

# Russian Consumer Sentiment Nudges Higher in March

MNI Russia Consumer Sentiment Indicator 71.2 in Mar vs 69.6 in Feb

## Key Findings

- Consumer sentiment rose for the second consecutive month to 71.2 in March from 69.6 in February, the highest level since August 2015.

- Consumer sentiment was just a touch below 2015's average of 71.6, however the month's rise placed it a little above the March 2015 outturn of 69.2. The improvement could not be attributed to a single factor but to modest strengthening across the board. This could be a tentative signal that conditions across the economy are improving, albeit gradually.

- In spite of the improvement on the month, the March outturn meant sentiment in Q1 dropped to a series low of 70.0, from 70.2 the previous quarter. Sentiment has fallen in every quarter bar one since Q3 2013, where it sat just under the breakeven mark at 99.6.

- The Inflation Expectations Indicator slipped to its lowest level since last August, down 0.4% to 154.8 in March from 155.3 recorded in February.

- Consumers had higher appetite for big ticket items in March, with the Durable Buying Conditions Indicator rising to 79.4 from 77.7 in February. This is the highest the indicator has been since last June.

- Respondents were less pessimistic regarding their financial situation in March. This was reflected in the Personal Finances Indicator climbing to 68.6, a level not seen since last summer.

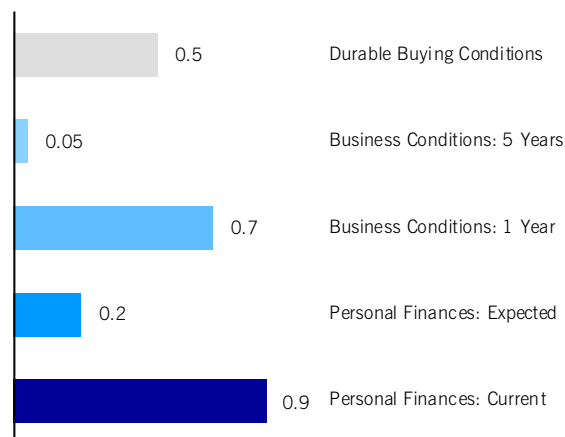
- On the business front, sentiment towards the current business environment has deteriorated this year with the Current Business Conditions Indicator hitting a series low in Q1. However, short and long-term expectations have picked up on the month.

- The Car Purchase Indicator plummeted to series low of 64.1 in Q1 2016, with 33% of respondents citing the cost of use/upkeep exorbitant.

MNI Russia Consumer Indicator



Consumer Indicator: Contribution to Monthly Change (% pt.)



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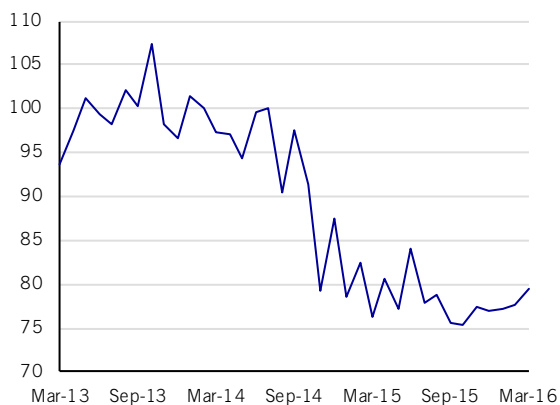
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### Inflation Expectations



### Durable Buying Conditions



### Inflation Expectations Remain Elevated

In line with the recent deceleration in consumer price inflation, inflation expectations eased further in March, although remain at a high level.

The Inflation Expectations Indicator fell to 154.8 in March from 155.3 in February, the lowest since August 2015. It's still well above the 100 neutral level, though, implying that on the whole consumers think prices will more likely rise than fall. When quizzed about their expectations for inflation over the next twelve months, roughly 80% of households believed inflation would be higher to some degree, with 18% expecting it to remain about the same. Plagued with high inflation for months, consumers expected more of the same and when asked about how much they think prices will rise in the next 12 months, almost a third of them reported a 25% increase

Not surprisingly respondents remain highly dismayed by

the level of prices. The Current Prices Satisfaction Indicator remained broadly stable at 44.6 in March, an indication that the majority of respondents are highly dissatisfied with the level of prices.

