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Russia’s Wage Race Nears End as Growth Slows, Analysts Say

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Yekaterina Khristova / TASS

Russia’s economy has reached the limits of wage growth, according to Dmitry Belousov, deputy head of the Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF), a research institute close to the government.

CMASF forecasts that real wages adjusted for inflation will grow by just over 1% annually over the next three years, a sharp slowdown after gains of 8.2% in 2023 and 9.7% in 2024.

Growth has already begun to decelerate, with real wages rising 4.7% in January-October 2025.

CMASF expects real wages to increase by about 3.5% by the end of 2025 before slowing further to between 1.2% and 1.7% in 2026-2028.

A consensus forecast compiled by Russia’s Central Bank is slightly more optimistic but also points to a pronounced slowdown, with real wage growth of 4.1% in 2025 and 2.4%-2.7% in the following three years.

Belousov said deteriorating economic conditions were making it impossible to sustain previous rates of wage increases.

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Economic growth is slowing, corporate profits are declining, investment has stalled and profitability across most sectors has fallen below both borrowing costs and risk-free returns, he said.

"Across the economy as a whole, we are seeing stagnation, even stagflation," Belousov said.

While the economy is likely to show modest growth of 0.9%-1.2% this year, he warned that the risk of recession remains, particularly in the early part of the year.

Russia's Central Bank and CMASF have previously warned that the country's so-called "wage race" is nearing its end.

An increasing number of companies are dropping out of the "wage race" as their ability to pass rising labor costs on to consumers through higher prices is exhausted, the Central Bank said.

CMASF has noted that wages now account for an unusually large share of GDP, crowding out other forms of income, particularly corporate profits — a pattern previously seen mainly during periods of economic crisis and one that signals limited scope for further pay increases.

Wage dynamics are likely to remain uneven across the economy, reflecting stronger growth in defense-related sectors and weakness in civilian industries.

According to a January survey by the Central Bank, around half of companies do not plan to raise wages in the first quarter, while those that do intend to increase pay more aggressively.

The average planned wage increase rose to 2.8% from 0.77%.

Nataliya Orlova, chief economist at Alfa Bank, said that many companies would prioritize defending or expanding market share rather than cutting back operations amid slowing growth and financial pressure.

"If companies have sufficient financial resources, I don't think they will cut back," she said. "More likely, it will be competition for market share — using their own funds, credit and, in some cases, higher wages."

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