

# Manufacturing Growth Slows to Crawl as Exports Decline

By [The Moscow Times](#)

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Manufacturing expansion in Russia slowed in September to the weakest pace since March as international demand slacked and new export business declined for a third consecutive month, HSBC Holdings said Friday.

The Purchasing Managers' Index slid to 51.2 from 52.9 in August, HSBC said, citing data compiled by Markit Economics. The index considers growth to be anything above 50, and contraction any figure below.

"Confirming our concerns last month, domestic growth drivers failed to sustain robust growth in manufacturing in the absence of export demand growth," Alexander Morozov, HSBC's chief economist for Russia and the CIS, said in a statement. "Manufacturing growth moderates, while price growth accelerates," raising the question of whether Russia is heading for "stagflation."

Russia's economic recovery from last year's 7.9 percent contraction, the biggest on record, remains "unstable," the Central Bank said Sept. 28. The State Statistics Service said in September that inflation accelerated to an annual 6.1 percent in August from 5.5 percent the month before.

Manufacturing firms on average cut work forces for a second time in four months, though the reduction was "marginal," HSBC said. The overall unemployment rate reached 6.9 percent in August from 7 percent in July.

"Inflationary pressures intensified in September," driven by metals and food costs, HSBC said.

Inflation may accelerate to 8 percent this year, up from the previous estimate of 7 percent, according to the government. Gross domestic product may expand 3.6 percent in 2010, below the official 4 percent forecast, Deputy Economic Development Minister Andrei Klepach said Sept. 24.

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