

EMBARGOED UNTIL: 00:01 (UTC) November 19th 2018

IHS Markit Russia Business Outlook

Russian business optimism highest in a year

Key findings:

- Output expectations strongest since October 2017
- Employment forecasts most marked since October 2012
- Inflationary pressures expected to intensify

Data collected October 12-29

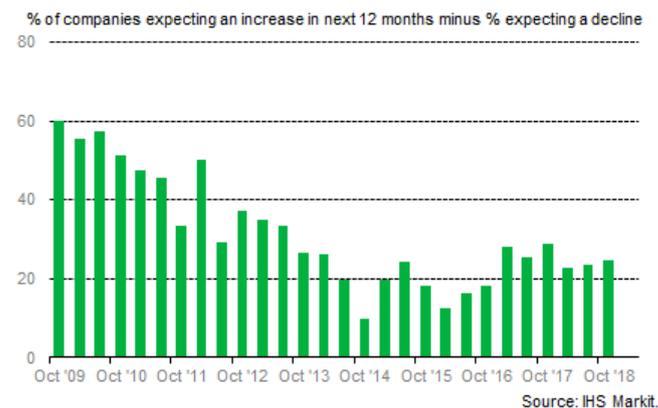
The latest IHS Markit Russia Business Outlook survey indicates stronger optimism among private sector firms in Russia, with all net balances rising to in October. The activity net balance (+25%) is slightly below the global average (+28%), but above the trend for emerging markets (+22%) and at its highest mark for one year. Business confidence is boosted by forecasts of greater client demand, access to new markets, product development and planned investments in business expansion.

Robust predictions towards future output are centred on the service sector, however, with manufacturing firms noting the weakest degree of optimism since October 2016. Service providers are at their most upbeat in a year.

Nonetheless, both manufacturing and service sector firms foresee a need for larger workforces over the coming year. Notably, the net balance of service providers expecting a rise in employment is the highest since February 2012.

Meanwhile, private sector firms in Russia expect inflationary pressures to intensify over the next year. The net balance of firms predicting higher input prices is the highest since June 2013. At the same time, a larger proportion of panellists foresee a rise in output charges. The net balance is up to its highest since February 2015.

Russia business activity expectations



Employment & Investment Plans

Russian manufacturers and service providers predict job creation over the coming year, with the proportion of optimists less pessimists the highest seen since October 2012. Hiring intentions are stronger among services firms than at their manufacturing counterparts.

Private sector firms forecast a rise in investment over the next 12 months, with the net balance of firms expecting an increase in capex rising from that seen in June. Although below the emerging market average, the net balance is in line with the global figure.

Inflation Expectations

Russian companies have revised higher their expectations for input prices over the coming year, with the net balance up to its highest since June 2013. Although service sector firms' net balance is equal to that seen in June, the net balance of manufacturing firms forecasting a rise is the highest since February 2015.

Similarly, there is a marked rise in the net balance of panellists expecting an increase in output prices. The

net balance has risen from June to the highest in over three-and-a-half years. Mirroring the trend for input prices, charge inflation is set to be stronger at manufacturers than at their service sector counterparts.

Corporate Earnings

Expectations towards profits have improved to the highest in a year. At the sector level, however, service providers are more optimistic. Manufacturers, on the other hand, have signalled the lowest net balance since February 2016.

Comment:

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

“The latest IHS Markit Russia Business Outlook survey suggests greater optimism among private sector firms towards future output. Expectations picked up across all indicators, with panellists more upbeat towards employment, new business, revenues and output growth.

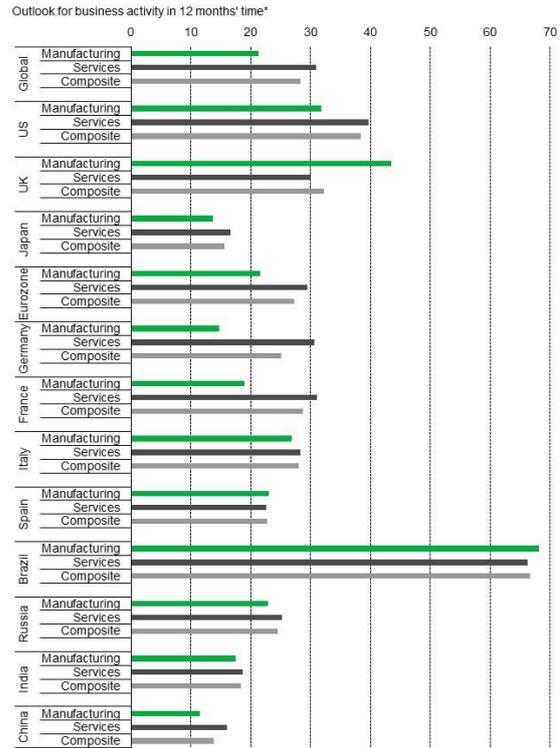
“Predictions of greater client demand and new product development are key factors behind the highest level of confidence towards activity for a year. Some firms, however, highlight concerns surrounding exchange rate conditions and tax changes. Expectations of input price inflation are commonly attributed to forecasts of unfavourable currency movements over the next year. In turn, firms look set to lift their output charges, with the net balance the most robust since February 2015.

“In line with greater expectations for new business and forecasts of higher charges, firms foresee increased profit-making opportunities in the next 12-month period.”

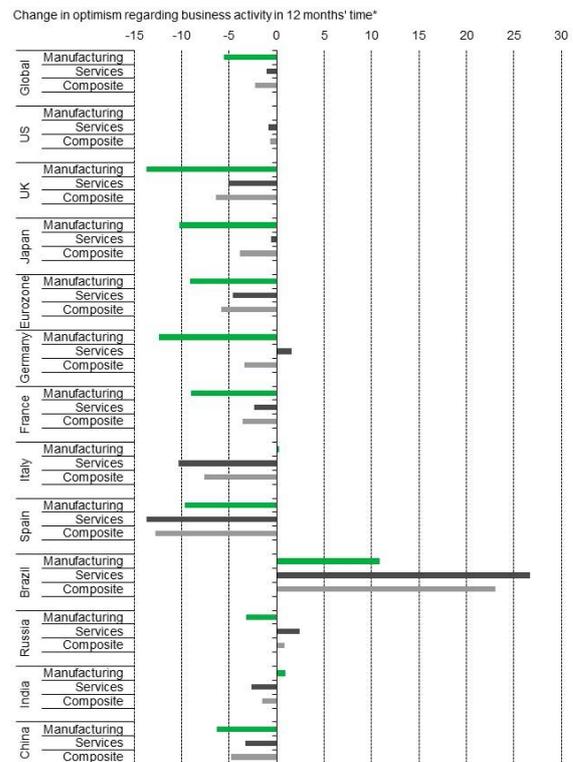
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Full data available on request from economics@ihsmarkit.com

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 12 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, fax, 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 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 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.

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