

KSE INSTITUTE RUSSIA CHARTBOOK

**OIL EXPORT REVENUES SURGE DUE TO IRAN WAR;
REVENUES SET TO IMPROVE BUT BUDGET SITUATION
WOULD ONLY NORMALIZE WITH LONG CONFLICT**

APRIL 2026



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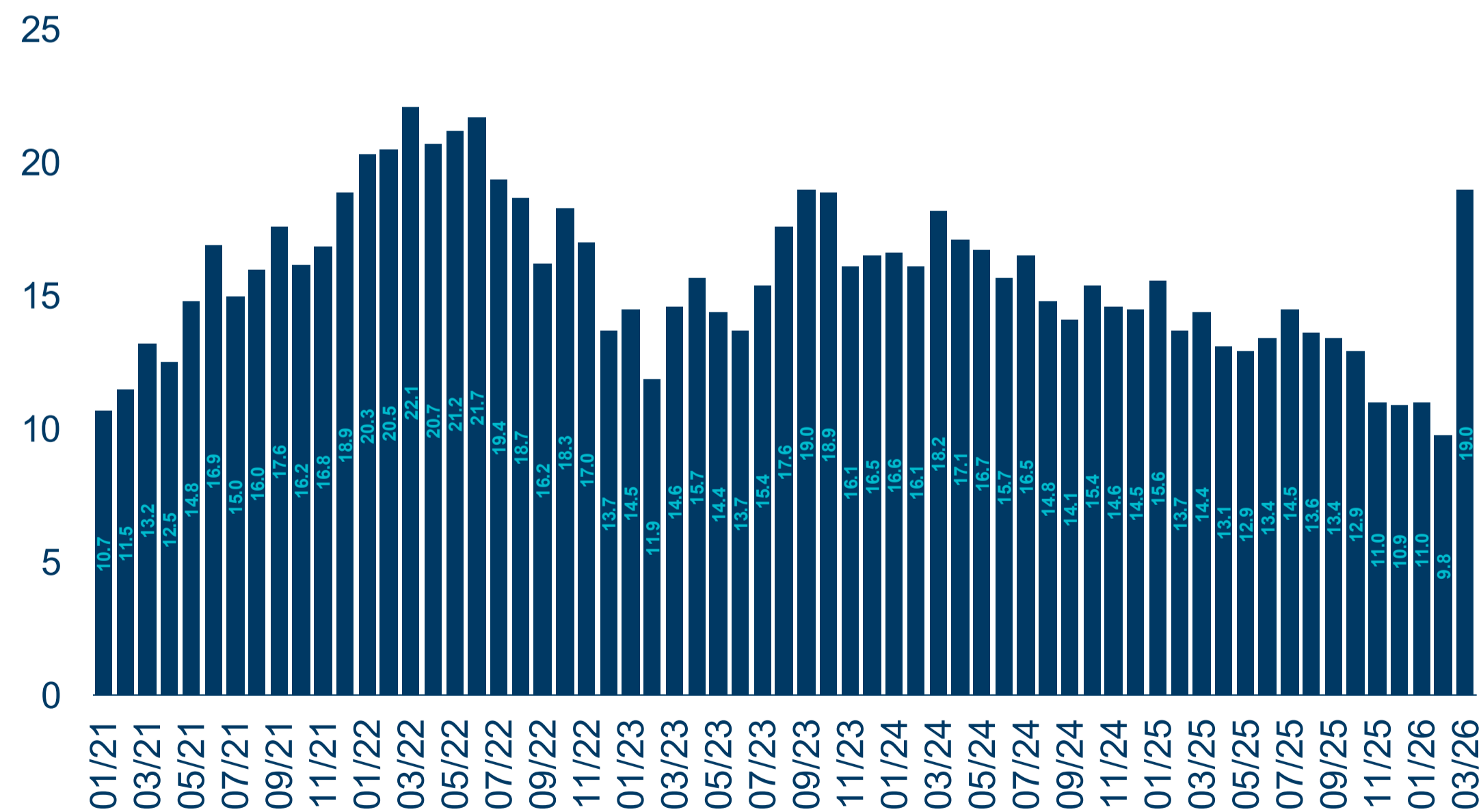
Executive Summary

- 1. Oil export earnings surged driven by soaring global prices.** Russia received a significant boost in March as exports nearly doubled to \$19 billion (\$9.8 billion in Feb.), driven by prices for Russian oil rising ~65% (from \$47.4 in Feb. to \$78.4 in Mar.) on the back of higher global prices in the wake of the Iran war and a slightly wider discount. This windfall is so far not the result of markedly higher volumes—the only increased 3% to 7.1 mb/d—although partial sanctions relief from the US will likely allow Russia to increase volumes further. With India stepping up imports of Russian oil stranded “on the water,” transport capacity is freed and production cuts can be avoided. Even in the scenario of a relatively short Iran war, Russia stands to benefit considerably with oil export earnings elevated until markets normalize.
- 2. Budget deficit widens further, but relief is on the horizon.** The cumulative deficit reached a record 4.6 trillion rubles (~\$59 billion) over the first three months of the year—already exceeding the full-year target by 21%. The shortfall was largely driven by oil and gas revenues falling 45% year-over-year in Q1. Facing budgetary challenges, Russia withdrew 460 billion rubles from the NWF by selling gold and yuan-denominated assets. In addition, MinFin continued to issue significant amounts of domestic debt (OFZ)—1.4 trillion rubles in Q1 (+25% vs. Q1 2025). Large borrowing has led to a doubling of federal government debt since the start of the full-scale war (to 31 trillion rubles). In Apr.-May, Russia will receive considerable fiscal relief as higher energy prices impact O&G taxes with a one-month lag.
- 3. Macroeconomic buffers are under pressure.** In addition to the sale of gold and other FX assets for budget financing, the NWF and overall reserves are under pressure due to lower gold prices. Reserves have fallen from a peak of \$827 billion in late Jan. to \$780 billion in mid-April and NWF liquid assets from \$56 billion in Jan. to \$48 billion in Mar. The previous increase in reserves (from \$643 billion before the full-scale invasion) was also overwhelmingly driven by valuation effects, i.e., the gold price. Importantly, the use of macro buffers is also restricted due to the immobilization of more than \$300 billion in central bank (CBR) reserves overseas due to sanctions.
- 4. Russia’s economic boom due to the war has come to an end.** Rosstat reports real GDP growth of 1% in 2025—a marked slowdown compared to 4%+ in 2023 and 2024. While war-related sectors are still expanding, the civilian side of the economy is contracting as fundamental growth constraints—high borrowing costs, a tight labor market, and sanctions—are weighing on activity. Most forecasters expect growth of around 1% or below this year and next and Russian authorities stated that the economy shrunk by 1.8% in Jan.-Feb. The Iran war may provide some relief to Russia but none of the underlying vulnerabilities will be addressed by this (positive) shock.

Oil export earnings doubled in March amid Iran war.

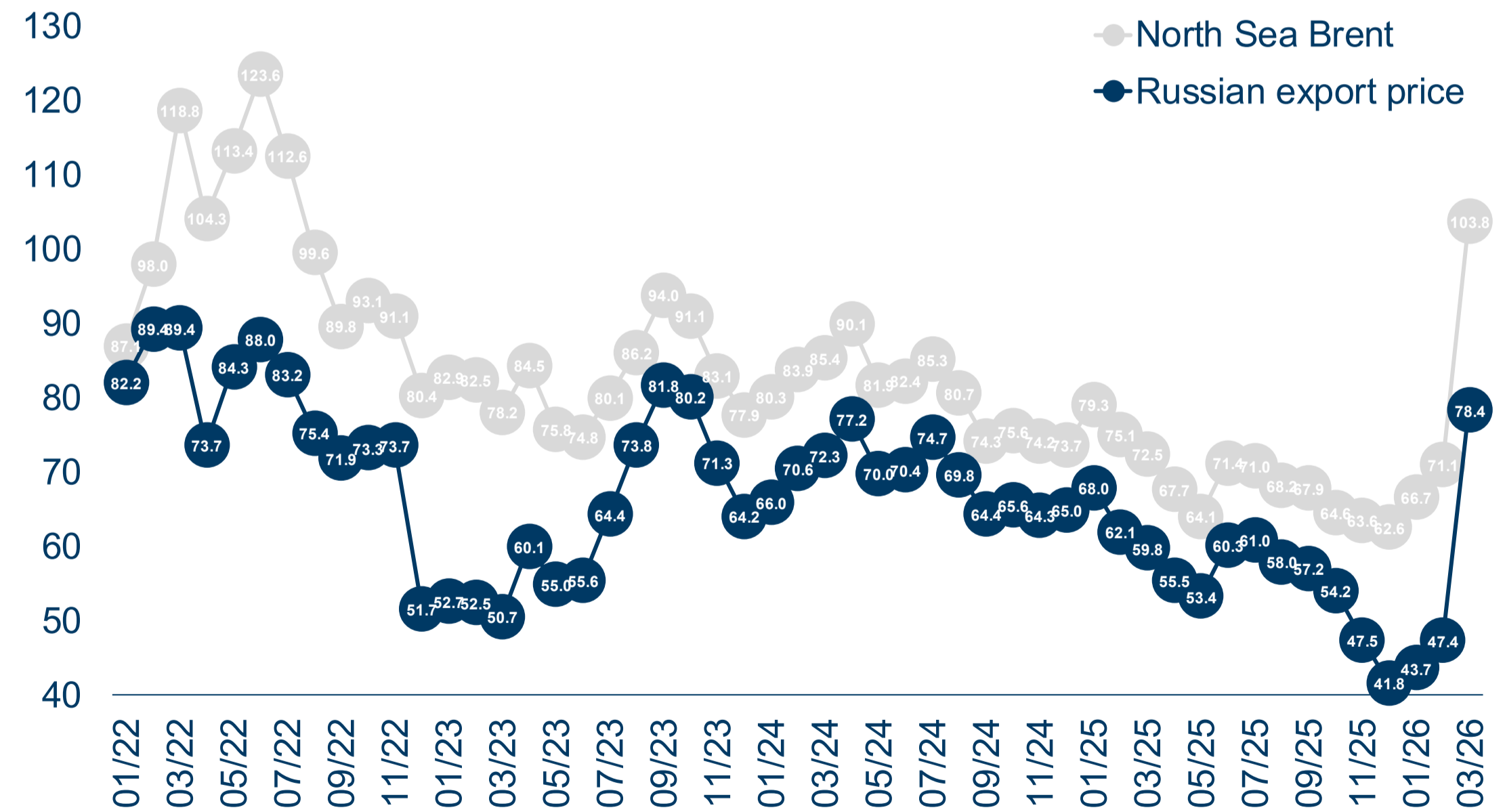
- Oil export earnings soared to \$19.0 billion in March (vs. \$9.8 billion in February)—the highest level since fall 2023.
- Russian export prices recovered to \$78.4/barrel due the Iran war and the effective closure of the Strait of Hormuz.
- Despite the global oil shock, and the US waiver on Russian oil, the discount remained elevated at \$25.4/barrel in Mar.

