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HSBC Blames Russia's Stunted Growth in May on Extra Holidays

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Russia's stunted growth in the private sector in May was due to the extended holidays, while India led the pack of BRIC peers for economic growth, a report said.

While noting that the economic growth in emerging market economies remained sluggish overall last month, the HSBC composite index, which maps both the manufacturing and services sectors, for Russia stood at 51, for India at 52, for China at 50.9, and for Brazil at 51.2. An index measure of above 50 indicates expansion.

HSBC's
composite index
put Russia
behind other
BRICs, placing

blame on the extensive number of days off.

"Anecdotal evidence suggested that the longer-than-usual May holiday period had impacted negatively on workloads. The equivalent Manufacturing Output Index declined to 50.4, the lowest in the current growth sequence stretching back to August 2009. As a result, the Composite Output Index fell to 51.0, a 33-month low," according to a statement from HSBC.

Commenting on Russia's Purchasing Manager Index or PMI results, Alexander Morozov, chief economist for Russia and CIS at HSBC, said: "Further improvement of business expectations in services in May also points to the likely stabilization of business expansion growth in May once we take away the one-off 'holiday' effect. While the long holiday period in May levied a heavy toll on most businesses, there were some that benefited from increased leisure spending. Hotels & Restaurants and Transport & Storage sectors reported strong growth of business activity in May, in sharp contrast with output decline seen in most other service sectors."

‘There were some that benefitted from increased leisure spending’
Alexander Morozov
HSBC

The latest PMI data indicated that Russian service sector growth slowed further in May and noted that an unusually high number of public holidays weighed on business conditions during the month. This, combined with only a marginal rise in manufacturing production, resulted in the weakest overall gain in output since growth resumed in September 2010.

The HSBC Russia Services Business Activity Index data showed that the longer-than-usual May holiday period had impacted negatively on workloads. However, the overall volume of new business rose in May, continuing the trend shown since March 2010. The rate of expansion eased, however, to the weakest since August 2012, reflecting slower gains in both manufacturing and services.

In contrast to the slowing growth rate of activity, employment in the service sector rose at a faster pace in May, the HSBC survey said. Data signaled the strongest rate of job creation in 2013 so far, and the second fastest in two years. A number of firms linked recruitment to improving underlying demand and business developments.

However, the survey said manufacturers shed staff for the seventh month running. But this failed to prevent overall employment rising at the fastest rate in six months. The long-term outlook for business activity in the services sector improved in May, to the highest since the start of the year. Firms tied positive sentiment to expectations of winning new clients and launching new services, as well as a recovery in the global economy.

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