

Production Slows Again as Producer Prices Move Up

By [The Moscow Times](#)

June 16, 2011

The  **Moscow Times**

Industrial production slowed for a fourth month, growing in May at the weakest pace since output began expanding in November 2009.

Output at factories, mines and utilities rose an annual 4.1 percent after a 4.5 percent increase in April, the State Statistics Service in Moscow said in an e-mailed statement Thursday. The median estimate of 11 economists in a Bloomberg survey was for an annual gain of 4.2 percent.

Capital flight and shrinking demand are hampering investment, restraining economic output of the world's biggest energy supplier. Manufacturing growth slowed last month to "near-stagnation" as domestic demand declined, leading to the first buildup of stocks since the 2008 economic crisis, HSBC Holdings' Purchasing Managers' Index showed on June 1.

"Russia's 2010 recovery remains unimpressive," Clemens Grafe and Anna Zadornova,

economists at Goldman Sachs, wrote in an e-mailed note to clients Thursday. "We believe that domestic demand, and investment in particular, will accelerate throughout the year, helped by more expansionary fiscal policy."

Growth slowed in the first quarter as gross domestic product rose an annual 4.1 percent after gaining 4.5 percent in the previous quarter. President Dmitry Medvedev, whose term ends next year, seeks to boost growth to 10 percent within five years to match the pace of the fastest-growing developing economies.

Manufacturing rose 5 percent in May from a year earlier, the smallest gain since November 2009, compared with 5.3 percent in April, according to the statistics service. Output from mines, including oil and gas fields, grew an annual 2.1 percent last month from 1.4 percent in April.

Meanwhile, Russian producer prices, an early indicator of inflation, rose in May faster than economists predicted, led by the mining sector and manufacturers.

Prices of goods leaving factories and mines jumped an annual 19.2 percent, growing for a 19th consecutive month, after a 20.2 percent advance a month earlier, the State Statistics Service also reported Thursday.

The median forecast of five economists surveyed by Bloomberg was for an increase of 19 percent. Factory-gate prices climbed 1.2 percent in May from the previous month after a 2 percent monthly rise in April, the service said.

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