Oil export earnings, in U.S. dollar billion



Source: Federal Customs Service, International Energy Agency, KSE Institute

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

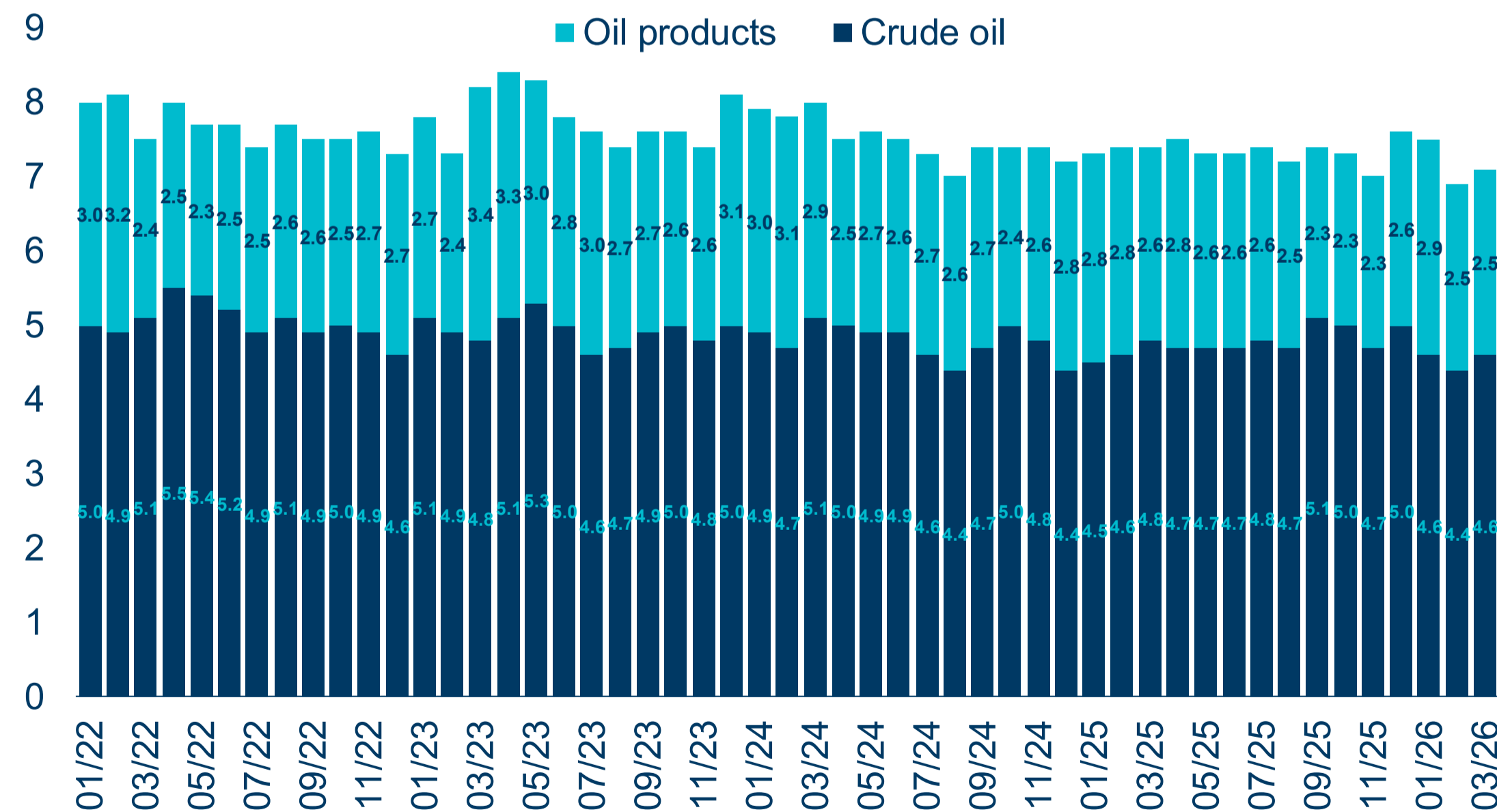


Source: International Energy Agency, KSE Institute

Export volumes increase due to tight global market, US sanctions easing.

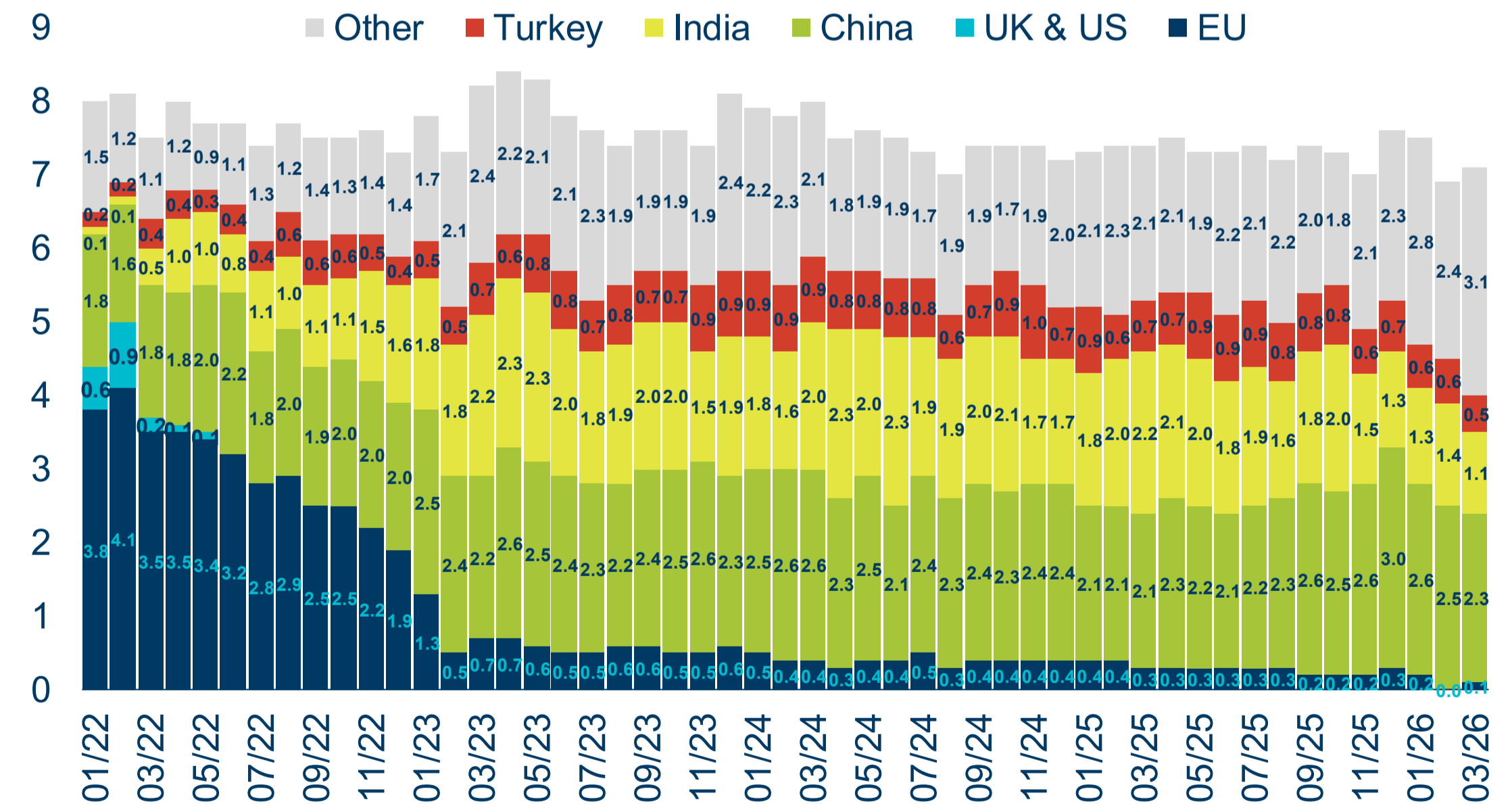
- Oil export volumes recovered from 6.9 mb/d in Feb. to 7.1 mb/d in Mar. due to higher exports of crude oil.
- Media reporting points to stepped up purchases of Russian oil by India due to partial US sanctions easing.
- This is not yet visible in the IEA's monthly data, where the amount of oil with unknown buyer remains high.

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

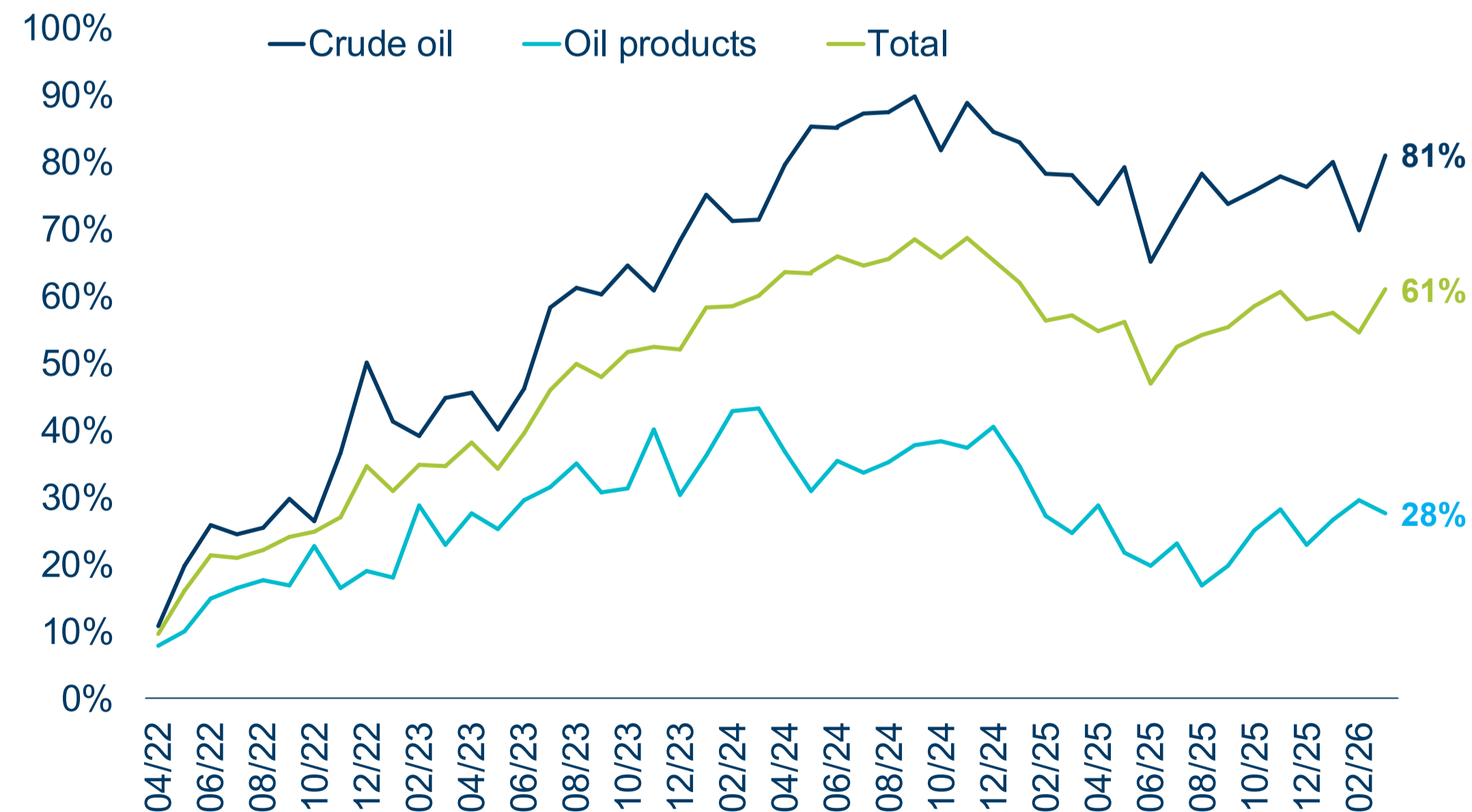


Source: International Energy Agency, KSE Institute

Shadow fleet share remains high despite large number of sanctioned ships.

