

Embargoed until 0900 MSK (0600 UTC) 05 July 2021

# IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

## Business activity growth remains steep in June

### Key findings

Expansions in output and new orders remain sharp despite easing

Strongest rise in employment since May 2011

Business confidence highest for over two years

Data were collected 11-28 June 2021

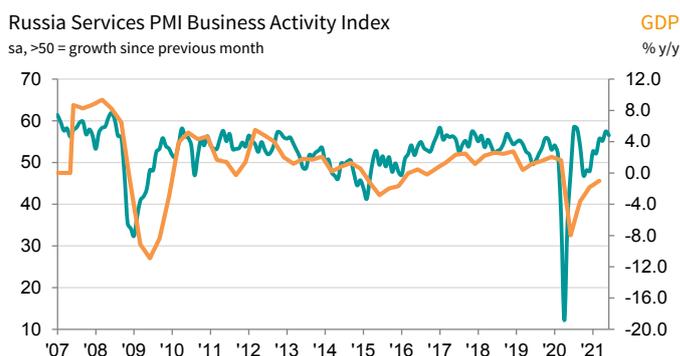
June PMI® data indicated a further monthly expansion in business activity across the Russian service sector. The rate of growth slowed from that seen in May, but was still the second-fastest since August 2020 and sharp overall. The upturn in output continued to be supported by stronger client demand, with new export orders rising at the quickest rate for just over two years. Reflecting efforts to ease pressure on capacity, firms expanded their workforce numbers at the sharpest pace since May 2011. Robust demand conditions reportedly boosted business confidence, which reached its highest since May 2019.

Meanwhile, inflationary pressures remained historically elevated despite rates of increase of both input prices and output charges easing.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 56.5 in June, down from 57.5 in May. The latest increase in business activity extended the current sequence of growth to six months, and was the second-sharpest since August last year. Companies noted that the further upturn in output was due to stronger client demand and an associated rise in new order inflows.

Russian service providers registered a strong upturn in new business during June, albeit at a slightly slower pace than that seen in May. Anecdotal evidence suggested that new sales growth was due to sustained increases in client demand, with the latest expansion extending the current sequence of growth to six months.

At the same time, foreign client demand expanded at a quicker pace at the end of the second quarter. New export



Sources: IHS Markit, FSSS.

orders rose at a strong rate that was the fastest since April 2019.

A sustained rise in new business and greater business requirements led firms to expand their workforce numbers in June. The rate of job creation was sharp overall and the steepest since May 2011.

Greater staffing numbers contributed to a reduction in pressure on capacity, as Russian service sector firms registered a further fall in outstanding business. The pace of contraction was strong overall and accelerated to the fastest since November 2020.

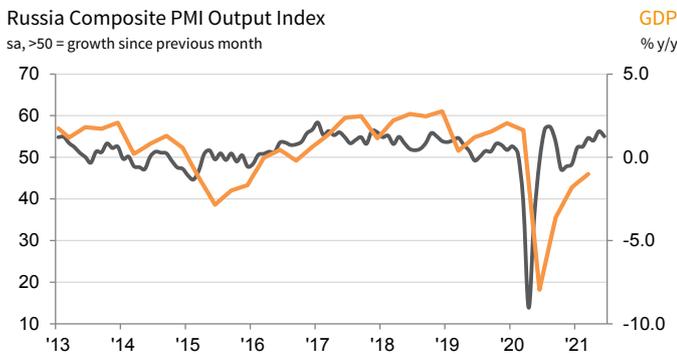
Meanwhile, business expectations strengthened to the highest since May 2019 at the end of the second quarter. Service providers noted that optimism towards the outlook stemmed from sustained increases in customer demand and hopes of an economic recovery following the pandemic.

At the same time, cost pressures remained historically elevated in June. Although the rate of input price inflation softened from that seen in May, it was quicker than the series trend. Companies stated that higher cost burdens stemmed from greater supplier prices and wage bills.

Consequently, firms still sought to pass on increased input prices to customers where possible. Despite the rate of charge inflation easing from May's peak, it was the second-steepest since January 2019.

## IHS Markit Russia Composite PMI®

### Strong private sector output expansion in June



Sources: IHS Markit, FSSS.

The IHS Markit Russia Composite PMI Output Index\* posted 55.0 in June, down from 56.2 in May. The overall upturn was broad-based, but led by a sharp expansion in the service sector.

New business in the private sector rose at a solid pace in June, but was driven by the service sector as manufacturers registered a marginal contraction in new orders. Meanwhile, new export sales fell for the first time since March.

Inflationary pressures remained historically elevated during June, despite rates of increase in both input prices and output charges easing. Nevertheless, firms continued to note sharp rises in the cost of labour, fuel and key materials.

Meanwhile, overall employment rose solidly in June as service sector firms continued to take on new staff, despite a renewed decline in manufacturing workforce numbers. Pressure on capacity remained weak, as backlogs of work across the private sector contracted steeply.

Private sector firms were upbeat regarding the outlook for output at the end of the second quarter, with the degree of confidence improving. Hopes of economic recovery and stronger client demand were echoed across both the manufacturing and service sectors.

\*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

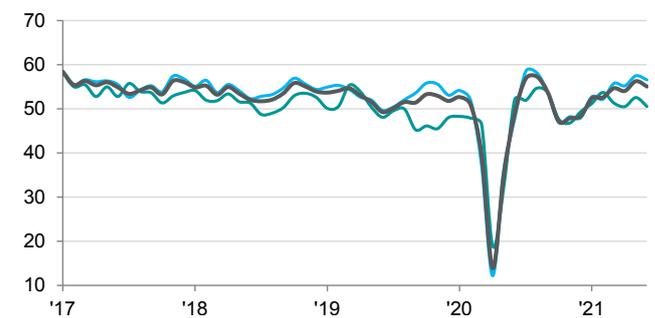
Commenting on the latest survey results, Siân Jones, Senior Economist at IHS Markit, said:

*"Russian service providers signalled a slight loss of growth momentum during June, as expansions in output and new orders slowed. Nonetheless, rates of increase in activity and new sales remained historically elevated.*

*"Despite recently reimposed COVID-19 restrictions following a rise in virus case numbers, firms were upbeat regarding the year-ahead outlook. In fact, service providers hired new staff at the quickest pace in just over a decade.*

*"Much like in the manufacturing sector, cost pressures at service providers remained marked amid further hikes in supplier prices. Although the Central Bank of Russia raised interest rates in its latest meeting, we forecast further increases in the policy rate before the end of 2021."*

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



Source: IHS Markit.

Russia Services PMI Employment Index

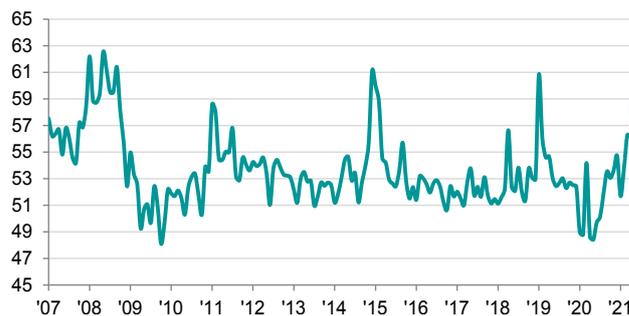
sa, >50 = growth since previous month



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](mailto:economics@ihsmarkit.com).

Survey dates and history

June data were collected 11-28 June 2021.

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.

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