

# News Release

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## S&P Global Russia Services PMI®

### Decline in business activity softens at the start of 2023, but cost pressures intensify

#### Key findings

Output and new orders fall marginally

Rate of cost inflation picks up to five-month high

Renewed business optimism in January

Russian service providers registered a further contraction in business activity during January, according to the latest PMI® data. Although only marginal and slower than in December, the decrease in output stemmed from another monthly drop in new business amid weak domestic and international demand. The sustained decline in new orders led to a strong fall in backlogs of work. In turn, service sector firms cut their workforce numbers again. Nonetheless, hopes of success in boosting new orders from increased advertising spending helped drive output expectations back into positive territory.

On the price front, companies saw input costs rise at a sharper rate in January as supplier and wage cost pressures built. Subdued demand conditions dampened any hikes in output prices, however, as charge inflation softened.

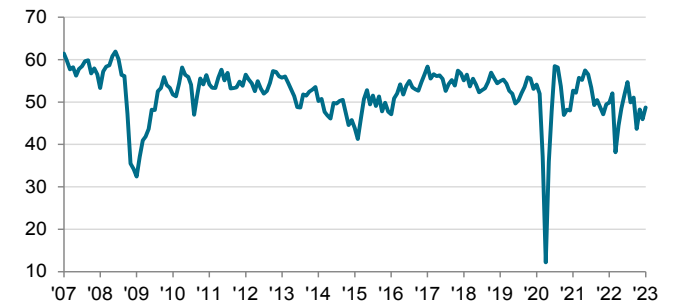
The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 48.7 in the opening month of 2023, up from 45.9 in December. Russian service providers recorded a marginal decrease in output, amid reports of muted client demand and the loss of customers following reduced purchasing power. That said, the rate of contraction slowed and was the softest in the current four-month sequence of decline.

Russian service sector firms signalled a further decrease in new business during January. Weak client demand drove the latest downturn, extending the current period of contraction that began in October 2022. The modest decline was, however, smaller than that seen in December. Some companies noted that the softer decrease was due to success following more aggressive marketing efforts.

Meanwhile, customer demand in export markets remained muted in January. The rate of decline in new export business was strong and faster than the long-run series average.

At the same time, average cost burdens faced by Russian service providers rose at a historically elevated pace at the start of the year. The rate of input price inflation was marked

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



Source: S&P Global.

Data were collected 12-27 January 2023.

and accelerated to the fastest since last August. Higher input costs were commonly attributed to greater utility, supplier and wage bills.

Contrastingly, output charges rose at a softer pace during January. Despite reports of efforts to pass-through higher costs to clients, the rate of charge inflation eased from December and was one of the slowest for two years. Weak demand conditions and strong competition reportedly led firms to moderate hikes in selling prices.

Russian service providers were more upbeat in their expectations regarding output over the coming year in January. Firms recorded renewed optimism following negative sentiment seen in December. Although below the long-run series average, companies linked confidence to hopes of a boost to new sales following spending on advertising campaigns, the acquisition of new customer and greater investment in new products.

Workforce numbers across the Russian service sector were meanwhile reduced for the sixth successive month at the start of the year. Lower employment was often attributed to a further fall in new orders. The rate of job shedding was only marginal, however, and the slowest since last September.

Partially contributing to the fall in employment was another monthly decrease in backlogs of work in January. Russian service providers recorded further spare capacity, with incomplete business dropping at a solid rate.

PMI®

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# S&P Global Russia Composite PMI®

## Private sector output contraction softens in January

The S&P Global Russia Composite PMI Output Index\* posted at 49.7 in January, up from 48.0 in December. The overall downturn was driven by a further decrease in service sector output, which counteracted an expansion in manufacturing production.

New orders fell marginally in January, with private sector firms registering a second successive monthly decrease in new sales. Nonetheless, manufacturers signalled another upturn in new orders. Weak foreign client demand led to another fall in new export orders.

Hikes in supplier and wage costs drove input prices up in January, as manufacturers and service providers recorded greater cost burdens. In an effort to boost sales, however, output charges rose at a softer rate.

Meanwhile, job shedding at service providers outweighed a solid upturn in manufacturing employment as private sector firms signalled a further decline in workforce numbers, amid a sixth successive monthly fall in backlogs of work.

\*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.

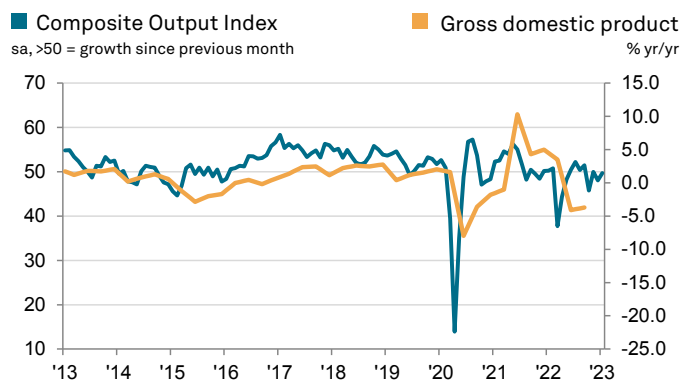
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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Sources: S&P Global, FSSS.

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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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)