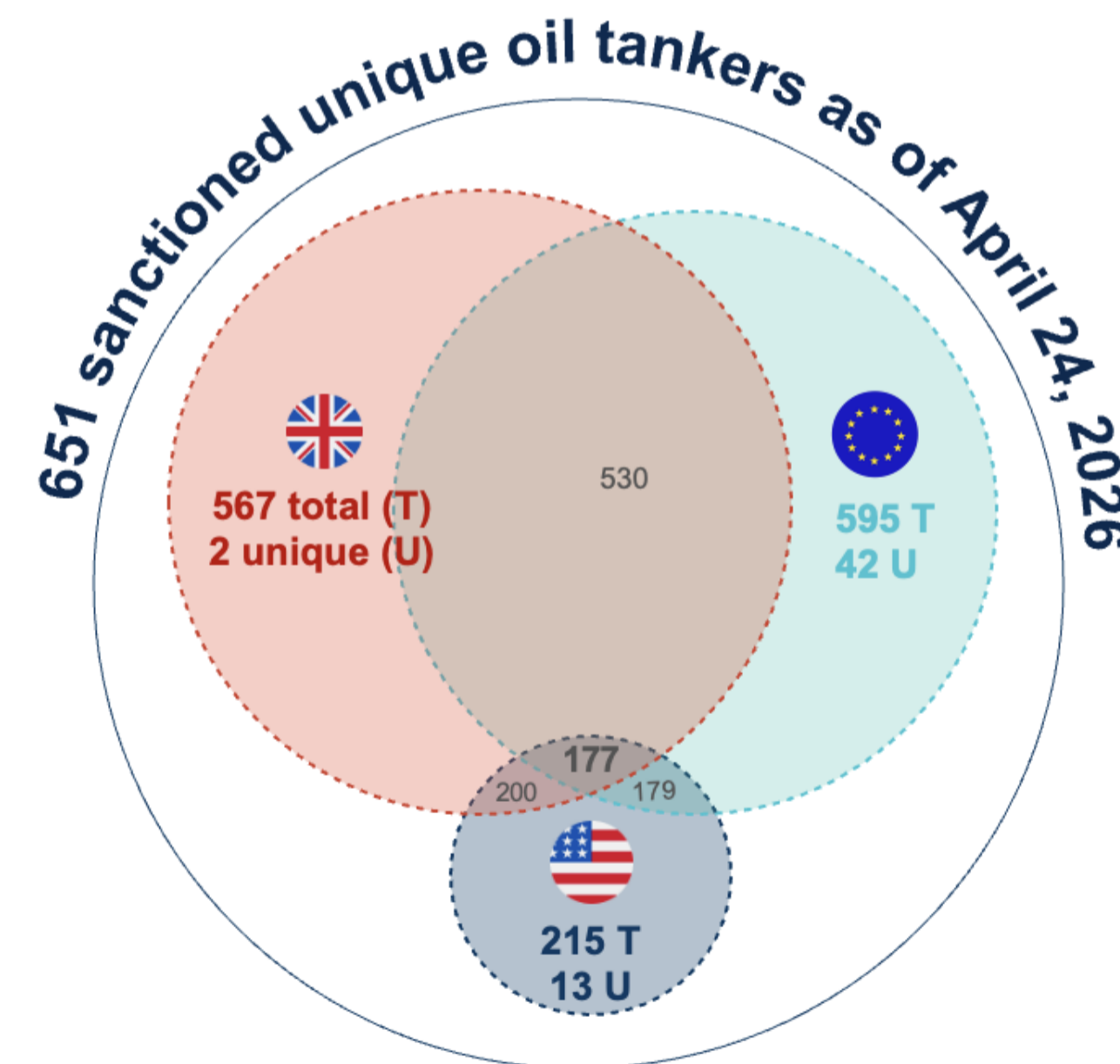
- The shadow fleet’s share in Russian oil exports rose to 61% in Mar. on the back of a noticeable increase for crude (81%).
- This is even though 651 shadow tankers have been sanctioned (including 595 by the EU, 567 by the UK, 215 by the US).
- Clearly, the effectiveness of vessel designations needs to be improved—by comprehensively targeting the ecosystem.

Shadow fleet share of seaborne oil exports, in %



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

Current vessel designations by jurisdiction



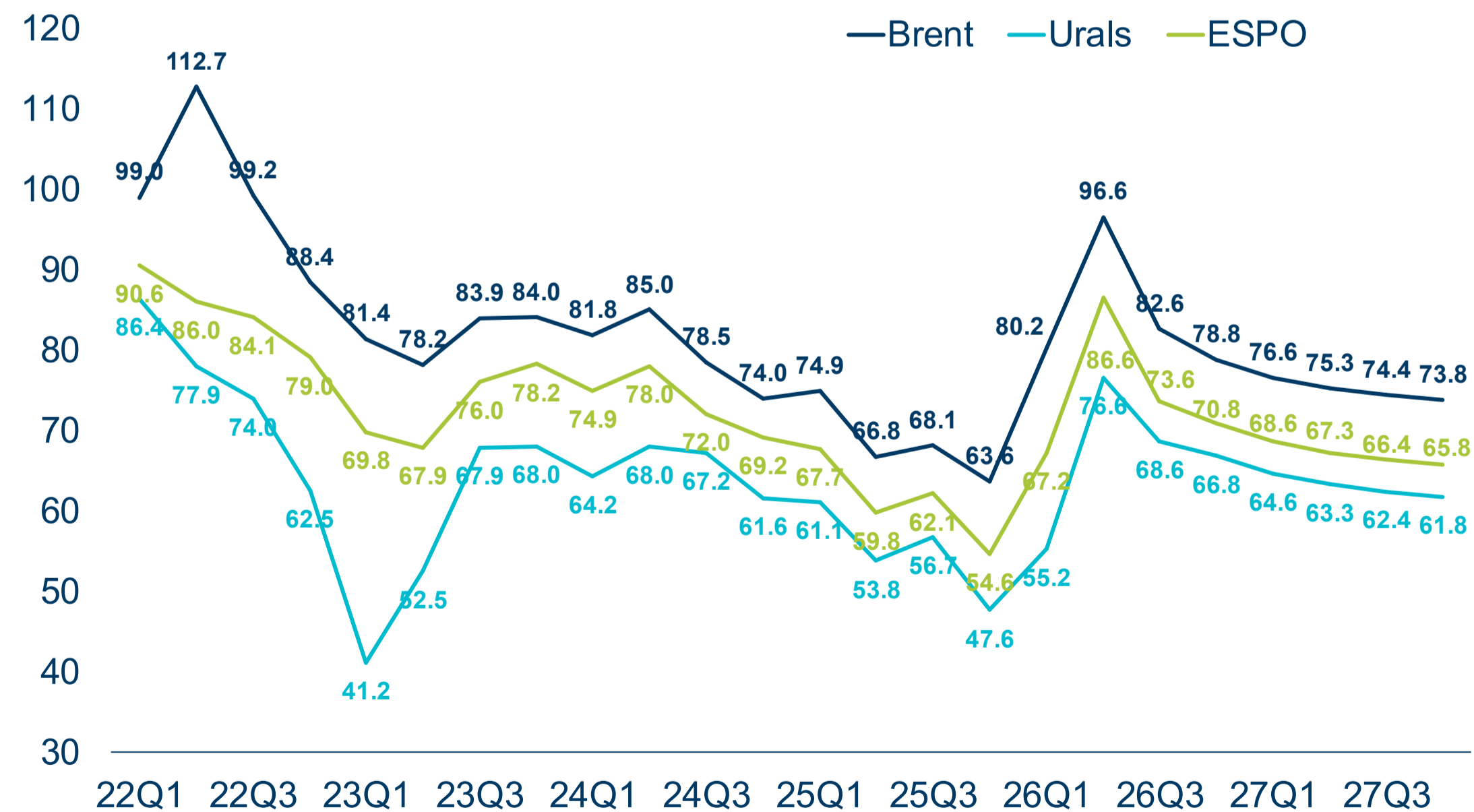
Source: European Commission, OFAC, OFSI, KSE Institute.

The numbers inside the circles show overlaps between jurisdictions, and do not add up to the total. Australia (255 vessels) and New Zealand (204 vessels) are not included: lists are almost fully aligned with the EU, UK and Canada. Ukraine listing is not included. Total (T) - total number of sanctioned shadow oil tankers by jurisdiction. Unique (U)– stands for the number of vessels sanctioned by jurisdiction solely.

Iran war triggers oil price spike; earnings elevated even in short-war scenario.

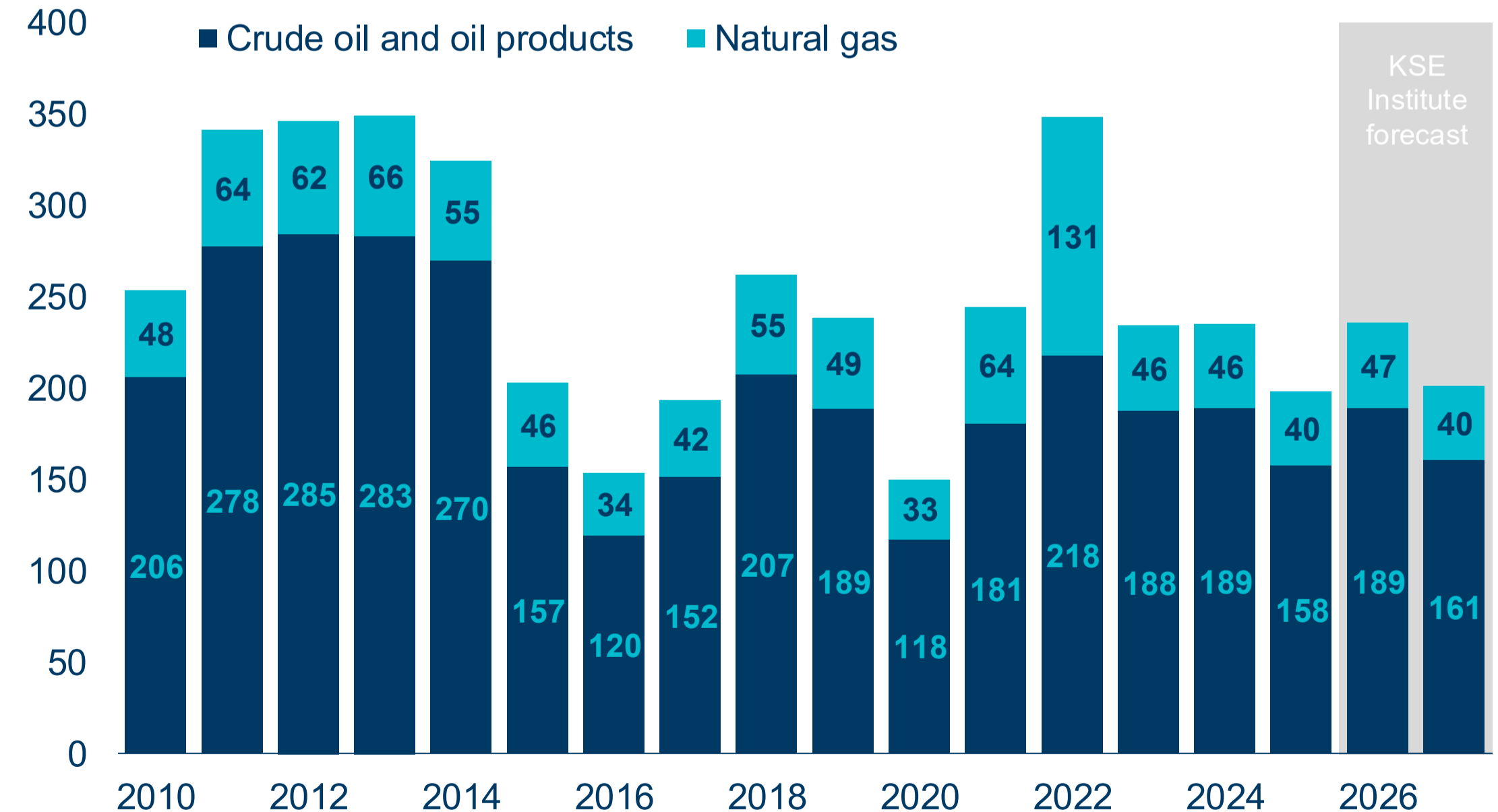
- Due to the Iran war, Brent is expected to average ~\$84/barrel in 2026, followed by a decline to ~\$75/barrel in 2027.
- Under the assumption of a stable discount, Russian oil prices will therefore be elevated for a considerable period.
- Due to price effects, oil export earnings will increase by ~\$30 billion vs. 2025 even in the scenario of a short war.

