News Release

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S&P Global Russia Services PMI®

Stronger demand spurs faster growth in business activity in December

Key findings

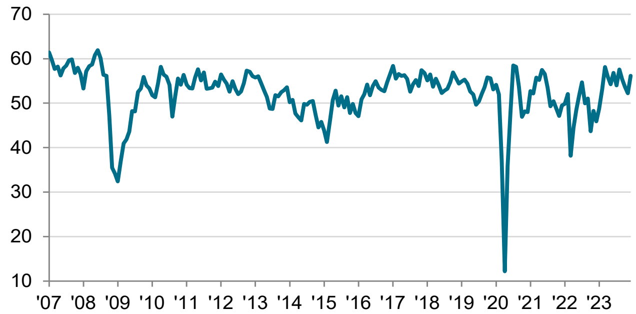
Output growth accelerates amid increased new business inflows

Inflationary pressures soften, but remain elevated

Job creation quickens to steepest since June

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 06-20 December 2023.

The Russian service sector remained in expansion territory during December amid sharper upturns in output and new orders, according to the latest PMI® survey from S&P Global. Business activity growth was driven by the quickest rise in new sales since August amid stronger domestic and foreign client demand. Subsequently, firms expanded workforce numbers at the fastest pace for six months in a bid to relieve pressure on capacity and process incoming new work. Nonetheless, backlogs of work rose further.

On the price front, input costs continued to rise at a historically elevated pace despite the rate of inflation slowing. Similarly, output charges increased at a marked pace, but one that was the slowest since May.

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 56.2 in December, up notably from 52.2 in November. The rise in business activity was steep overall and accelerated to the sharpest since August. Service providers commented that greater output stemmed from strong demand conditions and a faster upturn in new business.

Supporting the rise in business activity was an eleventh successive monthly expansion in new orders during December. Anecdotal evidence stated that increased new business was due to the introduction of new service lines, new client acquisitions and improved demand conditions. The rate of growth was steep in the context of historic data and the fastest in four months.

The increase in total new orders was aided by a further upturn in new business from abroad at the end of the year. The rate of expansion was marked and the third-fastest since data collection for the series began in September 2014. The rise was driven by greater demand in key export markets, according to panellists.

Meanwhile, input prices at Russian service providers increased at a substantial pace in December. Higher cost burdens were attributed to greater supplier and utility prices, alongside an uptick in wage bills. Despite the pace of cost inflation slowing from November, it was stronger than the series trend.

Service sector firms raised their selling prices in line with another monthly increase in costs. Efforts to drive sales led to a moderation in the pace of charge inflation, however, which eased to the slowest since May.

In line with a stronger expansion in new business, firms raised their workforce numbers on average in December in a bid to ease pressure on capacity. The rate of job creation was solid overall and the quickest since June.

Backlogs of work nevertheless continued to accumulate amid the sharper rise in new orders, rising for the fifth month running and at a solid pace that was little-changed from November.

Although firms remained strongly optimistic regarding the outlook for output over the coming year, the degree of confidence slipped to a four-month low in December. Positive sentiment was linked to hopes of further growth in new business and investment in advertising.

S&P Global Russia Composite PMI®

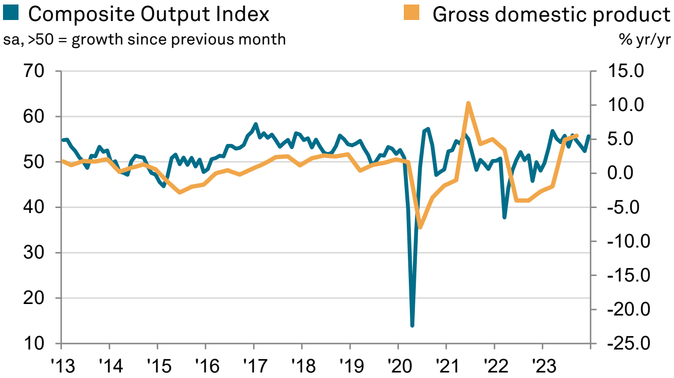
Business activity growth quickens to fastest since August

The S&P Global Russia Composite PMI Output Index* posted at 55.7 in December, up from 52.4 in November, to signal the sharpest expansion in business activity for four months. The faster uptick stemmed from stronger growth at both manufacturers and service providers.

Contributing to the quicker rise in output was a steeper increase in new orders. The rate of expansion was the fastest since August amid greater customer demand. Growth was, however, focused on the domestic market as new export orders fell for the first time since July.

Manufacturers and service sector firms registered a rise in employment in December, with the pace of overall job creation quickening to the sharpest since June. Nonetheless, backlogs of work expanded further.

Although still historically elevated, inflationary pressures softened further at the end of the year. Both input costs and output charges increased at softer rates.



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

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*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.

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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@spglobal.com.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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

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