

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges
of socio-economic development

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INDUSTRIAL PRODUCTION DYNAMIC IN Q3 2025

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Industrial production in the Russian Federation in Q3 2025 continued stagnating, which has been observed since the beginning of the year. This is evidenced by the near-zero growth rates of the trend component of the industrial production index. The extractive sector is demonstrating stagnation, continuing the trend of the previous quarter. In manufacturing, there is a significant intra-sectoral differentiation: sustained growth in pharmaceuticals, as well as in the manufacture of aircraft and other transport vehicles, contrasts with the decline in mechanical engineering, automotive manufacturing, and the production of construction materials. At the same time, there is stagnation in the construction sector due to a decline in mortgage demand and a decrease in housing commissioning.

For a correct understanding of the trends in specific industries, it is necessary to break down their output into components: calendar, seasonal, irregular, and trend;¹ the interpretation of the latter is of particular interest. The authors identified the trend component of the production index series for 2003–2025² based on current statistics published by Rosstat.

The results of processing the series for the industrial production index as a whole are presented in Fig. 1. Fig. 2 shows the results for

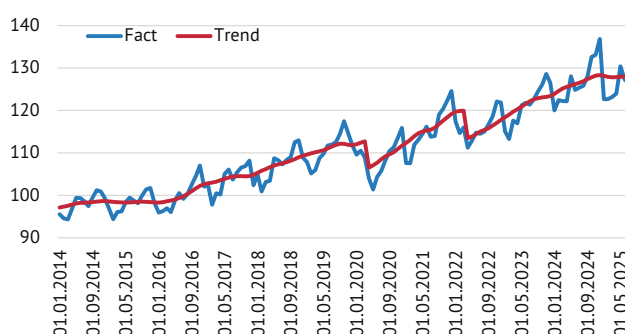


Fig. 1. Dynamics of the industrial production index in 2014–2025 (actual data and trend component), % against average annual value in 2016

Sources: Rosstat, own calculations.

- 1 The trend component is a well-established term used in the literature, but it should be noted that this component is not a “trend” in the strict sense used in econometrics when analyzing time series: in this case, it is precisely the residual from the separation of calendar, seasonal and irregular components. The trend component is incorrect to use for time series forecasting (for most industrial production indices it is non-stationary in levels (and stationary in differences), but it can be used for interpreting short-term dynamics and comparison with past events.
- 2 The trend component was extracted with the Demetra package using the X12-ARIMA procedure.

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the aggregate indices of the extractive sector, the manufacturing sector, and the production and distribution of electricity, gas, and water. For the remaining series, the decomposition results are presented in *Table 1*.

In Q3 2025, the dynamic of the trend component (100.46% y/y and 100.01% compared to the previous period) can indicate that industrial production is still stagnating. This is indicated by the near-zero dynamic of production in the manufacturing and mining sectors.

In Q2 and Q3 2025, the trend component in the mining sector shows near-zero growth rates after a prolonged downward trend that has been observed since early 2022. In Q3, the trend component grew by 100.35% compared to the previous period and by 100.02% compared to the same period last year.

The oil industry continues to operate under anti-Russian sanctions, which are affecting both exports and the investment climate. In September 2025, the European Union (as part of its 19th package) and the US introduced direct restrictive measures against Rosneft and Lukoil. The key measures were a complete ban on transactions with these companies by the EU and their inclusion by the US in the SDN sanctions list, which blocks settlements in dollars and threatens counterparties with secondary sanctions. In addition, the EU measures (as part of the 19th package) include adding Chinese oil refining companies that purchase Russian oil to the sanctions lists and imposing restrictions on them.¹ In Q3, attacks on energy facilities continued, which to some extent destabilized the smooth flow of exports. In particular, the Druzhba oil pipeline distribution station was attacked, leading to a five-day halt in supplies to Hungary and Slovakia.²

The stagnation of the natural gas production sector is due to a significant reduction in exports, especially in the LNG sector, and an active search for alternative markets. In January-September 2025 Russia reduced LNG exports by 11% (or 3.5 bn m³) compared to the same period last year, which is partly due to

