

sitive revaluation¹ of international reserves in 2025 — amid record-high global gold prices — exceeded their decline due to transactions reported in the balance of payments. Note that the share of foreign exchange reserves in total international reserves as of January 1, 2026, was 56.7% (67.9% as of January 1, 2025), while the share of monetary gold was 43.3% (32.1%).

The ruble appreciated by 23.1% against the dollar in 2025 (to Rb78.2 per dollar), primarily due to tight monetary conditions that encouraged the holding of savings in rubles and the maintenance of a significant current account surplus. According to our estimates, assuming Brent crude oil prices remain at \$60–80 per barrel and taking into account the monetary, fiscal, and tax policies in place, the ruble exchange rate will average Rb75–85 per dollar in 2026.

1.2. Fiscal policy²

1.2.1. Characteristics of the budgets of the budget system of the Russian Federation

Basic parameters of the budget system of the Russian Federation

According to the results of the 2025 execution of the enlarged government budget (EGB), revenue totaled Rb75.6 trillion, or 35.4% of GDP. In constant prices, year-over-year growth did not exceed 1%, and as a share of GDP, it was 0.3 percentage points (*Table 2*). Oil and gas revenues and non-oil and gas revenues amounted to Rb8.5 trillion and Rb67.1 trillion, respectively, or 4.0% and 31.4% of GDP. It should be noted that in 2025, oil and gas revenues hit a historic low of 4.0% of GDP. Given the positive growth in the EGB aggregate revenues, it is evident that the shortfall in resource rent revenues was fully offset by the growth in non-oil and gas revenues.

The share of oil and gas revenues in the EGB revenue structure continues to decline — 11.2% in 2025 compared to 15.7% a year earlier — reflecting the trend toward reducing the budget's dependence on natural resources. The federal budget's share of total EGB revenue in 2025 fell to 49.4% from 51.7% in 2024.

EGB expenditure continued steady upward trend of recent years and, by the end of 2025, amounted to 39.3% of GDP, exceeding the corresponding figure for 2024 by 2.6 p.p. of GDP, or 7.1% in constant prices. The outpacing growth of expenditures against the backdrop of a slowdown in the growth rate of budget revenues led

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Table 2

**Main parameters of the enlarged government budget
of the Russian Federation in 2024–2025**

	2024		2025		Change, 2025 on 2024		
	RB bn	% of GDP	RB bn	% of GDP	RB bn	p.p. of GDP	%, in 2024 prices (CPI adjusted ^a)
Revenue — total, including:	70 941	35.1	75 574	35.4	4633	0.3	0.9
Oil and gas	11 131	5.5	8 477	4.0	-2 654	-1.5	-27.9
Non-oil and gas	59 810	29.6	67 097	31.4	7 287	1.8	6.2
Expenditure	74 166	36.7	83 865	39.3	9 699	2.6	7.1
Deficit (-)/Surplus (+)	-3 225	-1.6	-8 291	-3.9	-5 066	2.3	1.4-fold
<i>For reference only: GDP, Rb bn</i>	202 320		213 516				

^a According to Rosstat, the average annual CPI in 2025 amounted to 105.59%.

Sources: Ministry of Finance of Russia, Rosstat, own calculations.

to an increase in the deficit by Rb5.1 trillion, or 2.3 p.p. of GDP, which amounted to 3.9% of GDP, thereby practically matching the level of the crisis year 2020 (4.0%).

Receipts of main taxes in the budget system of the Russian Federation

With regard to oil and gas revenues, a year-over-year decline was observed in 2025 across all hydrocarbon revenues, even in nominal terms; in constant prices, the decline ranged from 25% to 35% (Table 3).

Table 3

Volume and structure of oil and gas revenues in 2024–2025

	2024		2025		Change, 2025 on 2024		
	Rb bn	% of GDP	Rb bn	% of GDP	Rb bn	p.p. of GDP	%, in 2023 prices (CPI adjusted)
Oil and gas revenues — total including	11 131	5.5	8 477	4.0	-2 654	-1.5	-27.9
MET on oil	10 111	5.0	7 265	3.4	-2 846	-1.6	-31.9
MET on gas and gas condensate	2 123	1.0	1 474	0.7	-649	-0.3	-34.2
Export customs duties on gas	486	0.2	458	0.2	-28	0	-10.7
Excise on oil feedstock	-3 638	-1.7	-2 334	-1.1	1 304	0.6	-39.2
Excess-Profit Tax	2 049	1.0	1 614	0.8	-435	-0.2	-25.4
<i>For reference:</i>							
<i>Base volume of oil and gas revenues</i>	9 831	4.9	8 393	4.0	-1 438	-0.9	-19.1
<i>Additional oil and gas revenues</i>	1 300	0.6	84	0.0	-1 216	-0.6	-93.9

Sources: Ministry of Finance of Russia, Rosstat, own calculations.

