

Section 1

Monetary and budgetary sphere

1.1 Monetary policy¹

1.1.1. Key trends in monetary policy

In 2025, the Bank of Russia's monetary policy was conducted as the economy gradually moved toward a path of balanced growth following the emergence of a significant positive output gap in 2023 and 2024. The maintenance of a tight monetary policy contributed to a slowdown in inflation.

In March 2025, inflation in Russia, measured as the year-over-year growth rate of consumer prices, reached its highest level in the past two years at 10.3%, significantly exceeding the Bank of Russia's target. This was due to the Bank of Russia's underestimation of the inflationary risks that emerged in 2024 as a result of significant credit and fiscal stimulus. Maintaining the key rate at 21% per annum from October 2024 through June 2025 helped slow inflation and allowed for a gradual easing of monetary policy. Starting in June 2025, the key rate was lowered at every meeting of the Central Bank of Russia's Board of Directors: on June 6 — by 1% (to 20% per annum), on July 25 — by 2% (to 18% per annum), on September 12 — by 1% (to 17% per annum), on October 24 — by 0.5% (to 16.5% per annum), and on December 19 — by 0.5% (to 16% per annum). At the same time, inflation slowed: in December 2025, annual inflation over the previous 12 months slowed to 5.6% — the lowest level since March 2024 (*Fig. 1*).

Despite the slowdown in inflation, pro-inflationary risks still outweigh disinflationary ones. The main pro-inflationary factors include a resumption of credit growth in the second half of 2025, high inflation expectations and budget spending, continued tightness in the labor market, indexation of housing and utility rates, and an increase in the VAT rate. At the same time, an important disinflationary factor in 2025 was the strengthening of the ruble, driven by high interest rates and the maintenance of a current account surplus amid a decline in capital outflows from the coun-

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Russian economy in 2025

Trends and outlooks

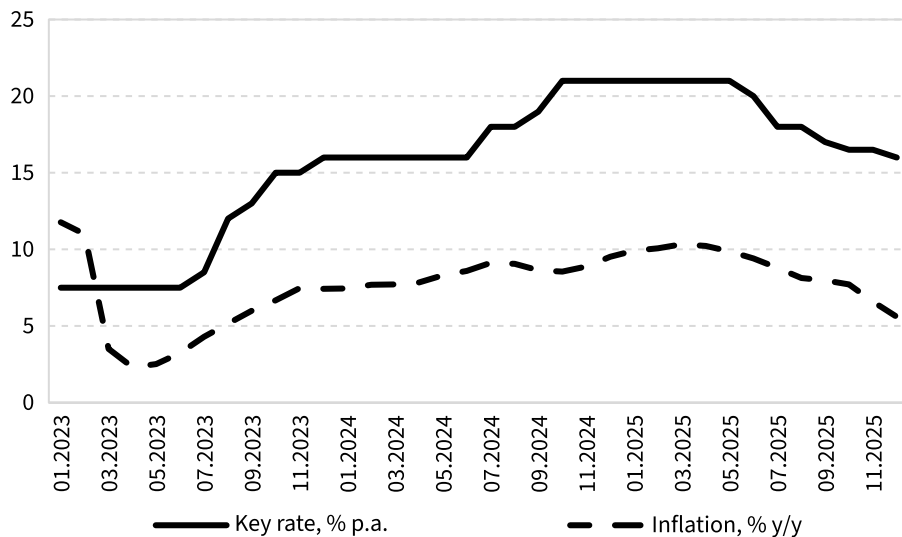


Fig. 1. Dynamics of the CBR key rate and inflation in 2023–2025

Source: Bank of Russia.

try. Taking these risks into account, the Central Bank of the Russian Federation still plans to maintain tight monetary conditions in the economy for an extended period: in the baseline scenario of the Bank of Russia's medium-term forecast, the average key rate in 2026 is projected to be in the range of 13.5–14.5% per annum.¹

A key factor behind the acceleration of inflation in H2 2023 through 2025 was the emergence of a significant positive output gap resulting from growth in real household income, government spending, and robust credit activity. At the same time, the potential for increasing supply remained limited amid a tight labor market and high capacity utilization. In 2025, as a result of tight monetary policy, the output gap narrowed, which helped reduce inflationary pressure. Fig. 2 shows the dynamics of the output gap, its trend component, and the deviation from the trend.

Consumer demand can be approximated by retail sales, which remained above their trend from June 2023 through early 2025, with the largest deviation from the trend over the past two years occurring in March 2024 and amounting to 3.3% (Fig. 3). In 2025, as a result of tight monetary policy, retail sales growth slowed and fell below the trend (the deviation from the trend averaged -0.24% for 2025). Retail sales turnover increased by 2.6% in 2025 compared to the previous

