

# Service Sector Marks 12th Month of Growth

By [The Moscow Times](#)

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Service industries from hotels to supermarkets expanded for a 12th month in July, though the pace of growth slowed because of a heat wave and fewer new orders, VTB Capital said Wednesday.

The Purchasing Managers Index was at 54.2 last month, compared with 55.4 in June, VTB Capital said in a statement. The index, based on a survey of about 300 purchasing managers, shows expansion with a reading above 50.

“Both the business activity and the incoming new business sub-indices eased, with companies noting the abnormal heat wave as one of the reasons,” Svetlana Aslanova, an analyst at VTB Capital, said in the statement. “Nevertheless, the sustained growth in activity prompted service providers to add work force for the fourth consecutive month.”

Russia is in the midst of a heat wave and the worst drought in at least 50 years, which is set to

continue, the Federal Meteorological Service said on its web site. Temperatures in most parts of central Russia will be 8 degrees Celsius above average through Aug. 12, rising as high as 42 C, the state weather service predicts.

Retail sales surged the most since November 2008 in June as the number of unemployed slid for a third consecutive month, State Statistics Service data show, signaling domestic demand may help drive the recovery.

The Economic Development Ministry is set to raise this year's economic growth forecast from 4 percent after output growth accelerated last quarter, Deputy Economic Development Minister Andrei Klepach said on July 27. Gross domestic product expanded an annual 5.4 percent in the three months through June, according to Klepach. This compares with 2.9 percent growth in the first quarter.

Service companies added jobs for a fourth month in July, though the "overall rate of job creation remained weak," VTB Capital said.

"Inflationary pressures remained subdued," though costs linked to wages, travel and outsourcing rose, the bank said. "Transportation and storage companies posted the steepest rate of input price inflation."

The seasonally adjusted services PMI, first compiled in October 2001, is a composite of five differently weighted indexes including business, employment and new, outstanding and future business, according to VTB Capital.

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