

News Release

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S&P Global Russia Services PMI[®]

Renewed but muted expansion of Russian service sector activity in September

Key findings

Output rises amid further increase in new business

Employment contracts at quicker pace

Cost pressures ease again

Business activity across the Russian service sector returned to growth in September, according to the latest PMI[®] data. The rise in output was only marginal, however, as new orders growth eased to the slowest in the current four-month sequence of expansion. Client demand remained domestic focused as sanctions continued to restrict demand from external customers. The resulting relatively muted increase in new business led to decrease in employment, as backlogs of work declined further amid reports of excess capacity. Nonetheless, business confidence picked up due in part to hopes of further upticks in customer demand over the coming months.

On the price front, average cost burdens rose at a softer, but still marked, pace. Although slower than rates seen earlier in the year, the increase in selling prices quickened as firms sought to pass through higher costs to clients.

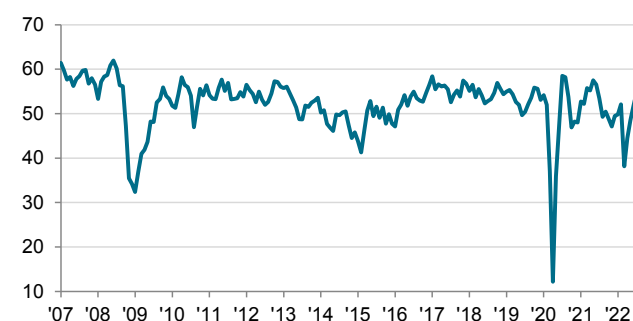
The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 51.1 in September, up from 49.9 in August. The latest headline index reading posted above the 50.0 neutral mark to signal a marginal expansion in business activity across the Russian service sector following a broadly unchanged August. The rise in output was historically subdued, but growth nonetheless reportedly stemmed from a further uptick in client demand and new orders.

September saw a fourth successive monthly upturn in new orders. Greater client demand was reportedly driven by the acquisition of new customers, but was supported mainly by the domestic market as new export orders fell again.

Foreign customer demand decreased at a sharp pace that accelerated notably from August. The decline was often attributed to the impact of sanctions on business operations. The rate of contraction was steeper than the series average.

In line with relative muted demand conditions, firms reported a reduction in employment for the second successive month

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



Source: S&P Global.

Data were collected 12-28 September 2022.

during September. The pace of job shedding quickened from August and was the fastest since May, albeit being only slight overall.

The decrease in employment was in line with signs of spare capacity, as evidenced by a further decline in backlogs of work in September. The decrease in the level of outstanding business was marginal overall and broadly in line with that seen in August.

Meanwhile, cost pressures eased in September, with the rate of input price inflation the slowest for a year. Nonetheless, the pace of increase was historically elevated and price hikes stemmed from greater material, supplier and wage costs. Some firms also mentioned that exchange rate factors exacerbated increases in cost burdens.

Firms continued to pass higher cost burdens on to their customers, with the rate of charge inflation picking up. The increase in selling prices was the sharpest for four months and above the series average.

Finally, business confidence at Russian service providers ticked higher at the end of the third quarter. Expectations regarding the outlook for activity in the year ahead were the second-strongest since February amid hopes of increased client demand. That said, the degree of optimism was below the series trend as concerns regarding economic and political uncertainty weighed on sentiment.

PMI[®]

by S&P Global

S&P Global Russia Composite PMI®

Private sector sees sustained expansion in business activity in September

The S&P Global Russia Composite PMI Output Index* posted 51.5 in September, up from 50.4 in August, to signal another monthly upturn in private sector business activity. The rate of growth picked up following increases in both manufacturing and service sector output.

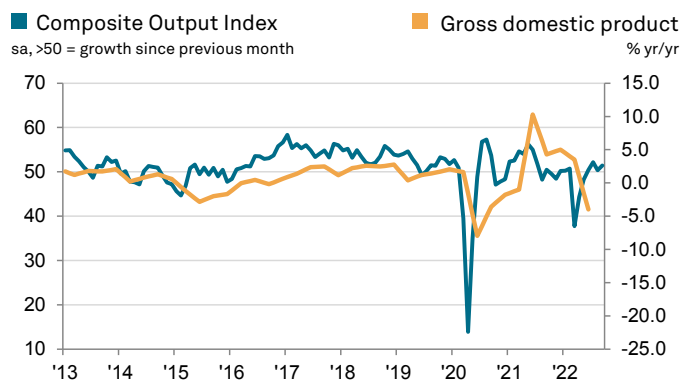
The rise in private sector activity was relatively muted, however, as new business softened. Domestic demand drove the upturn, as new export orders fell again.

Overall employment was broadly unchanged in September, as a decline in service sector workforce numbers was largely offset by a solid rise in manufacturing staffing levels. Muted hiring activity reflected excess capacity at private sector firms, with backlogs of work falling further.

Cost pressures eased in September, as input prices rose at a much slower pace than seen earlier in the year. Despite manufacturers recording a decrease in selling prices, the service sector drove an overall uptick in charge inflation.

Lastly, September saw a broad-based improvement in business expectations.

*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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