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Russia's Service Sector Shrinking at Fastest Rate Since 2009

By The Moscow Times

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An employee works at a line bottling beer at a brewery factory in Krasnoyarsk.

Russia's service sector contracted in January at its fastest rate since 2009, the HSBC Purchasing Managers' Index (PMI) showed Wednesday, as low oil prices and Western sanctions continued to bite.

The headline figure fell to 43.9 from 45.8 in December, further below the 50 mark that separates expansion from contraction and the lowest since May 2009.

The manufacturing sector also contracted at the fastest rate since mid-2009, a similar survey showed this week, all bolstering expectations that Russia's economy will contract in 2015 for the first time since 2009 when it shrank 8 percent.

Alexander Morozov, HSBC's chief economist for Russia, CIS and the Baltics said that while the contraction in the services sector "gained stronger momentum and became broad-based" in

January, it was more gradual than in 2009, suggesting the slump may not be as great this time.

"Overall, the PMI and other macroeconomic data stay in line with our forecast of 3.5 percent gross domestic product contraction in Russia in 2015," Morozov said.

January was the fourth consecutive month that service sector activity shrank. It has declined nine times in the last 11 months.

Expectations of future business, although up from December's record low, were still at the third-lowest level in the survey's history, with companies citing concerns about a weak economy, high interest rates, a credit crisis and uncertainty surrounding global oil prices.

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