

Moscow Narodny Services PMI – RUSSIA

Embargoed until: 08:00 (Moscow Time) 3rd October 2003

First indicator of Russian service sector business conditions each month

Strong rises in activity, new business and jobs underpin further substantial expansion of Russian service sector in September.

Today sees the latest release of data based on the MNB survey of the Russian services economy, produced by NTC Research.

The survey covers all main sectors of the services economy in Russia, excluding retail, distribution and government, and provides timely data on an area of the economy that is not well covered by official data. The data are derived from questionnaires completed by executives in Russian services companies that have agreed to provide regular information on trends in their activity levels.

The headline figure from the survey is the **Moscow Narodny Services PMI**, which provides a single figure measure of the state of the Russian services economy. Readings above 50.0 signal expansion on the previous month, readings below 50.0 contraction.

The Russian services economy continued to expand during September, according to the latest **Moscow Narodny** survey of the sector. Moreover, despite slipping from August's survey high of 62.6 to its lowest reading for three months, the headline **Services PMI** continued to suggest that growth remained substantial at a level of 60.6.

Commenting on the survey, Paul Timmons, Economist at MNB, reported that:

"This month's survey continues to indicate a robust expansion path within Russia's service sector economy, with the headline PMI driven by further improvements in domestic activity and incoming new business. While both price indexes continue to suggest persistent inflationary pressures - primarily influenced by higher input costs such as labour, fuel and transportation - this appears to reflect the price adjustment process inherent in Russia's transition process rather than the traditional cost-push spiral impact. At the same time, declining backlogs appear to be the result of improving work practices and favourable job creation, both of which, remain key factors in maintaining the high degree of optimism."

Activity and new business

The continued strong growth performance of the Russian services economy was principally the result of further rises in **activity** and **incoming new business** during September. The rates of growth in both cases remained strong (albeit slower than last month's survey highs) and around two-fifths of the survey panel reported that activity and new business was higher than in August.

Higher business activity was principally driven by rising new business in September, although a number of firms added that new product development had also boosted growth of activity. Panel members widely commented that economic conditions in Russia had continued to improve and had further assisted new contract gains by encouraging clients to commit to new business spending.

Employment

Panel companies signalled a twenty-fourth successive monthly rise in **employment** levels. Moreover, the rate of growth remained substantial and only marginally slower than July's recent high. Increased workloads was the most frequently mentioned reason for job creation, although a number of companies added that they had raised staffing levels at their units to assist general company and new product development.

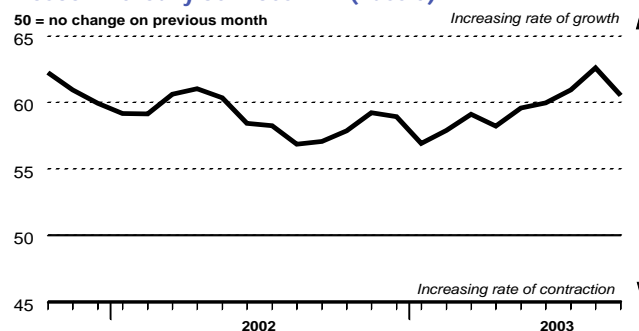


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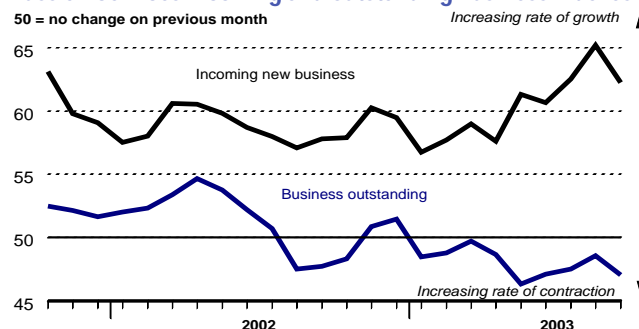
NTC RESEARCH

The Moscow Narodny Services PMI is a monthly publication, researched and published by NTC Research featuring original research data from a survey of Russian services companies.

Moscow Narodny Services PMI (Russia)



Russian Services Incoming and Outstanding Business Indexes



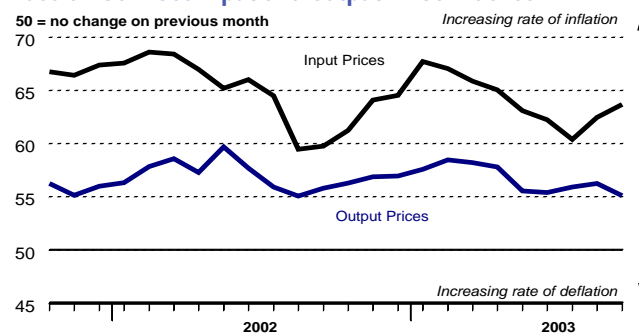
Inflationary pressures

Rising labour costs were widely reported to have contributed to the fastest increase in **overall input costs** for five months during September. Panellists also commented that utility costs were generally higher than in August, whilst a number of Transport & Storage companies commented that fuel prices had risen on the month. Still, companies, on average, were able to pass on a significant proportion of their higher costs to customers by raising their average charges for a twenty-fourth successive month (although the rate of increase slipped to it's lowest since August 2002).

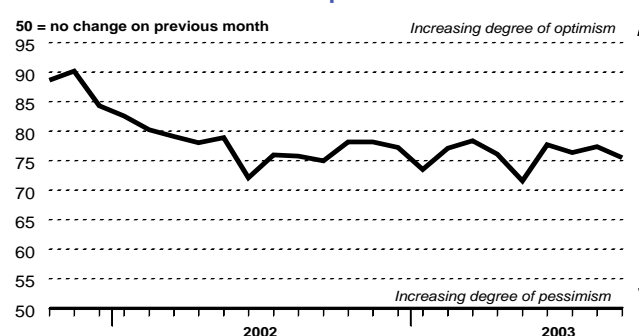
Business confidence

Although lower than in the previous month, **confidence** with regard to future activity remained high in September. Optimism was generally based on hopes of further strong economic and market growth in Russia, expectations of a strong upturn in the wider global economy and planned product expansion.

Russian Services Input and Output Price Indexes



Russian Services Business Expectations Index



Notes to Editors

A full report on the survey and data for the publication of charts are available from **Paul Smith at NTC on +44 (0)1491 418 638**. For all other press enquiries please contact **Paul Forrest**, Group Economist at Moscow Narodny Bank on **+44 (0)20 7815 9333**.

The Moscow Narodny Services PMI is a composite index designed to provide a snapshot of the health of the services economy. The PMI is based on five of the individual indexes with the following weights: Incoming New Business - 0.3, Business Activity - 0.25, Employment - 0.2, Outstanding Business - 0.15, Future Business Activity - 0.1.

The Moscow Narodny Services PMI report complements the Moscow Narodny Manufacturing PMI report for Russia, which is also produced by NTC Research.

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