

Macroeconomic review: global indicators and business activity in Russia

1. Global indicators overview

USA

- Daily average COVID-19 cases for the last 7 days, thousand

yesterday	change for 7 days	change for month
47.9	-8	-17.8

- **Employment in agriculture increased by 742 thousand in April** as compared to growth by 517 thousand in March.
- **IHS Markit business index** was **63.5 in April** as compared to 59.7 in March.
- **ISM Manufacturing** was **60.7 in April** as compared to 64.7 in March.

U.S. labor market continues to recover, business activity is growing rapidly, and the number of new coronavirus cases is declining. Friday's review of U.S. labor market for April shows that employment rate growth is accelerating again. However, it's far from sure that the market will welcome this news. *The faster the labor market recovers, the higher USD inflation will be, and, probably, the sooner FRS will decide to wind up stimulus programs.*

Euro area

- Daily average COVID-19 cases for the last 7 days, thousand

	yesterday	change for 7 days	change for month
Germany	16.9	-3.5	+1.7
Italy	10.8	-2.1	-8.3
France	20	-7.3	-17.2

- **IHS Markit business index** was **53.8 in April** as compared to 53.2 in March.
- **Producer prices index** rose by **1.1% (MoM) in April** as compared to 0.5% (MoM) growth in March.

Acceleration of vaccination rates provides grounds to expect relaxation of restrictions and recovery of Euro area's economy. Services business activity index has grown for the first time since August, while Manufacturing index hits record after record. *We will most probably see recovery of Euro area's economy within several months, which may support euro and European equities.*

United Kingdom

- Daily average COVID-19 cases for the last 7 days, thousand

yesterday	change for 7 days	change for month
2	-0.3	-1.5

- **IHS Markit Manufacturing PMI** was **60.9 in April** as compared to 58.9 in March.
- **IHS Markit Services PMI** was **61 in April** as compared to 56.3 in March.
- **Retail sales** rose by **5.4% (MoM) in March** as compared to 2.2% (MoM) growth in February.

Quarantine restrictions were raised in UK as coronavirus cases hit new record lows. With this in the background, business activity is growing along with production orders and employment rates, with consumer and producer confidence increasing. *These positive sentiments are going to continue for at least a couple of months as coronavirus rates decline and effect of deferred demand remains. Rushing recovery of UK economy could make the Bank of England plan reduction of stimulus packages in the nearest months.*

2. Business activity in Russia

IHS Markit Manufacturing PMI was 50.5 in April as compared to 51.1 a month earlier. *Value above 50 refers to monthly growth in business activity, and value below 50 refers to a decline.* Manufacturing PMI has been growing for the fourth month in a row, though at a slower rate. The reasons are reducing demand from customers and growing cost of materials leading to higher producer costs.

Services PMI reached 55.2 in May over 52.2 in February.

Services PMI has been growing since January as a result of the lifting of restrictions. Services sector will continue to recover as coronavirus cases decline.

Russia business index*

Manufacturing

Services

* *Value above 50 refers to monthly growth in business activity*

Source: IHS Markit

According to SberIndex, consumer spending grew by 6.4% last week over last February and March.

Comparison is made against February and March 2020 and not “year-on-year” to avoid low base effect because tight restrictions were in place in April 2020. It is for the first time since the onset of the pandemic that Russia’s consumer spending exceeded annual inflation rate. **Spending grew by about 5.5% within April as compared to 2% growth in March.**

Consumer spending movement, % (YoY)

Sep20	Sep20	Sep20	Sep20	Oct20	Oct20	Oct20	Oct20	Nov20	Nov20	Nov20	Nov20	Nov20	Dec20	Dec20	Dec20	Dec20	Jan21	Jan21	Jan21	Jan21	Feb21	Feb21	Feb21	Feb21
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Source: SberIndex

Russia shows sluggish growth of business activity and consumer spending.

In Russia's Manufacturing sector, recovery is slowing down while nearly everywhere in the rest of the world it is accelerating in line with increasing demand. The reason is that in many countries governments supported incomes of individuals and businesses. In the case of Russia, governmental support has been insufficient, and demand for Manufacturing sector's products is declining. Moreover, growing prices for fuel, metals and other materials make the situation even worse for many manufacturers.

In the Services sector, business activity grows due to a decline in coronavirus cases. Given the decrease in personal income and low government support, demand growth will hardly be sufficient to ensure the sector returns to pre-pandemic figures.

Consumption remains low when real personal spending is considered. The last week's being **the only** week after the pandemic outburst when inflation-adjusted consumption increased indicates a serious drop in personal income. *As it turns out, even without an opportunity to spend money during the quarantine and to travel abroad, people in Russia could not free up enough income to spend more year-on-year in real terms.*

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