

## COMPETITION AND COMPETITIVENESS OF ENTERPRISES IN 2020–2021

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### IMEMO

**Abstract:** The article presents the results of the surveys held by the REB among the Russian industrial managers, who assessed the levels of their products' competitiveness and of competition intensity faced by their enterprises; define the markets where their products are competitive; describe the factors negatively affecting the competitiveness both on the part of enterprises themselves and on the part of government economic policy. The article examines the role of the state in increasing competitiveness, as well as the impact of sanctions and coronavirus on competitiveness. The data are presented for the entire 22-year period of special competitiveness' surveys, but particular attention is paid to the trends of 2020–2021.

**Keywords:** industrial enterprises; competition; competitiveness; economic policy; sanctions.

### Intensity of Competition

The intensity of competition faced by Russian industrial enterprises is defined in the REB surveys through four methods, which differ in terms of their measuring scale, sales markets' coverage and frequency of mailing the questionnaires. The first method is as follows: the respondents rate the competition on a five-point scale, where "1" means the total absence of competition, and "5" means the competition is so fierce that the enterprises' products are on the verge of being squeezed out of the market. In terms of coverage, this is the widest indicator of the four, because it offers to evaluate competition across all sales markets for the enterprise' products as a whole.

The second method is the same but with less markets' coverage. It offers to evaluate competition only from the goods made outside Russia. Information for the first two indicators is gathered simultaneously in the same surveys twice a year. Information based on two other methods is gathered once a year via a special competitiveness survey. Sampling of enterprises is the same, but the scale is different. The respondents define the intensity of competition by one of four levels: very intense; intense; average; weak/near-zero. Herewith, in one case (the third method), this refers to the competition on domestic markets, and in the other case (the fourth method), on foreign markets.

Each of the four described methods to measure competition has its own meaning. Therefore,

Table 1 presents the dynamics of four indexes built on their base. For the sake of comparability, we converted the four-point scale (used in the two last cases) into a five-point one. Numerical values that are attributed to different levels of competition, respectively, are as follows: 1 – 2.33 – 3.67 – 5.

In 2019, the level of competition across main sales markets as a whole declined to its lowest value of the whole period of observation, repeating the value obtained in 2011 – 3.3 points. After that, it began to grow and added 0.1 points in 2020. In 2021, it grew by the same amount, though these data are for the first half of the year, and afterwards will be adjusted.

The level of competition from imported goods in 2020 amounted to 3 points, and in the first half of 2021, it fell to the level of the early 2000s (2.7 points), although it was just as low in the not too distant past (in 2018). The level of competition on domestic sales markets remains rather stable during the last three years at the level of 3.0–3.1 points.

As for the level of competition on foreign markets, it amounted to 3.4 points which appeared to be the maximum value for the past 8 years.

In order to compensate for the instability of assessments due to the small sample size and low frequency of measurement, we calculate an aggregate index of competition, which is obtained as an arithmetic mean of four partial indicators.

However factitious this averaging may be, it enables us to obtain a more stable estimate (bottom row in the Table 1). The values of 2020–2021 are rather low – 3.18–3.15 points.

In addition to surveying direct estimates of the intensity of competition, there is a possibility to identify its level by some indirect indicators, for example, by the share that the products of enterprises occupy in the main sales markets (see Table 2). Previously, we tried to correlate this share with the average number of employees, finding out whether there is a relationship between the average size of the sampled enterprises and the average market share they occupy.

This time we decided to check whether there is a relationship (inverse correlation) between the

market share owned by the company and the intensity of competition that the company faces. We will test the following hypothesis: the decrease in the market share occupied by the company's products is caused by an increase in the level of competition faced by the company. That is, the more intense the competition, the less market share the company takes. For comparison, we took the level of competition on main product markets as a whole (in Table 2 we repeat the first row of Table 1), which seems to be the most rational. The expected inverse correlation appeared only in the period 2015–2019 and was rather weak. In the last two years (as well as in the period before 2015) it has been not observed.

**Table 1**  
**Intensity of Competition (a Five-Point Scale)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. On main product markets as a whole <sup>1)</sup>	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.5	3.5	3.6	3.7	3.3	3.7	3.6	3.5	3.6	3.7	3.8	3.4	3.3	3.4	3.5 <sup>3)</sup>
2. From products made outside Russia <sup>1)</sup>	2.7	2.7	2.6	2.9	2.8	3.1	2.8	3.1	3.0	3.3	3.1	3.1	3.4	3.3	3.2	3.2	2.9	2.9	2.7	3.0	3.0	2.7 <sup>3)</sup>
3. On domestic product markets <sup>2)</sup>	2.8	3.0	2.8	3.1	3.3	3.4	3.4	3.3	3.2	3.2	3.2	3.1	3.2	3.3	3.0	3.0	3.3	3.4	3.2	3.0	3.1	3.0
4. On foreign product markets <sup>2)</sup>	3.3	3.3	3.3	3.4	3.4	3.5	3.5	3.5	3.5	3.4	3.3	3.1	3.0	3.6	3.2	3.1	3.3	3.2	2.8	3.2	3.2	3.4
Aggregate indicator	3.07	3.15	3.07	3.25	3.27	3.40	3.35	3.35	3.30	3.37	3.32	3.15	3.32	3.45	3.22	3.22	3.30	3.35	3.02	3.10	3.18	3.15