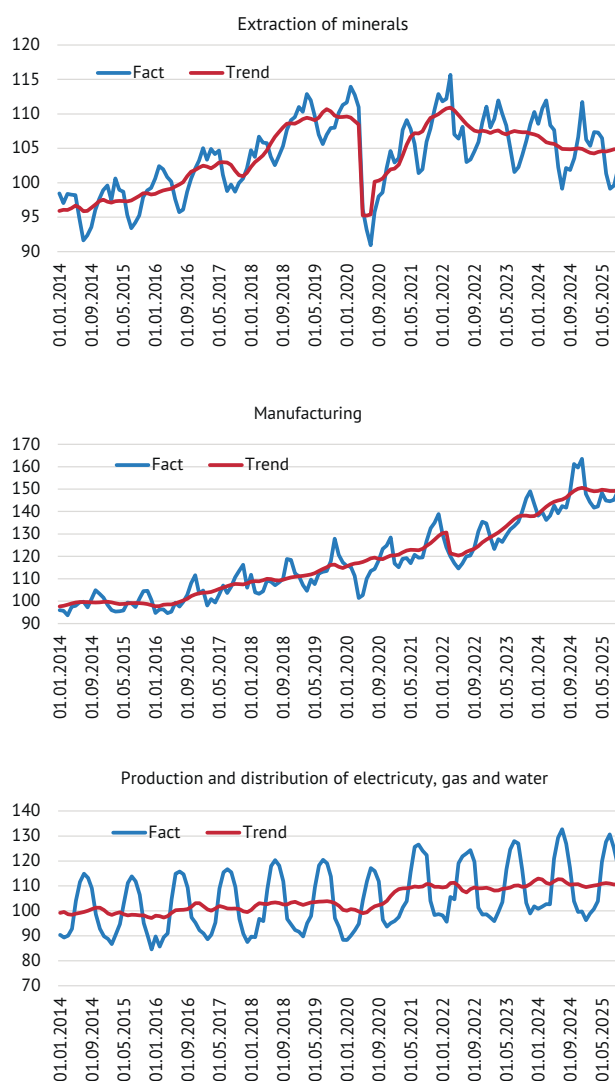


Fig. 2. Dynamics of the production indexes by industries in 2014–2025 (actual data and trend component), in % on average year value 2016

Sources: Rosstat, own calculations.

1 European Commission EU adopts new sanctions against Russia // Press release 23.10.2025. URL: https://commission.europa.eu/news-and-media/news/eu-adopts-new-sanctions-against-russia-2025-10-23_en

2 Media rating of oil and gas companies, Q3 2025 // Interfax, 21.10.2025. URL: <https://scan-interfax.ru/ratings/mediareiting-neftegazovyh-kompanii-3-kvartal-2025/>

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sanctions restrictions on the medium-tonnage plants Gazprom LNG Portovaya and Kriogaz-Vysotsk. In January-September, Russian LNG supplies to Europe fell by 10% y/y (or 1.8 bn m³). Belgium, France, and Spain accounted for more than 85% of total European LNG imports from Russia.¹ At the end of Q3 2025, NOVATEK reduced its hydrocarbon production by 1.2% y/y to 161.4 mn boe.²

The coal industry faced losses and ongoing logistical constraints in Q3 2025, contributing to stagnation in the extractive sector. Despite export growth in the first nine months of 2025 (up 3.8% y/y),³ coal companies' net losses for January-August reached Rb 258 bn, and the share of loss-making companies rose to 67%.⁴ The largest importers of Russian coal in September were China (7.8 million tons), South Korea (2.7 mn tons), and Turkey (1.2 mn tons). However, low global prices and high railway tariffs remain one of the key factors reducing the industry's profitability.⁵ The limited capacity of the Eastern Railway's Eastern Range also constrains export potential.