1. Bank of Russia Medium-Term Forecast following the meeting of the Board of Directors on February 13, 2026.

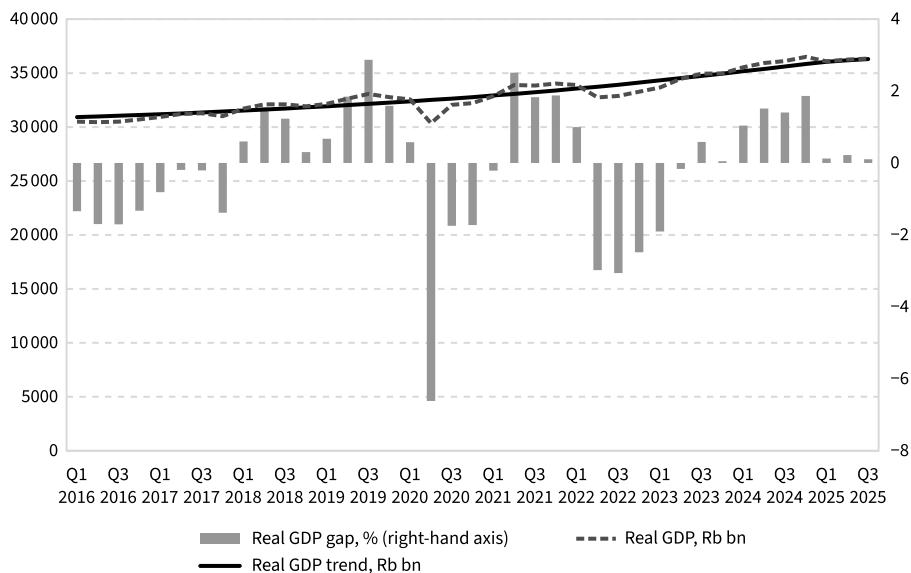


Fig. 2. Real GDP gap in the Russian economy, 2016–2025

Sources: Rosstat, own calculations.

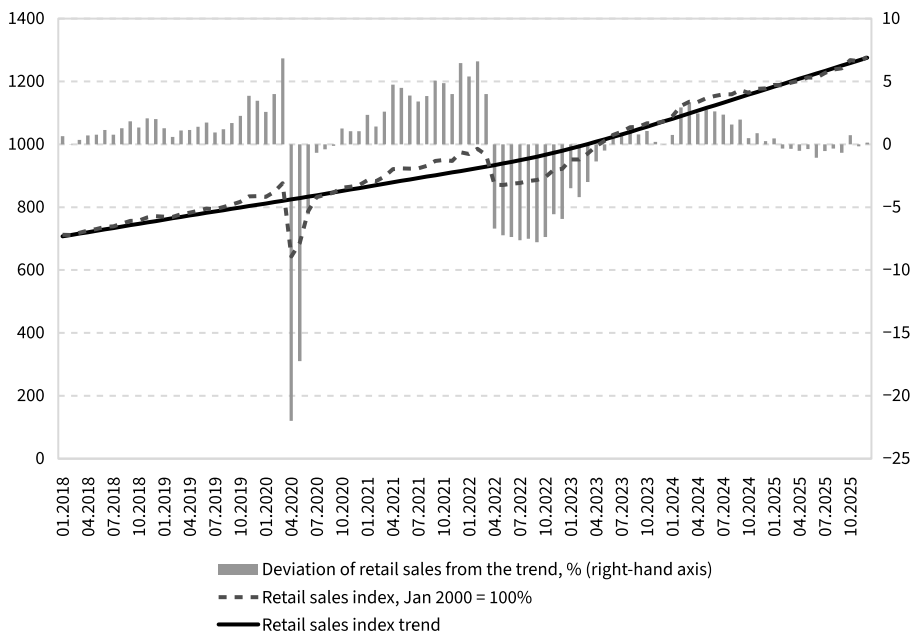


Fig. 3. Consumer demand in Russian economy in 2018–2025

Sources: Rosstat, Bank of Russia, own calculations.

year (+7.7% in 2024); the growth in the volume of paid services to the population was 2.8% (+4.3% in 2024); real disposable cash income of the households grew by 7.7% (+9.9% in 2024).

In 2025, the budget's disinflationary impact was less than the Bank of Russia had anticipated, due to a widening budget deficit as oil and gas revenues declined. By the end of the year, federal budget expenditures rose by 6.8% compared to 2024, reaching Rb42.9 trillion, while oil and gas revenues fell by 23.8% to Rb8.5 trillion. As a result, the federal budget for 2025 showed a deficit of Rb5.6 trillion (2.6% of GDP), which is Rb2.15 trillion higher than in the previous year.

The decline in demand in 2025 was driven by a sustained slowdown in consumer and corporate lending, which began in December 2024 and continued in the first and second quarters of 2025. The growth rate of corporate lending for 2025 stood at 12.4% year-on-year, compared to 22.5% for 2024. The growth rate of consumer lending in 2025 was 2.8% compared to the previous year, whereas at the beginning of the year it had reached 10%.

A significant disinflationary factor in 2025 was the strengthening of the ruble, driven by a continued current account surplus amid a slowdown in capital outflows: over the course of 2025, the ruble appreciated by 23% against the dollar, reaching Rb78.2 per dollar.

Despite the gradual easing of labor market tightness, a severe labor shortage became a major driver of consumer price growth in 2025. Over the past two years, companies have been forced to compete for labor by raising wages, and strong consumer demand for their products allowed them to pass on rising costs to prices. In addition, high inflation expectations among workers also exerted upward pressure on their wage expectations. In 2025, the unemployment rate continued to decline, reaching 2.2% by year-end. The growth in broad unemployment indicators — which include those who are willing to work but cannot actively seek employment or start work immediately, as well as those working part-time — may indicate some normalization of the labor market situation during this period.¹

1.1.2. Money market

The emergence of a positive output gap and the growth of the money supply in the Russian Federation, which became key drivers of inflation in 2023–2025, were also reflected in lending trends.

In 2025, the broad money supply increased by 9.7% to Rb30,664 bn (in 2024, it grew by 5.5% to Rb27,958 bn). All components of the broad monetary base showed growth: credit institutions' correspondent accounts increased by 23.7% to Rb5,827 bn; banks' deposits with the Bank of Russia — by 14% to Rb4,834 bn; re-

1. URL: https://www.cbr.ru/Content/Document/File/184582/summary_key_rate_06112025.pdf

quired reserves — by 11.0% to Rb554.1 bn as a result of an increase in the volume of deposits in banks and, consequently, in reserve-eligible liabilities; the amount of cash in circulation grew by 5.1% to Rb19,450 bn. It should be noted that demand for cash remained generally stable throughout the year. The volume of excess reserves¹ for 2025 increased by 10.1% compared to the previous year and amounted to Rb10,660 bn (*Table 1*).