Consumer price inflation softened to 7.3% in March, down from 9.8% and 8.1% in January and February respectively. Despite the sharp slowdown, the CBR held interest rates at 11% at its March 18 monetary policy meeting citing persistent inflationary risks. It appears this apprehension is mutual amongst consumers too. Should volatile oil prices continue to put downward pressure on the rouble, fears of higher inflation may well be realised.

### Turnaround in Consumer Spending

The Durable Buying Conditions Indicator, which has remained broadly stable in the previous three months, rose 2.2% to 79.4 in March from 77.7. While the move still means respondents are on the whole pessimistic about purchasing a big ticket item, the monthly change sits the indicator at its highest level since June 2015. With March's data completing the data for the quarter, the indicator rose 2% to 78.1 in Q1 2016 from 76.6 recorded in the final quarter of 2015; this is the highest quarterly outturn since Q2 2015.

This comes in conjunction with more upbeat retail sales data, possibly suggesting that the worst is over for consumers following December's 15.3% year-on-year decline in sales. Subsequent data showed the decline in sales eased to 7.3% in January and 5.9% in February.

Official unemployment remained unchanged in February from January at 5.8% and the decline in real wages eased to 2.6%, the lowest level since November 2014. The expectation is that a relatively low unemployment rate, coupled with stable labour markets and improvements in real wages, could halt the decline in consumption and provide a boost to the economy.

Our survey panellists were however downbeat about employment outlook. The Employment Outlook indicator rose marginally to 65.9 in March from 65.3 the previous month. When asked about their expectations regarding employment over the next year, 42% believed things would be a little worse and just shy of 18% thought things would be much worse off.

## Russia Consumer Sentiment - Overview

	Jan-15	Feb-16	Mar-16	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
<b>MNI Russia Consumer Indicator</b>	69.2	69.6	71.2	Aug-15	-	70.0	1.6	2.3%
Current Indicator	72.2	71.7	74.0	Jun-15	-	72.6	2.3	3.3%
Expectations Indicator	67.2	68.3	69.4	Dec-15	-	68.3	1.1	1.6%
Personal Finance: Current	67.2	65.6	68.6	Jun-15	-	67.1	3.0	4.5%
Personal Finance: Expected	61.4	66.0	66.8	Dec-15	-	64.7	0.8	1.2%
Business Condition: 1 Year	64.2	62.2	64.5	Aug-15	-	63.6	2.3	3.8%
Business Condition: 5 Years	76.0	76.6	76.8	Sep-15	-	76.5	0.2	0.2%
Durable Buying Conditions	77.2	77.7	79.4	Jun-15	-	78.1	1.7	2.2%
Current Business Conditions Indicator	64.6	65.1	66.0	Dec-15	-	65.2	0.9	1.5%
Real Estate Investment Indicator	106.5	106.9	106.5	-	Jan-16	106.6	-0.4	-0.4%
Car Purchase Indicator	66.3	62.9	63.1	Jan-16	-	64.1	0.2	0.3%
Employment Outlook Indicator	64.4	65.3	65.9	Sep-15	-	65.2	0.6	0.9%
Inflation Expectations Indicator	155.7	155.3	154.8	-	Aug-15	155.3	-0.5	-0.4%
Current Prices Satisfaction Indicator	44.3	44.5	44.6	Dec-15	-	44.5	0.1	0.3%
Interest Rates Expectations Indicator	152.0	153.2	152.0	-	Nov-15	152.4	-1.2	-0.8%

