

# MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges  
of socio-economic development

Gaidar Institute



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## INDUSTRIAL PRODUCTION DYNAMICS IN Q1 2026

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*The trend component of industrial production in the Russian Federation in Q1 2026 shows weak growth. In the extractive sector, there has been a decline in the production of both oil and associated gas, as well as in the production of thermal coal and anthracite, while natural gas production is on the rise. The trend in manufacturing is characterized by near-zero growth rates. The sharpest decline in the trend component is observed in metallurgical production and the production of other non-metallic mineral products due to reduced demand from the construction sector. In the short term, industrial production is expected to remain in a phase of stagnation. At the same time, a further decline in metallurgical production and the production of other non-metallic mineral products is forecast. Growth is expected in food and chemical production.*

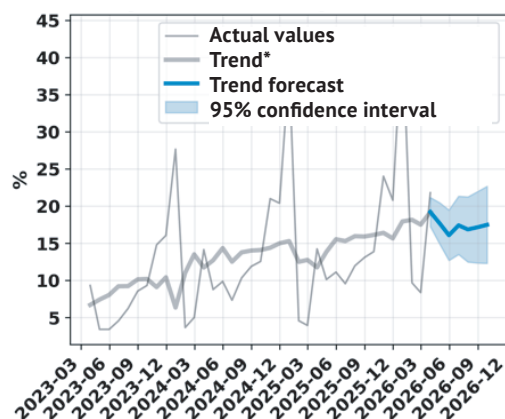
To accurately interpret current trends in individual sectors, it is necessary to smooth out short-term fluctuations and identify the underlying trend in the industrial production index. A separate model was developed for each sector. The initial monthly growth rates were converted into cumulative growth rates relative to the base month – December 2014. Thus, the analysis is based on the actual and forecast trend components of the industrial production index. Forecasting was performed over a horizon of up to 6 months using the RANSAC (RANdom SAmple Consensus) method based on two base models: vector autoregression (VAR) and Random Forest,<sup>1</sup> using indicators of demand, costs, financial conditions, as well as a news uncertainty index<sup>2</sup> that assesses the tone of business publications.<sup>3</sup>

1 To seasonally adjust the data, STL (Seasonal-Trend decomposition using LOESS) decomposition with a period of 12 was applied. A robust version of the method, resistant to outliers, was used. As a result, trend-cyclical and residual components were identified, the sum of which was used for modeling and forecasting.

2 The following indicators were used as regressors: the news index (a proxy for uncertainty and expectations); the price of Brent crude oil, deflated by the U.S. CPI (external price shock and terms of trade); the weighted average MIACR rate (cost of debt and monetary policy channel); the inflation-adjusted MOEX Index (financial conditions and expectations); investment dynamics (demand and capacity expansion); real household income (consumer demand); and the producer price index (costs and supply-side pressures). At the sectoral level, lagged values of output indicators in related sectors were additionally taken into account, reflecting inter-sectoral production linkages and channels of demand formation.

3 Kosarev V. S. et al. Application of Modern Language Models for Forecasting Macroeconomic Indicators // Economic Journal of the Higher School of Economics. 2025. Vol. 29. No. 4. Pp. 667–690.

## Monitoring of Russia's economic outlook



\* The trend is based on a seasonally adjusted base index obtained through STL seasonal decomposition, without removing the cyclical component.

*Fig. 1. Actual and projected trends in the core industrial production index (as of December 2014)*

Sources: Rosstat, own calculations.

In Q1 2026, the actual trend dynamics of the industrial production index generally indicate slow growth (a 1.3 p.p. increase in the trend component for January–March 2026). However, the forecast points to a slowdown in industrial dynamics with a transition to stagnation.

In Q1 2026, the extractive sector saw mixed trends, though analysis of the oil and gas segment is significantly complicated by ongoing restrictions on publication of official statistics. The Russian government has extended the suspension of Rosstat's disclosure of monthly, quarterly, and annual data on oil, gas, and gas condensate output, as well as on petroleum product production, until April 1, 2027 (order dated April 1, 2026). Under these circumstances, OPEC data and alternative analytical reports serve as the key sources for analysis.

