

Russia's Small Businesses Are Suffering Despite Easing of Coronavirus Restrictions

One in ten firms is preparing to close, warns the Kremlin's business envoy.

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Only a quarter of Russia's small businesses say government support has been enough to help them.
Marina Lystseva / TASS

Businesses in Russia are still reeling from the effects of the pandemic, a new government survey has shown, with a significant chunk preparing to close their doors or start bankruptcy proceedings.

One in every ten small and medium-sized businesses are already preparing to shut down, according to a survey of around 5,000 of the enterprises conducted by Russia's business ombudsman Boris Titov, [cited](#) by the RBC news site.

A third of those surveyed said their revenues were continuing to fall, despite the easing of

most coronavirus restrictions, while just 10% said their turnover had recovered to — or surpassed — pre-pandemic levels.

The country's small business owners have [complained](#) about a lack of government support since the start of the crisis. The Kremlin launched a series of programs including tax deferrals, a bankruptcy moratorium and interest-free loans to help pay employees salaries. But firms said the terms — offering only \$165 per employee per month — alongside high rejection rates and bureaucratic hurdles neutered the scheme's effectiveness.

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Less than half of small businesses said they had been able to access any government support during the pandemic. Of those that did, half said it did not help them and that they will struggle to repay the loans, which can be written off if firms maintain employment close to pre-coronavirus levels.

An earlier survey [found](#) small firms were twice as likely to have been negatively affected by the pandemic — partly related to the government reserving its most generous support programs for the country's largest so-called “systemically important” firms. Throughout the pandemic, 60% of small businesses said their turnover had dropped by at least a third.

Ongoing weak consumer demand was the biggest challenge small businesses said they were facing in 2021 — cited by 60% of respondents. Despite the economy performing relatively [robustly](#) last year, disposable incomes fell to their [lowest level](#) in a decade in real terms, and inflation has accelerated dramatically in recent months, with the government being forced to place [price caps](#) on some foodstuffs.

The survey also showed that low consumer confidence and weak business performance may already have developed into a vicious cycle — 45% of small businesses said they had cut their payroll since the start of the pandemic, either letting staff go or cutting wages.

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