

**EMBARGOED UNTIL: 00:01 (UTC) November 11<sup>th</sup> 2019**

# IHS Markit Russia Business Outlook

## Russian business confidence picks up from three-year low

### Key findings:

- Output expectations improve since June
- Hiring intentions strongest for a year
- Investment predictions highest since February 2012

Data collected October 11-29

According to the latest data from the IHS Markit Russia Business Outlook survey, private sector firms are slightly more optimistic regarding business activity over the coming year. The net balance of companies expecting an increase in output has seen from +15% in June to +20% in October. That said, sentiment is still the second-lowest for three years despite being higher than the global average (+14%).

Where firms are anticipating a rise in business activity, they are linking this to new product development and investment in new machinery. Some companies are also more optimistic due to greater opportunities to expand their export markets and plans for broader sales activity, which it is hoped will boost sales over the next year.

Nonetheless, the net balance is below the long-run trend (since late-2009), with some firms expressing caution. Threats to expansion during the next 12 months include greater administrative requirements and increased bureaucracy, higher operational and input costs, and more intense competition. Companies also report concerns about client demand and global economic conditions.

Manufacturers and service providers alike are more confident of a rise in output over the next 12 months, with goods producers noting the more robust improvement in expectations. The net balance of service providers predicting an increase in business activity, however, is the second-weakest for three years.

### Russia business activity expectations



Source: IHS Markit.

### Employment & Investment Plans

Hiring expectations have improved from June's recent low, with the net balance of firms forecasting a rise in employment at +17% in October, the highest for a year. Although firms express concerns surrounding a shortage of skilled workers, both manufacturers and service providers are more optimistic of an increase in workforce numbers over the next year.

Private sector companies are also predicting growth in investment over the coming 12 months. The net balance of firms that foresee an increase in capital spending (+22%) is the highest for seven-and-a-half years, with a greater proportion of both manufacturing and service sector firms anticipating an upturn in capex.

### Inflation Expectations

Private sector firms in Russia foresee both staff and non-staff costs increasing over the next 12 months, with the proportions of companies forecasting a rise up since June. The net balance of firms that expect an increase

in non-staff prices has picked up to the highest for a year amid concerns surrounding exchange rate weakness.

Russian private sector companies have revised up their expectations towards selling prices over the coming year, with the net balance rising to +37% in October from +33% in June. That said, this is exclusively driven by service providers, with manufacturers less optimistic towards increases in charges.

### Corporate Earnings

The net balance of firms predicting greater profits over the next year (+14%) is slightly higher than that seen in June (+12%). Stronger optimism towards profitability reflects greater expectations regarding output prices and business activity.

### Comment:

Commenting on the Russia Business Outlook survey data, **Siân Jones**, Economist at IHS Markit, said:

*“Russian private sector firms have revised up their expectations towards business activity over the coming year in October. Forecasts are still historically subdued, however, with the net balance of firms that foresee a rise in output the second-lowest for three years.*

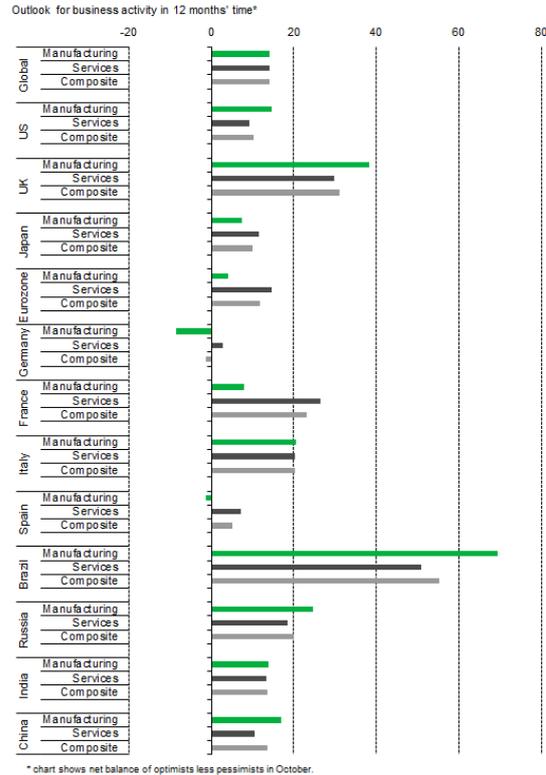
*“That said, companies are now much more upbeat regarding investment and hiring for the coming 12 months. Confidence towards future employment is at its highest for a year, while positive sentiment regarding capital spending has hit a seven-and-a-half year peak. Firms are reportedly looking to invest in new machinery and product development to help boost sales and improve business processes.*

*“Finally, private sector companies expect price pressures to intensify over the next year, with predictions for staff and non-staff costs being revised up. Nonetheless, optimism towards both selling price rises and profitability has improved, with the latter driven by much stronger expectations among manufacturers.”*

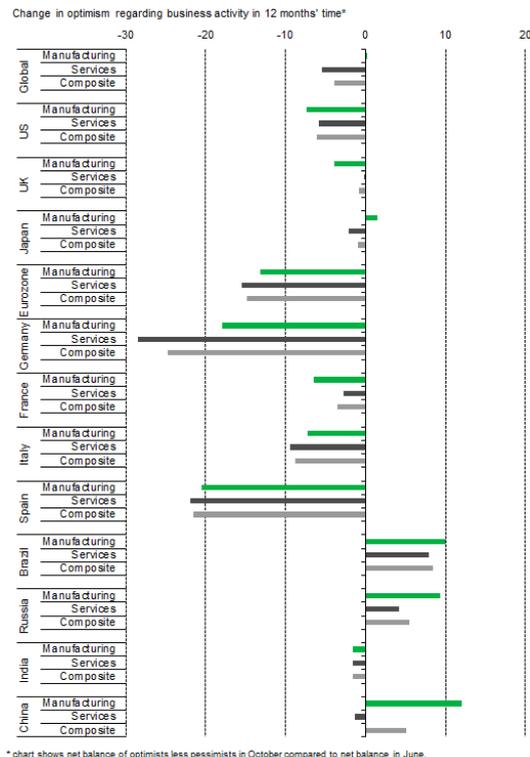
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

### Business optimism in October



### How business activity expectations have changed since June



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**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between October 9-30.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

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