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## IHS MARKIT RUSSIA SERVICES PMI®

INCLUDING IHS MARKIT RUSSIA COMPOSITE PMI®

### Output growth picks up to four-month high in August

#### KEY FINDINGS

Faster rises in business activity and new orders

Input prices increase at slowest pace since March 2018

Business confidence slips to five-month low

Russian service sector firms registered a quicker increase in business activity in August. Although only moderate overall, the pace of expansion was the fastest for four months. Supporting the upturn was a stronger increase in new business and a renewed rise in new export orders. That said, firms reduced their workforce numbers for the fourth month running amid the lowest degree of business confidence for five months.

Meanwhile, input price inflation remained relatively subdued in August and softened to the slowest since March 2018. Nonetheless, firms increased selling prices at the fastest pace for three months.

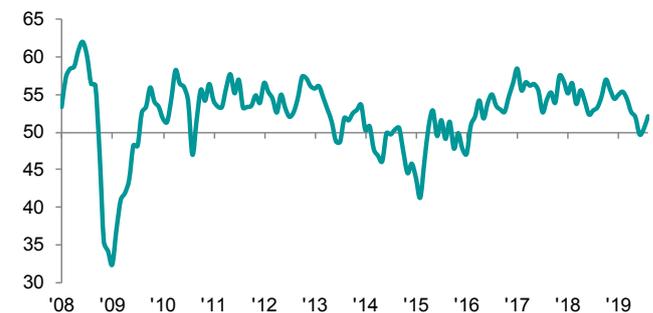
The IHS Markit Russia Services Business Activity Index – a single-figure measure designed to track changes in total Russian services activity – posted 52.1 in August, up from 50.4 in July. The latest reading indicated a stronger, albeit moderate increase in business activity across the Russian service sector. Although slower than the long-run series average, anecdotal evidence linked the upturn to greater client demand and an associated increase in new business.

Service sector firms signalled a quicker increase in new orders in August. The upturn was only modest overall, but the fastest since May. The acquisition of new clients and greater customer demand reportedly drove growth. Firms also registered a renewed rise in new export orders, albeit only fractional overall.

Amid a relatively moderate expansion in client demand, firms were less optimistic regarding future output expectations.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

The degree of business confidence dipped to the lowest since March as service providers expressed greater uncertainty towards the wider economy. That said, firms were still hopeful of growth, with some attributing positive sentiment to new product development and an uptick in new business.

Mirroring weaker expectations, service providers remained reluctant to add to workforce numbers in August. Employment fell for the fourth month running, albeit at only a marginal rate. Firms stated that job shedding was due to the non-replacement of voluntary leavers and a greater adoption of cost-cutting initiatives. Backlogs of work also continued to decline. Although softer than in July, the pace of decline was strong overall and faster than the series average.

Meanwhile, input prices rose at a slower rate in August. The increase was the weakest since early-2018 as firms were better able to negotiate costs following supplier efforts to attract new clients. Where a rise was reported, however, panellists often linked this to higher utility costs.

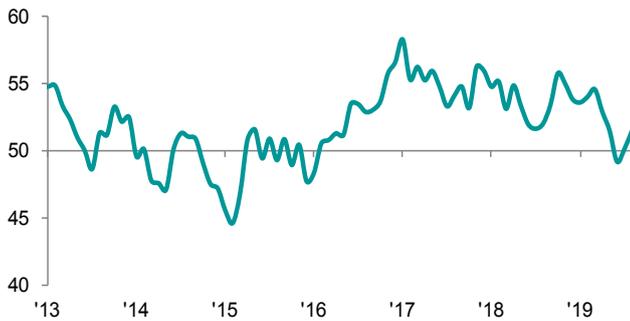
Output charges, by contrast, rose at a faster pace in August, the quickest since May. The rate of output price inflation was solid overall and commonly attributed to the pass-through of higher costs to clients.

## IHS MARKIT RUSSIA COMPOSITE PMI®

## Business activity expansion accelerates in August

Composite Output Index

sa, &gt;50 = growth since previous month



Source: IHS Markit

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. The Composite Output Index registered 51.5 in August, up from 50.2 in July, to signal a modest expansion in overall output. The rise in business activity was the fastest for three months and driven by a stronger service sector upturn. Nonetheless, the increase was slower than the long-run series average.

Following two successive monthly declines in new business, August data signalled a rise in new orders across the private sector. That said, the increase was only marginal overall. The overall expansion was weighed on by the strongest fall in new export orders since October 2016, with a sharp decline in foreign demand among manufacturers outweighing a fractional upturn at service providers.

Meanwhile, employment continued to contract across both the manufacturing and service sectors, with backlogs of work declining sharply.

At the same time, private sector firms registered further subdued rises in input prices and output charges. Efforts to attract new clients and slower increases in cost burdens were commonly linked to the relatively moderate rate of output price inflation.

Finally, business confidence dipped to a 12-month low in August, as greater uncertainty among service providers held back overall optimism.

### COMMENT

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

*"The Russian service sector registered an acceleration in business activity growth in August, with a faster increase in new orders driving the expansion. External demand also rebounded, despite signalling only a fractional upturn in new export orders.*

*"Nevertheless, firms expressed further reluctance to increase employment and a lower degree of optimism towards future output. Many stated that confidence was dented by concerns about the wider economy.*

*"At the composite level, data indicated a renewed upturn in new business, despite difficulties in the manufacturing sector. That said, overall output growth was only weak by historical standards and well below the rates of expansion seen at the start of 2019.*

*"In line with muted rates of inflation and a relatively modest expansion across the private sector, the Central Bank of Russia may choose to once again cut interest rates in September in an effort to boost consumer demand."*

## 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.

August 2019 data were collected 12-28 August 2019.

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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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