<sup>1)</sup> Average of two semiannual surveys “1” – practically absent; “5” – very fierce competition, close to squeezing out of the market.

<sup>2)</sup> “1” weak and near zero; “5” very intense.

<sup>3)</sup> The first half-year.

**Table 2**  
**Indirect Indicators of Competition**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Average market share (%)	35	30	32	32	33	32	29	27	29	26	27	28	29	29	27	30	23	26	28	27	26	24
Average number of employees	844	986	912	982	888	951	825	783	705	562	649	580	465	558	444	488	540	513	737	552	596	847
Intensity of competition (a five-point scale) on main product markets as a whole*	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.5	3.5	3.6	3.7	3.3	3.7	3.6	3.5	3.6	3.7	3.8	3.4	3.3	3.4	3.5

\* The first half-year.

## Competitiveness

First of all, it should be mentioned that in 2020 the answers to a special survey on competitiveness were received in March, which means that they characterize the “pre-pandemic” state of affairs. In 2021, the survey was conducted already in the

context of coronavirus and all the related restrictions, which most likely influenced some of the responses.

The REB respondents evaluate the competitiveness of their products on a three-level scale: “high – medium – low” once a year, during a

special survey<sup>\*</sup>. The major part of the surveys' participants regularly assesses the competitiveness of their products as "medium". In 2020, we witnessed the same situation: the group of enterprises with medium competitiveness reached 75%, which turned out to be the maximum value for all 22 years of observation, although this is only 3 points above the previous record of 2004. About 20% of the survey participants rated their products as highly competitive. The share of enterprises that defined the competitiveness of their products as low turned out to be minimal since the beginning of the observation and amounted to only 5%. In 2021, the situation changed dramatically. Although most enterprises still rated their products as medium competitive, their share decreased by 23 points within a year and amounted to 52% – the minimum for this group in the entire history of observation. At the same time, the share of those who estimated the competitiveness of their products as "high" increased sharply (by 26 points at once) – to 46% – the maximum in the entire history of observation, which significantly surpassed the previous record of 2018 (37%). We suppose that enterprises that survived the lockdown and did not close down due to the pandemic became bolder in assessing the competitiveness of their products.

To present the dynamics of competitiveness' assessments in a more visual form, we use the index of competitiveness calculated by converting the three-level gradation into a 100-point scale in the following mode: high competitiveness is 100 points; medium is 67; low is 33. (Formerly, non-competitive products were equated to 0).

In 2021, due to the record-high share of highly competitive enterprises, the competitiveness index also reached its maximum for the entire period of observation (80 points). The previous maximum was recorded in 2018 (77 points), and in 2020 the competitiveness index dropped to an average level of 72 points.

An indirect estimate of competitive power could be received via the distribution of

enterprises by regions where their products are competitive. As can be seen from Table 4, the overwhelming majority of enterprises see their products competitive on Russia's domestic market. The share of such enterprises over the past five years did not fall below 90%, and in 2018 reached a maximum value of 97%. In 2019–2020 it dropped to 91% and in 2021 amounted to 96%, which is the second result in 22 years of measurements.

The CIS region is traditionally located in the second place. In 2020, about 61% of the survey participants indicated this market, which is a record amount for the whole observation period. As for the markets of Western and Eastern Europe, in total they were "passable" for 28% of enterprises – which is also a maximum level. The growth dynamics of the last 4 years is impressive: from 9 to 28%. As for North America, in 2020 we traced the maximum share of respondents who indicated that their products were competitive in this region (9%). In 2021 the share decreased to 7%, which is still a significant amount for this market (this is the second maximum value). The share of those who consider their products competitive in Asian markets also increased in the last two years. We included this sales market in the questionnaire for the first time in 2018, following the proposal of several respondents who noted this region on the margins of the previous questionnaire. While in 2018, in the first survey containing this region, there were few enterprises claiming their competitiveness in Asia, and in 2019 there were none at all, in 2020–2021 the share of those who marked the Asian region was 9–13%.

