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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 42th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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4.10. Small and medium business amid coronacrisis¹

The unprecedented scale of the COVID-19 epidemic created harsh environment for operation of small and medium-sized businesses: decline in household incomes and demand, shutdown of foreign markets and uncertainty of the economic situation. The lockdown introduced in April 2020, resulted in temporary suspension of activities of many enterprises providing services: thus, for instance, trade, catering, hotels, repair shops, hairdressers, etc. Activity of small businesses reduced to the values observed during the crisis of 2015. According to our estimates, the crisis affected more than 75% of SMEs, although about 11% of enterprises and 5.5 million employees² are concentrated in the most affected industries. In March-April 2020, revenues in some industries fell by more than 90%. There was a high likelihood of closing millions of businesses and reducing the number of people employed in the SME sector by several million.

The data of the SME Unified Register³ show that after the annual cleaning of the register in August 2020, the number of SMEs was only 4.2% lower than the August value of 2019, and if we compare the data for December, it turns out that this gap is even smaller, i.e. 3.75%. At the same time, the average number of people employed in SME has not practically changed as of August 2020 (+ 0.4%),

1 This section was written by: *Barinova V.*, Candidate of Economic Sciences, Head of IAES RANEPА International Department for Sustainable Development Studies, Head of Innovation Economics Department of the Gaidar Institute; *Zemtsov S.*, Candidate of Technical Sciences, Director, RANEPА Center for Economic Geography and Regional Studies; *Tsareva Yu.*, Researcher, IAES RANEPА International Department for Sustainable Development Studies.

2 *Zemtsov S., Tsareva Yu.* Trends in development of small and medium-sized enterprises in the context of pandemic and crisis //Economic development of Russia. – 2020. – V. 27. – No. 5.

3 Unified Register of the subjects of small and medium entrepreneurship. URL: <https://ofd.nalog.ru/>

and according to December, increased by 90.000 (+ 0.48%). Among the reasons for such dynamics positively differing from forecasts at the beginning of pandemic, one can note the high speed of adaptation of many businesses to the provision of online services in large agglomerations in addition to specifics in collecting statistical data and filling the register, as well as the impact of certain anti-crisis measures.

In the spring and summer of 2020, the Russian government proposed a number of measures to support small and medium-sized enterprises in the most affected industries: deferrals in the payment of taxes and insurance premiums, exemption from their payment for Q 2 2020, reduction of insurance premiums, deferral and restructuring of loans, credit holidays for individual entrepreneurs, gratuitous financial assistance and interest-free loans in April and May 2020 to the most affected industries for paying salaries, introduction of a moratorium on SMEs tax audits, automatic extension of all licenses and permits for six months.

The government's operational measures also included support for the demand for SME goods and services: subsidies for the poorest segments of the population, families with children, and the unemployed. More than 21.7% of the companies surveyed² took advantage of reduction in insurance premiums. Subsidies for payment of wages for April and May 2020 were an extremely popular measure. According to the Ministry of Economic Development of Russia,³ about 18% of all SME subjects have monthly enjoyed this assistance. This support reached nearly 3.8 million people or 5.0% of the workforce.⁴ By August 2020, about 4% of SMEs (212.000) received loans to pay wages and 4% of SMEs enjoyed credit restructuring. For comparison, prior to the crisis, direct government support implying the provision of financial resources covered a smaller share of enterprises (2-3%).⁵

However, the feasibility to obtain support for SMEs was limited due to specific issues related to identification of affected industries, distribution of companies to these industries and submitting timely reports by these companies. Issues related to the definition of activities according to OKVED codes arose when receiving support. Only those companies could apply for benefits whose main type of activity (code) was indicated in the list of the most affected industries. However, this type of activity was not the main one for some companies or, on the contrary, the companies retained the old OKVED code, although they actually operated in the affected industry. The decision to identify the affected industries

1 Society and pandemic: experience and lessons of combatting the COVID-19 in Russia. – Moscow: 2020. – p.744.

2 Annex to report of the Commissioner for Rights of Entrepreneurs under the President of the Russian Federation. COVID-19: Impacts for Business and Economy. URL: <http://doklad.ombudsmanbiz.ru/2020/7.pdf>

3 Ministry of the Economic Development of Russia. URL: https://www.economy.gov.ru/material/news/samoy_vostrebovannoy_formoy_gospodderzhki_biznesa_v_2020_godu_stali_granty_na_vyplatu_zarplaty.html

4 In April, 3.7 million people were included in May so far. Estimates of the Institute RSU HSE "Development Center" according to FTS. URL: <https://www.nalog.ru/rn77/business-support-2020/subsidy/>

5 Antonova M., Barinova V., Gromov V., Zemtsov S., Krasnoselskikh A., Milogolov N., Potapova A., Tsareva Yu. Development of small and medium entrepreneurship in Russia in the context of the National Project implementation – M.: Publishing House "Delo" RANEPА, 2020. – p.88.

