

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges
of socio-economic development

Gaidar Institute



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INDUSTRIAL PRODUCTION DYNAMICS IN Q2 2026

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The trend component of industrial production in the Russian Federation in Q2 2026 shows that it has stabilized in a phase of stagnation. In the extractive sector, there has been a decline in the production of oil, as well as energy coal and anthracite. Trends in the manufacturing sector are characterized by near-zero growth rates. The sharpest decline in the trend component is observed in both the production of coke and petroleum products and in the production of machinery and equipment. In the short term, industrial production is expected to remain stagnant. At the same time, output in the extractive sector is projected to decline further, including the production of coke and petroleum products. Growth is expected in the production of electrical equipment and motor vehicles (from a low base).

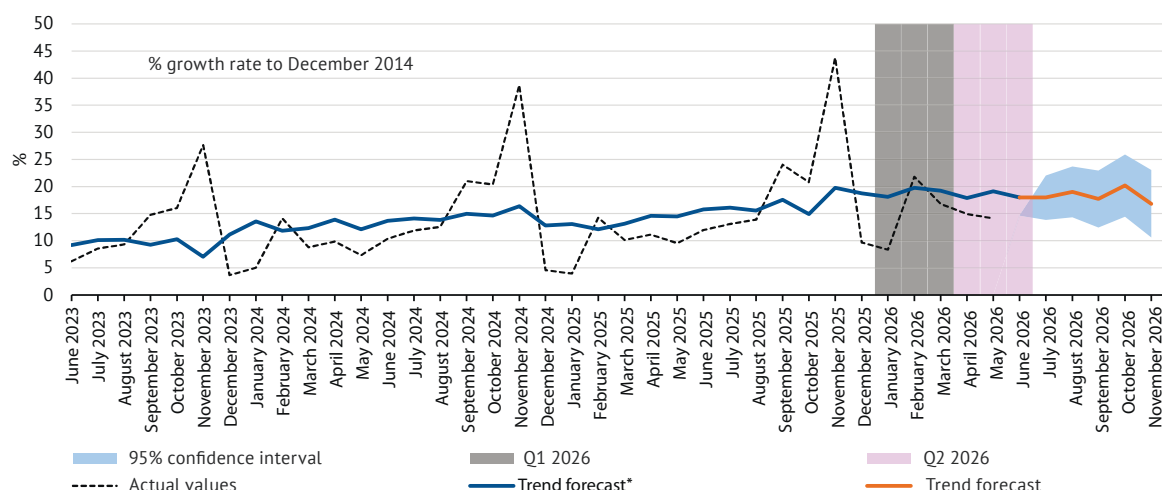
The forecasting methodology developed is designed to generate short-term (up to 6 months) forecasts of industrial production indices by specific sectors. The approach is based on a two-stage procedure for data processing and modeling.

In the first stage, the initial monthly growth rates are transformed into cumulative indices relative to the base period (December 2014), after which the time series are seasonally adjusted using a robust STL decomposition, which allows for the identification of trend, cyclical, and residual components. To ensure the stationarity of the resulting components, differentiation is applied based on the Dickey–Fuller test.

In the second stage, forecasting is performed using the RANSAC ensemble method, which combines the forecasts of two basic algorithms: vector autoregression (VAR), which captures linear relationships, and a random forest, which models nonlinear relationships. Macroeconomic indicators (oil prices, the MIACR rate, investment trends, and real incomes) and sector-specific lag variables, selected individually for each industry, serve as exogenous regressors. Particular attention is paid to news uncertainty index constructed based on the tone of business media publications. Comparative testing shows that its inclusion reduces the absolute forecast error in most cases, especially over medium-term horizons and for sectors sensitive to foreign policy and logistical shocks.¹

¹ Kosarev V.S. et al. Application of Modern Language Models for Forecasting Macroeconomic Indicators//HSE Economic Journal. 2025. Vol. 29. No. 4. Pp. 667–690.

