

Russian Business Sentiment Climbs to Breakeven Point

Firms Remain Cautious Despite Increases in Production and Orders

Key Findings

- Russian business sentiment picked up markedly in March, with increased optimism helping to push many other areas of the survey closer to the neutral mark and in some cases into expansionary territory.

- The MNI Russia Business Sentiment Indicator rose to 50.0 in March from 43.0 in February. Companies were also less pessimistic about the next three months with the Future Expectations Indicator rising to 40.9 from last month's record low of 32.5.

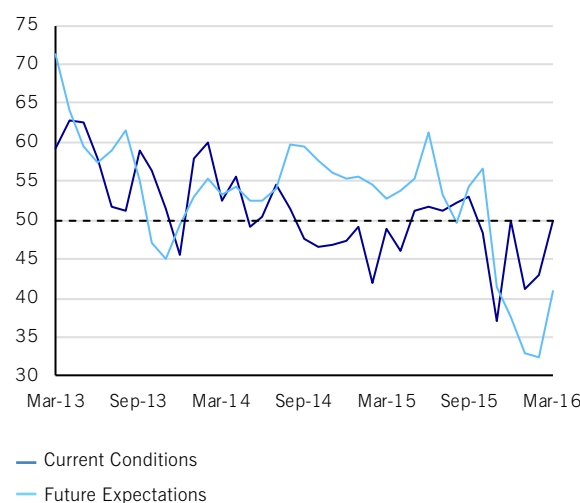
- Following the hint of a recovery displayed towards the end of last month, momentum followed through into March as the rouble appreciated further against the dollar and oil prices surpassed \$40 per barrel for the first time since December.

- There was renewed confidence in the rouble, which saw the Effect of the Rouble Exchange Rate Indicator leap to just below the neutral level of 50, increasing 55.1% to 49.0 from February's series low of 31.6. Improvements in firms' expectations for the rouble exchange rate over the next three months were less pronounced but again positive, recording a monthly increase of 8.6%.

- In hand with overall business sentiment, both Production and New Orders picked up in March, with the latter sitting only marginally below the 50 breakeven level. In spite of the pick up, firms drew down their stock levels with the Inventories Indicator contracting to 49.3 in March from 52.7 in the previous month. A figure below 50 indicates that a greater proportion of firms surveyed planned to reduce stock levels.

- Companies said that their current Financial Position had improved during March, with the indicator surpassing 50 for the first time since October 2015, rising to 50.5 from last month's 49.5. Firms also reported a greater availability of credit, with the respective indicator increasing from 42.2 in February to 50.0 in March. month to 50.0.

MNI Russia Business Sentiment Indicator



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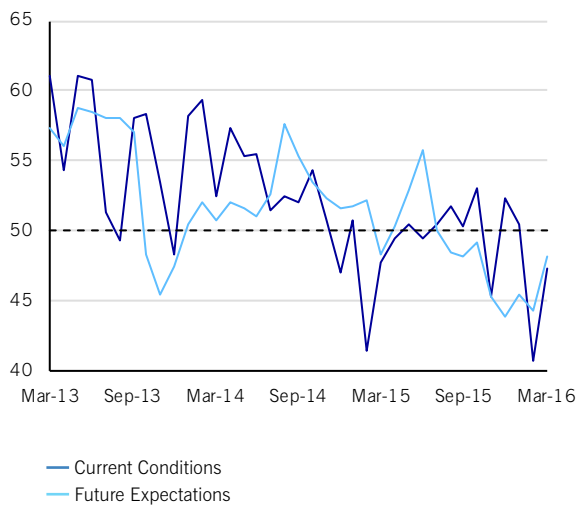
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Production