and allocate support according to OKVED codes was not perfect, but it can be considered reasonable in the context of tight deadlines for decision-making. Moreover, prior to the 2020 crisis, some companies were not included in the SME Unified Register, since they have not previously received support and failed to see this value. Likewise, they could miss submitting annual reports on the average number of employees in due time. Companies were allowed to submit reports and use additional OKVED codes when receiving support. Hence, the size of subsidies was 26-30% of the average wage in Russia, although in more developed countries (OECD) the size of such one-time payments was higher and reached 50-90%.¹ On the whole, Russian support measures are characterized by a lower coverage and size of financial support for SMEs in the context of international experience, while the conditions for their provision are often more stringent than in some developed countries.

At the same time, the ongoing second and possible subsequent waves of the coronavirus epidemic call into question the continuance of the current values of main indicators related to SME sector in 2021.

Thus, the volume of retail trade and paid services to the population has not recovered to pre-crisis levels,² in the fall of 2020, although this was expected by experts. The long-term impact of the taken measures on the SME sector is ambiguous: it is highly likely that the fiscal and credit burdens will rise again. However, the Russia's Government has developed the "FOT 3.0" program (payroll fund) for concessional lending to companies representing the least recovered sectors of the economy.³

4.10.1. Major trends and obstacles in development of small and medium entrepreneurship

Major development indicators of small and medium-sized entrepreneurship (SME) dropped in Russia in the recent years.⁴ The number of employed in 2019 reduced by 0.5 million, while the number of SME subjects dropped by 100.000 (-1.7%) due to several years of stagnation or a decrease in the household income (*Fig. 37*), rise in VAT and introduction of online cash registers. Consequently, the share of small and medium-sized entrepreneurship sector in the gross domestic product fell to 20.6% in 2019 compared to 22% in 2017.

The incomes of Russians and their share received from entrepreneurial activities have been declining almost every year since 2014. In Q 2 2020, the share of incomes from entrepreneurial activities reached a record low level of 4% due to introduction of lockdown and a sharp drop in demand for SME goods and services. According to Rosstat,⁵ the real disposable incomes of Russians decreased by 3.5%

1 Society and pandemic: experience and lessons of combatting the COVID-19 in Russia. – Moscow: 2020. – p. 744.

2 Federal State Statistics Service. Retail trade, public services, tourism. URL: <https://rosstat.gov.ru/folder/23457?print=1>

3 Government of Russia. URL: <http://government.ru/news/41623/>

4 Russian economy in 2019. Trends and Outlooks. Issue 41. Moscow. Publishing House of the Gaidar Institute, 2020.

5 Rosstat. URL: <https://rosstat.gov.ru/folder/13397?print=1>

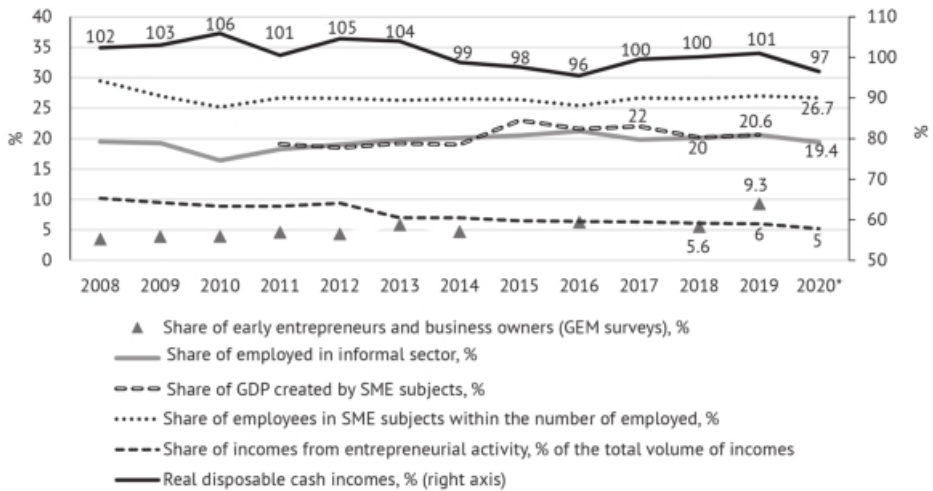


Fig. 37. Dynamics of main indicators in Russia’s SME sector in 2008–2019

Source: Rosstat

in annual terms in 2020 (lagging behind the level of 2013 by almost 10%), while incomes from entrepreneurial activities dropped by 13%.

In 2020, according to results of the Rosstat₁ all-Russia survey of small companies, there was a decline in confidence of small businesses in the prospects for their development to the level of 2016, which, however, is slightly higher than the values of the 2015 crisis year (Fig. 38). The “Opory Rossii” small and medium business activity index (RSBI index),² showed a significant decline continuing from March 2020. Due to the introduction of lockdown, the RSBI index reached its minimum value in April 2020, i.e. 38.5 points, which is lower than indicators of 2015. By September, the index rose to 46.6 points (in Q 3 2015 it was 46.4).

