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Russian Business Sentiment Bounces Back in December

Overall the latest data is consistent with the fragile stabilisation in conditions seen in recent months and a slow recovery for the Russian economy. Given the weakness in some of the expectations measures in the survey there is a risk that conditions could worsen again over the short-term.

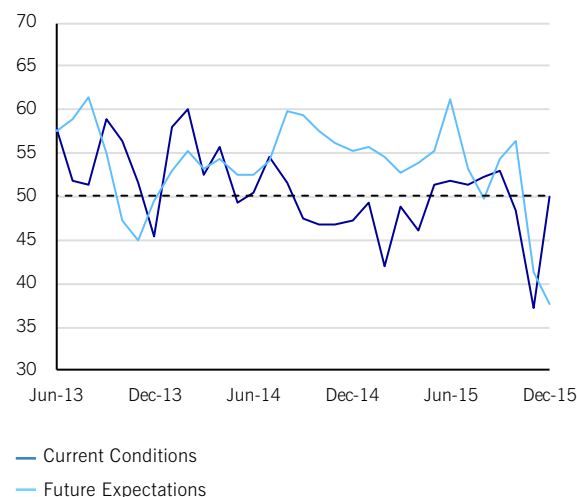
The MNI Russia Business Sentiment Indicator bounced back sharply to 50.0 in December from a record low of 37.1 in November. While the swiftness of the bounce back suggests last month's lurch lower was an anomaly, a sharp fall in expectations in December to 37.6 from 41.4 shows businesses remain very concerned about the future.

The sharp fall in the MNI Russia Business Sentiment Indicator in November and subsequent rebound in December was also mirrored, albeit with a lower magnitude, in the key activity measures of Production and New Orders. One possible explanation to last month's drop was that the downing of a Russian passenger jet in Egypt and Russia's entry into the Syrian conflict had a knee jerk downward impact on sentiment. Whatever the cause, Production moved back into expansionary territory at 52.3 in December. Leave aside the November outlier, Production has actually been above 50 since July, having trended up from a record low of 41.5 in February.

New Orders pushed a little back over the 50 breakeven mark to 50.8 in December from 43.5 in November. Orders have not fared quite as well as Production in recent months which suggests the current rate of output growth could prove unsustainable. This view is furthered bolstered by panellists' views on both output and orders over the coming three months which both fell to record lows in December.

Labour hoarding has been a feature of 2015 with companies reluctant to let employees go despite lower demand. November's outturn of 48.3 print marked a significant divergence from this trend and while the

MNI Russia Business Sentiment Indicator



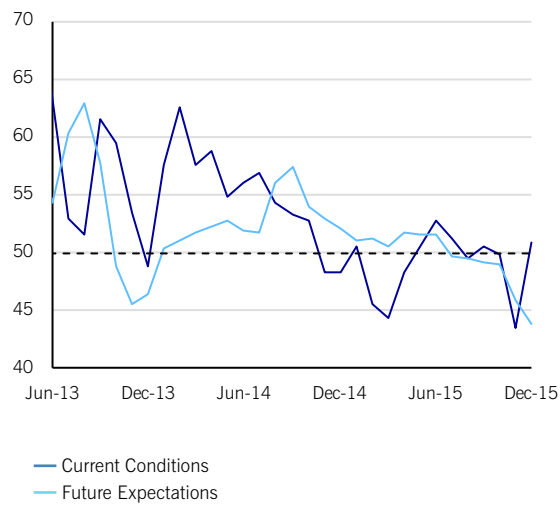
Employment Indicator bounced back to 49.5 in December, it is below the 2015 average of 49.8.

Inflationary pressures eased somewhat in December with both Input Prices and Prices Received decreasing modestly to 50.8 and 53.5 respectively. Expectations for both over the coming three months remained elevated.