It should be mentioned that this question has an answer option that the company's products are not competitive in any of the markets. It is difficult to understand what the respondents mean by answering this question in this way, but every year there were from 2 to 5% (with two exceptions, when there were 1 and 9%) survey participants who chose this option. In the year of records (2021), for the first time there were no such enterprises at all.

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<sup>\*</sup> Until 2006, the scale was a four-point one and contained the variant of answer "product is non-competitive".

**Table 3**  
**Competitiveness of Products (Shares of Enterprises, %)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
High	18	15	16	13	17	16	21	21	27	27	22	25	22	34	24	26	22	30	37	27	20	46
Medium	65	67	68	70	72	59	67	70	67	63	65	63	66	55	65	67	66	59	56	67	75	52
Low	15	14	12	16	8	21	9	9	6	10	11	11	12	11	11	7	12	11	7	6	5	2
Products are non-competitive	2	4	4	1	3	4	3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Index of competitiveness	66	65	66	65	68	62	69	71	74	72	69	71	70	75	71	73	70	73	77	74	72	80

**Table 4**  
**Markets Where Enterprises' Products Are Competitive (Shares of Enterprises, %)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Russia	83	85	87	86	88	86	87	92	90	88	84	93	88	88	89	90	94	94	97	91	91	96
CIS	34	29	31	38	32	37	33	31	32	38	37	37	35	43	34	43	48	40	39	51	61	52
Western and Eastern Europe	11	17	17	17	12	11	8	13	15	16	17	11	11	10	12	13	14	14	9	15	20	28
North America	2	4	4	3	3	3	2	2	–	2	4	–	1	5	4	3	4	4	6	3	9	7
Asia	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3	0	9	13

*Note: the respondents could single out several points*

### Long-Term Assessments of Competitive Power

Another way to measure the competitiveness of Russian enterprises is to examine one more question included in the regular REB questionnaire (see Table 5). The respondents are asked to compare the bulk of their products by the criterion of “quality-price ratio” with their analogues that are traded on world markets. It is proposed to give the highest mark of 100 points when the respondent supposes that his enterprise’s products are the best by this criterion among all other rival products known to him, and the minimum 0 points, if the respondent considers them as the worst. Participants of the survey are offered to assess the competitiveness of their products at present, to recollect what it had been five years ago (we called it a “retro-assessment”), and to predict what it will be in five years. This question is asked twice a year.

In the previous article about competitiveness in 2019 we presented several trends and patterns revealed in this table when examining estimates of the past, present and future<sup>1</sup>. In particular we wrote

that over the years all three indicators tended to increase. There was a fear that over time the indicator would cease to be informative, since the forecasts would hit the upper limit (100 points). But it turned out that the optimism of our respondents cannot be limited and starting from 2019 answers exceeding the one hundred point brink began to appear. When we received first answers of this kind, we doubted whether such assessments made sense, whether they were acceptable; and at first we decided that these answers were incorrect. But when they began to appear in every survey of different enterprises, we had to reconsider our criteria. And we came to the following interpretation. Indicating, for example, 100 points as the current value, the survey participants report that their products are the best by this criterion among those presented on the markets. Reporting on further plans for development and improvement, the respondents could not help but go beyond 100 points, emphasizing in such a way that in 5 years their products would not only be better than analogues (in this case 100 points could have been left), but also better than themselves in their current version.

<sup>1</sup> Egorov A. Competition and Competitiveness of Enterprises in 2018–2019. The Russian Economic Barometer, 2019, № 3, pp. 3–25 (see p.12–13).