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

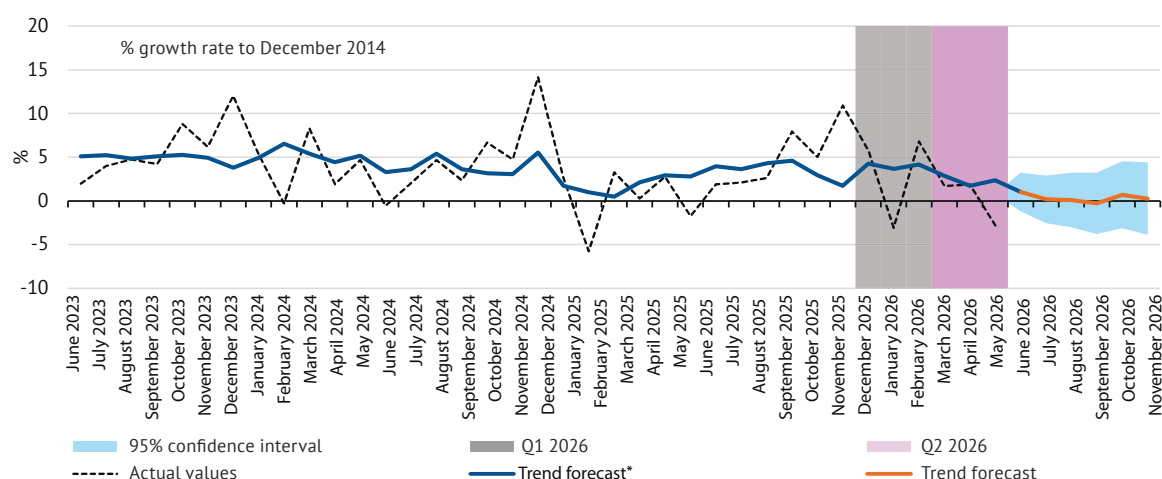
Fig. 1. Actual and forecast trends in the core industrial production index (as of December 2014)

Sources: Rosstat, own calculations.

In Q2 2026, the actual trend in the industrial production index generally points to stagnation (a 0.1 p.p. decline in the trend component for April-June 2026). The forecast through the end of 2026 indicates continued stagnation in industrial production, with a possible decline in December (*Fig. 1*).

In the extractive sector, the trend component declined in Q2 2026 (in June, it fell by 1.8 p.p. compared to March and by 0.5 p.p. compared to April). The forecast through the end of 2026 indicates a further decline in production in the extractive sector (*Fig. 2*).

In Q2 2026, oil production in Russia showed mixed trends. According to OPEC data, oil production in Russia in June 2026 fell by 61,000 bbl/d compared to May, totaling 8.928 million barrels per day – which is 834,000 bbl/d below the OPEC+ target (9.762 mb/d). Attacks on oil refining and transportation infrastructure acted as a restraining factor; according to Argus estimates, these attacks are



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

Fig. 2. Actual and forecast in the dynamic of mineral production base index (as of December 2014)

Sources: Rosstat, own calculations.

Industrial production dynamics in Q2 2026

keeping production below quotas.¹ This being said, the armed conflict between the U.S. and Iran, accompanied by a blockade of the Strait of Hormuz, through which about 20% of global oil transit passes, led to increased demand for Russian crude and higher prices.² In response to the deteriorating market conditions, the seven leading OPEC+ countries decided to increase production in July by 188,000 bbl/d, setting Russia's quota at 9.824 mb/d.³ Thus, the oil sector in Q2 2026 was characterized by a combination of production constraints caused by both voluntary commitments under OPEC+ and infrastructure damage, while simultaneously capitalizing on price advantages stemming from geopolitical instability in the Middle East.

