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Manufacturing Grows Fastest in 2 Years

By The Moscow Times

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Manufacturing expanded in July at the fastest pace since April 2008 as new orders grew and companies added more jobs, VTB Capital said Monday.

The Purchasing Managers' Index rose to 52.7 last month, for a seventh successive expansion, from 52.6 in June, the bank said in an e-mailed statement. The index, based on a survey of 300 purchasing executives, indicates contraction with a figure below 50 and growth with a figure above 50.

"The pace of expansion was sustained in the manufacturing sector," Dmitry Fedotkin, an economist at VTB Capital in Moscow, said in the statement. "Underpinning the overall improvement in business conditions in July was a further strong rise in new work received."

New orders supported output, and employment growth among manufacturers resumed in July, according to VTB Capital. The overall jobless rate fell in June to 6.8 percent, the lowest level in 20 months, according to the State Statistics Service.

“Economic growth continues, but it hasn’t become investment-oriented to the necessary extent,” Deputy Economic Development Minister Andrei Klepach said last week. “The subcomponents of growth remain fairly fragile, with the exception of consumer demand.”

Even so, the Economic Development Ministry will raise its forecast for growth this year from 4 percent, Klepach said. The economy expanded an annual 5.4 percent in the three months through June, he said July 27, compared with 2.9 percent in the first quarter, according to the State Statistics Service.

Annual inflation slowed to 5.8 percent in June from 6 percent the month before, the statistics service said.

Input-cost inflation in the manufacturing sector rose for the 13th month in a row, while output-price inflation was “limited by competitive pressures,” VTB Capital said.

“Industrial production might suffer in July-August from the recent abnormal heat in Russia,” VTB Capital’s analysts said. “In particular, major automakers have announced summer breaks due to the extreme weather conditions.”

Russia is experiencing a heat wave with high temperatures of at least 36 degrees Celsius forecast this week for Moscow, which has already broken several heat records this season, according to the state weather service.

AvtoVAZ suspended production from Monday through Aug. 8 because of record heat in Tolyatti, where temperatures are expected to exceed 45 C.

The PMI is derived from indexes that measure changes in output, orders, employment, suppliers’ delivery times and stocks.

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