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IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

Business activity returns to growth territory in September

Key findings

Renewed output growth amid slight uptick in client demand

Inflationary pressures sharpen

Business confidence strongest since May 2019

Data were collected 13-28 September 2021

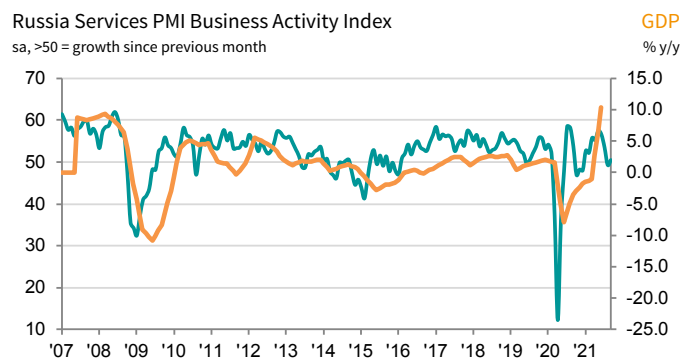
September PMI® data indicated a renewed expansion in Russian service sector business activity, albeit only fractional. The upturn was supported by stronger domestic client demand, as new sales rose at a faster pace despite a return to contraction in new export orders. Reversing the recent trend of softening inflationary pressures, rates of increase in input costs and output charges accelerated amid greater supplier and fuel prices which were partially passed through to clients.

Meanwhile, business confidence strengthened and was the greatest since May 2019. Reflecting optimism, service providers expanded their workforce numbers as they sought to process backlogs of work in a timely manner.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 50.5 in September, up from 49.3 in August, to signal a fractional expansion in business activity across the Russian services economy. The renewed upturn was reportedly linked to stronger demand conditions and a sustained rise in new business. The pace of growth was only slight and slower than the series average, however.

Contributing to the increase in output was a marginally faster expansion in new business at Russian service sector firms in September. The pace of growth was historically subdued despite quickening from August's eight-month low.

Total sales were weighed on by a renewed contraction in new export orders at service providers. Although only marginal, the rate of decline was the strongest since January.



Sources: IHS Markit, FSSS.

At the same time, inflationary pressures built again at the end of the third quarter. The rise in input costs was marked overall and the pace of inflation accelerated to a four-month high. Where an increase was reported, firms linked this to greater supplier and fuel costs. Although slower than rates seen earlier this year, inflation was historically elevated.

As a result of sharper increases in cost burdens, service providers hiked their selling prices during September. The pace of charge inflation was the steepest for three months and sharp overall. The rise in output prices was largely attributed to efforts to pass on higher costs to clients.

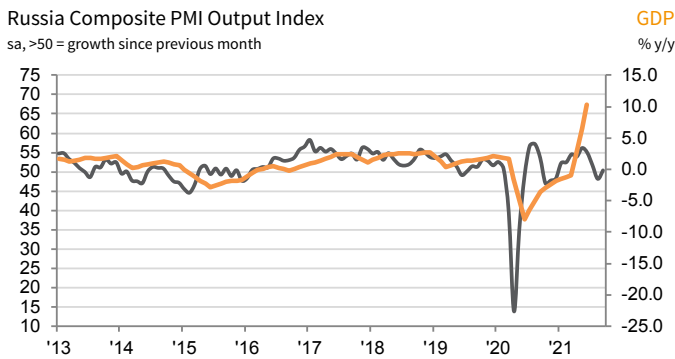
Business confidence across the Russian service sector improved in September. The degree of confidence regarding growth prospects over the coming year was marked overall and the strongest since May 2019. Optimism at firms reportedly stemmed from hopes of stronger demand over the coming months.

Reflecting stronger output expectations, service providers registered a renewed rise in employment at the end of the third quarter. Despite firms stating that greater staffing numbers were due to increased business requirements, the rate of job creation was only fractional overall.

Nevertheless, services firms continued to record a decline in outstanding business. The rate of contraction in backlogs of work slowed for the second month running to the weakest since April and was only modest overall.

IHS Markit Russia Composite PMI®

Renewed rise in private sector business activity during September



Sources: IHS Markit, FSSS.