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



Source: Bank of Russia, KSE Institute
 Note: Based on market expectations for Brent and assumption of stable discounts.

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

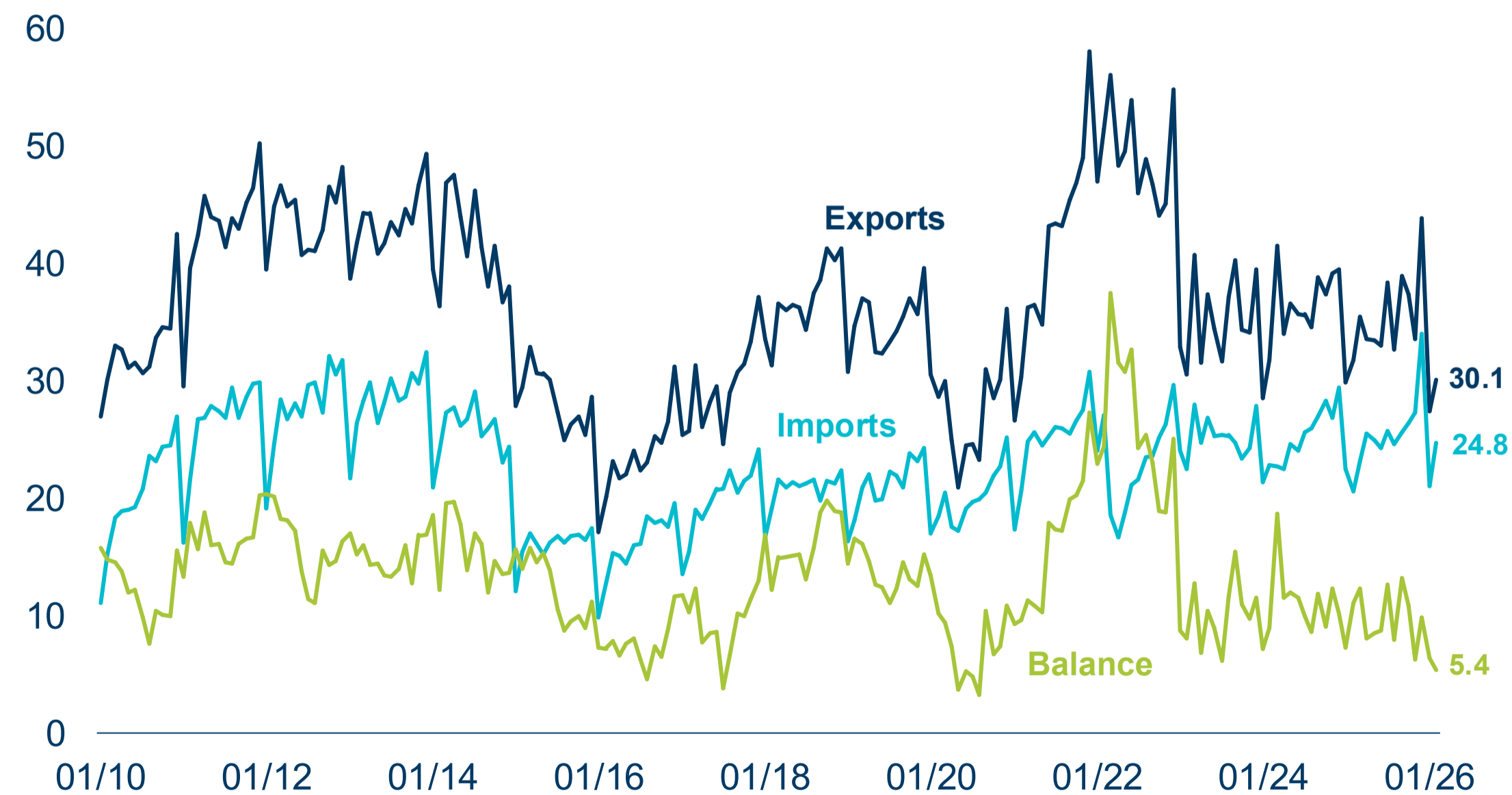


Source: Bank of Russia, KSE Institute
 Note: Scenario of a relatively short active Iran war and quick subsequent restoration of flows.

Trade surplus narrows on weak exports; Q3 current account revised upward.

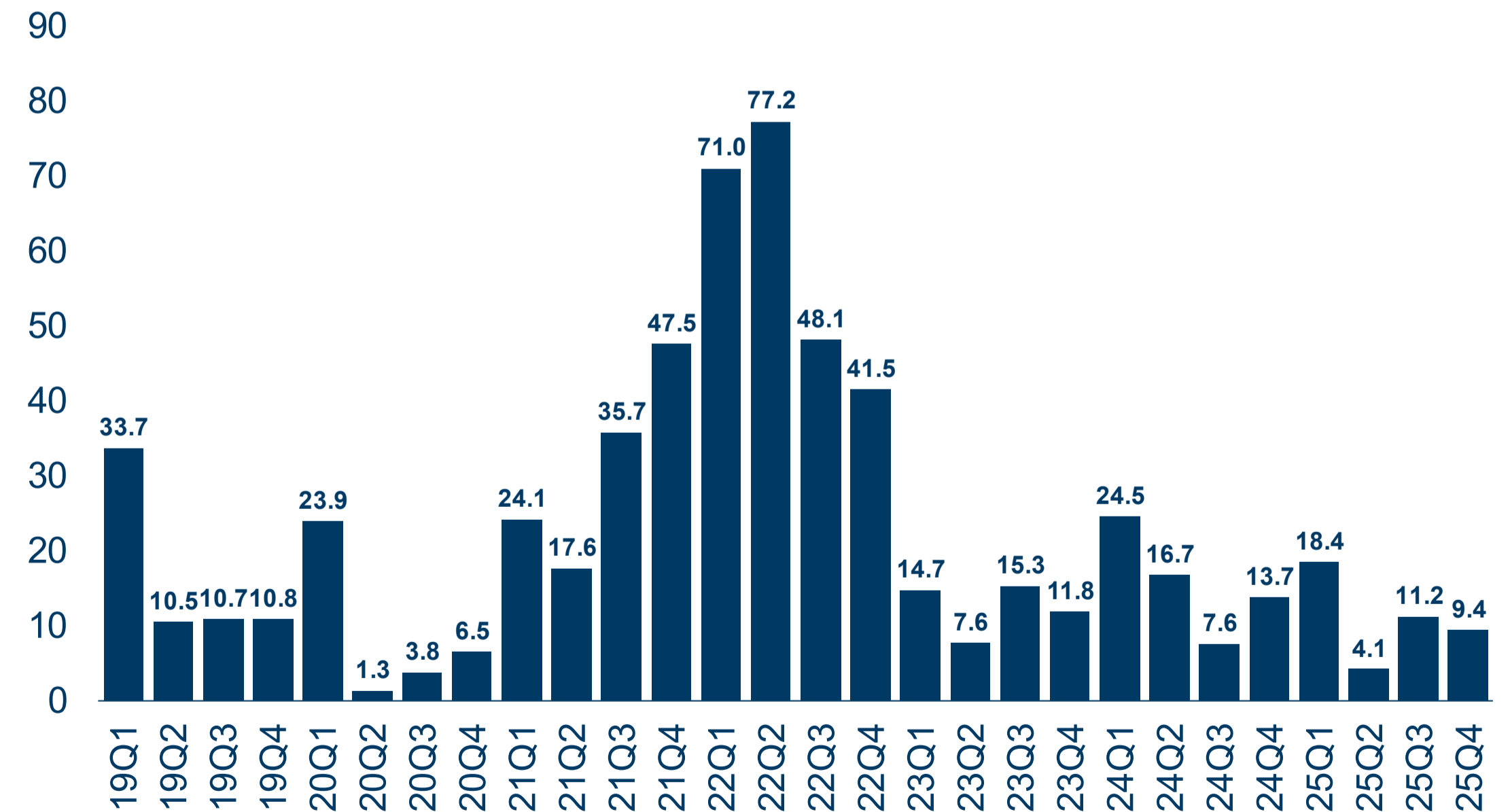
- Both exports and imports declined in Jan.-Feb. after a late-2025 spike, with the trade surplus narrowing to \$5.4 billion.
- The February surplus falls well below the 2025 monthly average, driven by weak exports and relatively resilient imports.
- Current account data was revised, with the full-year surplus now estimated at \$43.1 billion (vs. \$62.5 billion in 2024).

Monthly trade statistics, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

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

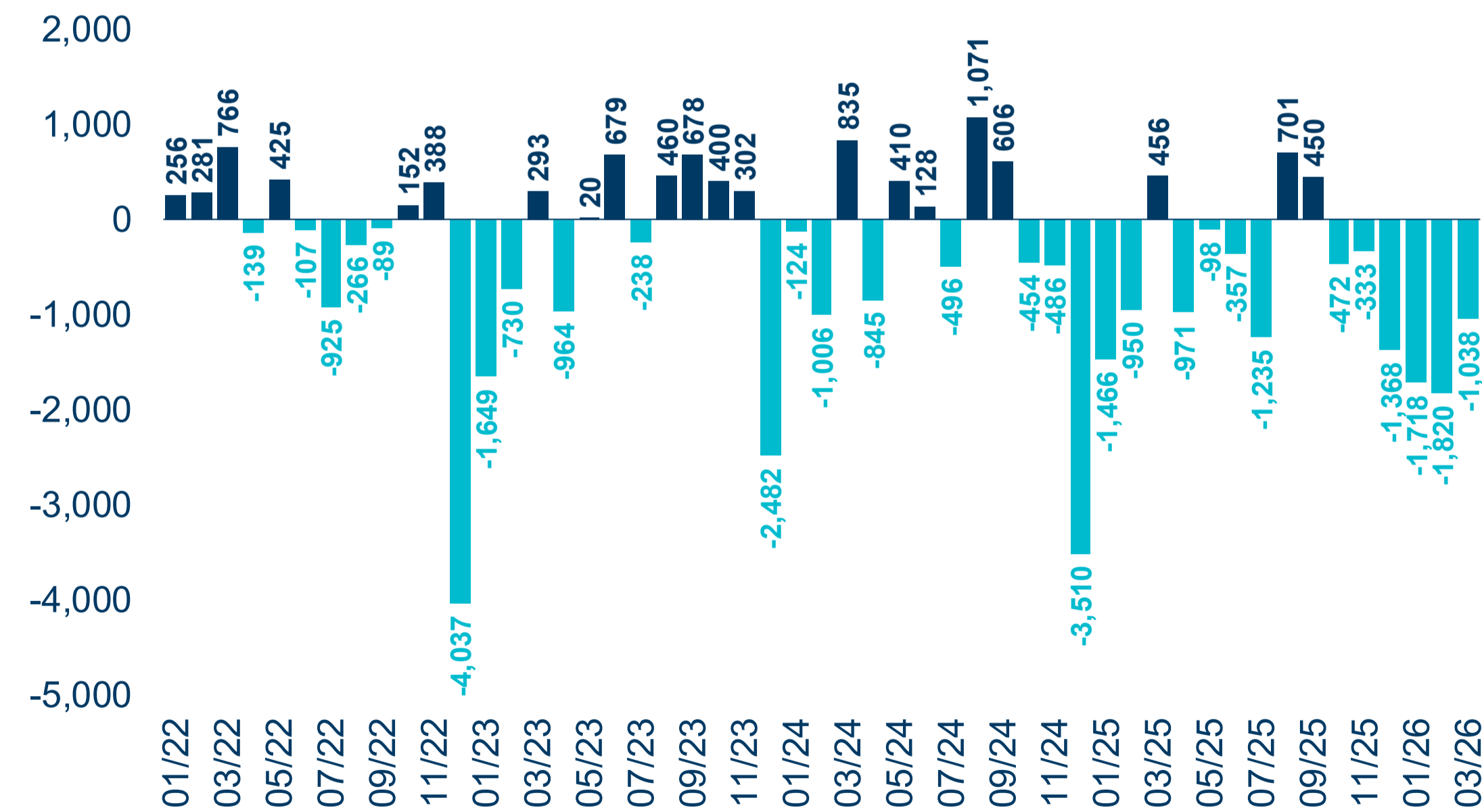


Source: Bank of Russia, KSE Institute

Budget deficit soars but higher oil prices will provide relief.

