

HSBC Russia Services PMI®

Services activity rises for first time in seven months

Summary

The latest PMI® data from HSBC and Markit signalled a stabilisation of the Russian private sector during April as output rose across both the manufacturing and service sectors for the first time since September 2014.

After accounting for seasonal factors, the seasonally adjusted HSBC Russia Composite Output Index posted 50.8 in April, up from 46.8 in the previous month and above the 50.0 no-change mark for the first time in seven months.

The seasonally adjusted HSBC Russia Services Business Activity Index also signalled a return to growth in April. The reading of 50.7 (up from 46.1) pointed to a marginal increase in activity at service providers, representing a marked turnaround from the substantial reductions seen in the early part of 2015. Meanwhile, manufacturing output rose slightly for the second time in the past three months.

Services companies mainly linked the improvement in activity to higher new orders. New business also returned to growth in April, ending a seven-month sequence of contraction. According to respondents, rising client demand had helped them to secure more new business during the month. In contrast, manufacturing new orders continued to fall. New business was unchanged at the composite level, ending a six-month period of decline.

Backlogs of work continued to fall, both at manufacturers and services companies. That said, rates of depletion eased in both cases, resulting in the slowest overall reduction in outstanding business since May 2014.

Meanwhile, services companies continued to lower their staffing levels in April, extending the current sequence of job shedding to 14 months. Although remaining solid, the rate of decline in employment eased for the second month in a row and was the slowest since October 2014.

Employment also fell further at manufacturing firms in April, albeit to a lesser extent than seen at service providers. At the composite level, staffing levels decreased for the twenty-second month in a row.

The rate of input cost inflation in the service sector eased to the weakest in six months during April, but remained sharp amid some reports of higher energy costs. Input prices rose at a much slower rate at manufacturing firms, resulting in the weakest cost inflation in nine months at the composite level.

Output prices also rose at a weaker pace across both manufacturing and service sectors. The overall rate of charge inflation was the slowest since last October. A

number of services companies indicated that they had lowered their charges in an attempt to attract clients.

Services business sentiment picked up further in April and was positive for the second month running. Panellists predicted that improving economic conditions would lead to growth of activity over the coming year.

Comment

Commenting on the Russia Services PMI® survey, Andrew Harker, Senior Economist at Markit, said:

“There was a welcome stabilisation of the Russian service sector in April as activity and new orders ticked up following sharp contractions earlier in the year and business sentiment picked up again. Companies and workers alike need client demand to keep improving, however, as there remains evidence that spare capacity is leading to job cuts.”

Key points

- Russian private sector output returns to growth
- Services new business increases
- Further reductions in staffing levels

Historical Overview



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Notes to Editors:

The HSBC Russia Services 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 HSBC 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.

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 Markit. Please contact economics@markit.com.

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