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DECOMPOSITION OF RUSSIAN ECONOMIC GROWTH RATES IN 2025–2026

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To assess the current state of the Russian economy, we conducted decomposition[1, 2] of Russian GDP growth rates. The contribution of fundamental factors of production (labor, capital, total factor productivity) reached approximately 1.97 p.p. in 2025. The contribution of global oil price dynamics was negative, amounting to around -1.23 p.p., while the sum of the business cycle and random shocks components accounted for approximately 0.26 p.p. of growth.

According to Rosstat, Russian GDP growth in 2025 stood at 1%. Nominal GDP exceeded Rb214 trillion (Rb214,261.02 bn, or $2,568.42 bn at the average annual ruble exchange rate). In 2025, the industrial production index rose by 1.1% (driven by the manufacturing sector, which grew by 3.1%). Retail trade turnover increased by 4.1%.

The trend in fixed capital investment was negative at the end of 2025 (-2.3%) and was driven by the implementation of a tight monetary policy aimed at reducing inflation[3] and the end of prolonged period of intense investment growth. The forecast for 2026 calls for a further decline of 5.4%. Recovery in investment is expected to begin in 2027.[4]

The labor market remains fairly stable: the unemployment rate stood at 2.2% at the end of 2025, and a slight increase to 2.3% is expected between 2026 and 2029.

The Russian Ministry of Economic Development cites growth in consumer demand which, in turn, is linked to positive trends in real disposable income as

1 The procedure for decomposing GDP growth rates is based on the OECD's methodology for decomposing GDP levels; see: *Giorno C., Richardson P., Roseveare D. and van den Noord P.* 1995. Estimating Potential Output, Output Gaps and Structural Budget Balances. OECD Economics Department Working Papers. No. 152. OECD Publishing, Paris.

2 This article uses a procedure for decomposing GDP growth rates that has been adapted for the Russian economy; see: *Sinelnikov-Murylev, S., Drobyshevsky, S., and Kazakova, M.* (2014). Decomposition of Russian GDP growth rates in 1999–2014 // Economic Policy. No. 5. P. 7–37. *S.M. Drobyshevsky, G.I. Idrisov, A.S. Kaukin, P.N. Pavlov, S.G. Sinelnikov-Murylev.* Decomposition of Russian GDP growth rates in 2007–2017 and forecast for 2018–2020. *Voprosy Ekonomiki*. 2018;(9):5-31.

3 URL: https://www.interfax.ru/business/1076588

4 The estimates and projections in this article are based on the forecast for the socioeconomic development of the Russian Federation for 2027 and the planning period of 2028 and 2029, as provided by the Russian Ministry of Economic Development.

the main driver of current and future economic growth: income growth reached 7.4% in 2025, with an expected growth rate of 2.7% in 2029.

Decomposition involves identifying three components of GDP growth: structural (determined by long-term growth rates characterizing the dynamics of fundamental factors of production), foreign trade (determined by fluctuations in terms of trade), and cyclical (comprising components of the domestic business cycle and random shocks). To reduce the methodology's sensitivity to the selected assessment period, economic development scenarios were defined for several years ahead.[1] Thus, subsequent calculations utilized the forecast for the socioeconomic development of the Russian Federation for 2027 and the planning period of 2028 and 2029, as presented by the Russian Ministry of Economic Development.

According to the Ministry of Economic Development, the growth rate of the Russian economy for 2026 is estimated at 0.6%. The shift toward moderate growth is attributed to the normalization of the economy following the high growth rates of 2023–2024. By the end of 2029, higher growth rates are projected: 2.4% (under the baseline scenario) and 1.8% (under the conservative scenario). The conservative scenario assumes increased sanction pressure, growing imbalances in the global economy, and a slowdown in global oil demand resulting from trade wars, as well as a slower easing of monetary conditions.

The estimated global oil price for 2026 is 85.7 per barrel; prices are projected to decline to $62 per barrel under the conservative scenario by 2029 and to $66 per barrel under the baseline scenario.

In accordance with these scenarios, a decomposition of GDP growth rates for the period 2004–2029 was conducted. *Fig. 1* shows the dynamics of the structural, foreign trade, and cyclical components for the baseline scenario of the Russian Ministry of Economic Development.[2]

As shown in *Fig. 1*, the structural component was the main driver of GDP growth in 2025; we estimate it at 1.97 p.p. of annual growth, and it will remain fairly stable throughout the period from 2019 to 2029.

