News Release

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S&P Global Russia Services PMI®

Business activity growth subdued despite stronger rise in new orders in March

Key findings

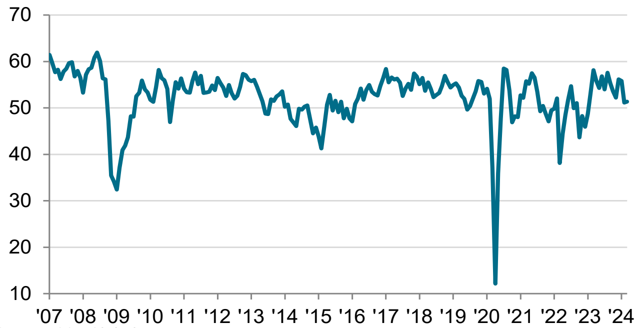
Output and new order growth rates below historic trends

Inflationary pressures ease further

Pace of job creation quickens

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-26 March 2024.

Russian service providers recorded a further marginal rise in business activity during March, according to the latest PMI® survey from S&P Global. The pace of output growth was well below the series trend, despite quickening from that seen in February. New business continued to expand, and at a faster pace, but a renewed contraction in new export orders weighed on total new sales. Pressure on capacity, as evidenced by another rise in backlogs of work, remained present despite a stronger upturn in employment. Although easing, the degree of confidence in the year-ahead outlook for activity remained marked.

Meanwhile, input prices and output charges increased at slower rates. In fact, cost burdens rose at the weakest pace since July 2020.

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 51.4 in March, up from 51.1 in February, to signal a marginal expansion in output at service providers. Although indicating a faster rise in activity, the latest data pointed to a historically muted upturn that was the second-slowest in the current 14-month sequence of growth. Nonetheless, the increase in output was attributed to a sustained rise in new business.

March data indicated a solid and faster expansion in new orders at service sector firms, albeit one that was slower than the historic trend. Companies noted that client demand strengthened on the month, as new service lines were introduced and new customers were acquired.

That said, new export orders contracted for the first time in 11 months at the end of the first quarter. Foreign client demand reportedly weakened, with the fall in new business from abroad the steepest since February 2023.

Russian service providers registered a further rise in input prices during March, as transportation, wage and fuel costs all increased. The pace of cost inflation was the slowest since July 2020, however, and softer than the series average.

At the same time, services firms' efforts to remain competitive led to a moderation in the pace of increase in selling prices in March. The rate of charge inflation was the slowest in a year as services firms passed through softer price hikes to customers.

Despite new business growth being historically soft, it spurred further hiring activity. The rate of job creation accelerated to a modest pace, with employment now rising in eight consecutive months.

Although growth in staffing numbers quickened, service providers continued to record a rise in backlogs of work in March. The pace of accumulation in incomplete business eased from February, however.

Finally, Russian service sector firms extended the current sequence of optimism regarding the year-ahead outlook for output that began in January 2023 in March. Although the degree of confidence slipped to a three-month low, it was historically strong, with firms noting that positive expectations were underpinned by hopes of further upticks in client demand and investment in advertising campaigns.

S&P Global Russia Composite PMI®

Business activity growth quickens in March

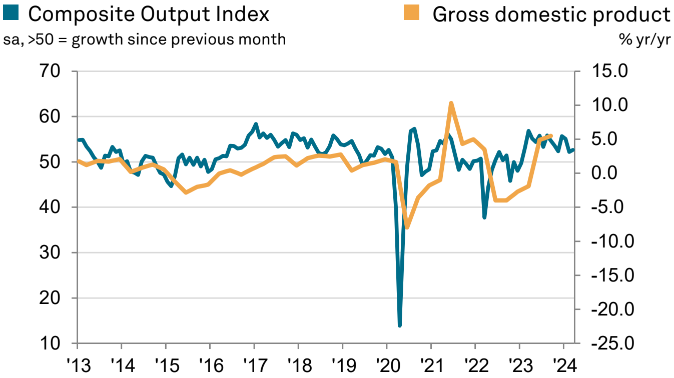
The S&P Global Russia Composite PMI Output Index* posted at 52.7 in March, up from 52.2 in February, to signal a modest expansion in private sector business activity. Although slower than the series trend, the rate of growth accelerated following sharper upturns in manufacturing and service sector output.

Supporting the rise in activity was a quicker increase in new orders in March. The overall expansion was strong amid marked growth in new sales at goods producers. Despite a renewed fall in service sector new export orders, foreign client demand at manufacturers strengthened with new sales from abroad returning to growth.

Meanwhile, inflationary pressures softened as input prices and output charges rose at the slowest rates since July 2020 and March 2023, respectively.

Although employment growth quickened at manufacturers and service providers, greater new order inflows led to another rise in total backlogs of work, with the pace of accumulation the fastest in three months.

*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 PMI, FSSS via S&P Global Market Intelligence.

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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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