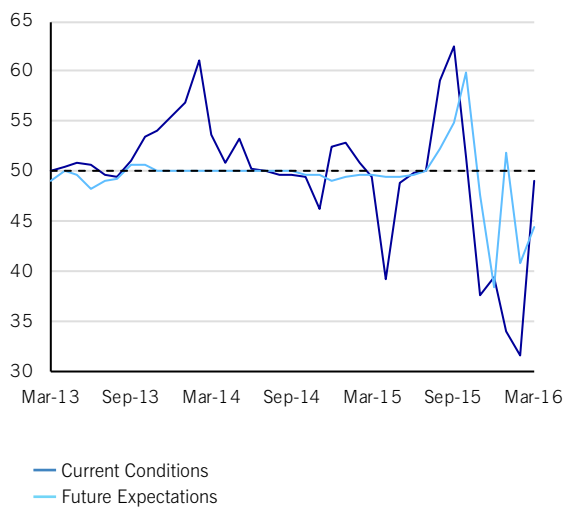
Production increased from 40.8 in February to 47.3 in March, while New Orders rose from 46.5 to 49.8. Employment notched a slight increase from 49.8 to 50.0, holding on to the gains made earlier in the year.

The relative strength in orders and output, as well as the recovery in the rouble, helped to underpin confidence in March. Export Orders also ticked up to 50.3 in March from 49.7 previously, moving just in to expansion but very much in the tight range they have been for the past year.

Rouble strengthens, fears remain over future

On March 18th the Central Bank of Russia decided to keep the key interest rate at 11%, citing inflationary risks had grown and persisted since the CBR's December report. The announcement prompted a further appreciation in the rouble against the dollar to 67.6, the strongest since hitting a record low of 85.6 in January.

Effect of Rouble Exchange Rate



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. March saw it jump 55.1% to 49.0, rebounding from February's record low of 31.6. That most firms see the rouble as a bad thing suggests that the negatives of the weaker currency outweigh the boost to export competitiveness that the lower rouble should bring. This in itself reflects that not all of our panel of companies are large exporters. Moreover, many firms are suffering from the increased prices the lower currency has brought, with some firms also finding it more difficult to service foreign loans. Tourism seems to have been the main beneficiary of the slide in the rouble, with a 14% year on year increase in international tourist arrivals recorded in February.

Production and Orders rise, but remain below 50

Production and New Orders posted healthy gains in March, despite remaining below the neutral level of 50. The reduction in pessimism points towards a possible turnaround in the economic outlook and arrives in conjunction with more upbeat official economic data. Notably, the decline in auto sales was the lowest in fourteen months in February.

Future expectations of the exchange rate on business increased from 40.9 to 44.4, a much smaller rise than the current measure, highlighting firms' apprehension over the currency's future outlook. With EU and US sanctions against Russia renewed for another twelve months and doubts persisting over whether an oil production freeze can be negotiated, any gains the rouble has made in recent times could be eaten away in the near future.

MNI Russia Business Indicator

	Mar-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
Current Conditions	48.8	48.3	37.1	50.0	41.3	43.0	50.0
Future Expectations	52.7	56.5	41.4	37.6	33.0	32.5	40.9

