

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

Strong expansion in business activity rounds off best quarter since late-2012

Key points:

- Firm demand and work on existing projects supports activity
- Best rate of job creation since August 2013
- Inflationary pressures continue to dissipate

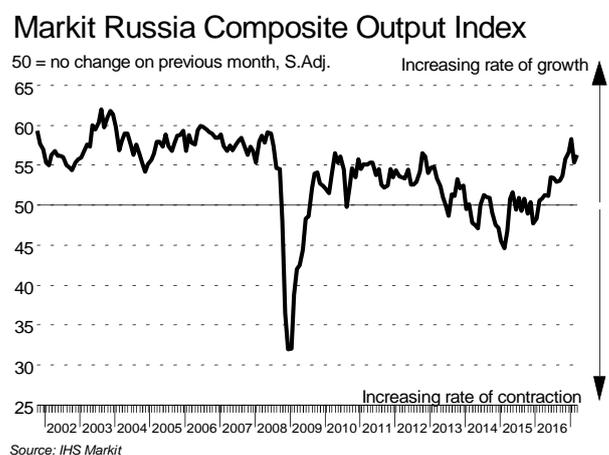
Data collected from March 13-29

Growth of Russia's service sector was maintained in March, with the rate of expansion improving slightly since February to round off the strongest quarter since the end of 2012. Growth was again supported by rising levels of incoming new business, and service providers faced capacity constraints as evidenced by an increase in backlogs of work. Faster jobs growth was recorded as a result.

On the price front, inflationary pressures eased with service providers recording slower rates of increase in both input and output prices during March.

At 56.6, the **Markit Russia Services Business Activity Index™** – a single-figure measure designed to track changes in total Russian services activity – improved from February's three-month low of 55.5 and indicated a strong pace of growth. Moreover, over the first quarter of the year, the index signalled the best pace of expansion since Q4 2012.

Growth of manufacturing production accelerated slightly after softening in February, supported by a pick-up in the rate of expansion of new orders. The **Russia Composite Output Index** posted 56.3, up from 55.4 seen in February.



Sub-sector data for services showed that three out of five segments experienced higher activity in March, led by Consumer Services.

Higher overall activity continued to be supported by increased volumes of incoming new work. Growth was a little firmer than in February, with panellists indicating higher levels of client demand and market activity during the month. New orders in the manufacturing sector also rose at a slightly faster rate in February.

Providing evidence of ongoing pressure on operating capacity, latest data showed a ninth consecutive monthly increase in backlogs of work during March, with the solid rate of growth the highest since last November. Manufacturers also recorded a rise in outstanding business, albeit modest.

Employment continued to rise in March, with the modest pace of expansion the fastest since August 2013. Panellists cited new orders and product development as reasons for job creation.

Employment growth, however, was not mirrored in the goods-producing sector which saw a slight contraction in staffing levels.

Inflationary pressures eased in March, with both input and output prices rising at slower rates. Prices charged by Russian services firms rose to the lowest degree since last October, while input prices increased at the weakest pace since August 2010. Higher wage bills was noted as a reason for the rise in input costs during the latest survey period. Output prices in the goods-producing sector continued to fall in March, despite a slight pick-up in input cost inflation.

Finally, Russian service providers remained optimistic about future activity levels. Although there was a fractional dip in sentiment in March, confidence over the first quarter as a whole was the best recorded by the survey since the first quarter of 2013. Panellists noted that strong underlying customer demand and new product development were reasons to be optimistic. Sentiment in manufacturing, meanwhile, reached an almost two-year high.

Comment:

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

“Business activity grew strongly in March with Russian service providers experiencing a faster rise in new orders. Growth of activity was the second-highest in over four years and confidence remained close to its highest over the past three-and-a-half years. A second month of easing inflationary pressures supported the recent decision by monetary policy makers to reduce interest rates.

“The composite index figure for March reflected solid growth across both sectors, and quarterly data suggested the strongest performance since Q2 2008. IHS Markit forecast overall GDP growth of 1.0% in 2017. With employment and business activity showing improved trends in quarter one, this is a positive step towards a recovery.”

-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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