The downward trend in oil and gas revenues observed since 2022 (7.4% of GDP) is primarily due to the impact of sanctions, as well as the strengthening of the ruble and the decline in market prices for hydrocarbons resulting from increased supply on global markets. The prospect of a shortfall in oil and gas revenues became apparent as early as the end of the first half of 2025, as the expected return of Russian oil prices to the \$62–65/barrel range did not materialize. In June 2025, the annual forecast for these revenues was revised downward by the Russian Ministry of Finance from the initial Rb10.9 trillion¹ to a more realistic figure of Rb8.3 trillion. This adjustment took into account both the emerging increase in oil production and exports—which Russia began ramping up as early as spring in accordance with the OPEC+ decision on a gradual production increase—and the potential growth in exports of Russian oil, other hydrocarbons, and refined products in the second half of the year. Due to the decline in export prices for Russian oil, the volume of the reverse excise tax at the end of 2025 also decreased—by 0.6 percentage points of GDP, or nearly 40% in 2024 prices.

Non-oil and gas revenues of the Federal Budget Revenue Program (FBRP) in 2025 increased by Rb7.3 trillion compared to 2024, equivalent to a rise of 1.8 p.p. of GDP, or 6.2% in real terms (*Table 4*). The only exception to this upward trend is revenue from import duties, which declined in line with import dynamics by 0.1 p.p. of GDP, or 19.4% in 2024 prices. Insurance premiums showed the strongest growth, rising to Rb16.7 trillion (by 0.7 p.p. of GDP, or by 9.8% in 2024 prices), largely due to changes in labor income, which, as a result of an unprecedentedly low unemployment rate,² rose at a rate outpacing inflation: according to Rosstat, the wage bill for January–November 2025 grew by 13.6% compared to the same period of the previous year.

Following insurance contributions, personal income tax showed steady growth (+0.4 percentage points of GDP), which was entirely expected, as a five-tier tax scale (ranging from 13% to 22%) came into effect in 2025. Moreover, based on the year's results, it can be concluded that the change in the tax's progressivity successfully addressed the fiscal challenge with minimal distortionary effects in the form of reduced labor supply or increased tax evasion.

Income tax ranked third in terms of growth rate, with total revenue to the budgetary system amounting to Rb9.2 trillion, which is Rb1.1 trillion more (or 8.3% in real terms and 0.3 p.p. of GDP) than in 2024. The main reason for the positive trend in revenue from this tax was the increase in its rate from 20% to 25% starting in early 2025. However, even despite this fact, the volume of corporate income tax in 2025 (4.3% of GDP) failed to match the 2023 result (4.5% of GDP). The trend toward a shrinking corporate income tax base began as early as 2024, when the net financial result (profit minus loss) of organizations (excluding SMEs, credit and non-credit fi-

1. In the initial version of the federal budget law, these volumes were projected to be nearly Rb11 trillion.

2. According to Rosstat, by the end of 2025, the unemployment rate in Russia had reached its lowest level (2.2%) since 1992.

Table 4

Structure of non-oil and gas enlarged government budget revenues in 2024–2025

	2024		2025		Change, 2025 on 2024		
	Rb bn	% of GDP	Rb bn	% of GDP	Rb bn	p.p. of GDP	%, in 2023 prices (CPI adjusted)
Non-oil and gas revenues — total, including	59 810	29.6	67 097	31.4	7 287	1.8	6.2
VAT	13 523	6.7	14 571	6.8	1 048	0.1	2.0
Excises ^a	2 798	1.4	3 181	1.5	383	0.1	7.7
Profit tax	8 052	4.0	9 209	4.3	1 157	0.3	8.3
PIT	8 374	4.2	9 735	4.6	1 361	0.4	10.1
Import duties	1 231	0.6	1 047	0.5	–184	–0.1	–19.4
Premiums	14 033	6.9	16 273	7.6	2 240	0.7	9.8
Other receipts	11 799	5.8	13 081	6.1	1 282	0.3	5.0

^a Excluding reverse excise tax on crude oil (recognized in oil and gas revenues).

Sources: Russian Financed Ministry, Rosstat, own calculations.

financial institutions, and state (municipal) agencies) in current prices fell by nearly 7% compared to 2023 levels, which in real terms represents a decline of more than 16%. In 2025, the negative trend continued: according to Rosstat, in January–October 2025, the net financial result of organizations (excluding small businesses, credit institutions, state (municipal) agencies, and non-credit financial institutions) at current prices amounted to Rb21.6 trillion, or 90.1% of the January–October 2024 level, which in real terms means that the tax base continued to shrink at the same rate as in 2024. The fact is that the corporate income tax has a distorting effect on taxpayer behavior: an increase in the tax negatively affects companies' investment levels, decisions regarding the choice of financing sources, dividend policy, decisions regarding the choice of legal form, and more.¹ In other words, an increase in the corporate income tax worsens estimates of the long-term profitability of Russian companies operating under the general tax regime, which, in conditions of recession or near-zero economic growth in the country, may even lead to a contraction of the tax base in real terms — that is, at a rate *faster* than the increase in the tax rate can compensate for.

