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# IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

## Renewed expansion in business activity in January

### Key findings

Output and new orders return to growth

Cost inflation eases

Business confidence picks up to highest since October 2019

Data were collected 12-27 January 2021.

January PMI® data signalled a return to growth in business activity across the Russian service sector. The upturn in output was supported by a renewed expansion in new business. New export orders, however, fell once again, albeit at the slowest rate since last August. Meanwhile, the first rise in backlogs of work since November 2017 and the strongest degree of business confidence since October 2019 saw employment move closer to stabilisation.

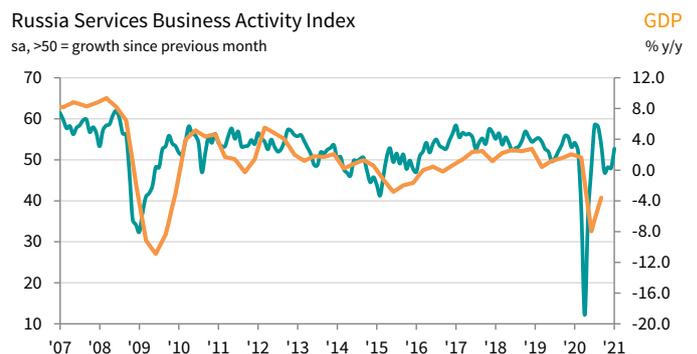
At the same time, the rate of input price inflation eased, leading to a slower increase in output charges.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 52.7 in January, up notably from 48.0 in December, to signal a renewed rise in output across the Russian services sector. The moderate increase in business activity brought to an end a three-month sequence of contraction. Anecdotal evidence suggested that the upturn was linked to greater client demand and higher new sales.

January data signalled the first expansion in new business since last September. The rise in new orders was modest overall, with service providers commonly linking the upturn to stronger client demand at new and existing customers.

The increase in total sales was seemingly driven by greater domestic client demand, with new exports orders falling for the eleventh month running. Although the pace of contraction was the quicker than the series trend, it was the slowest for five months.

The rate of cost inflation eased for the second successive month in January and was notably slower than November's



Sources: IHS Markit, FSSS.

recent high. Nonetheless, the pace of increase was solid overall, with Russian service providers attributing the rise to greater fuel, utility and supplier costs. Some companies also mentioned that unfavourable exchange rate movements had driven up the price of imported goods.

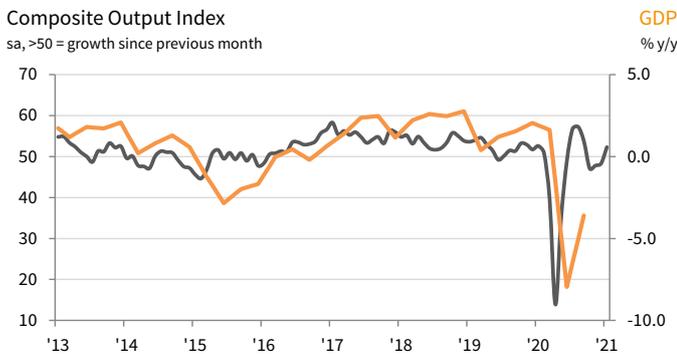
As a result of a slower rise in cost burdens, firms increased their output charges at a more subdued pace in January. Although many noted the partial pass-through of higher input prices to clients, the pace of charge inflation was the softest since July 2020 and only marginal overall.

At the same time, service providers signalled a stronger degree of confidence in the outlook for activity over the coming 12 months. The level of optimism was the highest since October 2019, as firms were buoyed by hopes of an end to the coronavirus disease 2019 (COVID-19) pandemic and social-distancing measures. Companies also hope for a stronger rise in new business once restrictions are lifted.

Finally, employment fell only fractionally in January. The decrease was the slowest in the current five-month sequence of job shedding, as pressure on capacity built. Backlogs of work rose for the first time since November 2017 following a renewed rise in new order inflows.

## IHS Markit Russia Composite PMI®

### First expansion in private sector output since September 2020



Sources: IHS Markit, FSSS.

Renewed growth in manufacturing and service sector activity drives overall upturn.

The IHS Markit Composite PMI Output Index\* posted 52.3 in January, up from 48.3 in December, to signal a modest increase in private sector business activity.

