

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (Moscow) / 06:00 (UTC), April 4<sup>th</sup> 2018**

## IHS Markit Russia Services PMI® – (with Composite PMI® data)

### Services business activity growth softens to eight-month low

#### Key points:

- Output growth remains solid despite easing
- Rate of contraction in backlogs accelerates
- Inflationary pressures remain subdued in the context of the series trend

Data collected March 12-27

March survey data signalled a solid rise in business activity across the Russian service sector. That said, the rate of growth dipped to an eight-month low and was below the series average. Similarly, the latest upturn in new business was substantial but the weakest since July 2017. In line with higher staffing capacity backlogs contracted further, and at a solid pace. Meanwhile, price pressures remained muted in the context of the series history despite rates of inflation accelerating.

The **IHS Markit Russia Services Business Activity Index** – a single-figure measure designed to track changes in total Russian services activity – posted 53.7 in March, down from 56.5 in February. Although the rate of business activity growth softened to an eight-month low, it was solid nonetheless. Moreover, the average over the opening three months of 2018 was strong overall. A number of panel members attributed the rise in output levels to the acquisition of new clients and increased customer activity.

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



53.2 in March, down from 55.2 in February. The latest overall rise in output was the joint-weakest since September 2016, with both manufacturers and service providers indicating a slower expansion.

Reflective of slightly fragile demand conditions, new business received by Russian service providers expanded at a weaker pace in March. Although the growth rate was solid, it was the slowest in eight months and below the long-run series average. Nevertheless, where a rise in new orders was reported, firms attributed this to greater order volumes from new and existing clients. Manufacturers also noted a weaker rise in new orders, with the rate of growth easing to the slowest in the current 20-month sequence of expansion.

March survey data indicated a fourth successive monthly contraction in the level of outstanding

business at service sector firms. Moreover, the rate of decline accelerated to a strong pace that was the fastest since April 2016. Backlogs have now fallen in six of the last seven months. Manufacturing firms also signalled a strong contraction in the level of outstanding business, as the pace of decline accelerated to the fastest since February 2016.

Conversely, employment levels continued to grow in March. Although the rate of job creation softened from February, it was solid overall and the third-strongest since May 2013. Panellists linked the rise in staffing numbers to the sustained increase in business activity. In contrast, goods producers reported a third consecutive month of job shedding.

On the price front, inflationary pressures remained subdued in the context of the series history. In spite of both input cost and output charge inflation accelerating, the rates of increase were slower than their respective long-run averages. That said, where greater input prices were reported, respondents linked this to higher costs for utilities and labour as well as larger tax burdens. Price pressures in the manufacturing sector were also muted by historical standards, despite faster rates of inflation being registered in March.

Expectations towards business activity over the coming year dipped to a four-month low in March. Many panellists attributed optimism to the ongoing expansion in output; however, some raised concerns over the stability of demand. Similarly, manufacturing forecasts for output over the coming year moderated to a three-month low, but remained strong overall.

## Comment:

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

*“The final month of the first quarter of 2018 saw a slowdown in service sector business activity growth. Although the rate of expansion was solid, it slipped to an eight-month low and was below the long-run series average. The upturn in new orders followed a similar trend, as the pace of growth dipped to the weakest since July 2017.*

*“Notably, inflationary pressures remained muted in the context of the series history despite both input price and output charge inflation accelerating.*

*“Reflecting apprehensions related to the stability of client demand, expectations for business activity over the coming year were the lowest for four months, though still positive overall.*

*“At the composite level, output growth eased to the joint-weakest since September 2016 as both manufacturers and service providers registered a slower overall 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](mailto:economics@ihsmarkit.com).

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