

# News Release

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## S&P Global Russia Services PMI<sup>®</sup>

### Faster contraction in service sector business activity at the end of 2022

#### Key findings

Sharper fall in output as new orders also drop at quicker rate

Cost pressures remain elevated

Firms express renewed pessimism in the outlook for output

Russian service providers indicated a strong decline in business activity during December, according to the latest PMI<sup>®</sup> data. The fall in output accelerated amid a sharper decrease in new orders, as domestic and foreign client demand deteriorated. Lower new orders led to a marked fall in pressure on service sector capacity. Backlogs of work declined at a quicker rate, with firms trimming workforce numbers further as a result. Confidence in the 12-month outlook also waned as service providers registered renewed pessimism. Global economic uncertainty and the impact of inflation on customer purchasing power reportedly dented sentiment markedly.

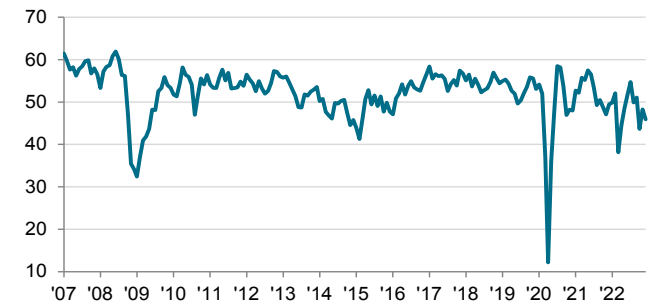
On the price front, cost pressures remained substantial despite easing, as supplier price hikes pushed up operating expenses. Firms were keen to pass on greater costs to customers, however, as charges rose at a faster rate.

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 45.9 in December, down from 48.3 in November, to signal a strong decrease in Russian service sector output. The latest decline in activity was the third in as many months and the second-fastest since April. Where a contraction was reported, firms often attributed this to subdued demand conditions and lower new orders.

Driving the fall in output was a sharper decrease in new business at the end of the year. The solid downturn in new orders was the fastest since May. Companies largely noted that the reduction in new business was due to economic uncertainty and a drop in purchasing power at clients amid severe inflationary pressures. A number of firms also highlighted the loss of some customers.

Contributing to the fall in total new orders was a marked contraction in new business from abroad. Foreign client demand decreased for the tenth successive month.

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



Source: S&P Global.

Data were collected 06-20 December 2022.

Meanwhile, cost burdens faced by Russian service providers continued to rise at a marked pace in December. The increase in input prices was the slowest for three months, but was much faster than the series trend. Higher supplier, fuel and utility costs were often mentioned as factors driving input price inflation.

In response to a further substantial rise in cost burdens, service providers increased their selling prices at the fastest pace since September. That said, the rate of charge inflation was much slower than those seen towards the beginning of the year and was far outpaced by the increase in input prices.

Service sector firms in Russia signalled a marked turnaround in sentiment during December, as companies expressed renewed pessimism in the year-ahead outlook for output. Negative expectations were attributed to concerns regarding future demand conditions amid higher customer prices and economic uncertainty. The level of sentiment was at its lowest since March.

At the same time, firms adjusted their workforce numbers down for a fifth month running at the end of 2022. Employment fell amid lower business requirements and a reduction in new orders. The drop in staffing numbers was solid overall but eased to the slowest since September.

Job shedding was largely in response to reduced pressure on capacity, as backlogs of work declined sharply in December. The rate of contraction was the steepest since May.

PMI<sup>®</sup>

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# S&P Global Russia Composite PMI®

## Renewed contraction in private sector output in December

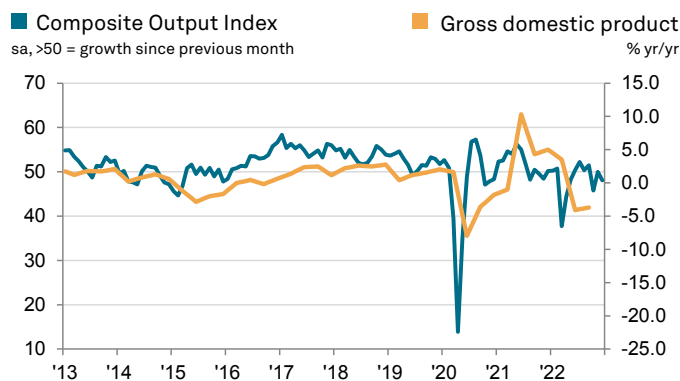
The S&P Global Russia Composite PMI Output Index\* posted 48.0 in December, down from 50.0 in November. The latest data signalled a marginal decline in private sector business activity, albeit the second-fastest since April.

Driving the overall fall in activity was a renewed decrease in private sector new business in December. The decline was led by the service sector as manufacturers recorded a further expansion in new sales. Foreign client demand contracted again, and at a sharp pace.

Cost pressures across the private sector eased at the end of the year, as manufacturers and service providers registered a slower uptick in input prices. That said, service sector firms recorded the quicker increase by far. Despite weak demand conditions, output charges rose at a sharper rate as firms sought to pass through higher costs.

A solid increase in factory employment was outweighed by a further decline in service sector hiring in December, as service providers signalled a steep drop in pressure on capacity.

\*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, FSSS.

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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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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