**Table 5**  
**Competitiveness of Enterprises' Products in Terms of Quality to Price Ratio <sup>1)</sup>**

	Total sample	Iron and steel and non-ferrous metals	Machinery and metalworking	Chemicals and petrochemicals	Logging, woodworking, pulp-and-paper	Building materials	Light industry	Food industry
Retro values								
2002	67	69	67	64	75	64	67	66
2003	67	78	69	64	67	62	57	75
2004	70	83	70	71	79	73	65	72
2005	72	78	70	75	67	69	75	72
2006	72	72	73	72	76	66	65	73
2007	74	76	76	71	74	75	70	76
2008	72	74	69	67	72	35	83	77
2009	77	74	74	68	77	76	90	85
2010	79	86	78	79	80	80	77	83
2011	77	78	81	77	72	66	81	66
2012	77	73	77	93	75	63	84	82
2013	78	80	78	63	83	90	71	74
2014	78	81	82	59	85	48	73	75
2015	84	88	82	80	77	–	90	95
2016 <sup>2)</sup>	79	85	73	88	82	20	90	87
Current values								
2007	76	78	74	71	83	84	74	77
2008	75	91	72	88	73	70	65	80
2009	74	89	76	73	78	74	69	75
2010	77	75	77	86	82	75	74	76
2011	76	74	76	78	85	67	70	81
2012	76	68	75	86	77	75	73	81
2013	75	77	71	76	80	30	74	89
2014	80	73	78	82	78	73	79	92
2015	81	75	79	84	82	79	82	90
2016	79	45	83	86	76	86	79	84
2017	81	64	83	92	82	75	84	88
2018	79	77	80	83	93	77	70	74
2019	83	83	82	80	84	73	81	100
2020	82	91	80	93	59	–	65	80
2021 <sup>2)</sup>	81	84	73	90	88	50	95	96
Prospective values								
2012	85	88	84	63	89	94	84	88
2013	80	90	76	94	89	78	71	86
2014	82	97	79	78	90	75	85	81
2015	82	77	84	92	86	76	83	83
2016	81	85	83	83	91	72	76	86
2017	83	81	84	86	83	69	79	85
2018	80	83	76	73	99	25	75	95
2019	84	74	81	90	46	72	86	96
2020	84	77	81	89	89	80	89	93
2021	81	29	83	89	84	95	81	91
2022	87	72	89	97	80	83	88	95
2023	87	83	85	93	–	83	91	89
2024	91	90	87	96	98	80	86	110
2025	89	93	90	87	71	–	65	94
2026 <sup>2)</sup>	82	87	76	91	97	60	95	81

<sup>1)</sup> Average of two semiannual surveys: "100" are the best products on the world market; "0" are the worst.

<sup>2)</sup> The first half-year.

The main change in 2020 is, first of all, the dismantling of a long-lasting trend that every year the heads of enterprises assumed that the competitiveness of the main part of their products 5 years ago was lower than the current one. In 2020, for the first time in 15 years of observations, the “retro-estimate” was higher than the current value.

The data for 2021 are preliminary, but it seems that it is already possible to focus attention on a significant decrease in optimism in the forecast. Compared to 2020, the forecast declined by 7 points. Declines had happened earlier, but all of

them were less noticeable. The difference between the levels of the current competitiveness and the predicted one also reached a minimum value in 2021 and amounted to only 1 point.

Two more “achievements” of 2021 are as follows: firstly, for the first time in the entire observation period, a five-years-ago forecast came true – namely, it was the forecast of 2016 for 2021 (81 points); and secondly, the “retro-assessment” indicated in 2021 coincided with the actual value of five years ago, that is, with the value of 2016 (79 points), which also happened for the first time.

### What hampers Competitiveness?

In 2021, competitiveness was hampered the most by the “slow renewal of products”. This was indicated by 30% of the survey participants. A year earlier, this factor held the third position, while in 2018 it was also in first place. It turns out that in the last three years, the market has begun to require manufacturers to accelerate their adaption to the demand for new products.

For a long time “obsolete equipment” had been in the first place among the obstacles to the competitiveness of manufactured products,

but in recent years its rating has been declining, albeit with some setbacks. And although in 2020 this factor was still among the key ones (it shared the first place with “shortage of financial resources”) and in 2021 it occupied the second position, its decline continues and, most likely, “obsolete equipment” will lose its leading position in the coming years. Over the past eleven years, it has “lost” almost 30 percentage points, reaching a minimum value of 26% by 2021.

**Table 6**  
**Factors Deteriorating the Competitiveness of Products (Shares of Enterprises, %)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Obsolete equipment	66	56	58	58	56	55	56	53	56	53	50	45	57	51	39	40	38	33	45	30	34	26
Non-perfect production technology	23	16	18	18	23	26	18	24	17	22	21	21	12	20	18	14	24	12	10	15	23	13
Low qualification of employees	9	13	10	14	12	15	20	25	33	18	17	24	21	14	21	16	22	12	19	24	20	20
Poor quality of supplies (raw materials and components)	26	25	18	21	32	24	26	28	23	20	20	26	24	20	13	14	18	23	16	9	16	20
Instability of supplies of raw materials and equipment	16	12	9	8	8	4	7	6	5	8	6	7	4	2	2	6	6	2	6	9	2	9
Inefficient management	7	11	13	17	16	14	12	9	16	13	13	13	13	12	13	8	8	10	10	12	14	13
Slow renewal of products	17	19	18	26	27	25	33	25	18	19	17	18	25	22	14	23	24	17	16	33	32	30
Weak marketing, poor knowledge of the market	22	18	23	24	18	22	21	21	13	19	22	16	16	22	27	11	20	17	29	18	20	17
Inflating prices by the intermediaries	13	15	16	16	18	20	26	16	25	22	22	24	24	25	29	19	24	35	26	24	11	11
Shortage of financial resources	57	53	53	50	42	35	35	42	39	47	42	45	45	42	32	43	48	33	32	27	34	15
Weak R&D	6	11	11	13	8	7	4	7	10	8	9	7	9	11	7	10	14	8	2	12	5	7

*Note: the respondents were required to limit themselves to three major factors.*

The third place in 2021 is shared by factors of “poor quality of supplied raw materials/components” and “low qualification of employees” (20% each), although in 2019 the first of them had the least number of responses (9%).