Overview

	Jan-16	Feb-16	Mar-16	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI Russia Business Indicator								
Current Conditions	41.3	43.0	50.0	Dec-15	-	44.8	7.0	16.3%
Future Expectations	33.0	32.5	40.9	Nov-15	-	35.5	8.4	25.8%
Production								
Current Conditions	50.5	40.8	47.3	Jan-16	-	46.2	6.5	15.9%
Future Expectations	45.5	44.3	48.2	Oct-15	-	46.0	3.9	8.8%
New Orders								
Current Conditions	49.0	46.5	49.8	Dec-15	-	48.4	3.3	7.1%
Future Expectations	43.6	43.9	47.2	Oct-15	-	44.9	3.3	7.5%
Export Orders								
Current Conditions	50.3	49.7	50.3	Jan-16	-	50.1	0.6	1.2%
Future Expectations	49.7	49.3	49.3	Feb-16	-	49.4	0.0	0.0%
Productive Capacity								
Current Conditions	50.0	50.0	50.0	Feb-16	-	50.0	0.0	0.0%
Future Expectations	50.0	50.0	50.0	Feb-16	-	50.0	0.0	0.0%
Order Backlogs								
Current Conditions	50.0	49.8	50.0	Jan-16	-	49.9	0.2	0.4%
Future Expectations	50.0	50.0	50.3	series high	-	50.1	0.3	0.6%
Employment								
Current Conditions	50.0	49.8	50.0	Jan-16	-	49.9	0.2	0.4%
Future Expectations	48.5	48.5	48.8	Oct-15	-	48.6	0.3	0.6%
Inventories								
Current Conditions	46.6	52.7	49.3	-	Jan-16	49.5	-3.4	-6.5%
Future Expectations	41.9	39.9	43.2	Oct-15	-	41.7	3.3	8.3%
Input Prices								
Current Conditions	50.8	51.8	50.8	-	Aug-15	51.1	-1.0	-1.9%
Future Expectations	57.0	56.8	56.5	-	Nov-15	56.8	-0.3	-0.5%
Prices Received								
Current Conditions	53.5	53.5	53.5	Feb-16	-	53.5	0.0	0.0%
Future Expectations	60.6	59.0	57.8	-	Oct-15	59.1	-1.2	-2.0%
Financial Position								
Current Conditions	49.5	49.5	50.5	Oct-15	-	49.8	1.0	2.0%
Future Expectations	53.9	53.8	54.3	Oct-15	-	54.0	0.5	0.9%
Interest Rates Paid								
Current Conditions	48.3	48.8	49.0	Dec-15	-	48.7	0.2	0.4%
Future Expectations	49.7	49.5	49.7	Jan-16	-	49.6	0.2	0.4%
Effect of Rouble Exchange Rate								
Current Conditions	34.0	31.6	49.0	Oct-15	-	38.2	17.4	55.1%
Future Expectations	51.9	40.9	44.4	Jan-16	-	45.7	3.5	8.6%
Supplier Delivery Times								
Current Conditions	50.0	50.0	50.0	Feb-16	-	50.0	0.0	0.0%
Future Expectations	50.0	50.0	50.0	Feb-16	-	50.0	0.0	0.0%
Availability of Credit								
Current Conditions	39.8	42.2	50.0	Sep-15	-	44.0	7.8	18.5%
Future Expectations	46.3	42.3	46.8	Dec-15	-	45.1	4.5	10.6%

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

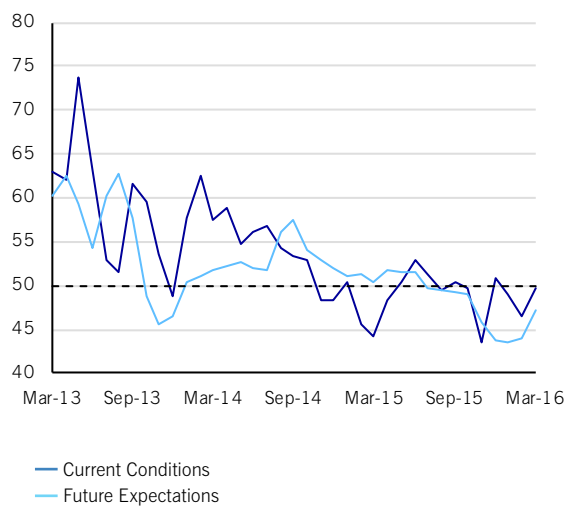
	Availability of Credit	Interest Rates Paid	Financial Position
Manufacturing	↑ > 50	↑ = 50	↑ > 50
Services	↑ < 50	↔ < 50	↑ = 50
Construction	↑ = 50	↔ = 50	↔ = 50

Sectors - Current Conditions

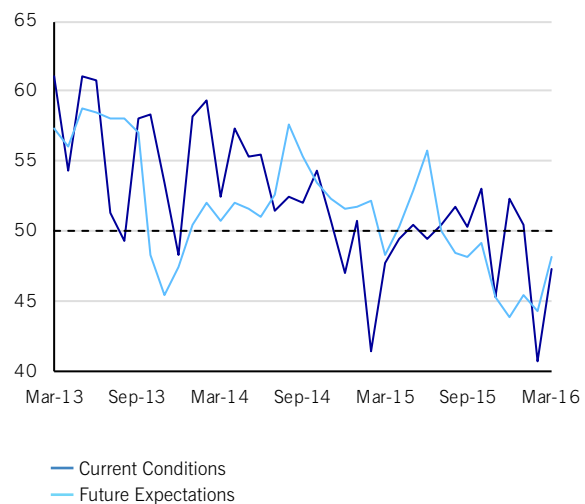
	Inventories of Finished Goods	Supplier Delivery Times
Manufacturing	↑ < 50	↔ = 50
Construction	↓ > 50	↔ = 50

