

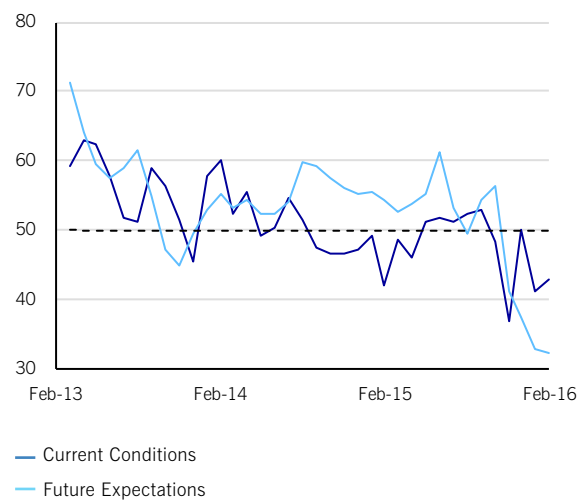
# Russian Business Sentiment Up Slightly in February

## Confidence Still Weak as Production Hits Lowest on Record

### Key Findings

- The latest survey showed business sentiment increasing slightly, but remaining at a low level and still below the 50 neutral mark. Other areas of the survey showed renewed weakness.
- The MNI Russia Business Sentiment Indicator increased to 43.0 in February from 41.3 in January. Companies were, though, increasingly negative about the next three months with the Expectations Indicator falling to a record low of 32.5 from 33.0 previously.
- The continued weakness in the survey follows a period of further weakness in oil prices and a new record low in the rouble against the US dollar. While there has been some recovery in both in recent weeks, the volatility was clearly in the minds of panellists at the time of the survey.
- Firms complained that the weakness in the rouble was hurting business, with the Effect of the Rouble Exchange Rate Indicator declining to a record low of 31.6 in February from 34.0 in January.
- While headline sentiment increased a little, Production fell very sharply to 40.8 in February from 50.5 previously. This was the lowest since the survey began in March 2013 and marks a major setback following nearly a year of relative stability.
- New Orders also slipped back further into contraction to 46.5 from 49.0 previously. Export Orders which have remained just above the 50 neutral mark for the previous 10 months, fell to 49.7 in February from 50.3 in January.
- Both price measures remained broadly stable. Input Prices increased slightly to 51.8 from 50.8 in January, while Prices Received held steady at 53.5.

MNI Russia Business Sentiment Indicator



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### Release Time

9:45 a.m. Moscow time, February 25, 2016

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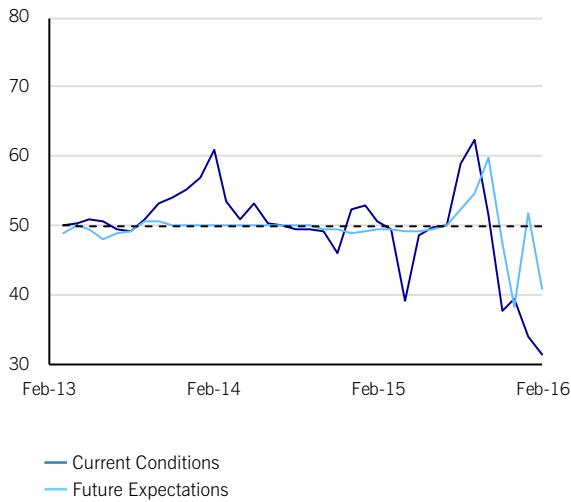
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Effect of the Rouble Exchange Rate



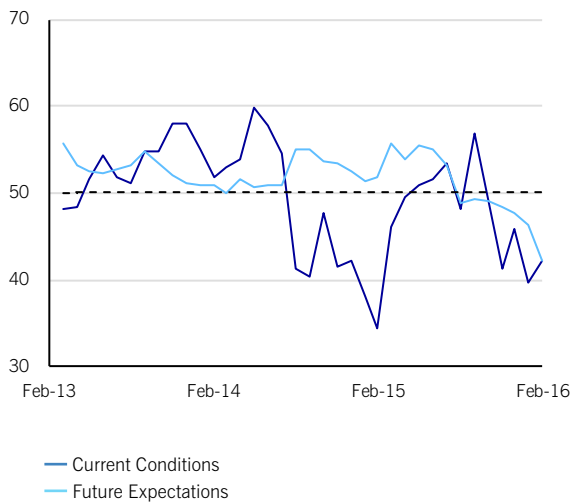
Small rise in sentiment masks weakness

Last month's survey in January saw a sharp fall in headline sentiment, with other components of the report faring somewhat better. This month, there's been a very small bounceback in headline sentiment, while key metrics in the report, particularly Production, have declined significantly.