“Shortage of financial resources” is another factor that used to be significantly ahead of other restrictions for a long time, but now it is losing its position. In 2021, it dropped to its minimum value of 15%, which brought it to the 4–5-th position in the rating, whereas a year ago it was in first place (along with obsolete equipment).

In the last few years, the attitude of survey participants to “intermediaries who inflate prices” has been very volatile. This factor for a long time has been the leading one among the factors of the second tire, and in 2017 it unexpectedly appeared in the first place among all factors. Since then, however, its position has only worsened and reached the minimum. The

remaining factors change places in the rating with different activity, ranging from 10 to 20%.

The long-term downward trend of the obsolete equipment's rating among the factors that deteriorate competitiveness can be explained by the continuing renewal of production facilities of industrial enterprises. Indirectly, this is confirmed by a significant share of companies buying new imported equipment (see Table 7). In the early 2000s, it was not exceeding 20%, which is rather modest compared to the share of enterprises purchasing equipment in recent years which has fluctuated between 50 and 60%. In 2021, it has grown significantly, reaching 72% which is a maximum for the entire observation period.

The share of companies that bought computers and software in 2021 also amounted to 72%, but this is far from the maximum for this category, although it is the best value over the past 7 years.

**Table 7**

**Enterprises that Purchased Licenses/Know-How/Patents, New Imported Equipment, Computers/Software in the Recent 3 Years (Shares of Enterprises, %)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Licenses, know-how and patents	15	12	14	15	16	11	14	13	7	6	7	5	8	11	10	10	8	10	6	16	13
New imported equipment	16	18	26	23	32	35	42	40	46	46	46	42	60	54	60	58	54	48	55	50	72
Computers and software	71	72	74	82	79	83	85	82	77	80	83	78	78	68	64	60	58	68	61	66	72

**Table 8**

**Main equipment used by the enterprises (Shares of Enterprises, %)**

	Soviet non-modernized equipment	Soviet modernized equipment	Equipment produced after 1991 in CIS countries	Imported equipment
2007	40	45	11	30
2008	35	40	12	32
2009	29	45	15	40
2010	27	44	14	44
2011	21	49	16	51
2012	29	45	13	41
2013	23	51	17	38
2014	25	41	20	43
2015	18	47	13	53
2016	18	54	14	60
2017	25	33	17	60
2018	23	39	16	48
2019	15	45	15	52
2020	25	43	14	52
2021	7	41	24	61

*Note: total value may exceed 100% as the respondents were allowed to mark several factors.*

There is another confirmation that the reduction of the old equipment' rating among the competitiveness limitations really takes place. It can be found in the table of distribution of main production assets, which are now used by the enterprises participating in the surveys. The share of imported equipment within this distribution almost doubled since the beginning of the period under review. It has increased by 9 pp. over the past year only. And the share of the Soviet non-modernized equipment, on the contrary, noticeably decreased (from 40 to 7% in 15 years, and by 18 percentage points in a year). Besides, the values of 2021: 61 and 7% are extremes. The share of equipment created after 1991 in the CIS countries also reached its maximum in 2021 – 24%. In general, judging by the monthly REB's surveys, 2020 and the first half of 2021 appeared to be successful years in terms of investment indicators. The share of those who purchase (over the past two months) equipment has increased to 72% (averagely for 2020), and if we take for instance

May 2021, it reached the maximum in the entire history of observations – 86%.

Next, we will focus on the priority areas of development within the enterprises themselves, which, according to managers, are more important for improving the competitiveness of products. In 2021, like in the past seven years, the most important measure was the upgrading of employees qualification. This was indicated by 50% of respondents. The second place belongs to the creation of efficient marketing services (35%) and the third – to the modernization of production facilities (33%). In 2020 the distribution of answers was practically the same. It should also be noted that unlike in 2019 when the respondents did not seem to require improvement (reorganization) of organizational and managerial structures, since no one marked this point, this measure became relevant again in 2020: 16% considered the reorganization a necessary condition for improving the competitiveness level. It was ranked higher only in 2000.

