

# MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges  
of socio-economic development

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## SUSTAINABILITY OF REGIONAL BUDGETS IS BEYOND DOUBT

Ilya Sokolov, Candidate of Economic Sciences, Leading Researcher, Gaidar Institute

*The positive results of regional budgets execution for the first seven months of 2025 include maintaining an acceptable level of balance and debt burden. However, the situation is likely to deteriorate somewhat by the end of the year due to the continuing decline in income tax revenues and faster-than-expected growth in expenditures. To balance their budgets, regions may need either additional financial assistance from the federal government or a relaxation of restrictions (controls) to expand commercial borrowing.*

### Revenues

The dynamics of consolidated budget revenues of the subjects of the Russian Federation for the first seven months of 2025 compared to the same period of the previous year are given in *Table 1*.

*Table 1*

Revenues of consolidated budget of the RF subjects

	In nominal terms, Rb bn.		Nominal growth, %	Real growth (considering the CPI <sup>1</sup> ), %
	January-July 2025	January-July 2024	7 months 2025 / 7 months 2024	7 months 2025 / 7 months 2024
<b>Total revenues</b>	<b>14 560.1</b>	<b>13 482.6</b>	<b>8.0</b>	<b>-1.6</b>
<b>Tax and non-tax revenues</b>	<b>12 355.1</b>	<b>11 384.1</b>	<b>8.5</b>	<b>-1.2</b>
Profit tax	3 152.2	3 331.5	-5.4	-13.8
PIT	4 686.0	4 056.7	15.5	5.2
Excises	777.2	726.0	7.1	-2.5
Total Tax	1 179.3	1 056.1	11.7	1.7
Property tax	1 193.9	1 112.8	7.3	-2.3
Nontax revenues	1 171.8	980.8	19.5	8.8
<b>Transfers from other budgets</b>	<b>2 085.8</b>	<b>1 898.6</b>	<b>9.9</b>	<b>0.1</b>
<b>Other revenues</b>	<b>119.1</b>	<b>200.0</b>	<b>-40.4</b>	<b>-45.7</b>

Sources: Federal treasury, own calculations.

1 According to Rosstat, the CPI for January-July 2025 was 109.8 compared to the same period in 2024.

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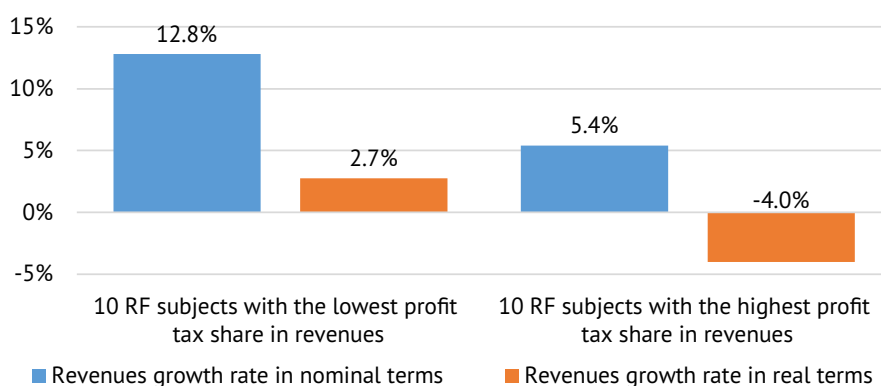
The total revenue of the consolidated budget of the RF subjects for the first seven months of 2025 increased by 8.0% in nominal terms compared to the same period in 2024 and decreased by 1.6% in real terms (considering the CPI). The dynamics of own revenues were mainly generated by two taxes: income tax revenues showed a decline (-5.4% in nominal terms and -13.8% in real terms), while personal income tax, on the contrary, showed steady growth (+15.5% in nominal terms and +5.2% in real terms). The volume of interbudgetary transfers only compensated for inflation (+9.9% in nominal terms and +0.1% in real terms).

Nominal growth in consolidated budget revenues was observed in 63 RF subjects, while a decline was observed in 26 regions. At the same time, in real terms, revenues increased in only 32 regions. The maximum nominal increase in consolidated budget revenues was observed in Kursk (+118.9%), the Jewish Autonomous Region (+33.8%), and Magadan Region (+29.1%). The significant increase in revenues in Kursk Region is explained by the substantial financial assistance provided to the region from the federal budget in connection with the hostilities in the border area. For the Magadan Region and the Jewish Autonomous Region, the main source of revenue growth was income tax. At the same time, the growth in income tax revenues in the Magadan Region was due to an increase in gold production and its market price, while in the Jewish Autonomous Region, the positive dynamics of income tax can be explained by the low base effect.

The largest decline in total revenues occurred in the Republic of Crimea (-11.5%), Kemerovo (-11.0%) and Tyumen (-10.8%) regions. While in the Republic of Crimea the decline in revenues is explained by a reduction in interbudgetary transfers, in the other two regions it is due to a drop in income tax revenues.

Overall, it can be concluded that the dynamics of regional budget revenues in January-July 2025 was closely linked to the structure of revenues: Russian regions with a high share of income tax showed lower revenue growth rates than regions where this share is relatively small (*Fig. 1*).