Table 1

Dynamics of the broad money supply in 2024 and 2025, Rb bn.

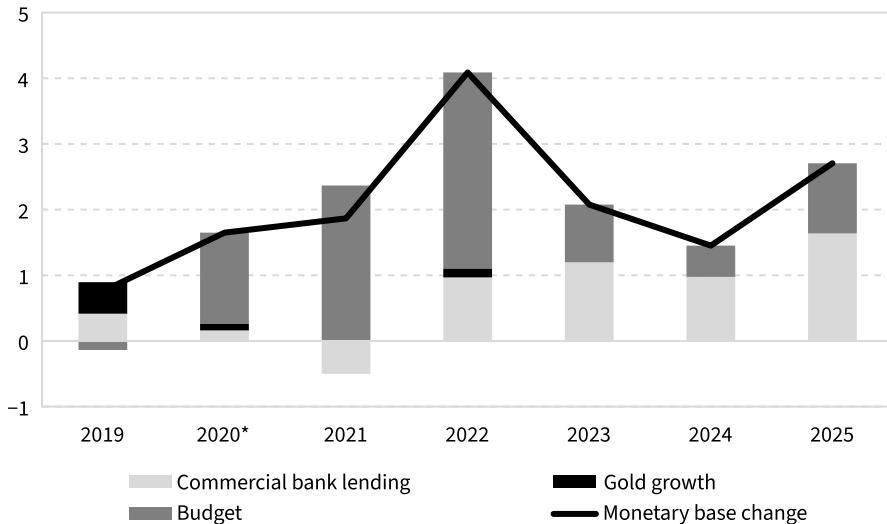
	01.01.2024	01.01.2025	01.01.2026
Monetary base (broadly defined)	26 506.8	27 958.4	30 664.1
— Cash in circulation, including cash on hand at credit institutions	18 320.7	18 511.2	19 449.7
— Correspondent accounts of credit institutions with the Bank of Russia	4 530.5	4 708.8	5 826.8
— Mandatory reserves	271.7	499.3	554.1
— Deposits of credit institutions with the Bank of Russia	3 383.9	4 239	4 833.5
— Bank of Russia bonds held by credit institutions	0.0	0.0	0.0
<i>For reference: excess reserves</i>	7 914	8 948	10 660

Source: Bank of Russia.

The most important factors influencing the formation of the monetary base include the Bank of Russia’s transactions with the government, its transactions with credit institutions (CIs), other operations of the Central Bank of the Russian Federation — primarily the accumulation of international reserves — and its gold transactions² (*Fig. 4*). In 2025, the contribution of the budget channel to the growth of the monetary base amounted to Rb1.1 trillion, while the contribution of the Bank of Russia’s claims on the banking sector was Rb1.6 trillion. It should be noted that between 2022 and 2024, the main contribution to the growth of the monetary base came from the Russian Ministry of Finance’s operations with National Wealth Fund (NWF) funds (Rb4.6 trillion, or 61% of the total growth in the monetary base). A comparable contribution to the dynamics of the monetary base came from the Bank of Russia’s lending to commercial banks, which amounted to Rb3.1 trillion in 2022–2024, or 41.2% of the total growth in the monetary base. Bet-

1. Excess reserves of the banking system include deposits of credit institutions with the Bank of Russia, correspondent accounts of credit institutions with the Bank of Russia, as well as Bank of Russia bonds held by credit institutions.
2. *Drobyshevsky S.M. et al. Reasons for accelerating inflation in the Russian economy // Voprosy Ekonomiki. 2025. No. 1. P. 5–31.*

ween 2022 and 2024, the growth of the monetary base due to the Bank of Russia’s gold purchases and its interventions in the foreign exchange market was negative (–Rb0.1 trillion). The remaining growth in the monetary base in 2022–2024 amounted to –Rb0.1 trillion and was associated with changes in budget balances in accounts at the Bank of Russia and with other operations affecting the monetary base (for example, the Central Bank of the Russian Federation’s claims on other financial institutions).



* The one-time effect of the Bank of Russia’s divestment from Sberbank’s capital in 2020, amounting to Rb2.139 trillion, has been taken into account.

Fig. 4. Factors influencing the formation of the broad money supply in 2019–2025, Rb trillion
Sources: Bank of Russia; Finance Ministry of Russia; own calculations.

The average monthly growth rate of the M2 money supply (on an annualized basis, compared to the same period of the previous year) was 10.6% in 2025, whereas in 2024 it stood at 19%. Given that the average growth rate of the monetary base in 2025 was 14.7%¹ (9.8% in 2024), the money multiplier (the ratio of M2 to the monetary base) stood at 4.4 (3.8 in 2024). The slowdown in M2 money supply growth was due to a decline in lending dynamics. Thus, the growth rate of corporate lending in 2025 remained in the double digits, although it declined compared to 2024. The slowdown in consumer lending in 2025 was driven by high interest rates and tighter macroprudential regulation.

1. Average growth rates (month-on-month compared to the corresponding month of the previous year), calculated using the geometric mean.

