The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Construction Leader Warns of Industry Bankruptcies Amid Steep Interest Rates

July 21, 2025



Denis Voronin / Moskva News Agency

Russia's construction sector faces a wave of bankruptcies by the end of next year as sky-high interest rates squeeze companies across the industry, the head of Russia's largest construction holding warned Monday.

Alexei Krapivin, CEO of the construction giant Natsproektstroy, told the RBC news website that the Central Bank's 20% key interest rate is choking access to capital, leaving many firms unable to service debts or fund ongoing projects.

"Every company, without exception, is feeling the impact of expensive capital," Krapivin said. "Many entrepreneurs believed they could manage their debt portfolios and invest in their programs and other projects, but now cannot service their obligations under the existing lending rates."

Even under normal conditions, the sector's profitability is modest, Krapivin noted.

Residential construction typically yields profit margins of just 9-10%, while road construction, particularly vulnerable, often delivers returns as low as 2-3%.

"Large infrastructure projects are capital-intensive and take years to complete," he said. "If you calculate payback periods purely mathematically, such projects aren't viable. You'd earn more by putting the money in a savings account."

Efforts are underway between government agencies and private companies to offset the effects of high interest rates and sustain infrastructure development, but Krapivin warned that many firms could collapse without state support.

He called for a clear, medium-term infrastructure plan with fixed funding levels, early payments into dedicated bank accounts and official wage guidelines to help companies budget more effectively.

Original url:
https://www.themoscowtimes.com/2025/07/21/russian-construction-leader-warns-of-industry-bankruptcies-amid-steep-interest-rates-a89901