The negative dynamics of income tax revenues to regional budgets in the first seven months of 2025 can be explained by factors such as the high cost of borrowing in the economy and continuing external sanctions pressure on purchase prices in certain key industries (primarily in the raw materials sector). If current trends continue, total income tax revenues to regional budgets at the end of 2025 will not exceed Rb5.4 trillion, according to our estimates, which is 5.7% lower than in 2024.



*Fig. 1. Relationship between the dynamics of consolidated budget revenues of the RF subjects and the share of income tax revenues in the revenue structure, January-July 2025*

Source: own compilation.

## Sustainability of regional budgets is beyond doubt

At the same time, personal income tax revenues to the RF subjects' budgets are showing positive dynamics. This can be explained by wage growth (according to Rosstat, the average monthly nominal accrued wage of those working in the economy in the first half of 2025 grew by 15.1%) and the introduction of a progressive tax scale. If current trends continue, total personal income tax revenues to regional budgets at the end of 2025 could amount to approximately Rb8.9 trillion, i.e., an increase of 13.3% relative to 2024 levels.

### Expenditure

The consolidated budget expenditures of the RF subjects for the first seven months of 2025 amounted to Rb14.3 trillion, increasing by 19.4% in nominal terms and by 8.8% in real terms compared to the same period in 2024.

The largest contribution to nominal expenditure growth came from the national economy (+26.8%) and social policy (+26.0%). The share of these two areas in the expenditure structure increased (the share of the national economy by 1.2% and the share of social policy by 1.1%). This increase can be explained both by the growing importance of these areas for state policy and by the unevenness of inflation across different areas of expenditure. The rapid rise in the cost of fuel, housing and communal services, as well as the high cost of loans, are increasing the burden on the economy. The expansion of the contingent of privileged categories of citizens and the indexation of existing benefits lead to an increase in social spending. In addition, the increase in spending in socially significant sectors (education, culture, healthcare) can be explained by the need to index the wages of public sector employees.

An analysis of the dynamics of budget expenditures by region shows that in the first seven months of 2025, 85 regions saw nominal growth in consolidated budget expenditures, while only four regions saw a decline. In real terms, expenditures have already declined in 30 regions. The largest nominal growth in expenditures was demonstrated by the Kursk Region (+128.6% – proportional to the growth in revenues from federal transfers), the Samara Region (+31.5%), and Moscow (+29.2%), while expenditures decreased in the Republic of Crimea (-14.4%), Novgorod (-4.2%) and Kemerovo (-2.7%) regions.

The continuation of the emerging trends in the execution of regional budgets is likely to increase their dependence on financial support from the federal center.

### Deficit and debt

At the end of the first seven months of 2025, the consolidated budget of the subjects of the Russian Federation was executed with a total surplus of Rb246.2 bn, while a year earlier the surplus was much more significant (Rb1.5 trillion). Accordingly, the budget balance of the regions (excluding the reunited ones) deteriorated somewhat: at the end of the first seven months of 2025, 46 subjects of the Russian Federation had a deficit, compared to 18 subjects a year earlier. A significant budget deficit (more than 10% of tax and non-tax revenues) was recorded in seven regions, led by the Arkhangelsk (-18.4%), Kemerovo (-16.2%), and Murmansk (-13.6%) regions.

The total regional and municipal debt as of August 1, 2025, approached Rb3.6 trillion. In nominal terms, the debt increased both compared to the beginning of 2025 (+Rb43.1 bn) and compared to the first seven months of 2024 (+Rb89.1 bn).

Budget loans still account for the largest share of the debt structure (79.7%), with a volume exceeding RUB 2.8 trillion as of August 1, 2025. At the same time,

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attention should be paid to the increase in loans from credit organizations (from Rb160.5 bn as of August 1, 2024, to Rb299.8 bn as of August 1, 2025), which may signal the beginning of problems with budget balance. Nevertheless, the regions as a whole managed to reduce their debt burden: the level of aggregate regional and municipal debt as a percentage of tax and non-tax revenues of the consolidated budgets of the Russian Federation (excluding reunited regions) decreased from 18.2% as of August 1, 2024, to 16.7% as of August 1, 2025. At the same time, extremely high debt levels are observed in the Arkhangelsk Region (93.3%), the Republic of Khakassia (71.3%), and the Tomsk Region (61.9%). Another 10 regions have a debt burden in the range of 50–60%. The increase in debt due to budget loans is less critical, as the cost of servicing this type of liability is low. The total level of market debt (securities and loans from credit institutions) (excluding the reunited regions) as of August 1, 2025, amounted to only 3.1% of tax and non-tax revenues. Moreover, compared to August 1, 2024, it decreased by 0.07 p.p., and 31 regions have no market debt at all. However, some regions have seen a noticeable increase in market debt (in the Arkhangelsk Region, it amounted to +22.9 p.p., in the Murmansk Region +21.2 p.p., and in the Kemerovo Region +9.4 p.p.).

Thus, in most regions, debt is at a relatively safe level, and the debt burden continues to decline. At the same time, in some regions (primarily the Arkhangelsk and Murmansk regions), market debt is growing rapidly, which may subsequently have a negative impact on medium-term debt sustainability. As the balance of the Russian Federation's consolidated budgets continues to deteriorate towards the end of the financial year, a moderate increase in the debt burden is likely in most regions. ▲