

Russian Industrial Output Below Expectations at 2.8% Growth in July

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By [bne IntelliNews](#)

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Russian industrial output growth slowed down to 2.8% year-on-year from 3.3% seen in June. **Kirill Zykov / Moskva News Agency**

Russian industrial output growth slowed down to 2.8% year-on-year from 3.3% seen in June, trending below the consensus expectations of 3.4% growth, and showing a seasonally-adjusted month-on-month decline of 0.4%. In January-July overall industry expanded by 2.6% year-on-year.

Industry has been showing uneven and disappointing dynamics in the beginning of 2019, but is generally expected to pick up on rising state infrastructure spending on national projects.

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In July output in the resource industry was up 3% year-on-year (2.3% in June), while the manufacturing sector expanded by 2.8% year-on-year (3.4% in June), and utilities by 1.7% (2.5% in June).

Sberbank CIB on Aug. 16 commented that it expects "rising government infrastructure spending in the second half of 2019 to support manufacturing (particularly construction materials and equipment) and industrial production as a whole."

However, headwinds such as generally weak external demand (particularly for metals), due to the uncertain global trade picture, is limiting the potential for growth, Sberbank argues and forecasts the industrial production to increase by 2.5-3.0% in 2019.

Vladimir Tikhomirov of BCS Global Markets believes that the second half of 2019 expected rebound may end up being less pronounced as "consumers remain under pressure and the state continues to take a slow approach to investments in national projects," seeing July's industry data as negative.

"Production dynamics in various industry segments show fairly robust output in mining, oil and gas and food-processing, a mixed picture in chemicals and the automotive sector, small declines in construction materials' industry and contraction in many areas of consumer goods' production," BCS GM notes.

BCS GM analysts believe that industrial data shows continued stagnation in the economy and finds it premature to expect significant improvements in the second half of 2019, given suppressed consumer demand, low investment activity, and "ultra-stringent" fiscal policy. BCS retains the 2019 GDP forecast at 1.1% year-on-year, and warns of rising downside risks.

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