According to OPEC data, in January–March 2026, average daily oil output in Russia stood at 9.191 mn bbl/d, which is 383,000 bbl/d below the quota set under the OPEC+ agreement (9.6 mn bbl/d). This shortfall relative to the quota is due to infrastructure constraints: UAV attacks on export ports in the Baltic Sea (Ust-Luga) and the Black Sea, as well as unscheduled repairs at a number of refineries, meant that Russia was unable to meet even its permitted production volume. According to estimates by the analytical firm Euler, by the end of 2026, oil and gas condensate output could grow by 3% year-on-year – to 10.9 mn bbl/d – indicating the industry's expected transition to recovery following the 2025 downturn, when, according to OPEC and the IEA, production fell by 0.8–1% to mn bbl/d.<sup>1</sup>

In the gas sector, by contrast, steady growth has been recorded. According to Rosstat, total gas output in Q1 2026 amounted to 192.1 bn m<sup>3</sup>, which is 6% higher than the figure for the same period in 2025. Natural gas output rose by 7% (to 166 bn m<sup>3</sup>), while associated petroleum gas showed near-zero growth (-0.3%, to 26.1 bn m<sup>3</sup>). LNG output increased by 9.3% to 9.5 mn tons; in March, growth reached 15.2% (3.3 mn tons). The main drivers of growth were an unusually cold winter, the low-base effect following the 2025 downturn (-3.2%), and an increase in export shipments. NOVATEK's results are also indicative:

<sup>1</sup> Government extends ban on disclosure of oil and gas production volumes for one year // Kommersant 01.04.2026. URL: <https://www.kommersant.ru/doc/8553273?tg>

## Industrial production dynamics in Q1 2026

the company increased hydrocarbon output by 3.3% – to 174.7 mn bbl of oil equivalent, including gas – by 3.1% (to 22.03 bn m<sup>3</sup>), and liquid hydrocarbons by 4.2% (to 3.62 mn tons).<sup>1</sup>

In Q1 2026, Russia's coal industry faced a combination of negative factors that led to a 6.1% decline in output (down to 105 mn tons) and a sharp drop in export revenue. According to Rosstat, coal output in Q1 2026 fell by 6.1% year-on-year to 105 mn tons. The sector's internal structure shows mixed trends: thermal coal output (other hard coal) fell by 10.7% (to 47.9 mn tons), anthracite by 18.7% (to 4.9 mn tons), while coking coal rose by 2.1% (to 26.5 mn tons). The hardest-hit region was Kuzbass, where output declined by 7.5% (to 44.6 mn tons). At the same time, certain regions, such as Yakutia, have demonstrated relative stability – output remained at 12 mn tons, and coal exports totaled 9.1 mn tons. The industry was primarily affected by mixed price trends in key Asian markets. Total Russian coal exports to China fell by 14.3% in January–February. Despite a 9% increase in coking coal shipments (to 8.88 mn tons) in Q1, average prices for coking coal declined by 3% (to \$112.8/ton). In March, China reduced its total imports of Russian coal by 20% (to six mn tons), which was partially offset by increased shipments to South Korea (+37%) and Turkey (+17%).<sup>2</sup> The cost of ocean freight from Far Eastern ports to India and China fell at the beginning of the year (by 10–30% compared to December 2025 on certain routes) due to a drop in demand,<sup>3</sup> however, by the end of the quarter, rates rose sharply by 17–27% due to the blockade of the Strait of Hormuz and increased military risks, which forced exporters to withdraw their offers.<sup>4</sup> The cost of coal transshipment at ports in the Far Eastern basin reached a three-year low in February 2026 (Rb872 ton), however, this positive factor for exporters was offset by an increase in Russian Railways' (RZhD) freight rates and the continuation of a 10% surcharge on empty-run rates starting in January 2026.<sup>5</sup>

The most significant external factor shaping the dynamics of global energy markets in Q1 2026 was the naval blockade of the Strait of Hormuz, imposed as part of the military conflict in the Middle East. According to the British Royal Navy, since the start of the conflict, ship traffic through the strait has fallen by 90% – fewer than 10 ships cross it daily. Supplies of Iranian oil, as well as exports of crude from Saudi Arabia, the UAE, Kuwait, and Iraq, have been blocked; the closure of the strait has triggered a spike in oil prices of approximately \$50 per barrel since the conflict began on February 28. By the end of April, 69 mn bbl of Iranian oil were stranded on tankers, and Iranian storage facilities were approximately 60% full, creating a risk of forced production shutdowns.

