

Embargoed until 0900 MSK (0600 UTC) 03 December 2021

# IHS Markit Russia Services PMI®

Including IHS Markit Russia Composite PMI®

## Business activity contracts at fastest pace since October 2020

### Key findings

Output and new orders fall at sharper pace

Input cost inflation quickens to fastest for six months

Business confidence moderates to three-month low

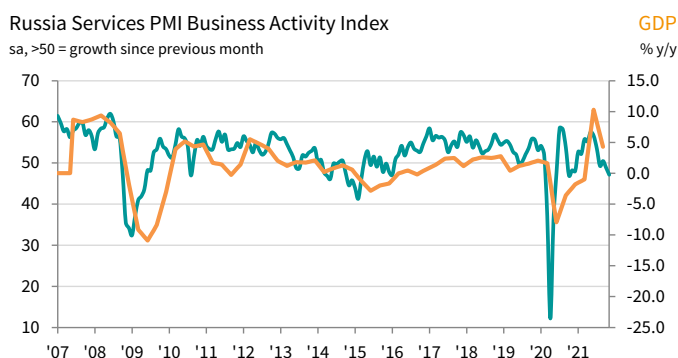
Data were collected 12-26 November 2021.

Russian service providers registered a solid contraction in business activity, according to November PMI® data. The fall in output largely stemmed from a second successive decrease in new business, with client demand declining at a sharper pace. In contrast to the expansion seen in October, new export orders stagnated. Meanwhile, higher costs at suppliers and for fuel led to the steepest rise in input prices for six months. Weak demand conditions, however, meant firms reined in hikes in selling prices as the pace of charge inflation eased.

Although firms remained optimistic of an increase in output over the coming year, the level of confidence dropped to the lowest since August amid concerns regarding the ongoing pandemic.

The seasonally adjusted IHS Markit Russia Services Business Activity Index registered 47.1 in November, down from 48.8 in October, to signal a second consecutive monthly fall in business activity. The decrease in output quickened to the fastest since October 2020. Anecdotal evidence suggested that the decline was linked to weak demand conditions and the reintroduction of COVID-19 restrictions.

Greater measures to contain the virus also impacted new business, with new sales decreasing at a solid pace in November. The rate of contraction was the joint-fastest for 17 months. Weak customer demand extended to international clients as well. Whereas a rise in new business from abroad was seen in October, service providers recorded unchanged levels of foreign client demand in the latest survey period.



Sources: IHS Markit, FSSS.

On the price front, the rate of input cost inflation quickened during November. Service providers signalled the fastest rise in input prices for six months, and one that was among the sharpest on record. Firms attributed the uptick in input prices to higher fuel, wage and supplier costs.

Although service sector firms registered a steeper rise in input costs, they recorded a softer increase in output charges midway through the fourth quarter. The pace of inflation was still sharp overall and quicker than the series average, however. Panellists continued to state that greater charges were due to the pass-through of higher costs to clients.

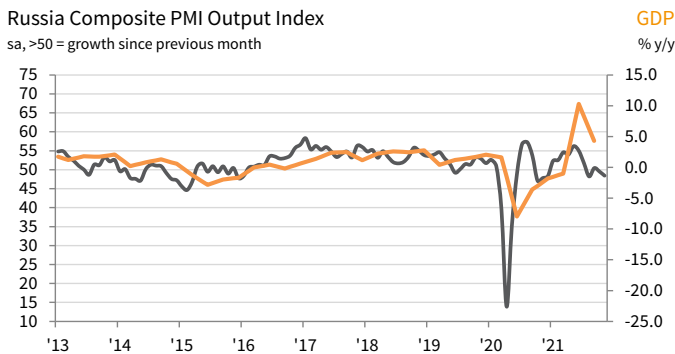
Meanwhile, employment was broadly unchanged during November, contrasting with a marginal contraction in October.

In line with weaker demand conditions, backlogs of work fell for the tenth successive month. The rate of decline accelerated to the quickest for three months, and was sharp overall.

Business confidence at Russian service providers moderated during November. Although firms remained broadly upbeat regarding the outlook for output over the coming year, the level of optimism was the lowest since August. Where positive sentiment was noted, companies linked this to hopes of an improvement in demand conditions.