The 1.7 point increase in the MNI Russia Business Sentiment Indicator is relatively small and still leaves it well below the 50 neutral level. Moreover, respondents' views about the future took a significant hit which left them the most pessimistic about the coming three months since the survey began in 2013. Weakness was also seen in New Orders which fell to 46.5 from 49.0, the lowest since November 2015, while Export Orders slipped into contraction.

Part of the weakness in February most likely stemmed from the continued weakness in the oil price and also the currency which hit a record low on January 21. While both recovered somewhat in the run up to the start of the survey they remain low and were volatile throughout the survey window.

Availability of Credit



Rouble weakness is hurting businesses

While one might expect some exporters to benefit from the slide in the rouble, there's little evidence to suggest this has been the case. Export Orders have remained pretty much flat for the past year and as noted above slipped into contraction in February. More likely then that the majority of our panel of large Russian companies are facing domestic cost pressures as well as increases in both domestic and foreign debt costs, with the latter pushed up due to the rouble's weakness. Moreover, continued sanctions mean that export opportunities for companies remain limited.

The Effect of the Rouble Exchange Rate Indicator provides a measure of whether firms believe the exchange rate is helping (above 50) or hurting (below 50) their business. It hit a record low of 31.6 in February, down from 34.0 in January, leaving little doubt as to what companies think about the continued weakness in the currency.

MNI Russia Business Indicator

	Feb-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Current Conditions	42.0	53.0	48.3	37.1	50.0	41.3	43.0
Future Expectations	54.5	54.3	56.5	41.4	37.6	33.0	32.5

## Overview

	Dec-15	Jan-16	Feb-16	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>MNI Russia Business Indicator</b>								
Current Conditions	50.0	41.3	43.0	Dec-15	-	44.8	1.7	4.1%
Future Expectations	37.6	33.0	32.5	-	series low	34.4	-0.5	-1.5%
<b>Production</b>								
Current Conditions	52.3	50.5	40.8	-	series low	47.9	-9.7	-19.2%
Future Expectations	43.9	45.5	44.3	-	Dec-15	44.6	-1.2	-2.6%
<b>New Orders</b>								
Current Conditions	50.8	49.0	46.5	-	Nov-15	48.8	-2.5	-5.1%
Future Expectations	43.8	43.6	43.9	Nov-15	-	43.8	0.3	0.7%
<b>Export Orders</b>								
Current Conditions	50.0	50.3	49.7	-	Mar-15	50.0	-0.6	-1.2%
Future Expectations	49.7	49.7	49.3	-	Jun-14	49.6	-0.4	-0.8%
<b>Productive Capacity</b>								
Current Conditions	49.8	50.0	50.0	Jan-16	-	49.9	0.0	0.0%
Future Expectations	50.0	50.0	50.0	Jan-16	-	50.0	0.0	0.0%
<b>Order Backlogs</b>								
Current Conditions	49.8	50.0	49.8	-	Nov-15	49.9	-0.2	-0.4%
Future Expectations	49.5	50.0	50.0	Jan-16	-	49.8	0.0	0.0%
<b>Employment</b>								
Current Conditions	49.5	50.0	49.8	-	Dec-15	49.8	-0.2	-0.4%
Future Expectations	48.2	48.5	48.5	Jan-16	-	48.4	0.0	0.0%
<b>Inventories</b>								
Current Conditions	39.2	46.6	52.7	Jul-15	-	46.2	6.1	13.1%
Future Expectations	39.9	41.9	39.9	-	Mar-13	40.6	-2.0	-4.8%
<b>Input Prices</b>								
Current Conditions	50.8	50.8	51.8	Nov-15	-	51.1	1.0	2.0%
Future Expectations	56.8	57.0	56.8	-	Nov-15	56.9	-0.2	-0.4%
<b>Prices Received</b>								
Current Conditions	53.5	53.5	53.5	Jan-16	-	53.5	0.0	0.0%
Future Expectations	60.1	60.6	59.0	-	Oct-15	59.9	-1.6	-2.6%
<b>Financial Position</b>								
Current Conditions	50.0	49.5	49.5	Jan-16	-	49.7	0.0	0.0%
Future Expectations	53.4	53.9	53.8	-	Dec-15	53.7	-0.1	-0.2%
<b>Interest Rates Paid</b>								
Current Conditions	49.5	48.3	48.8	Dec-15	-	48.9	0.5	1.0%
Future Expectations	50.0	49.7	49.5	-	Apr-14	49.7	-0.2	-0.4%
<b>Effect of Rouble Exchange Rate</b>								
Current Conditions	39.5	34.0	31.6	-	series low	35.0	-2.4	-7.1%
Future Expectations	38.5	51.9	40.9	-	Dec-15	43.8	-11.0	-21.2%
<b>Supplier Delivery Times</b>								
Current Conditions	50.0	50.0	50.0	Jan-16	-	50.0	0.0	0.0%
Future Expectations	50.0	50.0	50.0	Jan-16	-	50.0	0.0	0.0%
<b>Availability of Credit</b>								
Current Conditions	45.8	39.8	42.2	Dec-15	-	42.6	2.4	6.0%
Future Expectations	47.7	46.3	42.3	-	series low	45.4	-4.0	-8.6%