According to a report by the International Energy Agency (IEA), Russia increased its LNG exports by 8% in H1 2026, which amounted to approximately 2 BCM in absolute terms. The main driver of this growth was an 18% increase in shipments to Europe.⁴ LNG production in June 2026 reached 2.6 mn tons, up 12.5% from a year earlier, while the figure for the first six months rose by 10.7% to 18.2 mn tons.⁵ In the pipeline segment, exports via the "TurkStream" pipeline increased by 5% to 8.74 BCM in January-June; however, in June, shipments fell by 26% compared to May due to scheduled preventive maintenance.⁶ Thus, the gas sector in the second quarter was characterized by steady growth in export shipments and LNG production, which offset temporary fluctuations in pipeline exports.

In Q2 2026, coal production in the Russian Federation was characterized by an acceleration in the rate of decline, as confirmed by official statistics. According to Rosstat, coal production in H1 2026 fell by 2% y/y to 212 mn tons. In June, the decline in production accelerated to 5.7% compared to May, totaling 34.9 mn tons. From a structural perspective, the trends were mixed: coking coal production rose by 3.5% (to 53.8 mn tons), and brown coal production by 1.1% (to 50.2 million metric tons), while anthracite production fell by 11.4% (to 10.1 mn tons) and other hard coal production by 5% (to 98.5 mn tons).⁷ The growth in coking coal production is attributed to the development of the Elginsky deposit, whose operator set a record for shipments to Far Eastern ports in April.⁸ The export segment saw offsetting trends. According to data from the Price Index Center, in June 2026, Russian coal exports rose by 18% y/y to 20.6 mn tons, and for the first half of the year, they increased by 6% to 105.3 million metric tons. The Indian market was the key driver of growth: shipments to India in June

1 OPEC+ has completed the lifting of production restrictions // Kommersant. August 2, 2026. URL: <https://www.kommersant.ru/doc/8860985>

2 (Non-)Oil and Gas Crisis: Consequences of the Conflict in the Middle East // RBC. August 3, 2026. URL: <https://companies.rbc.ru/news/GUaBsztSQS/neftegazovyy-krizis-posledstviya-konflikta-na-blizhnem-vostoke/>

3 Seven leading OPEC+ countries will increase oil production by 188,000 bpd in July // Energy Policy. June 7, 2026. URL: <https://energy-policy.ru/sem-vedushhih-stran-opek-narastyat-dobychu-nefti-v-iyule-na-188-tys-b-s/novosti/glavnye-novosti/2026/06/07/#content>

4 IEA: Russia Increased LNG Exports by 8% in the First Half of 2026 // AGNI. July 8, 2026. URL: <https://www.angi.ru/news/2934534-МЭА%3A%20В%20первом%20полугодии%202026%20года%20Россия%20нарастила%20экспорт%20СПГ%20на%208/>

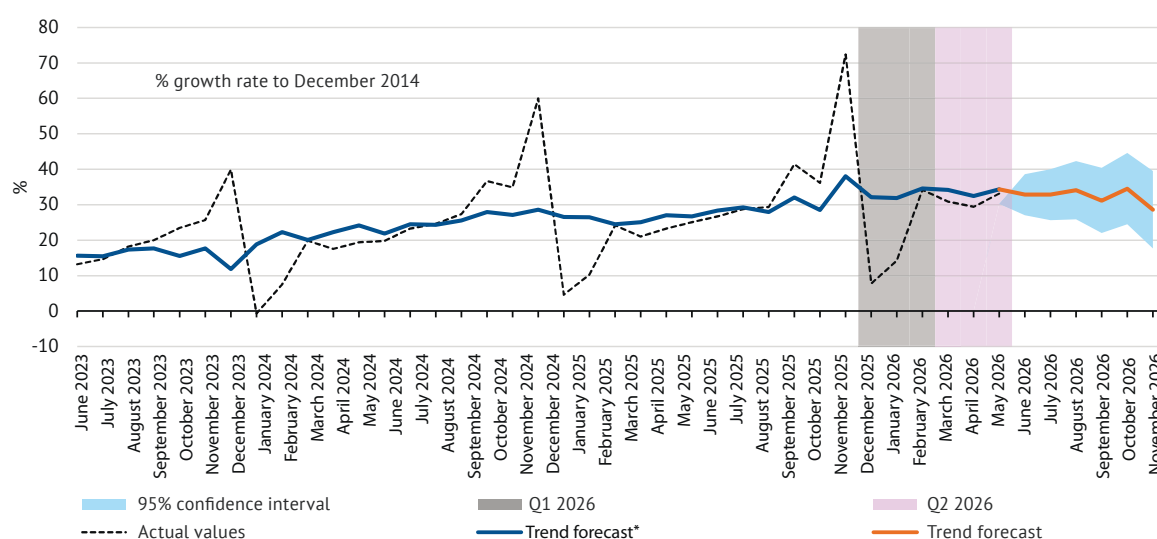
5 LNG production in Russia rose by 12.5% in June – to 2.6 mn tons // Interfax. July 22, 2026. URL: <https://www.interfax.ru/business/1104876>