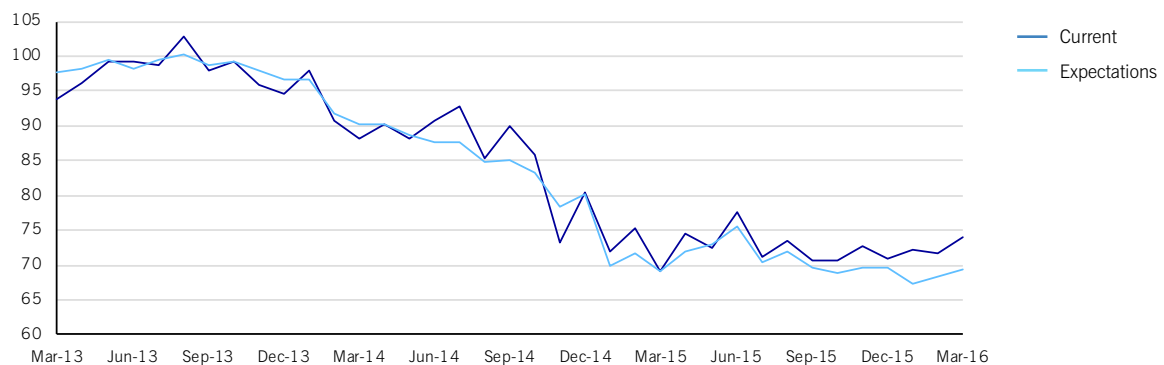
**Age**

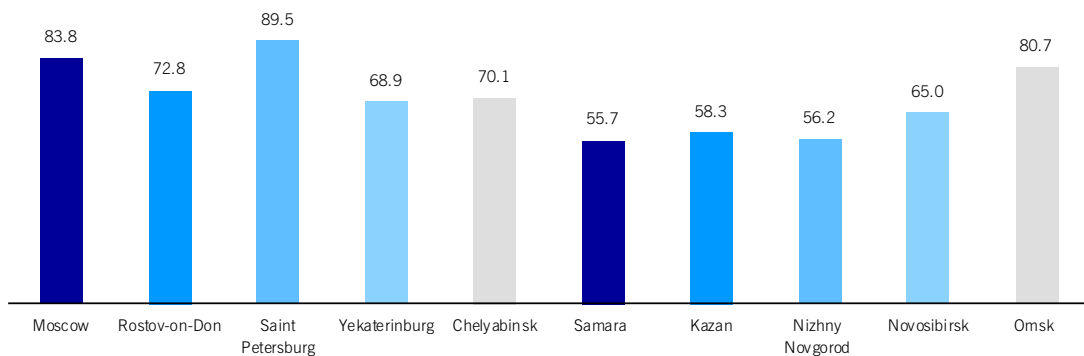
Following February's series low of 67.6, sentiment amongst 34-54 year olds rose 7.3% to 72.5. The recovery was driven by Current Personal Finances and Durable Buying Conditions, which climbed to levels not seen since mid-2015. It meant the 34-54 year old cohort took the title of 'least pessimistic', one the 18-34 year old cohort had held for the past two months. Sentiment across the youngest and oldest age groups fell by 0.5% and 1.3% respectively.

**Regions**

Sentiment increased in all major regions in Russia in March, apart from Urals. The largest increase in consumer sentiment this month was seen in West Siberia, up 6.1% to 72.7, offsetting last month's decline. The second biggest mover was North Caucasus which rose to 77.7, beating its three-month average of 75.8. In Urals, the 3.3% decrease was by and large caused by contractions seen in Current Personal Finances and Durable Buying Conditions.

## Current and Expectations Indicators





### Main Cities

Sentiment rose in all but three of the 10 cities surveyed, in a reversal of last month's proceedings, with the usual suspects leading the pack. Muscovites reported the largest increase in sentiment, rising 17.4% to 83.8 from 71.3 in February. The rise in confidence was broad-based with all five components rising by double-digits. In St. Petersburg sentiment rose to 89.5 from 82.7 in the previous month. The 8.1% growth in sentiment was only bettered by Omsk and Novosibirsk where sentiment grew by 8.3% and 11% respectively.