The IHS Markit Russia Composite PMI Output Index* posted 50.5 in September, up from 48.2 in August, to signal a renewed upturn in private sector output. The rate of expansion was only fractional, however.

Although manufacturers indicated broadly unchanged new business, the overall marginal pace of growth was supported by a faster rise in service sector client demand. New export orders, however, continued to decline.

Price pressures across the private sector remained historically elevated during September, as input costs rose at a steeper pace. In contrast, firms registered the slowest rise in output charges for eight months, owing to weaker factory gate price inflation.

Private sector firms continued to indicate a reduction in pressure on capacity at the end of the third quarter. Backlogs of work fell at a solid pace, albeit one that was the slowest since January. Subsequently, companies registered a fractional decline in employment. The fall in workforce numbers was centred on manufacturers, as service providers signalled a renewed round of job creation.

Finally, business confidence reached a three-month high in September, driven by stronger optimism at service providers.

*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:

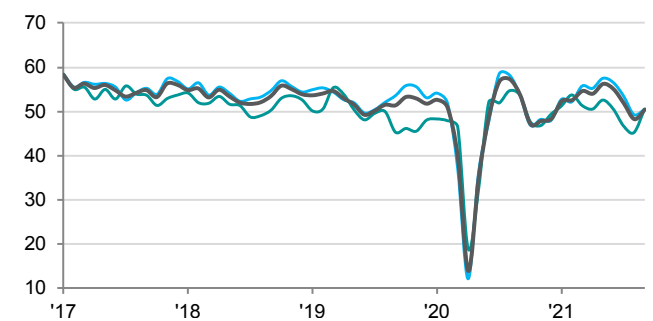
"Russian service providers registered a more encouraging end to the third quarter, as output returned to growth and new business picked up in September. Although rising at only marginal rates, the knock-on impact led to stronger sentiment and a renewed round of hiring across the sector.

"Inflationary pressures continued to trouble service sector firms, however. Cost burdens soared once again as fuel and supplier prices increased at a sharper pace. Nevertheless, supportive demand conditions allowed companies to pass through some of these price hikes to clients, and at the steepest pace since June.

"Subdued growth in activity and client demand were a common feature across the private sector, despite renewed expansions in output across both monitored sectors. We currently expect GDP to rise 4.3% on the year in 2021.

"The rising cost pressures seen in the latest PMI data were largely driven by the service sector, as manufacturers registered a further moderation in input price inflation."

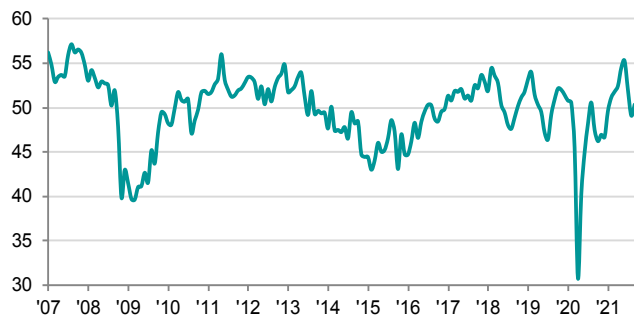
Russia PMI Output Index
Composite / Manufacturing / Services
sa, >50 = growth since previous month



Source: IHS Markit.

Russia Services PMI Employment Index

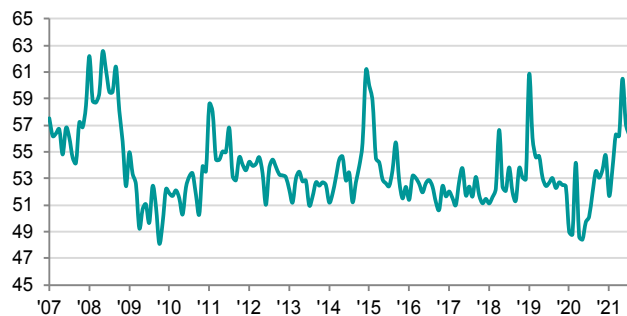
sa, >50 = growth since previous month



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

September data were collected 13-28 September 2021.

Survey data were first collected October 2001.

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