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IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

Business activity growth fastest for nine months in May

Key findings

Stronger client demand spurs sharp output expansion

Cost pressures most marked since June 2008

Employment growth quickens to fastest since February 2018

Data were collected 12-26 May 2021.

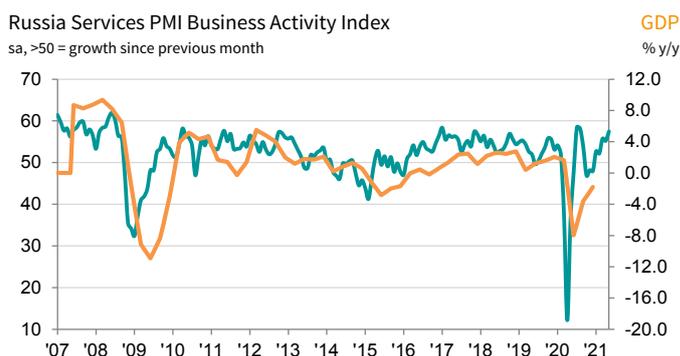
May PMI® data indicated a sharp expansion in business activity across the Russian service sector that was the quickest since August 2020. Supporting the upturn in output was a stronger increase in new business during the month, as domestic demand conditions improved more rapidly. New export sales rose further, but at a softer pace. In an effort to stay on top of backlogs of work, companies expanded their workforce numbers at the steepest pace since February 2018.

At the same time, inflationary pressures remained elevated, as cost inflation accelerated to the sharpest since June 2008. Business confidence eased slightly, weighed down by concerns regarding supplier price hikes and customer solvency.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 57.5 in May, up from 55.2 in April, to signal the sharpest upturn in business activity for nine months. Output expanded for the fifth month running, with firms often stating that stronger client demand supported growth.

New orders rose at a marked rate during May, as greater confidence among customers was reflected in a boost to spending. The rate of growth in new order inflows was the quickest since August 2020. The reopening of sections of the economy and expansion of operations at service sector companies reportedly supported new sales growth.

New export orders, meanwhile, grew for the third successive month. The rate of expansion was the slowest in the aforementioned sequence and only modest, however.



Sources: IHS Markit, FSSS.

Cost pressures continued to mount during May, with the rate of input price inflation accelerating to the fastest since June 2008. Greater supplier price hikes and increased fuel costs reportedly pushed average operating expenses up. Some companies also noted a rise in transportation fees as a factor behind cost inflation.

Subsequently, service providers sought to partially pass-through higher costs to their clients via greater selling prices. The rate of increase was strong and the fastest since January 2019.

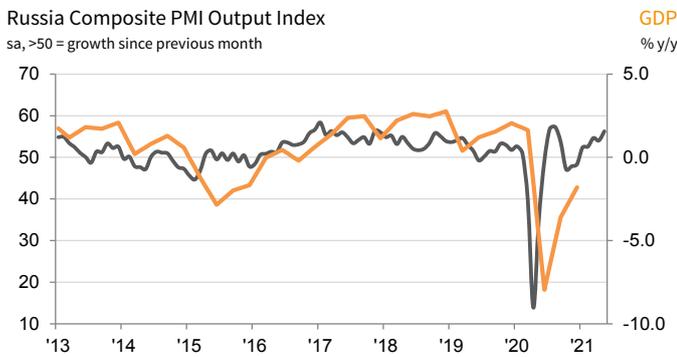
Meanwhile, Russian service sector firms registered a fourth straight monthly rise in employment in May. The pace of job creation picked up to the sharpest since February 2018, as firms increased workforce numbers to support to processing of new order inflows.

Consequently, backlogs of work fell once again. The decline in the level of outstanding business was solid overall and quickened from that seen in April, as firms reported sufficient capacity to complete orders in a timely manner.

Finally, business expectations across the Russian service sector moderated slightly during May. Firms remained broadly upbeat, however, amid stronger client demand. Confidence was reportedly weighed down by concerns regarding soaring costs and the threat of customer insolvencies.

IHS Markit Russia Composite PMI®

Private sector output growth accelerates in May



Sources: IHS Markit, FSSS.

The IHS Markit Russia Composite PMI Output Index* posted 56.2 in May, up from 54.0 in April, to signal the fastest expansion in private sector business activity since last August. The upturn was broad based and led by service providers.

Supporting output growth was a quicker rise in new business across the private sector. The rate of increase accelerated to the steepest for nine months, as manufacturers indicated a renewed upturn that was aided by a boost to new export sales.

Price pressures remained high in May, with rates of private sector cost and charge inflation quickening notably. Sharper supplier price hikes and greater fuel costs reportedly spurred increases in cost burdens.

In line with stronger new business growth across the private sector, firms expanded their workforce numbers to the greatest extent for a decade during May. Greater capacity allowed firms to work through their backlogs of work, which fell solidly once again.

Concerns regarding price increases reportedly weighed on business confidence in May, as the degree of optimism slipped from that seen in April. That said, expectations remained upbeat overall.

*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

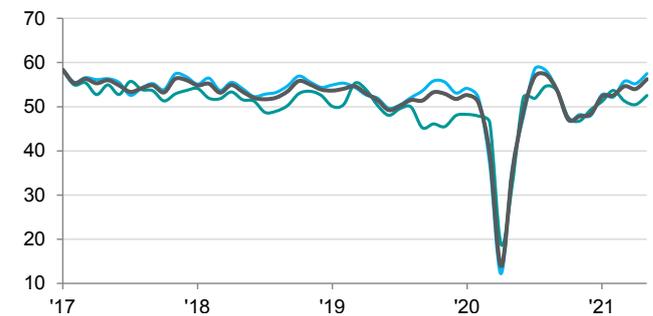
Commenting on the latest survey results, Siân Jones, Senior Economist at IHS Markit, said:

"The Russian service sector posted a strong expansion in May, with rates of growth in output and new orders quickening. Although the expansion in exports waned slightly, domestic demand supported the upturn in total sales.

"On a less positive note, inflationary pressures intensified further to the most marked in almost 13 years, amid significant supplier price hikes. The trend was reflected at the composite level as well, as cost burdens rose substantially.

"Business confidence for the year ahead was knocked midway through the second quarter, as firms expressed concerns regarding inflation and the ability of customers to pay higher prices for goods and services. Our current forecast projects a 3.1% expansion in GDP in 2021."

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



Source: IHS Markit.

Russia Services PMI Employment Index

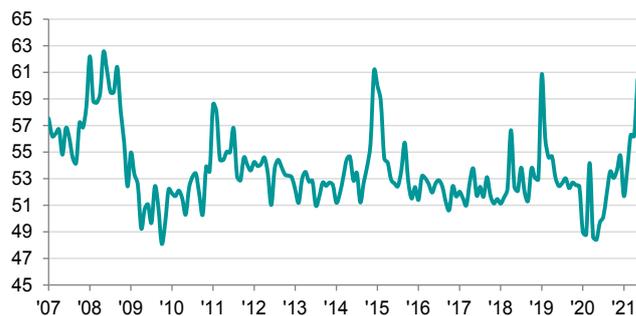
sa, >50 = growth since previous month



Source: IHS Markit.

Russia Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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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

May data were collected 12-26 May 2021.

Survey data were first collected October 2001.

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