

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

New business growth fastest since July 2008

Key points:

- New orders increase steeply in November
- Business activity growth accelerates to strongest since January
- Rate of job creation quickest since May 2013

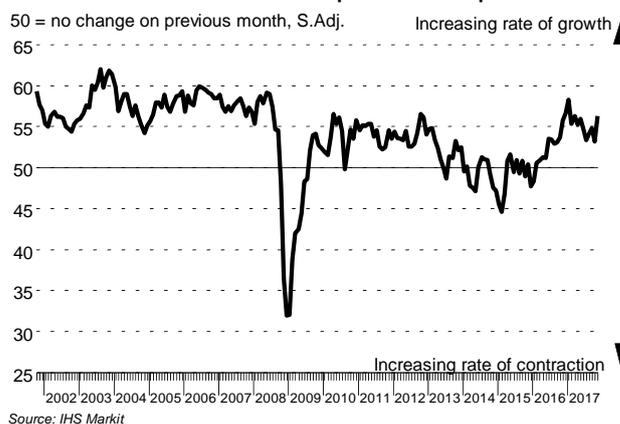
Data collected November 13-28

Latest survey data signalled a steep expansion in business activity in the Russian service sector, with the rate of growth accelerating to the strongest since January. Increases in overall activity were supported by a sharp upturn in new business, the fastest since July 2008. Employment levels meanwhile rose at the quickest pace since May 2013 as firms increased their workforces to adapt to greater capacity requirements. Backlogs also grew, although only fractionally. Average cost burdens rose steeply, and at the sharpest rate in four months. Charge inflation remained subdued, however.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 57.4 in November, up from 53.9 in October. The latest index reading indicated steep growth in business activity across the sector that was the second-quickest since May 2011. Anecdotal evidence linked the rise in output to stronger client demand and greater new order volumes.

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

IHS Markit Russia Composite Output Index



56.3 in November, up from 53.2 in October, signalling the fastest composite growth since March. Stronger growth in both the manufacturing and service sectors led to the quicker overall expansion.

The level of new business received by Russian service providers rose further, with the pace of growth accelerating to the fastest in over nine years. Furthermore, the latest expansion was well above the long-run series average. A number of survey respondents suggested that increases were linked to higher client demand and the acquisition of new clients. Meanwhile, new order growth at Russian manufacturing firms reached a four-month high in November.

In line with the upturns in new orders and business activity, the rate of job creation in the service sector quickened to the fastest since May 2013. The pace

of hiring was strong overall, with monitored firms noting that the rise in workforce numbers was due to greater capacity requirements. The level of outstanding business also increased in November, signalling the first growth in backlogs since August, albeit only fractional. Unlike their counterparts in the service sector, goods producers reduced employment levels marginally, indicating the first contraction since August. Manufacturers also signalled a third consecutive month of backlog depletion.

On the price front, service sector cost burdens rose further in November, with the rate of inflation accelerating to reach a four-month high. Panellists stated that greater input prices were due to higher fuel and component costs. Although input price inflation was sharp overall, it was below the long-run series average. Similarly, charge inflation was relatively muted in the context of the series history. The rate of increase in output prices eased to the weakest since March and was only moderate. A number of panel members attributed the rise to higher input costs which were passed onto clients. Manufacturing firms indicated a further rise in input prices, albeit at a slightly weaker pace than in October. Output charge inflation meanwhile was moderate and subdued in the context of the series history.

Business confidence among services firms towards future activity remained robust in November. Anecdotal evidence suggested that positive sentiment was linked to product diversification and stronger client demand. That said, the degree of optimism was the weakest in three months. Goods producers also reported a lower level of optimism in November, with the degree of confidence falling to a three-month low. That said, expectations remained robust overall.

Comment:

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

“November PMI data signalled steep growth in business activity across the Russian service sector, with the expansion accelerating to reach a ten-month high. The upturn in new business also quickened to a sharp rate that was the fastest for the best part of a decade. Overall, the IHS Markit Russia Composite Output Index indicated a stronger increase across both manufacturing and service sector firms, with growth in the latest survey period at an eight-month peak.

“Growth in service sector output and new business extended to job creation, which accelerated to the strongest rate since May 2013. Capacity pressures were also reflected in the level of outstanding business, which expanded for the first time since August.

“There was more positive news for the Central Bank of Russia which is expected to cut interest rates again by the end of 2017, as inflationary pressures remained subdued in the context of the series history.

“Business confidence remained robust in November, but optimism did fall to a three-month low. Firms stated that positive sentiment reflected planned product diversification and stronger client demand.”

-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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