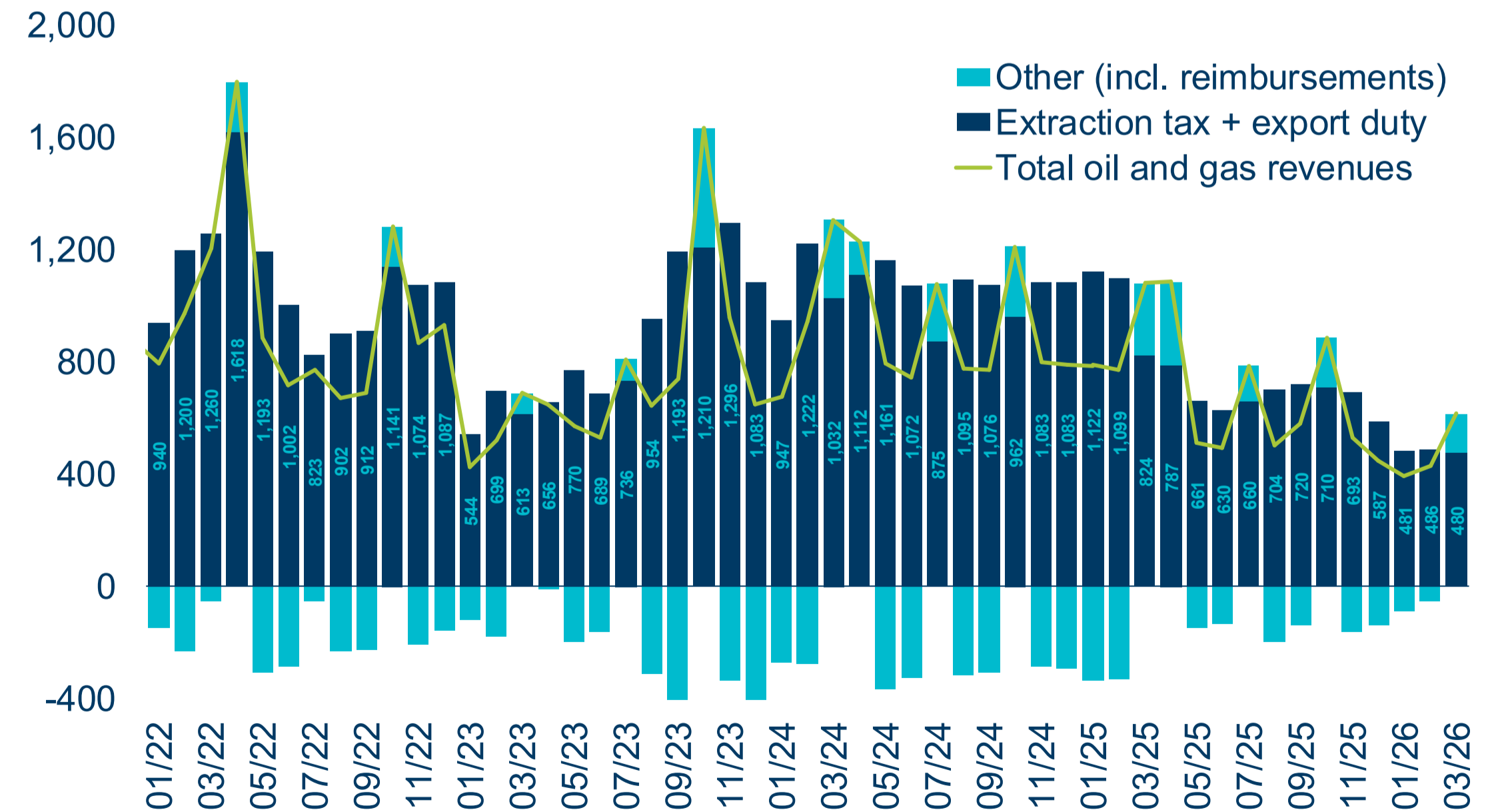
- The budget deficit remained large in Mar. (1.0 trillion rubles) after large gaps in Jan. (1.7 trillion) and Feb. (1.8 trillion).
- O&G revenues rose due to quarterly tax payments but remained suppressed due to low global prices and high discounts.
- The recent surge in global energy prices will significantly increase revenues in April when March oil prices are applied.

Federal government balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Federal oil and gas revenues, in ruble billion

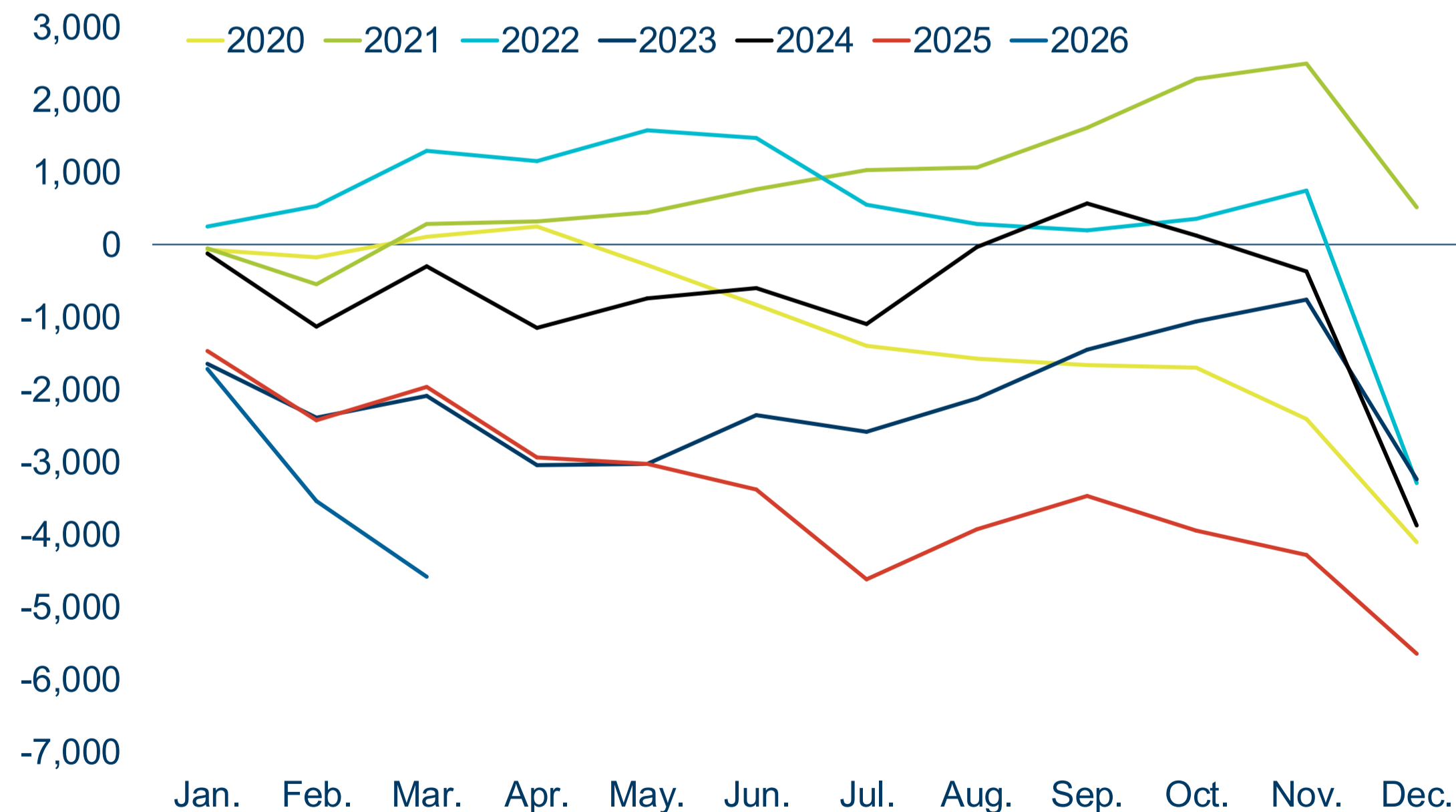


Source: Ministry of Finance, KSE Institute

Record Q1 deficit; oil windfall impact is expected in April.

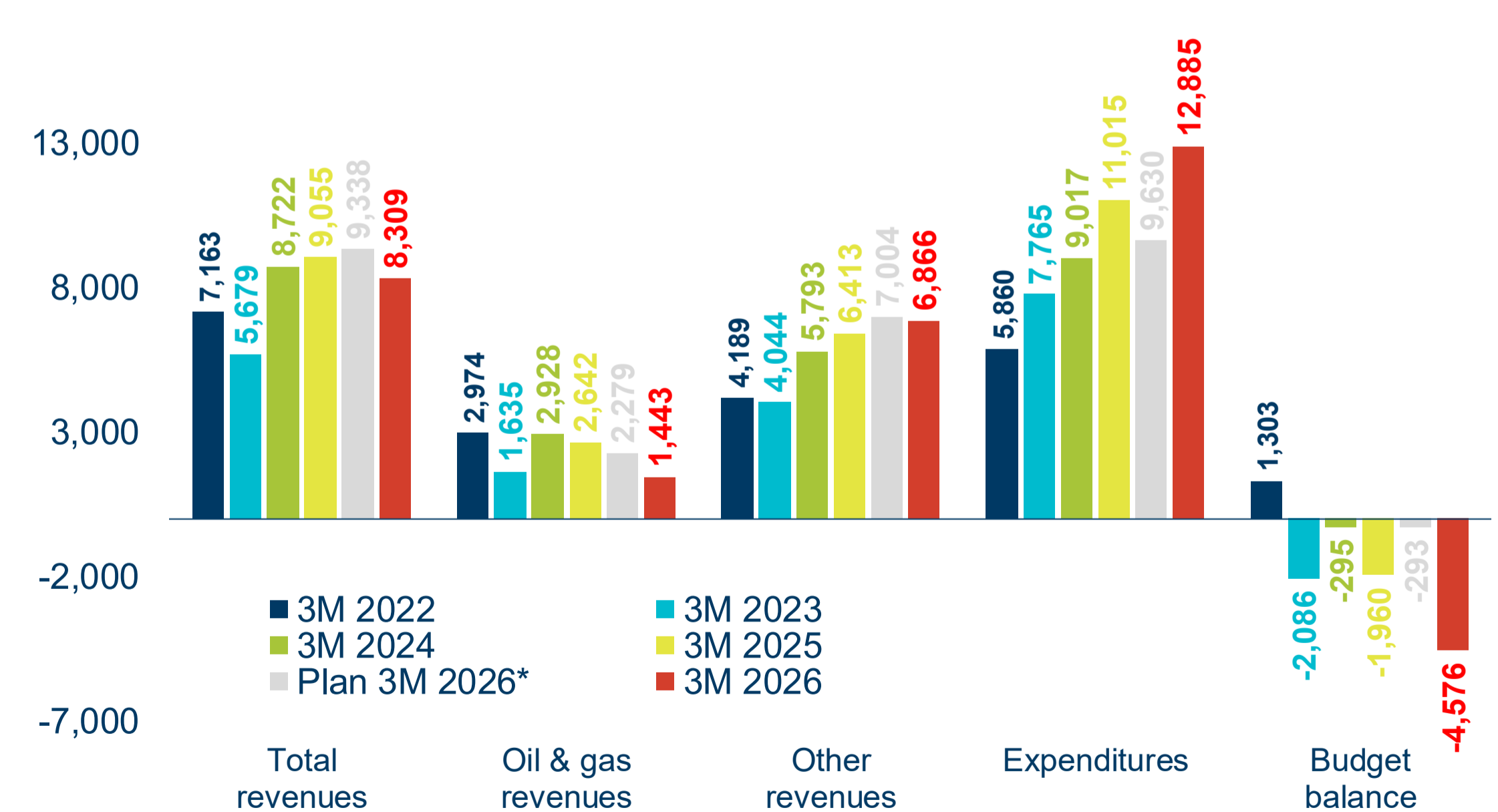
- In Jan.-Mar. 2026, O&G revenues were 45% weaker y-o-y, non-O&G only 7% stronger, and expenditures 17% higher.
- The cumulative federal budget deficit reached 4.6 trillion rubles—the largest shortfall in nominal terms on record by far.
- Serious budget troubles in Q1 mean that Russia will require several months of elevated prices to contain fiscal damage.