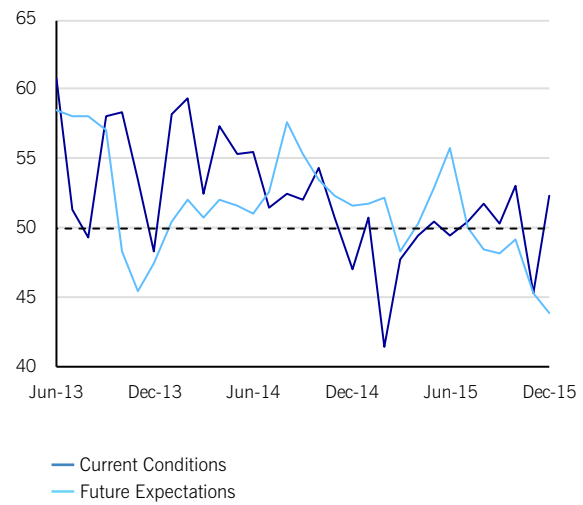
Companies continued to judge that the current weakness in the currency was a negative for business. And having improved most of the year until September credit availability remained below the 50 neutral level for the third consecutive month and was also below the average of 2015.

Official data has shown some improvement on the industrial side in recent months, although industrial production is still down on the year. This improvement has been flagged well by our business survey data. Further interest rate cuts are required to boost demand, although the high rate of inflation coupled with both the weak oil price and pressure on the currency saw the central bank of Russia stand pat at its December meeting. This seems sensible given the external pressures currently facing the country, with the central bank clearly maintaining an easing bias.