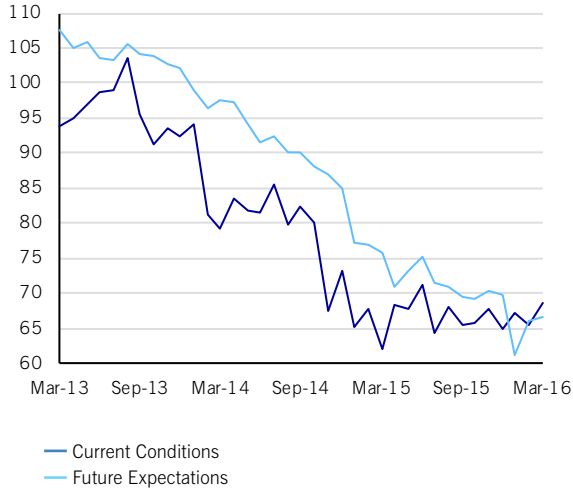
### Income

Consumers with an annual income over RUB 480,000 reported a 2% rise in sentiment, rising to 78.4 from 76.8, the highest since June 2015. The climb was due to a 5.7% and 7.1% rise in both Current Personal Finances and Business Conditions in One Year respectively. For those earning under RUB 480,000 per annum, consumer sentiment increased 2.5% in March, to 66.6 from 65.0. The rise was broad-based, among which Expected Personal Finances and Durable Buying Conditions rose to highs not seen since mid-2015.

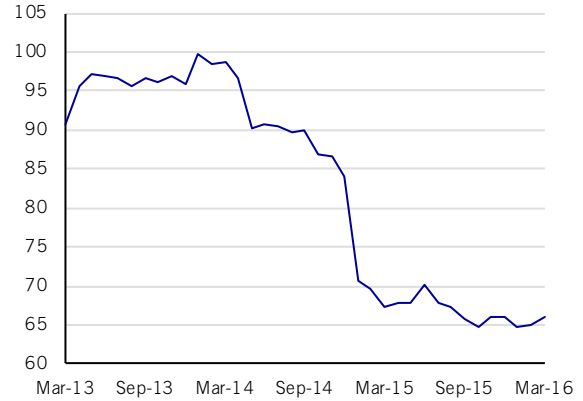
## Russia Consumer Sentiment - Demographical Overview

	Jan-16	Feb-16	Mar-16	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Russia - Central	75.6	76.1	77.0	Aug-15	-	76.2	0.9	1.2%
Russia - Urals	64.4	67.4	65.1	-	Jan-16	65.6	-2.3	-3.3%
Russia - Volga	50.6	55.6	56.5	Nov-15	-	54.2	0.9	1.7%
Russia - North Caucasus	75.1	74.7	77.7	Jun-15	-	75.8	3.0	3.9%
Russia - West Siberian	72.9	68.6	72.7	Jan-16	-	71.4	4.1	6.1%
Moscow	75.7	71.3	83.8	Jun-15	-	76.9	12.5	17.4%
Saint Petersburg	85.8	82.7	89.5	Jun-15	-	86.0	6.8	8.1%
Novosibirsk	66.6	60.1	65.0	Jan-16	-	63.9	4.9	8.3%
Under RUB 480,000 Per Annum	65.3	65.0	66.6	Dec-15	-	65.6	1.6	2.5%
Over RUB 480,000 Per Annum	75.3	76.8	78.4	Jun-15	-	76.8	1.6	2.0%
Age 18-34	71.1	72.4	72.1	-	Jan-16	71.9	-0.3	-0.5%
Age 34-54	69.1	67.6	72.5	Nov-15	-	69.7	4.9	7.3%
Age 55-64	62.1	64.9	64.0	-	Jan-16	63.7	-0.9	-1.3%

