

Russian Industrial Output Fell Steeply in May

By [The Moscow Times](#)

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Melters cast ingots of 99.99 percent pure silver at the Krastsvetmet Krasnoyarsk non-ferrous metals plant in the Siberian city of Krasnoyarsk, Jun. 5.

Russian industrial output fell in May at its fastest pace since October 2009, official data showed on Tuesday, underlining that the country's sanctions-hit economy has yet to bottom out.

Industrial output fell by 5.5 percent year-on-year in May, worse than a 4.5 percent fall a month earlier, Federal Statistics Service data showed.

Particularly sharp falls were seen in the manufacturing sector, which collapsed 8.3 percent versus a year earlier.

Production of machinery, consumer goods and cars performed especially badly. As in previous months, output of certain food items subject to an import ban introduced in response

to Western sanctions over the Ukraine conflict outperformed.

Dmitry Poleyov, chief economist for Russia and CIS at ING Bank in Moscow, said the data sent a clear signal that falling domestic demand was weighing on the supply side of the economy and that he expected the trend to continue.

"The Russian Central Bank is thus fully correct in still seeing significant risks of an economic slowdown," he said in a note. "We still think the fragile economy deserves a single-digit policy rate by the end of 2015."

The Central Bank cut its main interest rate by 1 percentage point on Monday to 11.5 percent, extending a cycle of easing monetary policy.

Its governor, Elvira Nabiullina, said the Russian economy had not yet passed its worst point and that annual economic growth would only resume around the middle of next year.

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