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KSE Institute Russia Chartbook

Lower Oil Prices Weigh on Exports, Revenues; Early Budget Revision Indicates Challenges

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Benjamin Hilgenstock
Head of Macroeconomic Research and Strategy
bhilgenstock@kse.org.ua

Yuliia Pavytska
Manager of the Sanctions Programme
ypavytska@kse.org.ua

Matvii Talalaievskyi
Junior Analyst
mtalalaievskyi@kse.org.ua

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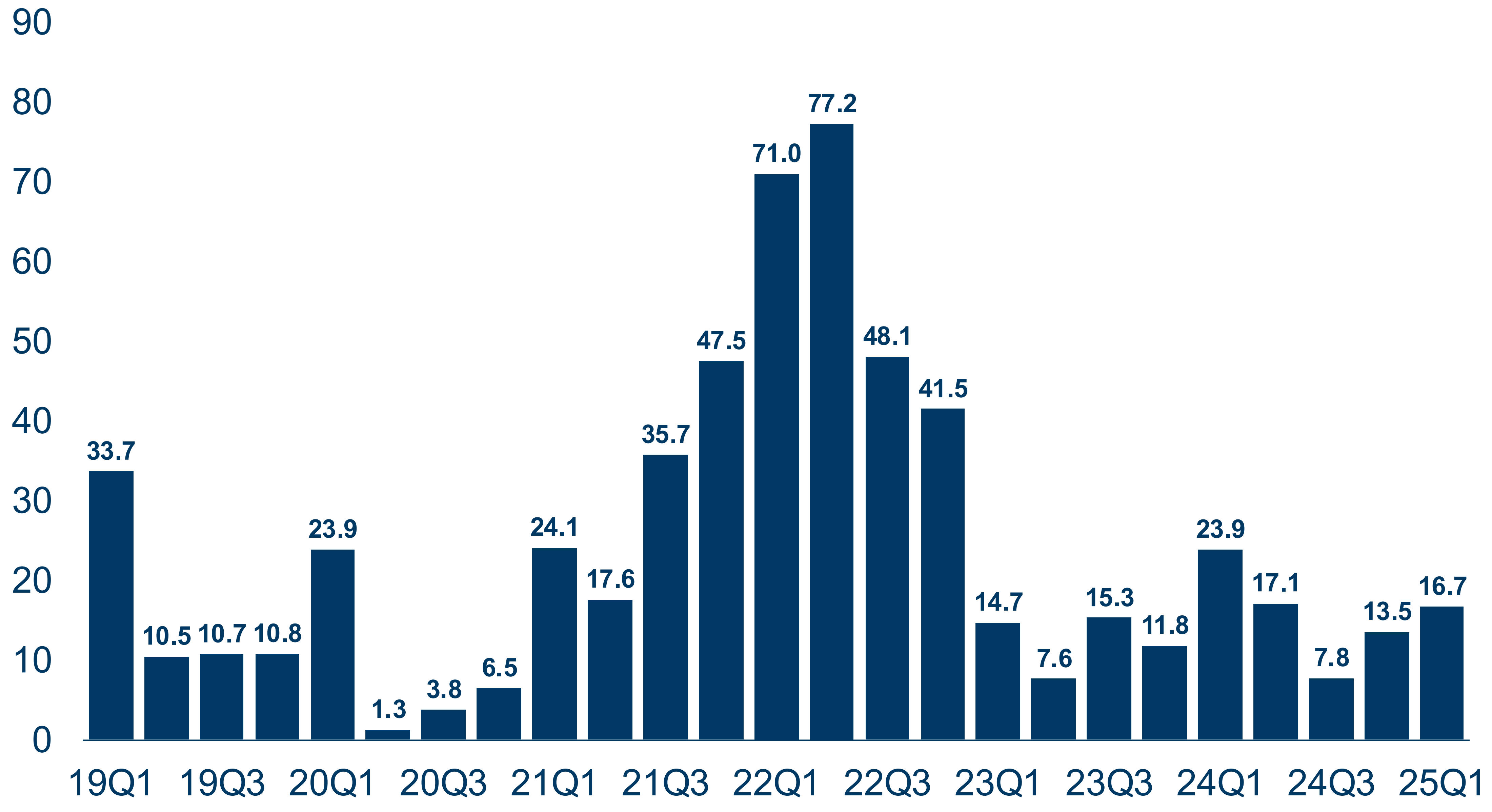
Executive Summary

1. **Lower global oil prices weigh on exports, revenues.** Prices for Russian crude oil have stood below $60/barrel for two months as trade tensions and OPEC+ decisions affected the global oil market. As a result, export earnings from oil in April were the second-lowest since the taking-effect of major energy sanctions. Should this dynamic persist or even accelerate, Russia's external balance could face serious challenges. Lower prices have also driven down budget revenues from oil and gas, which dropped 10% year-over-year in Jan.-Apr.
2. **Budget revision indicates growing fiscal challenges.** Russia revised its budget numbers for 2025 at the earliest time in recent history. Oil and gas revenues are projected to be 24% lower than previously assumed, expenditures 3% higher, and the overall deficit 3 times bigger (3.8 trillion vs. 1.2 trillion rubles). Having reached 85% of the full-year target cumulatively in Apr. already, the deficit could easily exceed even the adjusted plan in the absence of major fiscal consolidation and a meaningful recovery in global oil prices.
3. **Macroeconomic buffers are under pressure.** The NWF's liquid portion has declined by 66% since early-2022 as 7.7 trillion rubles were used to finance the budget. At 3.3 trillion, the remaining funds are smaller than the projected budget deficit for 2025. As a result, MinFin is largely relying on domestic debt issuance to finance the budget for now. However, this strategy is not without challenges as domestic banks are the only buyer left following the exit of foreign investors, and their desire to buy OFZs has been limited despite high yields.
4. **Inflation remains elevated despite high interest rates.** Headline inflation stood at 10.2% year-over-year in Apr., essentially unchanged from the previous month. The CBR has not succeeded at reducing inflationary pressures even though interest rates have risen sharply (to 21%) and are increasingly weighing on economic activity and imports. A persistently tight labor market, war-related fiscal stimulus, and a dramatic expansion of credit to the private sector make it difficult for the CBR to get price pressures under control.
5. **Economic growth will slow this year and beyond.** With the Russian economy hitting serious capacity constraints in terms of labor and capital, and borrowing becoming more expensive, GDP growth is expected to slow down considerably in 2025 and beyond. This will create further pressure on the budget as non-O&G revenues will grow much slower than needed to offset rising war expenditures. It also means that companies will increasingly be unable to afford high wage increases—a dynamics that has already started in recent months.
6. **Growing vulnerabilities provide an opportunity to step up pressure.** To bring Russia to the negotiating table, additional sanctions should be imposed to exacerbate the various challenges and make the current course of action untenable for the regime.

Current account improves while goods trade drops sharply.

- Russia’s current account surplus in Q1 2025 was revised down from \$19.8 billion to \$16.7 billion by the CBR.
- Both goods exports and imports dropped sharply vs. Q4 2024, by \$20.2 billion and \$18.8 billion, respectively.
- Key drivers of the higher current account surplus, however, were smaller services/income deficits (+\$4.7 billion).

Quarterly current account balance, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

Composition of the current account, in U.S. dollar billion

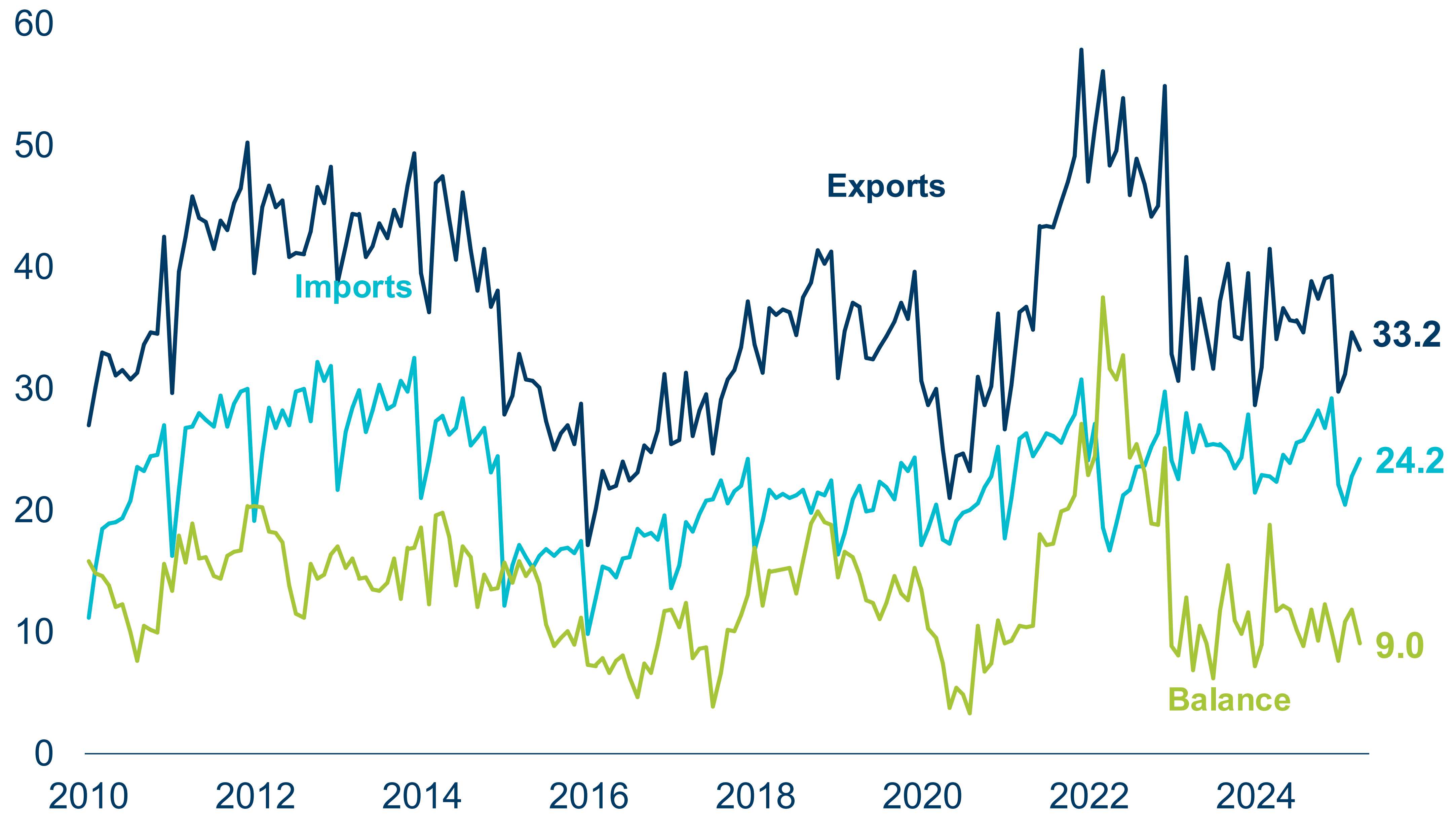
	C/A	Goods			Services			Income & transfers		
Time period	Bal.	Bal.	Exp.	Imp	Bal.	Cred.	Deb.	Bal.	Cred.	Deb.
Q2 2024	17.1	35.7	106.4	70.8	-9.3	9.9	19.2	-9.2	8.6	17.8
Q3 2024	7.8	30.8	109.1	78.2	-12.4	10.9	23.3	-10.6	9.0	19.6
Q4 2024	13.5	31.6	115.7	84.1	-9.9	11.3	21.3	-8.2	9.4	17.6
Q1 2025	16.7	30.1	95.5	65.3	-7.4	10.0	17.4	-6.0	7.8	13.9
February 2025	6.8	10.8	31.2	20.4	-1.9	3.2	5.0	-2.1	2.3	4.4
March 2025	7.3	11.8	34.6	22.8	-2.7	3.6	6.2	-1.8	2.9	4.8
April 2025	4.4	9.0	33.2	24.2	-3.0	3.5	6.4	-1.7	3.0	4.7
Memorandum										
2021	125.0	193.1	494.2	301.0	-20.3	55.6	75.9	-47.8	96.3	144.1
2022	237.7	315.6	592.1	276.5	-22.1	48.8	70.9	-55.8	51.0	106.8
2023	49.4	121.7	424.7	303.1	-36.1	40.5	76.6	-36.1	45.5	81.7
2024	62.3	133.0	433.1	300.1	-39.1	42.2	81.3	-31.5	36.3	67.9
Q2 2023	7.6	26.3	103.4	77.2	-9.0	10.3	19.3	-9.6	12.8	22.5
Q3 2023	15.3	33.4	109.1	75.7	-10.6	9.4	20.0	-7.5	10.2	17.7
Q4 2023	11.8	32.3	108.0	75.6	-8.8	11.0	19.8	-11.7	10.9	22.6
Q1 2024	23.9	34.8	101.9	67.1	-7.4	10.1	17.5	-3.5	9.4	12.9
Feb. 2024	5.7	8.9	31.8	22.8	-1.7	3.5	5.2	-1.5	2.7	4.2
Mar. 2024	15.4	18.7	41.5	22.8	-2.5	3.4	5.9	-0.8	3.6	4.5
Apr. 2024	7.1	11.8	34.1	22.3	-2.6	3.2	5.8	-2.1	3.3	5.3

Source: Bank of Russia, KSE Institute

Overall drop in international trade in 2025.

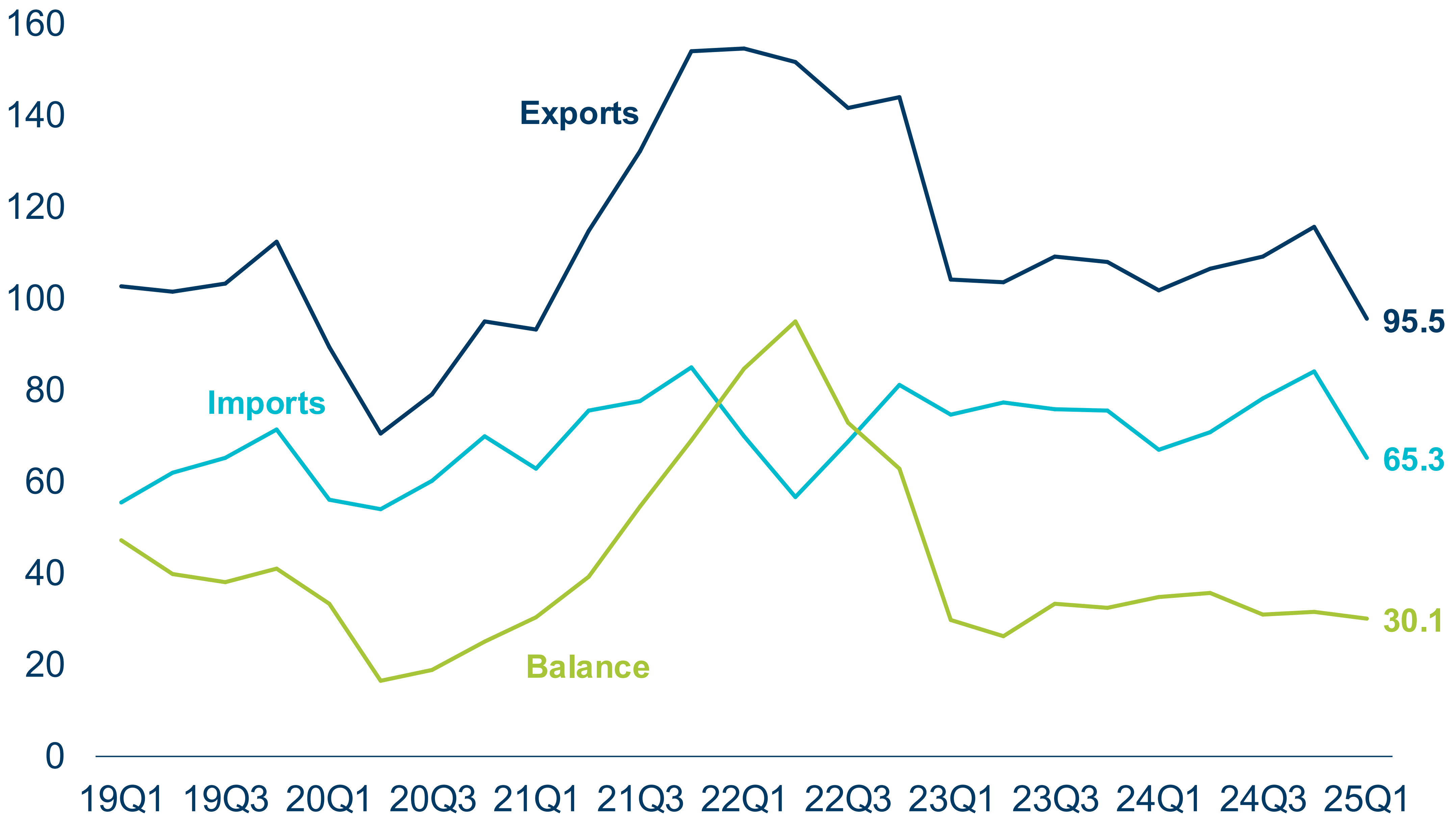
- Russia's goods exports recovered somewhat after unusually weak readings in Jan.-Feb. but remain suppressed.
- A similar dynamic can be observed for goods imports, which have been affected by tight monetary conditions.
- Altogether, the trade balance has remained stable and changes to the current account stem from other components.