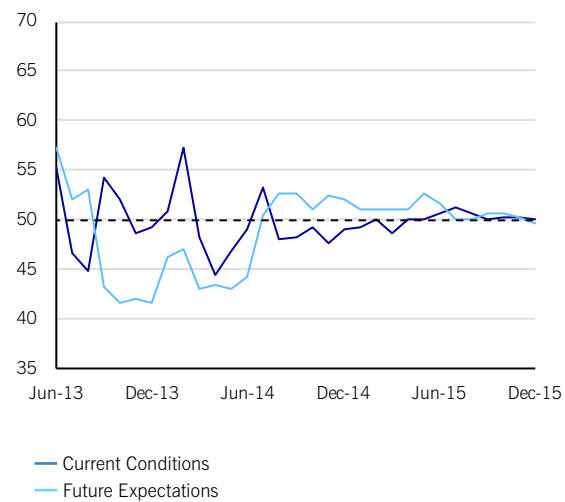
New Orders



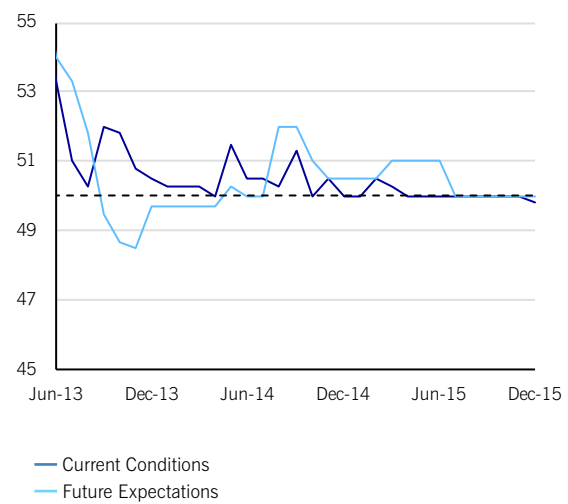
Production



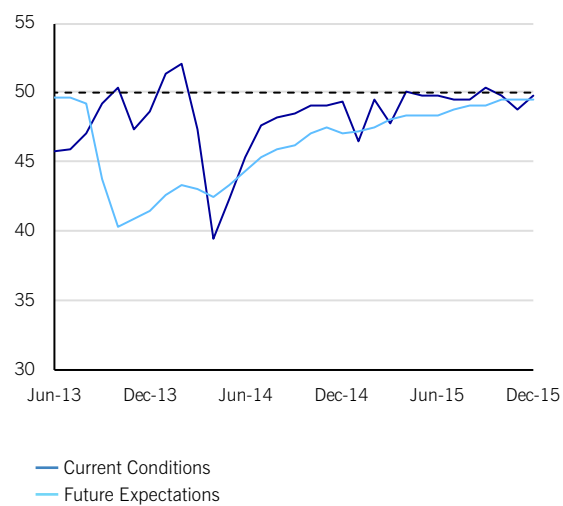
Export Orders



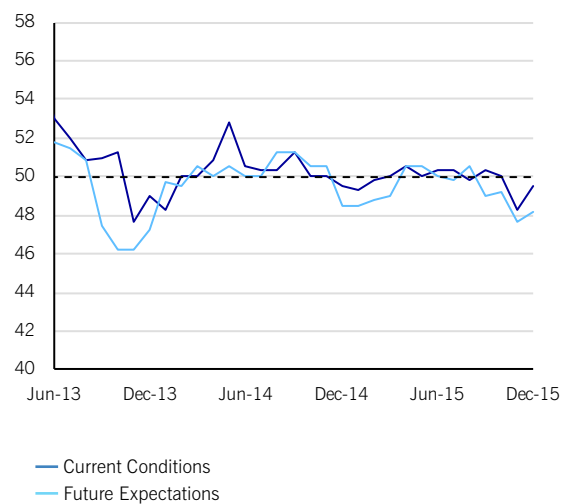
Productive Capacity



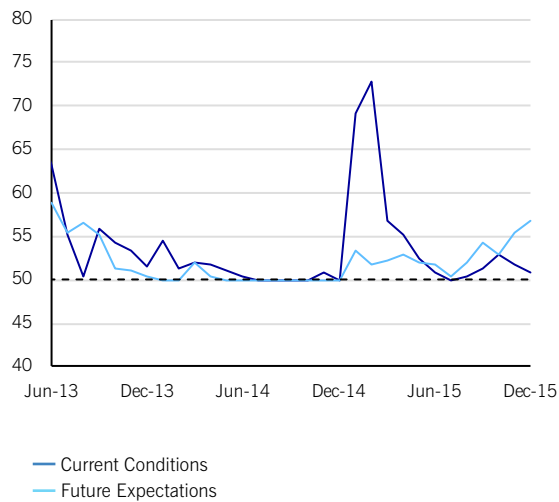
Order Backlogs



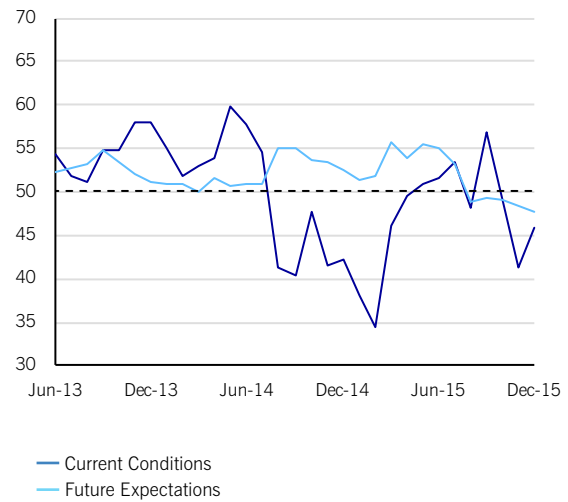
Employment



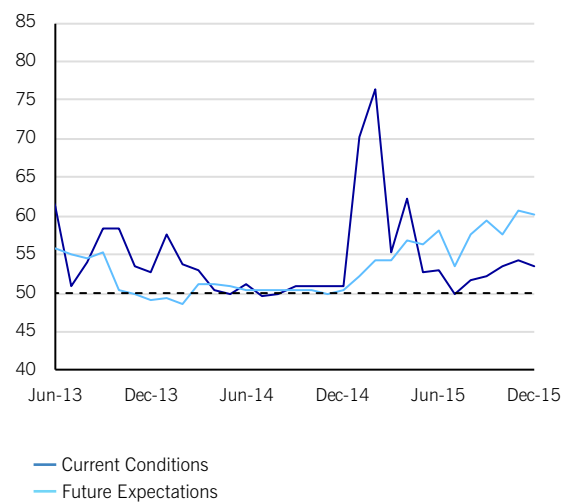
Input Prices



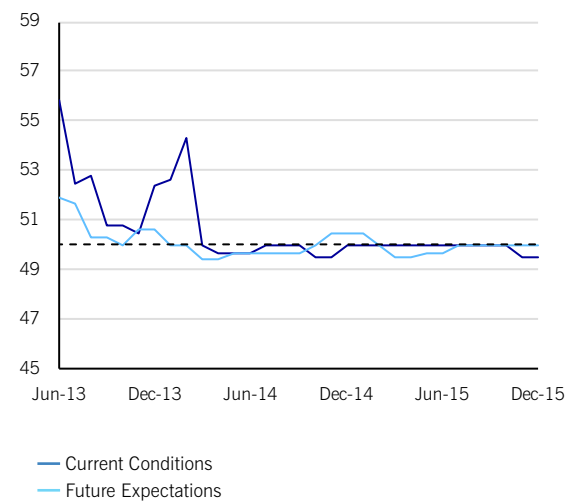
Availability of Credit



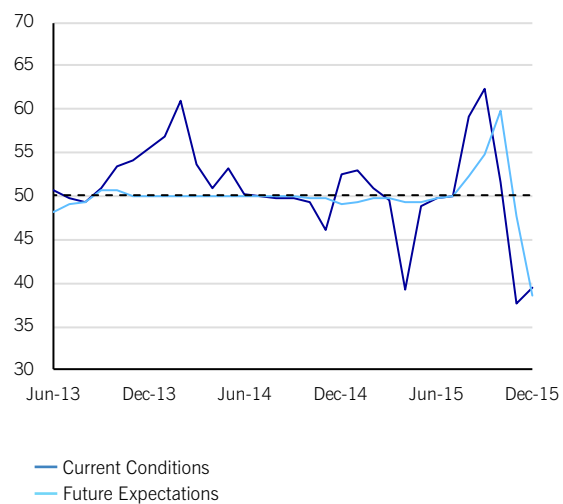
Prices Received



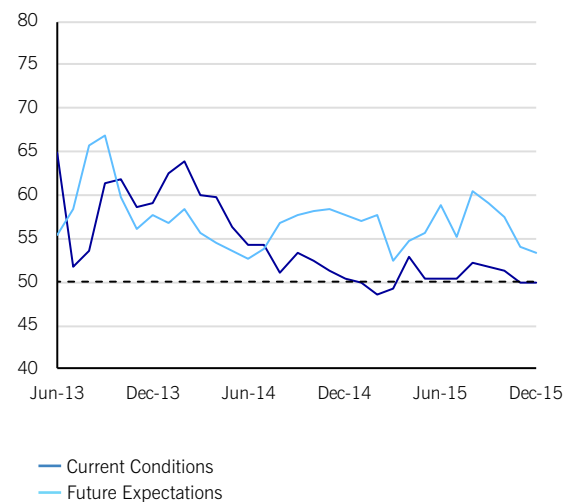
Interest Rates Paid



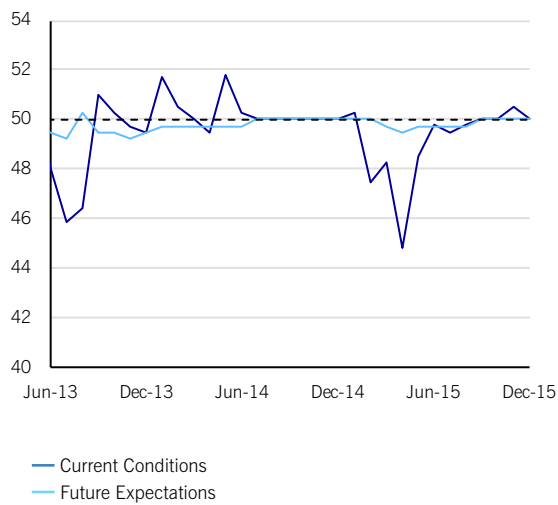
Effect of the Ruble Exchange Rate



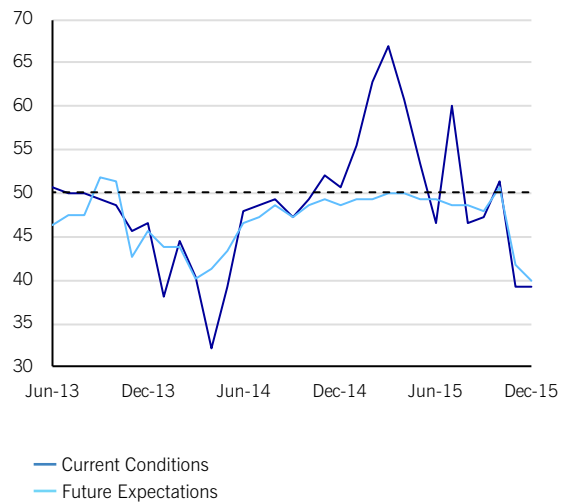
Financial Position



Supplier Deliveries



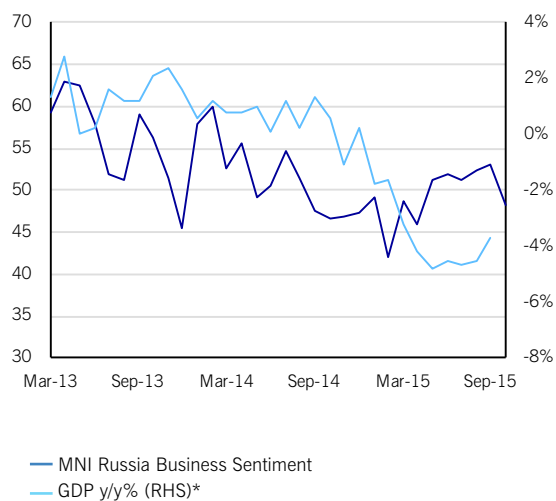
Inventories



Correlation Charts

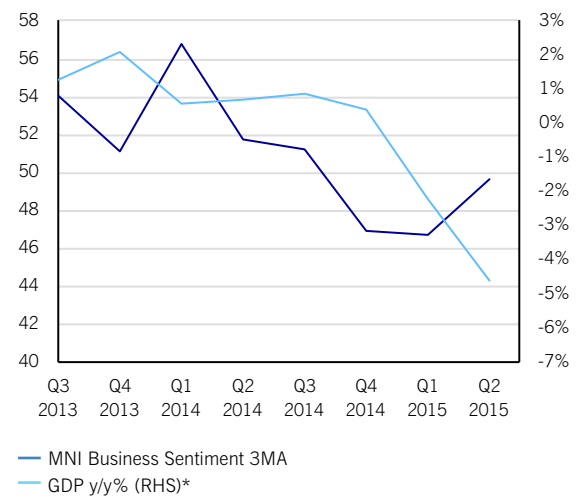
Tracking Official Data

MNI Business Sentiment & Economy Ministry GDP Estimate Y/Y%