6 Russian gas exports to Europe over TurkStream up 5% in H1 2026 // TASS. 1.07.2026. URL: <https://tass.com/economy/2153957>

7 According to Rosstat.

8 Elga Set a Record for Coal Shipments, Strengthening Its Position in Asia-Pacific Export Markets // Neftegaz.ru. May 4, 2026. URL: <https://neftegaz.ru/news/coal/923513-elga-ustanovila-rekord-po-otgruzke-uglya-usiliv-pozitsii-na-eksportnykh-rynках-atr/>

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

Fig. 3. Actual and forecast trend dynamics in the manufacturing sector (as of December 2014)

Sources: Rosstat, own calculations.

increased by 48% y/y, reaching 3.5 mn tons.¹ Thus, the coal sector underwent a structural shift in Q2 2026: a decline in total production was accompanied by growth in export shipments, primarily due to a reorientation toward India.

The near-zero growth rate of the trend component in the manufacturing sector in Q2 2026 confirms the stagnant dynamics of industrial production (Fig. 3). However, trends in manufacturing vary significantly by sector: a steady positive trend is observed in the production of electrical equipment, leather goods, chemicals and chemical products, as well as motor vehicles (due to a low base), whereas a decline is recorded in sectors such as the production of coke and petroleum products, the production of textiles, and the production of machinery and equipment. The projected trend indicates that the stagnation in manufacturing will continue through the end of 2026.

The trend component of electrical equipment production showed the strongest growth in Q2 of 2026 (+7.9 p.p. in June compared to March 2026). Further growth in production in this sector is projected through the end of 2026. According to Rosstat data, the industrial production index rose by 0.4% in H1 2026 compared to the same period last year. In this respect, in June, the output of electrical equipment showed one of the most notable results among the manufacturing sectors, increasing by 7.7% compared to June 2025,² indicating a return to positive growth specifically in June, likely due to the intensification of investment and repair programs. The key driver of demand was the power grid sector, specifically the increase in funding for Rosseti's maintenance programs by more than 30% in a number of regions.³ A cluster for the production

1 Russia increased coal exports by 18% in June thanks to demand in Asia // Vesti. July 17, 2026. URL: <https://www.vesti.ru/ns/rossiya-v-iyune-uvlechila-na-18-ehksport-uglya-blagodarya-sprosu-v-azii>

2 Industrial Production Trends for the First Five Months of 2026 // Federal State Statistics Service. URL: <https://rosstat.gov.ru/folder/313/document/285745?print=1>

3 The cable market enters the second half of the year without a boom, but supported by electrical engineering and power grids // RusCable. July 31, 2026. URL: https://www.ruscable.ru/article/plus/kabelnyj_rynok_vhodit_v_vtoroe_polugodi/

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of low-voltage equipment was also launched in Ulyanovsk, consolidating capacity for full localization of production.¹

