

News Release

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S&P Global Russia Services PMI[®]

Business activity continues to rise, but cost pressures strengthen again in July

Key findings

Softer upturns in output and new orders

Input cost and output charge inflation quicken

Employment broadly stagnant

Russian service sector firms recorded another monthly expansion in business activity at the start of the third quarter, according to the latest PMI[®] data from S&P Global. Greater output was supported by a further rise in new business amid sustained client demand. That said, rates of growth for both output and new business eased from June. Dampening the upturn in total new orders were broadly stagnant new export sales, as foreign client demand softened. Meanwhile, firms were able to work through their backlogs, causing firms to scale back their hiring and leave workforce numbers largely unchanged on the month.

At the same time, the depreciation of the ruble against the dollar reportedly pushed up imported goods prices, as input costs rose markedly. Firms sought to pass through higher input prices to customers, resulting in the steepest rise in output charges since May 2022.

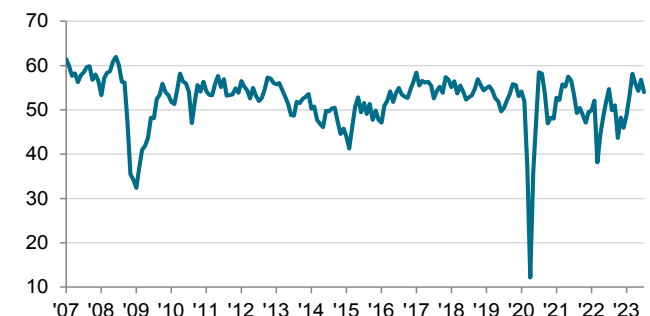
The seasonally adjusted S&P Global Russia Services PMI[®] Business Activity Index registered 54.0 in July, down from 56.8 in June. The latest data signalled a solid expansion in service sector output, in line with the long-run series average, albeit the slowest since February amid some reports of emerging customer hesitancy. Where a rise in activity was noted, firms attributed this to a further uptick in new business and a larger client base.

The rate of new order growth slowed notably from that seen in June, with the pace of expansion weaker than the series trend. Nonetheless, the latest upturn in new orders extended the current sequence of increase to six months, and was linked to a sustained rise in customer demand and the acquisition of new clients.

Weighing on the increase in total new orders was a near-stagnation of new export business at the start of the third quarter. This followed two months of sharp expansions in foreign client demand. Firms stated that logistics issues often hampered growth.

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

July data indicated faster increases in input costs and output charges at service providers. Panellists often mentioned that the depreciation of the ruble against the dollar pushed up imported goods prices, with supplier charges also rising. The rate of input price inflation quickened to the sharpest since January.

As demand conditions remained accommodative to higher selling prices, firms passed through greater cost burdens to clients via a hike in output charges. The pace of increase in output prices was substantial and the fastest in over a year.

A softer rise in new orders and the ability to manage workloads in a timely manner led firms to leave their workforce numbers broadly unchanged during July. The near-stagnation in employment ended a five-month sequence of job creation.

Moreover, sufficient capacity led to a decrease in the level of unfinished business. Although only marginal, the decline in backlogs of work was the first since April.

Finally, businesses remained optimistic in the outlook for activity over the next 12 months in July. Confidence reportedly stemmed from planned investment in developing new product lines and reaching out to potential new clients. Expectations were weaker than those seen in June, however, and dipped below the long-run series average amid concerns surrounding some instances of customer hesitancy.

PMI[®]

by S&P Global

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S&P Global Russia Composite PMI®

Private sector output expansion softens in July

The S&P Global Russia Composite PMI Output Index* posted at 53.3 in July, down from 55.8 in June, to signal a solid expansion in output across the Russian private sector. That said, the rate of growth slowed to the weakest since February amid softer upturns in manufacturing and service sector activity.

The weaker increase in output reflected softer demand conditions across both monitored sectors. At the same time, there was a renewed fall in new export orders led by a solid contraction in manufacturing new export sales.

Pressure on capacity dwindled in July, as firms worked through their backlogs of work successfully following further hiring activity. Employment growth stemmed from the manufacturing sector, while service providers saw staffing numbers broadly unchanged.

The recent depreciation of the ruble in part drove input costs higher for goods producers and service providers. The rate of input price inflation was the sharpest since May 2022, with firms hiking selling prices at the steepest pace since April 2022.

*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.

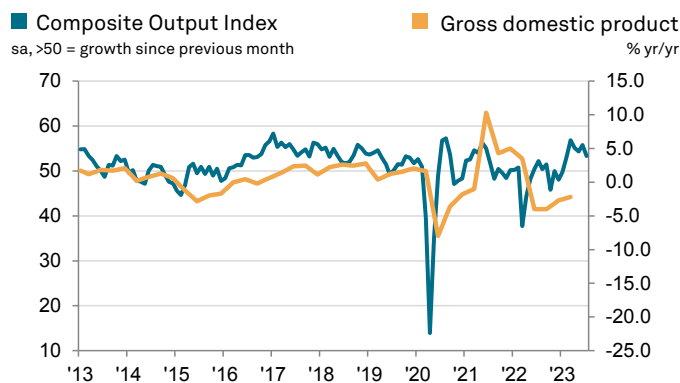
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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.

Contact

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

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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