

Manufacturing Activity Shrinks Slightly in August

By [The Moscow Times](#)

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Russian manufacturing activity shrank again in August but improved marginally over July, helped by growth in new orders, the HSBC Purchasing Managers' Index (PMI) showed Monday.

The index's headline reading rose to 49.4 in August from 49.2 the previous month, still below the 50.0 mark that divides expansion from contraction.

It was the second-lowest reading, after the July data, since December 2009, boding ill for Russia's economic performance. Manufacturing accounts for around 16 percent of the country's gross domestic product.

"A crawling-style, shaky growth seems to be the most plausible scenario for manufacturing looking forward, we think, although there are also moderate risks of stagnation," said Alexander Morozov, chief economist for Russia and other former Soviet countries at HSBC.

New orders received by Russian manufacturers rose slightly in August, driven by the domestic market, after stagnating in July. The related subindex rose to 51.6 from 49.9 in July.

The employment component, which hit a four-year low, and declining stocks of purchases played a pivotal role in the August reading, Morozov said.

"In this respect, positive growth numbers on demand and output are more important as lead indicators for future manufacturing performance due to their forward-looking qualities," he added.

Output increased last month, following a modest decline in the previous month, with firms linking the better number to rising new order inflows.

Morozov said the data would be a further incentive for the Central Bank to cut interest rates to boost the struggling economy, which expanded by 1.8 percent in July.

"Being marginally better than in July, the ... survey still supports monetary policy easing, with output growth in manufacturing remaining below potential and upside risks to inflation staying muted," he added.

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