

News Release

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S&P Global Russia Business Outlook

Business confidence remains strong across Russian private sector despite softening

Key findings

Optimism lowest since February 2023 but still historically elevated

Cost inflation forecasts weaken

Employment and investment expected to rise in next 12 months

The June S&P Global Russia Business Outlook survey signalled positive expectations regarding an increase in output over the coming year. At +35%, the net balance of companies anticipating greater activity was higher than the long-run series and global averages (both at +28%). That said, it dipped to the lowest since early 2023 amid a slight drop in optimism at both manufacturers and service providers.

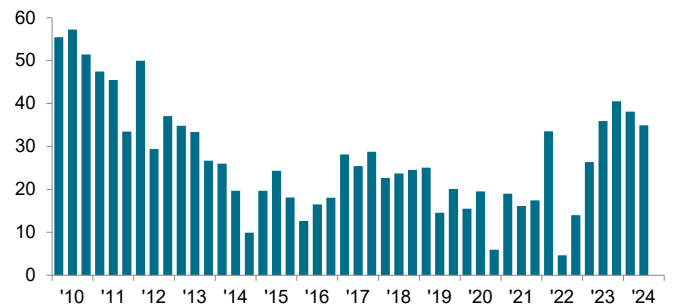
At the sector level, manufacturers were much more upbeat than services firms in their expectations for activity over the coming year, despite the net balance of goods producers predicting higher output dropping to the lowest since last October (+46%). Although confidence in the outlook among service providers was historically elevated, the net balance anticipating increased activity in the next 12 months fell to the least marked since February 2023 (+31%).

Key opportunities for growth as identified by panellists included expanding market share through the creation of new products and service lines, broadening customer bases into new export markets, and investment in new machinery and facilities. Some companies also noted hopes of stabilisation in input prices and greater purchasing power at clients.

Weighing on confidence, however, were a number of threats to business activity growth. Firms stated that greater competition, difficulties finding skilled labour and sourcing raw materials, alongside trouble with payments for goods and services were expected to hamper expansions in output.

Russia Business Activity expectations

% net balance



Source: S&P Global PMI.
Data were collected 12-26 June 2024

Input price rise expectations revised down, but still set to be led by staff cost increases

Russian businesses continued to forecast increases in both staff and non-staff costs over the next year. The net balance of firms expecting higher wage bills fell slightly from +33% in February to +32% in June. That said, it remained above the series average (+28%) as companies predicted some impact from labour shortages to feed through to increased wage costs.

At +19%, the net balance of companies anticipating higher non-staff costs dropped notably from +24% in February to the lowest in two years in June. Manufacturers and service providers alike revised down their expectations regarding purchase costs further from the recent highs seen last October. Moreover, the overall net balance was below the long-run series average (+32%).

Forecasts for accommodative demand conditions in the coming year supported expectations of hikes in selling prices at Russian firms. The net balance of businesses anticipating higher output charges, at +45%, ticked up fractionally from February (+44%) and was historically elevated.

Profitability expectations remain strong

Companies in Russia were strongly optimistic of a rise in profits over the next year in June. At +32%, the net balance of firms expecting greater profitability

dipped slightly from February's recent peak (+34%) but was nonetheless the second-highest in over 12 years. Moreover, Russian companies were much more upbeat that the global average, which at +11%, also slipped from February (+13%).

Employment and investment spending set to increase

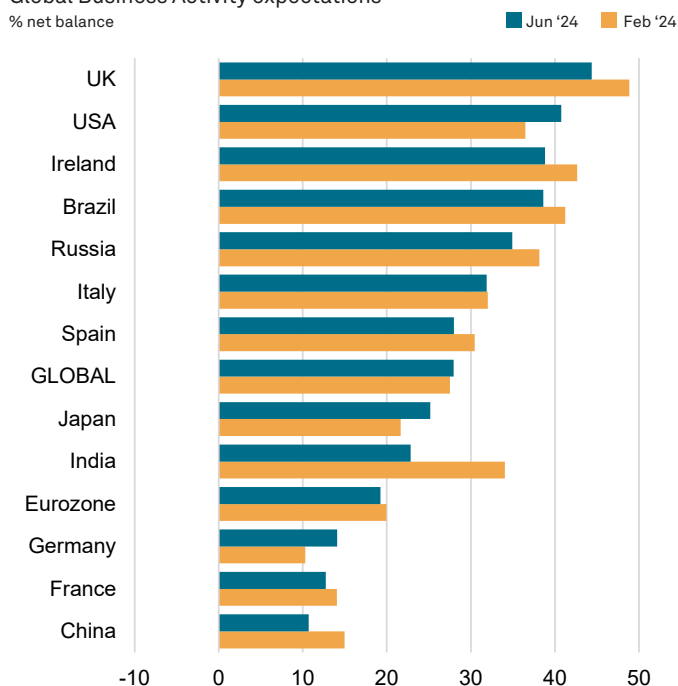
Russian firms maintained their predictions of further upturns in staffing numbers, as well as both capital expenditure (capex) and research & development (R&D) spending over the next year in June. Although the net balances for each dipped slightly from February, confidence remained historically upbeat.

At the sector level, manufacturers were more confident than services firms of a rise in employment over the coming 12 months for the fifth successive survey period in June. Concerns surrounding labour and skills shortages did however weigh on forecasts for hiring, as the overall net balance of firms expecting higher workforce numbers slipped to the lowest in a year. That said, at +23%, it was well above the global average (+11%).

Meanwhile, planned product development, alongside scheduled investment in new machinery and service lines were reflected in expectations of greater spending on capex and R&D. The net balance of firms predicting increased R&D spending moderated to a greater extent than for capex and was the lowest for a year (+19%) in June.

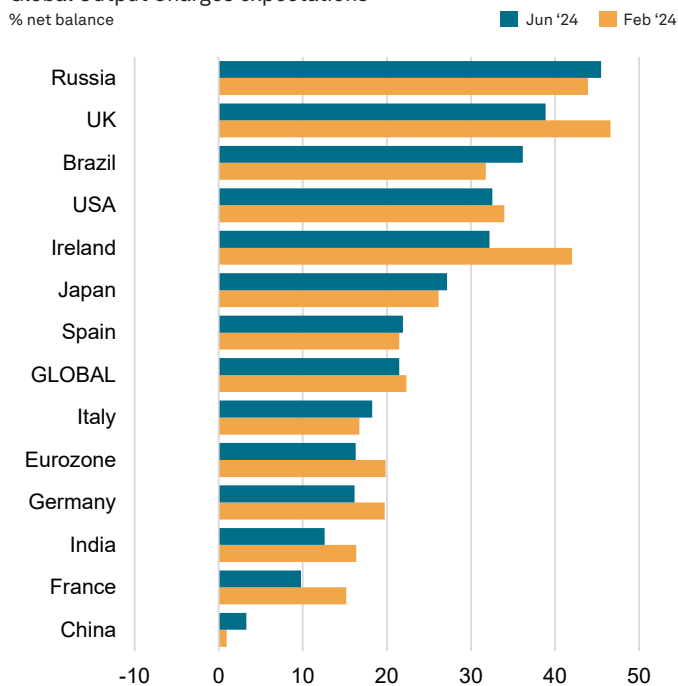
As was the case across all monitored indexes, goods producers were more optimistic of a rise in investment spending than their service sector counterparts.

Global Business Activity expectations



Source: S&P Global PMI.

Global Output Charges expectations



Source: S&P Global PMI.

Full data available on request from economics@spglobal.com.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

* The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.

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