Business Sentiment: Other Indicators

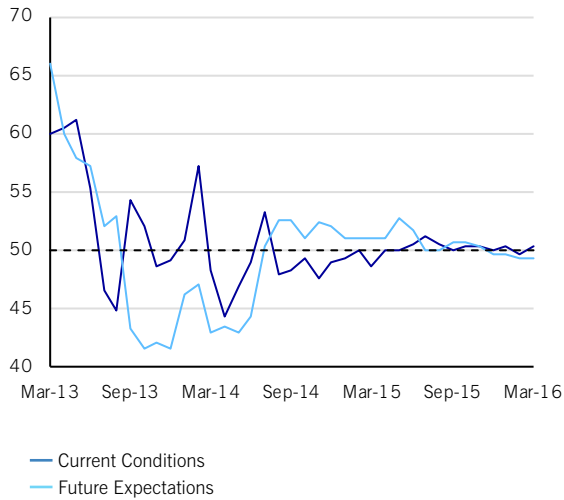
New Orders



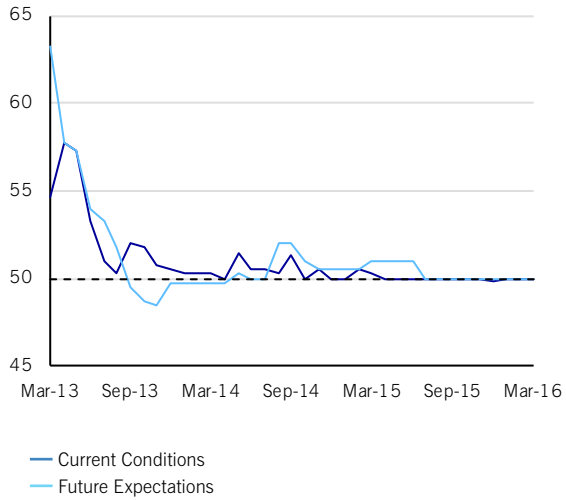
Production



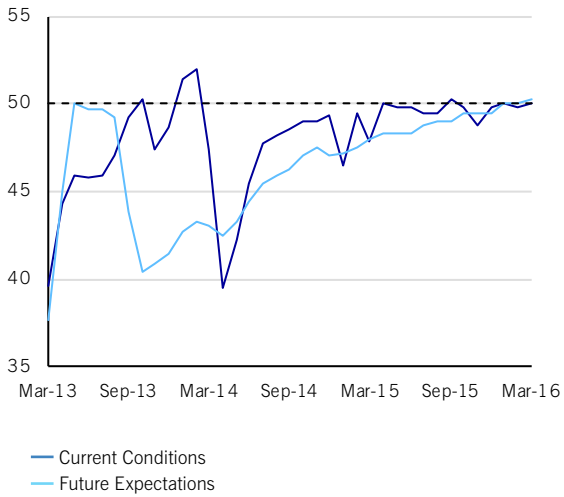
Export Orders



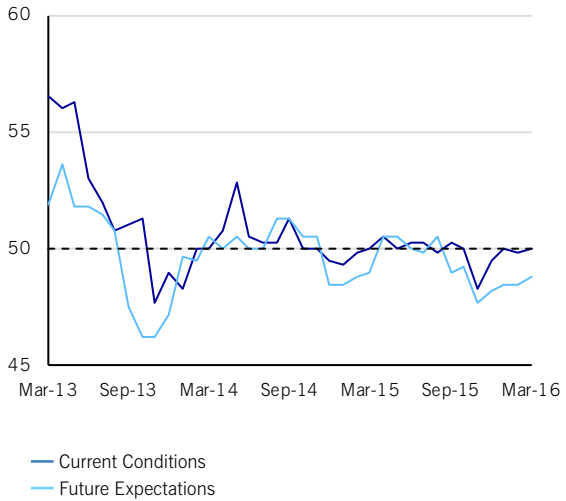
Productive Capacity



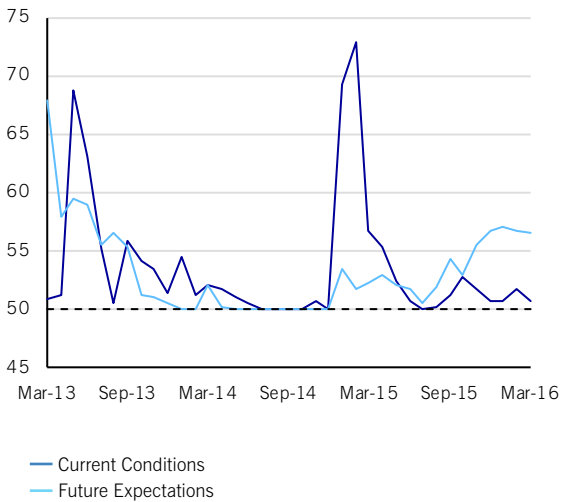
Order Backlogs



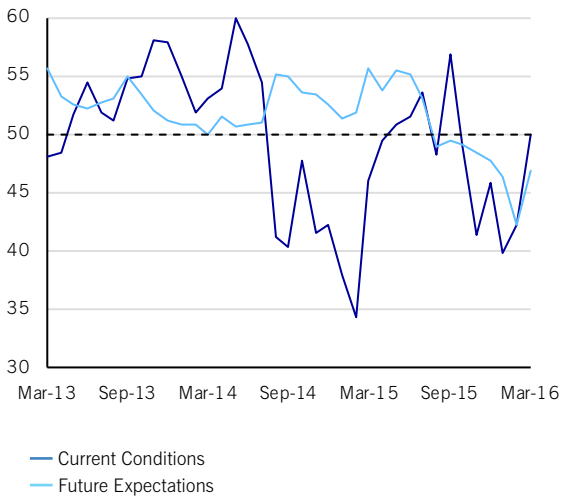
Employment



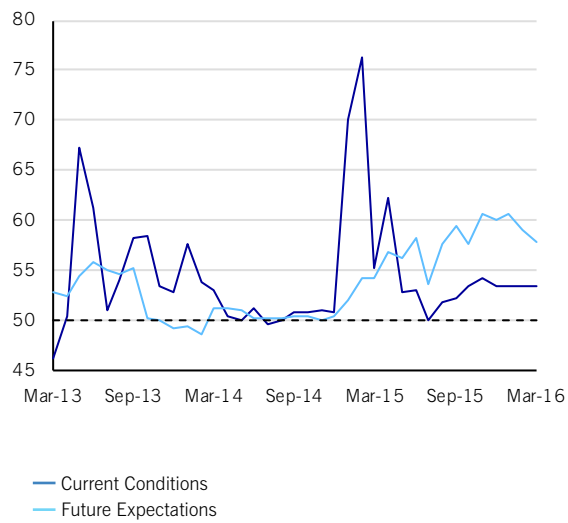
Input Prices



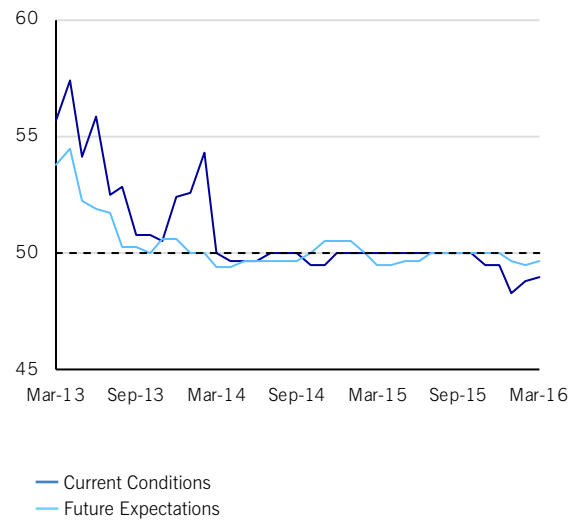
Availability of Credit



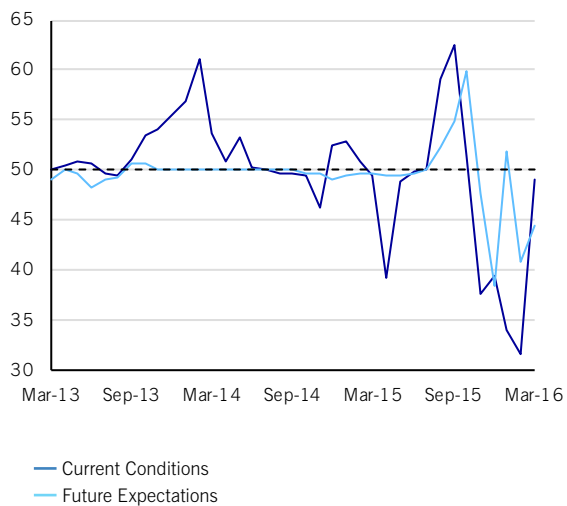
Prices Received



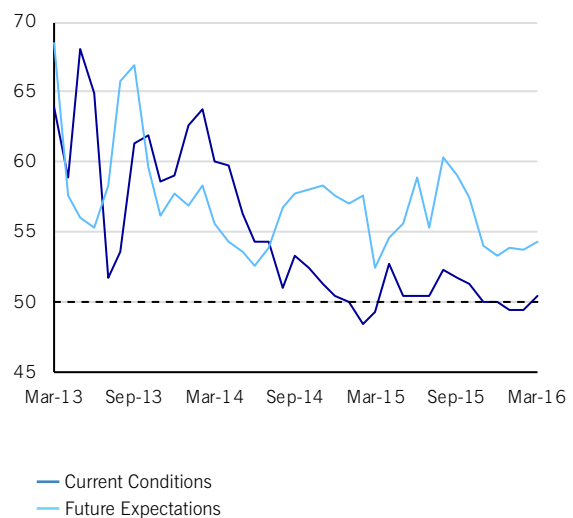
Interest Rates Paid



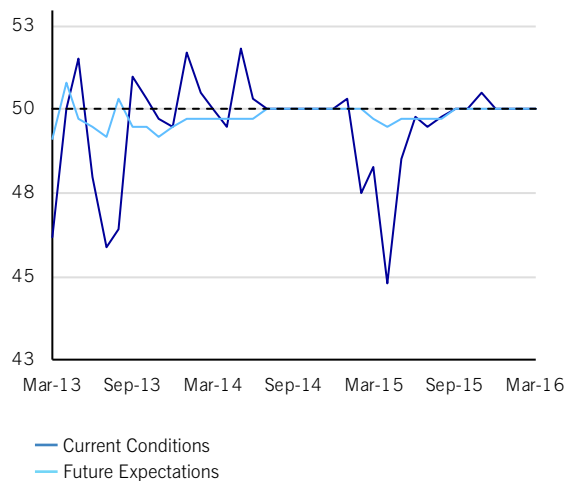
Effect of the Rouble Exchange Rate



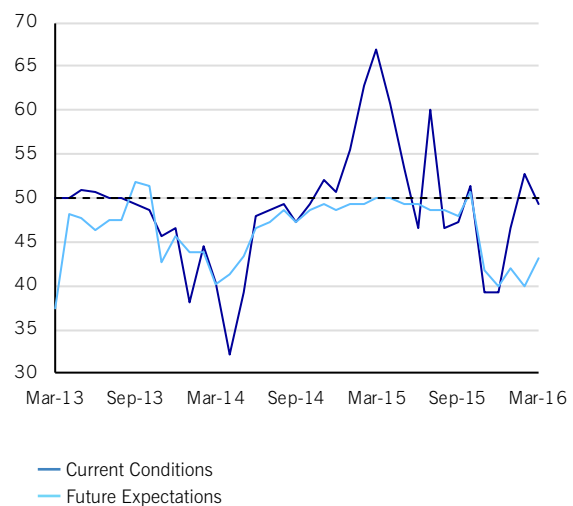
Financial Position



Supplier Deliveries



Inventories



Historical Summary

	2015										2016		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
MNI Russia Business Indicator													
Current Conditions	48.8	46.0	51.3	51.8	51.3	52.3	53.0	48.3	37.1	50.0	41.3	43.0	50.0
