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## IHS MARKIT RUSSIA SERVICES PMI®

INCLUDING IHS MARKIT RUSSIA COMPOSITE PMI®

### Business activity growth accelerates to 12-month high in October

#### KEY FINDINGS

Faster rates of expansion in output and new business

Pace of job creation picks up

Rate of input price inflation eases to slowest since January 2018

October PMI® survey data signalled a strong expansion in business activity across the Russian service sector, largely underpinned by a sharper upturn in new orders. Both external and domestic client demand picked up at the start of the fourth quarter, with new business from abroad growing at the fastest rate since May. Subsequently, employment rose at a moderate pace as backlogs of work were depleted at the slowest rate for five months. Buoyed by a sustained rise in new orders, business confidence towards future output ticked up.

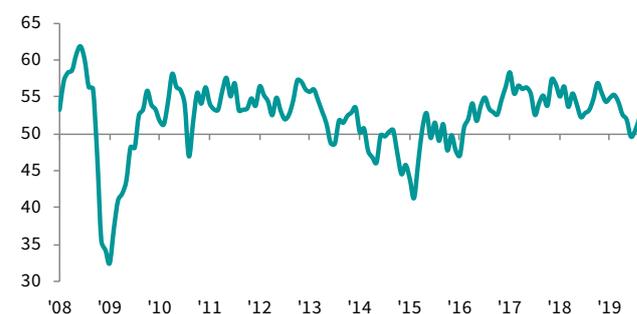
Meanwhile, inflationary pressures remained historically muted, despite a slightly faster increase in output charges.

The IHS Markit Russia Services Business Activity Index – a single-figure measure designed to track changes in total Russian services activity – posted 55.8 in October, up from 53.6 in September and indicating a strong rise in output across the Russian service sector at the start of the final quarter of 2019. The sharper upturn was linked by panellists to greater client demand and a faster rise in new business. The rate of activity growth accelerated for the third successive month and was the quickest for a year.

New business received by service providers rose for the fourth successive month in October, with the rate of growth accelerating to the fastest since March. The strong upturn was commonly attributed to the acquisition of new clients and greater demand from existing customers. Supporting total sales was a sharper increase in external client demand. The pace of increase in new business from abroad picked up

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

notably from September's marginal rate to the fastest for five months.

Consequently, service providers registered a second successive rise in employment in October. The rate of job creation quickened to a moderate pace that was the fastest since February. Firms noted that greater workforce numbers reflected increased business requirements and company expansions. An increase in pressure on capacity was also mirrored in a slower reduction in the level of outstanding business. Backlogs of work fell at the weakest rate since May.

On the price front, cost burdens increased at a relatively subdued rate in October. The pace of input price inflation slowed to the softest since early-2018. Firms that reported an increase in operating expenses linked this to higher supplier costs. Subsequently, service providers increased their output charges, albeit at a rate that was slower than the long-run series trend. Firms stated that competition and more efficient business processes weighed on overall output price increases.

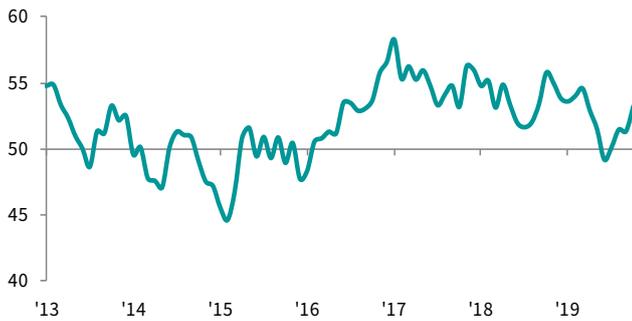
Lastly, business activity expectations strengthened in October amid new client acquisitions and the development of new service lines. The level of positive sentiment reached a five-month high but remained slightly below the series average.

## IHS MARKIT RUSSIA COMPOSITE PMI®

## Faster overall upturn in output underpinned by services growth

Composite Output Index

sa, &gt;50 = growth since previous month



Source: IHS Markit

The Russian private sector saw diverging trends in October, with a further contraction in output in manufacturing being outweighed by a sharper expansion in the service sector.

The Russia Composite Output Index\* registered 53.3 in October, up from 51.4 in September and signalling a solid overall increase in business activity, underpinned by greater business activity growth in the service sector.

Private sector firms indicated a renewed rise in new business at the start of the fourth quarter following unchanged levels of new orders in September. Greater client demand in the service sector outweighed a strong contraction in manufacturing.

In contrast, overall foreign client demand was dragged further into decline amid a marked and stronger fall in new export orders at manufacturers.

Meanwhile, price pressures remained historically muted as both manufacturers and service providers registered subdued rates of input price and output charge inflation.

Firms noted a stronger degree of confidence towards overall business activity over the coming year. Manufacturing and service sector companies alike were more upbeat, with overall employment increasing accordingly.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Russia Composite Output Index is a weighted average of the Russia Manufacturing Output Index and the Russia Services Business Activity Index.

## COMMENT

Commenting on the PMI data, Siân Jones, Economist at IHS Markit said:

*"Russian service sector output strengthened further in October, with business activity rising at the sharpest pace for a year and new orders increasing strongly. Greater demand was seen both domestically and externally as new business from abroad expanded at a solid pace.*

*"Service providers were buoyed by the continued upturn in new business and therefore raised their workforce numbers for a second month running. Greater new client acquisitions and more diverse service lines supported an uptick in business confidence as well.*

*"At the composite level, a stronger performance across the service sector underpinned overall business activity growth as manufacturing sector output remained in contraction. Meanwhile, historically subdued increases in costs and charges supported recent moves towards stimulus by Russia's central bank, amid a larger than expected reduction in interest rates in October."*

## CONTACT

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### 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.

October 2019 data were collected 11-29 October 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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.

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### 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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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