

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

Business activity growth remains strong in June

Key points:

- Business activity expands for seventeenth consecutive month
- Inflationary pressures soften
- Upturn in new orders remains strong

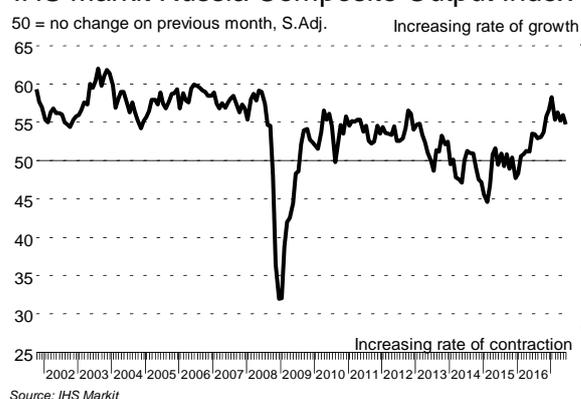
Data collected June 12-28

Business activity in the Russian service sector increased in June. The pace of expansion remained strong despite softening from May. The latest survey data also signalled solid growth in new business, leading to higher employment. On the price front, both cost burdens and output charges rose, but at historically weak rates. Business confidence continued to be robust, with a stronger degree of optimism reported compared to May.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 55.5 in June, down from May's reading of 56.3. That said, the pace of expansion signalled remained strong. Growth over the second quarter as a whole was only slightly lower than in the first quarter. Panellists commonly attributed a higher level of business activity to more robust client demand.

Manufacturing growth eased in June to the second-weakest in ten months. Consequently, the **IHS Markit Russia Composite Output Index** (covering both manufacturing and services) posted 54.8 in June, down from 56.0 in May and an eight-month low.

IHS Markit Russia Composite Output Index



New orders increased for the seventeenth consecutive month in June. The pace of expansion was little-changed from that seen in May and broadly in line with the long-run series average. Anecdotal evidence suggested that a greater level of new business reflected a rise in client activity and stronger demand. Meanwhile, new order growth in the manufacturing sector was the weakest in the current 11-month sequence of expansion.

Input prices paid by firms in the Russian service sector increased in June. This extended the current sequence of cost inflation seen since the first month of data collection in October 2001. A number of respondents noted that input price inflation was caused by changes to taxation. That said, the pace of inflation softened from that seen in May and was weak in the context of the series trend. Purchase prices in the manufacturing sector meanwhile rose at a solid pace that was slightly faster than that seen in May.

Output prices charged by firms in the Russian

service sector also rose at a pace that was historically slow. The rate of charge inflation weakened from May's 20-month high to a three-month low. Panellists stated that average prices charged were raised due to higher input costs which were passed on to clients. Prices charged in the manufacturing sector meanwhile rose for the third consecutive month, but at a softer pace than that seen in May.

Growth in staffing levels among firms in the Russian service sector continued for the sixth consecutive month in June. That said, workforce numbers expanded at the weakest rate since February. In contrast, the goods-producing sector signalled a further contraction in staffing levels, with the pace of job shedding faster than in May.

Backlogs among Russian service providers expanded for the first time since March in June. That said, the pace of growth was only fractional. Manufacturers indicated a second month of increasing backlogs.

The current sequence of positive sentiment in the Russian service sector was extended to 17 months in June. The degree of optimism remained at a robust level. Anecdotal evidence commonly attributed positive future output expectations to planned investment and more robust underlying client demand. The degree of optimism in the manufacturing sector towards future output increased during June, and was in line with the historical trend level.

Comment:

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

"Business activity growth remained strong in June, with expansion over the second quarter as a whole only fractionally slower than the first quarter. The upturn in overall activity was supported by sustained growth in new orders and employment. On the price front, inflationary pressures eased in the Russian service sector to relatively weak rates in the context of historical data. Both input price and charge inflation slowed to a three-month lows."

"The Composite PMI Index figure for June indicated a softer rate of output growth in the Russian economy, the weakest for eight months. IHS Markit forecasts GDP growth of 1.5% in 2017, however recent sluggish manufacturing performance could act as a drag on expansion."

-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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