The trend component in the construction sector in Q3 2025 continues the dynamics of the previous quarter, showing near-zero growth rates (101.66% y/y and 100.00% compared to the previous period) due to reduced mortgage demand and oversupply. Construction companies have focused on completing projects already underway. This allows them to maintain financial stability in the face of expensive loans. At the same time, the reduction in supply supports market balance, reducing the risks of market oversaturation.⁶ In Q3 2025, housing commissioning decreased by 11.9% y/y.⁷ The launch of new housing construction projects in Russia decreased by 16% y/y in January-September 2025. Construction activity declined in 56 regions of Russia, including Moscow (-31% to 2.88 million square meters) and the Moscow region (-32% to 1.31 mn sq m).⁸

In Q3 2025, the trend component of manufacturing showed near-zero growth (101.01% y/y and 99.77% q/q). The highest growth was observed in the manufacture of transport equipment, where the production of aircraft increased by 31.7% and other transport equipment by 13.9% in January-September 2025,⁹ which may be partly due to the fulfillment of state defense orders.¹⁰ At the same time, there was a significant decline in the production of machinery and equipment, especially agricultural machinery (July -39.6% y/y; January-September -28.9% y/y). There was also a decline in the production of motor

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2 Alifirova E. NOVATEK sharply reduced LNG processing in Q3 2025, but increased LPG sales. // Neftegaz.ru 14.10.2025. URL: <https://neftegaz.ru/news/companies/903207-novatek-v-3-m-kvartale-2025-g-rezko-sokratil-obem-pererabotki-sgk-no-velichil-realizatsiyu-zhuv-est/>

3 Trifonova, P. Sailing eastward. Coal exports from Russia fell in September compared to August but grew year-on-year. // Kommersant, October 7, 2025. URL: <https://www.kommersant.ru/doc/8098511>

4 CAA Coal Pulse – November 3, 2025: The coal industry at a glance // EastRussia 3.11.2025. URL: <https://www.eastrussia.ru/material/puls-uglya-3-noyabrya-2025-ugolnaya-promyshlennost-v-momente/>

5 Alifirova E. 2025 may turn out to be worse for the Russian coal industry than the crisis-hit 2020 // Neftegaz.ru 23.09.2025. URL: <https://neftegaz.ru/news/coal/900754-2025-g-dlya-rossiyskoy-ugolnoy-otrasli-mozhet-okazatsya-khuzhe-krizisnogo-2020-g/>

6 Makarova E. Moscow is not being built. The volume of new housing construction in Moscow has almost halved // Kommersant 30.10.2025. URL: <https://www.kommersant.ru/doc/8161964>

7 Housing commissioning in Russia fell by almost 12% in the third quarter of 2025 // TASS 29.10.2025. URL: <https://tass.ru/nedvizhimost/25491265>

8 The number of new housing construction projects in Russia has fallen sharply // Vesti.ru 03.10.2025. URL: <https://www.vesti.ru/article/4716160>

9 According to Rosstat.

10 UAC to produce 1.5 times more aircraft in 2025 // Kommersant 03.10.2025. URL: <https://www.kommersant.ru/doc/8096630>

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vehicles (January-September -16.5% y/y) due to the rise in the cost of credit resources,¹ as well as in the production of rolling stock (January-September -19.4% y/y)² due to the saturation of the Russian Railways fleet.³

Metallurgical production declined in Q3.⁴ Sales of metal products fell by 10.4% in July-September over nine months. The main negative factors for the industry in 2025 were the decline in domestic and export prices for products and increased competition in foreign markets due to excess capacity and overproduction in China and India. Domestic demand fell in Russia due to a decline in activity in the construction sector, agricultural machinery manufacturing, and transport projects.⁵ In the manufacture of finished metal products, excluding machinery and equipment, growth was observed in the third quarter, mainly due to the production of steam boilers and finished metal products not included in other groups.⁶

In the chemical industry, there was growth in the production of agrochemical products (January-September +18.5% y/y)⁷ due to the expansion of cultivated areas and the introduction of modern agricultural technologies,⁸ as well as an increase in the production of pharmaceutical products (January-September +15.4% y/y) due to growth in demand for domestic medicines, the launch of new production sites, and the expansion of the range of exported drugs.⁹

The extractive industry will continue to stagnate due to structural constraints and sanctions pressure. Growth is expected to be held back by insufficient transport infrastructure capacity and high logistics costs, despite the ongoing reorientation of exports towards Asian markets.¹⁰

