

Embargoed until 0900 MSK (0600 UTC) 4 December 2019

IHS MARKIT RUSSIA SERVICES PMI®

INCLUDING IHS MARKIT RUSSIA COMPOSITE PMI®

Strong rise in service sector business activity in November

KEY FINDINGS

Solid expansion in new business

Business confidence drops to lowest for over a year

Cost pressures ease to softest since January 2018

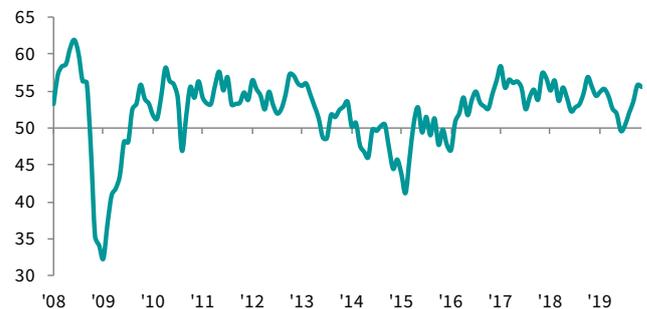
November PMI® survey data indicated a further strong expansion in business activity across the Russian service sector. The upturn was supported by a solid rise in new orders. Foreign client demand, however, fell for the first time since July, albeit only fractionally. Nonetheless, stronger domestic demand conditions drove another monthly increase in workforce numbers midway through the fourth quarter, as backlogs declined at the slowest pace since April 2018. Business confidence remained muted, with the level of optimism falling to the lowest since August 2018.

On the price front, input costs faced by service sector firms rose at a historically muted pace amid discounting at suppliers.

The IHS Markit Russia Services Business Activity Index – a single-figure measure designed to track changes in total Russian services activity – posted 55.6 in November, down slightly from 55.8 in October, to signal a fifth consecutive monthly rise in output across the Russian service sector. The rate of growth was the second-fastest in a year and above the long-run series trend. The strong upturn was linked by panellists to greater client demand.

Accordingly, firms recorded a further increase in new business, with the rate of expansion easing slightly from October's recent high. Growth in new orders was commonly attributed to the acquisition of new clients and greater demand from returning customers. In contrast to the solid rise in total new sales, new business from abroad fell for the first time since July, albeit only fractionally, as demand from

Services Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit

key export partners dipped.

Despite a strong rate of output growth, service providers expressed greater hesitancy in their expectations towards future business activity. Although firms still foresee a rise in output over the coming year, the degree of confidence dropped to the lowest since August 2018 amid ongoing economic uncertainty and concerns surrounding the potential of softer client demand.

Nonetheless, service sector firms expanded their workforce numbers at a modest pace following a solid rise in new business. The rate of employment growth was little-changed from that seen in October. At the same time, companies continued to reduce their backlogs of work, extending the current sequence of decline that began in December 2017. The rate of contraction was only fractional, however, and the slowest since April 2018.

Meanwhile, input costs faced by service providers rose at a softer pace in November. The rate of increase was the slowest since January 2018, with some panellists reporting discounting at suppliers.

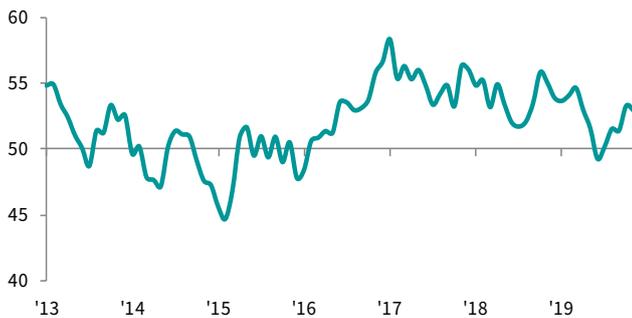
Russian service sector firms increased their selling prices at a moderate pace, but one that was slower than the long-run series trend. Companies suggested that the rise was linked to the partial pass-through of higher costs to clients.

IHS MARKIT RUSSIA COMPOSITE PMI®

Solid rise in composite output in November

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

Private sector firms in Russia signalled a fifth consecutive expansion in business activity in November, despite a further contraction in the manufacturing sector.

The Russia Composite Output Index* registered 52.9 midway through the fourth quarter, down slightly from 53.3 in October. The solid rise in output was driven by a strong upturn in service sector activity, with manufacturing firms recording a further fall in production.

Similarly, a solid rise in service sector new business outweighed a contraction in client demand registered by goods producers in November. In contrast, private sector firms recorded a marked decline in new business from abroad.

Meanwhile, both manufacturers and service providers noted softer inflationary pressures, with rates of increase in input prices and output charges easing to historically muted paces. Selling prices rose only modestly amid efforts to remain competitive.

Meanwhile, private sector companies increased their workforce numbers for the third successive month. Employment growth was only marginal, however.

Finally, ongoing economic uncertainty and lower client demand in the manufacturing sector weighed on output expectations. Business confidence dipped to the lowest since August 2017.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Russia Composite Output Index is a weighted average of the Russia Manufacturing Output Index and the Russia Services Business Activity Index.

COMMENT

Commenting on the PMI data, Siân Jones, Economist at IHS Markit said:

"Business activity growth across the Russian service sector remained strong midway through the final quarter of 2019, supported by a solid rise in new business. Domestic demand drove new sales as new export orders fell for the first time since July.

"Companies expressed a lower degree of confidence in November, as economic uncertainty weighed on optimism. Expectations dropped to the lowest since August 2018 amid concerns surrounding the consistency of future new order inflows.

"At the composite level, inflationary pressures softened further in November, suggesting that the Central Bank of Russia may look to reduce the key rate again in due course amid muted price increases and historically modest client demand across the private sector."

CONTACT

IHS Markit

Siân Jones
Economist
T: +44-1491-461-017
sian.jones@ihsmarkit.com

Katherine Smith
Public Relations
T: +1 (781) 301 9311
katherine.smith@ihsmarkit.com

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 service 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.

November 2019 data were collected 12-27 November 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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 © 2019 IHS Markit Ltd. All rights reserved.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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