

**EMBARGOED UNTIL: 03:01 (Moscow) / 00:01 (UTC) March 13<sup>th</sup> 2017**

# Markit Russia Business Outlook

## Russian optimism towards future output strongest since June 2013

### Key findings:

- Output set to rise in line with stronger new business growth
- Moderate job creation forecast
- Input cost expectations revised lower

Data collected February 10-24

The latest Markit Business Outlook Survey indicates that Russia's private sector companies remain strongly positive towards their year-ahead outlook for business activity in February. In fact, business confidence was at its strongest level since June 2013, as the net balance of firms forecasting growth has increased to +29%, up sharply from +18% in October last year. That said, Russian optimism was slightly weaker than the global average (+31%).

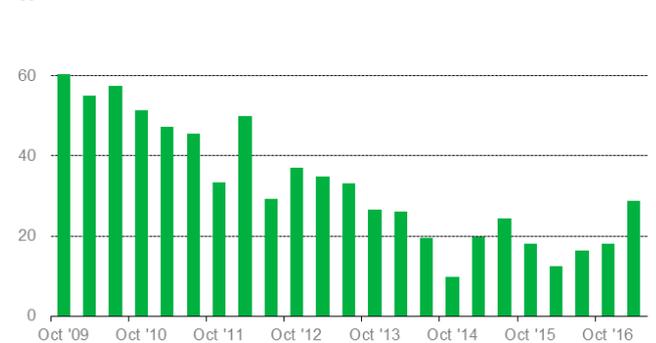
The marked improvement in the overall net balance for activity expectations is due to increased optimism across the manufacturing and service sectors. A net balance of +34% of manufacturers plan to raise production over the next 12 months, up from +21% in October 2016 and the highest in two years. Meanwhile, the equivalent reading for services increased from +16% to +26% in February, the strongest since June 2013.

Expectations regarding higher future output are generally associated by panellists to preparations for the upcoming FIFA World Cup, professional development of staff, expansions into new markets and the current upturn of the Russian economy. Meanwhile, some firms are concerned that international competition, fluctuations in energy prices and a lack of capital available that could impede business activity growth.

In line with the trend for output, confidence towards new business has strengthened further in February, with the net balance of +29% being, the highest for three years.

### Russia business activity expectations

% of companies expecting an increase in next 12 months minus % expecting a decline



Source: IHS Markit.

### Firms forecast sharp rise in business revenues

Meanwhile, firms are anticipating a sharp increase in business revenues over the next 12 months. At +34%, up from a net balance of +25% in October, the latest figure was the strongest since June 2013 and remains above the average for the BRIC economies (+27%). Furthermore, profit forecasts have picked up at manufacturers (one-and-a-half-year high of +23%) and service providers (four-year peak of +27%).

### Modest hiring intentions indicated

Russian private sector companies plan to add to their payrolls over the coming 12 months. However, jobs growth looks set to be modest, as a net balance of only +12% of firms expect to raise their workforce numbers. This is above the BRIC average (+11%), but below the global figure (+14%). Service providers have a more positive outlook on job creation (+13%) than their manufacturing counterparts (+9%).

A net balance of +13% of Russian private sector businesses expect capex to increase over the year ahead, up from +4% in October.

### Inflationary pressures expected to ease

Latest data suggest a slight easing of price pressures in Russia. The net balance for input costs is down to

+27% in February, one of the lowest readings in the survey's history. Moreover, goods producers and service firms are forecasting weaker rises in input prices. At +31% in February, down from +37%, the net balance of goods producers expecting higher input costs is the lowest ever recorded in the series history.

With average cost burdens still anticipated to rise, companies intend to raise their charges during the next 12 months. The net balance of companies set to increase their selling prices stands at +31%.