Monthly trade statistics, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

Quarterly balance of payments statistics, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

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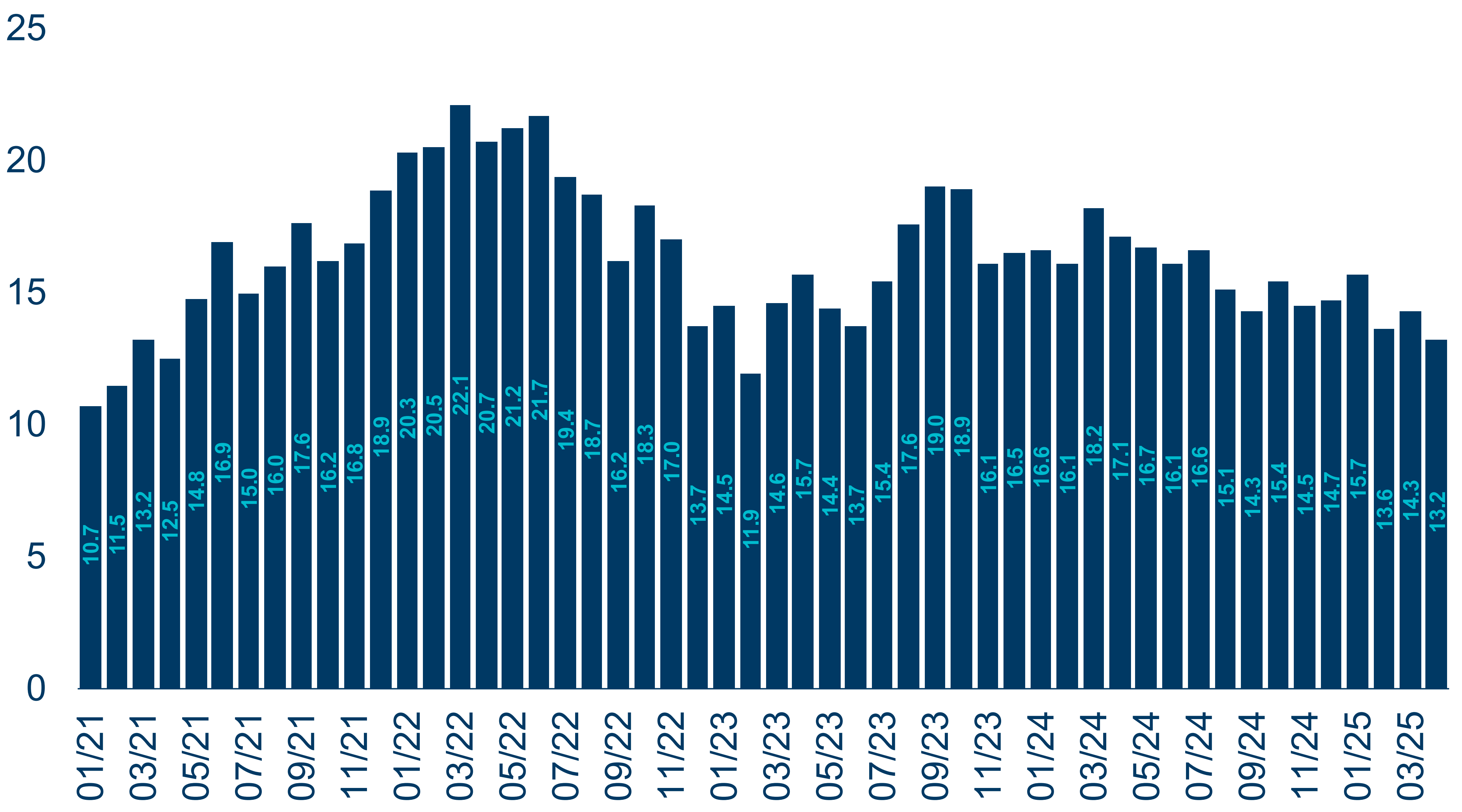
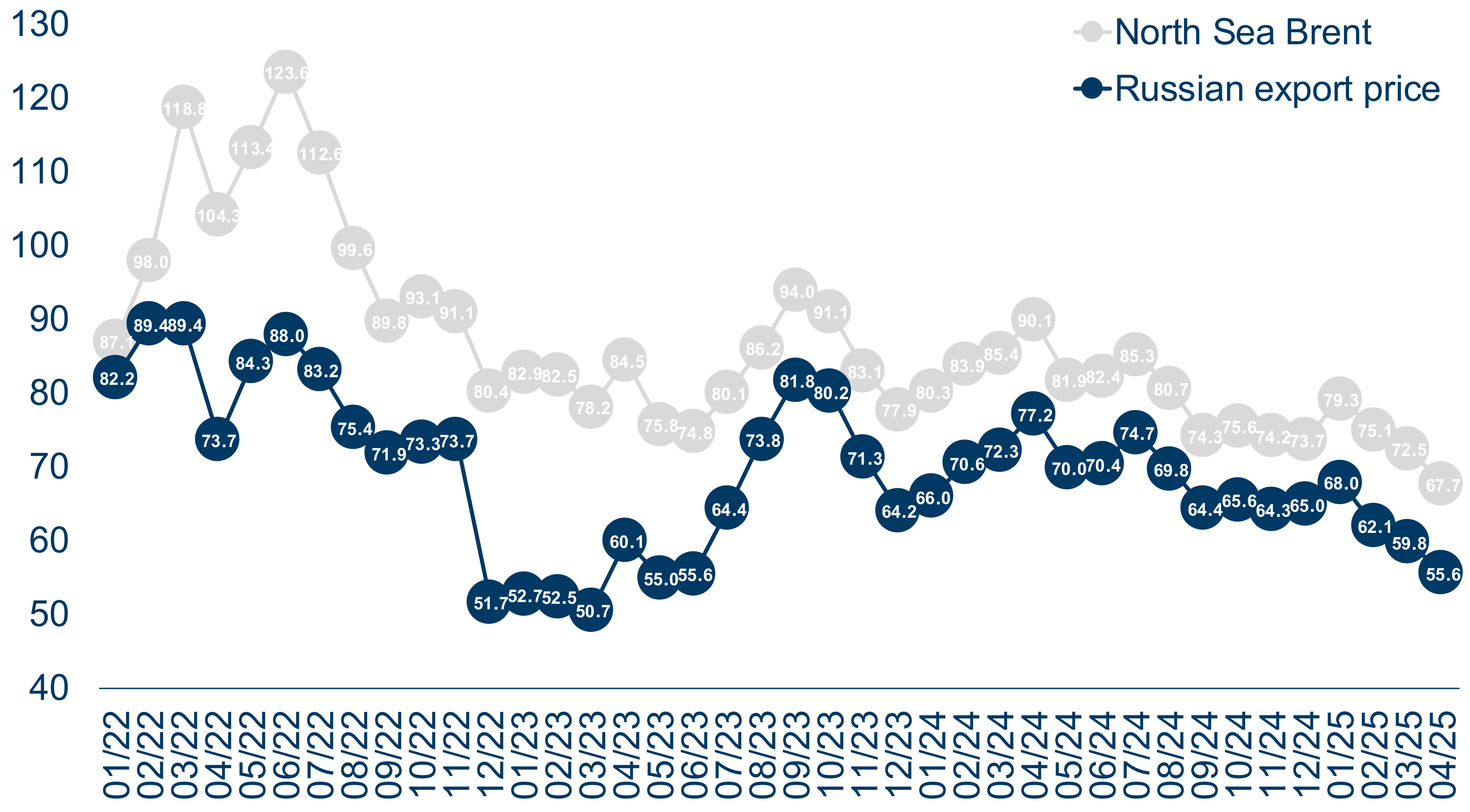
Lower oil prices increasingly weigh on export earnings.

- Oil exports earnings fell to $13.2 billion in Apr. 2025—the 2nd lowest since the start of sanctions on Russian oil.
- This development is driven by lower prices for Russian oil, which have stood below the price cap for two months.
- Should these dynamics persist or accelerate, Russia’s external accounts would come under serious pressure.

Oil export earnings, in U.S. dollar billion



Crude oil prices, in U.S. dollar/barrel*

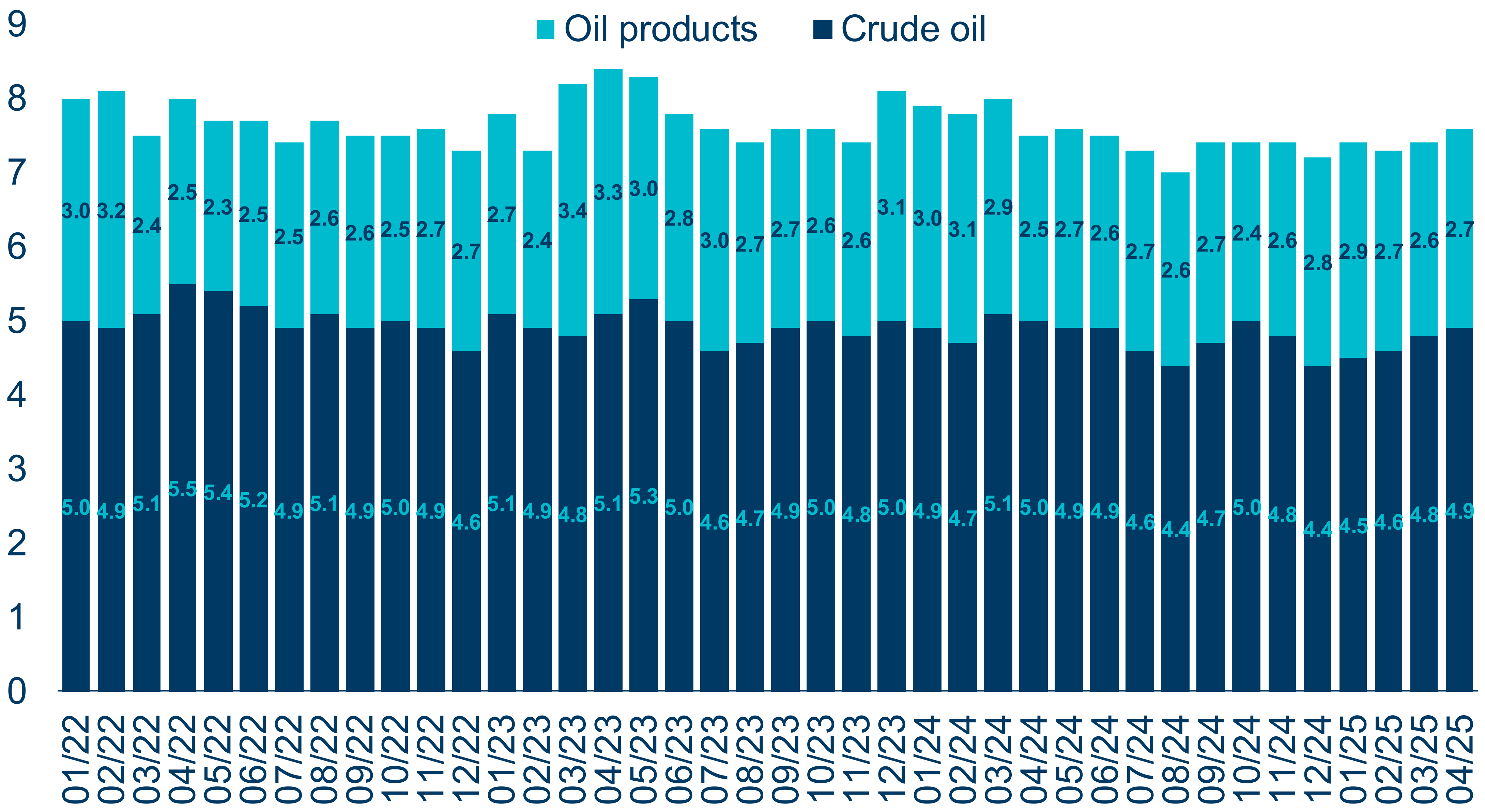


Source: Federal Customs Service, International Energy Agency, KSE Institute
*2021 data from Russian customs service, 2022-23 data from IEA

Supply of Russian oil remains stable.

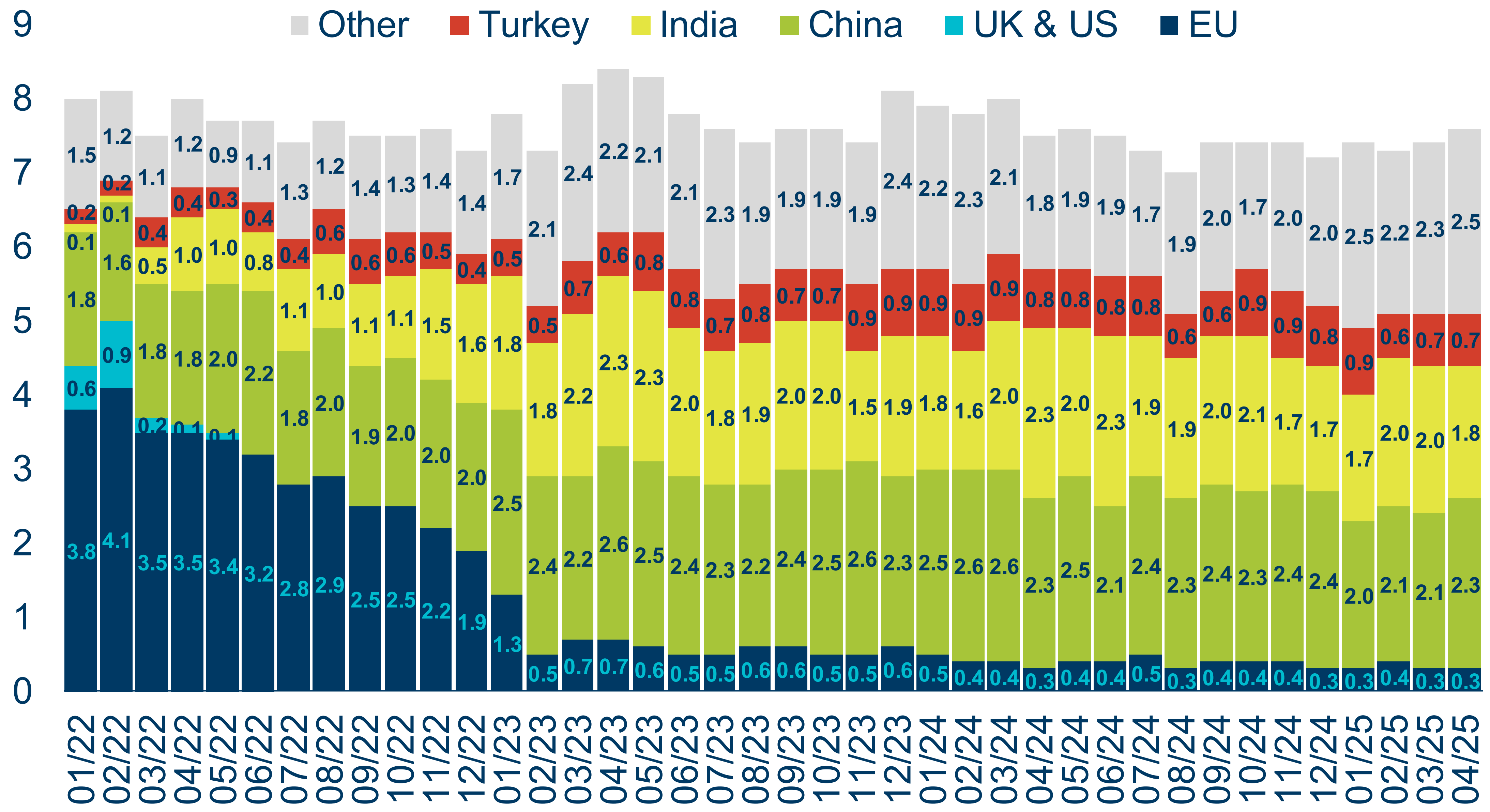
- Russian oil export volumes have been remarkably steady over the last 3 years.
- Overall, the G7+ oil price cap has succeeded at keeping Russian oil on the market.
- China, India, and Turkey are the most important buyers (~60-70% of oil exports).

