

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Markit Russia Services PMI® – (with Composite PMI® data)

Service sector growth eases from January peak but remains marked

Key points:

- Service sector output rises at slowest pace in three months
- Rates of growth in new business and employment moderate since January
- Input price inflation slows to weakest since July 2014

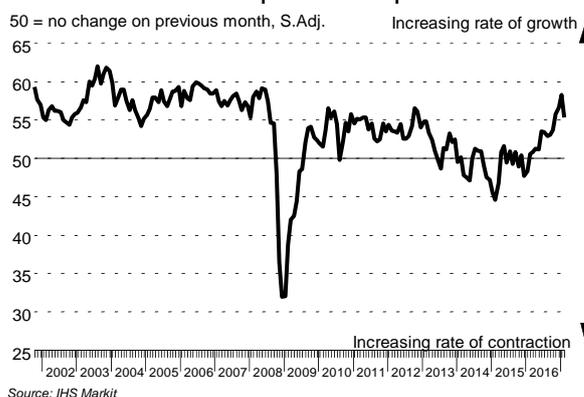
Data collected from 10-24 February 2017

Russian service providers signalled a loss of growth momentum in February, following January's substantial improvement in business activity. Nonetheless, output still rose at a solid rate, helped by a continued upturn in new work. Job creation was evident for the second straight month, albeit at a marginal pace. Price pressures meanwhile eased, particularly on the cost-side. With growth maintained and prices rising at a slower pace, services firms remained strongly optimistic about the coming year.

At 55.5, the **Markit Russia Services Business Activity Index™** – a single-figure measure designed to track changes in total Russian services activity – pointed to another robust increase in service sector output during February. That said, the latest reading was the lowest in three months, having fallen considerably from January's eight-and-a-half year high of 58.4.

With growth of manufacturing production also slowing from January's multi-year peak, the rate of expansion in activity across the private sector softened in February. The **Russia Composite Output Index** posted 55.4, down from 58.3 at the start of 2017.

Markit Russia Composite Output Index



Underpinning greater activity across the service sector as a whole was a further rise in new business. The rate of expansion was solid overall, despite easing since January to the weakest in four months. Panellists reported a general improvement in client demand. Similarly, manufacturers saw robust (albeit slower) growth of new work.

Although slower than in January, the increase in new orders was sufficient to maintain pressure on capacity at service providers. This was signalled by an eighth successive monthly rise in backlogs of work. The pace of accumulation was in line with the average over the aforementioned period and modest overall.

Higher inflows of new business were also behind job creation at Russian services companies in February. Employment rose for the second month running, albeit only slightly. Notably, back-to-back growth at the start of 2017 contrasted with job losses in each of the final four months of last year.

On the price front, rates of input cost and output charge inflation both eased in February. In particular, the rise in input prices was the least marked in over two-and-a-half years. Cost pressures moderated and were equally subdued in the goods producing sector. However, while service sector selling prices continued to rise, manufacturers lowered their charges in an effort to attract new clients.

Looking ahead, Russian service providers were confident of raising activity over the coming year. The degree of optimism was the second-strongest since August 2013. Upbeat respondents commented on a range of factors including improving demand, new offices and hopes for greater political and economic stability. Manufacturing optimism meanwhile picked up to a 21-month high.

Comment:

Commenting on the Russia Services PMI survey data, **Paul Smith, Senior Economist at IHS Markit**, which compiles the survey, said:

“Russian private sector growth failed to reach the high standard set at the start of 2017 during February, as shown by the PMI dropping from its long-time high. Upturns eased in both the manufacturing and service sectors (both in terms of output and new work).”

“That said, the Russian economy remains in reasonable shape overall. Job creation was sustained in both sectors, while price pressures continued to ease. The outlook for private sector companies is therefore bright, particularly when compared to data in recent years. Optimism was the second-strongest since August 2013.”

-Ends-

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Note to Editors:

The 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 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.

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 Markit. Please contact economics@ihsmarkit.com.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 30 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.

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