Throughout 2025, the Russian money market was characterized by a liquidity surplus¹ averaging Rb1.0 trillion, which corresponds to the average level seen in 2024. While the liquidity surplus grew from Rb0.5 trillion to Rb1.4 trillion between January and August 2025, it subsequently shrank to Rb0.4 trillion, and in December a deficit of about Rb0.2 trillion formed (*Fig. 5*). The growth in the liquidity surplus in the first half of the year resulted from the investment of NWF funds, including in infrastructure projects. The subsequent gradual decline in the liquidity surplus and the transition to a deficit were due to the Bank of Russia's uniform mirroring² of these operations during the second half of the year in accordance with the announced procedure.³ Consequently, by the end of 2025, despite the protracted nature of the mirroring operations, the impact of operations involving the expenditure of NWF funds, including on infrastructure projects, became generally neutral for the banking sector's liquidity balance.

In 2025, the Russian monetary authorities' net sales of foreign currency on the domestic foreign exchange market totaled Rb2.1 trillion. Of this amount, foreign currency purchases conducted as part of regular operations under the budget rule (equivalent to additional oil and gas revenues) amounted to Rb34.2 bn,⁴ whereas the adjustment⁵ to the volume of operations under the budget rule announced by the Russian Ministry of Finance, which contributed to a reduction in banking

1. According to the Bank of Russia's definition, the level of the structural liquidity deficit/surplus represents the difference between the Bank of Russia's liabilities under refinancing operations and its liabilities under absorption operations. A structural liquidity deficit in the banking sector is a state of the banking sector characterized by a sustained need among credit institutions to attract liquidity through operations with the Bank of Russia. The opposite situation—a sustained need among credit institutions to place funds with the Bank of Russia—constitutes a structural liquidity surplus. Starting in November 2023, the Bank of Russia refined the methodology for calculating the banking sector's liquidity deficit/surplus: from now on, the calculation of this indicator takes into account the balance between the balances on banks' correspondent accounts and the averaged value of the required reserve ratio (RRR). Including the balance between banks' correspondent accounts and the RRR in the calculation eliminates the impact on the indicator of transactions that reflect banks' strategies for maintaining the RRR.
2. Transactions conducted by the Bank of Russia in the foreign exchange market to ensure that operations under the fiscal rule have a neutral impact on the money market. In addition, investing NWF funds requires their withdrawal from the liquid portion of the NWF denominated in foreign currency, the sale of foreign currency on the foreign exchange market, and the purchase of ruble-denominated assets. The sale of currency from the NWF is mirrored by the Central Bank of the Russian Federation on the foreign exchange market.
3. URL: <https://www.cbr.ru/press/event/?id=24735>
4. Information on the formation and use of additional oil and gas revenues of the federal budget in 2018–2025. Ministry of Finance of Russia. URL: https://minfin.gov.ru/ru/document?id_4=122094-svedeniya_o_formirovani_i_ispolzovanii_dopolnitelnykh_neftegazovykh_dokhodov_federalnogo_byudzheta_v_2018-2026_godakh
5. Regular transactions under the budget rule are adjusted by the net amount of the following transactions: the difference between the volume of currency purchases deferred from August 10 to December 31, 2023, under the budget rule, and the volume of National Welfare Fund (NWF) expenditures to finance the 2023 budget deficit outside the budget rule, as well as currency sales in the amount of net NWF investments.

sector liquidity through currency sales from the National Wealth Fund, amounted to approximately Rb2.13 trillion. After declining in 2024, demand for cash remained stable in 2025 (14.1% of M2 money supply¹) due to high deposit rates, which encouraged a savings-oriented behavior among the population.

According to the Bank of Russia’s forecasts, a structural liquidity deficit in the banking sector is expected over the next three years. It is assumed that the Central Bank of the Russian Federation’s regular foreign exchange purchase and sale operations during this period — conducted under the budget rule in the domestic foreign exchange market — and the mirroring of such operations through the use of National Wealth Fund (NWF) resources to invest in permitted financial assets within the Russian economy will continue to mitigate the impact of budget operations on the monetary base and banking sector liquidity. At the same time, the outflow of liquidity from banks in 2026–2028 will be facilitated by an increase in the volume of cash in circulation as monetary policy is eased.²

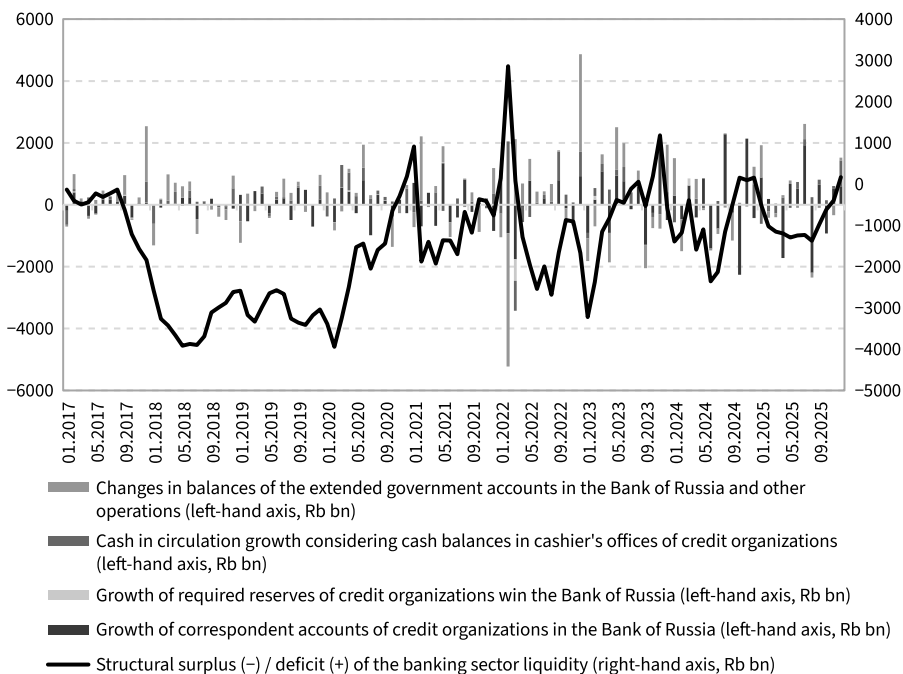


Fig. 5. Structural liquidity surplus of the banking sector and its components in 2017–2025, Rb bn

Source: Bank of Russia.

