

Manufacturing Index Paints Picture of Rapid Growth

By [The Moscow Times](#)

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Manufacturing expanded in March at the fastest pace since summer 2006, propelled by the sharpest rise in new orders in three years, a survey showed on Friday.

The HSBC purchasing managers index (PMI) rose to 55.6 last month, its highest level since August 2006, and up from 55.2 in February, moving further above the 50 mark that separates expansion from contraction.

"While export demand growth has eased marginally, domestic demand has picked up strongly, prompting manufacturers to continue active hiring," said Alexander Morozov, chief economist for Russia and the CIS at HSBC.

The new orders index rose to 58.2 from February's 57.3, hitting its strongest in three years and extending the current sequence of expansion to 12 months.

Morozov said that, although input cost pressures declined in March, they remain at historically high levels.

"Output price growth has accelerated, apparently reflecting the rising ability of producers to pass on still fast-rising costs to their customers amidst stronger ... demand," he said.

"In a nutshell, the PMI report draws a benign picture of fast-growing manufacturing that can hardly catch up with the rising demand, increasing employment and reducing inventories."

Morozov reckons that official data on industrial production will also soon paint a brighter picture. In February, industrial output rose at its weakest year-on-year pace in 15 months, the most recent official data showed.

Oil prices have stayed for weeks now some 50 percent above the average \$75 a barrel estimated in Russia's 2011 budget.

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