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Economies of St Petersburg and Leningrad Oblast by 2025: Present-day Picture

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Abstract

St. Petersburg is the second largest city in Russia, and together with Leningrad Oblast (or *Region*) it forms the second largest regional agglomeration in the country. Economies of St. Petersburg and Leningrad Oblast have their regional peculiarities, defined by their structure and potential, including their demography, domestic markets, and most developed industries and companies. On the other side, these two economies follow general trends of Russia's economy as a whole. The long-term trend in Russian economy since 2013 until 2020 could be defined as *stagnation*, as the average GDP growth rate was below 1% year-on-year, with some years of higher dynamics mixed with several years of slight economic recession. This phenomenon was based on an exhaustion and ineffectiveness of the economic model, which had formed during the booming period of 2000-ies with high commodity prices, constantly growing real incomes, rapidly growing Russia's GDP - and regional GDPs of the reviewed regions increasing even faster, than the national average. Real incomes in Russia within this period remained lower than in 2013, and more moderate oil prices and weaker investment activity added to this stagnation picture. However, since the post-COVID recovery year of 2021 and the start of military conflict with Ukraine in 2022 economic growth in Russia accelerated, and real incomes of the residents increased. This growth trend was evoked by a combination of neo-Keynesian policy (especially in industrial sector) internally alongside with some positive external effects of economic *sanctions*, accompanied by the rise of commodity prices in 2021-2023. Despite this short-term positive impact, it failed to solve some basic problems of Russia's economy. Some of the earliest signs of crisis are already visible enough: Bank of Russia's key rate is 21%, some of the industries demonstrate decline, the affordable mortgage is suspended nationwide, high inflation persists. In these new circumstances St. Petersburg's economy seems to be more vulnerable than the economy of neighboring Leningrad Oblast, as the city is more dependent on internal demand, and presently is less dependent on industrial production. State interference in forms of subsidized loans, additional budget stimuli, etc. is constrained due to increasing budget deficit and lower export incomes. The authorities presently try to rebalance the economy by shifting it to a so-called "*soft landing*" mode primarily by monetary and fiscal leverages; however, the return to stagnation paradigm seems less probable due to growing economic imbalances.

Key words: Russia's economy, economy of St. Petersburg, economy of Leningrad Oblast

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1. Gross regional product (GRP) of St. Petersburg and Leningrad Oblast: volume, international comparison

St. Petersburg is an urban region located in Northwest Russia, and Leningrad Oblast forms its surrounding suburbs, including vast territories and several small satellite towns. As these two regions are divided administratively, so the statistical data for the reviewed regions is different, although this data is provided by one single service – Petrostat (the regional statistical service for St. Petersburg and the Leningrad Oblast). Population of St. Petersburg as on January 1, 2025 was 5 million 563 thousand people. The corresponding figure for Leningrad Oblast was 2 million 060 thousand people for the same date. Gross regional product (or GRP) of St. Petersburg in 2023 was RUB 10 908 billion, equal to EUR 117.5 billion - if converted with the Bank of Russia official average annual exchange rate for year 2023. For Leningrad Oblast the GRP volume in 2023 was RUB 1 915 billion, equal to EUR 20.6 billion if converted using the same official average exchange rate (Petrostat 1, 2025). In 2023, the St. Petersburg's GRP was nearly two times smaller than the corresponding figure for Finland's GDP for the same year: EUR 117.5 billion for St. Petersburg and EUR 273.0 billion for Finland (Statistics Finland, 2025). As for the Leningrad Oblast, its GRP can be compared with Latvia's GDP for 2023: EUR 20.6 billion for the reviewed region, and EUR 40.3 billion for Latvia (CSB Latvia, 2025). St. Petersburg region and Finland have similar population size, while population of Leningrad Oblast is slightly bigger than that of Latvia[1].

International comparisons for Russian GDP in general and regional GRP volumes in particular meet certain problems, as only exchange rate-based comparison seems to be relevant – at least to a certain extent. Comparison based on PPP (purchasing power parity) is irrelevant. For example, for 2023 Rosstat has used a PPP equal to RUB 26.7 per 1 US Dollar, which corresponds to RUB 28.9 per 1 Euro for the same year[2]. And if this PPP is used to compare gross national/regional products, so St. Petersburg's GRP (its euro equivalent) raises up to EUR 377.4 billion, which is bigger than the corresponding figure for Finland for the same year - even taking the Finland's PPP into account (WB Data, 2025). Despite the fact that some international economic organizations like the World Bank and the IMF use this PPP rate for their international comparisons, these PPP-based comparisons often contradict the objective reality and, therefore, are excluded from further assessment in this report. The basic reason for the abovementioned PPP-case irrelevance is, most probably, lack of profound Russia-related expertise in the world in general, and in international economic organizations in particular. Consequently, for international comparison only exchange rate-based figures might be taken into account.

