

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (Moscow) / 06:00 (UTC), December 29<sup>th</sup> 2017**

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

### Russian business activity growth remains steep in December

#### Key points:

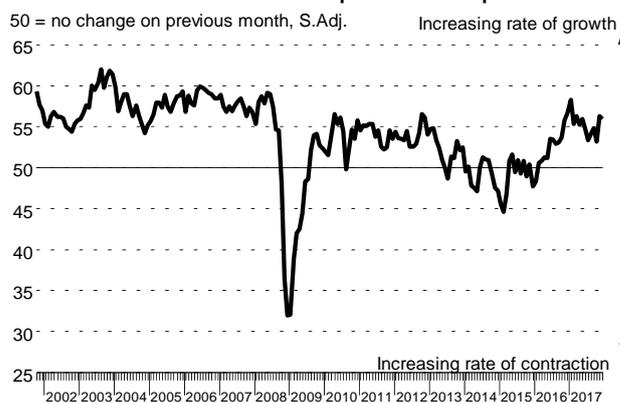
- Upturn in services business activity second-strongest since January
- New business expands strongly despite pace of growth easing
- Inflationary pressures remain historically subdued

#### Data collected December 5-19

December data signalled a steep expansion in business activity across the Russian service sector. Although the latest upturn eased from that seen in November, it was the second-fastest since January. Growth in new business also softened, but was strong and above the long-run series average. Meanwhile, employment rose solidly and at the second-quickest rate since May 2013. The extra staffing capacity pressures was reflected in a marginal fall in backlogs. On the price front, inflationary pressures remained subdued. Although charge inflation accelerated slightly, it was muted in the context of the series history. Business confidence, however, was robust and the second-highest since December 2012.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 56.8 in December, down from 57.4 in November. The latest index reading indicated steep, but softer growth in business activity across the Russian service sector. Panellists suggested the latest rise in output was due to stronger client

#### IHS Markit Russia Composite Output Index



demand and increased new order volumes.

The **IHS Markit Russia Composite Output Index** (covering both manufacturing and services) posted 56.0 in December, down from 56.3 in November. The latest index reading signalled a slightly slower overall expansion at the end of the year, despite an accelerated manufacturing output upturn.

New business received by service providers continued to rise in December, albeit at a softer rate than in November. Anecdotal evidence stated that the latest increase was linked to greater demand from new and existing clients. Although the pace of growth eased, it was strong and above the long-run series average. Manufacturers, meanwhile, signalled an accelerated upturn in new orders that was the fastest since July.

Meanwhile, inflationary pressures were historically

subdued despite the rate of increase in charges accelerating. Output prices rose at a moderate pace, but inflation was well below the long-run series average. Input costs increased at the weakest rate since June, and one that was relatively muted. Monitored firms stated that higher prices for energy and fuel drove the rise in cost burdens, which were partly passed on to clients. In line with their service sector counterparts, manufacturers reported relatively moderate rises in both input price and charges. Moreover, the rates of increase softened to four- and five-month lows respectively.

In line with steep, but softer business activity growth, the latest expansion in staffing levels was weaker than that seen in November. Nonetheless, a number of panel members stated that job creation reflected higher output levels and new business growth. Employment levels also rose at the second-fastest rate since May 2013. A marginal fall in the level of outstanding business meanwhile indicated reduced pressure on capacities. Meanwhile, goods producers indicated a fourth consecutive month of backlog depletion and broadly unchanged employment levels.

Business confidence towards the outlook among service sector firms was robust in December, with the degree of optimism rising to the second-highest in five years. A number of survey respondents suggested positive sentiment was due to stronger demand from new and existing clients and expansion into new markets. Manufacturing firms also signalled a stronger degree of confidence in December, with optimism rising to the highest since September.

### Comment:

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

*“December survey data indicated a steep expansion in business activity across the Russian service sector, the second-fastest rise since January. Moreover, the average for the final quarter of 2017 signalled a strong end to the year with growth picking up following a slight dip in the third quarter.*

*“Composite new order growth was strong in December, with the fourth quarter average signalling the fastest expansion since late-2012.*

*“Greater new order volumes were reflected in solid job creation in the service sector, with employment levels increasing at the second-fastest pace since May 2013.*

*“Adding to the positive picture, business confidence was robust in December, and the degree of optimism increased. Expectations towards the outlook were driven by greater demand from new and existing clients, and expansion into new markets.*

*“In line with official inflation figures, composite price pressures were relatively muted throughout the year, although IHS Markit forecasts that inflation will increase slightly in 2018.”*

-Ends-

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## 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).

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