Future Expectations	52.7	53.8	55.2	61.3	53.2	49.7	54.3	56.5	41.4	37.6	33.0	32.5	40.9
Production													
Current Conditions	47.8	49.5	50.5	49.5	50.5	51.8	50.3	53.0	45.3	52.3	50.5	40.8	47.3
Future Expectations	48.3	50.3	52.9	55.8	50.0	48.5	48.2	49.2	45.3	43.9	45.5	44.3	48.2
New Orders													
Current Conditions	44.3	48.3	50.5	52.8	51.3	49.5	50.5	49.8	43.5	50.8	49.0	46.5	49.8
Future Expectations	50.5	51.8	51.5	51.5	49.7	49.5	49.2	49.0	45.9	43.8	43.6	43.9	47.2
Export Orders													
Current Conditions	48.7	50.0	50.0	50.6	51.3	50.6	50.0	50.3	50.3	50.0	50.3	49.7	50.3
Future Expectations	51.1	51.1	52.7	51.7	50.0	50.0	50.7	50.7	50.3	49.7	49.7	49.3	49.3
Productive Capacity													
Current Conditions	50.3	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	49.8	50.0	50.0	50.0
Future Expectations	51.0	51.0	51.0	51.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Order Backlogs													
Current Conditions	47.8	50.0	49.8	49.8	49.5	49.5	50.3	49.8	48.8	49.8	50.0	49.8	50.0
