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# IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

## Sharpest decline in business activity since May

### Key findings

Renewed fall in new business drives output lower

Employment contracts at fastest rate since June

Business confidence slips to five-month low

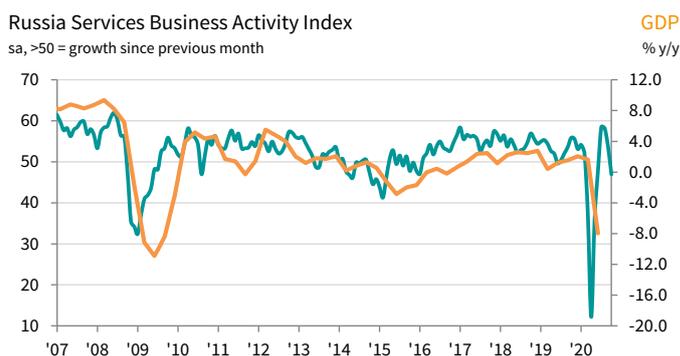
Data were collected 12-28 October 2020.

October PMI® data signalled a renewed contraction in business activity across the Russian service sector. The decline was driven by weaker demand conditions, as a resurgence in coronavirus disease 2019 (COVID-19) cases and restrictions weighed on new sales. New orders from abroad continued to fall, as key export destinations also reimposed tighter virus-related measures. As a result, pressure on capacity remained subdued, and firms cut their workforce numbers further. At the same time, pandemic uncertainty dragged expectations down, as service providers were their least optimistic of a rise in output over the coming year for five months.

Meanwhile, rates of input price and output charge inflation eased slightly but remained solid.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 46.9 in October, down notably from 53.7 in September to signal a renewed decline in business activity. The fall in activity was the fastest since May and solid overall, as service providers linked the downturn to weaker client demand and lower new sales.

October data indicated the first contraction in new business since June. The solid decline in new orders was much slower than April's nadir, but marked a notable contrast to expansion seen in September. Panellists often stated that greater restrictions linked to efforts to stem the spread of COVID-19 weighed on client demand and stymied new sales. Increased measures in key export destinations such as those in Europe also dented foreign client demand, with new export orders falling at a sharp rate that was the quickest for



Sources: IHS Markit, FSSS.

three months.

In line with weak demand conditions, firms cut back their workforce numbers in October, and at the fastest pace since June. Some companies attributed the fall in employment to the non-replacement of voluntary leavers.

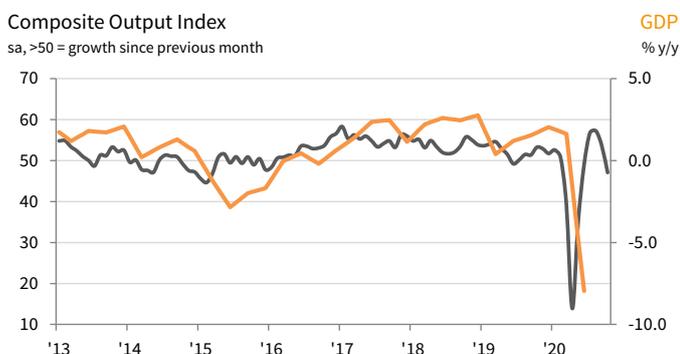
Reflecting signs of excess capacity across the sector was a further decline in backlogs of work. The depletion of outstanding business was the steepest for four months and quicker than the long-run series average.

At the same time, hesitancy to hire was mirrored in greater uncertainty regarding the year ahead outlook for output at service providers. Although companies still foresee a rise in activity over the next 12 months, the degree of confidence dropped to a five-month low and was historically muted overall. Concerns weighing on expectations largely revolved around virus uncertainty and the path to recovery.

Meanwhile, cost burdens rose strongly in October. Higher input prices were often linked to greater import costs following unfavourable exchange rate movements. Service sector firms were still able to partially pass on higher costs to clients through increased selling prices. The rate of charge inflation was solid overall, despite easing slightly from that seen in September.

## IHS Markit Russia Composite PMI®

### Renewed fall in private sector business activity in October



Sources: IHS Markit, FSSS.