Basing on the abovementioned international comparisons, St. Petersburg's region and Leningrad Oblast by GRP/GDP and population size might be compared with some of EU states. However, economic structure of the reviewed regions differs from, e.g., branch structure of Finland's or Latvia's economies. The structure of the regional economies would be presented further.

An additional clarification should be given regarding the accuracy of the statistical data for GRP/GDP, provided by the statistical services in Russia, both on regional and national levels. As there are no alternative sources for regional and national statistics, so officially published statistical data provided by Petrostat and Rosstat is taken for granted. In case some of these figures are officially re-calculated or revised, so the officially revised figure is used for this report[3].

It is noteworthy that the regional statistical service, namely Petrostat, needs 14 months to calculate gross regional product data. Thus, GRP data for 2024 could become available in the first quarter of 2026 and presently year 2023 is the latest year with accessible GRP volume (as in Petrostat 1, 2025). At the same time, for certain indicators (population, industrial output, construction volumes, etc.) for year 2024 and even for the first quarter of 2025 the figures emerge earlier. So, despite the absence of GRP data for 2024, some general conclusions on the regions' economic performance could be drawn for year 2024 as well.

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1 *Population of Leningrad Oblast is approx. 2.1 mln people for 2025, population of Latvia is approx. 1.9 mln. people for the corresponding year.*

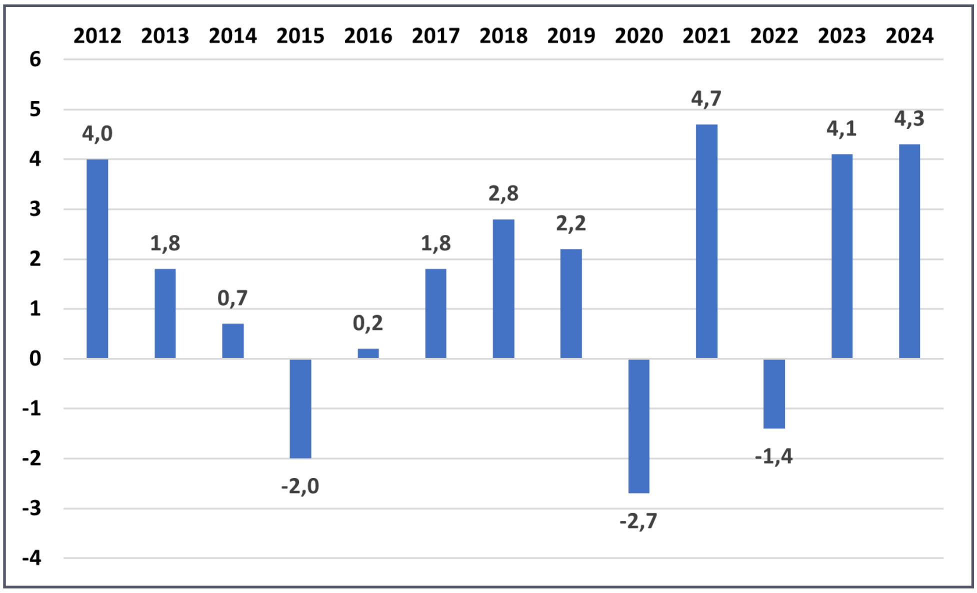
2 *For converting USD into EUR, the average annual exchange rate of 1.0824 was used; source: www.exchangerates.org.uk*

3 *For instance, in 2023 a new figure for St. Petersburg's gross regional product's growth was published by Petrostat, which substantially differed from its preliminary estimations (20.0% instead of 4.8%).*

2. Brief overview of Russia's nationwide economic performance in 2012-2024

Within the past decade Russian economy has undergone certain significant changes. As Rosstat as a national statistical service publishes GDP figures much earlier than regional statistical services (e.g., as Petrostat), so GDP of Russia estimate for 2024 is already available and presented in Chart 1 below.

Chart 1. GDP of Russia in 2012-2024, change to previous year, %



Source: Rosstat, 2012-2024, https://rosstat.gov.ru/statistics/accounts

As it was mentioned in the author's previous publications, in 2013-2022 Russia's economy experienced a period of *stagnation*, with a 10-year GDP average year-on-year change of 0.74%, which is exceptionally low rate for the economies of this type (for so-called "emerging markets" – China, India, South Africa, and some other economies are often included in this group). These low growth rates, fluctuating near zero level for a decade, are contrasting to Russia's GDP dynamics in a previous period of *economic boom*, which started in 1999, and ended in 2012, even despite the slight economy's reduction during the world economic crisis of 2008-2009. It is noteworthy, that GDP growth figures started to reduce long before the fall of commodity prices in the last quarter of 2014, which, certainly, has contributed to this economic deceleration. Some external shocks of both positive and negative character have made their visible impact on the abovementioned GDP dynamics: fall of oil prices in late Autumn of 2014 leading to reduction of both exports and the GDP in 2015; COVID-related global crisis in 2020; global economic post-pandemic recovery of 2021, start of military conflict with Ukraine in 2022.

