

# Manufacture Contracts in July Reversal

By [The Moscow Times](#)

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Russian manufacturing contracted in July for the first time since December 2009 as slowing growth in China and the euro zone damped demand for the country's exports.

The Purchasing Managers' Index fell to a seasonally adjusted 49.8 from 50.6 in June, HSBC Holdings said in a report Monday, citing data compiled by London-based Markit Economics. A reading below 50 indicates contraction.

Russia, the world's biggest energy exporter, is lagging behind growth in emerging market peers Brazil, India and China. Gross domestic product expanded 3.7 percent from a year earlier in the second quarter, less than the 4.1 percent increase in the first three months of 2011, according to the Economic Development Ministry.

"The Russian manufacturing sector appeared to enter the summer recess in July," Alexander Morozov, HSBC's chief economist for Russia and the Commonwealth of Independent States, said in the report. The weak reading "clearly demonstrates the strong dependence of Russian manufacturing growth on the global economic cycle through Russian exports."

European services and manufacturing growth weakened more than economists forecast in July to the slowest pace in almost two years. China's manufacturing slowed last month, with the Purchasing Managers' Index at 50.7 compared with 50.9 in June, as production and new export orders grew at a slower pace for the fourth month.

The European Union, which is seeking to prevent Greece's debt crisis from spreading to Italy and Spain, accounted for 48.9 percent of Russia's trade in the first five months of this year, figures from the Federal Customs Service show. China overtook the Netherlands and Germany to become Russia's largest partner in 2010.

New orders in Russia's manufacturing industry shrank in July for the second time in three months, and the pace of production growth slowed for the fourth month in five, HSBC said.

Incoming new work fell last month at the fastest rate since May 2009, according to the report.

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