VAT revenues continued to show positive growth, with a slight increase of 0.1 p.p. of GDP, or 2.0% in real terms. The inclusion of small businesses operating under the simplified tax regime — which generated revenue exceeding Rb60 mn in 2024 — in the VAT base contributed in part to maintaining the accumulated growth rate of VAT. Revenue from excise taxes to the federal budget increased by 0.1 p.p. of GDP

1. Sokolov I.A., Kazakova Yu.E. Features and Risks of the Federal Budget for the Next Three Years//Russian Economic Development. 2024. No. 10 (31). P. 93–98.

in 2025, or by 7.7% in 2024 prices. Overall, in 2025, the fiscal burden increased more noticeably for direct taxes than for consumption taxes. However, the increase in the VAT rate to 22% starting in 2026 will, to some extent, offset this notional fiscal “imbalance” in the near future.

The positive trend in other non-oil and gas revenues in the revenue side of the BRP is driven both by measures taken by the Russian Ministry of Finance to expand opportunities for increasing non-oil and gas budget revenues and by regional authorities’ policies to boost budget revenues.

1.2.2. Characteristics of the federal budget

Federal budget revenue

Federal budget revenues for 2025 totaled Rb37.3 trillion (equivalent to 17.5% of actual GDP), compared with the initially approved annual target of Rb40.3 trillion (equivalent to 18.8% of projected GDP). Compared to the previous year, revenues decreased by 0.6 p.p. of GDP, or by 3.8% in 2024 prices, mainly due to a significant decline in oil and gas revenues (*Table 5*). The share of oil and gas revenues in total federal budget revenues decreased from 30.3% in 2024 to 22.7% in 2025.

The shortfall in oil and gas revenues at the federal budget level (as opposed to the Budget Revenue Program) was only partially offset by a 0.9 p.p. increase in non-oil and gas revenues (or 6.7% in 2024 prices).

Federal budget expenditure

Federal budget expenditures for 2025 were based on the primary structural deficit rule, according to which maximum non-interest expenditures must not exceed the sum of non-oil and gas revenues and base oil and gas revenues (taking into account the balance of budgetary and intergovernmental loans). The expenditure level of Rb41.5 trillion planned in the initial draft of the 2026 federal budget law was actually exceeded, reaching Rb42.9 trillion (20.1% of GDP), which is 0.3 p.p. of GDP, or 1.1% in real terms, higher than the 2024 figures. It is worth noting that the practice of exceeding the maximum budget expenditure limits set in accordance with the budget rule when drafting the budget law, without a corresponding increase in revenue sources to finance them, has become typical in recent years and, rather, does not speak in favor of budget discipline and the effectiveness of the rule.

The largest increase in expenditures occurred in the non-discretionary sector—by 0.7 p.p. of GDP, or 16.0% in real terms (*Table 6*), and its share of total federal budget expenditures by the end of 2025 increased to 28.6% compared to 15.1% in 2021. The main reason for the growth in classified expenditure items in 2025 compared to 2024 remains funding for national defense; this category accounts for more than one-third of all budget expenditures.

Table 5

Main parameters of the federal budget in 2024–2025

	2024		2025		Change, 2025 on 2024		
	Rb bn	% of GDP	Rb bn	% of GDP	Rb bn	p.p. of GDP	%, in 2024 prices (CPI adjusted)
Revenues, Including	36709	18.1	37284	17.5	575	-0.6	-3.8
— oil and gas revenues, including:	11131	5.5	8477	4.0	-2654	-1.5	-27.9
Base quantity of oil and gas revenues	9831	4.9	8393	4.0	-1438	-0.9	-19.1
Additional oil and gas revenues	1300	0.6	84	0.0	-1216	-0.6	-93.9
— non-oil and gas revenues	25578	12.6	28807	13.5	3229	0.9	6.7
Expenditures	40180	19.8	42909	20.1	2729	0.3	1.1
Deficit (-)/Surplus (+)	-3471	-1.7	-5625	-2.6	-2154	-0.9	53.5
Oil and gas deficit	-14602	-7.2	-14102	-6.6	500	0.6	-8.5

Sources: Ministry of Finance of Russia, Rosstat, own calculations.

Table 6

Dynamic and structure of the federal budget expenditures on the implementation of national projects in 2024–2025, Rb bn¹

	2024		2025		Deviation in the assessment, 2025 on actual 2024		
	actual		estimate		Rb bn	p.p. of GDP	%, in 2023 prices (CPI adjusted)
	Rb bn	% of GDP	Rb bn	% of GDP			
Expenditure	40180	19.8	42909	20.1	2729	0.3	1.1
— closed part	10019	5.0	12269	5.7	2250	0.7	16.0
— open part, including:	30161	14.8	30640	14.4	479	-0.4	-3.8
National issues	1731	0.9	2600	1.2	869	0.3	42.3
Defense	3544	1.8	3158	1.5	-386	-0.3	-15.6
Security and law enforcement	2287	1.1	2306	1.1	19	0	-4.5
National economy	4543	2.2	4413	2.1	-130	-0.1	-8.0
Housing and public utilities	1645	0.8	2161	1.0	516	0.2	24.4
Environment	453	0.2	904	0.4	451	0.2	89.0
Education	1616	0.8	1603	0.8	-13	0	-6.1
Culture and cinema	222	0.1	237	0.1	15	0	1.1
Health care	1718	0.8	1943	0.9	225	0.1	7.1
Social policy	8439	4.2	6544	3.1	-1895	-1.1	-26.6
Physical culture and sport	66	0.0	69	0.0	3	0	-1.0
Mass media	141	0.1	140	0.1	-1	0	-6.0
Public debt servicing	2329	1.1	3182	1.5	853	0.4	29.4
Intergovernmental fiscal transfers	1427	0.7	1380	0.6	-47	-0.1	-8.4

Sources: Ministry of Finance of Russia, Rosstat, own calculations.

