

EMBARGOED UNTIL: 00:01 (UTC) November 10th 2020

IHS Markit Russia Business Outlook

Russian business confidence drops to series low amid COVID-19 pandemic

Key findings:

- Business activity expectations fall to lowest since comparable data were first available in late-2009
- Employment forecasts weakest since early-2016
- Outlook for selling prices improves amid higher expected non-staff costs

Data collected October 12-28

According to the latest IHS Markit Business Outlook survey, confidence among Russian private sector firms was the weakest since comparable data were first available ten years ago in October. The net balance expecting an increase in output (+6%) also compared unfavourably with the global average (+26%). Manufacturers and service providers alike registered notable drops in optimism, with the former also signalling the lowest confidence towards future business activity since data collection for the respective series began in January 2008.

Nonetheless, private sector firms on balance still expect output to increase over the coming year. Companies largely linked positive sentiment to hopes of an end to the pandemic and the return to more normal demand conditions, alongside greater product development.

That said, the net balance of firms forecasting a rise in output dropped significantly from June's +20%, with firms overwhelmingly attributing pessimism to the impact of the coronavirus disease 2019 (COVID-19) pandemic. Alongside weaker demand conditions, panellists also stated that greater competition for clients and higher input costs were likely to weigh on output over the coming year. Although manufacturing firms indicated a larger decrease in the net balance to +11%

Russia business activity expectations



(+27% in June), they were more upbeat compared with their service sector counterparts who registered a net balance of only +4% (+17% in June).

Employment & Investment Plans

The net balance of firms expecting a rise in employment over the coming year posted only just inside positive territory in October, at +4%. Companies were the least optimistic of greater payroll numbers since February 2016. Manufacturers were less upbeat compared with their service sector counterparts, as the net balance of goods producers that foresee an increase in workforce numbers dropped to a decade low (+3%).

Despite hopes that greater new product development will spur output growth, private sector firms were historically downbeat regarding their investment plans over the next 12 months. Goods producers were especially pessimistic regarding capital spending, as the net balance, at -1%, slid into negative territory for the first time since January 2009. Service providers still

expect capex and R&D spending to rise over the next year, however.

Inflation Expectations

Although forecasts regarding inflationary pressures remained relatively muted by historical standards, the net balance of firms expecting a rise in non-staff costs (+24%) rose to the highest for a year. Subdued employment projections weighed on predictions for staff costs, as the net balance forecasting greater wage costs fell to +17% (+21% in June).

Despite downbeat business activity expectations, the net balance of private sector firms that foresee a rise in selling prices picked up to the highest in a year (+32%).

Corporate Earnings

Greater expected costs and less optimism regarding output dampened profitability forecasts in October. At -1%, the net balance was the lowest on record and dropped notably from +10% seen in June.

Comment:

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

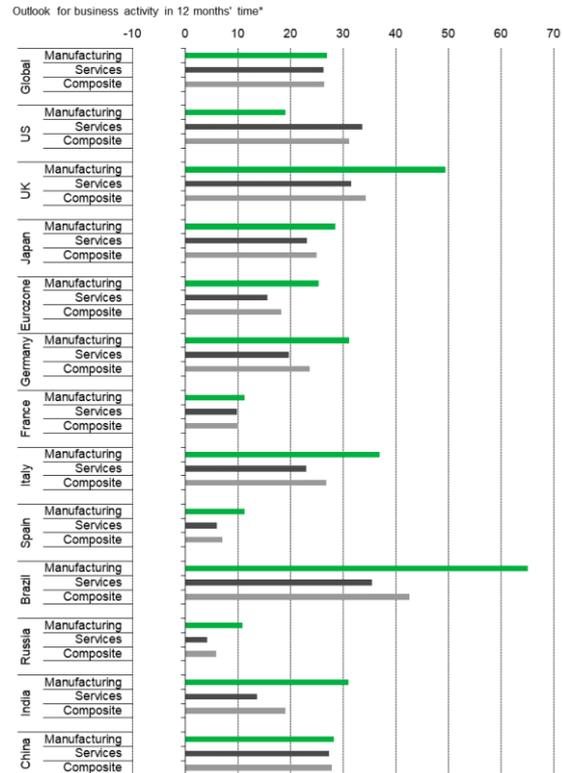
“The sustained impact of the COVID-19 pandemic on demand and business operations weighed notably on firms’ expectations for output, employment and investment over the coming year. Private sector companies still foresee a rise in output in a year’s time, but sentiment was far more downbeat compared with the summer amid lingering economic uncertainty.

“Manufacturers and service providers both forecast a decrease in profits over the next year, with non-staff costs expected to increase and place pressure on margins. In line with less robust hiring intentions, staff costs are anticipated to exert less strain on balance sheets, however. Encouragingly, the net balance of firms that foresee higher selling prices rose to the highest for a year, as companies seek to offset potentially greater cost burdens.”

-Ends-

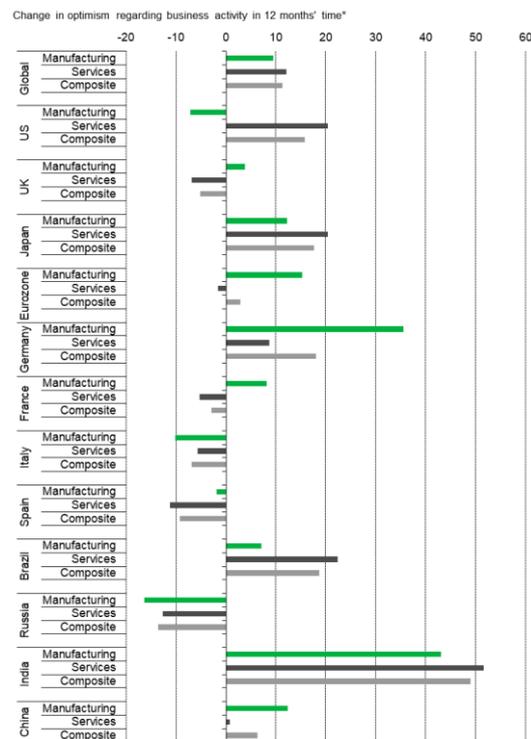
Full data available on request from economics@ihsmarkit.com

Business optimism in October



* chart shows net balance of optimists less pessimists in October.

How business activity expectations have changed since June



* chart shows net balance of optimists less pessimists in October compared to net balance in June.

For further information, please contact:**IHS Markit**

Siân Jones, Economist
Telephone +44-1491-461-017
Email sian.jones@ihsmarkit.com

Katherine Smith, Public Relations
Telephone +1 781 301 9311
Email katherine.smith@ihsmarkit.com

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 9 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 7,000 firms.

About IHS Markit (www.ihsmarkit.com)

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.

The intellectual property rights to the Business Outlook survey 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 trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited and/or its affiliates.

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