News Release

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S&P Global Russia Services PMI®

Sharpest rise in output since August 2020 amid stronger demand conditions

Key findings

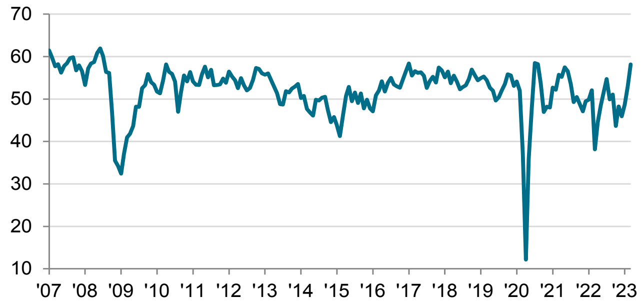
Steep expansions in business activity and new orders

Inflationary pressures softest since January 2021

Sharpest rate of job creation since June 2021

S&P Global Russia Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-29 March 2023.

Business activity across the Russian service sector expanded at a steep pace in March, according to the latest PMI® data. Output growth quickened to the sharpest since August 2020, as stronger demand conditions supported the upturn. Service providers reported a renewed expansion in new export orders, as foreign client demand contributed to the rise in total sales. Greater new orders sparked a faster rate of employment growth, as firms expanded their workforce numbers in an effort to relieve pressure on capacity amid a renewed rise in backlogs of work.

Meanwhile, rates of input cost and output charge inflation eased to the slowest since January 2021.

The seasonally adjusted S&P Global Russia Services PMI® Business Activity Index registered 58.1 in March, up notably from 53.1 in February. The latest data signalled a marked rise in output across the Russian services sector, with the rate of growth the fastest in just over two-and-a-half years. Where an expansion in business activity was recorded, firms linked this to stronger demand conditions and a further upturn in new orders.

Driving the rise in output was a second successive monthly expansion in new business at Russian service providers at the end of the first quarter. Higher new business reportedly stemmed from increased customer referrals, greater client activity and successful advertising campaigns. The rate of growth accelerated to a steep pace that was the sharpest since August 2020.

At the same time, new export orders increased during March, thereby ending a 12-month sequence of contraction. The rise in foreign client demand was attributed to increased customer interest from a broader range of export markets. Although only marginal, the pace of expansion was the quickest since October 2021.

On the price front, average cost burdens rose further and at a marked pace. Panellists often mentioned hikes in supplier prices, greater wage bills and higher utility costs. The rate of increase in operating expenses eased to the slowest since January 2021, however, amid some reports of a moderation in price hikes at suppliers.

Russian service providers continued to increase their output charges during March. Firms raised selling prices at a solid pace, as many noted efforts to pass through higher costs to customers. Nonetheless, the rate of charge inflation softened to the weakest in over two years as some companies highlighted discounts in a bid to remain competitive.

In line with a stronger upturn in new business, Russian services firms stepped up their recruitment efforts in March. Workforce numbers rose for the second month in a row and at a modest pace that was the quickest since June 2021.

Contributing to the expansion in capacity at Russian service providers was a renewed accumulation in backlogs of work. The level of outstanding business increased only marginally but for the first time in eight months.

Meanwhile, Russian services firms maintained a positive outlook for output over the year ahead in March. Plans for expansion of current facilities and new product lines, alongside hopes of greater client demand reportedly buoyed sentiment. The degree of confidence slipped from February's recent high, however, and was slightly weaker than the long-run series average.

PMI® by S&P Global

S&P Global Russia Composite PMI®

Sharp expansion in private sector output in March

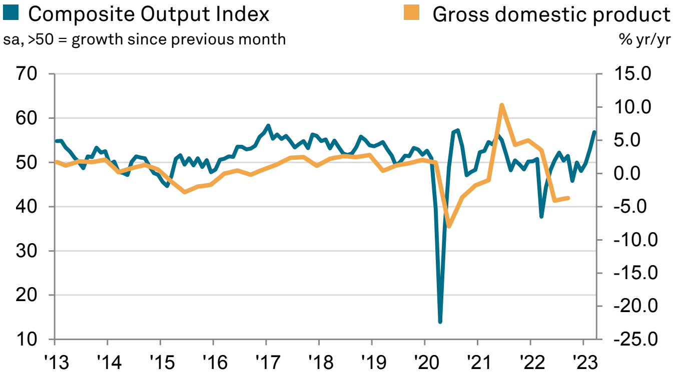
The S&P Global Russia Composite PMI Output Index* posted at 56.8 in March, up from 53.1 in February, to signal a steep upturn in private sector business activity. The rise in output was the fastest since August 2020 and historically elevated.

Supporting the increase in output was a quicker rate of new business growth in March. The upturn was broad-based, with service providers registering the sharper rise in client demand. A renewed increase in service sector new exports was offset by weaker foreign demand for manufactured goods, however.

Cost pressures remained sharp overall amid higher supplier and wage bills. That said, the rate of input price inflation eased to the slowest since September 2020. Firms indicated a softer increase in output charges, the weakest for four months.

A renewed rise in backlogs at private sector firms spurred a faster expansion in workforce numbers. Manufacturers and service providers alike registered quicker rates of job creation.

*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.

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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. ihsmarkit.com/products/pmi.html.

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