

Russia's Small Businesses Feeling the Pinch, Study Finds

Confidence drops as small and medium-sized businesses hit by cost-cutting customers.

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Russia's small and medium-sized businesses account for around one-fifth of the country's GDP – under half the typical level in many Western countries. **Andrei Lyubimov / Moskva News Agency**

The mood among Russia's small and medium-sized businesses dipped in the third quarter of the year, a new study has found, as pressure from squeezed consumers and competition from larger firms intensified.

A business activity index, compiled by Promsvyazbank, the Russian small business association Opora and Magram Market research, slipped to 50.9 on a scale where scores below 50 indicate activity falling, and those above 50 signify expansion. The reading was down from a score of 52 recorded in the first half of the year, Russian business site RBC [reported](#).

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One-third of businesses said their revenue fell over the last three months, and the proportion of firms who reported needing a loan climbed. Respondents to the survey cited stagnant spending by Russian consumers and cost-cutting by larger firms as the main reasons for the stagnation of small and medium firms.

However, conditions varied across sectors. The production industry fell into contraction territory, while activity among businesses in the services sector improved, the survey found. This mirrors the findings of other economic indicators which have shown a [divergence](#) between different parts of the Russian Economy. The latest purchasing managers index (PMI) readings, for instance, showed the Russian manufacturing sector declining at its fastest pace in a decade, while the services industry posted figures north of 55 — firmly in expansion territory.

Sharp rate cuts from the Bank of Russia have also delivered some relief for Russia's small and medium-sized businesses over 2019. At a time when more businesses need to find external finance, the central bank's [interest rate](#) has fallen from 7.75% in January to 6.5% today following the [latest cut](#). Analysts predict rate cuts will continue into the start of next year, sending the market rate for business loans and overdrafts further down.

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