

IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

Sharp rise in business activity in August

Key findings

Steep, albeit slightly softer, upturns in output and new business

Renewed increase in employment

Business confidence strengthens to ten-month high

August data were collected 12-26 August 2020.

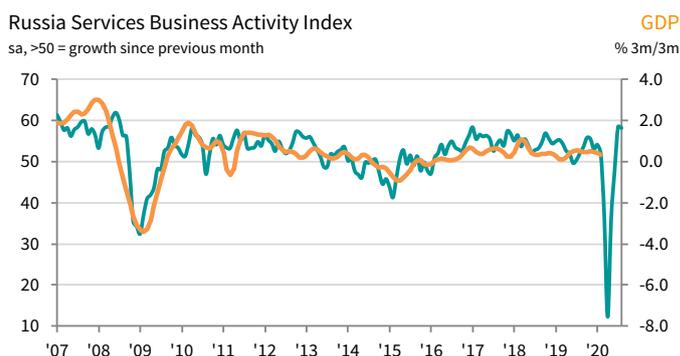
August PMI® data indicated a sharp, but slightly slower expansion in business activity in August. The steep upturn was supported by a marked increase in new orders. As a result, firms expanded their workforce numbers for the first time since February, albeit at only a fractional rate, as backlogs of 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.



Sources: IHS Markit, FSSS.

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.

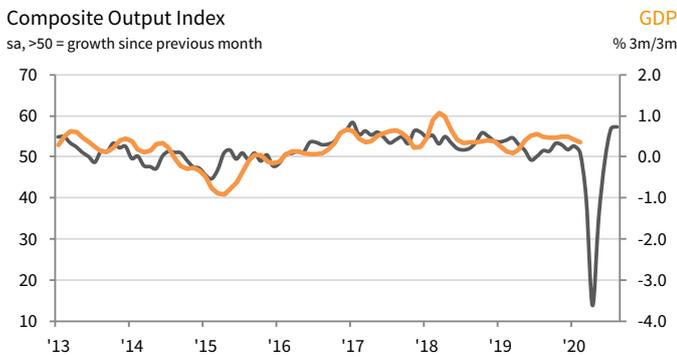
Meanwhile, business expectations improved midway through the third quarter, with the degree of confidence reaching a ten-month high. Optimism in a rise in output over the coming 12 months reportedly stemmed from hopes of greater client demand and a recover in economic performance.

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.

IHS Markit Russia Composite PMI®

Output growth accelerates to fastest since January 2017



Sources: IHS Markit, FSSS.

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.*

Comment

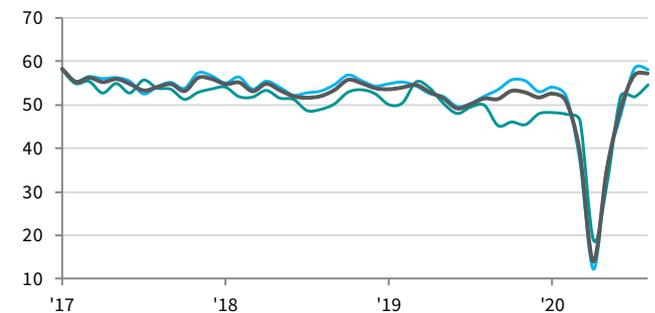
Commenting on the latest survey results, Siân Jones, Economist at IHS Markit, said:

"Russian service providers continued to see a steep upturn in business activity and new orders in August, largely aided by strong domestic client demand. New export business struggled again, as it fell for the sixth successive month amid challenging global demand conditions during the pandemic.

"Alongside stronger expectations regarding the year-ahead outlook for output, employment in the sector expanded for the first time since February amid greater business requirements.

"At the composite level, private sector firms saw a boost to new business growth, as the rate of expansion quickened to the fastest since November 2018 amid a renewed rise in manufacturing client demand. That said, our current forecast signals that the economy is expected to shrink by just over 6% on the year in 2020, with the recovery forecast to be drawn out."

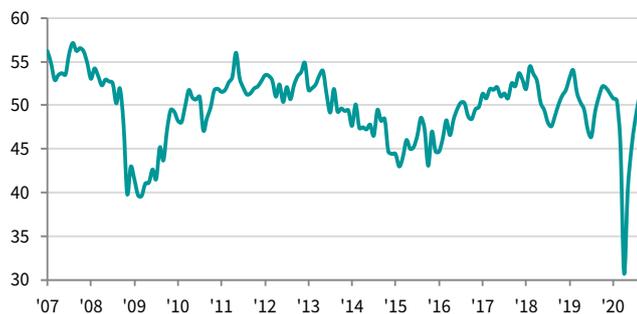
Output Index
Composite / Manufacturing / Services
sa, >50 = growth since previous month



Source: IHS Markit.

Services Employment Index

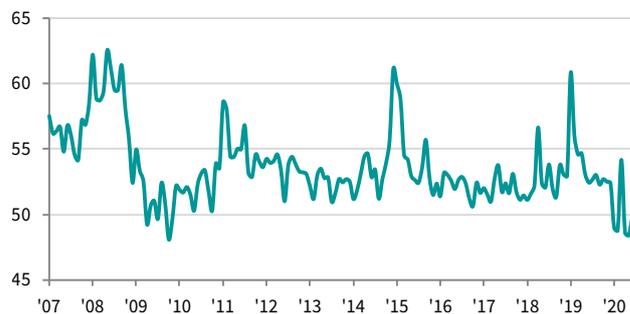
sa, >50 = growth since previous month



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.

Survey dates and history

August data were collected 12-26 August 2020.

Survey data were first collected October 2001.

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