Output levels fell for the first time since June at the start of the fourth quarter, as manufacturers and service providers registered renewed contractions.

The IHS Markit Composite PMI Output Index\* posted 47.1 in October, down notably from 53.7 in September. The solid decline in business activity was the fastest since May amid weak client demand, a resurgence in virus cases and reimposed restrictions.

Domestic and foreign demand contracted in October, as harsher lockdown measures were reintroduced across Europe. Service providers noted a renewed fall in new business, whilst the downturn in manufacturing accelerated.

Reflecting greater spare capacity and a further depletion in outstanding business, private sector firms registered a solid decrease in employment.

Manufacturers and service providers alike were less optimistic regarding the outlook for output over the coming 12 months, amid pandemic uncertainty.

Finally, a marked rise in manufacturing input prices drove the overall pace of cost inflation to the fastest since March 2019. Firms were, however, able to partially pass on higher costs, with selling prices rising at the quickest rate since March.

\*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

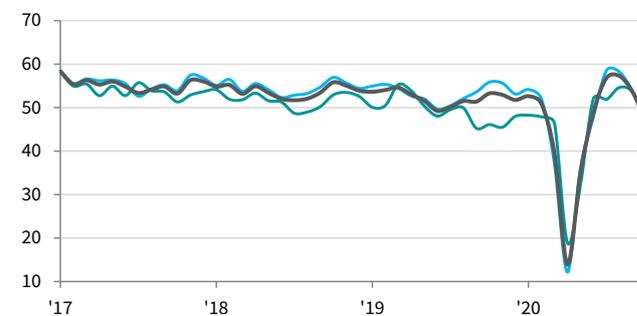
Commenting on the latest survey results, Siân Jones, Economist at IHS Markit, said:

"A resurgence in virus-related restrictions and weak client demand plunged the Russian service sector back into contraction at the start of the fourth quarter. Lower domestic and external sales also weighed on employment, as firms shed workers once again.

"Despite service providers being optimistic on balance regarding the outlook for activity, sentiment dropped to its lowest for five months. Uncertainty surrounding the pace of economic recovery and the virus's spread weighed heavy on expectations.

"At the composite level, manufacturers and service providers exhibited similar trends as the pandemic exerted itself once again. Our latest forecast sees a 9.5% decline in GDP during the fourth quarter compared to the same period a year ago, with the downturn expected to be extended into the opening three months of 2021."

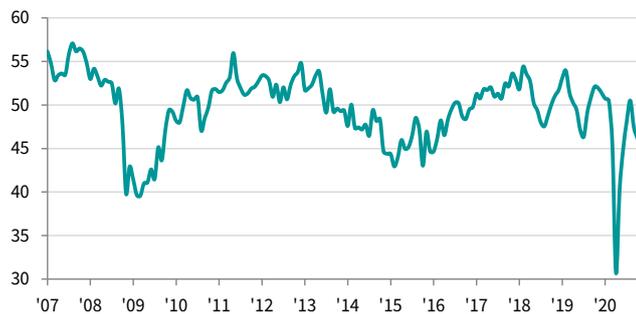
Output Index  
Composite / Manufacturing / Services  
sa, >50 = growth since previous month



Source: IHS Markit.

Services Employment Index

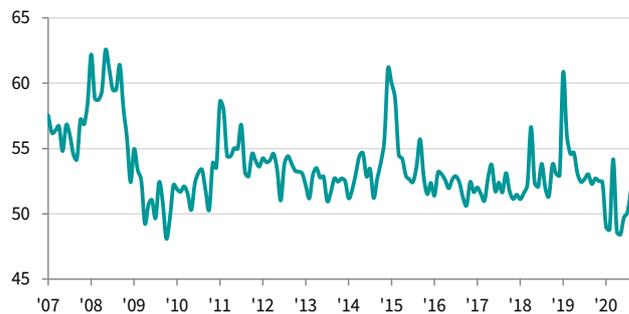
sa, >50 = growth since previous month



Source: IHS Markit.

Services Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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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](mailto:economics@ihsmarkit.com).

Survey dates and history

October data were collected 12-28 October 2020.

Survey data were first collected October 2001.

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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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)