Despite the mentioned challenges, one can expect growth in the number and share of forced entrepreneurs in 2020 having no other sources of income. Already in 2019, the share of early entrepreneurs and business owners increased to 9.3%³; 76% men and 81.7% women representing early entrepreneurs set up a business forcibly in absence of other places of employment.⁴ The number of unemployed increased in Russia by 24.7% in 2020 and their total number exceeded 4.3 million people.⁵ Part of them can enlarge the number of forced entrepreneurs, especially

1 Business activity main indicators of small companies. URL: <https://www.gks.ru/folder/14036>

2 Index RSBI. URL: <https://www.psbank.ru/Business/RSBI>

3 GEM. URL: <https://www.gemconsortium.org/>

4 Verkhovskaya O., Bogatyreva K., Knatko D., Dorokhina M., Shmeleva E. National report “Global monitoring of entrepreneurship. Russia 2019/2020.” St. Petersburg: Graduate School of Management, St. Petersburg University, 2020.

5 TASS. Rosstat: number of unemployed increased in Russia by 24.7% in 2020. URL: <https://tass.ru/ekonomika/10572707>

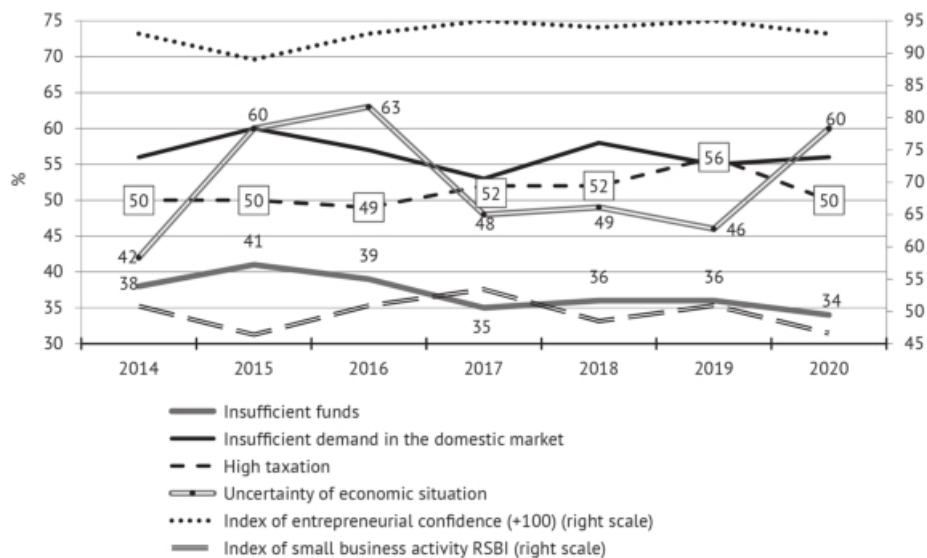


Fig. 38. Share of small manufacturing companies specifying the factor as limiting their growth, in Q 3 of each year (%) and business activity indexes

Source: Rosstat

that a simplified tax regime has been introduced for the self-employed almost right across Russia.

According to a Rosstat survey, among the restrictions on the activities of small manufacturing businesses, the most significant in 2020 were the uncertainty of the economic situation (60% of respondents) and insufficient demand (56%). The significance of both factors is predictably increasing during crises (*Fig. 38*). The high level of taxation, cited by the majority of respondents (56%) as a barrier for business activity in 2019 after the VAT increase, became less relevant in 2020 (50%) due to the government’s actions to postpone and introduce a moratorium on certain taxes, as well as to reduce insurance premiums.

At the same time, the share of respondents considering lack of access to financial resources to be an obstacle to their activities decreased from 36% in 2019 to 34%; in 2015, the crisis year, this share was 41%. Indeed, the rate on long-term loans issued to SME subjects was reducing annually from 17.8% in 2015 to 8.01% in July 2020¹ (*Fig. 39*). On the whole, this is due to a general decrease in rates, development of a guarantee system and introduction of interest rate subsidy programs for small businesses. Early 2019, the mean value of the weighted average interest rate for SME loans was 11.5% for a period up to 1 year, and in August 2020 the rate dropped to a record value of 6.73%. However, this does not mean that it is easier now to obtain loans for small businesses. The requirements for solvency of the borrower remain high. Therefore, many companies do not see