Russian oil export volume by type, in million barrels/day



Source: International Energy Agency, KSE Institute

Russian oil export volume by destination, in million barrels/day

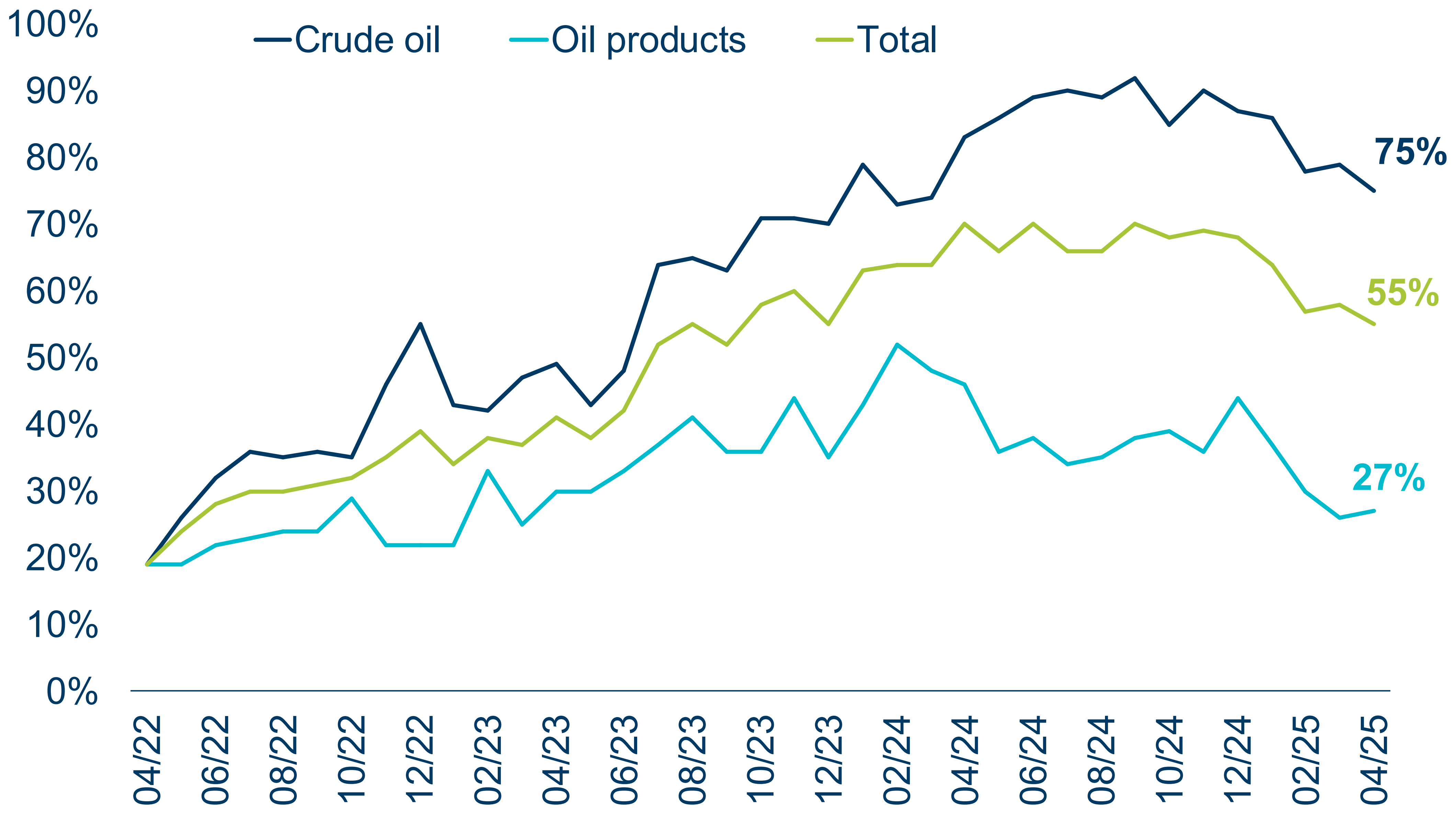


Source: International Energy Agency, KSE Institute

Shadow tanker designation campaign shows results.

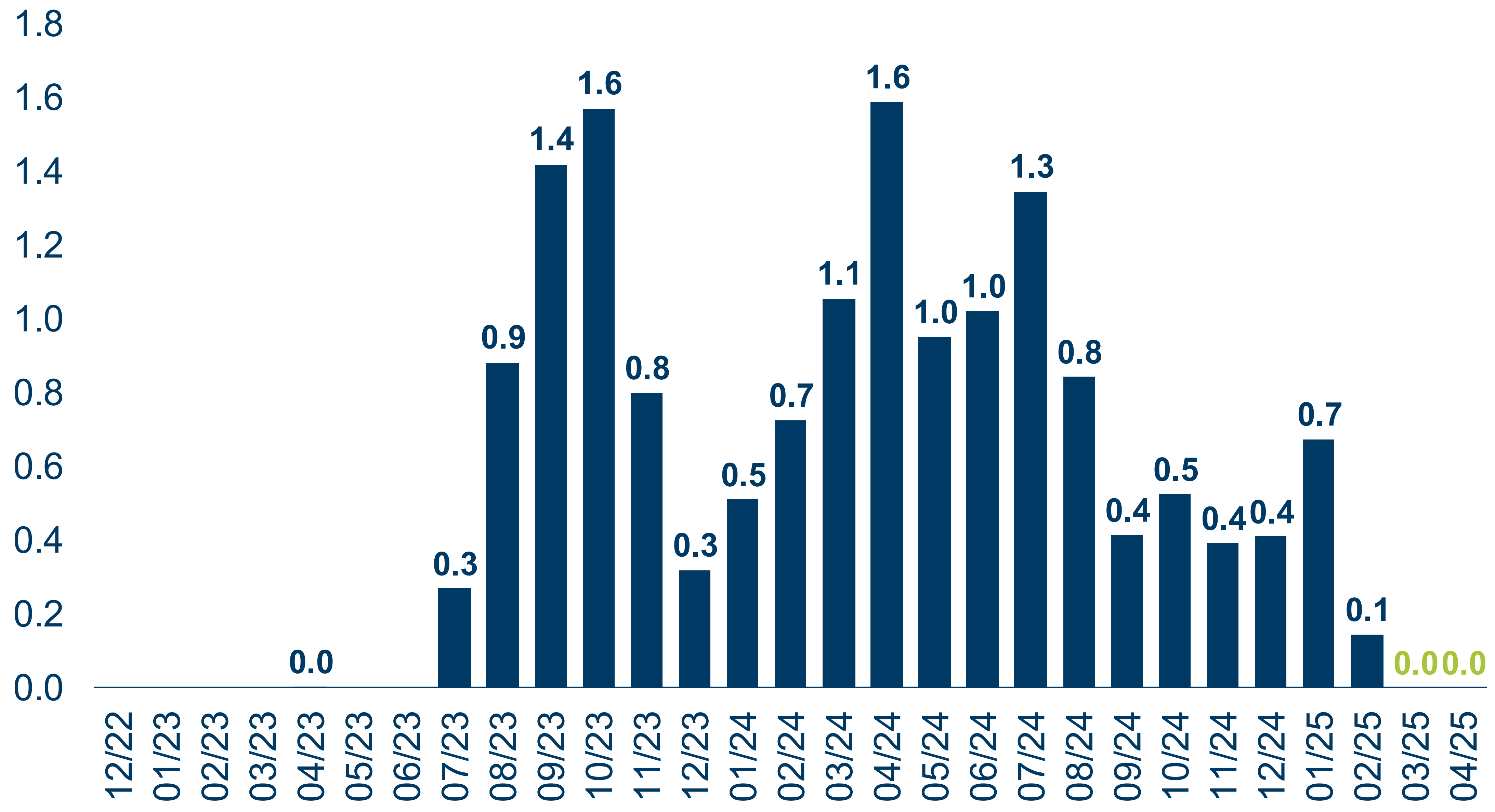
- In Apr. 2025, 75% of seaborne crude oil was transported without the involvement of G7+ services.
- The impact of the large number of ships sanctioned in Jan.-Feb. shows the potential of the instrument.
- With the average export price bellow $60/barrel, no extra earnings were generated for two months in a row.

Shadow fleet share of seaborne oil exports, in %



Source: Equasis, Kpler, P&I Clubs, KSE Institute

Additional export earnings from crude oil, in U.S. dollar billion



Source: Equasis, International Energy Agency, Kpler, P&I Clubs, KSE Institute

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Countries have stepped-up sanctions on shadow tankers.

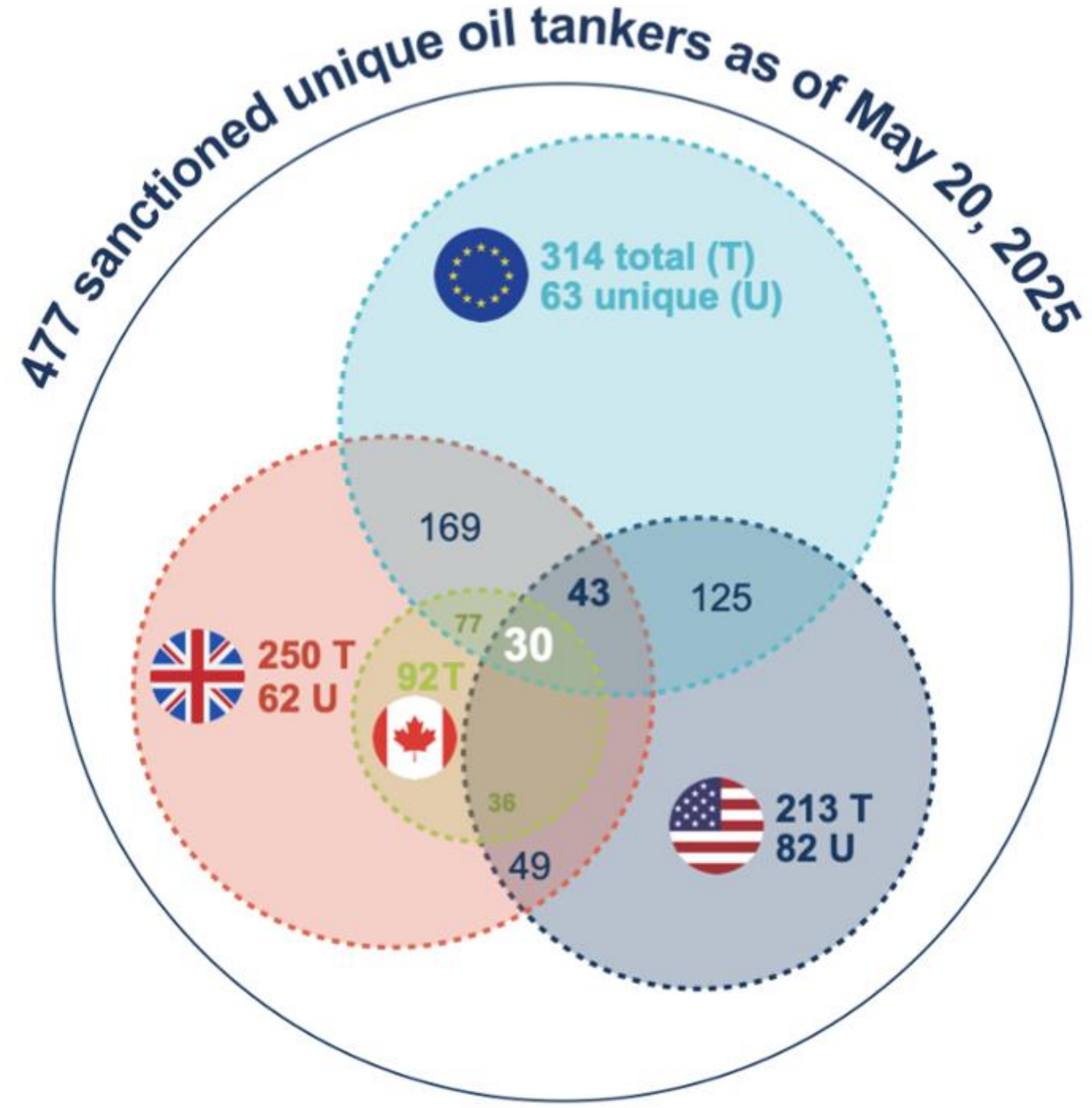
- The EU adopted the largest tanker designation package in May, adding 183 ships to its sanctions list.
- This brings the total number of sanctioned shadow tankers to 477, with 30 listed in all four jurisdictions.
- With listings reaching 60% of the shadow fleet, more effective enforcement will need to be in the focus.

Cumulative vessel designations by jurisdiction and month

Sanctioned by:	# of tankers
EU	*314*
US	*213*
UK	*250*
CA	92
EU ∩ US	*125*
EU ∩ UK	*169*
EU ∩ CA	77
US ∩ UK	*49*
UK ∩ CA	92
EU ∩ US ∩ UK	*43*
EU ∩ US ∩ CA	30
EU ∩ UK ∩ CA	77
US ∩ UK ∩ CA	36
EU ∩ US ∩ UK ∩ CA	30
Total unique vessels sanctioned at least by one jurisdiction	**477**

Source: European Commission, OFAC, OFSI, KSE Institute

Current vessel designations by jurisdiction



Source: European Commission, OFAC, OFSI, KSE Institute
* Includes 2 tankers that were sanctioned by the U.S. under the SDGT program rather than RUSSIA-EO14024, as they had already been sanctioned by one of two other governments.

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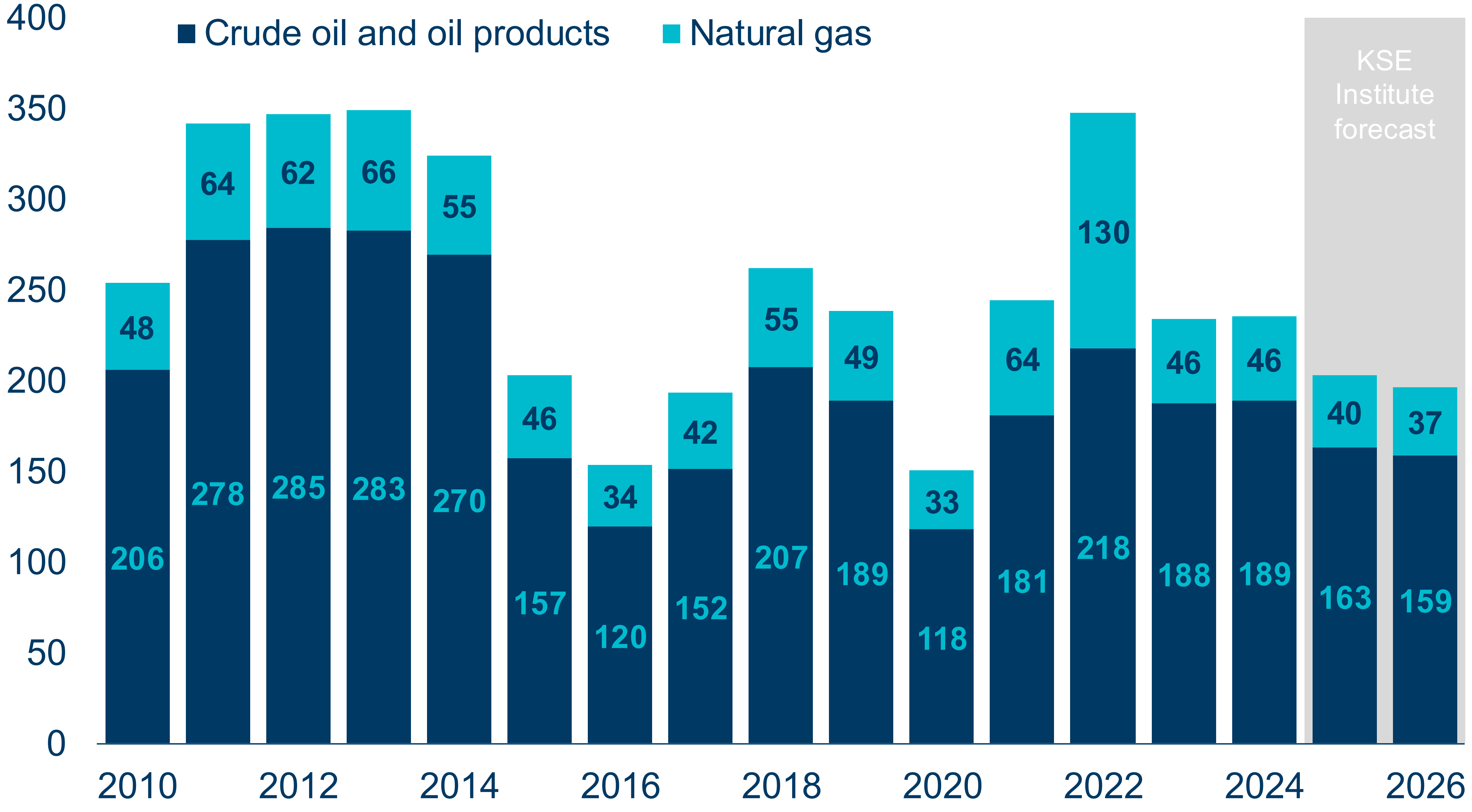
Current account surplus to decline moderately.