The trend component of motor vehicle production also showed growth in Q2 2026 (+6 p.p. in June compared to March 2026). However, in Q2 2026, motor vehicle production in the Russian Federation demonstrated pronounced divergence across segments: steady growth in the passenger car sector was accompanied by a continuing decline in the commercial vehicle and bus segments.² The key drivers of growth in passenger car production were the launch of local assembly of new Avtotor models and the expansion of the AGR Holding's product line.³ Nevertheless, industry experts attribute the decline in commercial vehicle production to systemic factors – in particular, the saturation of the market with Chinese vehicles following the withdrawal of Western brands, which led to overstocking and a decline in demand for products from domestic manufacturers. Production of internal combustion engines for the first half of the year fell by 21% (to 84,000 units), indicating persistent structural problems in component supply chains.⁴

The trend component in the production of chemicals and chemical products in Q2 2026 showed moderate growth. A marked differentiation was observed across industry segments: production of plastics in primary forms increased by 5%, and that of chemical fibers by 5.5%. Moreover, production of ammonia fell by 5.8% (to 9 mn tons), industrial-grade sulfur by 22.8% (to 1.958 mn tons), and synthetic rubbers by 7.9%. Fertilizer output in June declined by 3.6% y/y, totaling 2.3 mn tons.⁵ Thus, the chemical sector underwent a structural transformation in Q2 2026: the high-volume product segments (polymers) and certain product lines (chemical fibers) showed steady growth, while production of raw material intermediates and fertilizers continued to decline.

The trend component indicates a decline in the production of coke and petroleum products. A further reduction in the sector's production is projected in the short term. A key factor in the decline was drone attacks on oil refining infrastructure, which put approximately 25% of Russia's refining capacity out of operation.⁶ As a result, oil refining volumes fell to 4.1 mb/d in June the lowest level in several years and dropped to 3.6 mb/d in July, the lowest figure since May 2002.⁷ The government was forced to impose a ban on petroleum product exports and increase imports to stabilize the market. That said, producer prices in the industry rose by 19.9% y/y in June,⁸ reflecting a supply shortage.

The trend component in machinery and equipment production in Q2 2026 showed a decline (-4.8 p.p. in June compared to March 2026). The forecast indicates stagnant production dynamics in this sector in the short term.

1 IEK GROUP Opens a Cluster for the Production of Low-Voltage Equipment // RBC. June 8, 2026. URL: <https://companies.rbc.ru/news/lxpYfk9VU0/iek-group-otkryila-klaster-po-proizvodstvu-nizkovoltnogo-oborudovaniya/>

2 Passenger car production in Russia rose 16% in the first half of the year, setting a monthly record for June that was the highest in 1.5 years // Interfax. July 22, 2026. URL: <https://www.interfax.ru/business/1104874>

3 Rosstat reported that the passenger car industry grew by more than 1.5 times // Autonews. July 23, 2026. URL: <https://www.autonews.ru/news/6a61c6599a79477d2656322e?from=copy>

4 Ibid.

5 According to Rosstat.

6 Oil refinery on fire: Does this threaten a gasoline shortage? // Forbes. May 28, 2026. URL: https://www.forbes.ru/biznes/561712-npz-v-ogne-grozit-li-eto-deficitom-benzina?ysclid=ms_eghza76586812043

7 Refineries Can't Keep Up with Demand // Kommersant. July 1, 2026. URL: <https://www.kommersant.ru/doc/8781415>

8 According to Rosstat.

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In the agricultural machinery segment, production declined by 2.2% in monetary terms during H1 2026, with tractor output falling by 14.3% and forage harvester output by 24%.¹

A decline in the trend component was also observed in metallurgical production during Q2 2026. The forecast indicates a continuing downward trend in the industry through the end of the year. The main causes of these negative trends were: a decline in domestic demand, a high key interest rate, a drop in exports due to logistical constraints and sanctions pressure, as well as rising costs for raw materials and energy. The accelerated rise in prices for most metals on global markets due to geopolitical tensions also had a certain impact; however, price advantages were not fully realized as a result of a reduction in physical shipment volumes.²