1. Calculated as the ratio of M0 monetary aggregate to M2 monetary aggregate.
 2. Main directions of the unified state monetary policy for 2026 and the period 2027–2028.

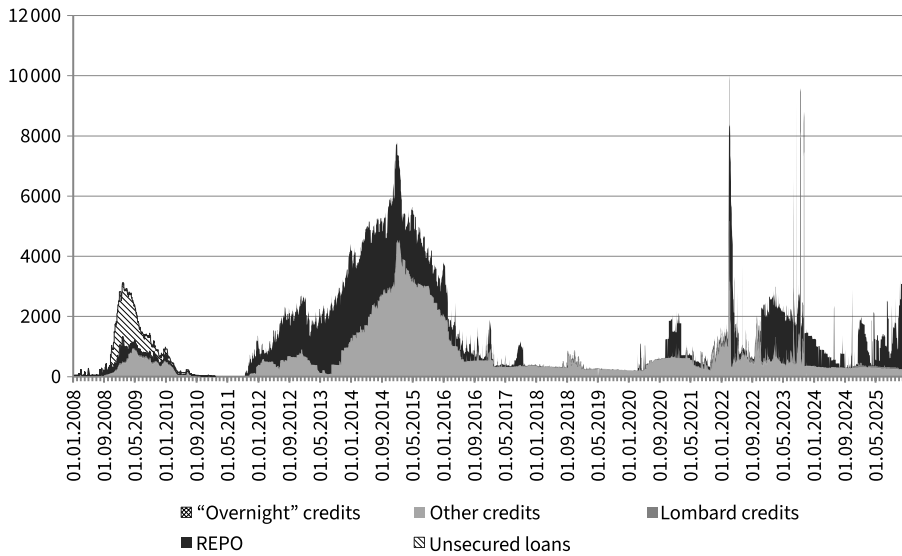


Fig. 6. Debt of commercial banks to the Bank of Russia in 2008–2025, Rb bn.

Source: Bank of Russia.

Throughout 2025, the amount of loans drawn by credit institutions from the Bank of Russia decreased by an average of 28% compared to the previous year to Rb3.2 trillion (Rb4.1 trillion on average in 2024) amid the liquidity surplus in the banking sector and an increase in the Federal Treasury’s placement of temporarily available budget funds with banks (Fig. 6). It should be recalled that a significant increase in demand for liquidity from the banking system occurred in March 2024 with the repeal of the easing of the short-term liquidity ratio.¹ Outstanding debt on loans secured by non-marketable assets provided under the supplementary mechanism² decreased 4.4-fold in 2025 (to Rb27.1 bn). Banks’ outstanding debt from repo auctions in 2025 averaged Rb1.3 trillion, which is 11% lower than in 2024, when this figure averaged Rb1.4 trillion. The decline in banks’ liabilities through this channel is apparently linked to the desire to preserve marketable collateral in case of a need for rapid liquidity replenishment. The Bank of Russia’s claims on credit institutions for loans se-

1. Since 2016, systemically important credit institutions (SICI) have been required to comply with the Basel short-term liquidity ratio, defined as the ratio of highly liquid assets to net cash outflows over 30 days. During the 2022–2023 period, the regulator allowed SCOs to lower the ratio below 100% amid sanctions and systemic stress, but starting March 1, 2024, the largest banks must once again comply with this requirement at the 100% level.
2. The Bank of Russia supplementary liquidity provision mechanism is designed to support credit institutions experiencing a temporary liquidity shortage that cannot be promptly resolved by raising funds in the money market or through the primary liquidity provision mechanism.

Russian economy in 2025

Trends and outlooks

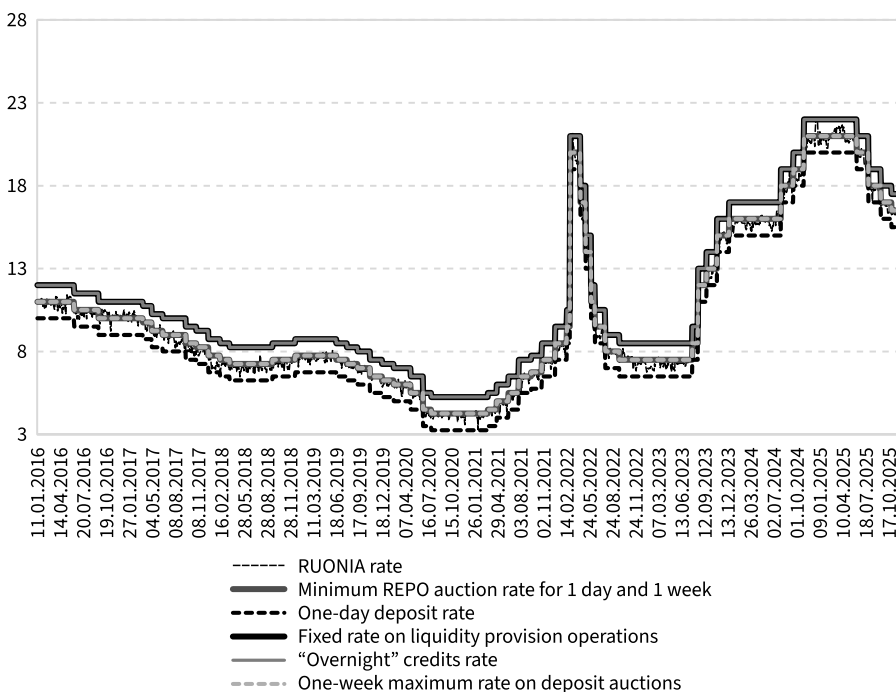


Fig. 7. Bank of Russia interest rate corridor and dynamics of interbank market rates in 2016–2025, % per annum