For the Russian oil and gas sector, the blockade of the Strait of Hormuz has a dual effect. On the one hand, rising global prices improve the market

1 Experts expect gas production in Russia to grow in 2026 // Vedomosti 29.04.2026. URL: [https://www.vedomosti.ru/analytics/trends/articles/2026/04/29/1193842-eksperti-ozhidayut-rosta-dobichi-gaza-v-rossii-v-2026-godu?from=newsline\\_vedomosti](https://www.vedomosti.ru/analytics/trends/articles/2026/04/29/1193842-eksperti-ozhidayut-rosta-dobichi-gaza-v-rossii-v-2026-godu?from=newsline_vedomosti)

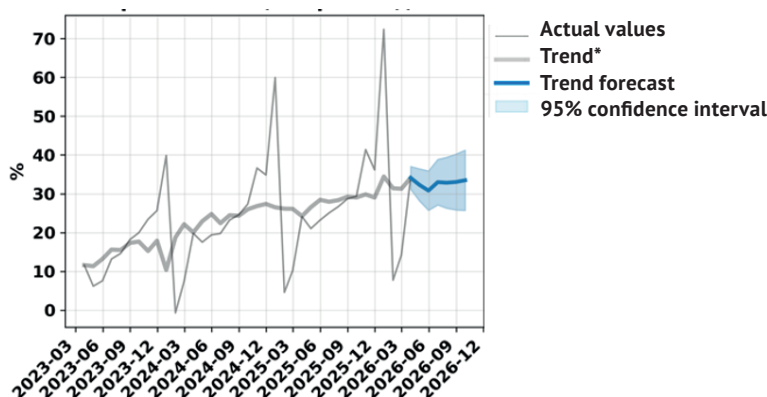
2 Russia increased coal exports by 8% in March // Vedomosti 16.04.2026. URL: <https://www.vedomosti.ru/business/articles/2026/04/16/1190662-rossiya-uvelichila-eksport-uglya?from=newsline>

3 Freight rates for coal exports fell to a six-month low // RBG 25.01.2026. URL: <https://rbgmedia.ru/post.php?id=21117>

4 Logistics risks forced coal exporters to withdraw offers // Logistics 06.04.2026. URL: <https://logistics360.ru/news/logisticheskie-riski-zastavili-eksporterov-uglya-otozvat-oferty/>

5 The cost of coal transshipment at Far East ports reached a three-year low of Rb872 per ton. St. Petersburg Exchange // Energy Policy 13.03.2026. URL: <https://energy-policy.ru/stoimost-perevalki-uglya-v-portah-dalnego-vostoka-dostigla-minimuma-za-poslednie-tri-goda-v-872-rub-tonnu-peterburgskaya-birzha/novosti/2026/03/13/>

## Monitoring of Russia's economic outlook



\* The trend is based on a seasonally adjusted base index obtained through STL seasonal decomposition, without removing the cyclical component.

Fig. 2. Actual and forecast trends in the manufacturing sector (as of December 2024)

Sources: Rosstat, own calculations.

conditions for Russian exports; on the other hand, the contraction of global supply exacerbates sanctions risks and logistical constraints, which, as the Bank of Russia notes, are already holding back physical shipment volumes. Furthermore, the blockade has indirect consequences for related industries: as noted by the Russian Federation Security Council, about one-third of global maritime transit of mineral fertilizers passes through the Strait of Hormuz, and a protracted crisis could trigger a shortage of sulfur and other components critical to the chemical sector. The UN Secretary-General warned that if the blockade continues until the end of the year, global inflation could exceed 6%, and global economic growth could fall to 2%.<sup>1</sup>

The near-zero growth rate of the trend component in the manufacturing sector in Q1 2026 confirms that industrial production has entered a phase of stagnation. However, trends in manufacturing vary significantly by sector: a steady positive trend is observed in the production of electrical equipment, machinery and equipment, as well as food products, while a decline is recorded in sectors such as metallurgical production, the manufacture of other non-metallic mineral products, the production of leather and leather goods, and the manufacture of paper and paper products. The forecast indicates that the stagnation trend in manufacturing will continue in the coming months.