¹ Bank of Russia. URL: <https://cbr.ru/statistics>

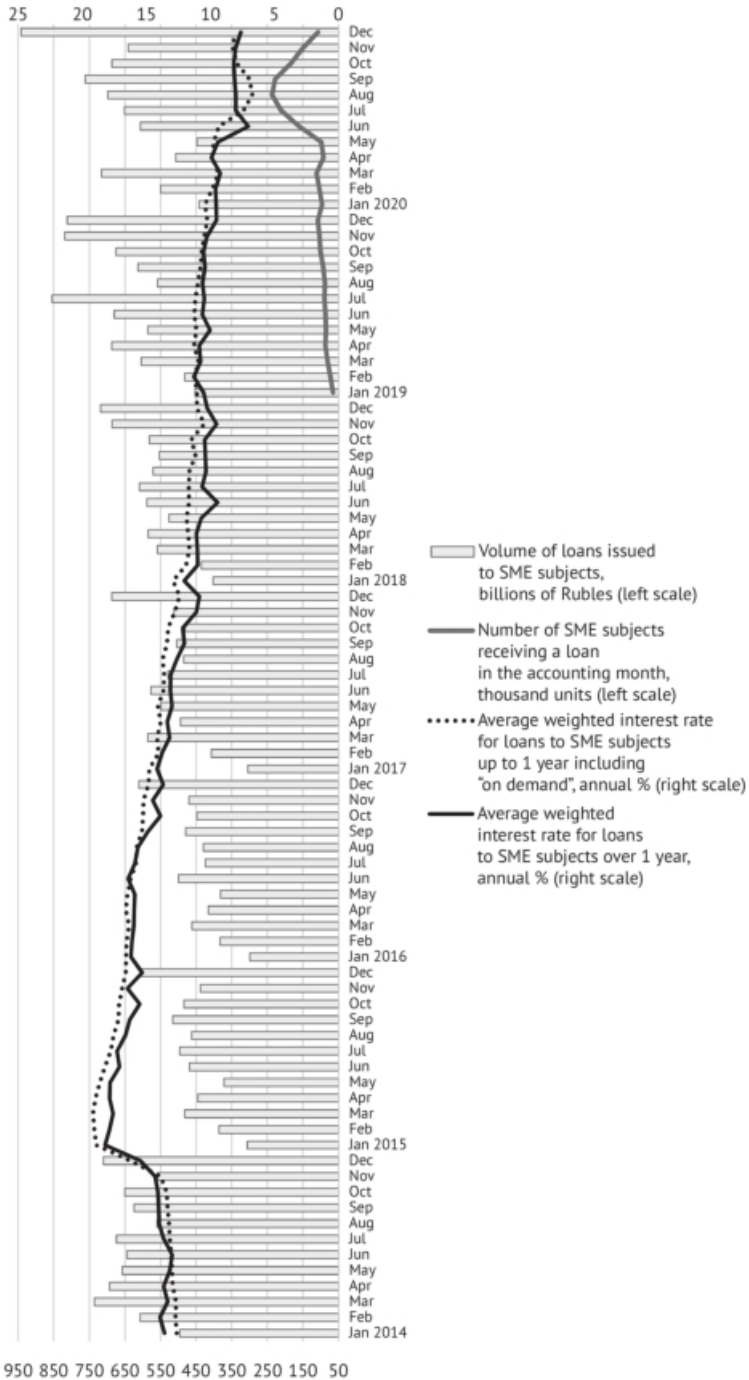


Fig. 39. Average weighted interest rates of credit institutions on loans in rubles (excluding PJSC Sberbank) for SME-non-financial organizations, as well as the volume of issued loans and the number of recipient SMEs

Source: Bank of Russia

the point in new borrowing amid a weak recovery in demand, however, they are forced to take out loans to support their activities.

After a slight peak in March, the volume of loans issued to SMEs and the number of borrowers began to decline sharply due to lockdown restrictions and a drop in demand. Moreover, entrepreneurs feared that they would not be able to repay loans on time and hoped to ride out the crisis without taking additional loans. However, quick recovery in demand did not happen and, therefore, lending started to grow again in August by 25% compared to August 2019, and in September by another 24%. The average loan size decreased from Rub 5.7 million in March 2020 to Rub 2.6 million in August and 2.9 in September. Apparently, SME subjects took advantage of preferential conditions for obtaining loans to secure employment and pay wages, as well as of other programs. In December, the volume of loans provided to SME-non-financial organizations exceeded the record Rub 942 bn for the entire observation period.

Traditional challenges for SMEs have been further exacerbated by difficulties arising from the sharp drop in demand and the crisis caused by the spread of the coronavirus infection. According to the polls of the Chamber of Commerce and Industry¹ conducted in April 2020 in 83 subjects of the Russian Federation, 46% of the interviewed entrepreneurs noted that the activities of their enterprises had completely terminated, and 25% of the respondents had incomes dropped by more than 75%. Among major challenges, entrepreneurs noted failure to continue paying rent (58%), take advantage of state support measures aimed for business (55%) and work remotely (47%). However, the preliminary assessment of anti-crisis support measures was also negative: thus, 63% of respondents believe that the proposed measures did not help at all (“other measures are required”), 48% noted the answer “our company does not meet the criteria for receiving the proposed support measures”. Entrepreneurs emphasized the need to expand the list of affected industries (76%) and pay subsidies for full remuneration of non-working days to employees (74%), 73% spoke of the importance of introducing rental vacations. In June, the foremost issues related to staff retention (59%) and rent payments (43%). 37% of the interviewed entrepreneurs estimated the approximate period of business recovery at 12 months, 6% noted that they would not be able to restore their business.