Source: Bank of Russia.

cured by non-market assets amounted to Rb0.3 trillion during the period under review, which corresponds to the 2024 level. On average for 2025, demand for Lombard loans rose to Rb50 bn, whereas in 2024 it stood at Rb17.9 bn.

Amid a structural liquidity surplus in 2025, the banking sector continued to participate in the Bank of Russia’s deposit auctions, a trend also driven by the uneven liquidity situation among banks: while some were raising funds, others were, conversely, placing funds in deposits. The volume of deposits placed by credit institutions with the Bank of Russia in 2025 averaged Rb3.4 trillion at a weighted average rate of 18.1% per annum (Rb3.9 trillion in 2024 at a weighted average rate of 16.5% per annum). In 2025, the Bank of Russia resorted much less frequently to conducting “fine-tuning” deposit auctions with a 1-day maturity: the average volume of funds raised through these operations amounted to Rb0.8 trillion at a weighted average rate of 19.9% per annum (Rb1.3 trillion in 2024 at a weighted average rate of 16.8% per annum).

In 2025, the RUONIA rate (the interest rate on the interbank lending market) remained predominantly at the lower end of the interest rate corridor, and its spread

relative to the key rate averaged -0.17 p.p. (Fig. 7). On average during this period, it stood at 18.9% per annum (averaging 17.3% per annum in 2024). The volatility (standard deviation) of the spread between the RUONIA rate and the key rate in 2025 was 0.35 p.p. (0.37 p.p. in 2024). The structural liquidity deficit projected by the Bank of Russia over the next three years will contribute to growth in inter-bank lending volumes and competition among banks to attract funds in the money market. In this regard, the RUONIA rate will likely form with a positive spread relative to the key rate.

1.1.3. Inflation structure

Following a sustained rise in inflation from the second half of 2023 through the first quarter of 2025, driven by overheating in the Russian economy, inflation began to decline in the second quarter of 2025. A gradual slowdown in annual inflation (over the previous 12 months) began in April 2025 at 10.23% and continued steadily throughout the year, reaching 5.6% in December (Fig. 8). The disinflationary effect was supported during this period by the strengthening of the ruble and a noticeable easing of labor market tensions.

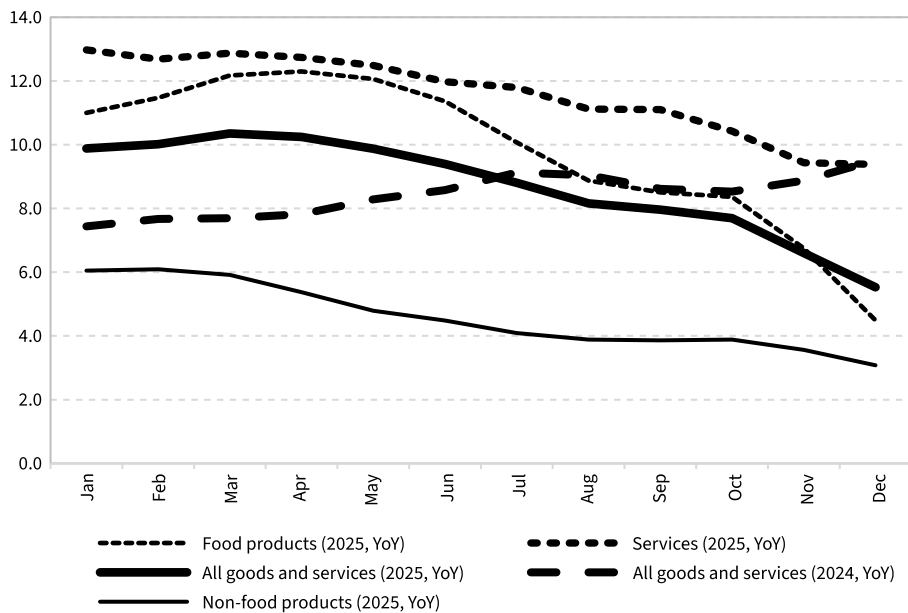


Fig. 8. CPI growth rate in 2024 and 2025, % over previous 12 months

Sources: Rosstat, own calculations.

The slowdown in inflation was accompanied by a decline in the growth rates of core (adjusted for administrative and seasonal factors) consumer price components. Thus, in tandem with the decline in inflation starting in April 2025, core inflation fell from 9.23% year-on-year in April 2024 to 5.44% year-on-year in December 2025. In 2025, core inflation was lower than headline inflation (a spread ranging from 0.11 to 1.00 p.p.). This means that, despite the sustained slowdown in price dynamics, its regulated and volatile components (which take into account cyclical factors) continued to exert inflationary pressure on prices.