* Source: Economy Ministry

MNI Business Sentiment 3MA & GDP Y/Y%



*Source: Federal State Statistics Service

About MNI Indicators

MNI Indicators specialises in producing business and consumer surveys designed to present an advance picture of the economic landscape and highlight changing trends in business and consumer activity. The timely reports explore attitudes, perspectives and sentiment across the globe, including China, India and Russia. Alongside MNI Indicators' core focus on consumer and business surveys in emerging markets, MNI Indicators produces the renowned Chicago Business Barometer (Chicago PMI), a key leading indicator of the US economy. MNI Indicators is part of MNI, a leading provider of news and intelligence and a wholly owned subsidiary of Deutsche Börse AG, one of the largest worldwide exchange organisations.

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Notes to Editors

Please source all information to MNI Indicators.

MNI Russia Business Sentiment is a monthly poll of Russian business executives at companies listed on the Moscow Exchange. Companies are a mix of manufacturing, service, construction and agricultural firms.

Respondents are asked their opinion on whether a particular business activity has increased, decreased or remained the same compared with the previous month as well as their expectations for three months ahead, e.g. is Production higher/same/lower compared with a month ago?

Diffusion indicators are then calculated by adding the percentage share of positive responses to half the percentage of those respondents reporting no change. An indicator reading above 50 shows expansion, below 50 indicates contraction and a result of 50 means no change.

Data is collected through computer aided telephone interviews (CATI) and around 200 companies are surveyed each month. The survey has been in place since March 2013.



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