The estimates show that, over the past 10 years, a local minimum in total factor productivity (TFP) was observed three times: in 2015, 2020, and 2022

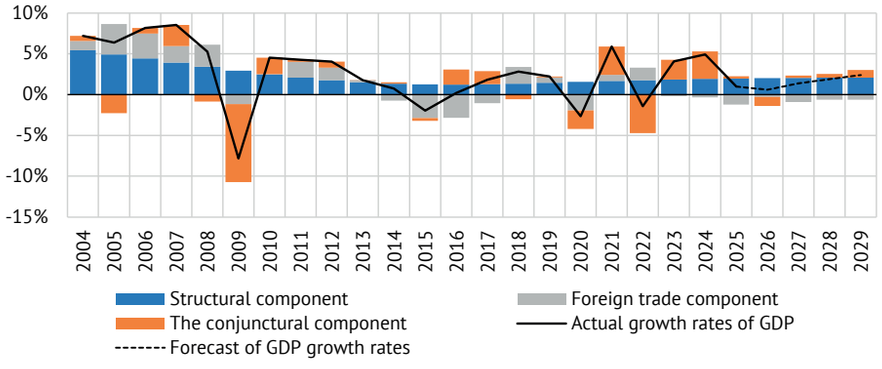


Fig. 1. Decomposition of GDP growth rates in 2004–2029 (base scenario)

Sources: Rosstat, Ministry of Economic Development of the Russian Federation, own calculations.

1 *Turner, D. et al.* (2016). An investigation into improving the real-time reliability of OECD output gap estimates, OECD Economics Department Working Papers, No. 1294, OECD Publishing, Paris.

2 The variation in values across the scenarios is insignificant; therefore, the results for the conservative forecast are not presented separately.

Decomposition of Russian economic growth rates in 2025–2026

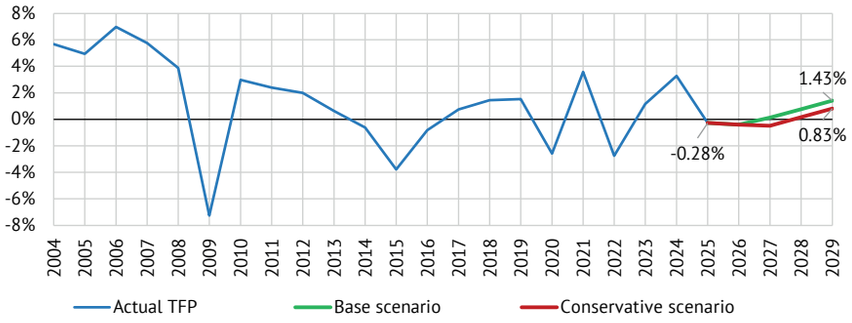


Fig. 2. Growth rates of total factor productivity, 2004–2029

Sources: Rosstat, Ministry of Economic Development of the Russian Federation, own calculations.

(*Fig. 2*). By the end of 2025, TFP growth was negative at -0.28 p.p., corresponding to the levels seen in 2013 (a period when the economy began to slow noticeably while oil prices remained high). Even under the baseline scenario of the Russian Ministry of Economic Development, by 2029 the TFP will turn positive but will not exceed the 2019 level.

Starting in 2022, there was an uneven decline in the average annual price of Urals crude; in 2025, it stood at $55.62 per barrel, which is below the long-term average (for the previous three years). These oil price trends are reflected in the negative impact of the foreign trade component on GDP growth in 2025 – the component's contribution was -1.23 p.p. The magnitude of the negative impact of the foreign trade component was more pronounced compared to the previous period of 2021–2024. Throughout the entire forecast period through 2029, its negative impact on economic growth is also expected, primarily due to the decline in oil prices projected by the Russian Ministry of Economic Development.

The contribution of the cyclical component to economic growth in 2025 was insignificant compared to previous years, amounting to 0.26 percentage points. The sharp decline in the contribution of this component in 2025 and its subsequent shift into negative territory in 2026 may reflect a transition to a cooling-off period following high investment and consumer demand in 2023–2024. In the subsequent period of 2027–2029, a gradual increase in this component's positive contribution to GDP growth is expected, which may signal the start of a smooth cyclical recovery in business activity. To a certain extent, GDP dynamics are also driven by the deterioration in global commodity markets and the decline in oil prices factored into the forecast.