

Manufacturing Rises at Fastest Rate in 2 Years

By [The Moscow Times](#)

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Manufacturing expanded last month at the fastest pace since April 2008 as increasing domestic demand helped producers overcome record heat and the worst drought in half a century, HSBC Holdings said Wednesday.

The Purchasing Managers' Index climbed for an eighth month in August, reaching 52.9 from 52.7 in July, HSBC said in a report, citing data compiled by Markit Economics. The survey-based index indicates a contraction when it is below 50 and growth with a figure above 50.

Russia's worst drought in at least 50 years will cost the economy as much as 0.8 percentage point of growth this year, though gross domestic product will still expand 4 percent, according to Deputy Economic Development Minister Andrei Klepach.

"After adjusting for seasonal factors, the rate of growth eased to a three-month low, partly reflecting the effect of the recent heat wave," HSBC said. "Overall, the manufacturing sector

keeps shifting from export-led growth to domestic demand-driven growth.”

Domestic demand is strong and is likely to boost retail sales and industrial output, fueling economic growth of 4.2 percent in 2011, up from the previous estimate of 3.4 percent, Klepach said Monday.

The drought will also fuel inflation, which is set to reach 7 percent to 8 percent this year, more than previously estimated, Klepach said.

“Inflationary pressures have intensified further in August,” with firms reporting rising costs of metals, oil products and food, Alexander Morozov, HSBC’s chief economist in Russia, said in the statement. “The recent acceleration of consumer price growth appears likely to be sustained.”

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