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Russian Household Incomes Stall as Wartime Economy Loses Momentum

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Russians are beginning to feel the economic cost of the war in their household finances, with inflation-adjusted wages and disposable incomes declining after three consecutive years of growth.

The reversal comes as Russia's broader economy grinds to a near standstill, civilian industries remain mired in recession and businesses face falling profits, higher taxes and mounting pressure to cut staffing costs.

Seasonally adjusted real disposable incomes, which account for inflation and mandatory payments, were 0.23% lower in June than at the end of last year, according to estimates by the Higher School of Economics' Development Center. Real wages were down 0.15% in May from the end of 2025.

Disposable incomes fell sharply at the beginning of the year before recovering somewhat. Wages followed the opposite trajectory, rising in January and February before declining for three consecutive months. In both cases, Russians ended the first half of the year worse off.

Olga Belenkaya, an economist at investment firm Finam, attributed the pressure on household incomes to slowing wage growth as the economy cools, as well as falling income from businesses and property.

Russia's economy grew by just 0.3% year-on-year between January and May, according to the Economic Development Ministry. Civilian industries have slipped into recession, while small businesses are struggling with higher taxes and closing in large numbers.

Between 12,000 and 15,000 organizations cease operations each month for economic reasons, according to data from Sberbank.

Profits are also shrinking among companies that remain in business, limiting their ability to raise wages despite labor shortages caused partly by recruitment into the military and defense sector.

Companies will find it increasingly difficult to maintain rapid wage growth by allowing profit margins to shrink because there is little room left for further declines, experts at the Center for Macroeconomic Analysis and Short-Term Forecasting said.

Instead, a growing number of businesses are cutting personnel costs. A survey by the Russian Union of Industrialists and Entrepreneurs found that 40% of large companies were reducing such spending. Eleven percent planned to cut staff, while 8% intended to reduce wages.

Wages account for about 60% of Russians' monetary income, making them the largest single source. Social payments, including pensions, contribute roughly 16%, while income from property accounts for another 10-11%.

The latter category includes interest earned on bank deposits, which is falling alongside interest rates and further weighing on total household income, according to the Center for Macroeconomic Analysis and Short-Term Forecasting.

The deteriorating outlook is increasingly reflected in public sentiment. A Gallup survey found that 56% of Russians reported declining living standards, the highest share in 20 years of polling.

Economic pessimism also reached its highest level since 2006. Sixty percent of respondents said the economy was getting worse, twice the share recorded during the first year of the war and three times the level seen before Russia's 2014 annexation of Crimea.

Low incomes are now the single biggest problem affecting Russians' daily lives, according to a survey by the independent Levada Center. Forty-eight percent of respondents cited low incomes, followed by poor health and difficulties accessing medical care at 30%.

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