1. Since data on federal budget expenditures have not been published since 2022, Table 5 presents the author's estimate based on the limited information available from various sources.

The open part of federal budget expenditures remained virtually unchanged in nominal terms compared to 2024; in relative terms, this represents a decline of 0.4 p.p. of GDP, or 3.8% in constant prices. This was partly the result of a “shift” of expenditures from the open to the closed portion (primarily concerning social policy expenditures), as well as a consequence of the optimization of expenditures on healthcare, education, the national economy, and intergovernmental transfers. Interest payments have become a steadily “growing” expenditure item: over the past 10 years, the share of interest payments in total federal budget expenditures has nearly doubled (from 3.8% in 2016 to 7.4% in 2025). This trend is expected to continue, which in turn not only worsens the structure of budget expenditures by reducing the share of functional areas of government demand but also exacerbates the existing vulnerabilities of the federal budget (once again highlighting the “weakness” of the current design of the budget rule).

Federal budget deficit

By the end of 2025, the federal budget had a deficit of 5.6 trillion rubles, or 2.6% of GDP, while the non-oil and gas deficit — which highlights the budget’s dependence on commodity revenues — decreased from 7.2% to 6.6% of GDP. The reduction in the non-oil and gas deficit increases the predictability and stability of budget revenues overall; however, the decline in additional oil and gas revenues (Rb84.0 bn in 2025 versus Rb1.3 trillion in 2024) deprives the National Welfare Fund of its main source of replenishment.

As in the previous year, the budget deficit was financed primarily through domestic government borrowing. In 2025, the Russian Ministry of Finance raised nearly Rb7 trillion from the market (the nominal value of OFZ bonds issued exceeded Rb8 trillion), while redemptions of debt securities denominated in the national currency totaled Rb1.4 trillion. As a result, the nominal volume of domestic government debt for the reporting year increased from Rb23.7 trillion to Rb30.6 trillion; as a share of GDP, the increase amounted to 2.6 p.p. (from 11.7% to 14.3% of GDP). Borrowing at these levels is not yet “dangerous” in terms of increasing the debt burden, provided that the projected economic growth rates are maintained. However, if the Russian economy continues to slow down, such a debt “appetite” could lead to a rapid increase not only in the volume of public debt but also in the cost of servicing it (with the key rate remaining in double digits). It is clear that the risks of chronic budget imbalances are only increasing year by year, which, given the ongoing geopolitical uncertainty and price volatility, requires the country’s financial leadership to implement a stricter policy regarding expenditures, which must be commensurate with the country’s revenue potential.

It should be understood, however, that relying solely on fiscal rules is far from sufficient to address the problem of procyclicality in budget expenditures or to reduce the debt burden. It is equally important to reorient the tax system toward non-

resource revenue sources, systematically improve the quality of tax administration, enhance the regularity of cash execution and budget discipline, and, even more importantly, preserve sufficient fiscal space for budgetary maneuvering in the event of external shocks. Given the limited availability of public funds, we believe that requirements for the efficiency of tax and budget expenditure should also be raised.

1.2.3. Interbudgetary relations and subnational finances

Revenues of the consolidated budgets of the RF budgets

The trends in key revenue indicators for the consolidated budgets of the constituent entities of the Russian Federation for 2025 are presented in *Table 7*.

According to data from the Federal Treasury on the execution of regional budgets, the total revenue of the consolidated budgets of the Russian Federation's constituent entities in 2025 increased by 5.0% in nominal terms compared to 2024, amounting to 25.8 trillion rubles. The growth in revenue did not keep pace with inflation. Taking the CPI into account, this figure decreased by 0.5%. The total revenues of Russian regions, expressed as a share of GDP, decreased by 0.2 p.p.

If we consider the dynamics of regional revenues excluding the reunited regions (the Donetsk People's Republic, the Luhansk People's Republic, and the Zaporizhzhia and Kherson oblasts), the growth in total revenues of the regions' consolidated budgets in 2025 amounted to 5.1% in nominal terms and -0.5% after adjusting for CPI. Revenues of the reunified regions in 2025 increased by Rb18.6 bn (3.3%) in nominal terms compared to 2024.