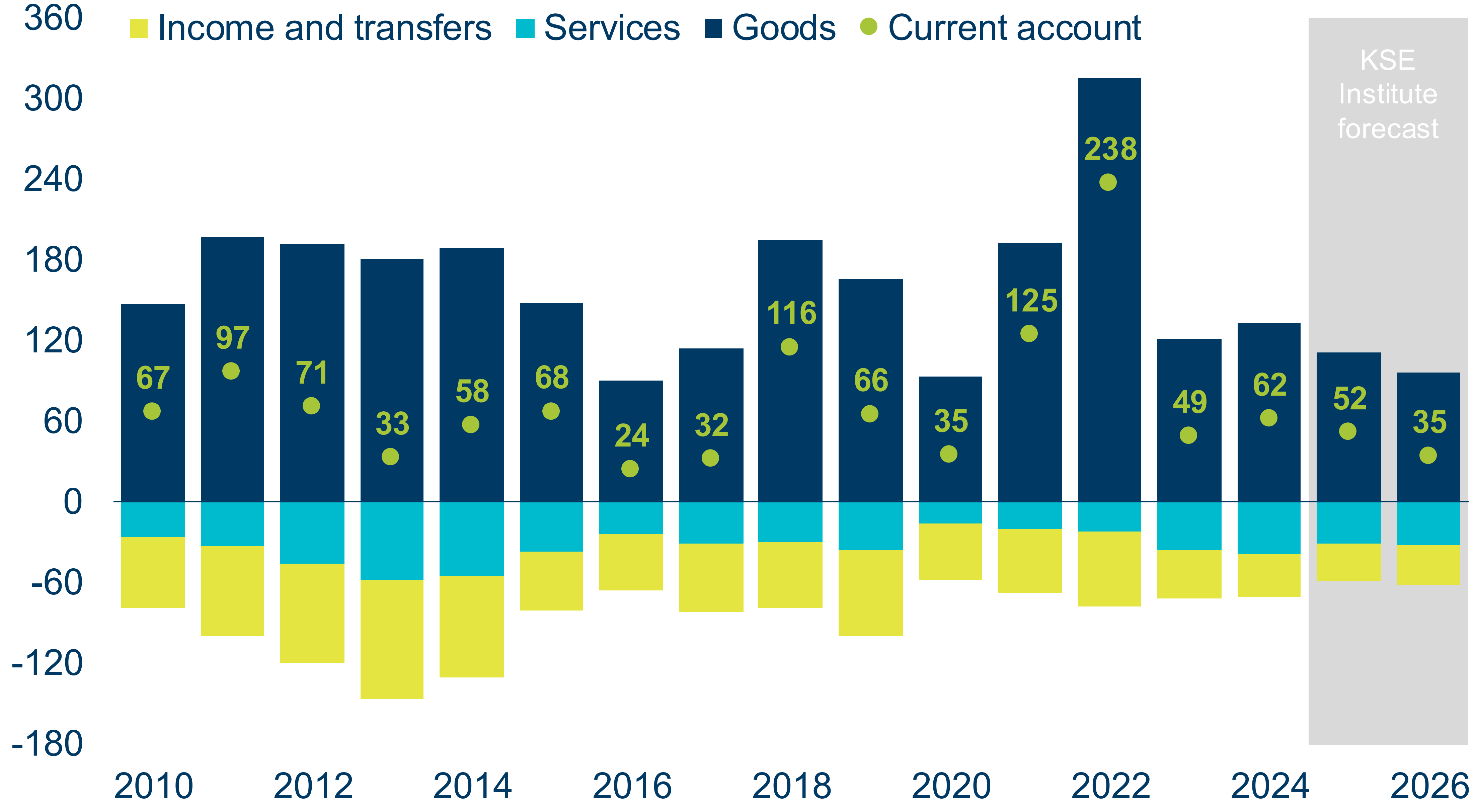
- We estimate oil and gas exports to have reached $235 billion in 2024, while the current account came in at +$62 billion.
- The current account surplus is projected to decrease to $52 billion in 2025 and $35 billion in 2026 as O&G exports weaken.
- At least for 2025, this leaves Russia in a relatively comfortable position and will limit depreciation pressure on the ruble.

Oil and gas earnings, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

Current account and components, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

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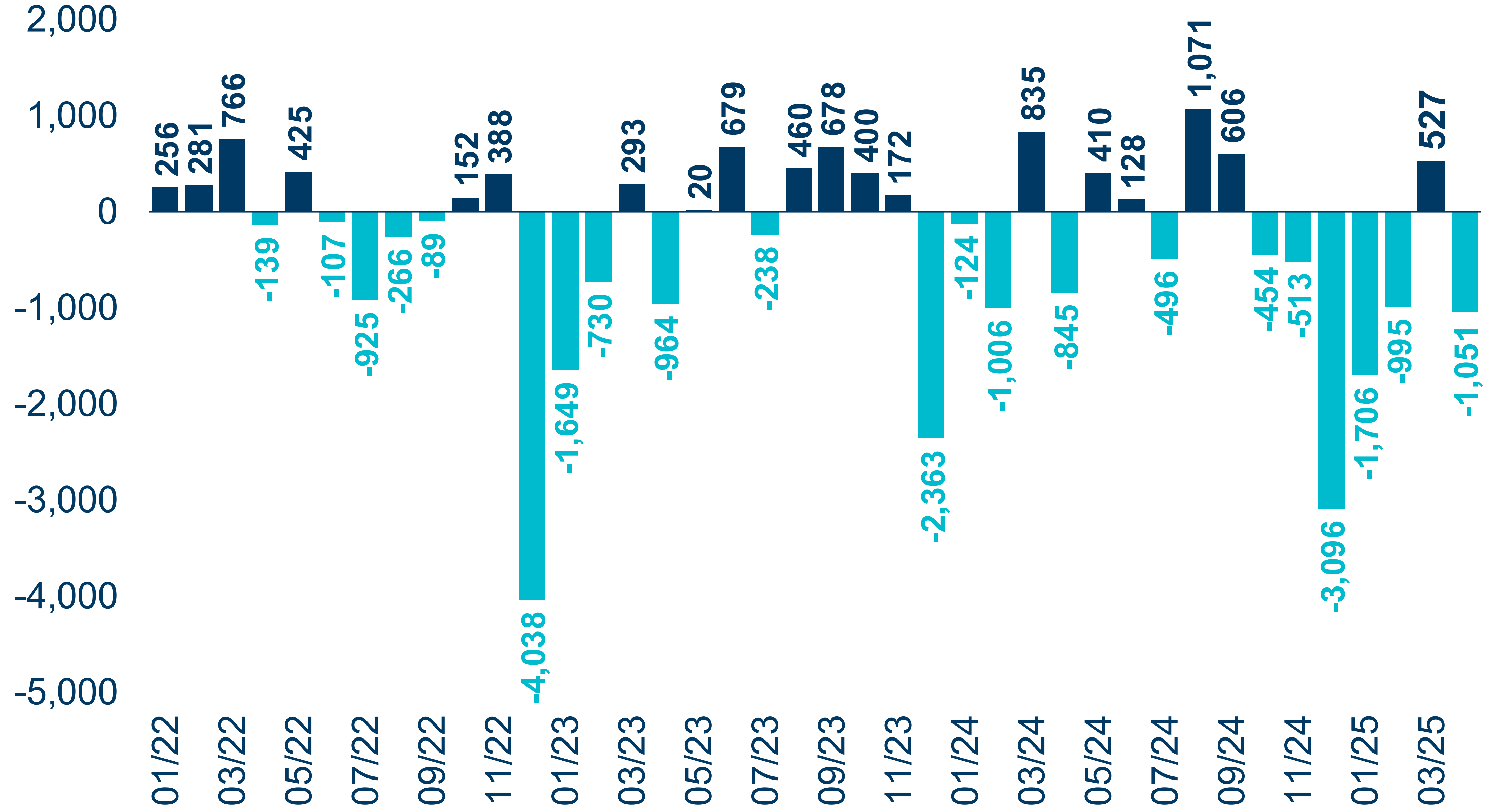
The year continues with a large federal budget deficit.

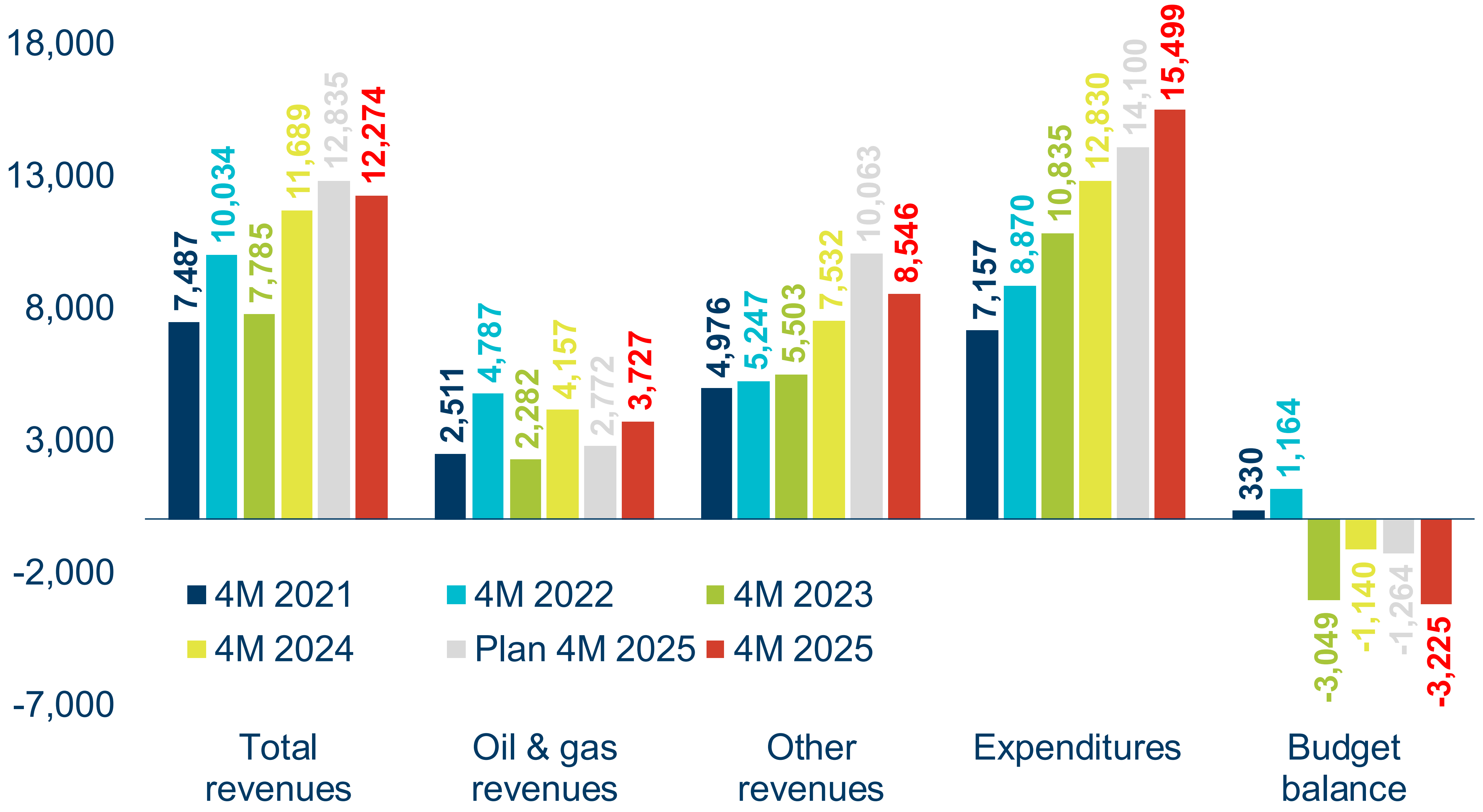
- The budget deficit was significantly larger than last year in Jan.-Apr. at 3.2 trillion rubles (vs. 1.1 trillion in Jan.-Apr. 2024).
- Oil and gas revenues were 10% weaker year-over-year, non-O&G revenues 13% stronger, and expenditures 20% higher.
- Total budget expenditures in Apr. were 25% higher than in Mar. and 15% higher than in Feb. but remain clearly elevated.

Federal government balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Revenues and expenditures, in ruble billion



Source: Ministry of Finance, KSE Institute

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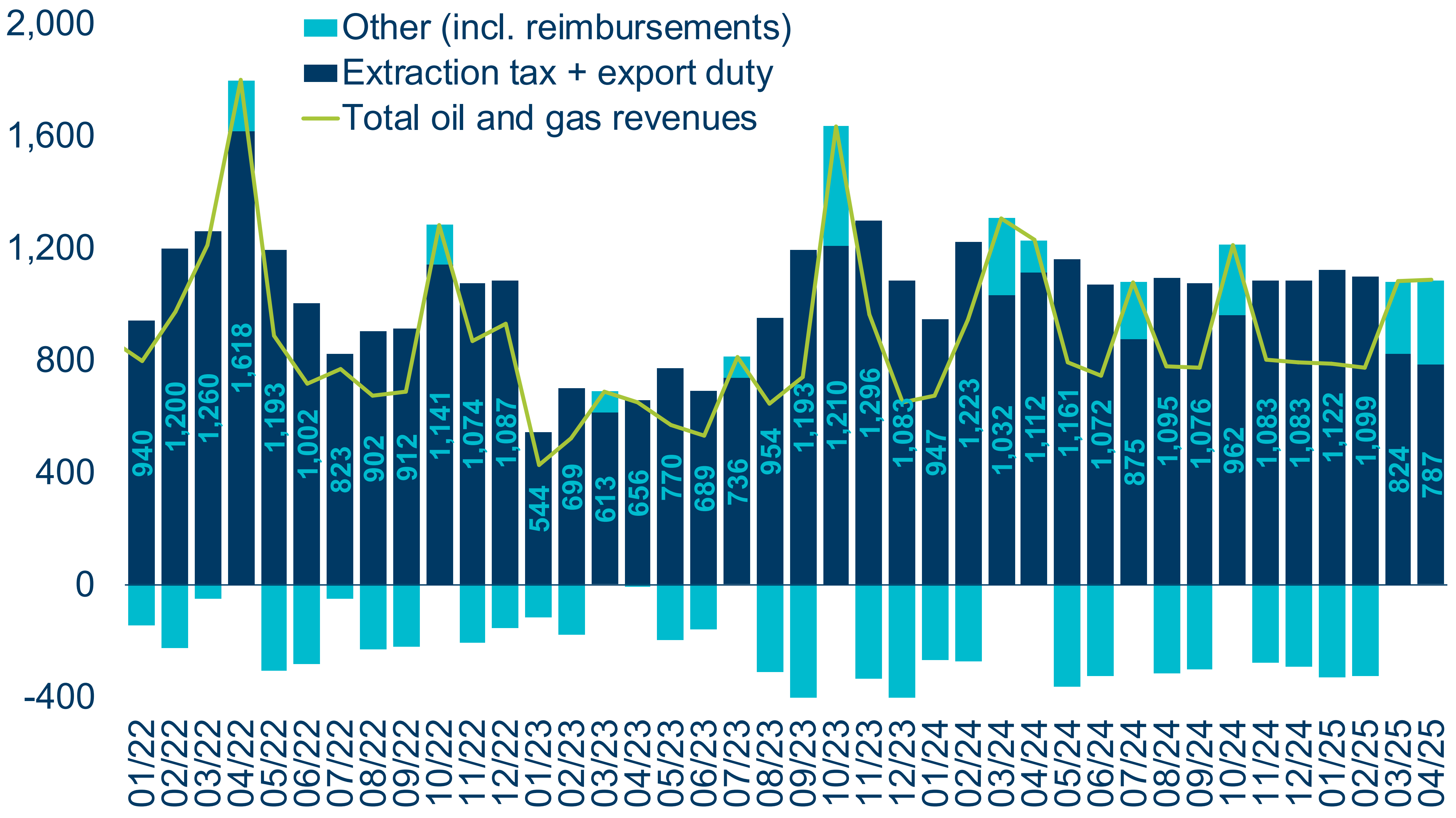
Base oil and gas revenues are falling; biggest deficit in recent years.

