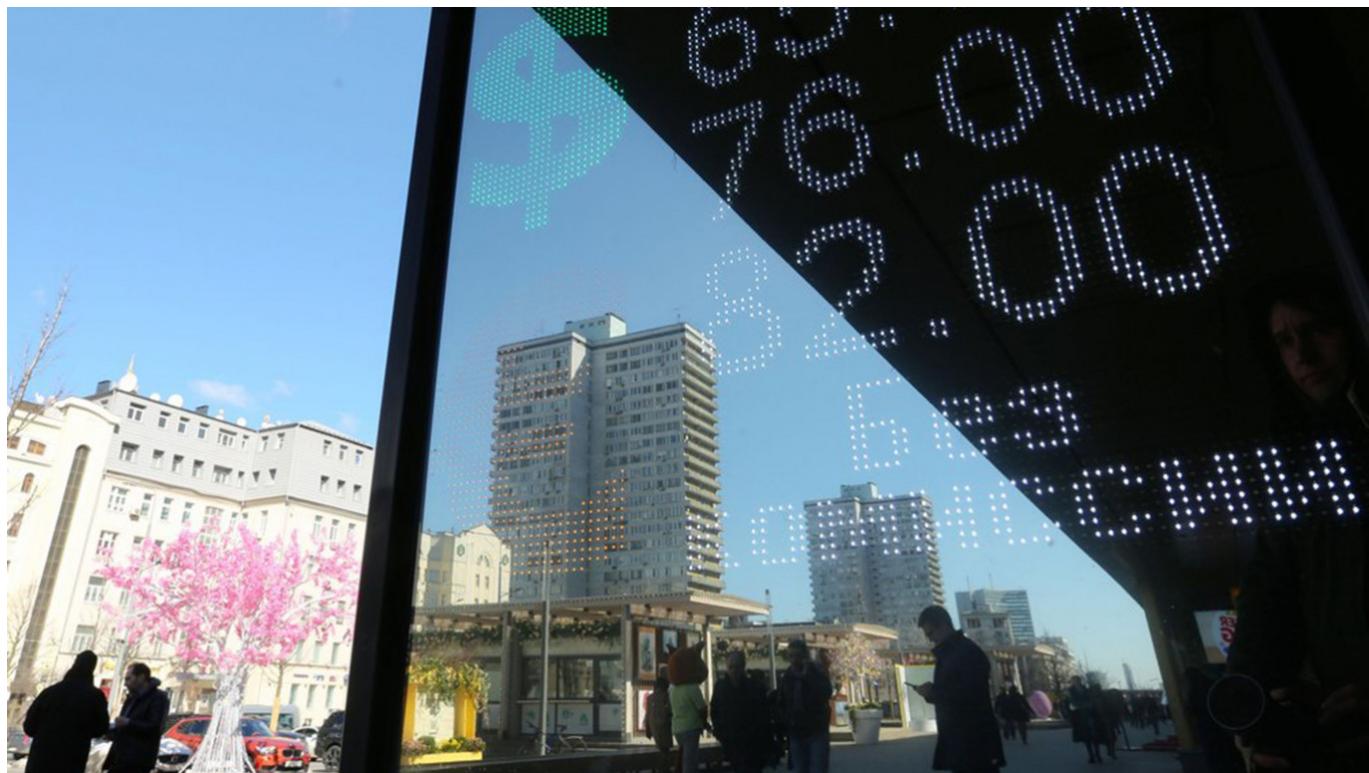


Russian Businesses Show Few Signs of Coronavirus Hit, For Now

Bellwether PMI readings show business conditions holding steady, but deterioration still likely.

By [Ben Aris for bne IntelliNews](#)

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The Russian markets were thrown into turmoil in recent days over global fears of the coronavirus impact. **Kirill Zykov / Moskva News Agency**

A key indicator of business activity in Russia — the IHS Markit purchasing managers' index (PMI) for services — fell back only slightly in February, but remains in expansion territory.

The services PMI reading for the month came in at 52.0, down from 54.1 at the start of the year, but still in the black ahead of the 50 no-change mark.

Services remain a part of the Russian economy that has been consistently growing in the last few years as an increasingly large part of the economy goes [online](#) and, since December 2019, real incomes have started to [grow](#) again.

The positive services PMI result offsets the manufacturing PMI which also showed an improvement, with the index rising from 47.9 to 48.2, but stuck in the contraction zone.

Taken together, the positive result for services and the improved result for manufacturing combined to keep the composite PMI index just in the black, posting 50.9 in February, a small fall from the 52.6 recorded at the start of the year.

Related article: [Moscow to 'Shut Down' in Case of Coronavirus Outbreak](#)

“The rate of growth signalled was the slowest since July 2019 amid less robust demand conditions. At the same time, new order growth softened midway through the first quarter as foreign client demand fell for the tenth consecutive month. Although modest, the rate of expansion of overall new business was the slowest since last November,” Markit said in a note.

The Markit indices are based on interviews with business managers and these results were gathered before the full force of the coronavirus [impact](#) were felt on the Russian economy in the last week of February. Next month’s results are very likely to be much worse.

And the dark clouds were already gathering before the pandemic got going.

“Russian service sector firms registered a slower rise in business activity in February amid softer growth in domestic demand. Although new export orders rose at a faster pace, total sales showed the weakest expansion for five months,” Markit said.

“Although service providers registered a slightly stronger degree of optimism, confidence remained well below the long-run series average.”

Despite the poorer results, service managers remained modestly upbeat about the rest of the year. Russian service sector firms recorded a greater degree of confidence in a rise in output over the coming 12 months in February.

“Positive sentiment was attributed to larger client bases, greater marketing activity and investment in new service lines. Although the level of optimism strengthened from January, when it recorded a three-year low, it remained below the series trend and was historically muted,” Markit said.

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