## IHS Markit Russia Composite PMI®

### Marginal contraction in private sector business activity in November



Sources: IHS Markit, FSSS.

The IHS Markit Russia Composite PMI Output Index\* posted 48.4 in November, down from 49.5 in October, to signal a marginal decline in private sector output. Although manufacturers registered an expansion in production, service providers recorded a sharper fall in activity.

At the same time, new business declined further midway through the fourth quarter as service sector firms noted the fastest decrease in new orders for just over a year amid renewed COVID-19 restrictions. This masked a sharper rise in goods demand. Manufacturers and service providers alike signalled a broad stabilisation in new export orders.

Private sector firms indicated a fractional expansion in workforce numbers during November, largely led by a quicker increase in manufacturing job creation. Alongside weak client demand, this led to the sharpest fall in backlogs of work for three months.

Meanwhile, cost burdens faced by private sector firms rose markedly in November. The rate of input price inflation quickened to the steepest for five months amid supplier shortages and greater fuel costs. That said, the pace of charge inflation eased with some firms linking this to effort to drive sales.

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

### Comment

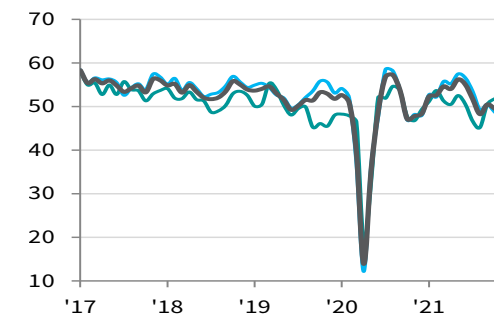
Commenting on the latest survey results, Siân Jones, Senior Economist at IHS Markit, said:

"Russian service providers registered the strongest contraction in business activity for just over a year in November, amid a marked resurgence in virus cases and partially reimposed restrictions. Domestic and foreign client demand weakened as firms moderated their optimism regarding future output.

"Challenges also remained on the price front, as cost pressures intensified again. Fuel and supplier price hikes, alongside greater wage bills, pushed cost burdens up at the fastest pace for six months. That said, firms were unable to raise their selling prices at an accelerated rate.

"Demand conditions are unlikely to improve in the service sector significantly until virus cases are brought down and COVID-19 restrictions are no longer necessary, with obstacles surrounding vaccination rates likely to hamper the path of the recovery going into 2022."

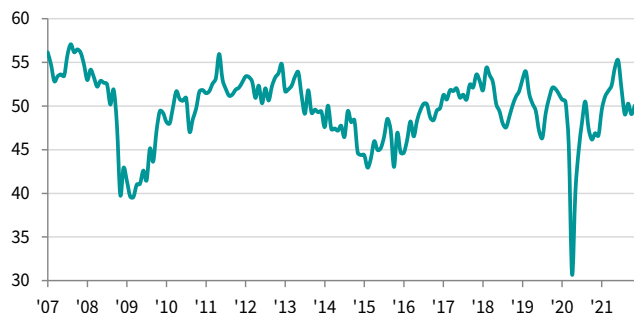
Russia PMI Output Index  
Composite / Manufacturing / Services  
sa, >50 = growth since previous month



Source: IHS Markit.

## Russia Services PMI Employment Index

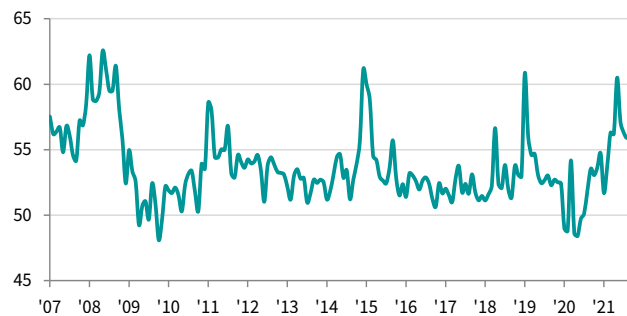
sa, >50 = growth since previous month



Source: IHS Markit.

## Russia Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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### Survey 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 services 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.

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

### Survey dates and history

November data were collected 12-26 November 2021.

Survey data were first collected October 2001.

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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.  
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