### Mild jobs growth foreseen

#### Comment:

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

*“Business confidence in Russia’s private sector strengthened for the third successive outlook survey period during February and is now at a level not seen since mid-2013. Greater optimism at firms aligns with stronger readings from the PMI survey data, which hit an eight-and-a-half year high at the start of 2017 as the economy lifted itself to one of the top global economic performers.*

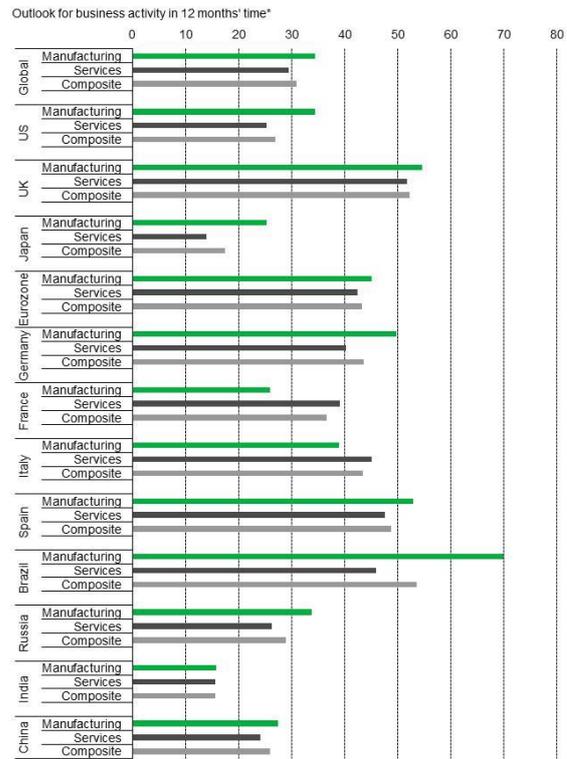
*“That said, business confidence is still subdued in comparison to both the current worldwide average and historical outlook data, suggesting not all private sector companies are convinced the upturn in the Russian economy can be sustained.*

*“Yet, February’s outlook data show optimism moving in the right direction, with a greater net balance of firms predicting new business, employment and capital expenditure growth than in the previous survey period. These are signs that the Russian economic upturn will likely gain further momentum over the year ahead.”*

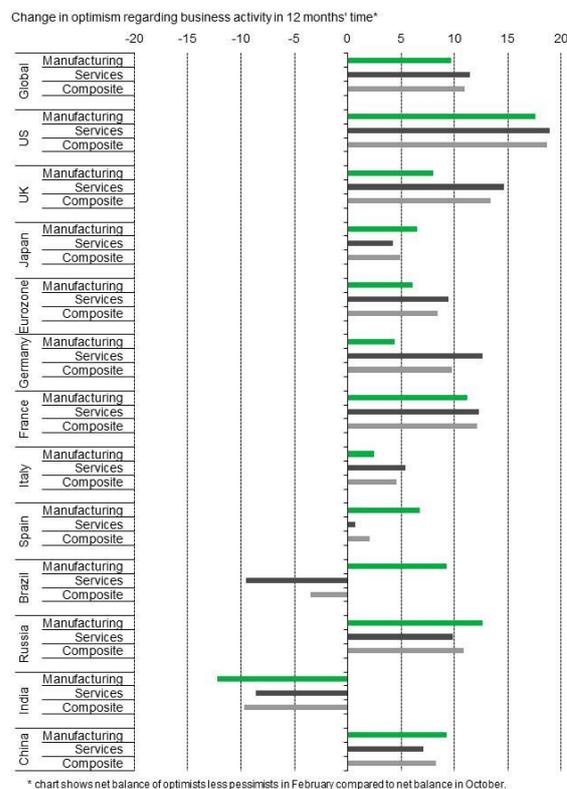
**-Ends-**

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

### Business optimism in February



### How business activity expectations have changed since October



**For further information, please contact:****IHS Markit**

Samuel Agass, Economist  
Telephone +44-1491-461-075  
Email: [samuel.agass@ihsmarkit.com](mailto:samuel.agass@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email: [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by 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 February 10 and 24.

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 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 6,600 firms.

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

*IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.*

**The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited.**

*If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#).*