The highest rate of price growth in 2025 was recorded in paid services to the public, confirming that the Russian economy was overheating: by the end of December 2025, prices for services had risen by 9.30% compared to December 2024 (+11.5% in December 2024 compared to December 2023) (*Fig. 8*). As a result of tariff indexation, prices for housing and communal services rose (+13.3% in December 2025 compared to December 2024). Prices for cultural services (+14.3%), medical services (+12.0%), and educational services (+11.3%) also led the increase.

Food inflation for 2025 stood at 5.2% (+11.1% in December 2024 compared to December 2023). The leading contributors to price increases were fish (+16.98%), alcoholic beverages (+11.1%), and bread and bakery products (+11.1%).

The year-on-year increase in non-food prices as of the end of 2025 stood at 3.0% compared with December 2024 (+6.1% in December 2024 compared with December 2023). The significant slowdown in the growth rate of non-food prices was due to their high sensitivity to tight monetary conditions, as well as to fluctuations in the ruble exchange rate: tighter monetary policy encourages households to postpone purchases of durable goods, while a stronger exchange rate makes traded goods cheaper. Among non-food goods, prices for automotive gasoline rose the fastest in 2025 (+10.78% in December 2025 compared to December 2024, versus +11.1% in December 2024 compared to December 2023). Despite the government's ban on gasoline exports imposed on July 28, 2025 (the embargo was extended in September through December), fuel prices rose another 2.6% in October compared to the previous month (as in September), adding 0.11 p.p. to monthly inflation. Prices for medicines increased by 9.88% in December 2025 compared to December 2024, versus 10.61% in December 2024 compared to December 2023; tobacco products rose in price by 7.1% and 6.2%, respectively.

An inflation breakdown shows that the largest contribution to inflation, which stood at 5.6% in December 2025, came from rising prices for services (2.6 p.p.) (whose weight in the consumer basket is the smallest, at 27.7%). Food products contributed 1.7 p.p. to overall inflation, while non-food products contributed 1.0 p.p. (*Fig. 9*).

In general, the analysis conducted leads to the conclusion that inflationary risks remain high. These include a resurgence in credit growth and labor shortages, as well as a decline in global oil prices. Inflation expectations among the public and businesses also remain high: according to a survey by InFOM LLC, inflation

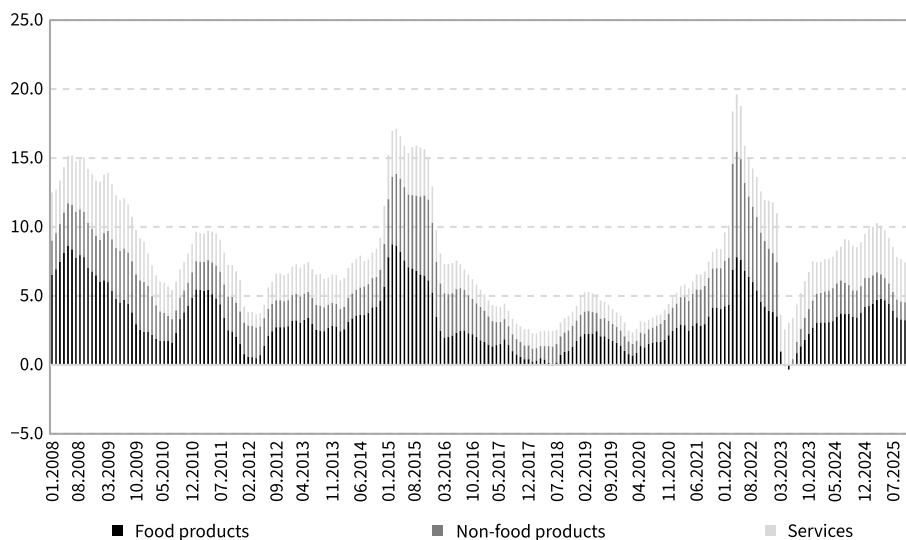


Fig. 9. Structure of inflation in 2008–2025 (month vs. respective month of the previous year), %

Sources: Rosstat; own calculations.

expectations among the public averaged 13.2% in 2025, while businesses' price expectations stood at 20.6%. In addition, in 2026, utility rates will be indexed at a higher rate than previously expected: in 2026, the indexation will be 1.7% in January and 18% (ranging from 8% to 22% depending on the Russian Federation region) in October; VAT will increase from 20% to 22%; the recycling fee for imported cars will increase.¹

Taking into account tax and tariff changes in February 2026, the Central Bank of the Russian Federation raised its year-end inflation forecast to 4.5–5.5%, and its average inflation forecast to 5.1–5.6%. Thus, the average real interest rate in 2026 is projected to exceed 8–9%. According to the Bank of Russia's estimates, the long-term real neutral interest rate currently stands at 3.5–4.5%.² This implies that the Central Bank of the Russian Federation will continue to maintain a high interest rate. According to our model forecast,³ annual inflation is expected to slow to 5.7% in 2026.

1. Goryunov E.L., Trunin P.V., Chembulatova M.E. Inflation and Monetary Policy in October 2025 // Monitoring of Russia's Economic Outlook. October 2025. URL: <https://www.iep.ru/ru/monitoring/inflyatsiya-i-denezhno-kreditnaya-politika-v-oktyabre-2025-goda.html>
2. Main Directions of the Unified State Monetary Policy for 2025 and the Period 2026–2027.
3. For more details on the model, see: Pervyshin Yu.N. Short-term inflation forecasting in the Russian economy // Economic Policy. 2022. Vol. 17. No. 5. P. 1–18.