Business Sentiment: By Sector

Sectors - Overall Business Conditions

	Manufacturing	Services	Construction
Current Conditions	↑ < 50	↓ < 50	↑ < 50
Future Expectations	↓ < 50	↓ < 50	↑ < 50

Sectors - Current Conditions

	New Orders	Export Orders	Order Backlogs
Manufacturing	↓ < 50	↓ < 50	↑ > 50
Services	↓ < 50	↓ = 50	↔ = 50
Construction	↑ < 50	↔ = 50	↓ = 50

Sectors - Current Conditions

	Production	Productive Capacity	Employment
Manufacturing	↓ < 50	↔ = 50	↔ = 50
Services	↓ < 50	↔ = 50	↓ < 50
Construction	↓ < 50	↔ = 50	↔ = 50

Sectors - Current Conditions

	Input Prices	Prices Received	Effect of Rouble Exchange Rate
Manufacturing	↑ > 50	↑ > 50	↓ < 50
Services	↑ > 50	↑ > 50	↓ < 50
Construction	↔ = 50	↔ = 50	↑ < 50

Sectors - Current Conditions

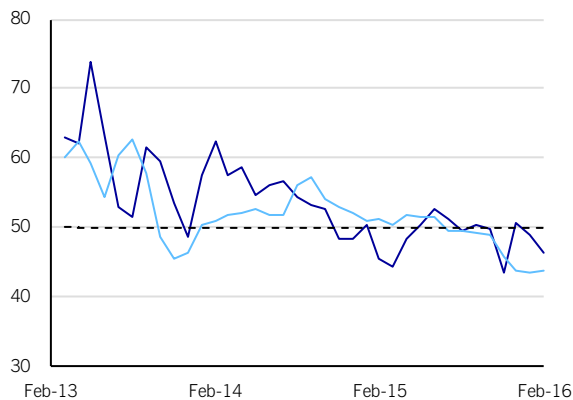
	Availability of Credit	Interest Rates Paid	Financial Position
Manufacturing	↑ < 50	↑ < 50	↔ = 50
Services	↑ < 50	↔ < 50	↔ < 50
Construction	↓ < 50	↔ = 50	↔ = 50

Sectors - Current Conditions

	Inventories of Finished Goods	Supplier Delivery Times
Manufacturing	↑ < 50	↔ = 50
Construction	↑ > 50	↔ = 50

