

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

August PMI signals solid growth in business activity

Key points:

- Expansion in output accelerates
- Solid upturn in new orders
- Price pressures remain historically muted

Data collected August 11-29

August survey data signalled a continued upturn in business activity among Russian service providers. The pace of expansion accelerated from July to a solid rate. Growth in new business was also faster than in the previous survey period. Meanwhile, inflationary pressures across the sector eased to historically muted levels, with output prices rising at the slowest rate for five months. In line with only a marginal increase in outstanding business, job creation eased to the weakest rate in the current eight-month sequence of employment growth. The level of optimism among Russian service firms was robust despite easing to the lowest in 2017 so far.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 54.2 in August, up from July's 14-month low of 52.6. The latest index figure signalled a solid expansion in business activity. Anecdotal evidence linked the rise in output to stronger client demand and an increase in new orders.

The **IHS Markit Russia Composite Output Index** (covering both manufacturing and services) posted 54.2 in August, up from July's ten-month low of 53.4. This signalled a stronger composite output



expansion despite manufacturing production growth easing from the previous survey period.

Growth in new business received by Russian service sector firms was faster than July's nine-month low in August. Panellists noted that the rise in new orders was largely due to a greater willingness to spend among clients and improvements in market conditions. Overall, the pace of growth was solid. Meanwhile, the upturn in new orders in the manufacturing sector eased from July's six-month high.

Despite the stronger expansion in service sector new business, backlogs increased only marginally. Although the level of outstanding business rose for the third consecutive month, it was the slowest upturn in the current sequence. In line with weaker backlog accumulation, growth in workforce numbers eased from July to a marginal rate. The rise was the least marked in the current eight-

month sequence of job creation. Matching their service sector counterparts, manufacturers reported slower growth in backlogs. Staffing levels among goods producers fell further as firms reduced workforce numbers at a marginal rate.

On the price front, cost burdens increased at a weak pace in the context of the historical data. Some panellists linked higher input prices to changes in taxation and increased charges for the use of sub-contractors. Average prices charged by Russian service sector firms continued to rise in August, extending the current trend of charge inflation which stretches back to December 2009. However, the pace of output price inflation eased to the weakest since March and was below the long-run series average. Inflationary pressures were also historically muted in the manufacturing sector, with factory gate price inflation well below the long-run series average.

Business confidence among Russian service providers remained largely positive in August. A number of survey respondents linked optimism to increased client demand and an improvement in market conditions. That said, sentiment was historically subdued and the lowest in 2017 so far. Some firms noted that uncertainty was due to the potential impact of sanctions on output. Similarly, firms in the manufacturing sector signalled lower levels of confidence. Sentiment among goods producers was 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:

“August survey data indicated continued growth in business activity across the Russian service sector. The pace of expansion in both output and new business accelerated from July to solid rates. However, reflective of subdued growth in outstanding business, the latest upturn in employment was the weakest in the current eight-month sequence of job creation.”

“Inflationary pressures were historically muted in August. Both input cost and output price inflation eased from July, with average prices charged increasing at the slowest pace since March.”

“The degree of optimism within the Russian service sector was subdued, dipping to the lowest in 2017 so far. Although confidence was buoyed by improved market conditions, some firms raised concerns regarding sanctions.”

“IHS Markit currently forecasts GDP growth in 2017 of 1.6%, supported by solid expansions in both the manufacturing and service sectors.”

-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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