1.1.4. Balance of payments and exchange rate

According to the Bank of Russia's preliminary balance of payments estimate for 2025, the current account balance for that period stood at \$41.4 bn, down 34% from the 2024 figure (\$62.6 bn). Due to the less detailed nature of the balance of payments data published by the Central Bank of the Russian Federation compared to previous periods, the structure of the current account can be described in terms of two main balances: the balance of trade in goods and services and the balance of primary and secondary income.

In 2025, the balance of trade in goods stood at \$116.7 bn, which is 11.7% less than the previous year (\$132.1 bn). A key factor in this change was a slight decline in the value of goods exports (from \$433.6 bn in 2024 to \$419.4 bn in 2025, i.e., by 3.3%) alongside stable import values of goods — \$302.7 bn (compared to \$301.5 bn in 2024). This export trend was driven by a slight decline in prices for Russia's core export commodities (primarily oil, gas, and petroleum products), which occurred simultaneously with a reduction in the physical volume of their exports due to issues with additional sanctions on the Russian tanker fleet. It should be noted that the slight increase in goods imports (by 0.1%) in 2025 was accompanied by a significant strengthening of the national currency: according to Bank of Russia data, the growth in the real exchange rate of the ruble against the dollar in 2025 relative to 2024 amounted to 33% (a strengthening that implies a relative decrease in the cost of imported goods¹). Thus, factors negatively affecting imports — namely, the decline in demand for imported goods and the rise in administrative costs due to secondary sanctions — were partially offset by the relative decrease in the cost of imported goods resulting from the strengthening of the national currency in real terms.

The services trade balance in 2025 stood at -\$48.6 bn, which is 26.6% higher in absolute terms than the negative figure for the corresponding indicator in 2024 (-\$38.4 bn). The increase in the negative services trade balance was driven by a rise in imports, coupled with slower growth in the value of exports. Thus, services imports grew by 16.8% in 2025 compared to the previous year (from \$81.5 bn to \$95.2 bn). Exports of services totaled \$46.6 bn in 2025 (\$43.1 bn in 2024).

The balance of primary and secondary income in 2025 decreased compared to the previous year, amounting to -\$26.7 bn, which is 14.1% lower in absolute terms than the corresponding figure for 2024 (-\$31.1 bn). At the same time, in 2025, revenues receivable remained stable at \$36.8 bn (\$36.3 bn in 2024), while income payable decreased by 5.8% (to \$63.5 bn), which was due to a reduction in the amount of di-

1. On the impact of exchange rate dynamics on trade, see: *Knobel A. Yu. Estimation of the Import Demand Function in Russia // Applied Econometrics. 2011. No. 4 (24). P. 3–26; Knobel A., Firanchuk A. Russia in Global Exports in 2017 // Russian Economic Development. 2018. No. 9. P. 17–21.*

vidends accrued in favor of non-residents.¹ Note that a downward trend in the balance of primary and secondary income has been observed since 2021.

It can be expected that in 2026—due to the stabilization of conditions regarding capital controls, difficulties for foreign investors in repatriating profits from Russia, restrictions imposed by the EU and on counterparties from these jurisdictions—primary and secondary income payable will continue to decline, and over this period their balance will amount to between –\$20 bn and –\$25 bn. As for the current account balance, it is expected to stabilize at \$30–35 bn in 2026.

The balance of the financial account of the balance of payments, excluding reserve assets, stood at \$45.8 bn in 2025, down 19.1% from the previous year (\$56.6 bn). In 2025, this indicator was shaped by significant growth in residents' foreign assets amid a moderate increase in foreign liabilities.

The increase in foreign assets (excluding reserve assets) in 2025 amounted to \$55.8 billion, which is 15.2% less than in 2024 (\$65.8 bn). Liabilities of all sectors of the Russian economy to non-residents in 2025 increased by \$10.0 bn compared to the previous year, whereas in 2024 this increase amounted to \$9.2 bn. Overall, the net capital outflow was driven primarily by the placement of funds in the form of other investments abroad (an increase in accounts receivable associated with the reorganization of Russian companies' foreign assets). The growth in external liabilities was due to an increase in inward foreign direct investment from friendly countries.²

As of January 1, 2026, the Russian Federation's external debt stood at \$319.8 bn, an increase of 10.4% compared to January 1, 2025. This is mainly due to the positive revaluation of liabilities of other economic sectors and the banking system as a result of the ruble's appreciation in 2025, as well as the raising of debt financing.³ The external debt of general government agencies saw the largest increase—by 21.4% (to \$19.3 bn). At the same time, the share of non-residents in the OFZ market continued to decline—from 4% as of January 1, 2025, to 3.4% as of January 1, 2026. The external debt of banks and the Central Bank of the Russian Federation grew by 14.6% over the year and amounted to \$109.7 bn as of January 1, 2026. In other sectors of the economy, external liabilities increased by 6.8% over the year (to \$186.6 bn).

In 2025, Russia's reserve assets decreased by \$18.5 bn (–\$3.8 bn in 2024) as a result of foreign currency sales as part of transactions involving the National Wealth Fund. In 2025, the total amount of international reserves⁴ of the Central Bank of the Russian Federation increased by 24% (to \$754.8 bn). This means that the po-

1. URL: https://www.cbr.ru/statistics/macro_itm/external_sector/pb/bop-eval/

2. Assessment of the Balance of Payments of the Russian Federation // Bank of Russia. No. 4 (25). 4th Quarter 2025.

3. URL: https://www.cbr.ru/statistics/macro_itm/external_sector/ed/ext-debt/

4. Data on the structure of international reserves are unavailable due to a reduction in the volume of statistical information published by the Bank of Russia.

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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1. Data on the amount of the revaluation of international reserves are also unavailable.
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