**Table 9**

**Necessary Measures to Be Taken by the Enterprises for Improvement of Their Products' Competitiveness (Shares of Enterprises, %)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Upgrading of employees qualification	51	40	38	39	40	40	50	53	55	49	44	49	55	48	41	47	52	52	48	48	48	50
Reorganization of organizational and management structures	17	14	14	12	13	15	10	11	14	12	14	11	12	12	9	14	10	10	6	0	16	11
Modernization of production facilities	30	30	34	40	40	33	43	36	35	36	42	52	37	40	29	31	48	33	35	36	34	33
Restoring of cooperative ties	18	15	17	16	14	17	10	12	12	13	7	9	11	12	9	21	16	10	13	15	14	15
Creation of efficient marketing services	51	47	49	47	49	50	46	42	37	42	44	31	34	43	48	35	28	40	45	36	41	35

### The Role of the State in the Improvement of Competitiveness

Judging by many years of observation, respondents do not consider that state regulation has a significant impact on the enterprise's competitiveness. The vast majority of respondents – more than  $\frac{3}{4}$  of the sample – either find it difficult to assess the actions of the state in this area, or perceive it as a passive observer, which does not help, but at the same time does not impede efforts of enterprises to improve their competitiveness. In 2019, there was a record amount of such enterprises – 88%, whereas in 2020 this indicator was slightly less – 86%. Meanwhile, the share of those who assessed the state's impact positively remained at zero level (as in 2019).

However, in 2021 the situation changed significantly: much fewer respondents (69%) rated the role of the state neutrally, and much more – positively (16%), which turned out to be the maximum value for 21 years of observations. At the same time, the share of negatively assessing state's regulation in 2020–2021 compared to 2019 has not changed so significantly (14–16% vs. 12%). As for the index of state influence on competitiveness, in 2020 it turned out to be quite ordinary (43), and in 2021 the index grew considerably due to a large share of positive assessments and reached a historical maximum (50), although this is only 2 points more than the previous record of 2015.



**Table 10****Influence of the State on Competitive Power of Enterprises (Shares of Enterprises, %)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Positive influence	6	5	6	4	3	2	2	6	3	3	4	2	5	2	11	7	6	4	3	0	0	16
Neutral influence (including those who were undecided)	78	81	74	72	74	80	78	81	81	81	77	81	76	71	69	82	80	77	84	88	86	68
Negative influence	16	14	20	24	23	18	20	13	16	16	19	17	19	27	20	11	14	19	13	12	14	16
Index of influence of the state on competitive power <sup>1)</sup>	45	45	43	40	40	42	41	46	43	43	42	42	43	37	45	48	46	42	45	44	43	50

<sup>1)</sup> By the 100-point scale: “0” means negative influence; “50” means neutrality and “100” means positive influence.

In 2020–2021, “high taxes” came again in top place in the ranking of state economic policy’s measures that have a negative impact on the products’ competitiveness; 48–52% of respondents noted this item, which is noticeably less than its record value (80%) obtained in 2000. The remaining places in the rating in the two years under review changed depending on market conditions. Thus, in 2020, there was a noticeable increase in the dollar exchange rate just in March – the month when the survey was conducted. Then the dollar rose by 20% which led to a sharp increase in the worsening impact of the “instability of the ruble exchange rate”. This factor moved from the 3rd–5th place to the second place, gained 18 additional percentage points at once, updated with 45% the record of 2016. In 2021, the situation

with the exchange rate has stabilized, the value of the indicator has almost halved. In 2021, the situation with rising prices worsened and the respondents demonstrated their reaction – the value of inflation factor increased by 27 percentage points and reached 37%, exceeding the record of 2016 by 9 points.

“Outstripping growth in prices of fuel & energy & transport” has stabilized in the last 3 years at the level of 27–30%, which is a fairly low level for this indicator. “Tight credit” and “protectionism in foreign markets” showed fairly average results for themselves in 2020, and in 2021 they gained 20% each, moreover, for “tight credit” this is the minimum value for all years of observation, and for “protectionism in foreign markets”, on the contrary, this is the maximum value.

**Table 11****Conditions Lowering Competitiveness of Production from the Side of Government Economic Policy (Shares of Enterprises, %)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
High taxes	80	73	72	76	58	59	59	59	68	50	50	76	71	63	57	42	44	52	42	42	48	52
Tight credit	36	41	43	36	39	44	44	49	49	54	41	41	35	43	43	50	48	44	32	30	39	20
Outstripping growth in prices of fuel & energy & transport	38	51	50	61	60	56	53	56	59	57	61	59	47	62	50	26	38	42	48	27	30	28
Inflation	17	18	17	19	16	18	22	17	23	22	21	19	16	22	27	24	28	27	16	27	11	37
Unstable ruble exchange rate	23	12	7	9	10	2	5	5	5	18	14	10	9	6	21	35	38	25	6	27	45	24
Protectionism in foreign markets	8	7	11	9	9	13	12	11	8	10	14	7	14	14	13	8	10	8	16	15	14	20

