

EMBARGOED UNTIL: 23:01 (UTC) July 11th 2021

IHS Markit Russia Business Outlook

Russian private sector business confidence moderates in June

Key findings:

- Optimism towards future activity eases in June...
- ... but employment forecasts improve to strongest since October 2019
- Staff costs expected to rise further

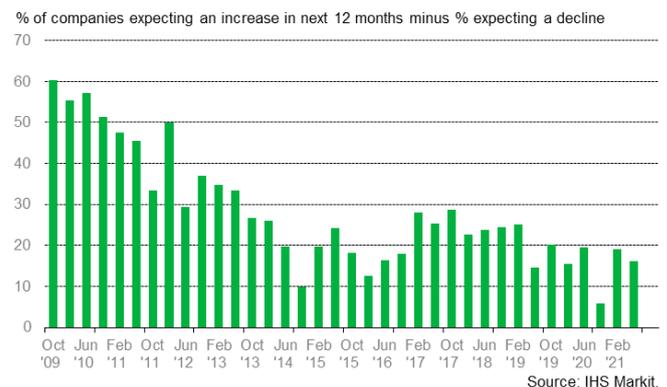
Data collected June 11-28

According to the latest IHS Markit Business Outlook survey, optimism among Russian private sector firms moderated during June. At +16%, the net balance of firms expecting a rise in business activity over the coming year slipped from that seen in February (+19%) and was below the series average (+28%). The decline in business confidence stemmed from a lower net balance of manufacturing firms predicting higher output over the next 12 months, the joint-weakest on record (since January 2008). Service provider forecasts were unchanged from the previous survey period.

Where companies noted optimism regarding the outlook for output, this was due to new product development and greater client demand. A number of companies also suggested that investment in new technology and expanded workforce numbers would help boost production and capacity.

That said, Russian private sector firms continued to report threats to output growth over the coming year. Factors identified by firms that have the potential to hamper activity growth included ongoing and recently reintroduced COVID-19 restrictions. More extensive measures also raised further concerns regarding the solvency of customers. At the same time, firms highlighted difficulties finding suitable candidates for current vacancies. Some companies also noted that inflationary pressures and supplier delays could weigh on any future expansion in production.

Russia business activity expectations



Employment & Investment Plans

Russian private sector firms reported stronger expectations regarding hiring over the coming year. The net balance of companies that anticipated greater workforce numbers was the highest since October 2019. The uptick in optimism was driven by the service sector, as the net balance of manufacturing firms predicting a rise in employment fell to the lowest since January 2009.

Investment expectations also improved, as the respective net balances of private sector firms anticipating greater capital expenditure (capex) and research and development spending (R&D) increased to the highest for a year. Manufacturers were once again less upbeat than firms in the service sector.

Inflation Expectations

The net balance of Russian private sector firms expecting an increase in staff input costs matched that seen in February and was the joint-highest since October 2019. That said, forecasts for non-staff cost inflation over the coming year moderated. However, a greater net balance of manufacturing companies

anticipated higher non-staff input prices amid concerns over material shortages.

Output charges are expected to rise further over the coming 12 months. The net balance of companies anticipating an uptick in selling prices fell to the lowest for a year, however.

Corporate Earnings

The degree of optimism regarding profits over the coming year moderated and was historically subdued in June. With the exception of the series low net balance seen in October 2020, June data posted the weakest level of confidence in potential profit opportunities since comparable data were first available in October 2009.

Comment:

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

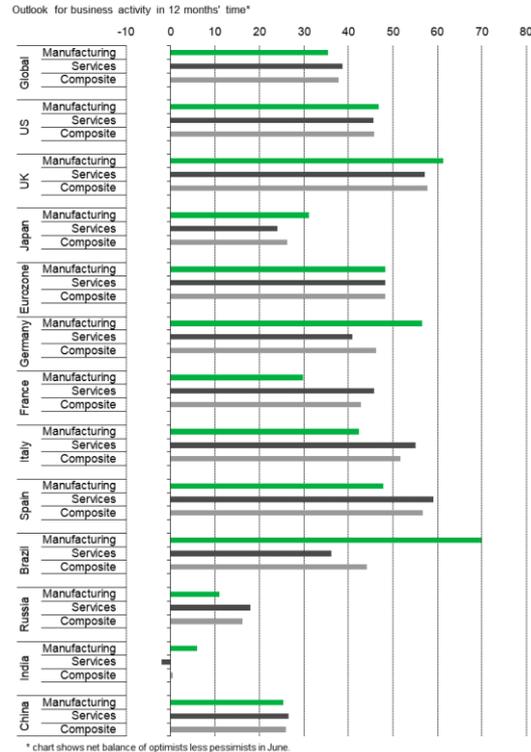
“Russian private sector firms were less upbeat in June, as renewed COVID-19 restrictions weighed on business confidence regarding the outlook for output over the coming year. Manufacturing firms were much less certain amid concerns surrounding the future purchasing power of their customers.”

“In line with improved expectations regarding the expansion of workforce numbers, firms anticipate an uptick in wage bills. Encouragingly, despite further predictions of higher staff and non-staff costs, profit expectations remained positive. At the same time, investment spending is anticipated to increase, with stronger sentiment registered regarding both capex and R&D expenditure.”

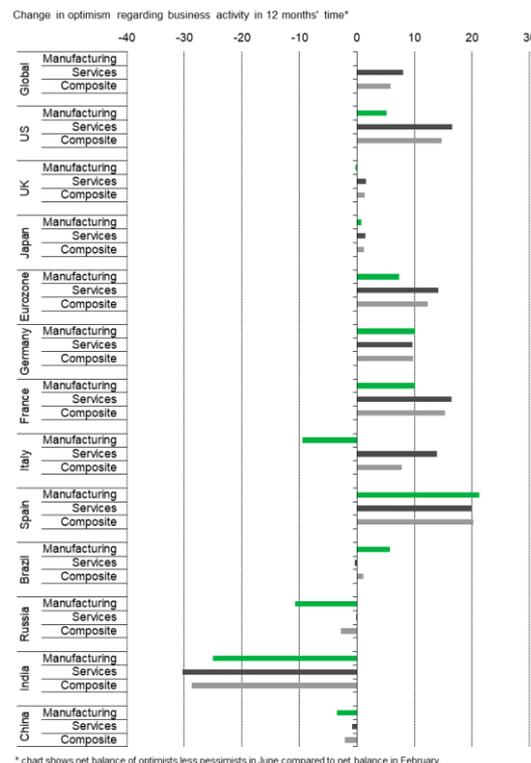
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Full data available on request from economics@ihsmarkit.com

Business optimism in June



How business activity expectations have changed since February



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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 June 10 and 29.

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, 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 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 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 8,000 firms.

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