

Contraction of Russia's Services Sector Picked Up Pace in May – HSBC

By [The Moscow Times](#)

June 04, 2014



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Russia's shrinking service sector in May reached its fastest rate of decline in five years, according to a survey by HSBC released Wednesday.

HSBC's Russia Services purchasing managers' index, or PMI — under which values above 50 signify growth, and below 50, contraction — fell to 46.1 in May from 46.8 in April.

The PMI figures — based on monthly polls of executives at 300 private companies — also showed that manufacturing output in Russia contracted for the fifth month running, though less swiftly than in the services sector, pulling the composite output index to a five-year low of 47.1.

Since 2012, when Russia recorded economic growth of 3.4 percent, the country's growth rate

has collapsed. Capital outflow has spiked this year, investment has fallen sharply, and the crisis in Ukraine is putting the clamps on foreign investment and financing. Growth forecasts for the year currently hover slightly above zero.

Aggravating the decline in business activity, the amount of new work coming to Russian service providers fell further in May, continuing at the record rate reached in April, HSBC said. Manufacturing fared slightly better, with new orders rising slightly for the first time in six months.

Responding to the decline in new work, private sector employment fell for the 11th consecutive month in May, with job loss reaching its fastest pace since September 2009, the survey said.

Commenting on the findings, Alexander Morozov, chief economist at HSBC Russia, said in a press release that Russia's economic situation is likely to deteriorate further in the coming months before leveling out. But any rebound in the short-term will depend on "if the resumption in new order growth in manufacturing continues," Morozov said.

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