

News Release

Embargoed until 0600 UTC 06 May 2022

S&P Global Russia Services PMI[®]

Business activity falls sharply as demand weakens further in April

Key findings

Output and new orders contract further amid sanctions

Inflationary pressures among strongest on record

Service providers remain pessimistic towards the outlook

Russian service providers registered a further sharp decline in business activity during April, according to the latest PMI[®] data. The fall in output stemmed from weak client demand and another decrease in new orders as sanctions reduced customer purchasing power. The introduction of sanctions also pushed input prices up, with the rate of cost inflation the second-fastest on record. Similarly, although softening from March, the pace of increase in charges was marked.

Higher costs and the dampening of demand conditions continued to weigh on business confidence, as services firms remained pessimistic regarding the 12-month outlook for output. Negative sentiment also contributed to a further fall in employment amid efforts to cut costs.

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index registered 44.5 in April, up from 38.1 in March but still well below the 50.0 no-change threshold, to signal a sharp decline in output. Alongside weaker demand conditions and an associated drop in new business, firms highlighted that the decrease in output was due to a fall in customer purchasing power. Although the rate of contraction in business activity eased from March, it was the second-steepest since May 2020.

April data indicated a seventh successive monthly fall in new orders at Russian service providers. The decrease was linked to the introduction of sanctions and higher interest rates which dampened client demand. The rate of decline was steep overall and the second-sharpest in almost two years after that recorded in March.

At the same time, new export orders decreased markedly amid subdued external demand. The fall in new business from abroad was the second in as many months and, with the exception of March's recent low, was the strongest since May 2020.

Meanwhile, cost burdens continued to increase markedly in April. The rise in input prices was commonly linked to greater

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



Source: S&P Global.

Data were collected 11-27 April 2022.

supplier and wage costs, with some companies noting that sanctions had led to a faster upturn in imported input costs. Although easing from March's recent peak, the rate of input price inflation was nonetheless the second-sharpest on record.

In response to a further rise in cost burdens, Russian service providers indicated a substantial increase in output charges at the start of the second quarter. The uptick in charges was the second-fastest since data collection started in October 2001. Higher selling prices were reportedly due to the pass-through of greater input prices to clients.

Weaker demand conditions and the introduction of sanctions reportedly weighed on business confidence in April. Russian services firms remained pessimistic regarding the outlook for output over the coming 12 months. The level of negative sentiment softened from March's recent low, however.

Hiring intentions continued to wane as employment decreased for the fifth month running. The decline in workforce numbers was solid overall and the second-sharpest since October 2020. In line with lower new business, firms stated that reduced staffing levels were due to efforts to cut costs and downsize operations.

Despite lower employment, Russian service providers recorded another marked decline in backlogs of work, with work-in-hand falling at the fastest pace since May 2020.

PMI[®]

by S&P Global

S&P Global Russia Composite PMI®

Private sector output contracts sharply in April

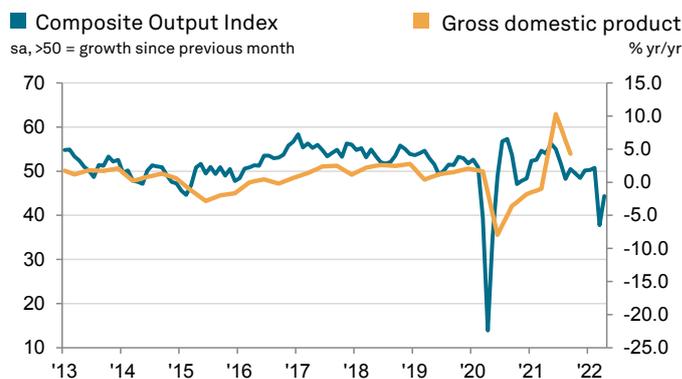
The S&P Global Russia Composite PMI Output Index* posted 44.4 in April, up from 37.7 in March but still deep in sub-50 contraction territory, to signal a steep decline in private sector output. Although softer than March's marked contraction, the rate of decrease was the second-fastest since the initial stages of the pandemic in May 2020.

The fall in business activity stemmed from a further downturn in client demand, as new orders declined again. Sharp decreases in new business and new export orders were recorded in the manufacturing and service sectors.

Although easing from March's recent peak, rates of input price and output charge inflation were among the fastest on record as sanctions pushed imported input prices up. Firms also sought to pass-through higher costs to clients.

In response to lower new orders and weaker pressure on capacity, employment contracted solidly during April. A slower fall in backlogs of work at manufacturers contrasted with a quicker decline at service providers.

*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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