

Embargoed until 0900 MSK (0600 UTC) 3 December 2020

IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

Slower fall in service sector activity in November

Key findings

Rates of contraction in output and new orders ease

Input prices rise at sharpest pace since VAT hike in January 2019

Employment falls at solid rate

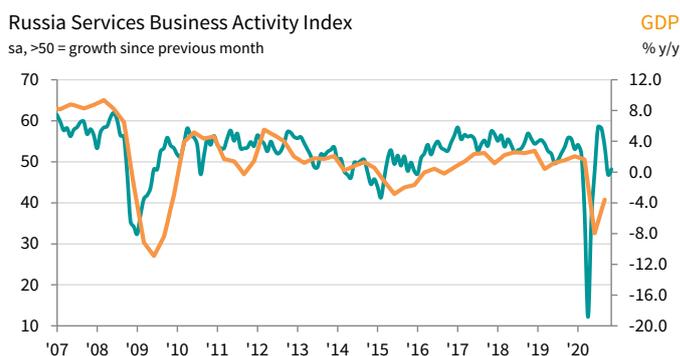
Data were collected 12-26 November 2020

November PMI® data signalled a further contraction in business activity across the Russian service sector. The coronavirus disease 2019 (COVID-19) pandemic and related restrictions reportedly weighed on demand once again as output and new orders fell. That said, both measures declined at a softer pace. Foreign client demand deteriorated once again, and to the greatest extent for six months. Meanwhile, business confidence remained historically subdued as near-term uncertainty also weighed on employment.

At the same time, cost pressures intensified notably. Input prices rose at the sharpest pace since January 2019, with firms able to raise their output charges at a slightly faster rate.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 48.2 in November, up from October's five-month low of 46.9. Output decreased for the second month running, but the rate of decline was much slower than that seen during the depths of the pandemic in April. Lower business activity was often linked by panellists to muted client demand and COVID-19 restrictions.

New business received by service providers also fell further in November, as subdued customer demand weighed on total sales. A number of firms stated that cashflow issues among customers lowered their ability to make new orders. Although the rate of contraction in new business eased to only a modest pace, firms registered a faster downturn in new export orders. The decline in foreign client demand was marked overall and the fastest since May.



Sources: IHS Markit, FSSS.

On the price front, Russian service sector firms indicated the steepest rise in average cost burdens since January 2019, when the rate of value added tax (VAT) was increased. The marked uptick in input prices was often attributed to hikes in wages and additional business costs associated with making the workplace COVID-19 safe.

Despite muted demand conditions, service providers were able to increase their selling prices again in November. The rate of output charge inflation was solid overall and quickened slightly to the fastest since March. Panellists commonly stated that the rise was linked to the partial pass-through of higher costs to clients.

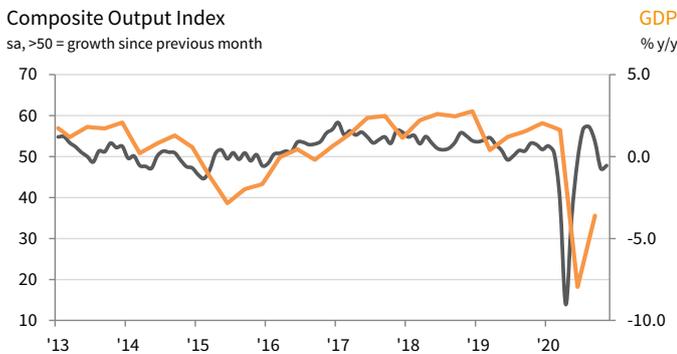
In line with lower new orders, services firms reduced their workforce numbers for the third successive month midway through the fourth quarter. The fall was also attributed to increased redundancies. The pace of job shedding eased slightly from that seen in October, however.

A drop in pressure on capacity was also reflected in a sharp decrease in backlogs of work in November. The rate of depletion quickened to the steepest since May, as lower new orders allowed firms to complete outstanding business.

Finally, business confidence regarding the outlook for output over the coming year improved in November, despite remaining historically subdued. Where optimism was reported, firms linked this to hopes of an end to the pandemic and an uptick in client demand.

