

Industry Expands Slowest in 8 Months

By [The Moscow Times](#)

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Industrial output expanded at the slowest pace in eight months in July, the State Statistics Service said Monday, missing economists' forecasts, as record-high temperatures forced some manufacturers to halt production.

Production at factories, mines and utilities rose an annual 5.9 percent after a 9.7 percent advance in June, the service said. Nonseasonally adjusted output rose 1 percent from the previous month.

Manufacturers, including automakers Volkswagen and AvtoVAZ, temporarily halted Russian operations because of the heat wave. High temperatures and the worst drought in half a century have also crippled agriculture, forcing 29 crop-producing regions to declare a state of emergency.

The heat created a "perfect local storm," as increasing concern about the global economy was exacerbated by domestic factors, said Ivan Tchakarov, chief economist for Russia and the Commonwealth of Independent States at Bank of America Merrill Lynch Global Research.

“If the slowdown in July is related to heat, then the August number may be even worse,” he said.

Manufacturing shrank on a monthly basis for the first time since April, dropping 0.4 percent from June. Mining and quarrying rose an annual 2.7 percent, the smallest gain in nine months.

“The July data may be a precursor for what we are likely to see in the next couple of months,” Tchakarov said. “Still, this is probably a temporary phenomenon, not a permanent shock.”

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