4.10.2. Dynamics in the number of SME subjects

According to SME Unified Register, the number of SMEs in August 2020 amounted to 5.59 million units having decreased in comparison with the same period of the previous year by about 250.000 subjects or 4.2% (*Fig 40*). Traditionally, dynamics of the SME development is assessed in August, since due to the specific operation of the SME register, data on enterprises that have ceased their activities or have not submitted their reports are deleted in August. Enterprises that have gone beyond the criteria for classifying them as SMEs are excluded as well. Therefore,

¹ CCI “BUSINESS BAROMETER OF THE COUNTRY”. Chamber of Commerce and Industry of the Russian Federation 2020. <https://tpprf.ru/ru/news/tpp-rf-zapuskaet-novyy-masshtabnyy-spetsialnyy-proekt-biznes-barometr-strany-i355418/>



Fig. 40. Dynamics of establishing and liquidating of new organizations and a number of SME subjects

Sources: Rosstat: Unified Register of SME subjects.

business owners do not close their companies in case of termination of activity oftentimes, but wait for automatic exclusion from the FTS registers after 2 years from the date of the last reporting. This is especially typical for less developed regions. Thus, the real scale of the decline in the SME sector will be known only after 1–2 years and in the best case in August 2021.

With regard to individual entrepreneurs (IEs) and legal entities, the SME sector includes 58% of IEs and 42% of legal entities. Major part of this sector consists of microbusiness (95.8%), and it is their number that has dropped most of all compared to August 2019, that is by 4.3%. The number of small enterprises reduced by 3.3%, while medium-sized enterprises grew on the contrary by 5.2%.

According to FTS, 1.16 million SMEs closed in Russia in the period from August 2019 to August 2020. This indicator is almost two times higher than for the same period of the previous year. Growth is associated with the non-working period, drop in demand, failure to pay rent and tough working rules after lifting of restrictions. Pure shutdown concerned 280.000 enterprises, which is significantly higher than the same indicator for 2018–2019, i.e. 85.000 enterprises. Due to the crisis trends, the number of new companies declined more than in previous years owing to difficulties in registering during the pandemic and lack of development prospects in many sectors. The decrease in the number of liquidated companies compared to 2019 is due to the imposed moratorium on bankruptcy.

The lockdown hit the service sector hard: many restaurants, travel agencies, leisure and entertainment organizations, businesses providing household services (repairs, laundry, dry cleaning, hairdressing and beauty salons), etc. were closed. However, the ratio of liquidated and established companies decreased in 2020 for some types of activities related to the high-tech sector of the economy: finance and insurance, information and communications, etc. Many medium-sized companies in the largest cities massively hired personnel in the field of e-commerce and delivery.

