August PMI® data indicated a sharp, but slightly slower expansion in business activity in August. The steep upturn was supported by a marked increase in new orders. As a result, firms expanded their workforce numbers for the first time since February, albeit at only a fractional rate, as backlogs of work continued to fall. At the same time, business expectations strengthened and reached a ten-month high amid hopes of an economic recovery.

Meanwhile, cost burdens increased at a sharp pace as operational and fuel expenses pushed input prices higher. Output charges rose only modestly, however, amid efforts to boost sales.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 58.2 in August, down slightly from 58.5 at the start of the third quarter. The upturn in business activity was sharp nonetheless, and the second-fastest since January 2017. Panellists attributed the rise in output to the resumption of client business and an associated increase in customer demand.

Similarly, new business rose at a steep but slightly softer pace in August. The rate of expansion was faster than the series average, as firms linked the upturn to a sustained rise in client demand.

Growth in new orders was driven by domestic demand, as new export sales fell for the sixth successive month. The pace of decline softened to only a marginal rate that was the slowest in the aforementioned sequence. Companies stated that the ongoing coronavirus disease 2019 (COVID-19) pandemic weighed on foreign customer demand.

August data meanwhile signalled an increase in employment, thereby bringing to an end a five-month sequence of contraction. Greater workforce numbers were often attributed to more extensive business requirements. That said, the rate of growth in staffing numbers was only fractional overall.

Reflecting an upturn in employment, firms were able to process backlogs of work in August. That said, the rate of reduction was only marginal overall and eased to the slowest since November 2019.

Meanwhile, business expectations improved midway through the third quarter, with the degree of confidence reaching a ten-month high. Optimism in a rise in output over the coming 12 months reportedly stemmed from hopes of greater client demand and a recover in economic performance.

On the price front, average cost burdens increased at a steep pace in August. Higher input prices were often linked to greater fuel and business costs. The rate of cost inflation accelerated to a five-month high, but was slightly slower than the series average.

Service providers were only able to partially pass on higher costs to clients, however, amid efforts to boost sales. Latest data signalled the second successive monthly rise in output charges, with the pace of increase accelerating to the fastest since March, but remaining only modest overall.
Private sector business activity rose sharply in August amid a quicker upturn in manufacturing production and still-strong growth in the service sector.

The IHS Markit Composite PMI Output Index* posted 57.3 in August, up from 56.8 at the start of the third quarter, as private sector firms registered the steepest expansion in business activity since early-2017.

The sharp growth in output was often attributed by manufacturers and service providers to greater client demand following the resumption of business at customers. Despite a steep upturn in new business, firms continued to record a fall in foreign client demand.

Employment across the private sector stabilised in August, as an increase in service sector staffing numbers offset a marginal decline at manufacturers. Backlogs of work fell further, albeit at the slowest pace since November 2019.

Meanwhile, output expectations picked up, as both manufacturers and service providers remained optimistic towards the outlook for activity over the coming year.

On the price front, cost burdens rose markedly. Firms were only able to partially pass on higher input prices, however, amid competitive pressures.

*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.
IHS Markit Russia Services PMI®

© 2020 IHS Markit

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.

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 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.

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

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

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

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 © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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. ihsmarkit.com/products/pmi.html.

Survey dates and history
August data were collected 12-26 August 2020.
Survey data were first collected October 2001.

© 2020 IHS Markit