

## Russian industry: August improvement masked by calendar effect

Russian industrial output accelerated to 2.9% YoY in August, despite the adverse calendar effects, suggesting that the acceleration of the budget spending is already taking effect. Further pick-up is possible, especially in the next couple of months



# +2.9% YoY

August industrial output growth

+2.6% YoY for 8M19

Better than expected

- Russian industrial output posted a seemingly modest acceleration from 2.8% year-on-year in July to 2.9% YoY in August, which is still a positive result relative to the 2.2% YoY consensus and our 2.0% expectations, which were based on adverse calendar effects.
- Manufacturing, the core industrial sector, accounting for 50% of the industrial output, posted a minor deceleration from 2.8% YoY to 2.7% YoY. As this sector is the most

vulnerable to the calendar effect (1 workday less than in August 2018), the headline statistic may underestimate the strength of the activity in the segment.

- Commodity extraction sector (38% of industrial output) showed a minor acceleration of growth from 3.0% YoY to 3.1% YoY, mainly thanks to oil and coal production. It so far remains unclear whether the outage of the Saudi oil production in September will require Russia to boost its output, however, the statements by the Ministry of Energy officials suggests that Russia has the capacity to do so.
- In other news, there was a noticeable pick-up in the electricity&heat generation (10.5% of industrial output) from 1.7% YoY to 2.1% YoY and acceleration in water supply, sanitation, and waste utilization (1.7% of industrial output) from 1.6% YoY to 4.1% YoY. The latter may reflect activation of the state environmental programmes.

We expect industrial output to show further acceleration until the year-end, as the support from the budget spending, already seen in August, will intensify further through December.

We remind that the recent budget statistics show an acceleration in state expenditure growth from 3% YoY in 7M19 to 19% YoY in August. It may go up further to 30% YoY for September–December, if the budget plan is executed in full. Combined with favourable-to-neutral calendar effects in September–October, we expect industrial output growth to accelerate further to 3-4% YoY in the coming months.

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