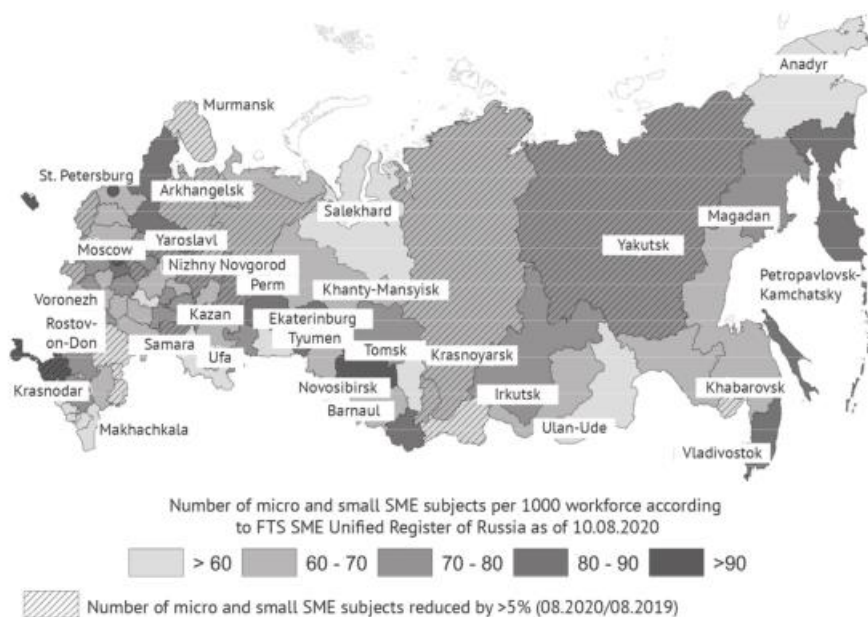


Fig. 41. Density and dynamics of micro and small SME subjects in 2019–2020

Sources: Rosstat; SME Unified Register

On the whole, the reduction in the number of SMEs is expected, but it cannot be called critical. Anti-crisis measures as well as high business digitalization had a certain impact: thus, more than 50% of companies placed their orders on the Internet before the crisis and people willingly used delivery services. During the pandemic, the number of SMEs decreased in many regions by more than 5% (Fig. 41), among them Republic of Ingushetia, Jewish autonomous national area, Adygea, Arkhangelsk region, Komi, Tyva, Sakha, Crimea) being the regions with the most vulnerable and underdeveloped entrepreneurial ecosystems¹, as well as the largest agglomerations (Moscow, Perm krai, Samara region).

The latter were marked by the higher share of public services, however, more stringent quarantine measures were introduced there. The reduction in the number of SMEs in Moscow exceeded 5.2%, being higher than the national average (4.2%) and the previous year decline in the region (4.9%).

4.10.3. Employment in SME sector

Actually, small and medium-sized businesses reduce employment during crisis periods, partly go into the shadows, transferring employees to the informal sector to save money. This may not be reflected in the growth of official unemployment

¹ Zemtsov S., Baburin V. Entrepreneurial ecosystems in Russia's regions //Regional studies – 2019. – No. 2. – P. 4–14.

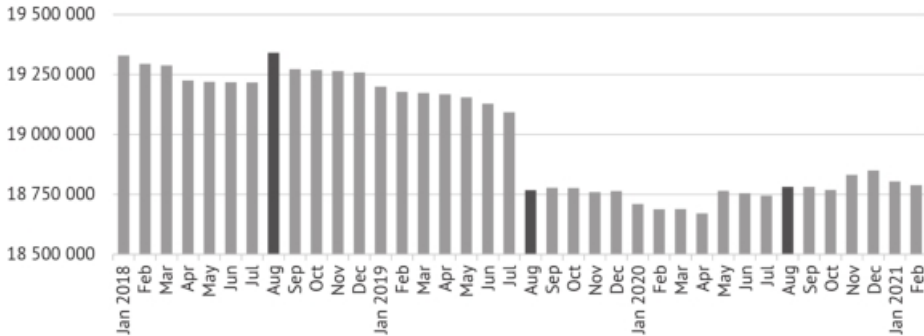


Fig. 42. Number of employed in SME sector including IEs, people

Source: authors' estimates according to SME Unified Register

rates. In 2020, more than 80% of small and medium-sized enterprises¹ optimized their costs due to a decrease in revenues, while 28% reduced salaries, 21% downsized, 22% sent their employees to unpaid leave.

According to SME Unified Register, in 2019 the number of employed in the SME sector decreased by more than half a million. The decrease was partially compensated by registration of the self-employed, payers of professional income tax: thus, for instance, nearly 300.000 people have registered in 2019. In 2020, the number of employed in SME sector has not practically changed (*Fig. 42*). If August 2020 is compared with August 2019, the employment in SME increased by 13.000 and in December by 90.000 people (0.48%). Therewith, according to FTS data as of February 2021, there are 1.7 million self-employed registered in Russia.² 82% of the registered self-employed did not have official incomes from entrepreneurial activity, while 42% of self-employed did not have any official incomes one year prior to tax registration. Therefore, that is not to say that the number of self-employed is reinforced exclusively by employees of small and medium-sized business.³ Taking into account the data on the self-employed, more than 20.38 million people in total can be employed in the business sector early 2021. This exceeds the respective indicator for 2019 by almost 7%.

The growth in employment in this sector is surprising, given that according to Rosstat⁴ total employment (aged 15 to 72) in Russia fell from 71.8 million in 2019 to 70.6 million in 2020 (by 1.2 million people), while unemployment rose to 5.6% (+1.0 p.p. compared to 2019).

There are several explanations, why statistics does not reflect the expected serious drop.

1 Index RSBI. URL: <https://opora.ru/projects/indeks-opory-rsbi/>

2 TASS. Number of self-employed reached 1.7 million in Russia. URL: <https://tass.ru/ekonomika/10666369>

3 RBC. FTS announced Rub130 billion brought out of the shadow of the self-employed incomes. URL: <https://www.rbc.ru/economics/28/08/2020/5f479f9a9a7947f30cef78b0>

4 Rosstat. URL: https://rosstat.gov.ru/labour_force?print=1

First, many enterprises did not fire employees but rather cut payroll funds. Thus, according to SberIndex¹, in April-October 2020, the payroll fund changed over 7 months by an average of -5.5% (in October the change was -8.9%, in August only -1.0%). The largest reduction in the payroll fund took place in the sectors of “hotels and public catering” (-12.3% of the trend at the beginning of 2020) and “transportation and storage” (-8.6%). In addition, the state supported maintenance of employment.