Tax and non-tax revenues of the regions showed growth in nominal terms (+5.4%) and a decline adjusted for CPI (-0.2%). Personal income tax (PIT) made the largest contribution to the growth of tax revenues in regional budgets (revenue growth amounted to Rb936.8 bn, or 11.7%). At the same time, corporate income tax revenues decreased by Rb493.4 bn, or 8.6%. Revenues from other significant types of taxes and non-tax revenues increased both in nominal terms and after adjusting for CPI. Regional tax and non-tax revenues as a share of GRP decreased by 0.1 p.p., with personal income tax increasing by 0.2 p.p. and corporate income tax decreasing by 0.4 p.p. Non-repayable transfers from budgets of other levels changed in roughly the same proportions as tax and non-tax revenues (5.3% in nominal terms, -0.3% adjusted for CPI, and -0.1 p.p. of GRP).

Revenue trends by region in 2025 compared to 2024 were uneven. Revenue growth was observed in 71 subjects of the Russian Federation, with revenue growth rates exceeding the inflation rate in 43 oblasts. The following constituent entities of the Russian Federation showed the highest growth in consolidated budget revenues: Kursk Oblast (+57.0% due to intergovernmental transfers), the Jewish Autonomous Oblast (+33.3% due to growth in revenues from corporate income tax, personal income tax, and subsidies), Magadan Oblast (+27.8% due to corporate income

Table 7

Revenues of the consolidated budgets of the Russian Federation in 2024–2025

	In nominal terms, Rb bn		in % of GDP ¹		Nominal growth, %	Change CPI adjusted, %	Change in shares of GDP, p.p.
	2025	2024	2025	2024	2025/2024	2025/2024	2025/2024
Revenues, total	25 853.5	24 616.1	12.1	12.3	5.0	-0.5	
<i>For reference: excluding the attached regions</i>	<i>25 267.1</i>	<i>24 048.3</i>	<i>-</i>	<i>-</i>	<i>5.1</i>	<i>-0.5</i>	<i>-</i>
Tax-generated and non-tax revenues	21 683.6	20 568.3	10.2	10.3	5.4	-0.2	-0.1
Including: <i>tax generated revenues:</i>	<i>19 621.4</i>	<i>18 654.9</i>	<i>9.2</i>	<i>9.3</i>	<i>5.2</i>	<i>-0.4</i>	<i>-0.1</i>
Corporate profits tax	5272.5	5765.9	2.5	2.9	-8.6	-13.4	-0.1
PIT	8970.5	8033.7	4.2	4.0	11.7	5.7	-0.4
Excises	1385.4	1301.3	0.6	0.7	6.5	0.8	0.2
Total income tax	1626.7	1457.8	0.8	0.7	11.6	5.7	0.0
Property taxes	1981.0	1843.0	0.9	0.9	7.5	1.8	0.0
<i>Non-tax revenues</i>	<i>2062.3</i>	<i>1913.5</i>	<i>1.0</i>	<i>1.0</i>	<i>7.8</i>	<i>2.1</i>	<i>0.0</i>
Fiscal transfers from budgets of other levels	3949.5	3750.7	1.8	1.9	5.3	-0.3	-0.1
Other revenues	220.3	297.1	0.1	0.1	-25.8	-29.8	0.0

Sources: Federal Treasury; Rosstat; own calculations.

tax and mineral extraction tax), Amur Oblast (+23.5%, mainly due to personal income tax, mineral extraction tax, and corporate income tax), and the Republic of Dagestan (due to personal income tax and subsidies). At the same time, 18 constituent entities of the Russian Federation saw a decline in revenues. The largest decreases were recorded in the following regions: Sakhalin Oblast (-16.4%), Tyumen Oblast (-15.0%), Kherson Oblast (-14.6%), Orenburg Oblast (-13.7%), Yamalo-Nenets Autonomous Okrug (-13.6%). The negative revenue trend in Kherson Oblast is due to a decrease in the volume of subsidies. For the other regions in this group, the decline in revenue is linked to a reduction in corporate income tax receipts.

1. Rosstat's GDP data for 2023 and 2024 do not include information on the Donetsk People's Republic, the Luhansk People's Republic, and the Zaporizhzhia and Kherson regions.

Thus, in 2025, the revenues of Russian regional budgets were largely determined by the trend in corporate income tax receipts. It can be concluded that revenues depended on the economic specialization of the regions and were closely correlated with the situation in commodity markets. Revenues declined most significantly in the oil- and gas-producing regions of the Russian Federation located in the Ural Federal District, while tax revenues in the gold-producing regions of the Far Eastern Federal District increased. The consistently positive trend in personal income tax is explained by rising household incomes due to the indexation of wages for public sector employees, the expansion of the population eligible for benefits, and increased social assistance in accordance with federal initiatives.

Expenditures of consolidated budgets of RF subjects

The trends in key indicators of the volume and structure of expenditures in the consolidated budgets of the subjects of the Russian Federation for 2025 are presented in *Table 8*.