Cumulative federal budget balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Federal budget revenues and expenditures, in ruble billion

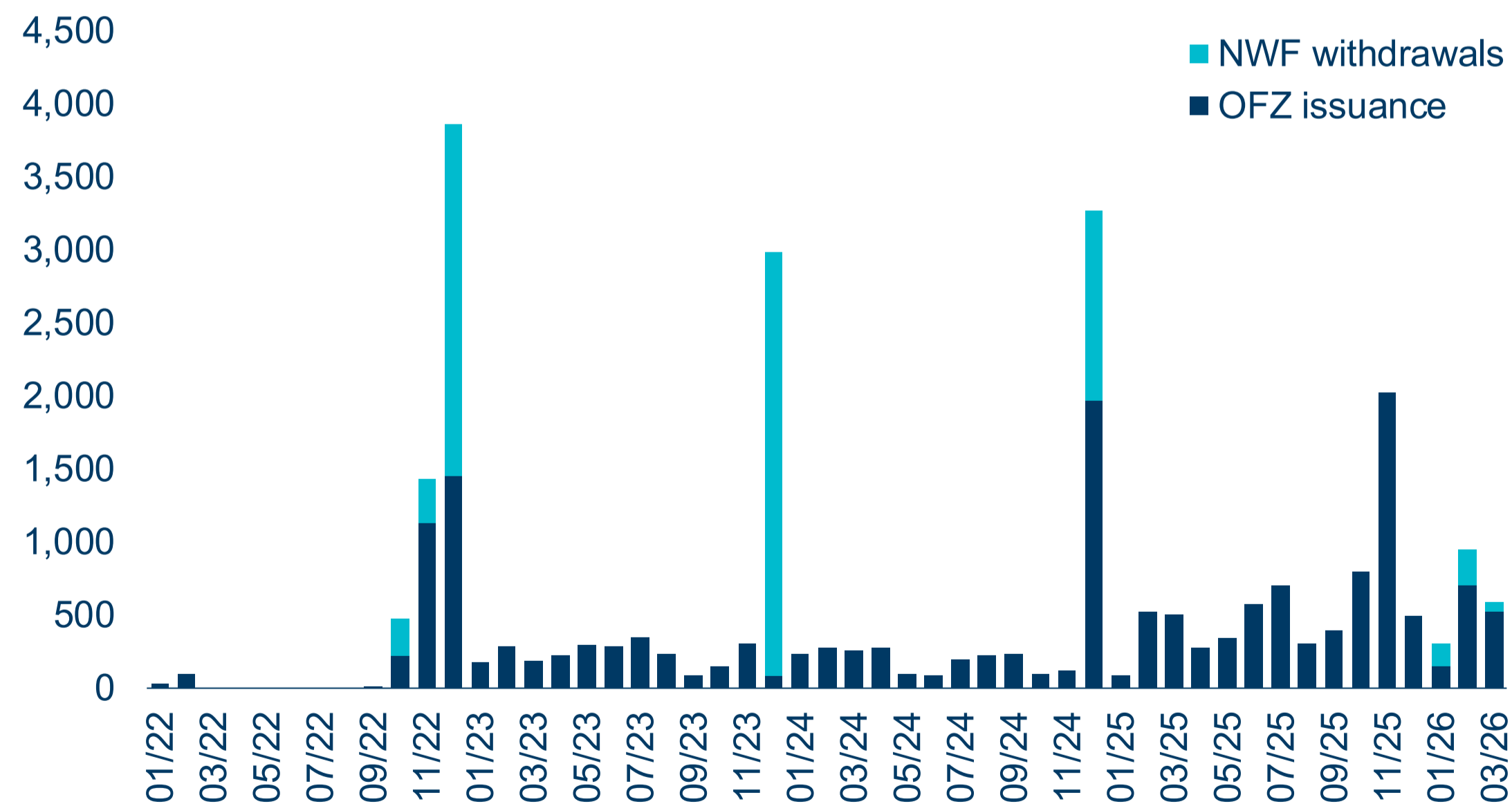


Source: Ministry of Finance, KSE Institute *based on avg. 2019-25 within-year distribution.

MinFin taps NWF while CBR maintains large repo operations.

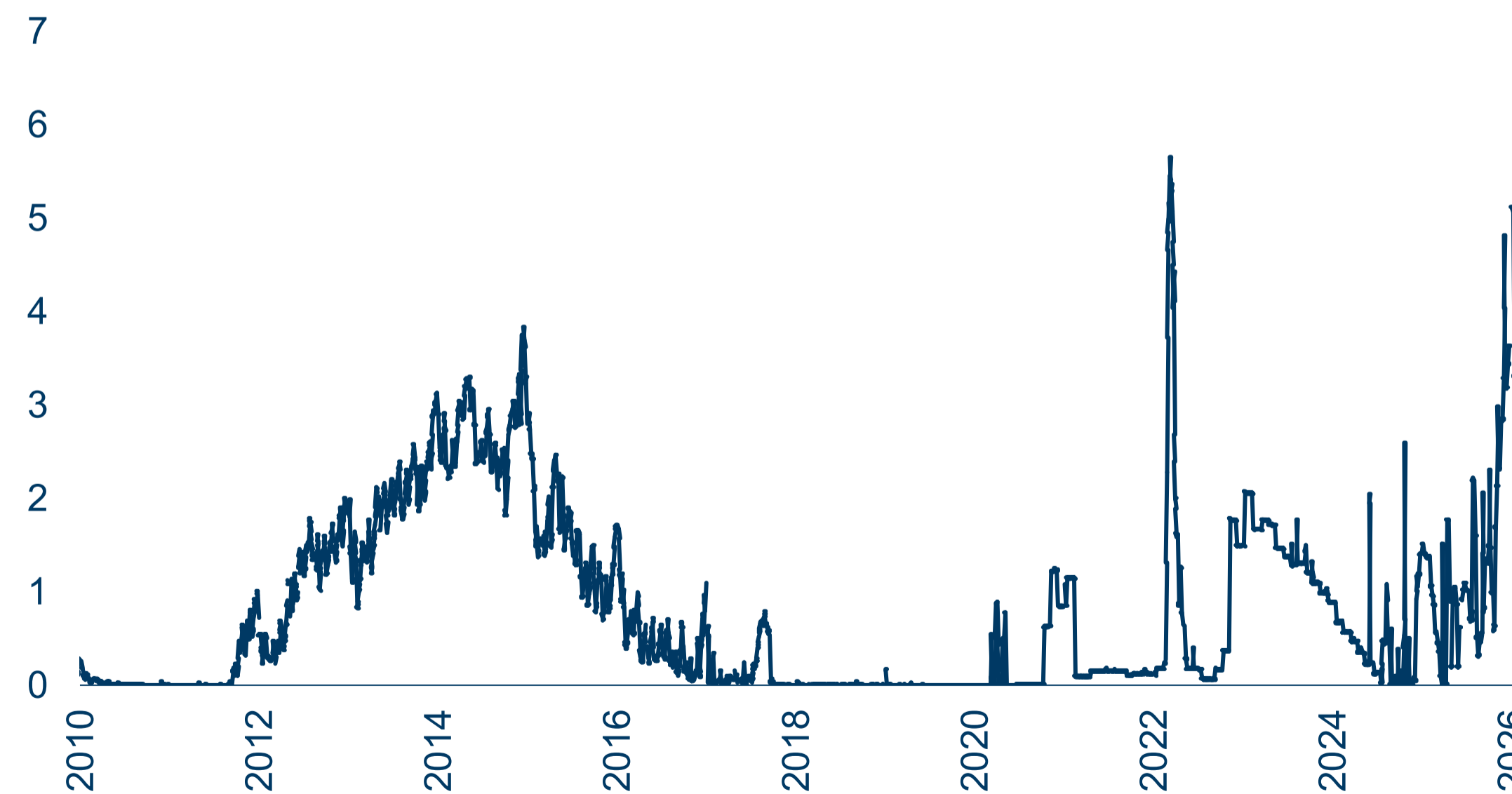
- Domestic debt (OFZ) issuance in Q1 reached 1.4 trillion rubles, exceeding the initial quarterly target by 200 billion.
- The CBR also continued to provide significant amounts of liquidity through repo operations to enable banks' absorption.
- In Q1, authorities also relied on the NWF (of 460 billion) to finance the budget, which is unusual for early in the year.