Second, some of the companies could repurpose, add a delivery option or open a new division to provide demanded services, i.e. online trading in certain categories of goods, delivery of food, groceries, and more.

Third, information on the average number of employees for the previous calendar year is submitted by organizations to the tax authority no later than January 20 of the current year. Data collection is actually carried out once a year. In 2019, many companies did not see the point in providing particular data or considerably delayed their submission. This resulted in neglecting the number of their employees in the register. Due to the crisis, the companies decided to clarify the data on turnover this year and additionally submit the form on the average number of employed in order to be able to receive state support. Consequently, the number of SME subjects has statistically increased in the register in March-June 2020. Moreover, some companies switched from the category of large to medium-sized, having artificially supplemented the employment in the SME sector. The number of medium-sized companies increased by 5.2%.

According to Rosstat sample surveys, the average number of employees of small companies, excluding microenterprises, decreased the most in education (-43%), travel agencies (-39%), water supply (-31%), electricity (-29%), hotels and catering (-26%), trade (-25%), agriculture (24%) and construction (-23%) in 2017-2020 (in the first half of 2020).

According to the most correct August data of the SME Unified Register, the number of employed declined in 61 out of 85 regions, however, in no region did the reduction rate exceed 7%. The number of employed in the Chechen Republic, Dagestan, the city of Moscow, Leningrad, Moscow, Yaroslavl, Kaliningrad regions has grown.

According to Rosstat, the share of informal employment in Russia increased from 12% in 2010 to 20.6% in 2019 (*Fig. 37*). It was expected that during the coronacrisis it would continue growing, since during crises SMEs cut employment and switch employees to the category of individual entrepreneurs and self-employed, classified according to the Rosstat methodology as informal employment. However, according to the latest data² the number of informally employed during the pandemic and lockdown reduced almost by million: from 14.5 million people in March 2020 to 13.57 million in June, and its share reached 19.4% of the total number of employed. The informal employment is more common in

1 SberIndex. Change in the amount of payroll fund. 2020. URL: <https://sberindex.ru/ru/dashboards/izmenenie-obema-fot?partition=6>

2 Finexpertiza. Stepping out of the shadows: informal employment during the pandemic reduced by almost a million. URL: <https://finexpertiza.ru/press-service/researches/2020/vykhod-iz-teni-zanyatost/>.

a number of southern and poorly developed regions marked by low households' incomes, high unemployment and high share of agriculture (Crimea – 34.1%, Krasnodar krai – 33.5%, Astrakhan region – 32.1%; Republic of Ingushetia – 55.1%, Chechen Republic – 55.0%, etc.). The lowest informal employment is evidenced in the wealthy regions: Moscow (3.8%), Chukotka autonomous national area (3.9%), Yamalo-Nenets autonomous national area (4.4%), Khanty-Mansi autonomous national area (7.3%), Sankt-Petersburg (8.4%). Reduction in informal employment can be associated with economy “whitewashing” taking place as a result of anti-crisis business support measures, introduction of a tax on entrepreneurial income and growth in number of forced entrepreneurs.

4.10.4. SME turnover

According to SberIndex¹, there is an evidenced failure in the overall dynamics of consumer spending (*Fig. 43*) in April-May 2020 and a gradual recovery to the level of the previous year that started at the end of June. Since October 2020, there has also been a negative trend in consumer spending associated with the second wave of the coronavirus pandemic. The largest reduction in household spending compared to the same period last year concerned the cost of air tickets, hotels, beauty salons / massage / SPA, cafes and restaurants. However, consumer spending grew in certain categories since April 2020: for example, “household appliances and electronics” in May-November 2020, “medicines and medical supplies” since mid-July 2020, “clothes, shoes and accessories” in July-October 2020, “computers and software” from mid-April 2020, grocery shops from the end of March 2020, as well as some other categories.

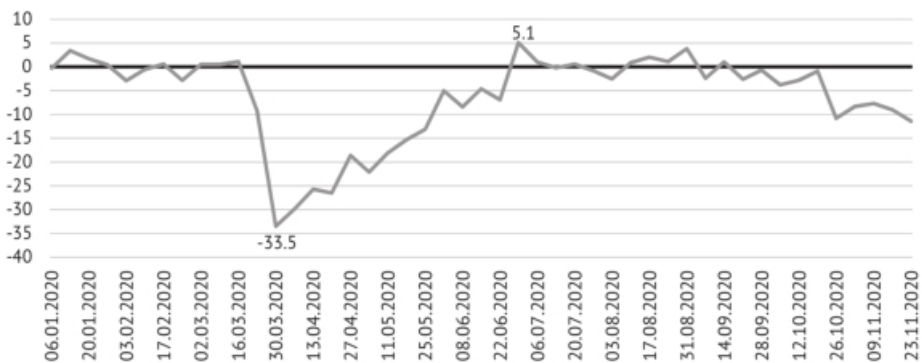


Fig. 43. Consumer spending on goods and services relative to the same week of 2019, %