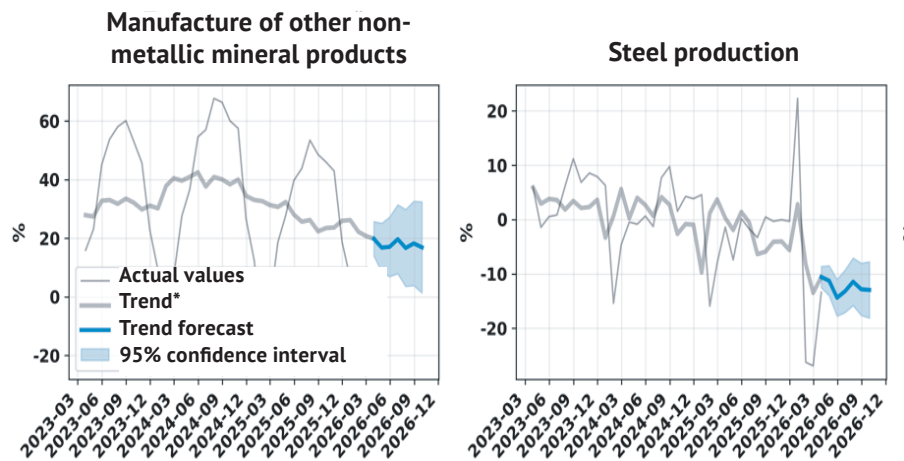
In January–March 2026, the core trend component of steel production saw the sharpest decline (a drop of 13.4 p.p. in January–March 2026). The main reason for the decline in output was a sharp (nearly 15% year-on-year) drop in steel consumption in the domestic market,<sup>2</sup> due to reduced demand from key consumer industries. The steel pipe segment showed the largest decrease, likely due to reduced demand in the oil and gas sector.<sup>3</sup> In the construction sector, consumption of rolled steel for metal structures fell by 12% in 2025, and a further decline below 5 mn tons is forecast for 2026, due to a decrease in the

1 Growth in oil production and exports from Russia is being held back by logistical and infrastructure challenges // National Association of the Oil and Gas Sector, April 15, 2026. URL: <https://nangs.org/news/upstream/rost-dobychi-i-eksporta-nefti-iz-rossii-sderzhivayut-trudnosti-s-logistikoj-i-infrastrukuroj>

2 Yudina, Y. Steel consumption in Russia fell by 15% due to the economic slowdown // Investing 21.04.2026. URL: <https://ru.investing.com/news/general-news/article-3196784>

3 Steel is not welding // Kommersant. 11.03.2026. URL: <https://www.kommersant.ru/doc/8498993>

## Industrial production dynamics in Q1 2026



\* The trend is based on a seasonally adjusted base index obtained through STL seasonal decomposition, without removing the cyclical component.

Fig. 3. Actual and projected trends in metallurgical production and the production of other non-metallic mineral products (as of December 2014)

Sources: Rosstat, own calculations.

volume of housing construction and infrastructure projects.<sup>1</sup> At the same time, the trend component in the industry is projected to fall by another 2.3 p.p. by September 2026.

A significant decline in the trend component was also observed in the production of other non-metallic mineral products in Q1 2026. The decline in output in the sector was mainly due to a decrease in production of construction materials (-23% in January–March 2026), as well as in production of concrete, cement, and gypsum products (-14.4% in January–March 2026).<sup>2</sup> By the end of Q1 2026, housing commissioning in Russia decreased by more than 28%, and in the single-family housing construction segment, the decline exceeded 38%.<sup>3</sup> The slowdown in the launch of new projects is having a dampening effect on the consumption of cement and construction materials.<sup>4</sup> Rising prices for construction materials also had a negative impact on demand.<sup>5</sup> In addition, the decline in cement production was exacerbated by unfavorable weather conditions during the winter, as concrete work is technically impossible at temperatures below -15...-25°C. According to Soyuzcement estimates, weather conditions accounted for about half of the total decline in demand in January.<sup>6</sup> At the same time, the trend component is projected to fall further by 2.9 p.p. by September 2026.

In addition, a decline in the trend component was observed in Q1 2026 in the production of leather and leather goods, as well as in wood processing and the manufacture of wood products.

1 "Evraz": Consumption of rolled metal for metal structures fell by 12% // Metallurgical Bulletin. April 21, 2026. URL: <https://www.metalbulletin.ru/news/black/10193667/>