Future Expectations	48.0	48.3	48.3	48.3	48.8	49.0	49.0	49.5	49.5	49.5	50.0	50.0	50.3
Employment													
Current Conditions	50.0	50.5	50.0	50.3	50.3	49.8	50.3	50.0	48.3	49.5	50.0	49.8	50.0
Future Expectations	49.0	50.5	50.5	50.0	49.8	50.5	49.0	49.2	47.7	48.2	48.5	48.5	48.8
Inventories													
Current Conditions	66.9	60.8	53.4	46.6	60.1	46.6	47.3	51.4	39.2	39.2	46.6	52.7	49.3
Future Expectations	50.0	50.0	49.3	49.3	48.6	48.6	47.9	50.7	41.8	39.9	41.9	39.9	43.2
Input Prices													
Current Conditions	56.8	55.3	52.5	50.8	50.0	50.3	51.3	52.8	51.8	50.8	50.8	51.8	50.8
Future Expectations	52.3	52.9	52.1	51.8	50.5	52.0	54.3	53.0	55.5	56.8	57.0	56.8	56.5
Prices Received													
Current Conditions	55.3	62.3	52.8	53.0	50.0	51.8	52.3	53.5	54.3	53.5	53.5	53.5	53.5
Future Expectations	54.2	56.8	56.3	58.2	53.6	57.7	59.4	57.6	60.6	60.1	60.6	59.0	57.8
Financial Position													
Current Conditions	49.3	52.8	50.5	50.5	50.5	52.3	51.8	51.3	50.0	50.0	49.5	49.5	50.5