Expenditures of the consolidated budgets of the subjects of the Russian Federation in 2025 amounted to Rb7.4 trillion, representing a 9.9% increase in nominal terms compared to 2024, which exceeds the revenue growth rate by 4.9 percentage points. The growth rate of expenditures outpaced the CPI by 4.1 percentage points. Expenditures, expressed as a share of GDP, rose from 12.5% to 12.8%. Excluding data on the reunited regions, the increase in expenditures amounted to 10.0% in nominal terms and 4.2% after adjusting for the CPI. Expenditures in the reunited regions increased by 43.9 billion rubles (8.2%).

In nominal terms, expenditures rose in virtually all sectors, with the exception of national security and law enforcement (–5.6%), housing and utilities (–8.4%), and environmental protection (–9.2%). The largest increases in spending were in transportation (+21.3%), secondary vocational education (+18.7%), culture and cinema (+14.6%), social policy (+18.0%), physical education and sports (+19.9%), and servicing of state and municipal debt (+41.7%). The trend in expenditures, adjusted for the CPI, was generally positive. In addition to the sectors listed above, there was a slight decrease in expenditures on agriculture and fisheries (–1.5%), healthcare (–1.3%), and the media (–0.6%).

The structure of expenditures changed only slightly compared to the previous period. The largest structural shifts are associated with an increase in the share of expenditures on the national economy as a whole (from 21.8% to 22.6%), transportation (from 5.6% to 6.2%), social policy (from 18.1% to 19.5%), as well as a decrease in the share of expenditures on housing and communal services (from 12.6% to 10.5%) and healthcare (from 9.0% to 8.5%). The expenditure structure of the reunited regions has come closer to the Russian average, indicating a deepening of these regions' integration into the overall budgetary system of the Russian Federation.

Table 8

**Expenditures of the consolidated budgets
of RF subjects in 2024–2025**

	In nominal terms, Rb bn		In % of GDP		Change			Structure of expen- ditures, % to total CPI adjusted, %
					Nominal, %	CPI adjusted, %	Nominal, %	
	2025	2024	2025	2024	2025/ 2024	2025/ 2024	2025/ 2024	2025
Expenditures, total	27 391.8	24 913.6	12.8	12.5	9.9	4.1	0.3	100
<i>Fore reference: without attached regions</i>	26 813.2	24 378.8	–	–	10.0	4.2	–	–
Nationwide issues	1753.4	1564.7	12.8	12.5	12.1	6.1	0.4	6.4
National security and law enforcement	392.8	416.2	0.8	0.8	–5.6%	–10.6	0.0	1.4
National economy	6 179	5428.1	0.2	0.2	13.8	7.8	0.0	22.6
Including:								
<i>Agriculture and fisheries</i>	321.3	309.0	2.9	2.7	4.0	–1.5	0.2	1.2
<i>Transportation</i>	1697.4	1399.2	0.2	0.2	21.3	14.9	0.0	6.2
<i>Motor road system (road funds)</i>	2455.0	2184.3	0.8	0.7	12.4	6.4	0.1	9.0
<i>other national economy issues</i>	1705.9	1535.6	1.1	1.1	11.1	5.2	0.1	6.2
Housing and community amenities	2868.5	3132.4	0.8	0.8	–8.4	–13.3	0.0	10.5
Environment	110.0	121.1	1.3	1.6	–9.2	–14.0	–0.2	0.4
Education	6416.6	5763.6	0.1	0.1	11.3	5.4	0.0	23.4
Including:								
<i>Preschool education</i>	1495.4	1351.9	3.0	2.9	10.6	4.8	0.1	5.5
<i>General education</i>	3392.7	3095.8	0.7	0.7	9.6	3.8	0.0	12.4
<i>Additional education for children</i>	411.5	377.0	1.6	1.5	9.1	3.4	0.0	1.5
<i>Secondary vocational education</i>	471.6	397.2	0.2	0.2	18.7	12.4	0.0	1.7
<i>Other issues in education</i>	645.5	541.6	0.2	0.2	19.2	12.9	0.0	2.4
Culture, cinema	1049.1	915.9	0.3	0.3	14.6	8.5	0.0	3.8
Healthcare	2337.2	2241.7	0.5	0.5	4.3	–1.3	0.0	8.5
Social policies	5331.1	4518.6	1.1	1.1	18.0	11.7	0.0	19.5
Physical culture and sports	703.3	586.3	2.5	2.3	19.9	13.6	0.2	2.6
Mass media	76.9	73.3	0.3	0.3	5.0	–0.6	0.0	0.3
Government and municipal debt servicing	121.7	85.9	0.0	0.0	41.7	34.2	0.0	0.4

Sources: Federal Treasury; own calculations.

An analysis of budget expenditure trends by region shows that in 2025, consolidated budget expenditures increased in 79 regions, while only 10 federal subjects saw a decrease. The largest increases in spending were recorded in Kursk Oblast (+64.0%), the Jewish Autonomous Oblast (+34.6%), Magadan Oblast (+31.6%), Ryzan Oblast (+26.6%), and Perm Krai (+25.6%). The largest reductions in expenditures occurred in the Kherson Oblast (−9.9%), the Kemerovo Oblast (Kuzbass) (−9.2%), and the Sakhalin Oblast (−7.3%). Thus, the dynamics of regional budget expenditures in 2025 generally followed the dynamics of revenues.

