

Embargoed until: 09:00 (MOSCOW), 5 February 2013

## HSBC Russia Services PMI®

Growth of business activity eases slightly in January

### Key findings:

- Business Activity Index falls to four-month low of 55.7
- Slowest rise in employment since last August
- Weakest inflationary pressures since last June

Business activity in the Russian service sector continued to grow solidly at the start of 2013, according to HSBC PMI® data compiled by Markit. This mainly reflected a further sharp increase in new work. The pace of expansion in total activity was nonetheless weaker than the trend shown during the final quarter of last year. Inflationary pressures eased during the month, while employment in the sector continued to rise.

The headline figure for the survey is the seasonally adjusted HSBC Russia Services Business Activity Index, a single-figure measure designed to track changes in total Russian services activity compared with one month previously. Readings above 50.0 signal growth of activity compared with the previous month, and below 50.0 contraction.

Remaining above the 50.0 no-change threshold for the twenty-ninth month in succession in January, the seasonally adjusted HSBC Russia Services Business Activity Index signalled a further increase in services output. The Index eased for the third month running, however, from 56.1 to 55.7, signalling the weakest rate of expansion since last September. The latest figure was greater than the average for 2012, but slightly weaker than the trend shown over the survey history (56.4).

Growth of total activity was supported by a further sharp increase in new business in January. The pace of growth was slightly weaker than in December, but broadly in line with the long-run survey average. A number of firms reported winning new clients.

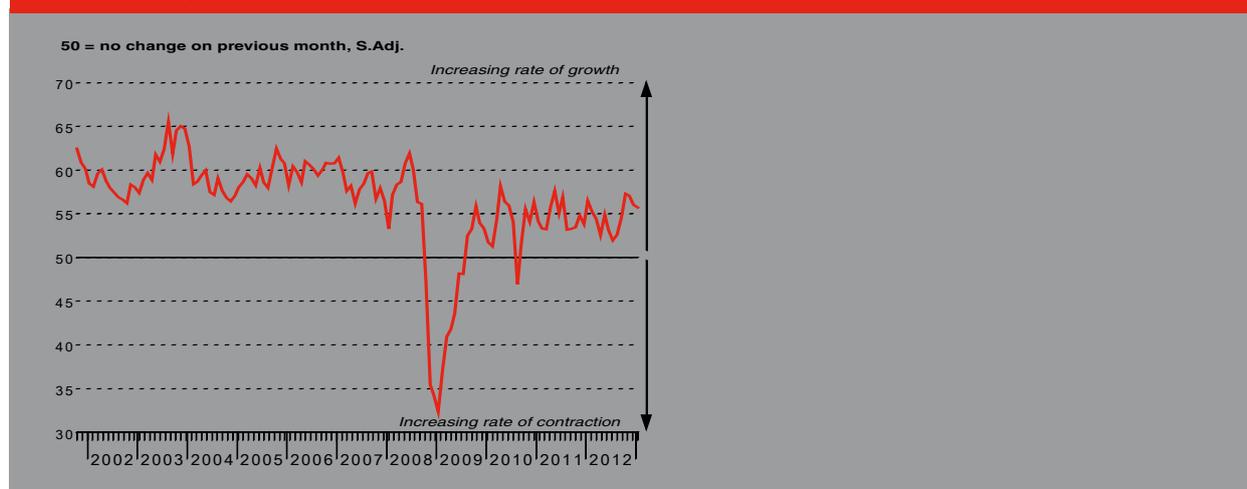
Though sharp, the rate of new business growth was not strong enough to generate a rise in outstanding work in the sector in January. Business outstanding has fallen every month since December 2010. That said, the rate of backlog depletion slowed in January and was weaker than the trend shown over 2012.

Service sector employment in Russia rose in January, extending the current sequence of job creation to 27 months. Most areas of the services economy registered staff growth, the exception being Hotels & Restaurants. That said, the overall rate of workforce expansion was the weakest in five months.

Cost pressures in the Russian service sector moderated at the start of 2013. The rate of input price inflation was the weakest since last June, and remained below the long-run survey average. Input cost inflation eased in all areas except Post & Telecommunication, which also registered the greatest overall rate. Firms across the services sector reported higher utility and fuel costs. In line with the trend for input prices, the rate of inflation of prices charged for services eased to a seven-month low.

Around 42% of survey respondents anticipate higher levels of business activity in 12 months' time, linked to planned company development projects, improving market conditions and new customers. That said, the overall degree of positive sentiment remained weak in the context of historic data, and was the lowest since last August.