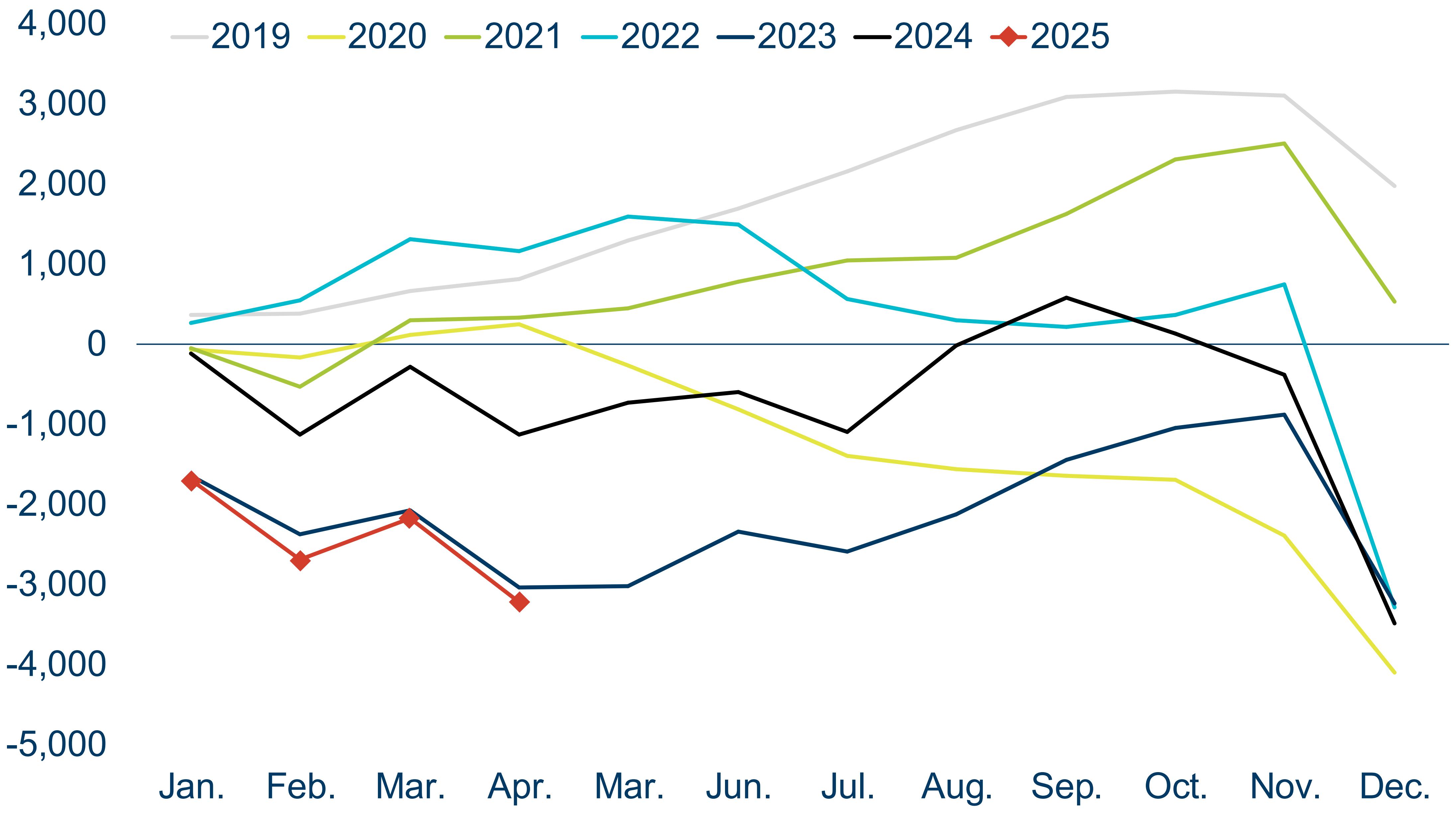
- Oil and gas revenues remained on the previous month's level on the back of quarterly tax payments made in Apr.
- Revenues from extraction taxes (and export duties) are the weakest since mid-2023 due to significantly lower prices.
- The Jan.-Apr. deficit is the largest since the start of the full-scale invasion, even surpassing Jan.-Apr. 2023 by 6%.

Federal oil and gas revenues, in ruble billion



Source: Ministry of Finance, KSE Institute

Cumulative federal budget balance, in ruble billion

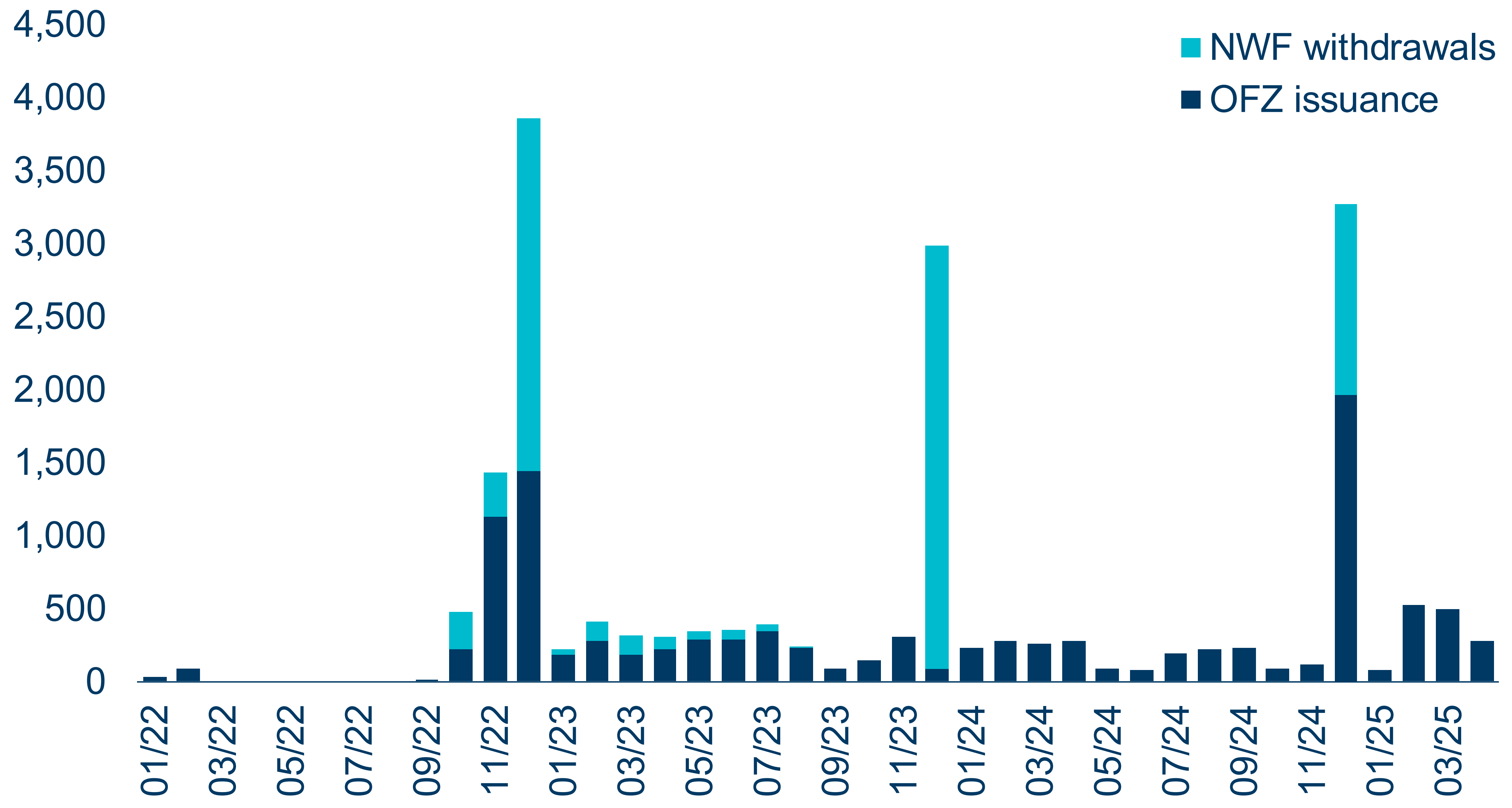


Source: Ministry of Finance, KSE Institute

Domestic debt issuance increased to finance larger deficit.

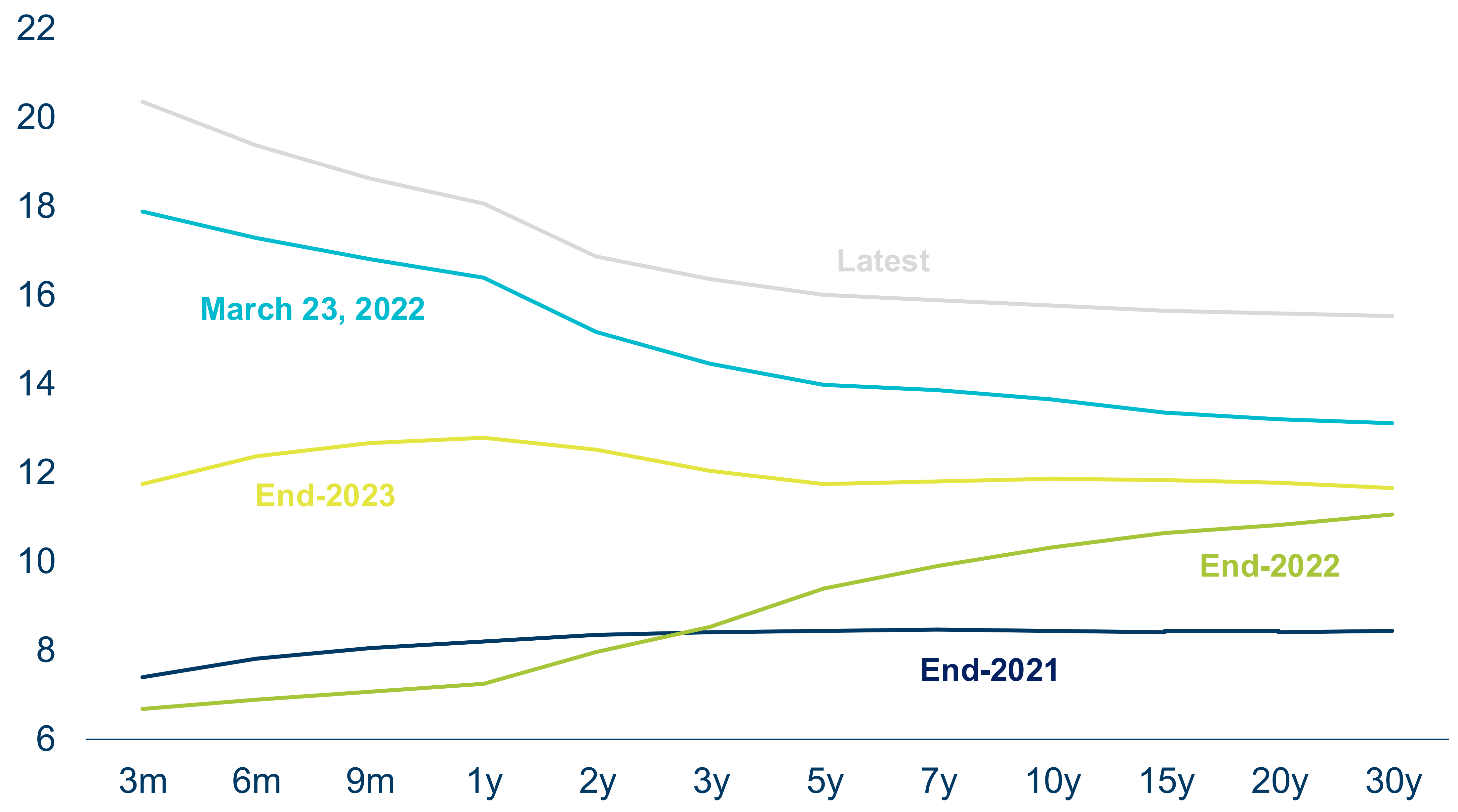
- Due to the large Jan.-Apr. deficit, OFZ issuance has increased (+33% vs. Jan.-Apr. 2024)
- In Apr., Russia's Ministry of Finance has issued an additional 276 billion rubles in debt.
- No NWF funds have been used for the budget yet this year, in line with last year's pattern.

Key fiscal financing channels, in ruble billion



Source: Ministry of Finance, KSE Institute

OFZ yield curves, in %

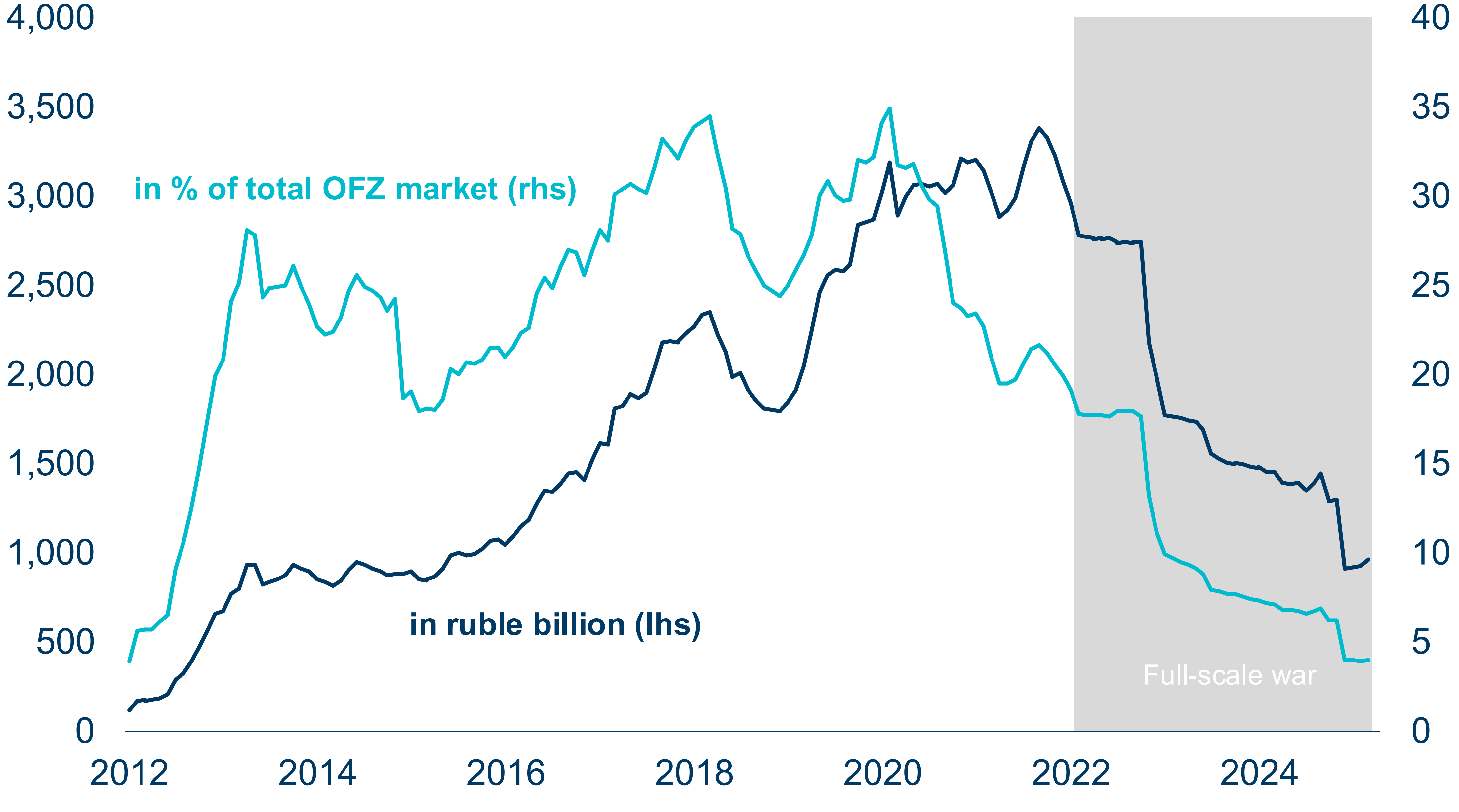


Source: Bank of Russia, KSE Institute

Domestic banks are the only remaining buyers of OFZs.

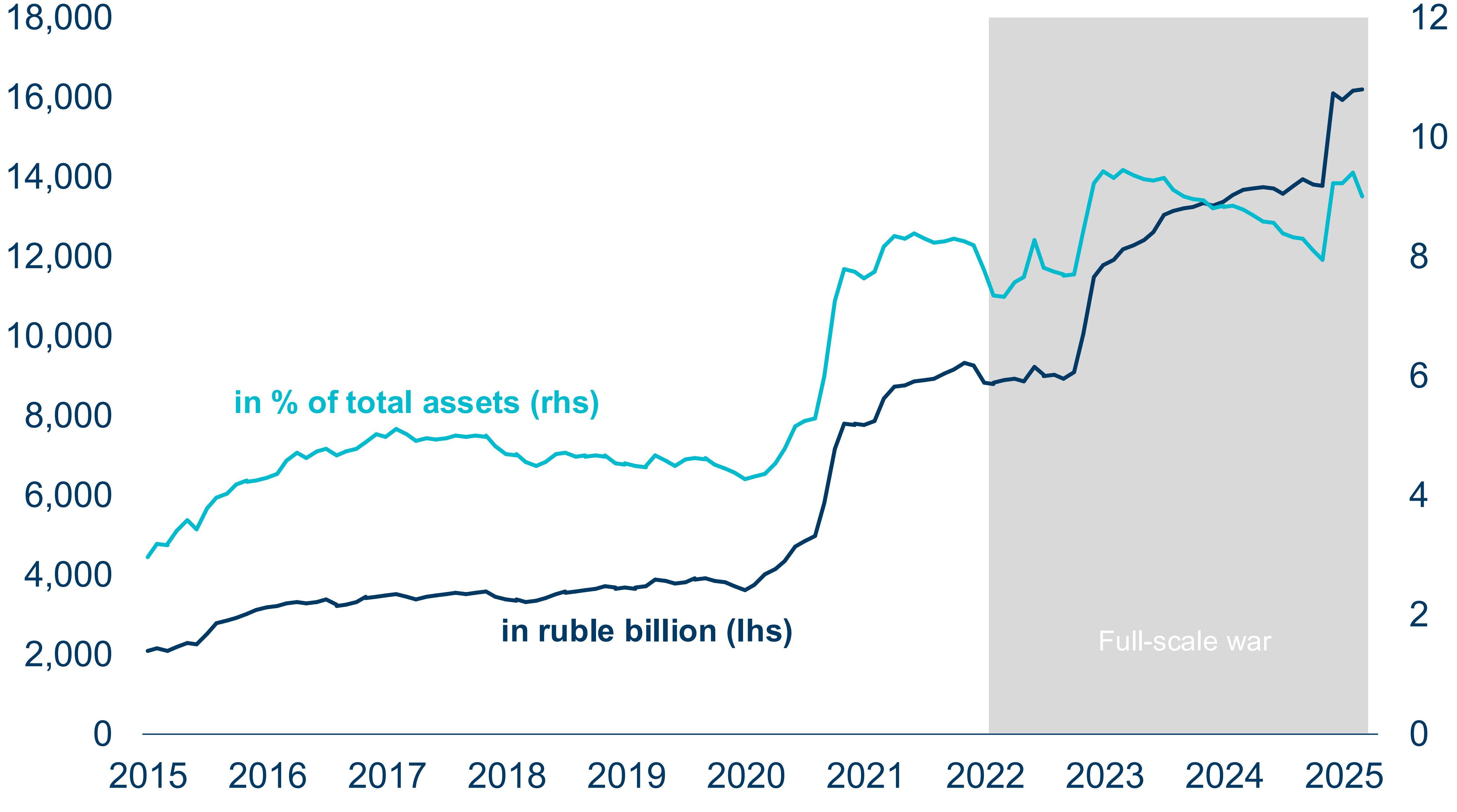
- Foreigners have largely disengaged from the Russian sovereign debt market since the start of the war.
- Non-resident holdings have dropped 2.0 trillion rubles (or 69%) since Jan. 2022 as bonds matured.
- Credit institutions' holdings of OFZs, on the other hand, have risen significantly over the same period.

