Russia's Federal Budget Revision 2025: A Strategic Response to External Pressures

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Background and Context

On 30 April 2025, the Government of the Russian Federation approved a draft law prepared by the Ministry of Finance introducing amendments to the key parameters of the federal budget for the current year (Ministry of Finance of the Russian Federation, 2025). This revision can be interpreted as a response to the deteriorating external macroeconomic environment—primarily the decline in global oil prices and rising inflationary pressures, driven by both international and domestic factors. Faced with increasing uncertainty, a weakening export base, and the risk of accelerating inflation, the government opted to revise its fiscal targets in order to align with the new economic context, while reaffirming its commitment to previously declared public obligations and policy priorities.

Key Fiscal Adjustments

According to the revised framework, total federal budget revenues were reduced from RUB 40.3 trillion (approximately $427.4 billion) to RUB 38.5 trillion (approximately $408.3 billion), including a downward adjustment of oil and gas revenues from RUB 10.9 trillion (around $115.6 billion) to RUB 8.3 trillion (around $88.0 billion). The revision was largely driven by an updated forecast for the price of Urals crude, which, according to the Ministry of Finance, had declined from $69.7 to $56 per barrel. At the same time, non-oil and gas revenues were revised upward—from RUB 29.36 trillion (approximately $311.3 billion) to RUB 30.19 trillion (approximately $320.1 billion)—helping to partially offset losses from raw material exports. As stated in the explanatory note, this increase is expected to result from higher-than-anticipated tax and non-tax collections. However, as emphasized in a recent official statement by the Bank of Russia, the inflationary nature of a large share of these revenues could undermine their real fiscal effectiveness (Bank of Russia, 2025).

Expenditures under the federal budget are projected to increase from RUB 41.5 trillion (approximately $440.1 billion) to RUB 42.3 trillion (approximately $448.6 billion). This adjustment is attributed to the expansion of the domestic revenue base and is intended to support existing spending commitments, including social assistance, defence and security programmes, technological development, and regional support. The updated federal budget deficit now stands at RUB 3.79 trillion (approximately $40.2 billion), or 1.7% of projected GDP, compared to the initially planned RUB 1.17 trillion (approximately $12.4 billion, 0.5% of GDP). Notably, by March 2025, the budget deficit had already reached RUB 2.2 trillion (approximately $23.3 billion), representing nearly 60% of the revised annual cap. This discrepancy raises questions about the realism of expenditure forecasts and may indicate a need for further revisions in the second half of the year (Expert.ru, 2025).

Risks and Forecast Gaps

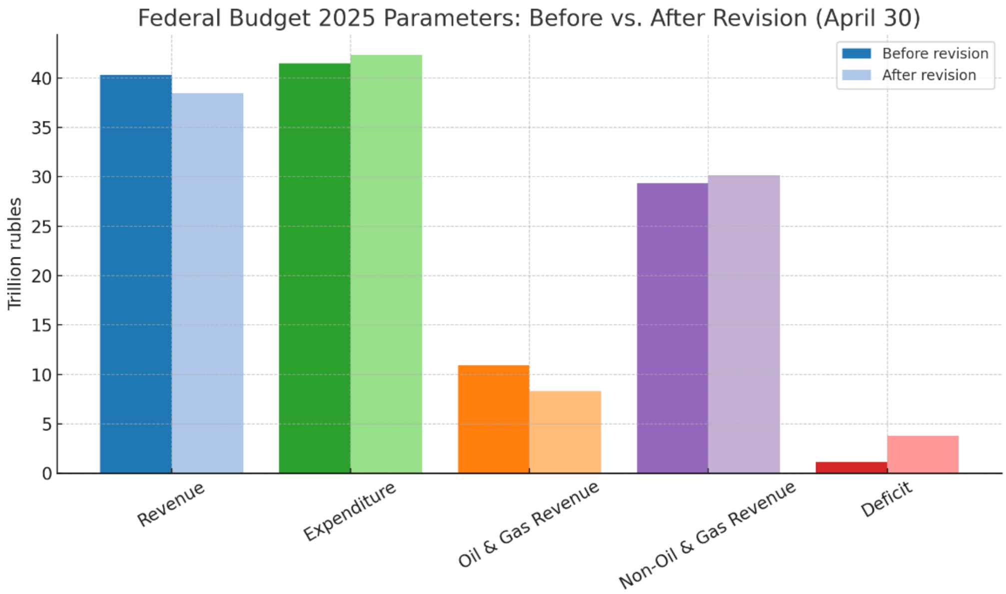
The inflation forecast was also revised upward—from 4.5% to 7.6%—in response to emerging internal and external cost pressures, including logistics bottlenecks and changes in export dynamics. However, year-end inflation data reported in late April indicated a significantly higher figure, with the consumer price index reaching 10.35% (Parlamentskaya Gazeta, 2025).

Meanwhile, the baseline GDP growth forecast for 2025 remains unchanged at 2.5%, which suggests a degree of confidence within Russian fiscal institutions regarding macroeconomic resilience.

Political Framing and Policy Outlook

Following the budget revision, Finance Minister Anton Siluanov reaffirmed that all government obligations would be fulfilled, including national development goals, despite external challenges. He also indicated that the government is considering adjustments to the fiscal rule—specifically, lowering the oil price threshold from $60 to $50 per barrel—to improve the flexibility of fiscal policy in a volatile external environment. Siluanov previously stated that the existing $60 threshold no longer reflects current market conditions and that revising the rule is part of a broader reconfiguration of Russia's fiscal sustainability framework (RBC, 2025).). This stance was reiterated in the official government communication issued by the Ministry of Finance on 30 April 2025.

Taken as a whole, the April 2025 budget amendments represent an adaptive fiscal response to a deteriorating trade environment and weakening commodity-based revenues. The combination of reduced oil income and increased spending commitments reflects a strategic effort to maintain internal stability and pursue political priorities despite tightening constraints on fiscal space. To support this shift, authorities will likely rely more heavily on non-oil revenue mobilisation and flexible deficit financing tools. Whether this policy course will remain sustainable under continued inflationary pressure, external volatility, and structural imbalances in the domestic economy remains uncertain.



Sources: Figure based on official data from the Russian Ministry of Finance (2025), RBC, and the Bank of Russia.

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Author’s Note

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