2 According to Rosstat.

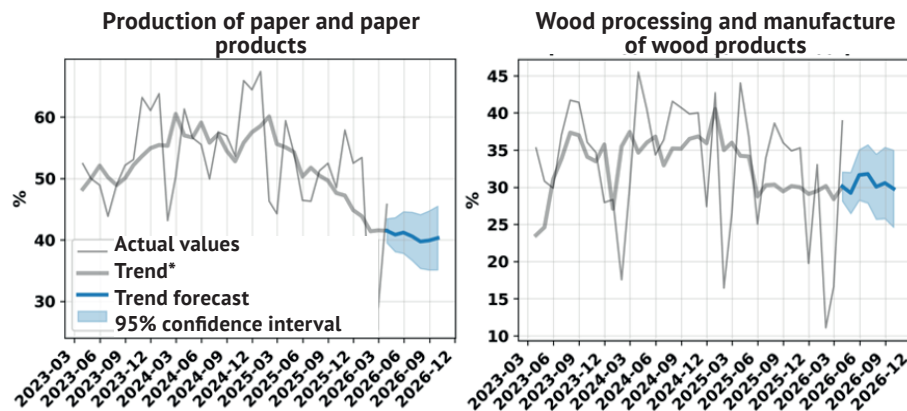
3 Construction materials prices fell // Застрой.рф 28.04.2026. URL: <https://zsrp.ru/news/strojmateriy-posli-vniz#comments>

4 The housing market is slowing down: what does this mean for the cement industry in 2026? // Vedomosti 13.01.2026. URL: [https://www.vedomosti.ru/press\\_releases/2026/01/13/rinok-zhilya-zamedlyaetsya-cto-eto-znachit-dlya-tsementnoi-otrasli-v-2026-godu](https://www.vedomosti.ru/press_releases/2026/01/13/rinok-zhilya-zamedlyaetsya-cto-eto-znachit-dlya-tsementnoi-otrasli-v-2026-godu)

5 NOSTROY President Anton Glushkov on rising prices for construction materials // Vedomosti 12.01.2026. URL: [https://www.vedomosti.ru/press\\_releases/2026/01/12/prezident-nostroi-anton-glushkov-o-roste-tsen-na-stroimateriali](https://www.vedomosti.ru/press_releases/2026/01/12/prezident-nostroi-anton-glushkov-o-roste-tsen-na-stroimateriali)

6 Analysts estimate a drop in demand for cement in Russia in January of up to 30% // Expert 05.02.2026. URL: <https://expert.ru/news/analitiki-otsenili-padenie-sprosa-na-tsement-v-rossii-v-yanvare-do-30/>

## Monitoring of Russia's economic outlook



\* The trend is based on a seasonally adjusted base index obtained through STL seasonal decomposition, without removing the cyclical component.

Fig. 4. Actual and projected trends in the production of paper and paper products, as well as in wood processing and manufacture of wood products (as of December 2014)

Sources: Rosstat, own calculations.

The output of leather and leather goods shows a widespread decline across the largest industrial regions. In the Krasnoyarsk Krai, the decline amounted to 82.8%<sup>1</sup> compared to January–March 2025, and in the Sverdlovsk Oblast, it was 16.4%.<sup>2</sup> Key factors: the loss of the European market (since 2023, Russian leather has been included in the EU's 9th sanctions package) and increased competition from Asian importers.

In January 2026, timber harvesting decreased by 18.4% year-over-year. The decisive factors behind this negative trend were: the loss of the European market (export revenue is 37.6% below pre-sanction levels); a reduction in export subsidies; and a twofold increase in transportation costs combined with the strengthening of the ruble, which made exports unprofitable. As a result, by the end of 2026, up to 50% of enterprises in the timber industry may face closure, and the sector has requested a three-year moratorium on bankruptcy and an emergency package of anti-crisis measures from the government.<sup>3</sup>

In these sectors, the trend component is projected to show near-zero growth in the coming months, indicating that production will stabilize at current levels.

The growth driver is the production of pharmaceuticals and medical supplies – by the end of Q1, it had grown by 11.2% compared to the same period in 2025, and in March, the year-over-year increase hit 15.9%. The total output of finished pharmaceuticals over the three months reached Rb267.7 bn (+14% year-over-year in monetary terms), and in volume terms – about 982.5 mn packages (+9.2% year-over-year). For the first time in four years, positive growth was also recorded in the over-the-counter (OTC) segment.<sup>4</sup>

Output of computers, electronic, and optical products increased by 5.2% year-over-year in Q1 (+8.7% in March). Growth is supported by large-scale import

1 Industrial production in the Krasnoyarsk Krai fell by 4.4% in the first quarter // Interfax, April 28, 2026. URL: <https://www.interfax-russia.ru/index.php/siberia/news/promproizvodstvo-v-krasnoyarskom-krae-v-i-kvartale-snizilos-na-4-4>