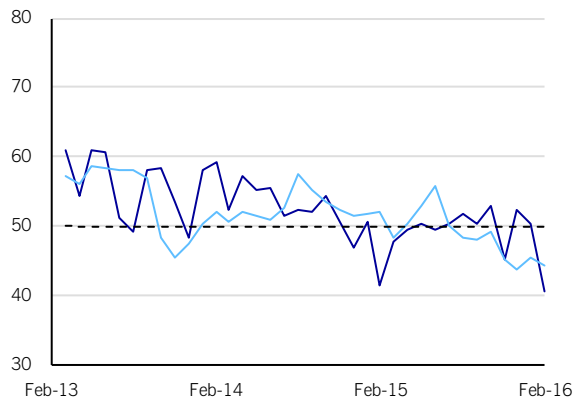
Business Sentiment: Other Indicators

New Orders



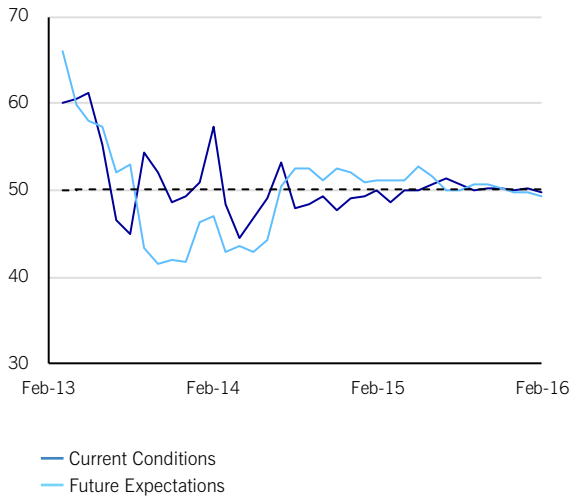
— Current Conditions  
— Future Expectations