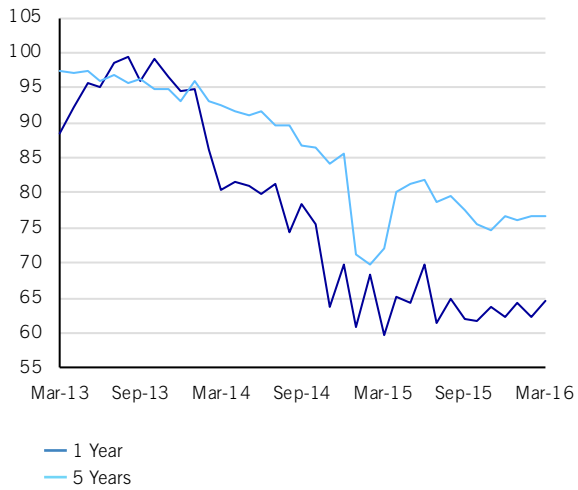
Personal Finances



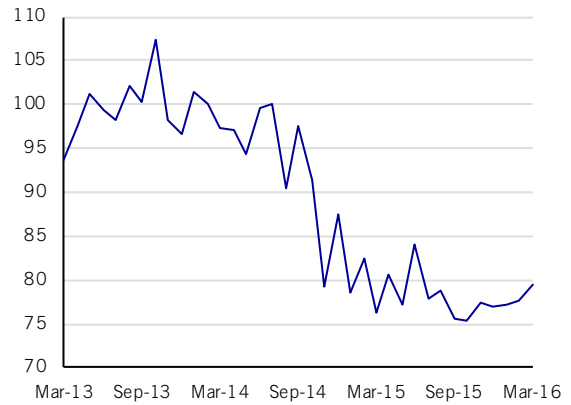
Current Business Conditions Indicator



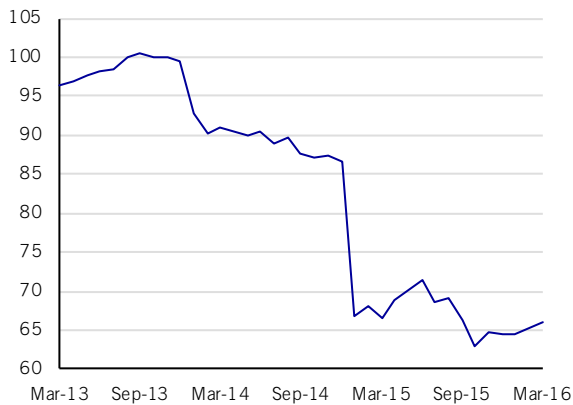
Expected Business Conditions



Durable Buying Conditions



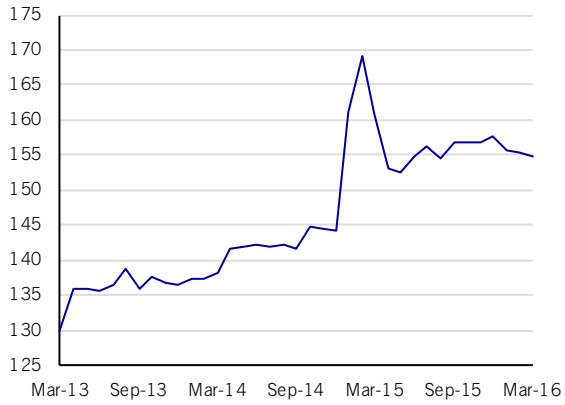
Employment Outlook



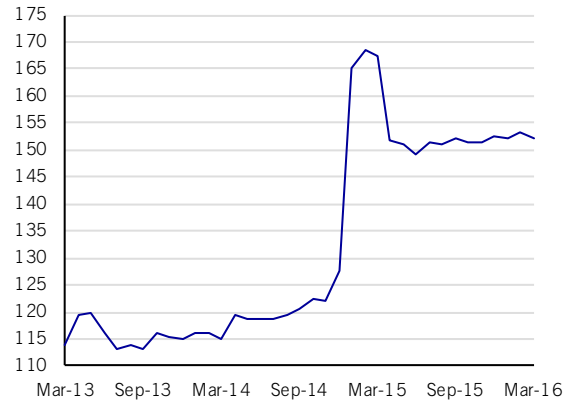
Satisfaction with Current Prices Indicator