IHS Markit Russia Composite PMI®

Private sector output declines further in November



Sources: IHS Markit, FSSS.

Overall business activity fell at a modest pace as manufacturing and services output contracted further.

The IHS Markit Composite PMI Output Index* posted 47.8 in November, up slightly from 47.1 in October. The slower decline was driven by service providers, as goods producers registered a faster decrease in production.

Total sales also declined for a second successive month in November, broadly due to weaker domestic demand. Private sector firms signalled a renewed expansion in new export orders.

Notably, inflationary pressures intensified in November, as input costs rose at the sharpest pace since January 2015. At the same time, manufacturers and service providers increased their selling prices at faster rates, despite subdued demand conditions.

A further reduction in pressure on capacity partially contributed to another monthly fall in employment at private sector firms.

Finally, stronger output expectations at manufacturing and service sector firms led to an improvement in the degree of optimism regarding the outlook for output over the coming year.

*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.

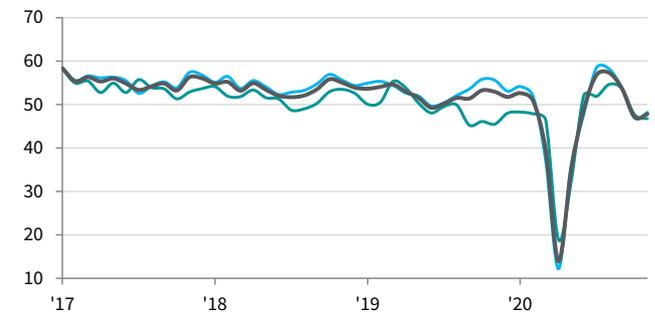
Comment

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

"November data signalled slower declines in service sector activity and new business, following October's renewed drop in client demand brought on by the resurgence in COVID-19 infections and new restrictions. Firms remained muted in their future output expectations amid uncertainty as to the longevity of the pandemic, with employment falling further as a result.

"At the composite level, a recurring theme emerged of marked cost pressures. Manufacturers and service providers noted substantial increases in input prices amid supplier shortages, steep imported goods costs and efforts to make workplaces safe. Although inflationary pressure from demand remains muted, currency weakness in part pushed supplier prices higher. Nonetheless, our forecast expects that the annual rate of inflation will average 3.3% in 2020, with price rises weighed down by subdued demand."

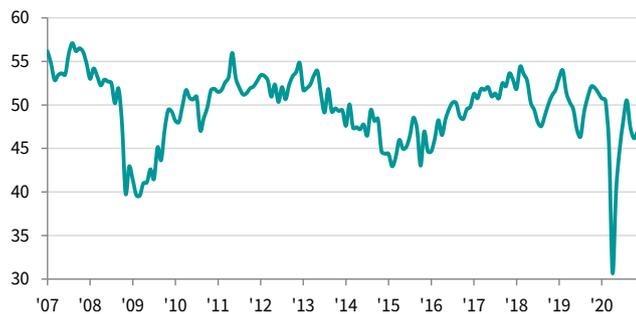
Output Index
Composite / Manufacturing / Services
sa, >50 = growth since previous month



Source: IHS Markit.

Services Employment Index

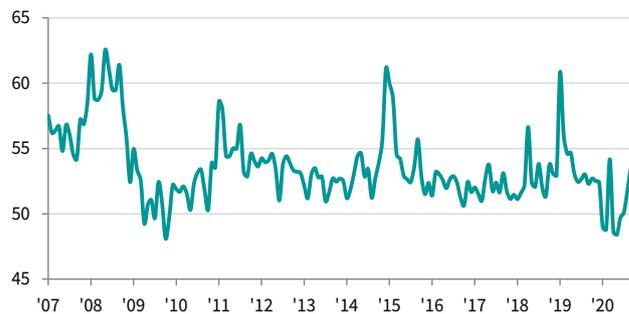
sa, >50 = growth since previous month



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

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
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.

Survey dates and history

November data were collected 12-26 November 2020.

Survey data were first collected October 2001.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click [here](#).

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. ihsmarkit.com/products/pmi.html