

News Release

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S&P Global Russia Services PMI®

Downturn in services activity deepens in June as demand wanes

Key findings

Sharper fall in output amid renewed drop in new business

Faster upticks in costs and selling prices

Job creation sustained

The decline in Russian service sector activity gathered pace during June, according to the latest PMI® survey from S&P Global. Output fell at a sharper rate amid a renewed downturn in new business. The decline in new orders was only slight overall, but it nevertheless ended a 16-month period of expansion. Lower new sales weighed on business confidence, as firms recorded the lowest degree of optimism in the outlook since July 2023. Nonetheless, service providers continued to take on new workers as backlogs of work were depleted at only a fractional pace.

Higher labour, transportation and supplier costs drove the rate of input price inflation up during June. In response, firms raised their selling prices at the quickest pace in five months.

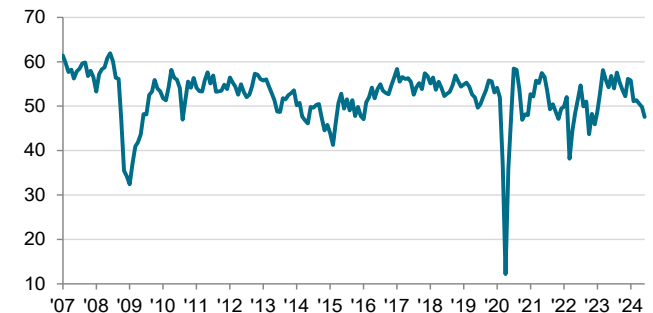
The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 47.6 in June, down from 49.8 in May, to signal back-to-back declines in output. The fall in activity quickened to a modest pace that was the steepest since December 2022. Lower output levels were often attributed to weak client demand and an associated contraction in new business.

Contributing to the decline in business activity was a renewed drop in new orders at Russian service providers in June. Panellists stated that the reduction in new sales was due to lower purchasing power among clients and a fall in customer numbers. Although only marginal, the decrease was the first since January 2023.

Meanwhile, service sector firms registered a steeper uptick in input costs midway through the year. The pace of increase was the fastest since January, albeit slightly slower than the series average. Greater cost burdens were attributed to higher wage and repair bills, as well as raised supplier and transportation prices.

At the same time, firms partially passed through higher costs to their customers via another monthly increase in selling prices. The pace of charge inflation quickened to a five-

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



Source: S&P Global PMI.

Data were collected 12-26 June 2024.

month high and was historically elevated.

Despite a drop in new order inflows, Russian services firms continued to hire additional workers during June, albeit at a marginal pace that was the slowest in four months. Companies highlighted that increased headcounts stemmed from greater full- and part-time workers.

Meanwhile, backlogs of work declined for the third successive month in June. Firms noted that a combination of sufficient capacity and reduced new orders allowed them to work through incomplete business. That said, the rate of depletion in unfinished work slowed and was only fractional overall.

Muted client demand dampened business confidence, however, as the degree of optimism in the outlook for output over the coming 12 months dropped to the lowest in almost a year. Nevertheless, the level of positive sentiment was in line with the series average as firms were buoyed by hopes of an improvement in demand and planned spending on new service lines.

PMI®

by S&P Global

S&P Global Russia Composite PMI®

Renewed decline in private sector activity in June

The S&P Global Russia Composite PMI Output Index* posted at 49.8 in June, down from 51.4 in May, to signal a fall in business activity at Russian private sector firms. The decrease in output was the first since January 2023, albeit only fractional overall.

Despite a decline in services new business, overall new orders increased midway through the year as manufacturers recorded a sharper upturn. Nonetheless, the rate of growth in total new sales was the slowest in the current 17-month sequence of expansion.

In a bid to ensure capacity requirements were met, firms continued to hire additional workers in June. Job creation was broad-based by sector.

Meanwhile, faster increases in costs and output charges at both manufacturers and service providers led to more intense inflationary pressures. The overall rates of inflation in input costs and selling prices quickened to five-month highs.

Finally, business confidence slipped to a ten-month low in June, despite more upbeat expectations among manufacturers.

*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.

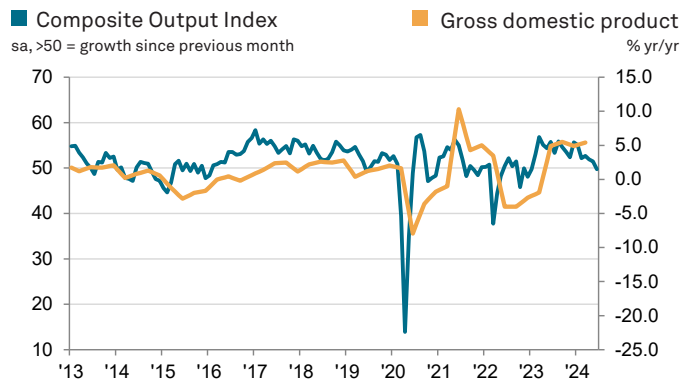
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi