

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (Moscow) / 06:00 (UTC), November 3<sup>rd</sup> 2017**

## IHS Markit Russia Services PMI® – (with Composite PMI® data)

### Business activity growth dips to three-month low in October

#### Key points:

- Solid overall expansion in output
- Inflationary pressures soften
- Business confidence highest since April 2012

Data collected October 12-27

Business activity across the Russian service sector increased solidly in October, despite the pace of growth dipping to a three-month low. Meanwhile, expansion in new business also slowed, but remained above the long-run series average. Similarly, job creation was weaker than that seen in September but solid nonetheless. On the price front, inflationary pressures softened as the rates of increase in both output charges and input prices slowed. Business confidence meanwhile increased, with optimism the strongest in five-and-a-half years.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 53.9 in October, down from 55.2 in September. The latest index reading signalled a solid rise in business activity for Russian service providers. That said, the expansion was the softest in three months and slower than the series average since late-2001. Panellists commonly attributed output growth to stronger client demand.

The **IHS Markit Russia Composite Output Index** (covering both manufacturing and services) posted 53.2 in October, down from 54.8 in September.



Weaker growth in both the manufacturing and service sectors contributed to a softer overall expansion. Moreover, the manufacturing production upturn was the slowest since July 2016.

The level of new business received by Russian service sector firms continued to increase in October. In line with the trend seen in business activity, the growth rate was weaker than in September, but it remained strong. Anecdotal evidence linked the sustained rise to larger client bases and greater overall client activity. New orders at Russian manufacturing firms also increased at a softer rate, and one that was the slowest since June.

Russian service providers increased their workforce numbers at a solid pace in October. Softening only slightly from September's recent high, the upturn was the second-strongest since May 2013.

Backlogs, however, were depleted for the second successive month. The level of outstanding business fell at a quicker pace than in September, although only modestly overall. In a similar manner to their service sector counterparts, manufacturers reported a contraction in the level of outstanding business for the second successive month. Meanwhile, goods producers recorded further employment growth in October, albeit at a fractional pace.

Average cost burdens paid by Russian service providers increased further in October, albeit at the slowest rate for four months. Anecdotal evidence stated that greater costs were linked to higher raw material prices, which in turn stemmed from exchange rate fluctuations and increased demand at suppliers. Manufacturers reported a marked increase in input prices, with the rate of inflation accelerating to the fastest since July 2016.

Average prices charged in the Russian service sector continued to rise in October, extending the current sequence of inflation that began in December 2009. That said, the rate of inflation eased from September to a modest pace. Anecdotal evidence suggested the softer rise in output prices was due to competition and discounts. Average charges in the manufacturing sector also rose at a modest rate, the weakest in three months.

Business confidence among service providers remained robust in October. Panellists linked positive sentiment to greater client demand. Notably, the degree of optimism was the strongest since April 2012. Manufacturers, however, indicated a lower level of optimism than in September. Although the degree of confidence remained high, it was below the long-run series average.

### Comment:

Commenting on the Russia Services PMI survey data, **Sian Jones, Economist at IHS Markit**, which compiles the survey, said:

*“The latest PMI survey data signalled a weaker start to the final quarter of 2017 for the service sector. Although the rate of growth in business activity was solid, it was the second-slowest in the past year and below the long-run series average. Similarly, the pace of the upturn in new orders eased but remained strong.*

*“Inflationary pressures softened overall in October, with the rates of increase in both input prices and output charges easing. Average cost burdens continued to grow, but at the weakest pace since June. In addition, prices charged increased at a historically muted rate.*

*“On a more positive note, Russian service providers reported the strongest degree of confidence towards the outlook since April 2012. Optimism was attributed to larger client bases and greater overall business activity.*

*“IHS Markit currently forecasts modest GDP growth of 1.8% year-on-year in 2017, supported by recoveries in demand conditions in both the manufacturing and service sectors.”*

-Ends-

## For further information, please contact:

### IHS Markit

Sian Jones, Economist  
Telephone +44-1491-461-017  
Email [sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

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

## Note to Editors:

The IHS Markit Russia Service PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy. The IHS Markit Russia Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 600 companies based in the Russian manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### 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.

### About PMI

*Purchasing Managers' Index*<sup>™</sup> (PMI<sup>®</sup>) 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 [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

The intellectual property rights to the Russia Services and Composite PMI<sup>®</sup> 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 trademark of IHS Markit Ltd.