Financial assistance to regions

By the end of 2025, the volume of transfers to the regions increased in nominal terms (+5.3%) compared to 2024, but decreased in real terms (−3.1%) (Table 9). Of all types of transfers, only balancing grants (+2.3%) and other intergovernmental transfers (+11.5%) increased in real terms. Equalization grants, subsidies, and subventions increased in nominal terms (+6.1%, +5.8%, and +7.4%, respectively), but decreased in real terms (−2.4%, −2.6%, and −1.1%, respectively). At the same time, the total volume of grants also decreased in nominal terms, causing the share of non-targeted financial assistance to decline by 1.8 p.p. to 33.9%.

As a share of GDP, the total volume of transfers provided to the regions in 2025 remained virtually unchanged compared to 2024 and was the lowest for the 2017–2024 period (Fig. 10). At the same time, the volumes of certain types of intergovernmental transfers changed significantly over the 2016–2024 period. Thus, by the end of 2025, the real level of other subsidies reached a low of 0.11% of GDP. The volume of subsidies remained substantial (0.87% of GDP), while the volume of equalization grants, although it increased compared to 2023, remained low in real terms (0.51% of GDP).

Interregional differentiation of per capita tax revenues, as measured by the coefficient of variation, decreased significantly in 2025 compared to 2024 (Table 10). Differentiation in per capita tax and non-tax revenues also decreased. The equalization of budgetary support in 2025 proved to be slightly more effective than in 2024: while in 2024 the differentiation in tax and non-tax revenues decreased by 9.6% after equalization, by the end of 2025 it had decreased by 9.2%. The provision of other types of transfers also had an equalizing effect; however, excluding the federal territory “Sirius,” interregional differentiation increased slightly after the provision of other interbudgetary transfers.

Deficit and the regional debt

By the end of 2025, consolidated regional budgets were executed with a deficit of Rb1,538.4 bn, which is significantly higher than the 2024 figure (a deficit of Rb297.5 bn). At the same time, the number of regions with a budget deficit rose

Table 9

Fiscal transfers to the consolidated budgets of the subjects of the Russian Federation

	2024		2025		Change, 2025 on 2024	
	Rb bn	% to total	Rb bn	% to total	nominal, %	Actual, CPI adjusted, %
Transfers to regions, total	3750.7	100.0	3949.5	100.0	5.3	-3.1
Grants	1339.8	35.7	1338.1	33.9	-0.1	-8.1
Including:						
Equalization transfers	1035.8	27.6	1098.9	27.8	6.1	-2.4
To support measures designed to ensure fiscal balance	71.9	1.9	79.9	2.0	11.2	2.3
Subsidies	1753.3	46.7	1855.7	47.0	5.8	-2.6
Subventions	301.0	8.0	323.4	8.2	7.4	-1.1
Other intergovernmental fiscal transfers	356.6	9.5	432.2	10.9	21.2	11.5

Sources: Federal Treasury; Rosstat; own calculations.

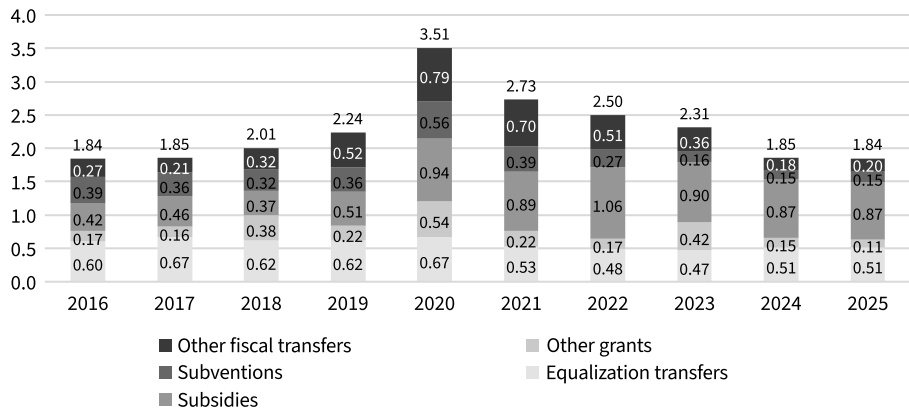


Fig. 10. Fiscal transfers to the regions, % of GDP

Sources: Federal Treasury; Rosstat; own calculations.

from 49 to 73, the highest level in the past decade (Table 11). The aggregate deficit amounted to 7.1% of tax and non-tax revenues of consolidated regional budgets, compared to 1.4% in 2024. In 24 regions, the consolidated budget deficit exceeded 10% of tax and non-tax revenues (in 2024, there were 10 such regions).