In this respect Russia's GDP average annual growth in 2023-2024 of nearly 4% year-on-year forms a new phenomenon, breaking the 10-year stagnation trend. The main reasons for this increase of GDP is a combination of so-called budgetary stimulus and some positive effects of Ukraine-related sanctions.

The aforementioned budgetary stimulus was already described in some of my previous publications. This is an instrument of a neo-Keynesian economic policy and its core idea is expanding budgetary spending in production and in social sphere. As by now, the main dimensions for budgetary allocations were industrial production or manufacturing (primarily in military-industrial complex); import-substitution programs; raising salaries for state employees; investing in transport infrastructure; subsidized mortgages, which supported residential construction and real estate sector in general. Despite growing budget deficit in Russia, it is still comparatively small and in 2024 it accounted for 1.7% of Russia's GDP (Minfin, 2025). However, this budget stimulus has already produced a huge inflationary effect on Russia's economy. To fight this rise of inflation the Bank of Russia has raised its key lending rate up to 21%; according to the Banks expectations the high rate might lead to *cooling* of economy and decreasing the price pressure on domestic market.

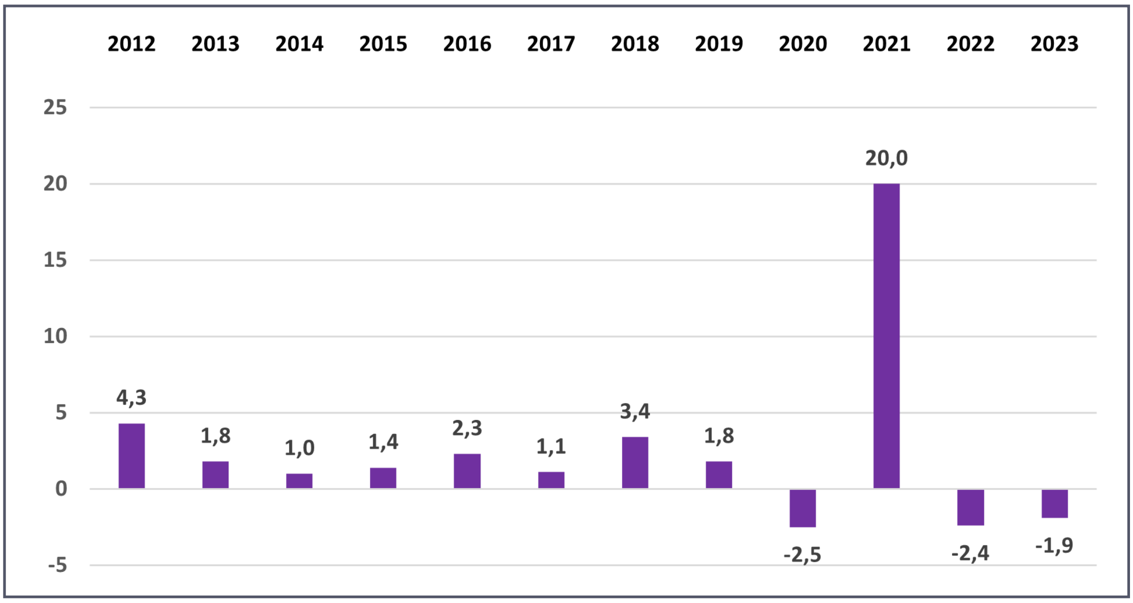
Another growth factor is linked with positive effects of the sanctions imposed on Russia since the start of its conflict with Ukraine. The most important factors are localization of the capitals and the travel ban. So, substantial financial resources belonging to Russian residents (businessmen, middle-class investors and others) were returned back to Russia from foreign countries. In addition to that, sanctions prevented newly generated incomes from fleeing outside of Russia. The problem of capital outflow (or capital leak) was one of the biggest concerns for Russia's government since 1990s; so, the sanctions helped to solve it. This phenomenon is, of course, more a nation-level issue, but its consequences were observed inside St. Petersburg's region as well (for example, in high-value segment of regional real estate sector). Despite that a part of these in-coming assets was utilized for private consumption, the large part of these resources was used for investing in St. Petersburg's economy and in Russia's economy in general. Impact of this localization of capitals on St. Petersburg's economy is further investigated in the next paragraph of this report.

Positive influence of the travel ban for Russian nationals (including both direct bans and additional visa requirements) is reflected in economies of both St. Petersburg and Leningrad Oblast. This ban became visible, in 2023-2024. People, who were used to travel to Europe shifted to domestic tourism and recreation, and thus produced huge new solvent demand for industries of tourism, recreation, and for hotel business. Impact of this type of sanctions on the regional economies under review is presented further in the report.

3. Economy of St. Petersburg: GRP changes and trends

Despite this generally positive picture on a national level, substantial differences are to be observed on regional level. As for St. Petersburg's economy we have only GRP figures for 2022-2023 available by now, some accessible data might be used for preliminary evaluation of the region's economic results for year 2024.