### Business Activity Index

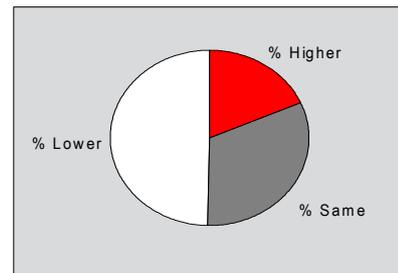
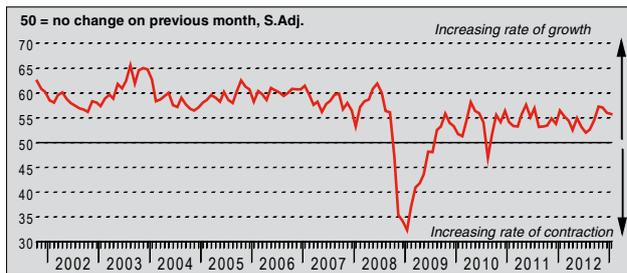


The survey uses a methodology identical to the HSBC Russia Manufacturing PMI®. The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure of the Russian services economy.

Questionnaires are dispatched at mid-month, requesting comparisons of the current situation with that of one month previously. Purchasing Managers' Index™ and PMI® are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

## Business Activity Index

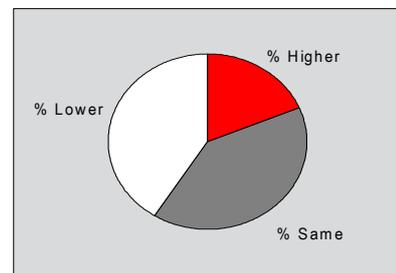
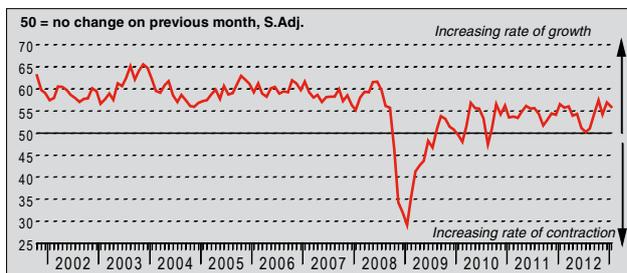
Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.



Service sector output in Russia rose at the slowest pace in four months in January. The seasonally adjusted Business Activity Index eased further from October's 17-month record, and was below its long-run average of 56.4. The rate of expansion was solid nevertheless, with growth linked to new projects and clients. Four sub-sectors registered higher output, with the fastest increase in Post & Telecommunication. Meanwhile, a solid decline was indicated in Transport & Storage.

## New Business Index

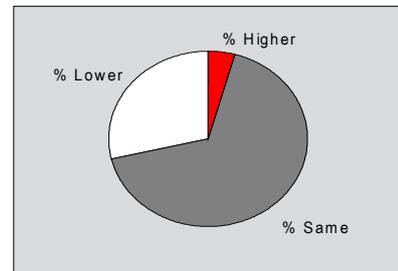
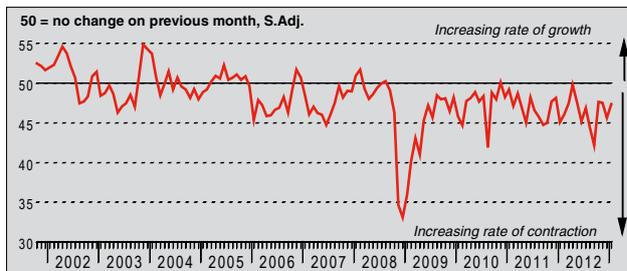
Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.



The volume of new business placed with Russian service providers rose in January, continuing the sequence shown since September 2010. The rate of growth eased since December, but remained sharp overall and was broadly in line with the survey's historic average. Anecdotal evidence partly attributed new business expansion to new clients. New business grew in four sub-sectors, the exceptions being Hotels & Restaurants and Transport & Storage.

## Outstanding Business Index

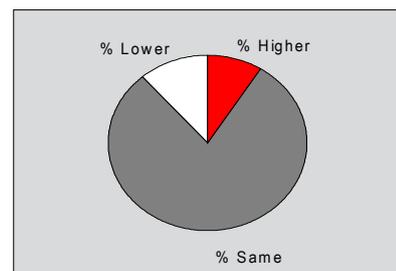
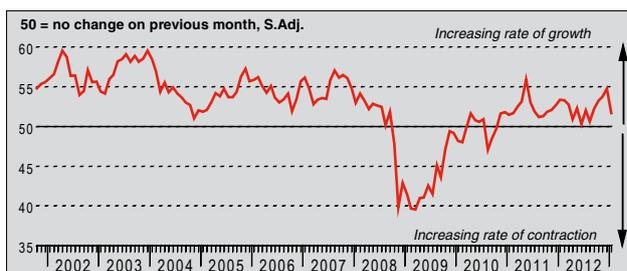
Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.



Service providers in Russia continued to see reductions in their volumes of outstanding business, in January. The seasonally adjusted Outstanding Business Index rose since December, signalling a slower rate of contraction, and it was above the average shown for 2012 (46.3). Supporting evidence suggested that many firms were able to finish existing contracts during the month. Backlogs declined across all sub-sectors except for Other Services.

