

News Release

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S&P Global Russia Services PMI®

Business activity growth accelerates to fastest since March amid boost to domestic demand

Key findings

Sharpest rise in new orders since July 2020 drives output up

Accelerations in input cost and output charge inflation

Renewed rises in employment and backlogs

August data signalled stronger demand conditions across the Russian service sector as output expanded at a sharper pace, according to the latest PMI® survey from S&P Global. Growth in business activity was steep overall, and supported by the quickest rise in new orders for just over three years, which was often linked to a boost to domestic client demand. New export business also increased, albeit at only a marginal pace. Pressure on capacity following stronger new order growth led to a record rise in backlogs of work. Strain on capacity was felt despite a renewed increase in employment, with job creation solid overall.

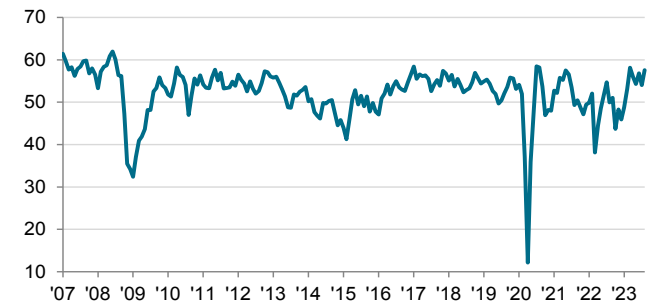
At the same time, input prices rose markedly as unfavourable exchange rate movements pushed imported goods prices and transportation costs up. Demand conditions were accommodative to increased selling prices, however, as output charges rose at the fastest pace since May 2022.

The seasonally adjusted S&P Global Russia Services PMI® Business Activity Index registered 57.6 in August, up notably from 54.0 in July. The latest data signalled a sharp expansion in business activity across the Russian service sector, with firms often attributing the rise to stronger domestic client demand. The rate of growth in output was the second-fastest for three years and steeper than the series average.

Contributing to the upturn in output was a stronger increase in new business during August. The expansion was the seventh in as many months, with the pace of growth quickening to the fastest since July 2020. Greater customer interest was behind the sustained rise in new business, with firms also highlighting larger customer bases and a boost to domestic demand.

Meanwhile, a rise in new export orders also supported greater business activity in August. Following broadly unchanged levels of new business from abroad in July, firms recorded a marginal rise in foreign client demand.

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



Source: S&P Global PMI.

Data were collected 10-29 August 2023.

Service providers saw another marked increase in business expenses during August, as input prices rose at the joint-steepest rate in a year. Some companies mentioned that greater wage bills drove cost inflation, whilst many others stated that the recent depreciation of the ruble had pushed supplier and imported goods prices, as well as transportation costs, up.

Demand conditions were conducive to firms being able to pass through higher costs to their clients via an uptick in selling prices in August. The rate of output charge inflation accelerated for the third month running to the fastest since May 2022.

Greater new business led firms to step up their hiring activity midway through the third quarter. Service providers recorded a solid rise in workforce numbers, following broadly unchanged levels of employment in July. The rate of job creation was stronger than the series average as firms sought to expand capacity.

Nonetheless, backlogs of work returned to expansion during August. Service sector firms struggled to process incoming work in a timely manner, with the level of outstanding business rising at the sharpest pace on record (since October 2001).

Russian service providers were buoyed by greater client demand and a sustained rise in new orders, with expectations for the year ahead improving in August. The degree of confidence was the highest since September 2021, with firms boosted by stronger domestic demand conditions.

PMI®

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S&P Global Russia Composite PMI®

Private sector output expansion strongest since March

The S&P Global Russia Composite PMI Output Index* posted at 55.9 in August, up from 53.3 in July. The overall expansion was supported by sustained upturns in manufacturing and services output, with growth in the latter accelerating.

Contributing to the rise in business activity was the joint-steepest increase in new orders since June 2008. Client demand improved across both monitored sectors, with domestic and foreign client demand strengthening on the month.

The depreciation of the ruble continued to push input costs up at manufacturers and service providers, with operating expenses rising at the quickest rate since April 2022. At the same time, firms hiked their selling prices at a sharper pace.

Led by a steeper rise in service sector employment, total workforce numbers continued to increase in August. Despite the further round of job creation, the level of outstanding business returned to expansion.

Output expectations remained upbeat in August, as manufacturers and service providers anticipate growth in business activity over the coming year.

*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.

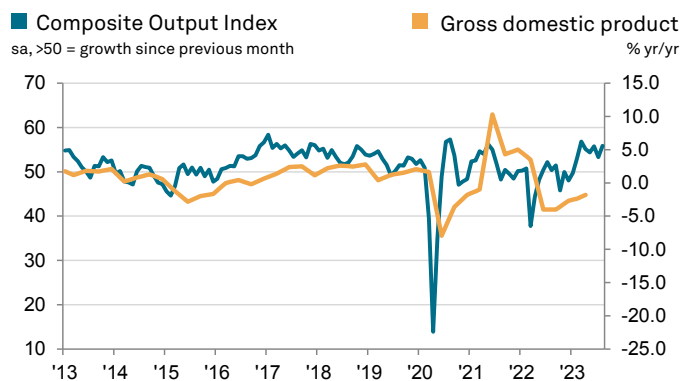
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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

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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