As of January 1, 2026, the public debt of the subjects of the Russian Federation stood at Rb3,481.1 bn, an increase of Rb333.4 bn over the year. The debt-to-revenue ratio — measured as the ratio of debt to tax and non-tax revenues of the subjects' budgets — also rose over the year, from 17.8% to 18.9%. The debt burden

Table 10

**The variation coefficient of consolidated regional budget revenues
(per capita, adjusted to the index of budget expenditures)**

Year	Tax-generated revenues	Tax-generated and non-tax revenues	Tax and non-tax revenues, fiscal equalization transfers	Tax and non-tax revenues, grants	Tax and non-tax revenues, subsidies	Tax and non-tax revenues, grants, subsidies, other intergovernmental transfers
2016	0.549	0.568	0.442	0.423	0.391	0.391
2017	0.548	0.572	0.437	0.422	0.394	0.401
2018	0.572	0.590	0.458	0.429	0.398	0.405
2019	0.593	0.620	0.489	0.459	0.415	0.405
2020	0.552	0.570	0.437	0.391	0.322	0.318
2021	0.549	0.562	0.448	0.415	0.339	0.325
2022	1.470	1.384	1.253	1.214	1.039	0.984
2023	1.930	1.909	1.758	1.723	1.526	1.476
2024	1.283	1.576	1.425	1.382	1.218	1.200
2025	1.125	1.678	1.524	1.492	1.324	1.301
2022 ^a	0.591	0.614	0.505	0.479	0.382	0.373
2023 ^a	0.537	0.553	0.446	0.429	0.345	0.343
2024 ^a	0.522	0.548	0.432	0.409	0.339	0.345
2025 ^a	0.471	0.479	0.371	0.354	0.302	0.316

^a Minus federal territory “Sirius”.

Sources: Finance Ministry of Russia; Federal Treasury; own calculations.

Table 11

**Execution (deficit/surplus) of the consolidated budgets of the subjects
of the Russian Federation**

Year	Number of RF subjects that have executed the budget	
	With deficit	With surplus
2016	56	29
2017	47	38
2018	15	70
2019	35	50
2020	57	28
2021	19	66
2022	50	36
2023	55	35
2024	49	41
2025	73	17

Sources: Federal Treasury; own calculations.

Russian economy in 2025

Trends and outlooks

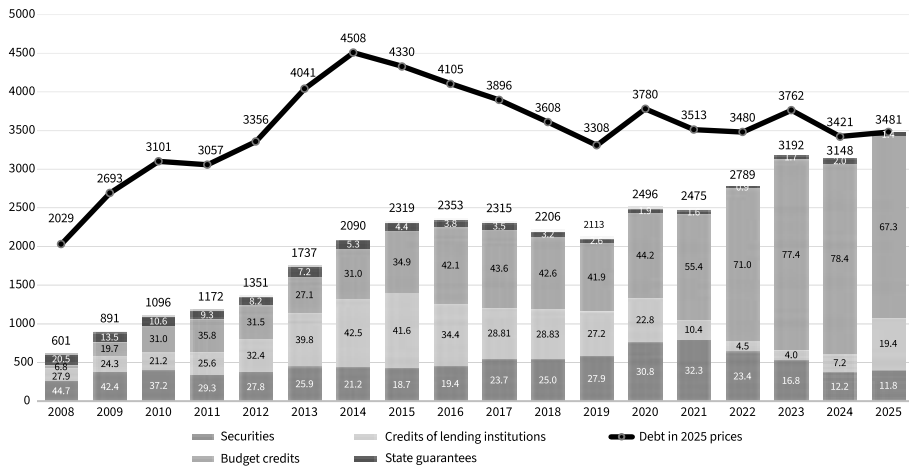


Fig. 11. Nominal volume (Rb bn) and structure (%) of public debt of RF subjects in 2008–2025

Sources: Ministry of Finance of Russia; Rosstat; own calculations.

on the budgets of individual regions also changed: the debt-to-revenue ratio decreased in 57 regions and increased in 32. In 15 regions, the increase in the debt burden exceeded 10 p.p. A high level of debt burden (over 50%) was recorded in 15 regions (in 2024 — in 21).

Although in nominal terms the debt volume as of January 1, 2026, was quite significant, in real terms it came very close to the 2019 level — the lowest in the past decade (Fig. 11). However, the debt structure changed sharply in 2025: the share of budget loans decreased by 11.1 p.p. to 67.3%, while in nominal terms, the volume of budget loans decreased by Rb124 bn, or 5.0%. The share of loans from credit institutions rose by 12.2 p.p. to 19.4%, with a nominal increase of Rb448 bn. Debt in the form of securities issued by Russian Federation constituent entities increased by Rb25 bn (+6.4%). The volume of state guarantees decreased by Rb15 bn (–24.1%).

Consequently, by the end of 2025, the deficit in consolidated regional budgets had grown significantly; given that intergovernmental transfers remained virtually unchanged, this led to a nominal increase in regional public debt, primarily due to a sharp rise in loans from financial institutions and securities. At the same time, the real volume of debt decreased, as did the debt burden in most regions. It follows that many regions maintained fiscal sustainability in 2025 despite the increased budget deficit, although a number of regions were forced to resort to market-based debt financing. Increased pressure on regional budgets from budget expenditures, amid slowing growth in tax revenues and the stabilization of intergovernmental transfers, heightens risks to the debt sustainability of the constituent entities of the Russian Federation in 2026.