## Employment Index

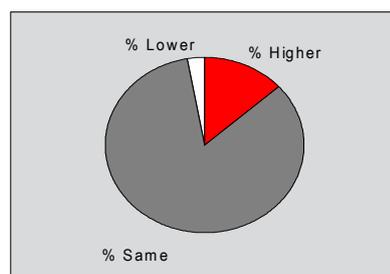
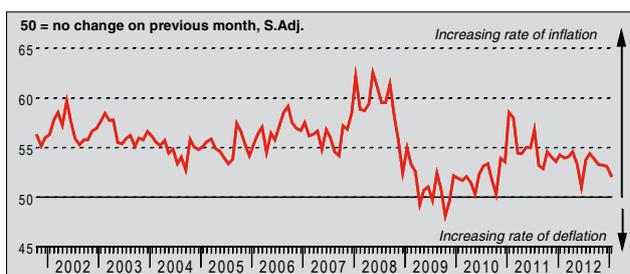
Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).



Service sector employment in Russia increased at a modest rate in January, with recruitment linked to new business, growth in client numbers and planned developments. The seasonally adjusted Employment Index fell for the first time since last August, to a five-month low. It was also below its long-run trend during the latest period. Five sub-sectors posted job creation, the exception being Hotels & Restaurants.

## Prices Charged Index

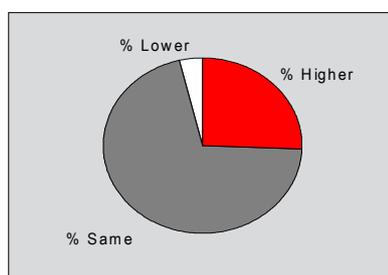
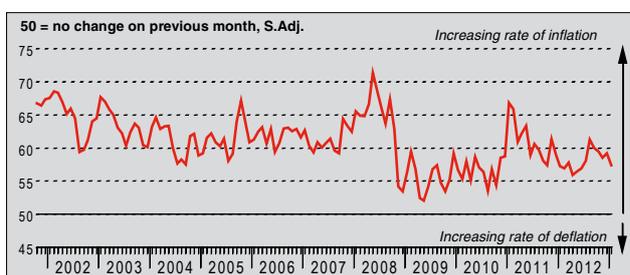
Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.



Average prices charged by Russian service providers rose at a weak rate in January. The seasonally adjusted Prices Charged Index fell to a seven-month low, and was well below the survey's historic average of 55.2. Higher charges were mainly linked to increased cost burdens. Charges rose in all sectors except Hotels & Restaurants, where a marginal fall was indicated.

## Input Prices Index

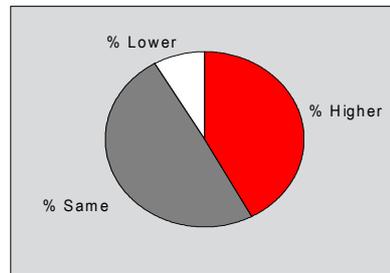
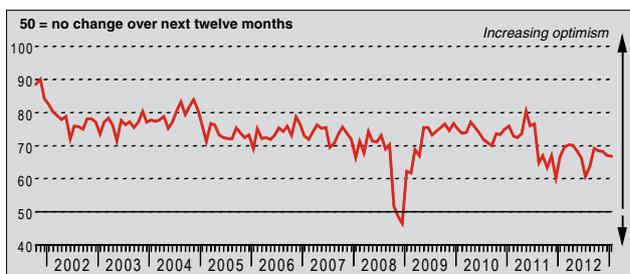
Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.



Input price inflation in the Russian service sector eased for the fourth time in five months in January. Average input costs rose at the slowest rate since last June. Anecdotal evidence from survey respondents mainly linked higher cost burdens to rising prices for utilities and fuel. By sector, input price inflation was strongest in Post & Telecommunications and Transport & Storage.

## Business Expectations Index

Q. In twelve months' time, do you expect overall activity at your business unit to be higher, the same or lower than now?



The Business Expectations Index fell for the fourth successive survey period in January, and indicated the weakest degree of positive sentiment among Russian service providers since last August. Around 42% of firms expect higher activity at their units in 12 months' time, linked to planned company development projects, improving market conditions and new customers. Sentiment was strongest in Post & Telecommunication and Transport & Storage.

## Notes on the Data and Method of Presentation

The Russia Services *PMI* covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants.

Each response received is weighted each month according to the size of the company to which the questionnaire refers and the contribution to total service sector output accounted for by the sub-sector to which that company belongs. This therefore ensures that replies from larger companies have a greater impact on the final index numbers than replies from small companies.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no change on the previous month. From these percentages an index is derived such that a level of 50.0 signals no change on the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

The indexes are calculated by assigning weights to the percentages: the percentage of respondents reporting an "improvement/increase" are given a weight of 1.0, the percentage reporting "no change" are given a weight of 0.5 and the percentage reporting a "deterioration/decrease" are given a weight of 0.0. Thus, if 100% of the survey panel report an "increase", the index would read 100. If 100% reported "no change" the index would read 50 (100 x 0.5), and so on. 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.

## Warning

The intellectual property rights to the HSBC Russia Services *PMI* provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*™ and *PMI* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.