Source: SberIndex. Changes in consumer spending. URL: <https://sberindex.ru/ru/dashboards/verizmenenie-trat-po-kategoriyam>

¹ Sberbank Analytics. URL: <https://www.sberbank.ru/ru/about/issledovaniya?fbclid=IwAR07JkTLIMaojuOSDge5H3FqVGXt0GIZBIGqd9frQcRV1T2n62UR0wn7Uu>

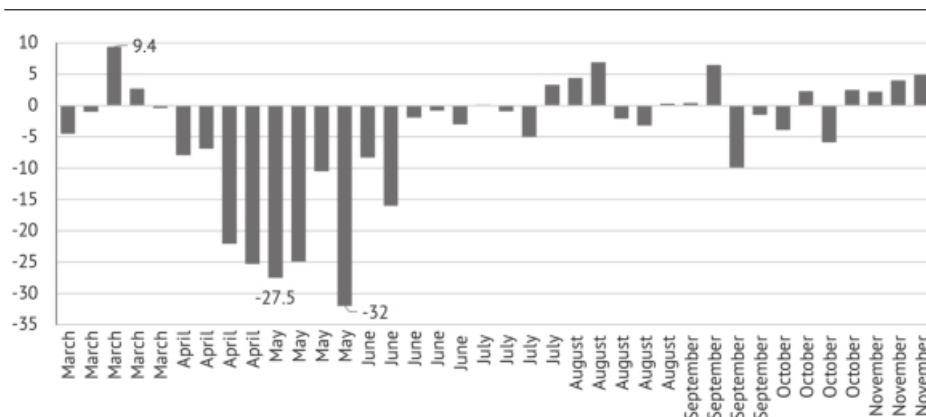


Fig. 44. Dynamics of SMEs billings in 2020 relative to the same week in 2019, %

Source: SberIndex (Change in the business turnover, 2020).

In April-June 2020, a significant decrease was observed in the turnover of small and medium-sized businesses (Fig. 44). Thus, at the end of May, the decline in turnover compared to the corresponding week of 2019 constituted a record 32%. In July and the first half of September 2020, there was a slight revival in the activity of small businesses explained by the implementation of the deferred household demand. In the fall, on the eve of the New Year holidays, there was a steady upward trend in SME turnover.

The level of demand remained significantly lower compared to the previous year in tourism and sports/entertainment industries: in June 2020, the turnover drop has been registered in these industries by 86.1 and 50.6% respectively.

SberIndex₁ determined 10 sectors of economy showing growth in earnings: insurance, clothing industry, manufacture of paper and paper goods, forestry, publishing, information technologies, software development, textile production, R&D and vehicle trade.

* * *

Shrinking SME sector has a negative impact on the entire economy. According to our econometric estimates, only due to a decrease in the number of small enterprises by 4.3%, the GRP of Russian regions could have decreased by 0.22-0.67% in 2020 (according to estimates based on our model₂).

The crisis has clearly shown that the future of a significant number of small and medium-sized businesses is associated with digitalization and knowledge-

1 SberIndex. Top 10 fully operational sectors of economy. URL: <https://sberindex.ru/ru/researches/top-10-sectorov-economiki-zarabotavshix-v-polnyu-silu>

2 Zemtsov S., Smelov Yu. Factors of regional development in Russia: geography, human capital or regional policy//Journal of the New Economic Association. 2018. No. 4 (40), p. 84–108.

intensive sectors: for example, delivery, online services, Internet banking, etc. Many of these sectors experienced a significantly smaller drop in turnover (and even growth in summer), and also maintained and in some cases increased the employment. In the very same industries, there was a smaller decline in the number of companies.

Implementation of long-term support measures is required for further sustainable development of SME sector. A complete digitalization of public services has to be organized as well as the intended transformation of the business climate. It is necessary to focus the attention of federal and regional authorities on reducing the digital divide in the regions through the development of ICT infrastructure and increasing the level of digital literacy among the population and entrepreneurs. It is required to build stable networks of business agents in regions and cities taking into account their characteristics, and to improve business environment.¹ The established ecosystem of entrepreneurship is more resistant to changes in the Russia macroeconomic situation than the individual enterprises. The use of an ecosystem approach to the development of entrepreneurial competencies helps, among other things, to reduce the unemployment rate in the long term due to the switch of potential unemployed to entrepreneurial activity. The regions need retraining programs for the unemployed aimed at mastering digital technologies and teaching entrepreneurship, and it is also necessary to envisage counseling for potential unemployed when they are selecting a new profession and to assist in their employment.

¹ *Zemtsov S., Chepurenko A., Barinova V., Krasnoselskikh A. New entrepreneurial policy for Russia after the crisis 2020 //Voprosy ekonomiki. 2020. – No. 10. – p. 44–67.*

