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## Macroeconomic indicators - Russian GDP indicator rise in October

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Interfax quoted VTB Capital said in a research note that monthly GDP Indicator data from VTB Capital based on the PMI surveys for the Russian manufacturing and service sectors, continued to signal economic contraction on an annual basis in October.

However, the rate of decline eased for the fifth consecutive month. The Indicator stood at 0.6% on an annual basis marking the slowest rate of contraction of the current eleven month period of decline.

Over the Q3 as a whole, the GDP Indicator suggested that the economy contracted by 4.1% YoY a better outcome than the record 9.2% fall posted during Q2. Total activity rose solidly in October despite slower rise in manufacturing output.

The GDP Indicator is derived from VTB Capital PMI surveys of business conditions in the manufacturing and service sectors of Russia. By weighting together the output measures from these surveys an indicator of total output is produced.

The seasonally adjusted Total Activity Index remained above the no-change mark of 50.0 for the third month running in October, indicating growth of private sector output. The Index improved fractionally since September to 54.2, indicating robust growth. This was driven by a faster rise in services activity while the rate of growth in manufacturing production slowed to a weak pace.

Mr Aleksandra Evtifyeva Senior Economist at VTB Capital said "The GDP Indicator continued to point to an improvement in economic activity in October. The manufacturing sector's performance deteriorated slightly while activity in the services sector is approaching pre-crisis levels. This might be one of the consequences of higher oil prices and a stronger rouble as low export orders were the main drag on manufacturing. Another encouraging development highlighted by the October surveys was the deceleration in the pace of job cuts: the employment sub-indices now stand at around 47 which is already higher than last autumn."

He said that "Inflationary pressures hit historical lows in the services sector and coincided with the first fall in at least seven years in services prices This is likely indicates that the recent disinflationary trend is very strong and inflation expectations are muted. The future activity expectations in the services sector suggest that activity in the sector will remain buoyant in the near term."

(Sourced from Interfax)

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