Contributing to the upturn in output was the first rise in new business since last August. In contrast, new export orders fell sharply in January, as manufacturers and service providers registered contractions in foreign client demand.

In line with a further fall in outstanding business, private sector firms reduced their workforce numbers fractionally at the start of 2021.

Meanwhile, the rate of cost inflation softened in January, but remained marked overall. The pace of increase in input prices slowed at manufacturing and service sector firms, which in turn led to softer rises in output charges.

A notable uptick in business confidence at service providers resulted in the strongest degree of private sector optimism regarding a rise in output over the coming year since October 2019. Goods producers, however, registered a slight moderation in the level of positive sentiment.

\*Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

### Comment

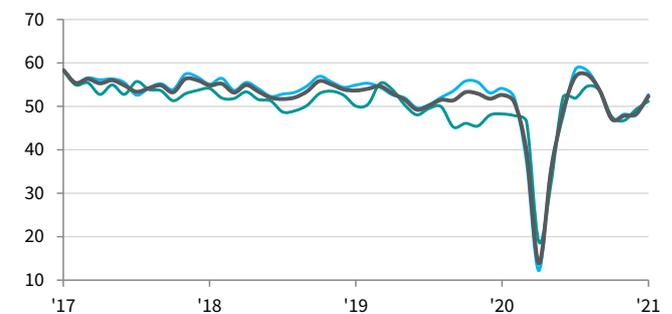
Commenting on the latest survey results, Siân Jones, Economist at IHS Markit, said:

"Russian service providers signalled a return to expansion in January, as both output and new orders rose modestly. Client demand reportedly strengthened, with some firms exhibiting strain on capacity, as backlogs increased for the first time since November 2017. As a result, the contraction in employment slowed to only a fractional rate.

"Meanwhile, there was better news for company balance sheets, as the rate of input cost inflation softened to the slowest in six months. In order to continue driving new sales, the slower increase in input prices was passed through to clients as charges rose only marginally at the start of the year.

"At the composite level, January PMI data signalled a brighter start to 2021. Manufacturers and services providers recorded greater client demand and strong optimism, with cost pressures starting to abate."

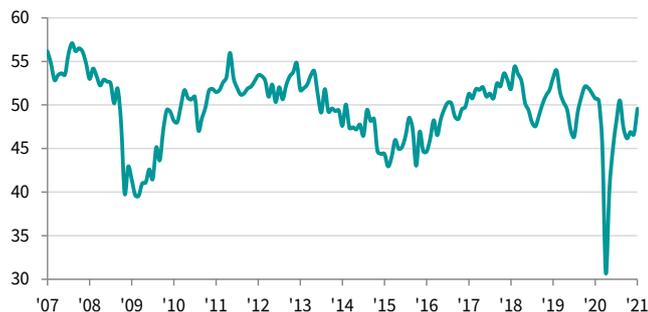
Output Index  
Composite / Manufacturing / Services  
sa, >50 = growth since previous month



Source: IHS Markit.

Services Employment Index

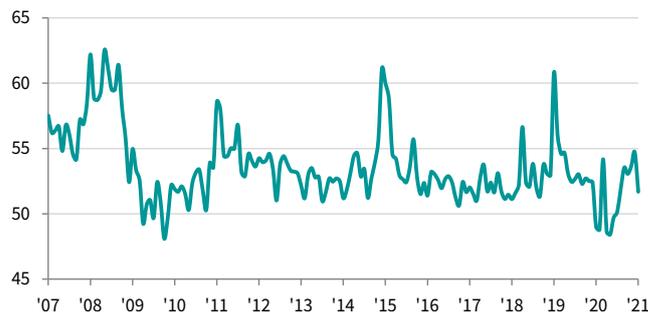
sa, >50 = growth since previous month



Source: IHS Markit.

Services Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

Contact

Siân Jones  
Economist  
IHS Markit  
T: +44 1491 461 017  
[sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

Survey methodology

The IHS Markit Russia Services PMI® is compiled by IHS Markit 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.

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 services 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).

Survey dates and history

January data were collected 12-27 January 2021.

Survey data were first collected October 2001.

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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](https://ihsmarkit.com/products/pmi.html).