Key fiscal financing channels, in ruble billion



Source: Ministry of Finance, KSE Institute

Total outstanding repo loans, in trillion rubles

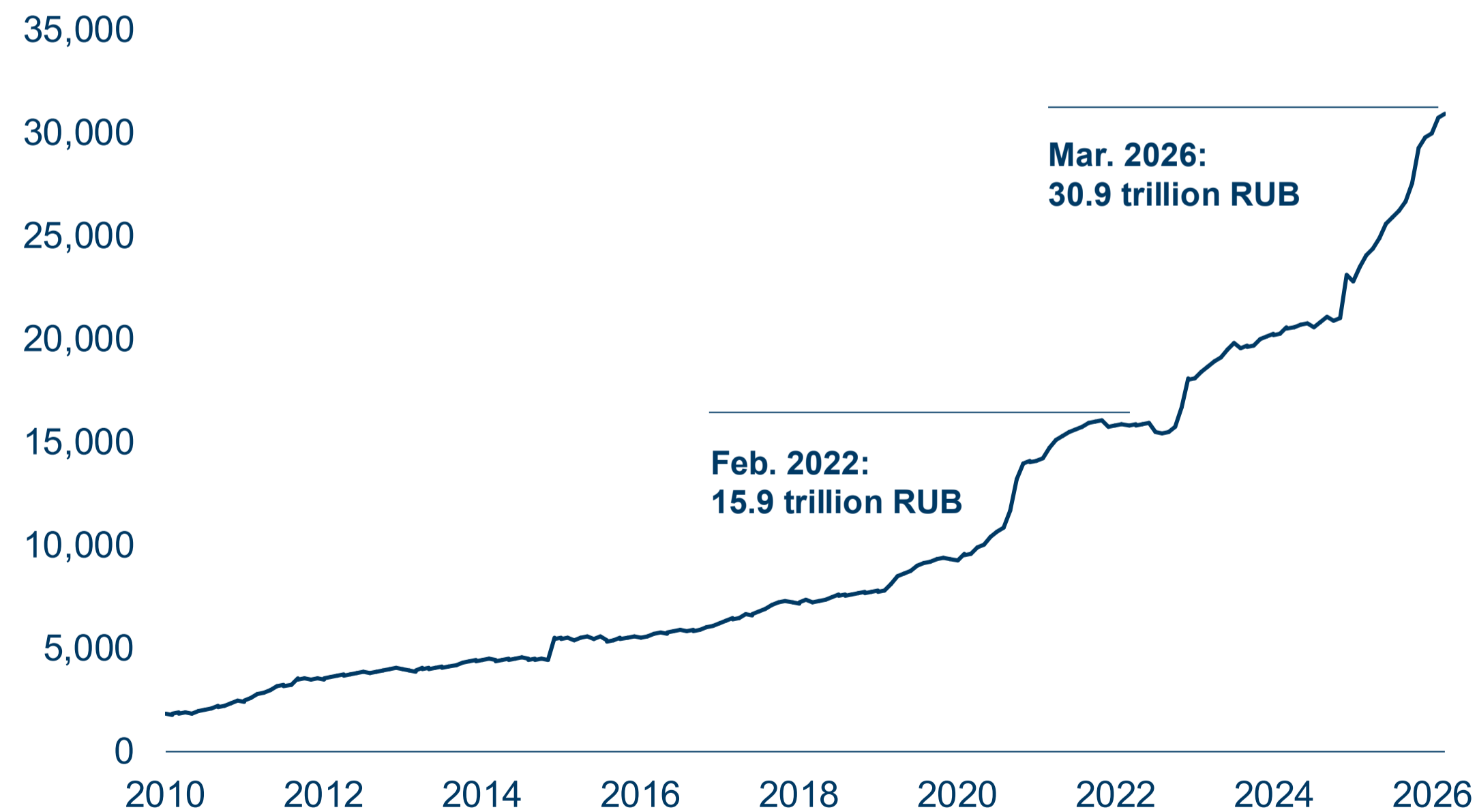


Source: Bank of Russia, KSE Institute

Domestic debt soars, budget exposed to rising servicing costs.

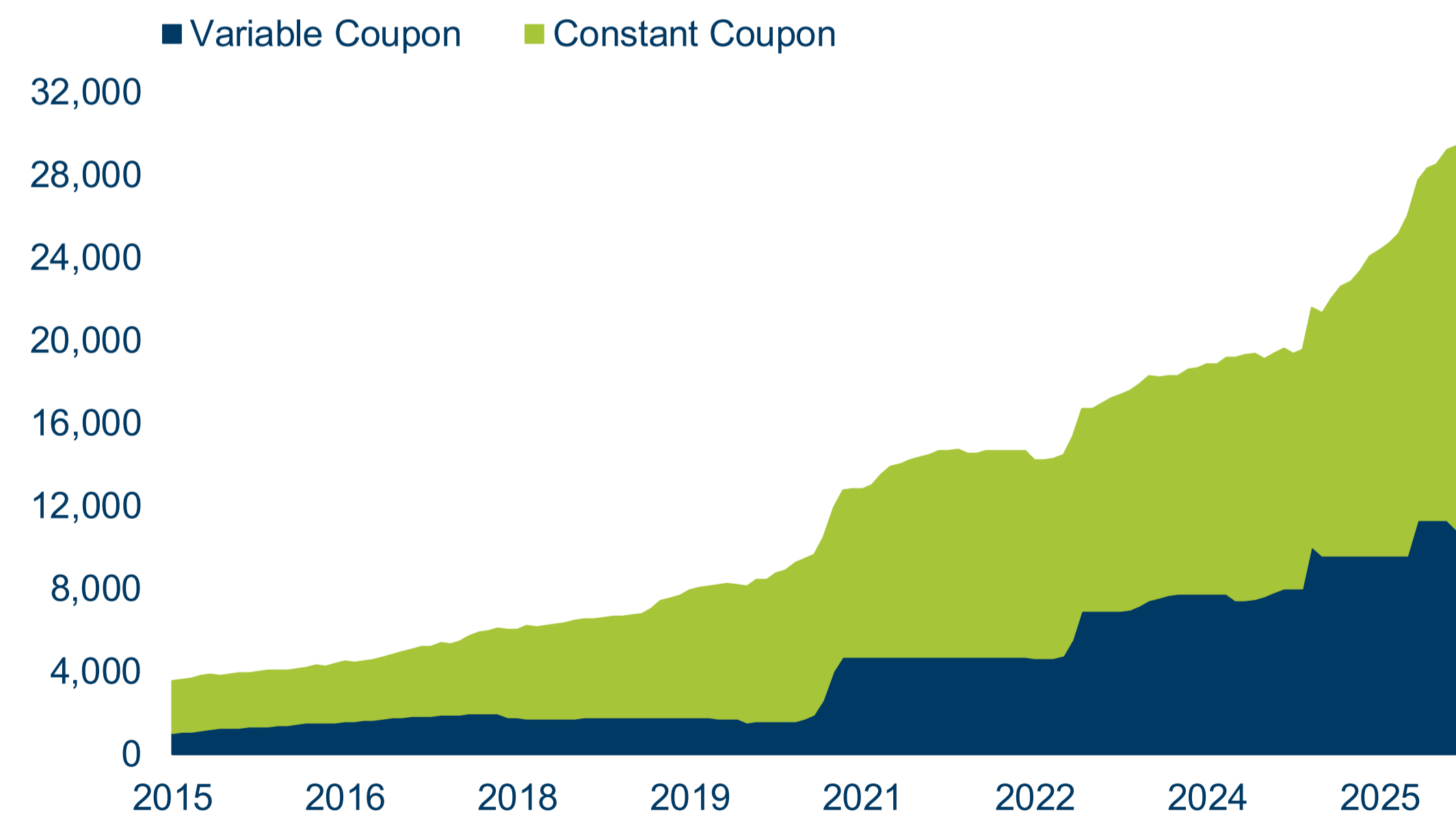
- Federal domestic debt doubled since Feb. 2022, reaching almost 31 trillion rubles by the end of Mar. 2026.
- MinFin is further shifting to constant-coupon OFZs, expanding their issuance while reducing variable-rate bonds.
- This reflects dropping investor demand for floating yields as the CBR continues to cut the key interest rate.

Federal government domestic debt, in ruble billion



Source: Ministry of Finance, KSE Institute

Dynamics of OFZ volume by coupon income types, in ruble billion

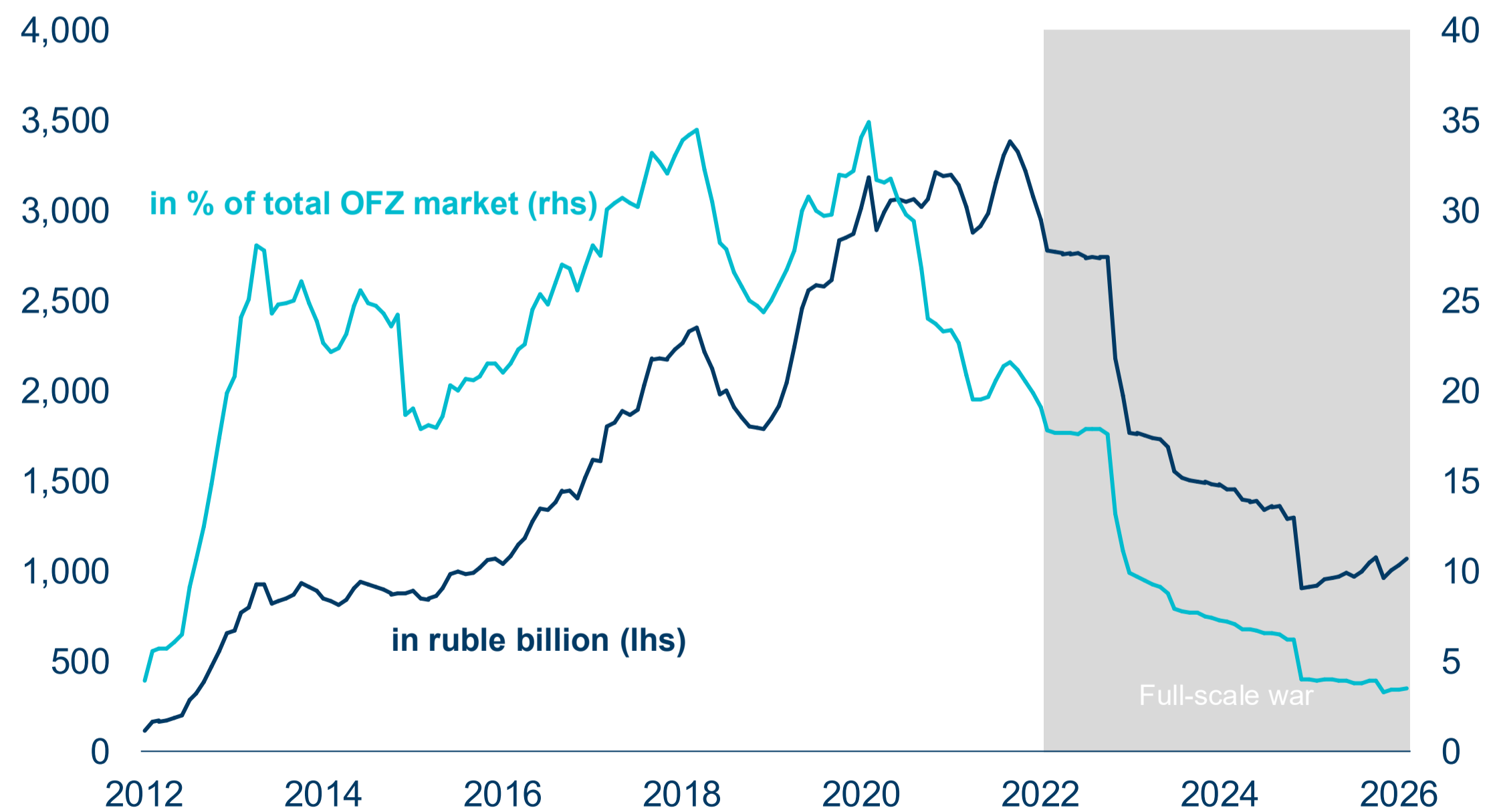


Source: Ministry of Finance, KSE Institute

Domestic banks are the only remaining buyers of OFZs.

