

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

Strongest new business growth since December 2012

Key points:

- Sharper increases in activity and new business
- Employment growth strongest since May 2013
- Inflationary pressures remain historically muted

Data collected September 12-27

September survey data signalled a further improvement in business activity in the Russian service sector. Output levels rose at a strong rate and were supported by a steep upturn in new orders. Moreover, the expansion in new business was the quickest since December 2012. Furthermore, the rate of job creation accelerated to the fastest in over four years. On the price front, both input price and output charge inflation accelerated. However, the rates of inflation were both subdued in the context of the series history. Meanwhile, business confidence rose sharply and reached an eight-month high, driven by robust client demand.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 55.2 in September, up from 54.2 in August. This indicated a strong increase in total business activity across the Russian service sector. The upturn was the quickest in three months and signalled a solid end to the third quarter.

The **IHS Markit Russia Composite Output Index** (covering both manufacturing and services) posted



54.8 in September, up marginally from August. A strong upturn in business activity in the service sector more than offset a slightly softer increase in manufacturing production.

In line with the regained growth momentum seen in business activity, new orders received by Russian service providers rose steeply in September. Notably, the pace of expansion was the fastest in nearly five years. A number of panel members linked the increase in new business to solid demand from both domestic and foreign clients. Meanwhile, new orders at Russian manufacturing firms rose at a solid pace that was in line with that seen in August.

The growth rate of employment in the Russian service sector strengthened in September, extending the current sequence of job creation to nine successive months. Moreover, the increase in

staffing levels was solid and the fastest since May 2013. Conversely, backlogs contracted for the first time since May. That said, the rate of decline was fractional. Recruitment helped firms to complete existing business. Matching their service sector counterparts, manufacturers reported a contraction in the level of business outstanding. Goods producers did, however, report the first increase in staffing levels since February. Employment growth was largely driven by increased new orders.

Input prices paid by Russian service providers continued to increase in September, and at a pace slightly faster than that seen in August. Anecdotal evidence largely attributed inflation to higher raw material and labour prices. Although cost burdens rose at a strong rate, the pace was muted in the context of the series history. Similarly, average charges increased at a solid pace. Panellists linked higher output prices to the sustained rise in cost burdens. Despite reaching a four-month high, charge inflation was below the long-run series average. Meanwhile, inflationary pressures intensified in the manufacturing sector, with the rates of input price and output charge inflation both accelerating to ten- and nine-month highs respectively.

Business confidence in the Russian service sector was robust in September. Output expectations for the next 12 months improved sharply to an eight-month high. A number of surveyed firms linked positive sentiment to strong domestic and foreign client demand, and improved market conditions. Similarly, firms in the manufacturing sector signalled stronger levels of confidence, and expectations were the most robust since May 2015.

Comment:

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

“September survey data signalled an accelerated rate of growth in business activity across the Russian service sector. New business expanded at the fastest pace since December 2012, which supported further employment growth. Notably, workforce numbers rose at the quickest rate since May 2013.

“Inflationary pressures remained relatively subdued, despite both input cost and output price inflation accelerating. Although charge inflation reached a four-month high, the rate was muted in the context of the series history.

“Meanwhile, business confidence bounced back, with positive sentiment reaching an eight-month high. Panellists linked this to improved market conditions and strong client demand.”

“IHS Markit currently forecasts Russian GDP growth in 2017 at 1.7%, with the latest survey data signalling a strong end to the third quarter.”

-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.

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