

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

Strong service sector business activity growth in April

Key points:

- Output and new order expansions accelerate
- Input price inflation quickens to fastest since December 2015
- Average prices charged increase at strongest rate since February 2015

Data collected April 12-26

April survey data signalled a strong rise in business activity across the Russian service sector. Moreover, the rate of expansion accelerated from March's eight-month low. New business also increased at a quicker rate. That said, the pace of job creation softened to a three-month low. Meanwhile, inflationary pressures intensified. Rates of both input price and output charge inflation accelerated markedly and reached multi-year peaks.

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 April, up from 53.7 in March, and indicated a strong output upturn. The latest data extended the current sequence of expansion that began in February 2016, and growth was faster than the long-run series average. Anecdotal evidence suggested the rise was due to greater new order volumes from new and existing clients.

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



54.9 in April, up from 53.2 in March. The latest overall increase in output was strong and driven by faster expansions in both the manufacturing and service sectors.

New business received by Russian service providers continued to increase in April, with the pace of growth quickening from an eight-month low in March. Panellists attributed the rise in new orders to greater client demand and the acquisition of new customers. Similarly, new orders rose at an accelerated pace in the manufacturing sector, albeit only marginally overall.

The level of outstanding business in the service sector was broadly unchanged in April, reflecting both output and new orders expanding at the same pace. Where a fall in backlogs was reported, respondents linked this to more efficient business processes. Others noted that the latest upturn in

new orders led to pressure on capacity and a greater amount of work-in-hand. Manufacturers indicated a marginal contraction in backlogs in April, with the rate of decrease moderated to the weakest in the current eight-month sequence of decline.

Meanwhile, services employment growth softened in April. Although still solid overall, the rate of job creation eased to a three-month low. A number of panel members stated that the rise in staff levels stemmed from greater business requirements. Meanwhile, staff numbers in the manufacturing sector increased for the first time so far in 2018.

Inflationary pressures intensified in April, with rates of both input price and output charge inflation accelerating. Moreover, the rise in cost burdens was the quickest since December 2015 and marked overall. Panellists attributed higher input prices to greater wage and raw material costs. Less favourable exchange rates also reportedly pushed up the price of imported goods. Reflecting the trends seen by their service sector counterparts, manufacturers also signalled a marked rise in input costs. The rate of inflation accelerated to the fastest since September 2015.

Charge inflation in the service sector also reached a multi-year high in April. The rate of increase was the fastest in over three years and sharp overall. Panel members widely noted that higher charges stemmed from increased input costs being partly passed on to clients. At the same time, goods producers registered the quickest rise in output prices for over two-and-a-half years.

Business confidence among services firms towards future activity was robust in April. The degree of confidence increased from March and was one of the strongest in the last six years. Optimism was attributed to a sustained upturn in new orders. Positive sentiment also improved among manufacturers. Moreover, the degree of optimism rose to the highest since May 2015.

Comment:

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

“Following a slowdown at the end of the first quarter of 2018, April survey data signalled a strong start to the second quarter across the Russian service sector. Rates of business activity and new order growth picked up and the pace of job creation was solid overall.

“Inflationary pressures intensified across the private sector, with rates of both input price and output charge inflation accelerating in April. Increases in services cost burdens were marked and the fastest since December 2015, with panellists linking inflation to higher raw material costs and less favourable exchange rates.

“With manufacturing also picking up speed in April, the latest IHS Markit Russia Composite Output Index indicated a strong overall output expansion, supported by faster new order growth 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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