Chart 2. Gross regional product of St. Petersburg in 2012-2023, change to previous year, %



Source: Petrostat, 2025, https://78.rosstat.gov.ru/storage/mediabank/ВРП_1998-2023_СПб.xlsx

While for years 2012-2020 St. Petersburg's economy developed in line with Russia as a whole, in 2021-2024 its dynamics differed substantially from the country's general performance[4]. Despite the city's significant share in overall Russia's GDP which varies from 7% up to 8% depending on the year under review, the structure of St. Petersburg's economy has certain peculiarities. In St. Petersburg the role of internal or domestic tourism is outstanding, producing spillover effects on such subsectors as restaurants and catering, hotel business and accommodation industry in general, local tourism-related services, etc. Some of these businesses are reflected in regional statistics as "trade", as those activities relate to small and medium enterprises (SMEs) observed as services providers and service traders. Another branch of specifically local businesses can be defined as real estate and construction, influencing a huge share of linked and dependent SMEs in other sectors of the region's economy. The branch structure of St. Petersburg's economy is presented in another paragraph of this report.

4 *The share of St. Petersburg in Russia's GDP in 2021 was 7.8%, and in general it was between 7% and 8% depending on the year under review.*

The general impact, produced by COVID-related changes – and later by Ukraine-related sanctions – was very positive for both of the above-mentioned branches of regional economy. It is difficult to distinguish influence of these factors due to a statistical effect of high base; in other words, the 20% jump of St. Petersburg's GRP in 2021 was followed by some contraction in 2022-2023, but for 2023 the gross regional output of the city was still almost 15% higher, than in year 2020. Growth of domestic tourism has started in late 2020 due to COVID-related travel restrictions, but it continued in 2022-2024 due to sanctions-related travel ban for the Russian nationals. Again, the launch of subsidized (or *cheap*) mortgage for residential real estate in April 2020 as an anti-crisis measure caused by the pandemic-related crisis led to raising demand in St. Petersburg's real estate and construction sectors. In 2022-2024 this demand was additionally fueled by the Ukraine-related sanctions, which forced Russia's residents to invest their capitals inside Russia in order to avoid the sanction-driven capital restrictions and banking accounts difficulties together with travel limitations. St. Petersburg, as the second biggest city in Russia, received unprecedented financial inflow in its real estate together with skyrocketing prices on local apartments and homes. In 2020-2025 the ruble-measured average price for a square meter of a new residential apartment in St. Petersburg has raised from RUB 124.2 thousand up to RUB 267.8 thousand, so this price has doubled[5]. As for the national currency's exchange rate versus the US Dollar for the same period, it has changed insignificantly: RUB 75.23 per 1 US Dollar in April, 2020[6], and RUB 78.50 per one US Dollar by the end of May, 2025 (BoR, 2025). Consequently, the US dollar-measured price for residential real estate grew within this 5-year period from USD 1651 up to USD 3412 per square meter of residential space. This fact to some extent reflects the stimulating impact of the sanctions on St. Petersburg's economy.

On the other side, St. Petersburg was actively developing its automobile cluster since the first decade of the 21st century, especially under the governance of Valentina Matvienko, who welcomed the globally leading car manufacturers to invest in St. Petersburg's automobile industry. As most of these companies have exited Russia since 2022, so this critically important sector of the region's economy has almost stopped its production. In this respect St. Petersburg's economy has suffered more from the sanctions than the economy of Russia in general, and more than the economy of neighboring Leningrad Oblast in particular.

Another controversial issue is the role of foreign trade in St. Petersburg's economic performance. Since the early 1990-ies St. Petersburg became a key foreign trade hub, with its main marine haven – namely The Big Seaport of St. Petersburg – remaining the biggest "window" for Russia's trade with Europe. In addition to this, a leading Russian exporter Gazprom has moved its headquarters to the city from Moscow, and Gazprom's taxes were partly paid to the region's budget. However, since April 21, 2022, Federal Customs Service of Russia (FCS) has *temporarily* stopped publishing the data related to external trade. Thus, for years 2022-2023 foreign trade statistics (both on export and on import side) became unavailable for St. Petersburg. Petrostat has excluded the whole foreign trade statistics paragraph from its annual publications respectively, as the initial data was obtained from the FCS. So, it is hard to investigate the development of the region's trade sector, as a large part of it remains non-observable by now[7].

As for 2024 the GRP data is not available yet due to aforementioned reasons, so some basic economic indicators might be utilized in order to assess the changes in regional economy. According to Petrostat's annual report for Year 2024 (Petrostat 2, 2025) real wages of St. Petersburg's residents increased in 2024 by 11,7% year-on-year, industrial production and retail trade in 2024 in the region grew by 10.9% and 7.2% respectfully. Investment activity in St. Petersburg continued to raise even under the double-digit interest rate set by the Bank of Russia since the end of 2023: for year 2024 fixed capital investment in the region increased by 11.5% year-on year with almost the same speed, as in 2023. Despite the fact, that some of these results are referred to by Petrostat as preliminary, these figures confirm the growth trend for St. Petersburg's GRP at least for 2024.