Production

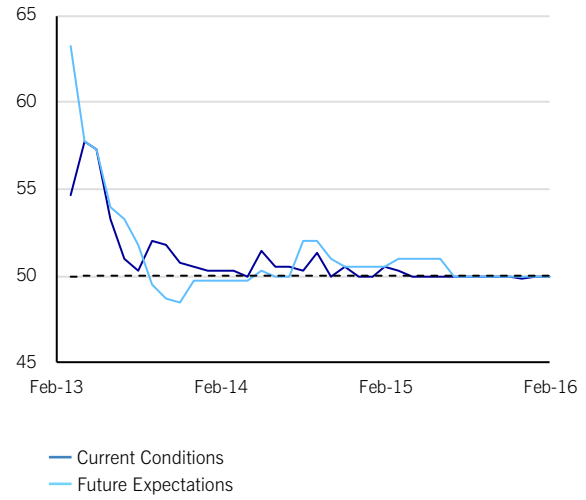


— Current Conditions  
— Future Expectations

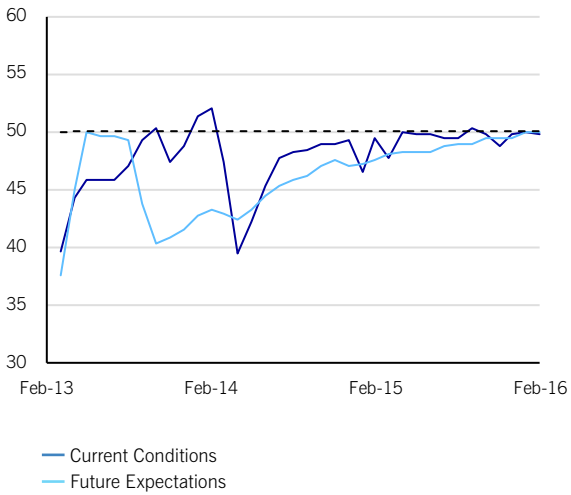
Export Orders



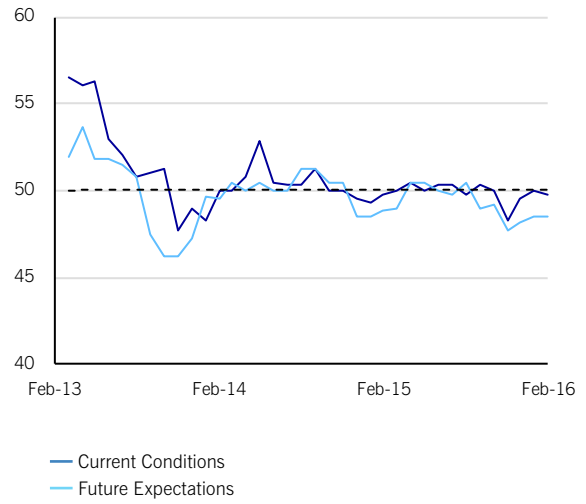
Productive Capacity



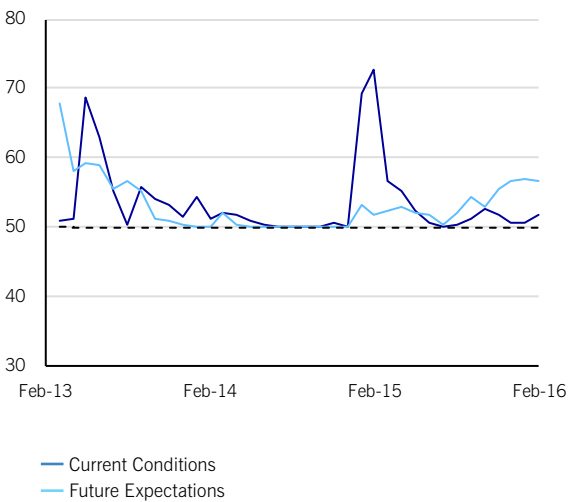
Order Backlogs



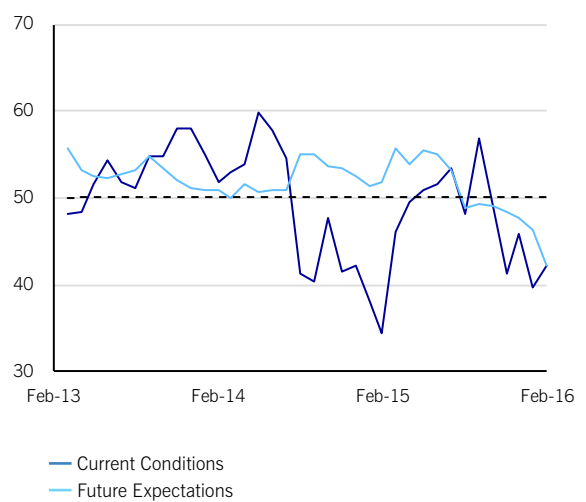
Employment



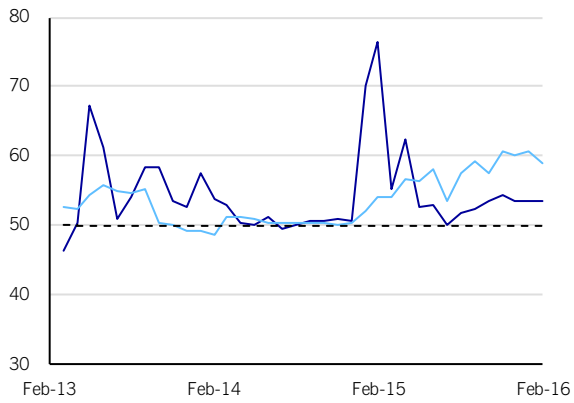
Input Prices



Availability of Credit

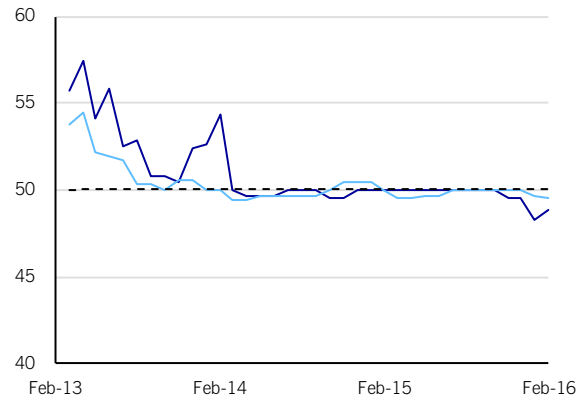


Prices Received



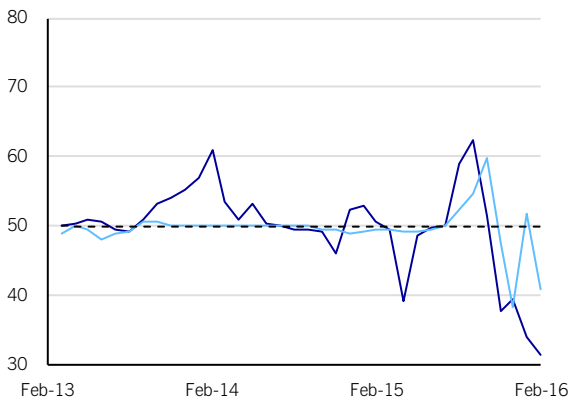
— Current Conditions  
— Future Expectations

