

**EMBARGOED UNTIL: 00:01 (UTC) November 15<sup>th</sup> 2021**

# IHS Markit Russia Business Outlook

## Russian private sector firms signal strongest optimism since February

### Key findings:

- Business confidence ticks higher in October
- Employment forecasts strongest since October 2019
- Inflationary pressures set to intensify

Data collected October 12-27

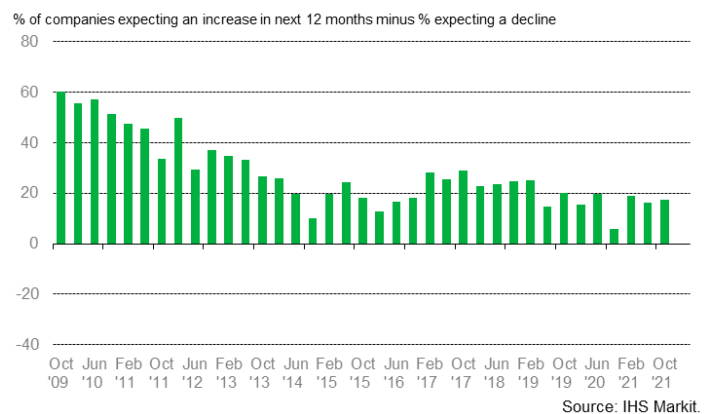
According to the latest IHS Markit Business Outlook survey, business confidence at Russian private sector firms improved in October. At +17%, the net balance of companies anticipating higher output over the coming year picked up to the highest since February, despite being below the long-run series average (+28%). The total net balance was also lower than the global average (+31%), with only India recording weaker confidence in the outlook (net balance of +14%) among the countries where comparable data are available. Russian service providers, however, registered the strongest optimism since February 2019.

Positivity regarding the outlook for output was reportedly due to expectations of an uptick in client demand and stronger new order growth. Firms also noted that new product and service line development would help boost new sales. Other businesses mentioned that investment in new technology and IT systems are expected to aide communication with customers.

Threats to business activity growth, however, were often linked to the ongoing pandemic and an associated drop in client demand, especially in the service sector. Alongside weaker demand as virus cases rise, firms highlighted that soaring input costs and labour shortages are expected to hamper any expansion in output over the next year.

Service providers registered stronger expectations regarding activity growth compared to their manufacturing counterparts. The net balance of goods

### Russia business activity expectations



producers anticipating higher production increased from that seen in June but was the third-lowest since data collection for the sector began at the start of 2008.

### Employment & Investment Plans

Russian private sector businesses expressed greater confidence regarding the outlook for employment over the coming year in October. The net balance of firms expecting to hire additional staff rose to the highest for two years, as optimism improved at both manufacturers and service providers alike. Goods producers especially noted concerns surrounding labour shortages, however.

At the same time, Russian private sector firms anticipate additional spending on capital over the next year. The net balance expecting greater capex spending was the joint-highest since June 2020, with manufacturers' forecasts moving back into positive territory. In contrast, expectations regarding spending on R&D weakened to the least optimistic in a year.

### Inflation Expectations

Input price forecasts strengthened in October. The net balance of companies expecting greater staff costs rose

to the highest for two years, as firms highlighted the potential influence of labour shortages. The net balance of firms forecasting greater non-staff costs also ticked up to a one-year high amid material shortages and hikes in transportation surcharges.

October data signalled a pick-up in expectations regarding increases in output charges at Russian private sector firms. The net balance of companies anticipating greater output prices was the highest for a year.

### Corporate Earnings

Profitability forecasts improved in October, in line with greater expectations regarding increases in output and prices charges. Despite firms foreseeing stronger upticks in input prices, the net balance of companies anticipating a rise in profits was the joint-highest since February 2020.

### Comment:

Commenting on the Russia Business Outlook survey data, **Siân Jones**, Senior Economist at IHS Markit, said:

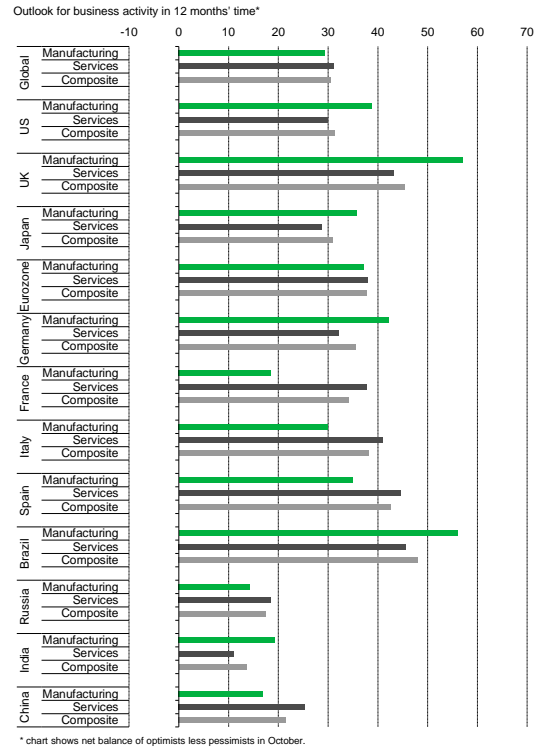
*“Russian private sector firms were more upbeat regarding the outlook for output over the coming year in October, with manufacturers and service providers registering stronger expectations for activity. More optimistic forecasts were also recorded for employment and capex investment spending despite reports of ongoing labour shortages.*

*“In line with global trends, Russian companies anticipate further upticks in input prices over the next year. Expectations regarding increases in staff and non-staff costs strengthened as concerns surrounding material shortages and rises in transportation charges worsened. Nevertheless, profitability forecasts picked up, reflecting greater positive sentiment regarding hikes in selling prices and future business activity.”*

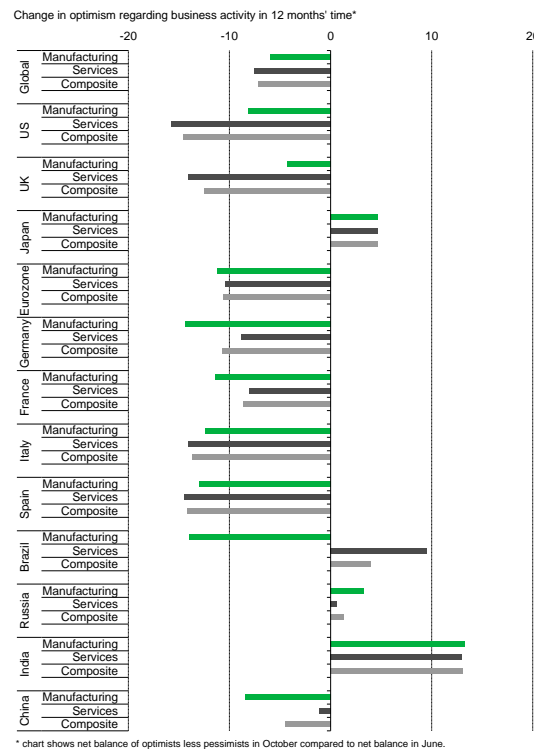
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### Business optimism in October



### How business activity expectations have changed since June



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**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between October 11 and 29.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

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