However, the same 2024 annual report by Petrostat reveals a new phenomenon, forecasted in my earlier publications. This change refers to real estate and construction sectors, which were affected by the mortgage crisis since the last quarter of 2023. The key rate (or the basic rate) of the Bank of Russia started to increase since the second half of 2023 from 7.5% up to 16% by the beginning of 2024; and within the second half of 2024 it was raised from 16% to 21%. At the same time, in 2024 the state-financed large-

5 *From April 2020 to May 2025, according to real estate analytical data by BN.ru: https://www.bn.ru/analytics/*

6 *The month's average for April, 2020.*

7 *Presently Petrostat's official website provides foreign trade statistics only for the period before 2022: https://78.rosstat.gov.ru/folder/27053*

scale program of subsidized mortgage, launched in April, 2020 was terminated. This led to mortgage rates fluctuating from 28% to 30%, which made mortgage loans unaffordable for the majority of the real estate buyers. As a result, solvent demand for real estate in 2024 reduced significantly and most of the regional developers reduced their output. In the aforementioned annual report Petrostat reports about a 23.4% decline in residential construction, measured by the square meters of residential space finalized in St. Petersburg in 2024. This is a new crisis trend, and absence of affordable mortgage loans will lead to deeper fall in this sector.

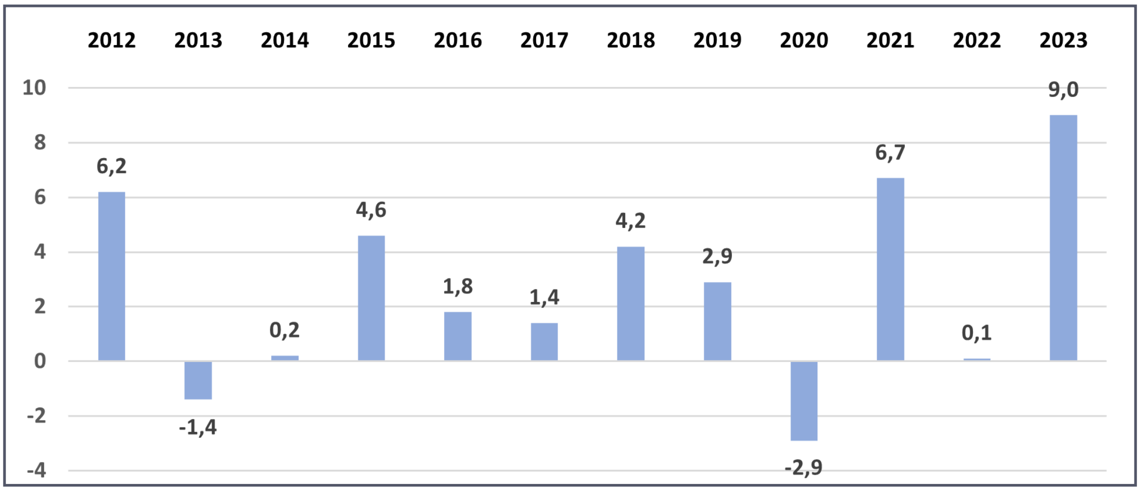
4. Economy of Leningrad Oblast: GRP changes and trends

Economy of Leningrad Oblast (or Region) is deeply interwoven with St. Petersburg's economy, as these two regions form a single urban agglomeration. There were several attempts to unite these two regions into one. So far, these attempts have failed due to certain bureaucratic obstacles. A similar administrative division remains in Moscow's urban agglomeration, where Moscow Oblast and the city of Moscow are two separate administrative units. Nevertheless, Leningrad Oblast's economy is – to some extent – a "symbiotic partner" of the city's economic complex. Inter-regional labor migration between St. Petersburg and the Oblast exists on intra-day basis, as many of the agglomeration's inhabitants live in one region, and work in the other one. Labor market of St. Petersburg is much bigger than that of Leningrad Oblast, and it accommodates the Oblast's workforce. Vice versa, recreation potential of the surrounding region is utilized by the city's residents, who migrate to Leningrad Oblast for vacation periods and even for weekends on a regular basis.

Initially a rural region focused on agriculture, Leningrad Oblast in the past three decades turned into a highly industrialized area, as many of St. Petersburg's enterprises were relocated there due to lower land and labor costs in the Oblast. Huge traffic problems of the megapolis became the main driver for re-locating key transport hubs to Leningrad Oblast. In the 2000-ies two new seaports were built in this region: Ust-Luga in the south for general cargoes, and Primorsk in the northern part for oil exports. The Big Seaport of St. Petersburg is located in the Neva Bay very close to the city's historical center, and access to this port via the city is especially inconvenient for automobile transport. Some long-term plans for the city's development suggest full relocation of the city's main seaport to Bronka, an alternative location on the border of St. Petersburg and Leningrad Oblast on the southern shore of the Gulf of Finland.