Non-resident OFZ holdings



Source: Bank of Russia, KSE Institute

Depository corporations' OFZ holdings*

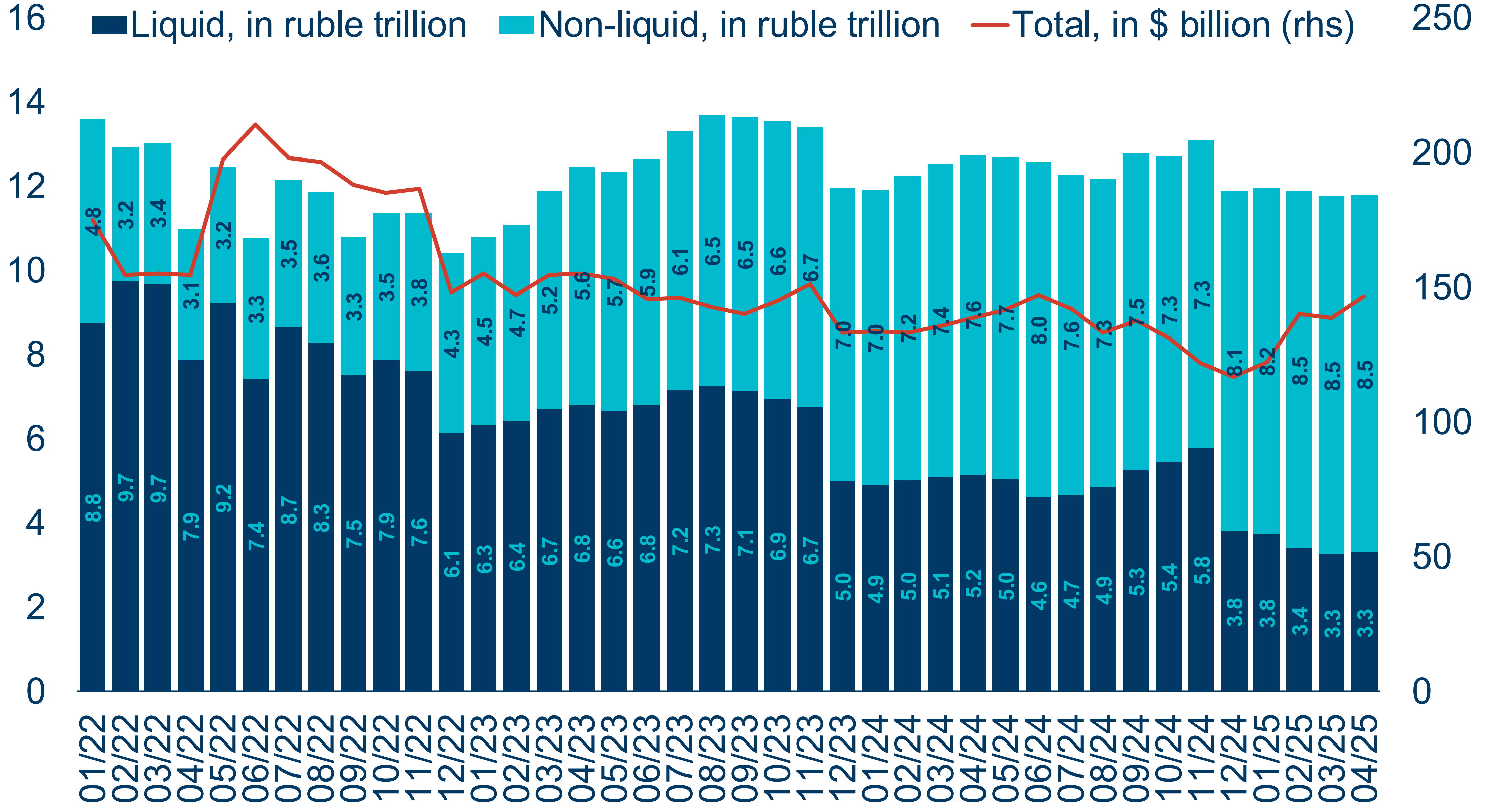


Source: Bank of Russia, KSE Institute *excluding Bank of Russia

Liquid NWF assets have dropped below new full-year deficit plan.

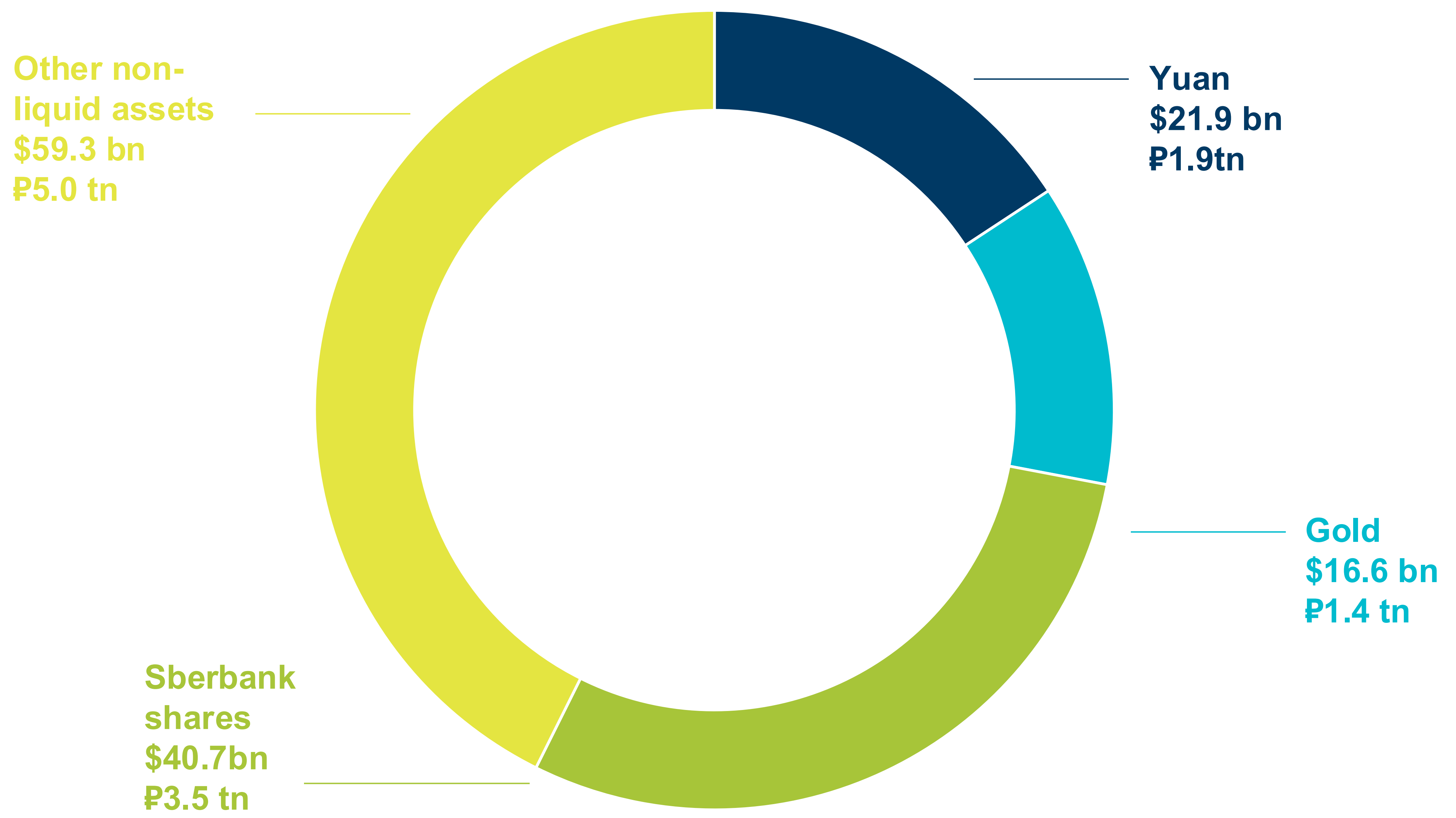
- Total assets of the National Welfare Fund stood at 11.8 trillion rubles ($147 billion, 5.7% of GDP) in Apr. 2025.
- The liquid portion has declined by 66% since early-2022 as 7.7 trillion rubles were used to finance the budget.
- Remaining liquid assets are now below the new full-year deficit target (3.8 trillion)—for the first time since 2022.

Assets of the NWF, in ruble billion and U.S. dollar billion



Source: Ministry of Finance, KSE Institute

Composition of NWF assets as of April 1, 2025*

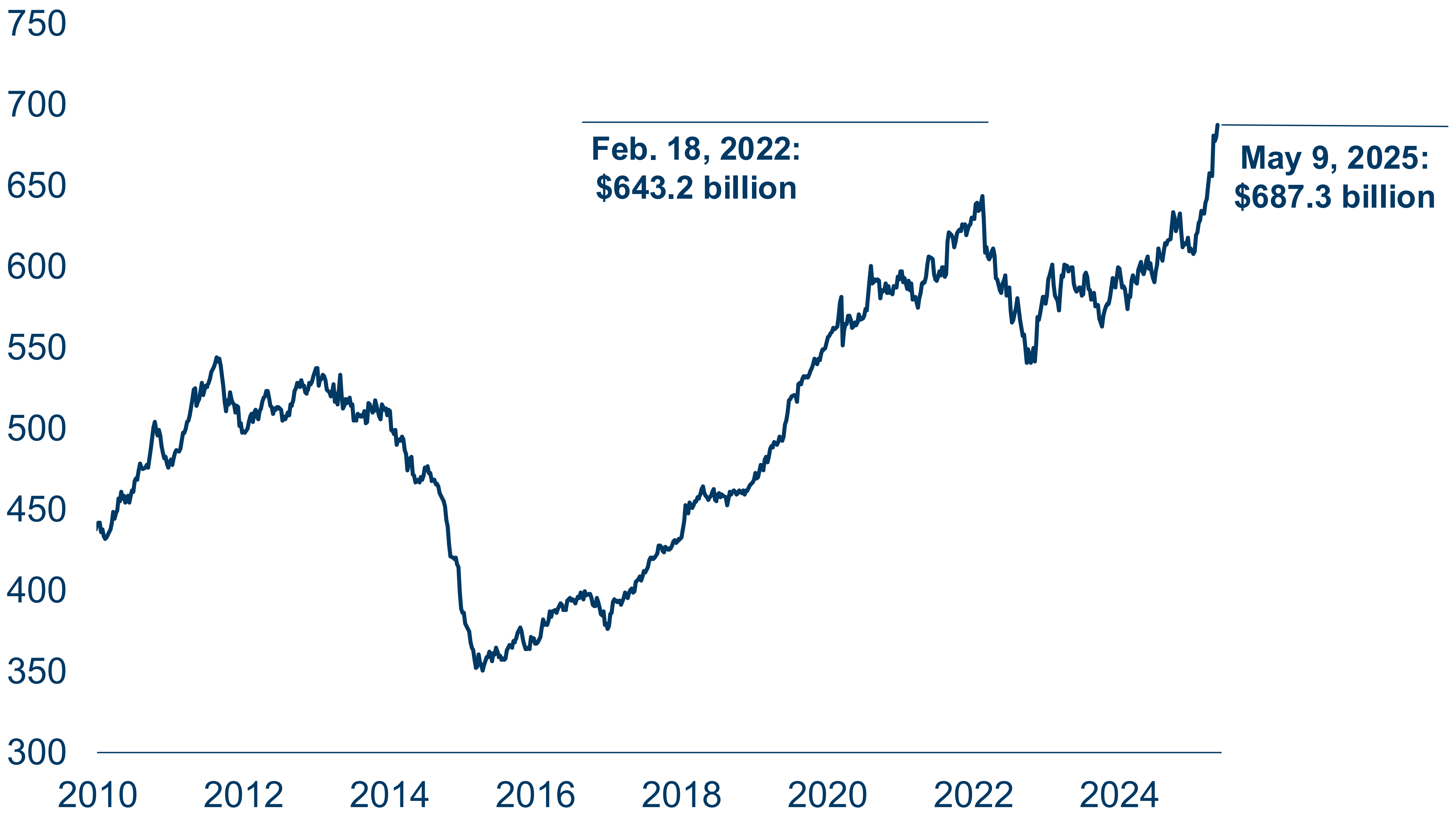


Source: Ministry of Finance, KSE Institute *based on market exchange rates/prices

Large share of reserves remains immobilized.

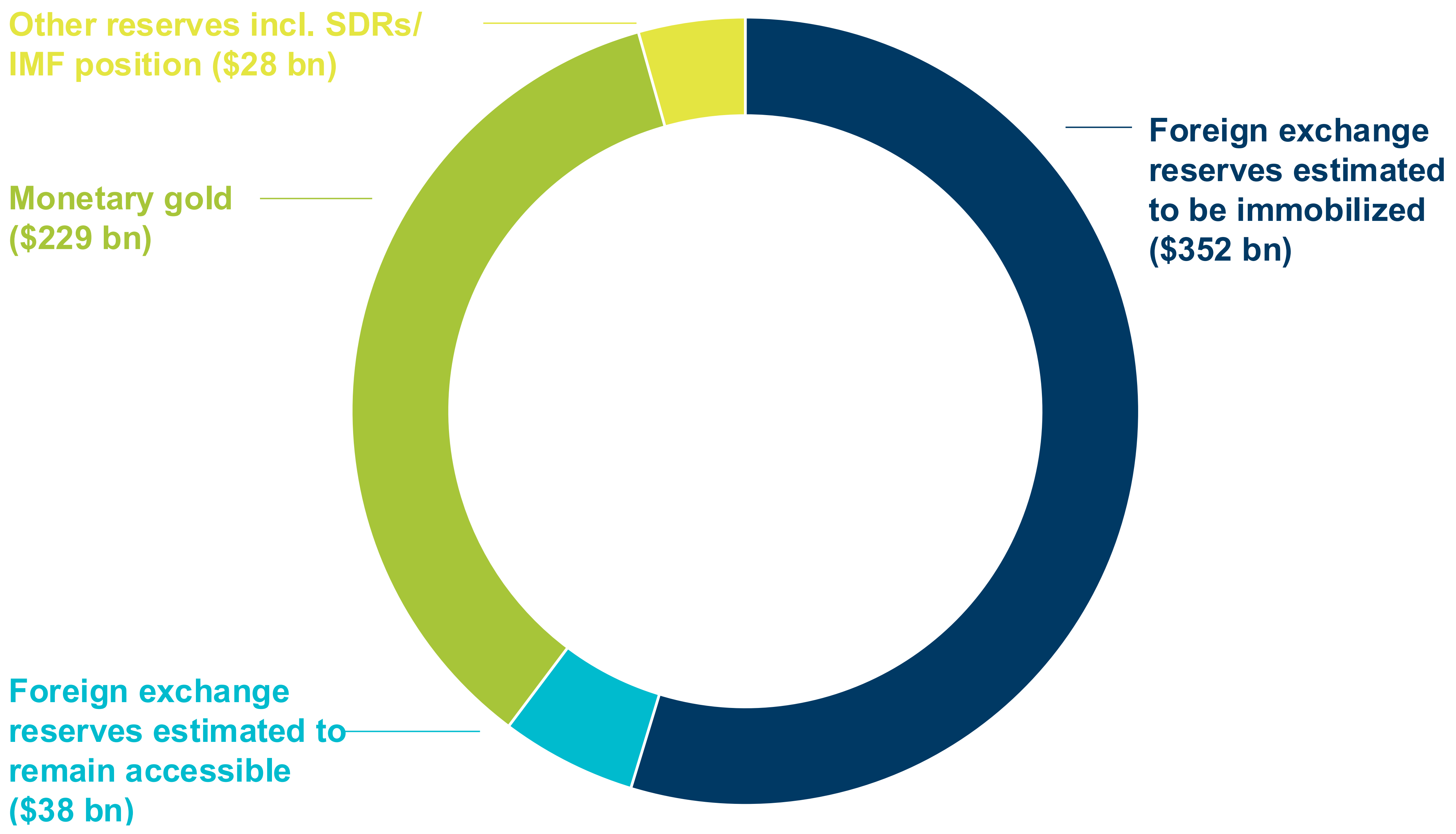
- Before the start of the full-scale invasion, Russia held $643 billion in international reserves—an all-time high.
- We estimate, based on the CBR's Dec. 2021 data, that frozen reserves have a current value of ~$352 billion.
- This leaves Russia with $38 billion of foreign exchange, $229 billion of gold, and $28 billion of other assets.