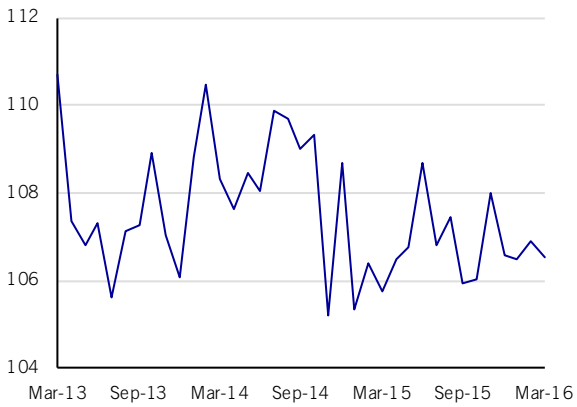
Inflation Expectations Indicator



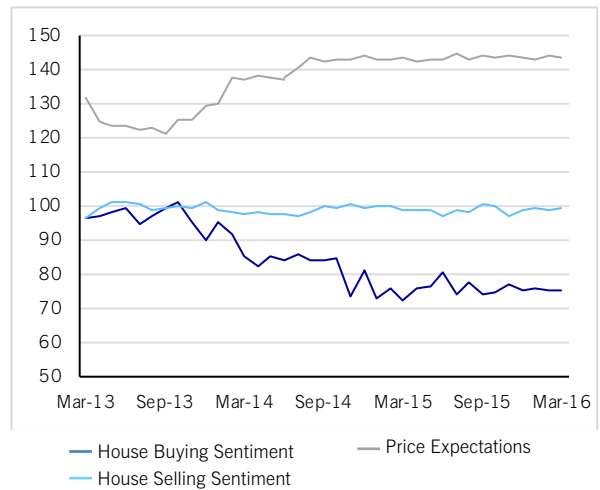
Interest Rate Expectations Indicator



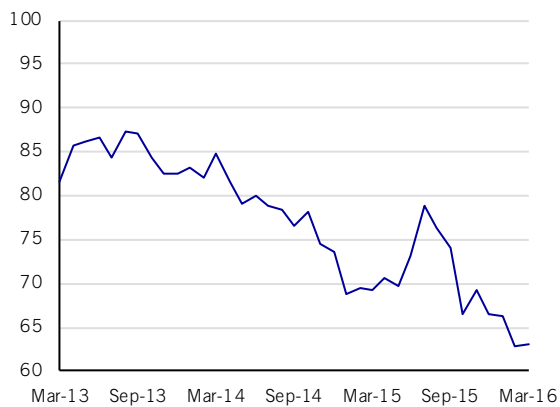
Real Estate Investment Indicator



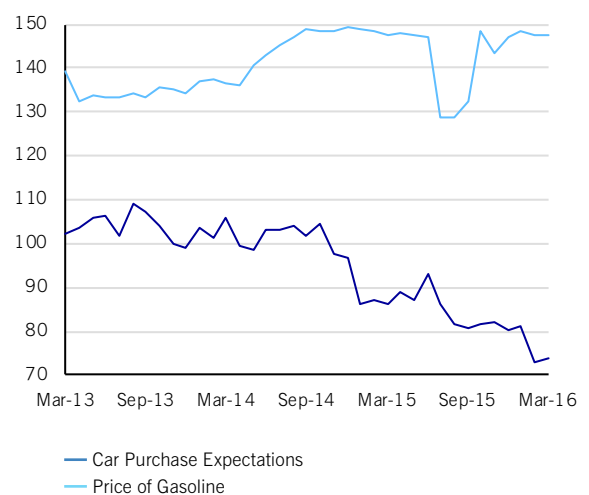
Real Estate Investment Indicator - Components