Every year we ask the industrial managers to choose measures the government should take, in their opinion, in order to improve the competitiveness of their enterprises’ products. The two main directions – maintaining the “stability of financial and economic policy” and

“tax reduction” – are almost always ahead of others, replacing each other in the status of the rating leader. The same happened in 2020–2021. We also want to point out “easing of commercial credit” – in 2021, this indicator gained its minimum value (22%) and lost its usual third

place. The point about the necessity “to limit bureaucracy and fight corruption” was added to the list of measures 4 years ago. For the first two years of presence in the questionnaire it did not find much response among the survey

participants and scored 9–13%. In 2020–21, the situation changed and already about a third of respondents (28–34%) stated the requirement to fight corruption and bureaucracy in order to increase competitiveness.

**Table 12**

**Necessary Measures to Be Taken by the State for Improvement of Competitive Power of Enterprises (Shares of Enterprises, %)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
To reduce taxes	79	72	71	79	67	68	64	61	69	64	56	81	70	72	64	52	54	46	52	48	55	65
To curb the state interference with enterprise affairs	7	7	5	7	8	9	6	12	12	8	9	8	11	9	13	14	8	15	16	12	16	7
To ease the commercial credit	34	33	33	34	42	41	47	47	38	52	39	37	45	43	27	43	48	46	32	30	34	22
To exclude investment expenditures on new R&D and equipment procurement from taxation basis	24	27	27	28	31	41	33	39	35	24	28	27	30	34	18	18	18	23	29	27	30	30
To conduct a stable financial and economic policy	72	65	54	47	47	42	51	43	48	58	61	53	42	52	57	63	72	62	52	55	64	59
To create a common economic space with CIS countries	–	–	–	18	16	18	14	14	18	14	16	10	21	23	16	16	12	17	23	12	23	15
To limit bureaucracy and fight corruption	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	13	9	34	28

### Keys to Success of Foreign Rivals

When comparing their products with analogous goods of foreign origin, Russian industrial managers, most often noted during the 22 years of the survey that the introduction and application of new technologies supports foreign competitors best in achieving success. In 2021, this factor gained the largest number of votes again – almost half of the survey participants (46%) pointed to it. The second-third places were also occupied by the most frequent “inhabitants” of the top three – “high quality” and “financial capacities” (28% each). In 2020, they also

occupied leading positions, although in 2018–2019 they had dropped quite a lot. “Low prices of foreign products” and “tax and other benefits” were marked by 22% each. The respondents also reported that foreign rivals’ products are more competitive due to their more skillful management (20% of responses) and more effective marketing and advertising (17%). It should also be noted that in 2021, only 4% indicated that foreign companies do not have much success in the Russian market, and this is the minimum value for 22 years of surveys.

**Table 13**

**Key Success Factors of Foreign Competitors in the Russian Market (Shares of Enterprises, %)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
No particular success	10	9	10	10	8	11	6	8	11	11	10	8	6	9	13	12	12	10	9	11	4
Low price	15	20	22	21	27	27	23	21	26	20	31	29	25	25	18	16	23	23	33	25	22
High quality	30	29	35	33	33	31	45	36	34	32	36	33	38	18	23	34	23	16	33	32	28
New technologies	35	32	39	42	37	44	50	51	35	48	42	45	46	34	35	48	44	42	48	32	46
Marketing and advertising	24	25	23	25	24	28	20	27	26	28	32	20	31	25	29	22	19	16	12	20	17
Skillful management	15	23	22	23	19	17	17	18	18	16	18	24	20	16	13	6	17	23	15	11	20
Financial capacities	35	36	34	42	36	39	32	42	43	43	35	34	38	41	43	38	33	19	18	36	28
Tax and other benefits	12	9	16	12	13	13	19	19	19	15	20	16	17	27	14	16	15	10	9	20	22

*Note: the respondents were required to limit themselves to three major factors.*

## Influence of Sanctions and Coronavirus on Enterprises' Competitiveness

For the last seven years in a row, in the last part of the questionnaire we ask how sanctions against Russia and Russian countermeasures, according to respondents', affect the competitiveness of their enterprises. Most of those who answered this question throughout the period believed that sanctions did not affect the competitiveness of enterprises in any way – neither on the domestic market, nor on the foreign one. Although the share of those who believe that sanctions did not affect competitiveness on foreign markets was still less than the same indicator on the domestic market, both averagely for the entire surveyed period and

in each year in particular, not excluding 2021 (69% against 86%).

