

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

New business growth slips to five-month low in January

Key points:

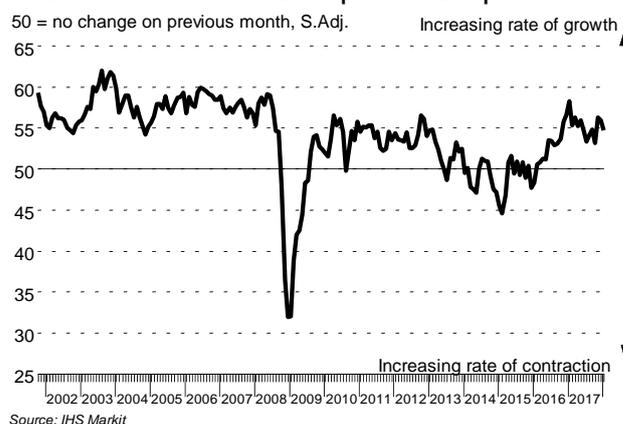
- Upturn in new orders softens but remains strong overall
- Output expansion eases to three-month low
- Business confidence increases to highest level since July 2011

Data collected January 12-29

Business activity growth across the Russian service sector remained strong in January, despite the pace of expansion easing to a three-month low. Similar to the trend in output, the latest upturn in new business was the softest since August 2017. Furthermore, backlogs continued to contract amid little sign of pressure on capacities. Inflationary pressures meanwhile remained muted in the context of the series history, with input cost inflation easing to the joint-slowest since August 2010. Finally, output expectations were robust as confidence increased to the highest level since July 2011.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 55.1 in January, down from 56.8 in December. The latest index figure indicated a strong expansion in output among Russian service providers. Anecdotal evidence linked the rise in business activity to more favourable economic conditions and greater new order volumes. Although the rate of growth was above the series trend, it dipped to a three-month low.

IHS Markit Russia Composite Output Index



The **IHS Markit Russia Composite Output Index** (covering both manufacturing and services) posted 54.8 in January, down from 56.0 in December. The latest index reading signalled a softer overall expansion, with a slight acceleration in manufacturing growth being outweighed by a weaker upturn in service sector output.

Similarly, new business received by service providers continued to rise in January, albeit at the softest rate since August 2017. Where growth was reported, panellists attributed this to the acquisition of new clients as well as stronger demand from existing customers. Manufacturers also reported a strong expansion in new orders, with the pace of growth accelerating to a six-month high.

On the price front, both input cost and output charge inflation in the service sector remained subdued in the context of the series history.

Moreover, cost burdens increased at the joint-weakest pace since August 2010. A number of survey respondents suggested that price rises were due to higher operational costs including utility charges and wages. Similarly, goods producers indicated a softer rate of input cost inflation, the slowest since last August.

Average prices charged by services firms rose only marginally, with the latest survey data indicating the joint-weakest increase since March 2017. Where higher output prices were reported, panellists linked this to efforts to pass greater cost burdens on to clients. That said, some panel members stated that the relatively muted rate of inflation stemmed from competitive pressures. Unlike their service sector counterparts, manufacturers signalled a slight acceleration in charge inflation. That said, it remained muted in the context of the series history.

Backlogs at Russian service providers meanwhile continued to fall in January. The pace of contraction accelerated to the fastest since April 2016. Furthermore, the pace of job creation in the sector eased to a five-month low, further reflecting less pressure on capacity requirements. Manufacturing firms also indicated little sign of pressure on resources, with both backlogs and employment contracting in January.

Business confidence among service providers remained robust in January, with the level of positive sentiment rising to the highest since July 2011. Panellists suggested that optimism stemmed from the acquisition of new clients, planned investment in business expansion and more favourable demand conditions. Increased optimism was shared by goods producers who reported the highest degree of confidence in four months.

Comment:

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

“The Russian service sector indicated a solid start to 2018, with strong expansions in output and new business. That said, the latest upturns softened to three- and five-month lows respectively. A weaker overall expansion was reflected in the IHS Markit Russia Composite Index, which dipped to a three-month low.

“In line with recent trends, input cost inflation faced by services firms remained subdued in the context of the series history as the rate of increase eased to the joint-weakest since August 2010. A slower rise in cost burdens was also seen at the overall private sector level, where inflation eased to a seven-month low.

“Meanwhile, greater competitive pressures reportedly restricted the ability of service providers to increase their charges, which rose at the joint-weakest rate since March 2017.

“On a positive note, output expectations in the service sector increased, with the level of confidence the highest since July 2011. Anecdotal evidence stated that optimism was underpinned by planned investment in company expansion and the acquisition of new clients.”

-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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