The key factors driving current trends are geopolitical tensions, sanction pressure, logistical constraints, and a high key interest rate, which is holding back investment activity. Based on the models developed (*Table 1*), the short-term forecast through the end of 2026 indicates that industrial production as a whole will remain stagnant. A further decline is projected in the extractive sector. In manufacturing, the trend will remain near zero, though intra-sectoral differentiation will intensify. The sharpest decline will continue in the production of coke and petroleum products. The production of machinery and equipment will stabilize, with a tendency toward a slight decline by the end of the year. In contrast, the production of electrical equipment will maintain a steady upward trend. Motor vehicle production will continue its moderate recovery, driven by the passenger car segment, although output levels will remain significantly below pre-crisis levels. The chemical sector will show stable growth, while metallurgical production will continue to decline under pressure from falling demand and export restrictions.

Table 1

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

	2026											
	Jen	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Industrial production	18.7	18.1	19.8	19.2	17.9	19.1	18	18	19	17.7	20.2	16.8
Mining and quarrying	4.3	3.7	4.2	2.9	1.7	2.4	1	0.2	0.1	-0.3	0.7	0.3
Manufacturing	32.1	31.9	34.6	34.2	32.5	34.3	32.8	32.8	34.1	31.2	34.5	28.6
Textile products	53.4	60.2	64.5	63.1	62.3	60.3	57.7	55.7	57.4	56.6	58	59.5
Manufacture of chemicals and chemical products	49.8	49.5	49	48.4	49.1	50.6	49.2	49.6	49.3	48.4	49.9	47.7
Electric equipment	33	35.2	39.8	41.9	38.1	47.7	43.3	49	51.1	49.9	54.4	46.6
Paper and paper products	41	41.3	41.3	41	40.8	40.8	39	38.6	40.2	38.3	39.1	38.8
Manufacture of rubber and plastic products	36	36.4	38.3	38.7	37	37.6	35.4	36.4	39	38.6	41.3	39.9

1 Agricultural machinery production in Russia fell by 2.2% in the first half of the year // Interfax. July 21, 2026. URL: <https://www.interfax.ru/business/1104504>

2 Steel production drop hits a 15-year record // Prometal. July 2, 2026. URL: https://tpk-prometall.ru/company/news/rossiyskaya_metallurgiya_v_krizise_padenie_proizvodstva_aktsiy_i_novye_vyzovy/

Industrial production dynamics in Q2 2026

Table 1, cont'd

	2026											
	Jen	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Food products	31.3	32.3	34.4	32.9	32.9	33.9	32.8	32.4	31	31.2	33.7	33.2
Paper and paper products	30.4	28.8	30.6	32	33.4	33.3	29.5	31	32	31.5	35.5	31.7
Machines and equipment	23.7	28.6	35.2	33	32.5	30.4	29.8	35.8	35.1	32.3	33.3	28.4
Manufacture of other non-metallic mineral products	22.7	21.5	20.8	20.8	19.1	22.5	17.4	20.7	20.5	19.5	21.9	22
Leather and leather goods manufacturing	15.1	14.8	14.5	21.4	15.3	21.6	15.8	17.4	19.9	18.3	24.3	23.2
Steel production	-8	-13	-9.8	-11.5	-12.9	-10.2	-9.2	-10	-9.3	-9.5	-10.2	-13.1
Coke and oil products	-1.9	-3.2	-3.3	-8.4	-11.2	-14	-15.4	-15.2	-15.2	-16.1	-15.7	-16.9
Motor vehicles	-48.7	-45.8	-47.5	-49.6	-44.2	-41.5	-45.5	-42.3	-41.9	-40.4	-39.6	-38.6

Note. Table 1 shows the actual and projected trends in the growth of seasonally adjusted industrial production indices (base: December 2014). ▲