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IHS MARKIT RUSSIA SERVICES PMI®

INCLUDING IHS MARKIT RUSSIA COMPOSITE PMI®

Business activity growth eases to ten-month low in April

KEY FINDINGS

Softer expansions in output and new business

New export sales growth reaches series high

Business expectations strongest since July 2011

April data signalled a moderate increase in business activity across the Russian service sector. The rise in output was the softest since June 2018. Similarly, the rate of new business growth eased to a ten-month low. In contrast, new export orders rose sharply and at the fastest pace since the series began around four-and-a-half years ago. Less robust demand conditions were reflected in a slowdown in hiring, with employment rising only fractionally. Business confidence, however, picked up and was the strongest since July 2011.

Meanwhile, the rate of cost inflation continued to ease following January's VAT-driven spike.

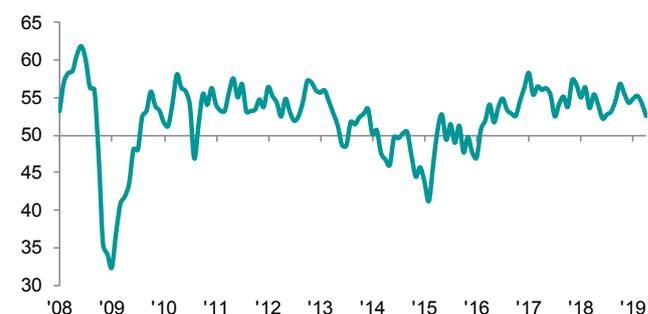
The IHS Markit Russia Services Business Activity Index – a single-figure measure designed to track changes in total Russian services activity – posted 52.6 in April, notably down from 54.4 in March. The latest expansion in output was the slowest for ten months and below the long-run series average. Where a rise was reported, panellists linked this to a further increase in new business. Others, however, noted that softer demand conditions weighed on growth.

Russian service providers continued to register a rise in new business in April, albeit at the softest pace since June 2018. The upturn was supported by new client acquisitions and an increase in marketing activity.

The modest expansion in new orders was in part driven by a sharp rise in new export business. The rate of growth was the strongest since data collection for the series began in September 2014.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Despite a slower overall expansion in client demand, service providers recorded a stronger degree of optimism in future output growth. Business expectations were at their highest level since July 2011, with confidence stemming from new product launches, forecasts of greater client demand and increased advertising.

Russian service providers registered only a fractional increase in employment in April. The latest data extended the current sequence of job creation to seven months, but signalled the slowest rise in workforce numbers since last October. Some panellists noted that a slowdown in new business growth had reduced pressure on capacity.

Backlogs of work continued to fall during April. Although the contraction moderated, it extended the current sequence of decline to seventeen months.

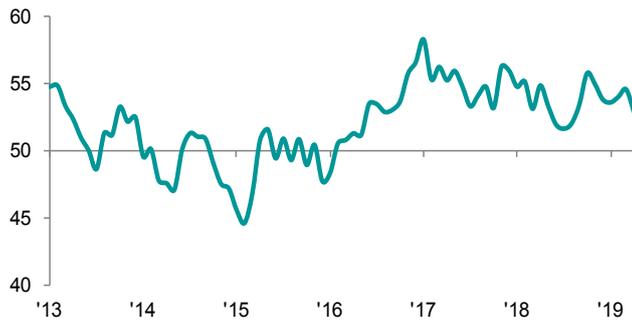
Meanwhile, input cost inflation softened in April. The rate of increase eased to the slowest for eight months. The rate of output charge inflation, however, was broadly in line with that seen in March and its respective series trend. Higher charges were attributed to the pass-through of greater cost burdens onto clients. The pace of increase was among the fastest seen over the last four years, but well below January's peak.

IHS MARKIT RUSSIA COMPOSITE PMI®

Composite output growth eases to eight-month low

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

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.

The Russia Composite Output Index is a weighted average of the Russia Manufacturing Output Index and the Russia Services Business Activity Index. The Composite Output Index registered 53.0 in April, down from 54.6 in March. The implied rate of expansion was the slowest since last August as both the manufacturing and service sectors recorded a slowdown in output growth. Although softer than March's recent high, the increase in manufacturing production was the second-fastest since January 2018.

The overall expansion in new business also eased to an eight-month low in April, with service sector weakness the main factor weighing on growth. In contrast, goods producers registered the second-quickest rise in new orders since July 2017. Foreign client demand helped support the upturn, with service providers recording the fastest expansion in new export sales since data collection for the series began in September 2014.

Inflationary pressures eased across both monitored sectors in April, as the impact of January's hike in VAT continued to out. The rate of input price inflation softened to a 13-month low, with output charges subsequently rising at a slower pace.

At the composite level, private sector firms registered a fractional fall in employment. The slight rate of job creation in the service sector was outweighed by a modest contraction in the manufacturing sector.

Finally, business expectations towards the output outlook for the year ahead reached a series high in April.

COMMENT

Commenting on the PMI data, Siân Jones, Economist at IHS Markit said:

"Russian service providers signalled a noticeable slowdown in business activity growth in April. The moderate expansion eased following some reports of less robust domestic demand conditions. Conversely, new export sales rose at the fastest pace in the series history."

"Cost pressures softened further from January's recent peak in April, with input prices rising at the slowest pace since last August. The Central Bank of Russia kept interest rates unchanged at their latest meeting as inflationary pressures continue to ease following the VAT-driven record in January."

"At the composite level, output increased at a solid rate, albeit the slowest for eight months. Overall growth was weighed on by a less robust service sector performance and a moderation in the pace of expansion of goods production."

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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 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.

April 2019 data were collected 10-26 April 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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. To learn more go to ihsmarkit.com/products/pmi.html.

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