These long-term changes created a new status of Leningrad Oblast, as presently the share of industrial production in its GRP is bigger than the corresponding share in the city's gross output. Consequently, the region's economy became more dependent on industrial output, which can be reflected by Leningrad Oblast's GRP dynamics, presented in the chart below.

Chart 3. Gross regional product of Leningrad Oblast in 2012-2023, change to previous year, %



Source: Petrostat, 2012-2023, https://78.rosstat.gov.ru/storage/mediabank/ВРП_1998-2023_ЛО.xlsx

It is noteworthy, that Leningrad Oblast has shown relatively good GRP dynamics throughout the last decade, overtaking both St. Petersburg and Russia as a whole in a long-term period. There are several reasons for this development speed. First of all, this region's economic performance started from a comparatively low basis, and it had to run faster than other Russian regions with significant resources and initially big potential. Second reason lies in its proximity to St. Petersburg and aforementioned "economic symbiosis" with Russia's second biggest city. A third reason is a pro-active role of the region's administration, which created an investor-friendly business environment[8]. And the last, but not the least, is the region's geographical location as Russia's gateway to Northern and Western Europe – via the Baltic sea and via transport routs between Russia and Finland.

Due to abovementioned reasons, Leningrad Oblast's economy has shown comparatively high growth rate in 2013-2020, with minor exceptions. This trend continued in 2021-2023: the region has shown comparatively high economic growth, and a slowdown of 2022 was compensated in 2023 with an impressive 9.0% year-on-year surplus of GRP.

As for the preliminary economic results of year 2024 for Leningrad Oblast, the situation is similar to that of St. Petersburg's GRP: the aggregate figure is not available yet, while some basic indicators of the region's economic performance have been presented by Petrostat in its annual Year 2024 report for the region (Petrostat 3, 2025). According to this report, industrial sector of the region increased by 8.2% year-on-year, and agricultural output grew by 2.4% respectively. Annual surplus in 2024 for trade, transport and other services was +6.7%, +17.1% and +6.3% correspondingly. Investment activity in Leningrad Oblast accelerated by 38.4% year-on-year in 2024. These figures give basis for a suggestion that GRP growth in 2024 would be higher, than a year before. The only exception was the region's construction sector: its output measured by square meters of finalized residential space decreased in 2024 by 2.9% year-on-year. The reason for this decline is the same as for neighboring St. Petersburg: decreasing demand due to the abovementioned the mortgage crisis. However, the fall of construction in Leningrad Oblast is much more moderate, as real estate prices there are significantly lower than in the city. This fact led to an inflow of St. Petersburg's buyers to the regional housing market, especially in so-called "mass-market" segment of this market.

At the same time, in 2024 real disposable incomes increased in Leningrad Oblast by 8.4% with is basic component – namely the real paid wages – rising by 12.3% year-on-year. This growth is the biggest throughout the last 3-year period, and correlates with unemployment rate decreasing to 1.7% in 2024 from 4.0% in 2022. One can conclude, that this outstanding performance even compared with the corresponding results for Russia in general and St. Petersburg in particular signalizes about reaching the limits of labor market potential in Leningrad Oblast. This region with comparatively small population might face labor shortages already in 2025, as internal labor migration is traditionally weak within Russia due to *propiska* limitations[9], inherited from the Soviet past.

As for investment activity in the region, many newly launched investment projects were run by small and medium businesses in contrast to the dominance of larger projects in the past. While large-scale projects continued in industrial sector and in transport, smaller-scale investment initiatives in tourism and recreational areas became widespread in Leningrad Oblast. Some new formats emerge: for example, glamping-type cottage parks emerged in different parts of the region, combining low costs of construction with eco-style recreational services. Traditional hotels expand their facilities adding SPA complexes and other new conveniences. Nearly all investment in this sector is provided by private sources.

The basic driver for these changes is a combination of higher consumer incomes and positive impact of the sanctions, primarily of the travel ban. Prior to mid-2022 the large number of tourists from St. Petersburg used to travel to Europe, but since then this touristic flow was re-directed to destinations within Russia. Leningrad Oblast naturally became the main beneficiary from this change due to its geographical proximity to the city. Consequently, a new solvent demand for touristic and recreational services created an additional stimulus for the economy of Leningrad Oblast.

