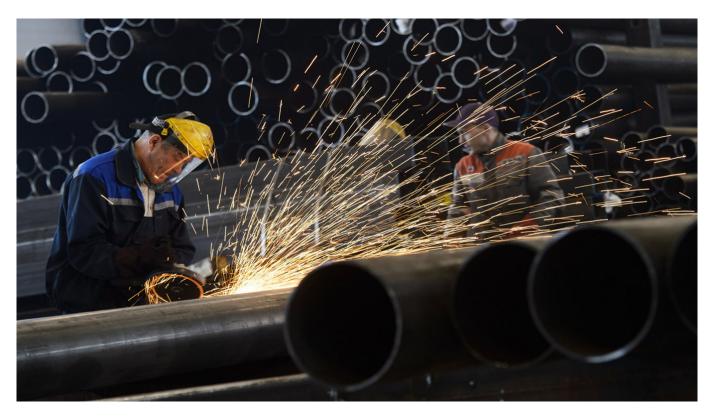


Russia's Private Sector Activity Hits 3-Year Low

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Donat Sorokin / TASS

Business activity in Russia's private sector shrank sharply in September to its lowest level in three years, according to a new <u>survey</u> by S&P Global.

The S&P Global Purchasing Managers' Index (PMI) fell to 46.6 in September from 49.1 in August, dropping further below the 50.0 mark that separates expansion from contraction.

Manufacturing activity contracted for a fourth straight month, while the services sector posted its steepest decline since December 2022. Together, the two pushed the <u>composite</u> <u>index</u> to its lowest in three years.

The downturn, driven by a third consecutive monthly fall in new orders, marks the sharpest drop since late 2022. Companies cited a shrinking client base and weaker purchasing power among customers.

Firms also reported higher costs for suppliers, wages and utilities, with input costs rising at

the fastest pace in five months.

But passing these expenses on to consumers proved difficult, with output prices rising more slowly than costs in both services and manufacturing.

Separate surveys by the Russian Central Bank of more than 10,000 firms pointed to a slowdown but not a contraction in activity. Its business climate index <u>slipped</u> to 1.8 in September from 2.0 in August.

Economists noted that the PMI focuses on the private sector and largely excludes defense-related industries, which continue to expand.

The government-aligned Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF) think tank estimated that output in most civilian industries has fallen 5.4% so far this year, and 6.3% over the past 12 months.

The group <u>said</u> high interest rates have hit profitability across many sectors, discouraging investment and threatening the financial stability of firms.

Economist Dmitry Nekrasov of the CASE think tank <u>said</u> Russia's civilian economy has suffered as resources shift into the military sector, with the Central Bank's steep rate hikes — introduced to counter inflation stoked by war spending — further weighing on private industry.

President Vladimir Putin recently acknowledged that the Central Bank's tighter monetary policy was curbing growth, but said it was necessary to bring inflation under control.

The government now expects the economy to grow by just 1% this year and 1.3% in 2026. But Sofia Donets, chief economist at T-Investments, <u>forecasts</u> GDP growth of less than 1% in both 2025 and 2026.

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