The short-term outlook for the construction industry is determined by the continued counterproductive impact of high key rates on mortgage demand and lending conditions for developers. The sector's performance in the coming quarters will mainly depend on changes in monetary policy and possible fiscal support measures.¹¹ In the short term, the manufacturing industry is expected to continue to show mixed dynamics, with growth concentrated in segments focused on government orders and import substitution. At the same time, consumer-oriented and credit-dependent sub-sectors will continue to experience contraction under the impact of tight monetary policy. The key limiting factor will be cyclical constraints on investment and consumer demand.¹²

1 Ministry of Economic Development: production of motor vehicles, trailers, and semi-trailers may decline by 20.7% // TASS 09.26.2025. URL: <https://tass.ru/ekonomika/25176591>

2 According to Rosstat.

3 In 2025, railcar production will exceed write-offs by 50,000 units // Vedomosti, January 31, 2025. URL: <https://www.vedomosti.ru/business/articles/2025/01/31/1089377-proizvodstvo-vagonov-operedit-ih-spisanie>

4 According to Rosstat.

5 Trifonova P. Major steelmakers report decline in revenues // Kommersant 23.10.2025. URL: <https://www.kommersant.ru/doc/8142119>

6 According to Rosstat.

7 Ibid.

8 Kulistikova T. Pesticide consumption and production may increase significantly. URL: <https://www.agroinvestor.ru/markets/news/43789-potreblenie-i-proizvodstvo-pestitsidov-mogut-znachitelno-uvlechitsya/>

9 The Ministry of Economic Development forecasts a 13% increase in pharmaceutical production in 2025 // Pharmprom 09/29/2025. URL: <https://pharmprom.news/minekonomrazvitiya-prognoziruet-rost-proizvodstva-farmprodukcii-na-13-v-2025/>

10 Ibid.

11 Kryuchkova E. The Russian Union of Industrialists and Entrepreneurs discussed the prospects for the construction market // Kommersant 10/29/2025. URL: <https://www.kommersant.ru/doc/8160562>

12 Bashkatova A. Ministry of Industry and Trade fears systemic crisis in industry // Nezavisimaya Gazeta 11/24/2025.

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Table 1

Change in the output index as per industry, %

Industry	Share in the industrial production index	September 2025 on September 2024	September 2025 on June 2025	Changes in the last months
Index of industrial production		100.46	100.01	Stagnation
Extraction of minerals	34.54	100.02	100.35	Stagnation
Manufacturing	54.91	101.01	99.77	Stagnation
Production of foods, including drinks and tobacco	16.34	108.53	102.10	Growth
Textile and dress making production	1.14	106.90	104.89	Growth
Production of leather, leather items, and production of shoes	0.27	93.38	98.52	Sluggish recession
Wood manufacturing and production of wood items	2.02	94.89	102.17	Growth
Cellulose – paper production	3.35	73.30	92.73	Recession
Production of cox and petroleum products	17.25	99.11	99.34	Sluggish recession
Chemical production	7.56	110.44	102.37	Growth
Production of resin and plastic items	2.14	90.64	97.80	Recession
Production of other non-metallic mineral products	4.02	90.02	99.40	Stagnation
Metallurgical production and production of finished metallic items	17.42	117.37	102.75	Growth
Production of machinery and equipment	6.97	88.37	95.17	Recession
Production of electric equipment, electronic and optical equipment	6.27	102.81	101.36	Sluggish recession
Production of transport vehicles and equipment	6.75	133.99	107.44	Growth
Other productions	2.42	90.43	96.11	Recession
Electric energy, gas and water	13.51	100.12	99.51	Stagnation
Wholesale trade		95.49	98.66	Sluggish recession
Retail trade		102.22	101.28	Sluggish recession
Ton miles		98.93	99.39	Sluggish recession
Construction		101.66	100.00	Stagnation
Agriculture		102.11	100.68	Sluggish recession
Paid services to population		102.38	100.55	Stagnation

Sources: Rosstat, own calculations. 