Interest Rates Paid



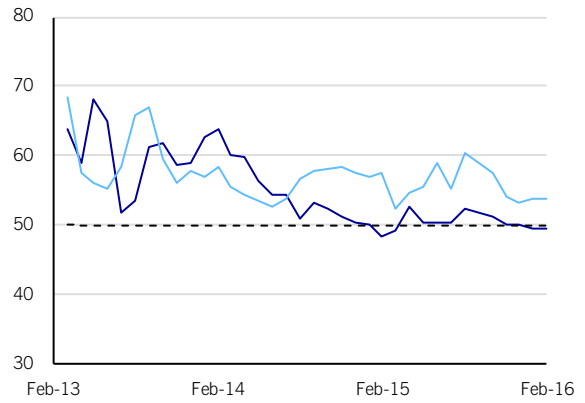
— Current Conditions  
— Future Expectations

Effect of the Rouble Exchange Rate



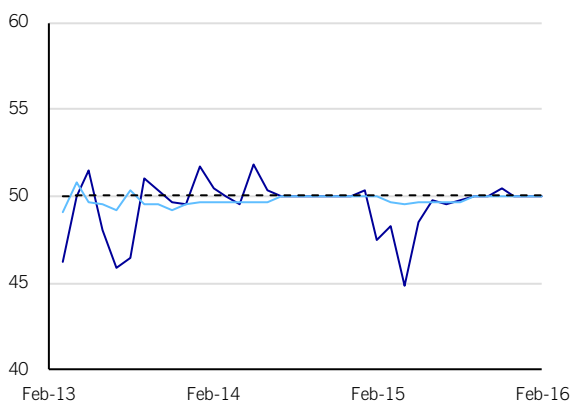
— Current Conditions  
— Future Expectations

Financial Position



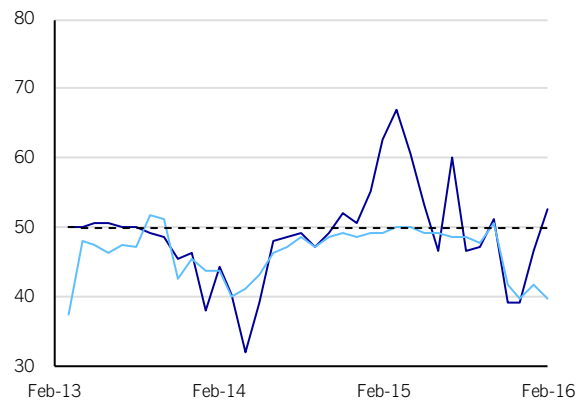
— Current Conditions  
— Future Expectations