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8 *In the past two decades various Russian expert agencies (Expert RA and other) have placed Leningrad Oblast on leading positions in terms of investment climate creation – often ahead of natural leaders of these ratings, namely of Moscow and St. Petersburg.*

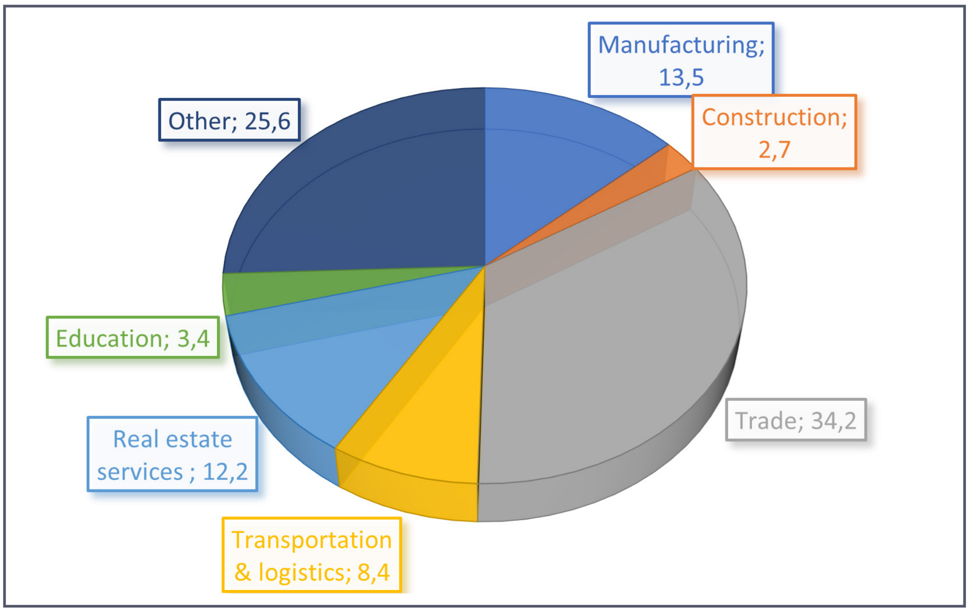
9 *In Russia the system of obligatory registration of permanent/temporary residence (also known as propiska, a Russian term) for every citizen still limits interregional labor migration to a large extent, as this resident status provides access to social and medical services – and state services in general.*

5. Economy's structure in St. Petersburg and Leningrad Oblast

As it was said above, St. Petersburg and Leningrad Oblast, being the two parts of single urban agglomeration, develop in a sort of "economic symbiosis". And, therefore, their economies are to a certain extent complimentary to each other. Industrial enterprises and cargo transport infrastructure, including the aforementioned seaports, are being relocated from the city to the region, while the city's economy with its huge labor market, large service sector, its educational and career opportunities attracts people from the region to St. Petersburg. Agricultural products from Leningrad Oblast are supplied to the city on daily basis, while financial, educational and other services are supplied to the region's residents by companies located in St. Petersburg. However, according to some latest economic trends, described in the previous paragraph of this report, labor potential of Leningrad Oblast is close to its limits due to faster growth of its economy, compared to the corresponding indicator for St. Petersburg's economy. As living standards and wages in the region are still lower than in the city, so it is possible that labor migration from other Russian regions will substitute the inflow of employees from Leningrad Oblast to St. Petersburg.

So, structure of St. Petersburg's economy is presented in Chart 4 below.

Chart 4. Structure of St. Petersburg's economy in 2023, % share in gross regional product



Source: Petrostat, 2025, https://78.rosstat.gov.ru/storage/mediabank/ВРП_2023(6).pdf

In is noteworthy, that in recent reports Petrostat has changed the format of regional economic structure's representation, both for St. Petersburg and for the Leningrad Oblast. Some of the categories were united into the "other" category, while in its previous reports such subsectors as Communication & IT, Healthcare & Social Care, Science & Technology, and Governance (for the administrative subsector) were depicted separately. At the same time, the regional statistical service began calculating the GRP structure for both of the reviewed regions on a regular basis - although in a more aggregated form. Before this reform the GRP data was less available, and the author of this report was calculating the shares of the industries in the GRP total figure himself basing on various indicators accessible in statistical reports. Hopefully, more detailed structure of regional GRPs will become available in the future.