Total reserves, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

Composition of reserves as of end-March, in U.S. dollar billion*

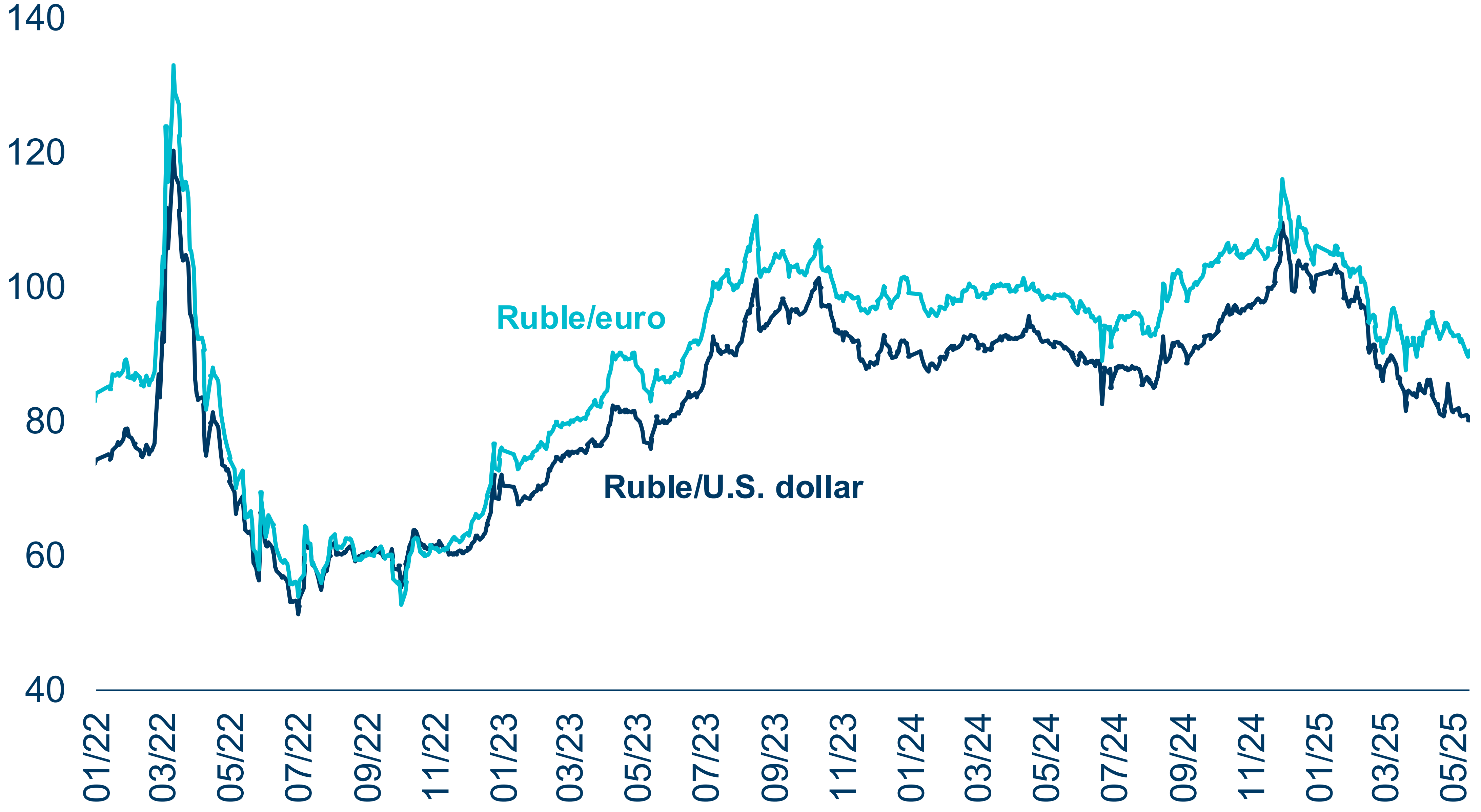


Source: Bank of Russia, KSE Institute *Calculated using December 2021 reporting by the CBR and market exchange rates; includes AUD, CAD, EUR, GBP, JPY, SGD, and USD.

Ruble has strengthened considerably since early-2025.

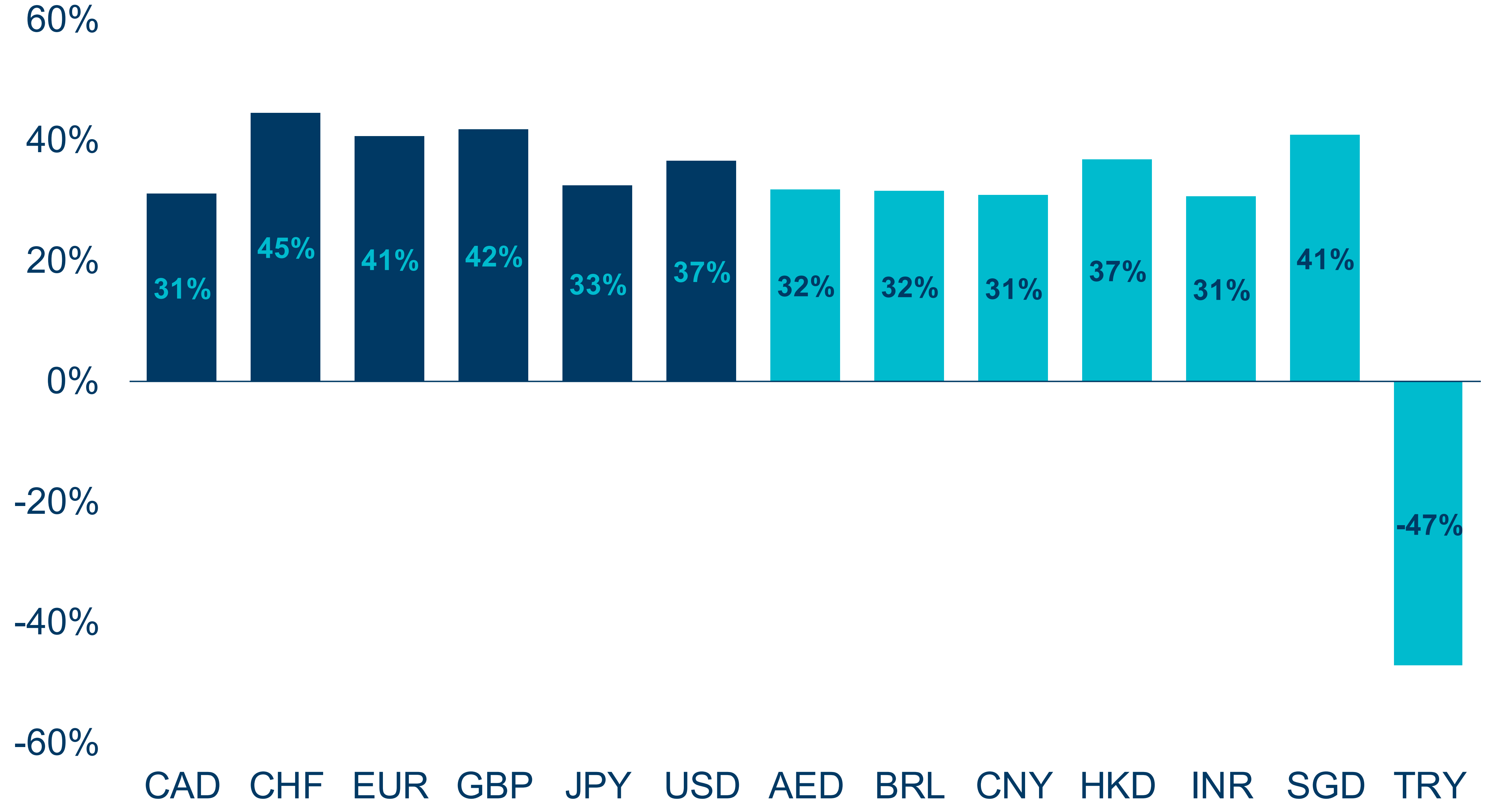
- The ruble has strengthened since the start of the year on the back of lower imports due to tight monetary policy.
- In addition, improved sentiment following U.S.-Russia rapprochement may have affected capital flow dynamics.
- Nevertheless, Russia's currency remains significantly weaker against almost all important currencies vs. mid-2022.

Ruble exchange rate vs. U.S. dollar and euro



Source: Bank of Russia, KSE Institute

Ruble value loss vs. key currencies since Q2 2022, in %

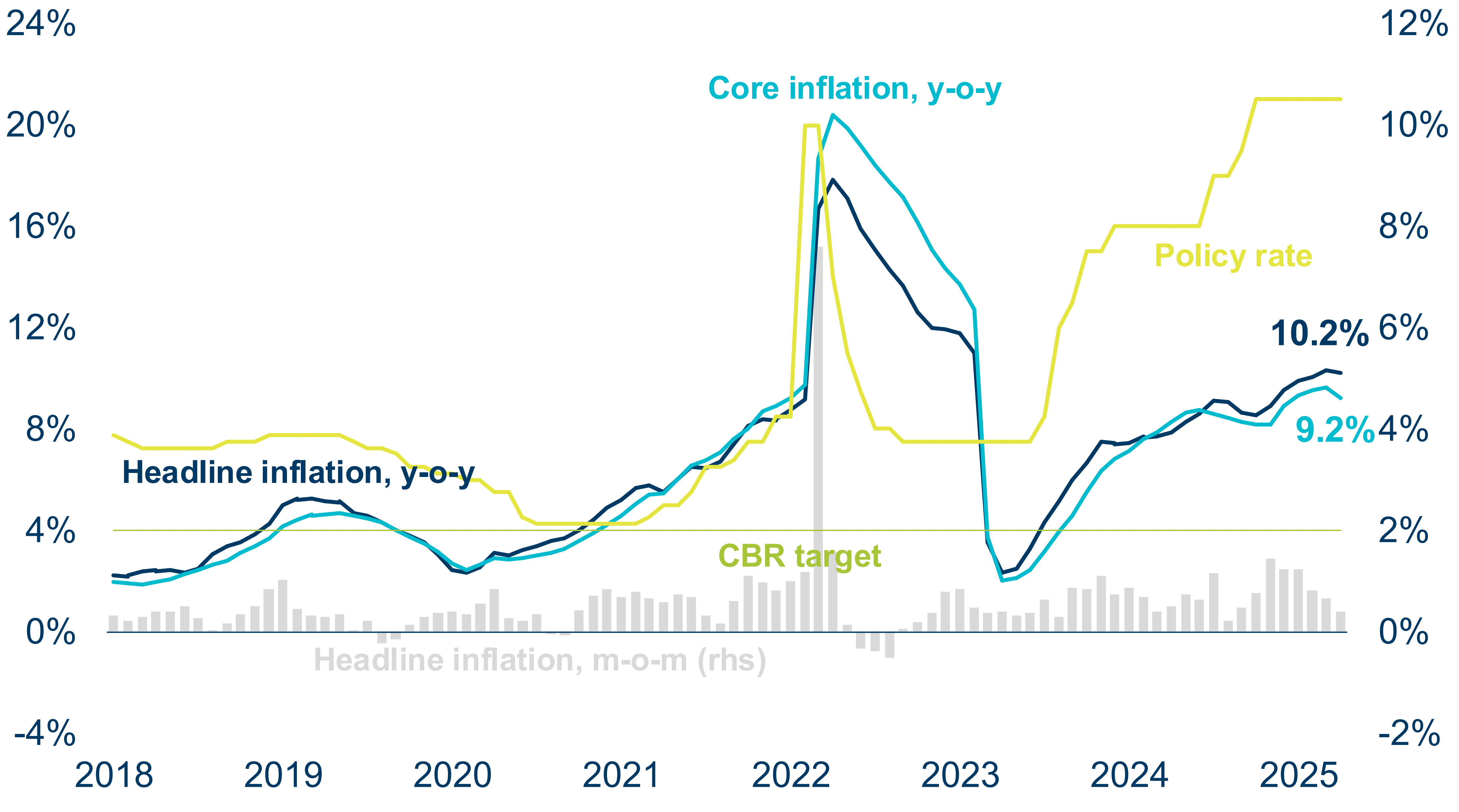


Source: Bank of Russia, KSE Institute

No major progress in fight against high inflation.

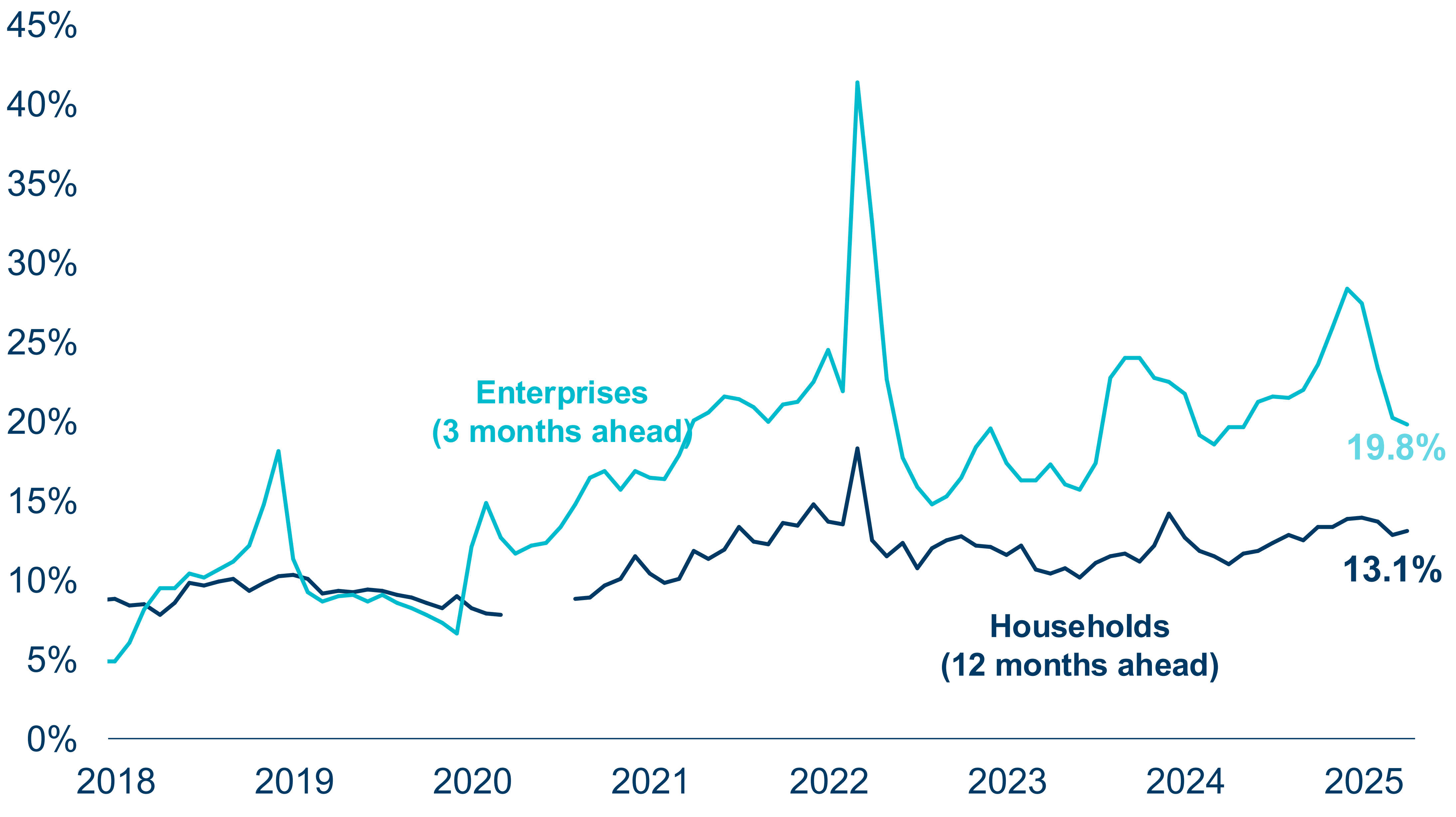
- Inflation remains high despite the stronger ruble, reaching 10.2% year-over-year in Apr. (9.2% for core).
- Sharp monetary tightening (+1,350 bps since mid-2023) has not been enough to reduce price pressures.
- Inflation expectations of enterprises have dropped sharply in Jan.-Apr., likely due to ruble appreciation.

