

Russia

Industrial production continued to fall sharply

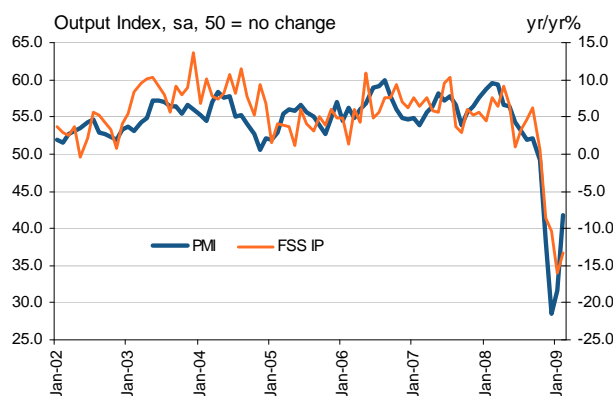
Key findings

- **Output declined 13.2%yr/yr in February.**
- **PMI continued to signal severe downturn.**
- **GDP declined sharply in February.**

Official figures and PMI data remain weak

Russian industry continued to experience a severe contraction in February. Production fell 13.2% year-on-year, following January's record 16.0% drop. Manufacturing output fell 18.3% in the latest period, following a 24.1% contraction in January.

Chart 1: PMI Output Index vs industrial production



PMI data produced by Markit for VTB Capital anticipated the easing in the rate of decline of official output in February. The PMI Output Index rose to a four-month high, though still pointed to a sharp overall fall in production.

Manufacturing PMI output data for Russia have a good track record against the seven-year official industrial production series, exhibiting a correlation of **0.80** with the annual rate of change.

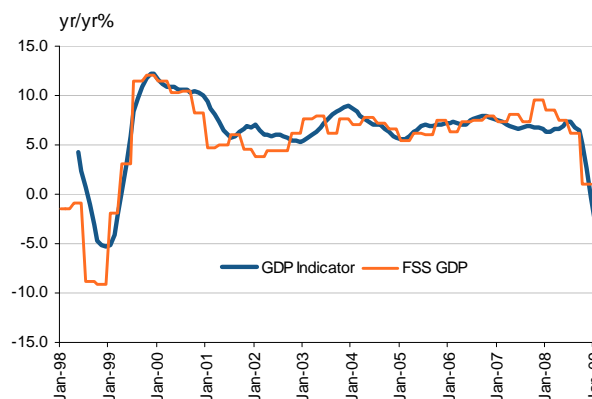
Services data underline overall weakness

The Services PMI for Russia added further to the overall picture of economic decline in the country in

February. Services activity fell more slowly than in January, but the pace of contraction remained historically sharp. Moreover, the rate of decline in services employment rose to a survey record.

Composite PMI data (derived by weighting together manufacturing and services indices) provide insights into GDP trends in Russia. The PMI-based GDP Indicator performs well against official data. Since May 1998 the Indicator registers a correlation of 0.87 with the annual rate of change in quarterly GDP.

Chart 2: PMI GDP Indicator vs official data



Official growth collapsed to 1.1% in Q4 2008, from 6.5% in Q3. PMI data for 2009 so far strongly point to a sharp contraction in Q1. The latest PMI-based Indicator signalled that GDP declined by 4.7% on an annual basis in February. That was the weakest performance since February 1999.

Forthcoming release dates (March data):

- Russian Manufacturing PMI: 1 April 2009
- Russian Services PMI: 3 April 2009
- Russian GDP Indicator: 6 April 2009

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