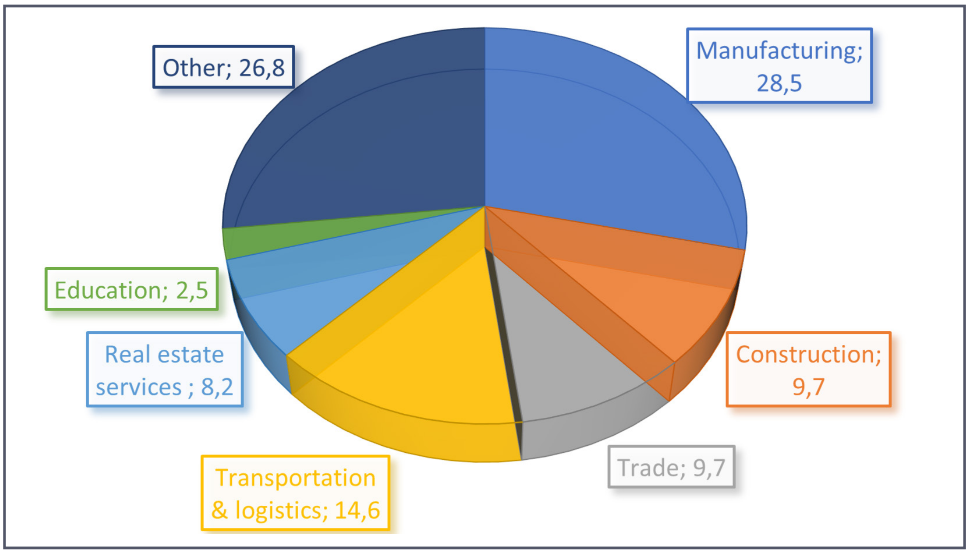
As for the trade sector, its dominance in St. Petersburg's GRP is partly an artificial issue, as many of regional- and federal-level companies registered in this region are treated as trading companies. In addition to that St. Petersburg is a trade and logistics center for all regions of Russia's northwest part, so these trade flows contribute to the region's trade volumes. An important issue is the fact that repair businesses (e.g., automobile repair and truck repair and maintenance) are included in this category in the region's statistics. And these businesses experienced impressive growth in the last 3 years, as Russia's automobile park had scarce renewal due to extremely expensive car imports[10] and low domestic production.

10 For example, new Chinese cars sold in Russia cost more than double price of the same cars sold in China.

The general overview of above depicted economy's structure shows that St. Petersburg presently is a services-based megapolis, with industrial production having only a modest 13.5% contribution to the regions GRP in 2023. This fact correlates with the abovementioned GRP's dynamics, as fast-growing manufacturing (including the military-industrial complex) has produced a quite limited effect on GRP's annual performance in St. Petersburg.

Quite a different picture is observed in Leningrad Oblast: the region's economic structure is shown in Chart 5 below.

Chart 5. Structure of Leningrad Oblast's economy in 2023, % share in gross regional product



Source: Petrostat, 2025, https://78.rosstat.gov.ru/storage/mediabank/ВРП_2023(6).pdf

As one can see from the chart above, manufacturing becomes the dominant sector of Leningrad Oblast's economy with its 28.5% of the region's GRP. The share of manufacturing grows in correlation with high dynamics of this sector in Russia. And if the "other" share is excluded from the total, transportation and logistics sector with a 14.6% of GRP contribution forms the second largest branch of the region's economy. Again, the economic structure correlates with the GRP dynamics, described in Paragraph 4 of this report. Moreover, available statistical data for year 2024, presented in the aforementioned paragraph, gives some basement to forecast increase of shares of these two sectors, namely manufacturing and transport, in Leningrad Oblast's economy in 2024. Indeed, growth of industrial production and transport services in the region in 2024 was much faster, than in other sectors of the economy. Thus, the trend of turning Leningrad Oblast into a highly industrialized area with significant role of cargo transportation and logistics might persist in the nearest future.

5. Conclusions

In this report an attempt was made to give a long-term analysis of the processes, taking place in economies of St. Petersburg and Leningrad Oblast since 2013 until the present. As these two regions are the regions of Russia, so some brief review of nationwide economic performance was presented as well.

This analysis produced contradictory results. First of all, the long-term comparison has shown significant acceleration of economic growth in 2023-2024 in Russia in general, which produced uneven effects on various regions: the impact on Leningrad Oblast with huge share of manufacturing in its economy was much bigger, than the corresponding impact on service-based economy of St. Petersburg. One of the largest sectors of St. Petersburg's economy, namely the real estate sector, started to decline due the mortgage crisis – and that led to shrinking of the city's construction industry. At the same time, growth of real incomes in both of the regions under review is a visible fact, contrasting with a previous decade of stagnation.

It is still unclear, whether this economic improvement is a short-term phenomenon, or the state-driven Keynesian-type stimulus becomes a key paradigm for Russian economy in general, and the regional economies in particular. The scenario of *cooling* of the economy by the Bank of Russia's monetary instruments (or the "soft landing" scenario) might seem less successful, if the example of real estate crisis is taken into account. However, the monetary policy in general in Russia seems to be profoundly realistic and effective as for now, so it gives some space for a positive forecast as well.

The role of the sanctions and their effect on Russia's economy is not a topic of this report, but their mid-term effect was more positive, than negative. As was shown above, in many sectors of economy they produced significant stimulating effects. At the same time, some of these sanctions might produce very negative effects in long-term period - especially regarding the technological sanctions. In addition to that it is important to mention that short-term benefits for local producers might lead to lower competitive abilities and to creation of a *greenhouse effect* in economy in general.

Some new threats appear on the horizon as well. The oil prices entered a new phase of reduction, and despite their impact on economy is too small yet, they might change the economic performance already in the mid-term period.

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