

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

Services activity growth remains marked in April

Key points:

- Services activity growth fractionally weaker than March
- New business at service providers grows at faster pace
- Input prices increase at strongest rate since December

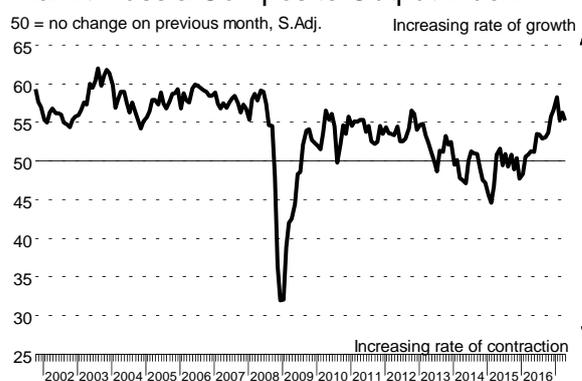
Data collected April 11-26

Business activity in the Russian service sector continued to demonstrate marked expansion in April, albeit a slightly weaker growth rate than in March. Supporting the expansion of business activity, new orders increased at a strong pace. Meanwhile, inflationary pressures picked up in April as both input prices and charges increased at faster rates. Employment grew at a very similar pace to March, helping companies to take on new work and cut levels of outstanding business.

The Markit Russia Services Business Activity Index – a single-figure measure designed to track changes in total Russian services activity – posted 56.1, down from March's 56.6, indicating slightly weaker growth but a sharp expansion nonetheless. Business activity grew for the fifteenth month running in April. Panellists linked expansion to increased demand for products and a higher volume of new business.

Growth of manufacturing production softened substantially in April, reflecting slower growth in new orders. Consequently, the **Russia Composite Output Index** (covering both manufacturing and services) posted 55.3, down from 56.3 in March.

Markit Russia Composite Output Index



New business for service providers in Russia also grew for the fifteenth straight month. The pace of expansion accelerated from March to the third-strongest in the current period of expansion. Anecdotal evidence stated that business from domestic and foreign markets increased. Meanwhile, new order growth in the manufacturing sector was the slowest since August last year.

On the price front, service sector input costs rose at the strongest pace since last December, with the rate of inflation accelerating steeply from March. Higher prices for energy, utilities and transport were commonly cited as reasons for a rise in cost burdens. Manufacturing input prices also rose at the fastest pace in four months, albeit, at a more muted pace than that seen for service providers.

Average prices charged by Russian service providers rose, in line with the trend shown since December 2009. The latest survey data signalled the fastest increase in output prices since July last year. Many respondents stated that increased demand for products had enabled them to raise their prices and offset higher costs. In comparison, prices charged in the manufacturing sector rose for the first time since January in April, at a modest

pace.

Staffing levels among service sector companies increased for the fourth consecutive month in April. The pace of expansion was little-changed from March and broadly in line with the series average. Employers stated that rising workloads required larger workforces. The current sequence of growth in employment is the longest in nearly four years. In contrast, the goods-producing sector again signalled a contraction in staffing levels.

Outstanding business in the service sector contracted for the first time since last June. The overall downturn in backlogs was fractional. Manufacturers also recorded a contraction in outstanding business, and the pace was stronger than that seen in services.

Strong confidence in future activity was sustained in April. Panellists linked positive sentiment to higher demand and business activity. The degree of optimism was the second-strongest since August 2013. Meanwhile, output expectations in manufacturing were positive overall, but the weakest since January 2016.

Comment:

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

“Business activity in the Russian service sector increased at a marked rate in April. Both activity and new orders grew for the fifteenth month running signalling strong demand. That said, outstanding business contracted for the first time since last June. Meanwhile, price pressures in the service sector picked up. Input prices rose at the fastest pace in four months and output prices rose at the fastest pace since last June.”

“Composite PMI data for April indicated a slight weakening in overall output growth, although, expansion was still strong overall.”

-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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