2 Production volumes are falling in the Urals // All News 23.04.2026. URL: <https://vsenovostint.ru/2026/04/23/na-urale-padayut-obemy-proizvodstva-snizhenie-do-26-60/>

3 Timber industry representatives request a three-year moratorium on bankruptcy // Siberian Timber Industry 14.04.2026. URL: <https://lpk-sibiri.ru/news/lesopromyshlenniki-zaprosili-tryohletnij-moratorij-na-bankrotstvo/>

4 According to Rosstat.

## Industrial production dynamics in Q1 2026

Table 1

Actual and projected year-on-year growth rates (based on the December 2014 base) for industrial production indices for January–September 2026, seasonally adjusted, %

	Actual trend in industrial production indices			Forecast trend for industrial production indices					
	January	February	March	April	May	June	July	August	September
Industrial production	18.2	17.5	19.2	17.7	16.1	17.4	16.9	17.2	17.5
Manufacturing	31.4	31.3	34.1	32.3	30.8	33	32.9	33	33.5
Food products	34.6	31.6	31.5	34.4	32.7	31.3	33.9	34.2	34.4
Textile products	53.5	60.6	65.1	62.8	61.8	61.6	61.8	62.2	62
Leather and leather goods manufacturing	13.9	13.2	12.5	10.2	11	15.6	12.9	12.9	13.3
Wood processing and manufacture of wood products	30.2	28.4	30.1	29.2	31.7	31.8	30.1	30.6	29.8
Paper and paper products	41.4	41.6	41.5	40.9	41.2	40.6	39.7	39.9	40.3
Coke and oil products	0.1	-0.4	0.2	-2	-3.5	-2.2	-1.4	-0.5	-0.5
Manufacture of chemicals and chemical products	49.9	49.6	49.2	48.4	49	50.7	50.6	51.1	50.4
Manufacture of other non-metallic mineral products	22.2	20.8	19.8	16.8	17.1	19.7	16.7	18.2	16.9
Steel production	-8.2	-13.5	-10.6	-11.3	-14.4	-13.2	-11.4	-12.8	-12.9
Electric equipment	32.2	34.2	38.8	34.3	36.8	42.5	41.4	47.1	48.4
Machines and equipment	25.2	30.7	38	36.6	37.3	40	41.3	48.9	46.5
Motor vehicles	-49.2	-46.8	-48.9	-53.9	-47.6	-47.2	-48.6	-47.1	-47.4
Manufacture of rubber and plastic products	36.6	37.2	39.3	38.3	38.9	40.6	40.6	42.2	42.7

**Note.** The table shows the actual and projected trends in the growth of seasonally adjusted industrial production indices (base: December 2014).

substitution programs and steady demand from the defense industry. Within the sector, the production of semiconductor devices and their components is showing the highest growth rates.<sup>1</sup>

Chemical production is in a phase of stagnation with a trend toward slight growth. The industry has been negatively affected by a decline in demand from the construction sector and the automotive industry (production of styrene and vinyl chloride polymers has decreased). At the same time, the export segment (primarily mineral fertilizers) continues to grow steadily.<sup>2</sup>

The forecast for the seasonally adjusted trend component (base: December 2014) for April–September 2026 indicates a consolidation of stagnant dynamics with increasing structural polarization. Overall, for industry and manufacturing, the trend is expected to stabilize near current levels, confirming that the recovery momentum has run its course. The most pronounced further contraction is projected in metallurgical production and the production of other non-metallic mineral products, which is consistent with the expected continuation of the

1 Computer and electronics production in Russia grew by 5.2% in Q1 // Finmarket 23.04.2026. URL: <https://www.finmarket.ru/news/6606102>

2 Overview: In 2026, the chemical industry may regain positive momentum // RIA Rating 08.04.2026. URL: <https://riarating.ru/macroeconomics/20260408/630295394.html>

## Monitoring of Russia's economic outlook

downturn in the construction sector and the absence of factors for the recovery of domestic demand. Mixed dynamics with a tendency toward stagnation are expected in the leather industry, woodworking, and paper production. At the same time, further growth is projected in sectors supported by government and defense-industrial demand, as well as import substitution programs: the production of electrical equipment, machinery and equipment, and rubber and plastic products. Chemical production is expected to shift from stagnation to a slight recovery. Thus, the medium-term forecast indicates that the existing gap between growing high-tech and defense-oriented industries, on the one hand, and shrinking sectors dependent on domestic investment and consumer demand, on the other, will persist.▲