Future Expectations	52.5	54.7	55.6	58.9	55.3	60.4	59.1	57.5	54.1	53.4	53.9	53.8	54.3
Interest Rates Paid													
Current Conditions	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	49.5	49.5	48.3	48.8	49.0
Future Expectations	49.5	49.5	49.7	49.7	50.0	50.0	50.0	50.0	50.0	50.0	49.7	49.5	49.7
Effect of Rouble Exchange Rate													
Current Conditions	49.5	39.3	48.8	49.8	50.0	59.1	62.4	51.5	37.7	39.5	34.0	31.6	49.0
Future Expectations	49.7	49.4	49.4	49.7	50.0	52.3	54.8	59.9	47.7	38.5	51.9	40.9	44.4
Supplier Delivery Times													
Current Conditions	48.3	44.8	48.5	49.8	49.5	49.8	50.0	50.0	50.5	50.0	50.0	50.0	50.0
Future Expectations	49.7	49.5	49.7	49.7	49.7	49.7	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Availability of Credit													
Current Conditions	46.0	49.5	50.8	51.5	53.5	48.2	56.8	49.0	41.4	45.8	39.8	42.2	50.0
Future Expectations	55.7	53.8	55.5	55.1	53.1	48.9	49.4	49.1	48.5	47.7	46.3	42.3	46.8

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.

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