

# News Release

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## S&P Global Russia Business Outlook

### Russian business confidence highest for over a decade

#### Key findings

Output expectations strongest since February 2012

Expansions planned for employment and investment as forecasts improve

Prices charged for goods and services set to rise sharply

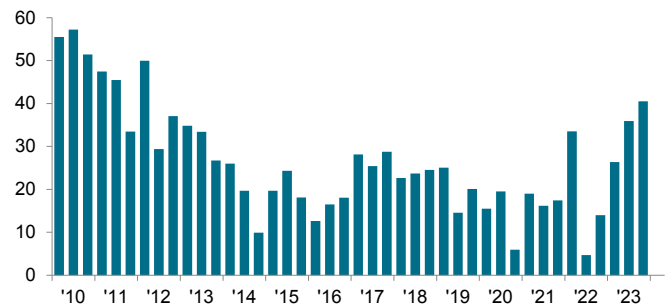
The October S&P Global Russia Business Outlook survey indicated the strongest expectations regarding the year-ahead outlook for output since February 2012. At +41%, the net balance of Russian businesses that anticipate greater activity was up from +36% in June, which continued the consistent upward revisions to expectations seen over the last year. Manufacturing firms remained more confident in the outlook than their service sector counterparts, but both saw an uptick in their respective net balances (+45% and +39%, respectively). Of the 12 monitored countries for which composite data is available, Russian firms were the most upbeat in their forecasts for output, closely followed by those in Brazil (net balance of +40%).

Alongside hopes for greater economic stability and expansion into new export markets, firms noted that opportunities for growth over the next 12 months stemmed from the development of new products, including import substitution. Some companies also stated that investment in new facilities and technology would likely boost output, while others reported plans to expand their workforce numbers.

Nonetheless, some threats to output growth remain apparent, as companies highlighted that reduced purchasing power among consumers provided a challenge. Higher supplier and fuel prices were also mentioned, in part stemming from unfavourable exchange rate movements and the strength of the US dollar. Some businesses also voiced concerns that plans for recruitment may be stymied by labour shortages.

Russia Business Activity expectations

% net balance



Source: S&P Global PMI.

Data were collected 12-27 October 2023

#### Higher non-staff costs a concern for future inflation

Businesses in Russia saw an uptick in their expectations for increases in non-staff costs over the coming year. The net balance of firms who foresee a rise in non-staff costs (+28%) was among the highest in five years, with transportation and supplier prices predicted to increase following an appreciation in the US dollar, thereby pushing up imported goods prices. Although greater wage bills are anticipated to drive inflation, forecasts for staffing costs moderated (net balance at +35% from +45%).

The downward revision to staffing costs was driven by the service sector (net balance at +32% from +46% in June), as the net balance of manufacturers anticipating greater wage bills rose from +41% to +43% in October.

Nevertheless, firms foresee accommodative demand conditions over the next year leading to an increase in output charges. The net balance of companies forecasting higher selling prices picked up to the second-highest in 12 years (+56%, from +48% in June). Goods producers and service providers alike expect hikes in output charges, with upward revisions to predictions seen across the two monitored sectors.

## Expectations for employment improve to the strongest since June 2011

Russian businesses registered more robust expectations regarding a rise in workforce numbers over the coming year in October. The net balance of firms forecasting greater staffing levels, at +26%, was the highest for over 12 years. Although manufacturers and service providers revised their expectations up from June, goods producers were the more confident by far, registering the highest net balance for employment since data collection began in early 2008.

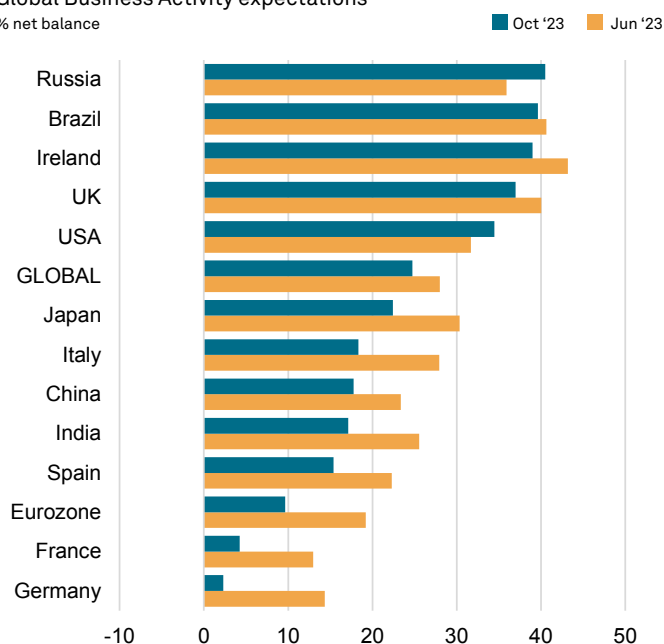
Despite some reports of labour shortage concerns, many companies foresee job creation in response to increased output and a need for an expansion in capacity. In line with the trend for business activity, Russian firms were the most confident of a rise in employment of the 12 monitored countries for which comparable data is available.

With regards to investment, companies continue to foresee a rise in both capital expenditure (capex) and research & development (R&D) spending over the next 12 months. The net balance of firms that expect greater R&D spending reached a series high (since February 2019), while those anticipating an increase in capex investment was the greatest since February 2012.

## Profitability forecasts revised down slightly

Businesses in Russia remained upbeat in their expectations for profitability over the coming year. Firms were hopeful that stronger demand and access to new export markets would support growth, although increased costs are anticipated to weigh on profit opportunities. At +26%, the net balance of companies that foresee higher profitability was down slightly from June's +29%, but still the highest globally. Moderations in confidence were seen at manufacturers and service providers alike, with the former the more optimistic.

Global Business Activity expectations  
% net balance



Source: S&P Global PMI.

Global Business Activity expectations  
Change in % net balance, Oct '23 vs. Jun '23



Source: S&P Global PMI.

Full data available on request from [economics@spglobal.com](mailto: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 8,000 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.

## Contact

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 (0)-7967-447-030  
E: [sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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