The fact that sanctions caused an improvement of competitiveness in the domestic market was reported in 2021 by 9% of the survey participants, though in the previous survey in March 2020, this share equaled to 17% – the highest value in 7 years. Only 2% reported a deterioration of competitiveness both in 2020 and 2021, which also turned out to be the minimum for all years of observation. Those who found it difficult to answer also turned out to be 2% – which is also the minimum value, but repeating the value gained in 2015.

**Table 14**

**Influence of Sanctions and Countersanctions on Competitiveness of Enterprises (Shares of enterprises, %)**

Competitiveness	In the domestic market							In foreign markets						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Improved	8	14	11	14	6	17	9	2	13	5	8	0	5	0
Remained unchanged	83	74	68	73	74	78	86	73	59	52	46	68	62	69
Deteriorated	7	6	11	10	3	2	2	10	10	7	17	11	8	11
Undecided	2	4	10	3	16	2	2	15	18	35	29	21	24	20

If we look at the impact of sanctions and countersanctions on the competitiveness of the enterprise in foreign markets, then in 2021, for the second time in seven years, none of the respondents could assess it positively. 11% reported a deterioration of competitiveness under their influence, 20% of the enterprises' directors participating in the survey found it difficult to answer this question.

Based on the available data for 5 years, in 2019 we made a cautious assumption that the period of the most noticeable impact of sanctions on the competitiveness was passed in 2016–2018. The data of the last two polls on the whole confirm this conclusion. At least if we judge by the share of those who reported that the competitiveness remained unchanged. Compared to 2015, in 2016 and 2017 the share of such enterprises fell, and then began to increase and over the past 4 years has grown by almost 20 percentage points. The distribution of responses in 2021 is worth mentioning: it is very similar to the distribution of 2015, when the sanctions war was only gaining momentum and it was difficult to evaluate any

influence, taking into account that the survey was conducted at the beginning of the year. Considering the insignificant (2–3%) share of those who in the last three years indicate that the competitiveness has deteriorated due to the introduction of sanctions, it can be said that enterprises in the domestic market have adapted, finding alternative suppliers and consumers, and are experiencing sanctions pressure much more easily.

It should be added that throughout the period under review, each year the share of enterprises whose competitiveness in the domestic market improved after sanctions and "anti-sanctions" exceeded the share of those whose competitiveness deteriorated (except for 2017, when they were equal), whereas the maximum surplus (+15 percentage points) of the first group over the second one was recorded in 2020. With regard to competitiveness in foreign markets, the situation with these groups is the opposite one (each year, except for 2016). The surplus of the second group over the first one is generally quite insignificant, and provided that many nuances are

set aside, it seems to us that sanctions and anti-sanctions turned out to be a benefit for competitiveness in the domestic market and a harm for it in the foreign one.

In the final part of the questionnaire, we always try to identify the influence of current global phenomena on competitiveness. We had asked

about the impact of the global financial crisis, about expectations and the resulting consequences of joining the WTO, about the establishment of the Customs Union and for many years about sanctions. In the 2021 survey, we couldn't help but ask about the impact of the coronavirus on competitiveness.

**Table 15**

**Influence of Coronavirus on Competitiveness of Enterprises (Shares of enterprises, %)**

	Improved	Remained unchanged	Deteriorated	Undecided
Entire sample	11	53	29	7
Fuel industry	0	50	0	50
Iron and steel and non-ferrous metals	50	0	50	0
Machinery and metalworking	18	47	29	6
Chemicals and petrochemicals	0	40	40	20
Logging, woodworking, pulp-and-paper	0	50	50	0
Building materials	0	100	0	0
Light industry	0	75	25	0
Food industry	0	67	33	0

More than half of the survey participants did not feel the impact of coronavirus on their competitiveness, and, most likely, this can be defined as a favorable scenario. 29% of respondents felt a drop in competitiveness amid coronavirus. But it turned out that there are enterprises whose competitiveness improved

under the influence of the pandemic. These turned out to be 11%, and these were representatives of metallurgy and machine building. If the REB sample included manufacturers of disposable masks and gloves, as well as sanitizers, then the light and chemical industries would also be among the "beneficiaries" of the pandemic.

\* \* \*

In general, the survey results allow us to conclude that 2020–2021 were for the REB sample enterprises favorable from the point of view of competition (except for competition in foreign markets, which was rather high), and different from the point of view of competitiveness – 2020 was quite ordinary, whereas 2021 was very successful (the maximum share of enterprises declared high competitiveness of their products). In addition, many other records were achieved in 2021: the competitiveness index reached its maximum value; the shares of enterprises that reported that their products were competitive in the European and Asian markets also reached maximums. It finally became clear that sanctions and countermeasures basically do not affect the competitiveness of the sampled enterprises. In 2021, it turned out that the coronavirus also had no influence on the competitiveness of most of the survey participants.