Inflation and CBR policy rate, in %



Source: Bank of Russia, KSE Institute

Inflation expectations, in %



Source: Bank of Russia, KSE Institute

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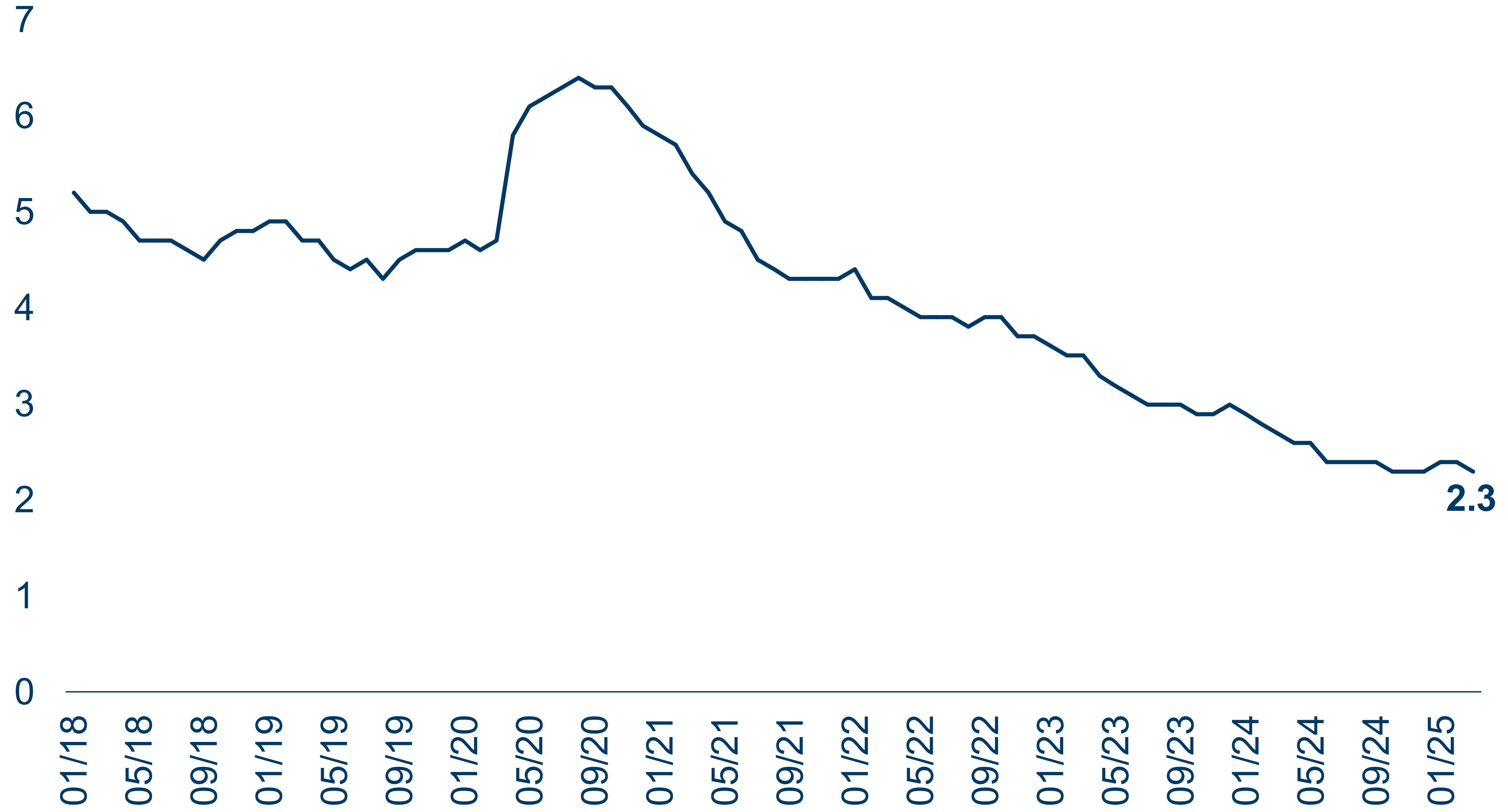
Wage growth is slowing despite still-tight labor market.

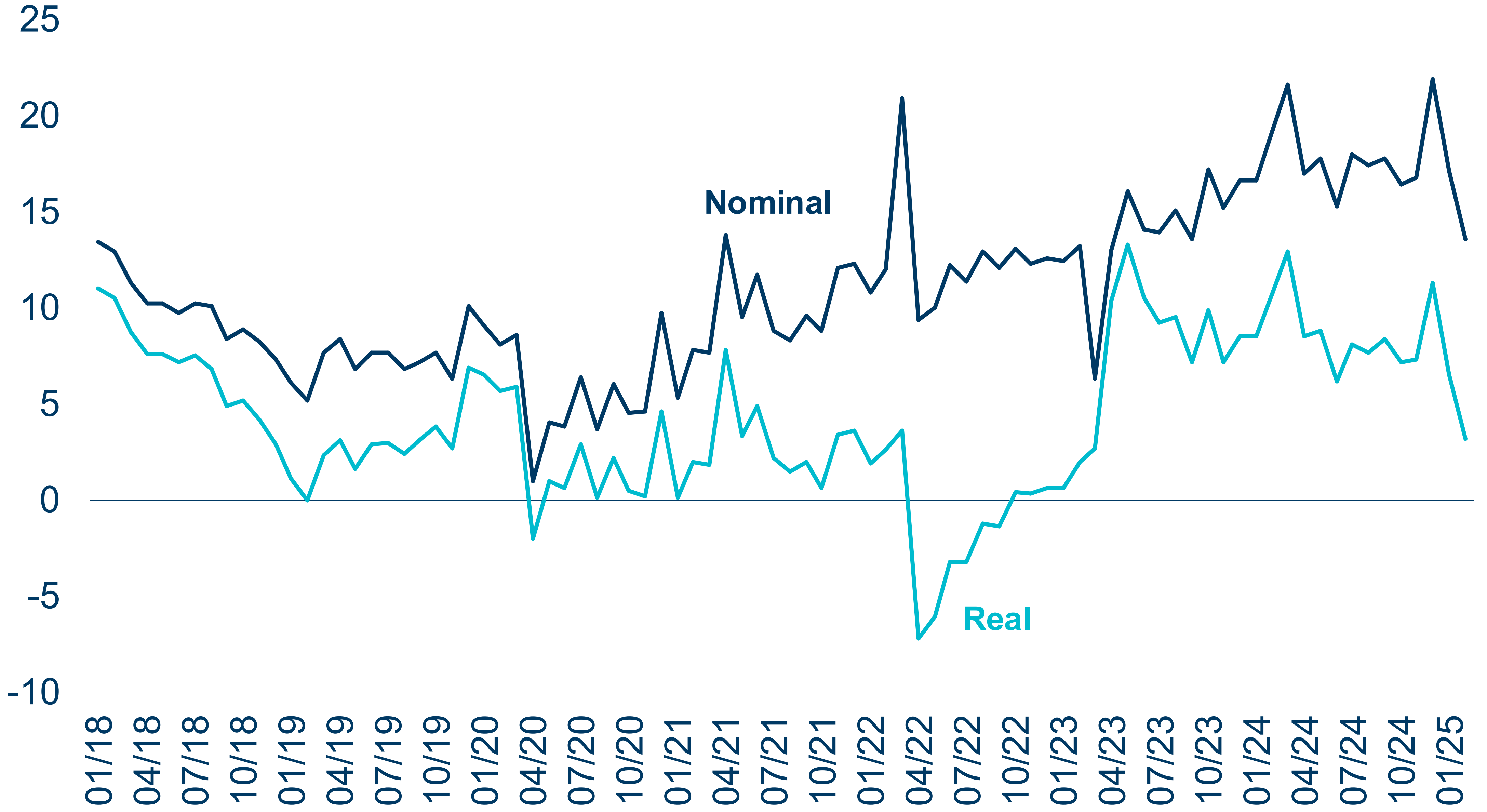
- The unemployment rate remains historically low, essentially indicating full employment in the economy.
- In addition to creating inflationary pressures, the economy has little spare capacity left to draw from.
- However, wage growth is slowing amid tight monetary policy, which limits company’s ability to afford it.

Unemployment rate, in %



Source: Rosstat

Wage growth, in % year-over-year

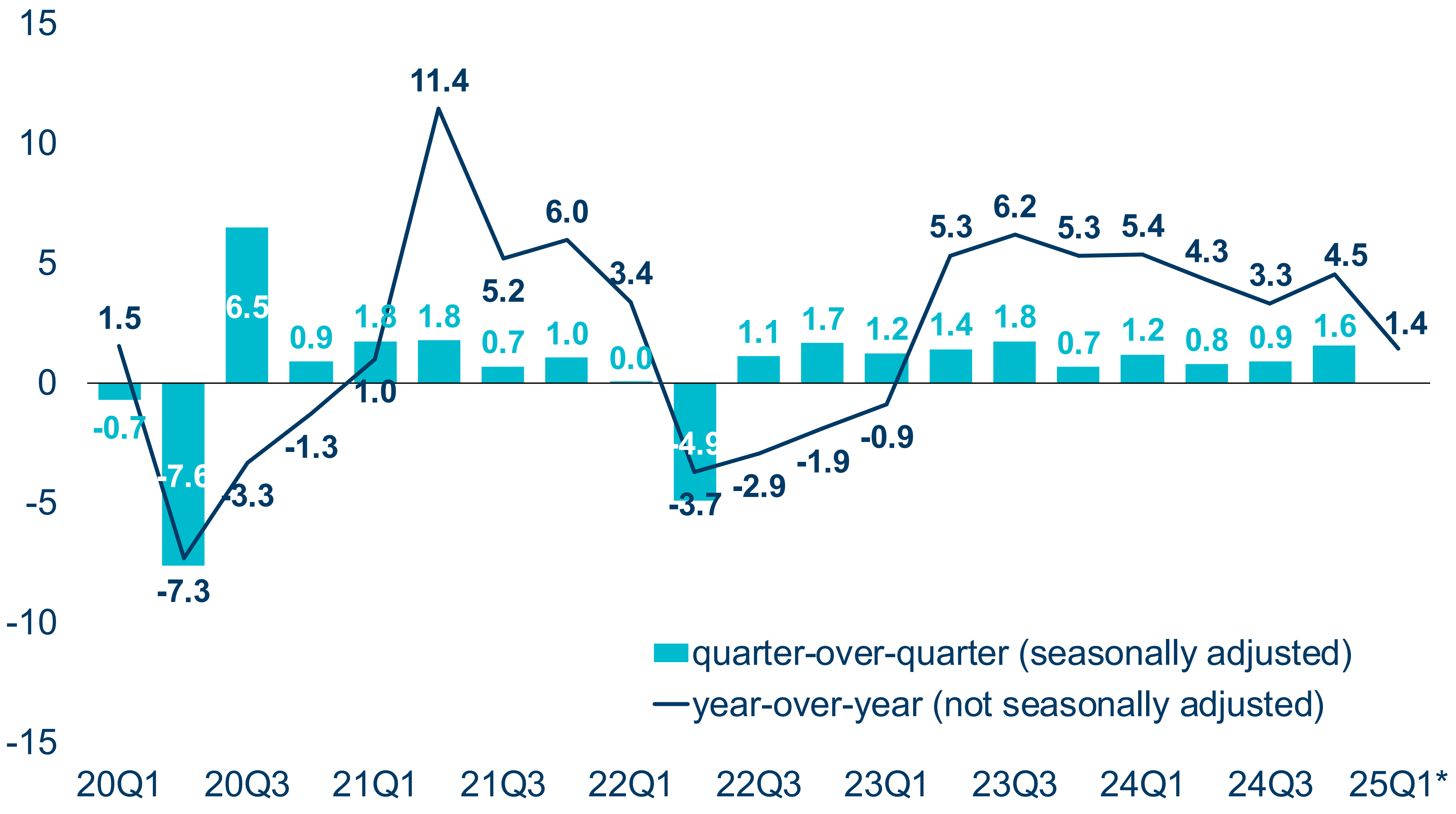


Source: Rosstat

Economy slows; growth prospects seriously limited this year and beyond.

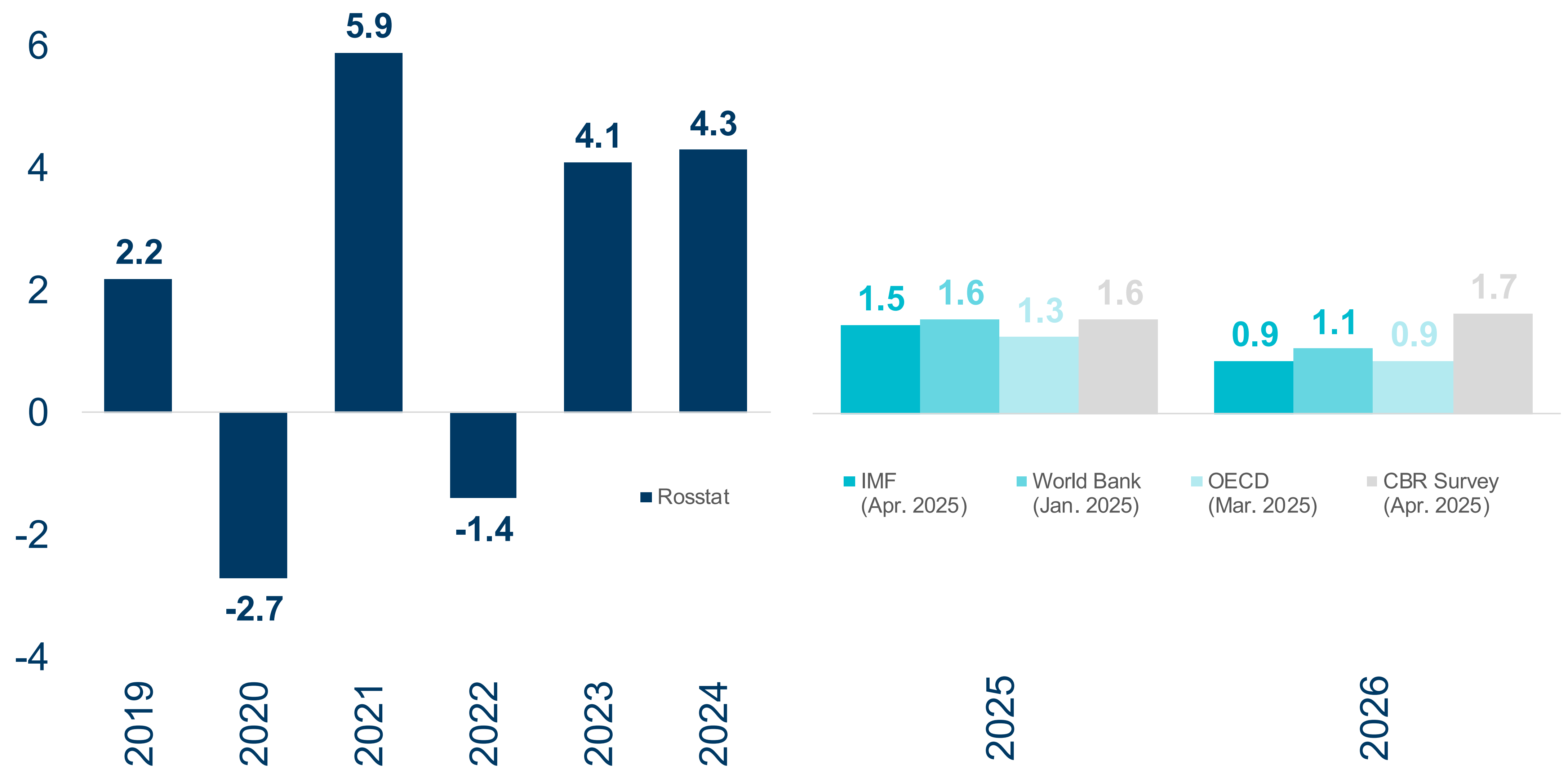
- After picking up in Q4 2024 to 4.5% year-over-year, real GDP growth slowed down to 1.4% in Q1 2025.
- Most institutions project that GDP growth will decline significantly in 2025 and slow down further in 2026.
- Key drivers: labor market constraints, missing (foreign) investment, significantly tighter monetary conditions.

Quarterly real GDP dynamics, in %



Source: Rosstat, KSE Institute
*Rosstat first estimate

Russian real GDP and forecast, in % year-over-year



Source: Rosstat, Bank of Russia, IMF, OECD, World Bank

Previous editions of KSE Institute's Russia Chartbook

- April 2025
- March 2025
- February 2025
- January 2025

- December 2024
- November 2024
- October 2024
- September 2024
- August 2024
- July 2024
- June 2024
- May 2024
- April 2024
- March 2024
- February 2024
- January 2024

- December 2023
- November 2023
- October 2023
- September 2023
- July 2023
- May 2023
- April 2023
- March 2023
- February 2023

- December 2022