Car Purchase Indicator



Car Purchase Indicator - Components



## Russia Consumer Sentiment - Summary

	2015										2016		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>MNI Russia Consumer Indicator</b>	69.2	73.0	72.8	76.4	70.8	72.5	70.0	69.5	70.8	70.1	69.2	69.6	71.2
Current Indicator	69.1	74.4	72.5	77.7	71.2	73.5	70.5	70.6	72.6	70.9	72.2	71.7	74.0
Expectations Indicator	69.2	72.0	73.0	75.6	70.5	71.8	69.7	68.8	69.7	69.6	67.2	68.3	69.4
Personal Finance: Current	62.1	68.4	67.8	71.4	64.5	68.2	65.6	65.8	67.7	64.9	67.2	65.6	68.6
Personal Finance: Expected	75.9	70.9	73.2	75.1	71.5	71.0	69.5	69.2	70.5	69.8	61.4	66.0	66.8
Business Condition: 1 Year	59.7	65.2	64.4	69.8	61.3	64.9	62.0	61.7	63.8	62.4	64.2	62.2	64.5
Business Condition: 5 Years	72.0	80.0	81.3	81.7	78.7	79.6	77.6	75.5	74.7	76.6	76.0	76.6	76.8
Durable Buying Condi- tions	76.2	80.5	77.3	83.9	77.9	78.9	75.5	75.4	77.5	77.0	77.2	77.7	79.4
<b>Current Business Conditions Indicator</b>	67.4	67.9	67.9	70.1	67.8	67.3	65.8	64.8	66.1	66.1	64.6	65.1	66.0
<b>Real Estate Invest- ment Indicator</b>	105.8	106.5	106.8	108.7	106.8	107.5	105.9	106.0	108.0	106.6	106.5	106.9	106.5
House Price Expecta- tions	143.5	142.5	142.9	142.9	144.6	143.1	144.0	143.5	144.1	143.6	142.9	144.3	143.7
House Buying Senti- ment	72.7	76.1	76.4	80.6	74.5	77.6	74.2	74.8	77.4	75.2	76.2	75.3	75.2
House Selling Senti- ment	98.8	99.2	99.0	97.4	98.7	98.3	100.5	100.2	97.5	99.0	99.6	98.8	99.4
<b>Car Purchase Indica- tor</b>	69.2	70.5	69.8	73.0	78.8	76.3	74.1	66.5	69.3	66.6	66.3	62.9	63.1
Car Purchase Expecta- tions	86.0	88.9	87.0	93.1	86.3	81.4	80.6	81.5	81.9	80.2	81.0	73.1	73.6
Price of Gasoline Expectations	147.5	147.8	147.5	147.0	128.7	128.9	132.3	148.4	143.3	147.0	148.5	147.3	147.5
<b>Employment Outlook Indicator</b>	66.5	68.8	70.1	71.4	68.5	69.0	66.4	63.0	64.9	64.4	64.4	65.3	65.9
Inflation Expectations Indicator	160.9	153.1	152.6	154.7	156.3	154.4	157.0	156.9	156.8	157.6	155.7	155.3	154.8
Current Prices Satisfac- tion Indicator	47.0	47.3	48.0	49.0	46.0	47.1	44.3	43.6	43.5	44.8	44.3	44.5	44.6
Interest Rates Expecta- tions Indicator	167.4	151.8	150.9	149.1	151.5	151.2	152.3	151.5	151.4	152.6	152.0	153.2	152.0

#### 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 Consumer Survey

The MNI Russia Consumer Sentiment Survey is a wide ranging monthly survey of consumer confidence across Russia.

Data is collected via telephone interviews. At least 1,000 interviews are conducted each month across the country.

The main MNI Russia Consumer Indicator is derived from five questions, two on current conditions and three on future expectations:

- 1) Current personal financial situation compared to a year ago
- 2) Current willingness to buy major household items
- 3) Personal financial situation one year from now
- 4) Overall business conditions one year from now
- 5) Overall business conditions for the next 5 years

**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.

**Sample size and geographic area:** Minimum of 1000 respondents aged between 18 and 64 across 10 major cities.

**Disaggregation:** By age, by gender, by income, by region and by city.

**Calculation method:** Each individual question is a diffusion index where 100 represents a neutral position, i.e. optimists and pessimists are equal in number. Values above 100 indicate increasing positivity while values below show increasing negativity. The headline and other composite indicators are weighted measures comprised of the individual diffusion indices.

**Sub-indicators:** These cover consumer perceptions and/or intentions regarding employment conditions, the real estate market, autos, inflation, gasoline prices and interest rates.

**Other available information:** Household expenditure breakdown, detailed reasoning behind responses and more.

**Bloomberg ticker:** <MNRCINDX> <INDEX> <GO> or navigate from <MNIN> <GO>

**Reuters instrument code:** <aRUMNCSIR>

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