Supplier Deliveries



— Current Conditions  
— Future Expectations

Inventories



— Current Conditions  
— Future Expectations

## Historical Summary

	2015											2016	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>MNI Russia Business Indicator</b>													
Current Conditions	42.0	48.8	46.0	51.3	51.8	51.3	52.3	53.0	48.3	37.1	50.0	41.3	43.0
Future Expectations	54.5	52.7	53.8	55.2	61.3	53.2	49.7	54.3	56.5	41.4	37.6	33.0	32.5
<b>Production</b>													
Current Conditions	41.5	47.8	49.5	50.5	49.5	50.5	51.8	50.3	53.0	45.3	52.3	50.5	40.8
Future Expectations	52.2	48.3	50.3	52.9	55.8	50.0	48.5	48.2	49.2	45.3	43.9	45.5	44.3
<b>New Orders</b>													
Current Conditions	45.5	44.3	48.3	50.5	52.8	51.3	49.5	50.5	49.8	43.5	50.8	49.0	46.5
Future Expectations	51.3	50.5	51.8	51.5	51.5	49.7	49.5	49.2	49.0	45.9	43.8	43.6	43.9
<b>Export Orders</b>													
Current Conditions	50.0	48.7	50.0	50.0	50.6	51.3	50.6	50.0	50.3	50.3	50.0	50.3	49.7
Future Expectations	51.1	51.1	51.1	52.7	51.7	50.0	50.0	50.7	50.7	50.3	49.7	49.7	49.3
<b>Productive Capacity</b>													
Current Conditions	50.5	50.3	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	49.8	50.0	50.0
Future Expectations	50.5	51.0	51.0	51.0	51.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
<b>Order Backlogs</b>													
Current Conditions	49.5	47.8	50.0	49.8	49.8	49.5	49.5	50.3	49.8	48.8	49.8	50.0	49.8
Future Expectations	47.5	48.0	48.3	48.3	48.3	48.8	49.0	49.0	49.5	49.5	49.5	50.0	50.0
<b>Employment</b>													
Current Conditions	49.8	50.0	50.5	50.0	50.3	50.3	49.8	50.3	50.0	48.3	49.5	50.0	49.8
Future Expectations	48.8	49.0	50.5	50.5	50.0	49.8	50.5	49.0	49.2	47.7	48.2	48.5	48.5
<b>Inventories</b>													
Current Conditions	62.8	66.9	60.8	53.4	46.6	60.1	46.6	47.3	51.4	39.2	39.2	46.6	52.7
Future Expectations	49.3	50.0	50.0	49.3	49.3	48.6	48.6	47.9	50.7	41.8	39.9	41.9	39.9
<b>Input Prices</b>													
Current Conditions	72.8	56.8	55.3	52.5	50.8	50.0	50.3	51.3	52.8	51.8	50.8	50.8	51.8
Future Expectations	51.8	52.3	52.9	52.1	51.8	50.5	52.0	54.3	53.0	55.5	56.8	57.0	56.8
<b>Prices Received</b>													
Current Conditions	76.3	55.3	62.3	52.8	53.0	50.0	51.8	52.3	53.5	54.3	53.5	53.5	53.5
Future Expectations	54.2	54.2	56.8	56.3	58.2	53.6	57.7	59.4	57.6	60.6	60.1	60.6	59.0
<b>Financial Position</b>													
Current Conditions	48.5	49.3	52.8	50.5	50.5	50.5	52.3	51.8	51.3	50.0	50.0	49.5	49.5
Future Expectations	57.6	52.5	54.7	55.6	58.9	55.3	60.4	59.1	57.5	54.1	53.4	53.9	53.8
<b>Interest Rates Paid</b>													
Current Conditions	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	49.5	49.5	48.3	48.8
Future Expectations	50.0	49.5	49.5	49.7	49.7	50.0	50.0	50.0	50.0	50.0	50.0	49.7	49.5
<b>Effect of Rouble Exchange Rate</b>													
Current Conditions	50.8	49.5	39.3	48.8	49.8	50.0	59.1	62.4	51.5	37.7	39.5	34.0	31.6
Future Expectations	49.7	49.7	49.4	49.4	49.7	50.0	52.3	54.8	59.9	47.7	38.5	51.9	40.9
<b>Supplier Delivery Times</b>													
Current Conditions	47.5	48.3	44.8	48.5	49.8	49.5	49.8	50.0	50.0	50.5	50.0	50.0	50.0
Future Expectations	50.0	49.7	49.5	49.7	49.7	49.7	49.7	50.0	50.0	50.0	50.0	50.0	50.0
<b>Availability of Credit</b>													
Current Conditions	34.4	46.0	49.5	50.8	51.5	53.5	48.2	56.8	49.0	41.4	45.8	39.8	42.2
Future Expectations	51.8	55.7	53.8	55.5	55.1	53.1	48.9	49.4	49.1	48.5	47.7	46.3	42.3

#### 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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#### About the MNI Russia Business Sentiment Survey

MNI Russia Business Sentiment is a monthly poll of Russian business executives at companies listed on the Moscow Stock Exchange. Around 200 companies are surveyed each month and are a mix of manufacturing, service, construction and agricultural firms.

**The survey provides the first monthly snapshot of economic and business conditions, ahead of official data and other business confidence data in Russia.**

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?

A diffusion indicator is 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.

**The survey looks at key business metrics including orders, production, pricing, inventories, credit availability and exchange rate impact.**

**Sentiment on both current and future expectations allows users to comprehensively monitor business and economic trends.**

**Whether you are forecasting the Russian economy, analysing where to invest in Russia or want to know how other companies in your sector are performing, our monthly intelligence offers an unrivalled insight into exactly what Russia's largest companies are thinking.**

**Date range:** Monthly since March 2013

**Collection method:** Computer aided telephone interviews

**Collection period:** Ten working days from the first business day of the month in Russia.

#### Published by

MNI Indicators | Deutsche Börse Group  
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