

Services Follow Manufacturing Toward Stagnation

By [The Moscow Times](#)

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Russia's services sector activity picked up slightly in September from the year-low growth rate posted in August, but the rise in new business eased for the sixth straight month, clouding the economic growth outlook, the HSBC Purchasing Managers Index indicated Wednesday.

The headline figure inched up to 53.3 in September from 53.2 in August, holding above the 50 mark that separates expansion from contraction.

"The ... survey for September reflected growing downside risks for the economy," said Alexander Morozov, chief economist for Russia and the CIS at HSBC.

"The services sector sustained a moderate level of economic expansion in September, while overall output growth in the economy edged down due to slower production growth in manufacturing."

On Monday, the HSBC Manufacturing PMI survey for September showed continued stagnation.

The index for new business fell to 51.83 in September from 54.43 the preceding month, logging its slowest growth rate in a year.

The survey also indicated a sharp fall in outstanding contracts, suggesting a lack of demand pressure.

"This is a worrisome sign, pointing to a likely further slowdown in economic expansion in the coming months," Morozov said.

Business expectations also continue to point to a relatively low growth outlook, with the majority of firms for the second month in a row expecting activity to either fall or remain unchanged ahead.

Morozov warned that if the current slow output growth and stagnation in new orders in manufacturing continues, the rate of economic expansion in Russia is likely to fall eventually to 2 to 2.5 percent in gross domestic product terms on an annualized basis.

The official forecast sees the economy growing 4.1 percent and 3.7 percent in 2011 and 2012, respectively.

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