation.

Private sector firms signalled historically elevated increases in cost burdens, as manufacturers and service providers noted higher wage bills and supplier prices. Similarly, selling prices rose markedly. Although rates of inflation eased, hikes in costs and output charges remained substantial by historical standards of the survey.

*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.

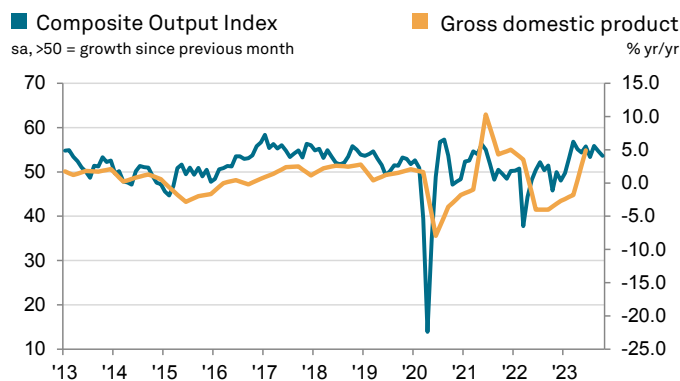
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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