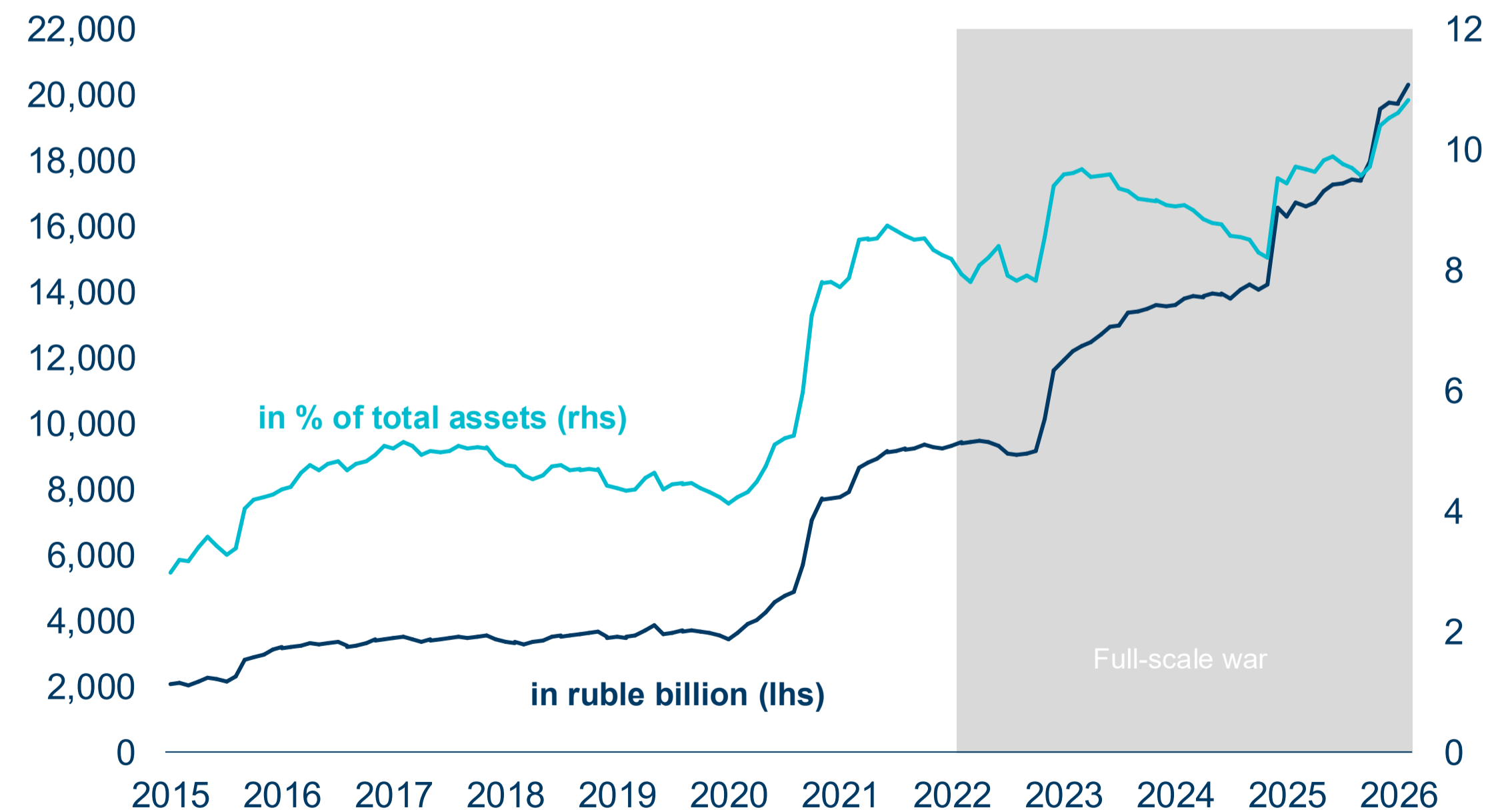
- Foreigners have largely disengaged from the Russian sovereign debt market since the start of the war.
- Non-resident holdings have dropped 2 trillion rubles (or 66%) since January 2022 as bonds matured.
- Credit institutions' holdings of OFZs, on the other hand, have risen significantly over the same period.

Non-resident OFZ holdings



Source: Bank of Russia, KSE Institute

Depository corporations' OFZ holdings*

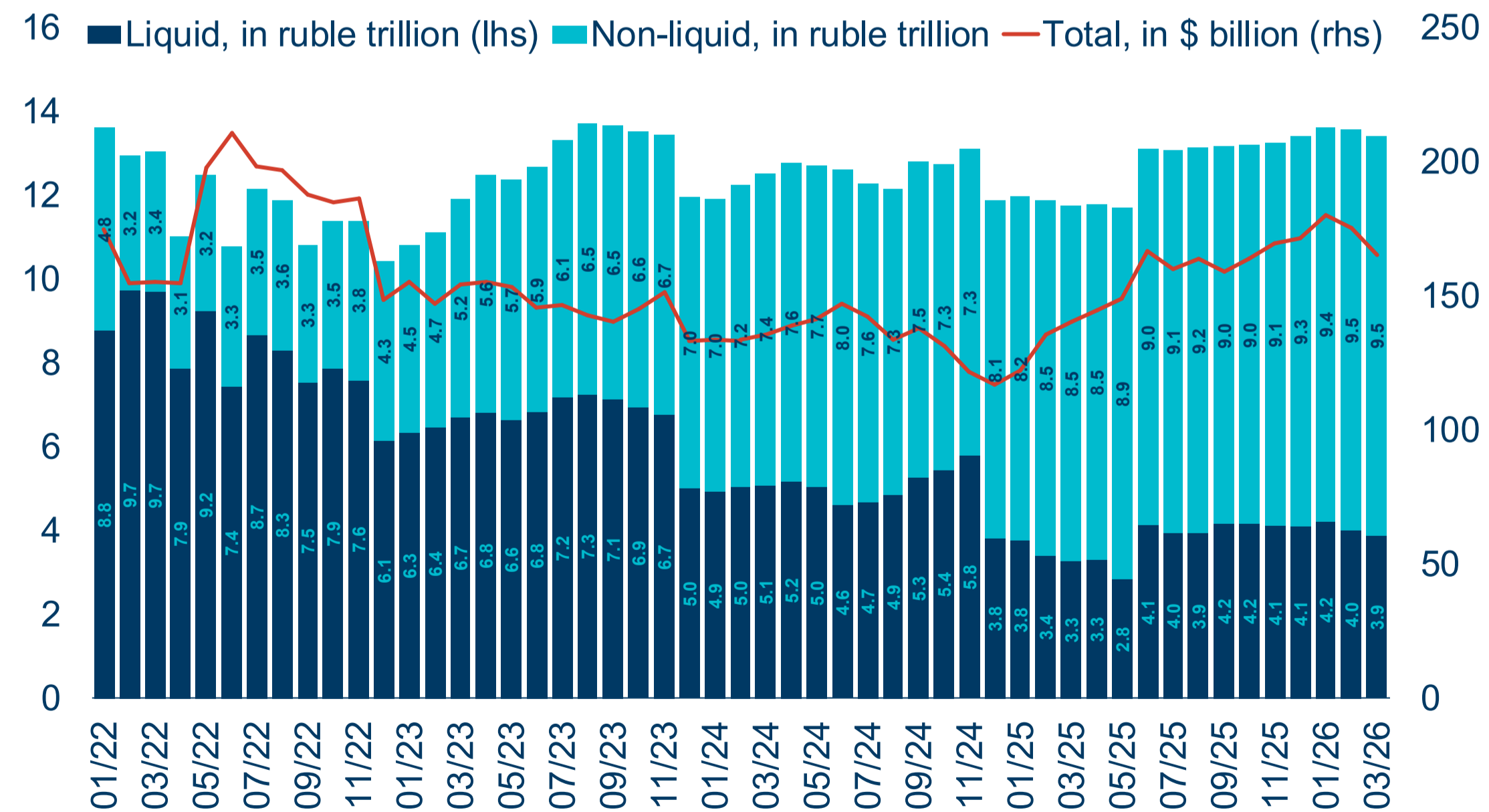


Source: Bank of Russia, KSE Institute *excluding Bank of Russia

MinFin sells gold and yuan to finance the budget deficit; gold prices weaken.

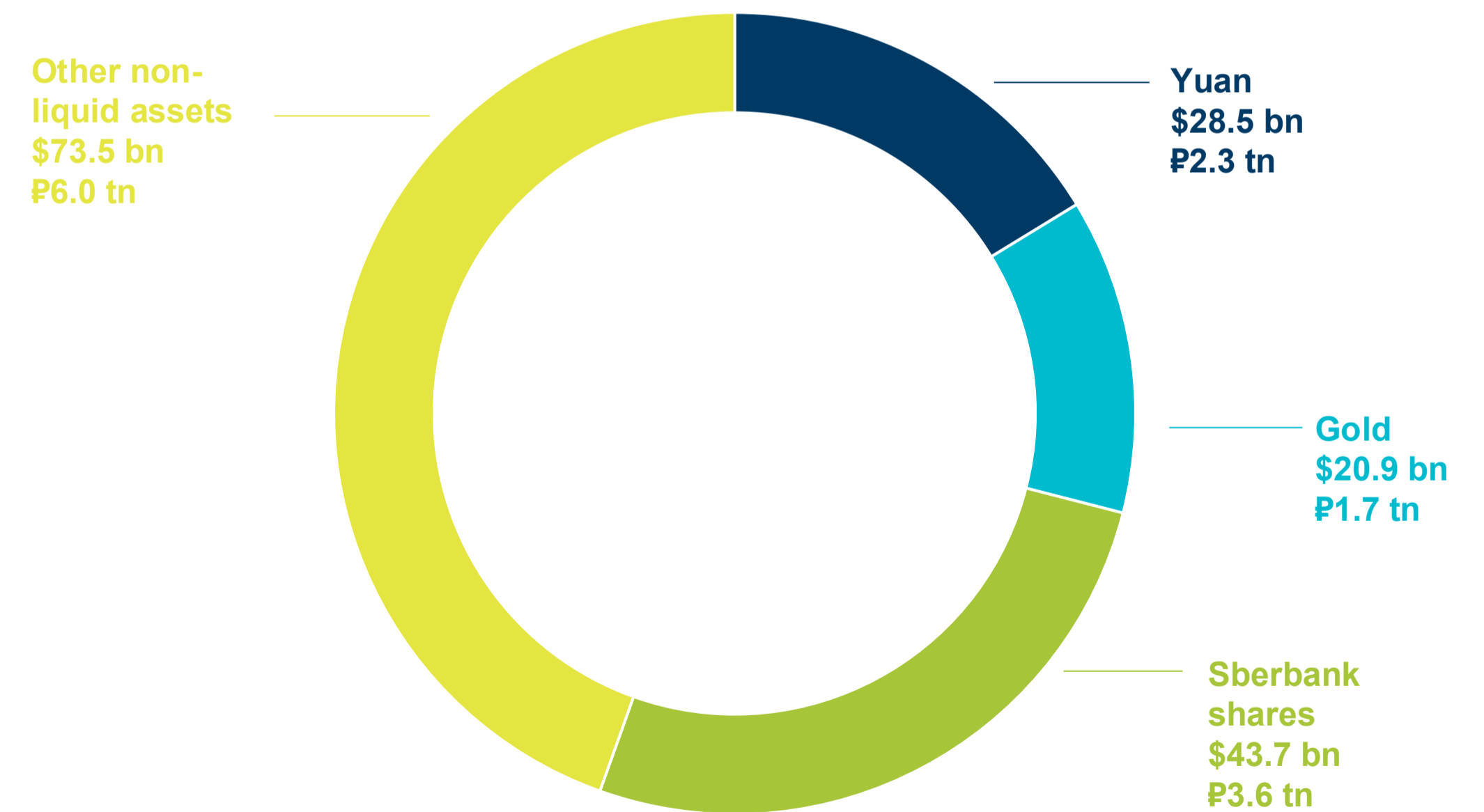
- Total assets of the National Welfare Fund stood at 13.4 trillion rubles (\$165 billion, 5.5% of GDP) in Mar. 2026.
- Liquid assets have declined by 56% since early-2022 and only account for 29% of the total (vs. 75% in Feb. 2022).
- The gradual decrease in liquid assets is due to sales of gold and Chinese yuan as well as the decline of gold prices.

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, 2026*

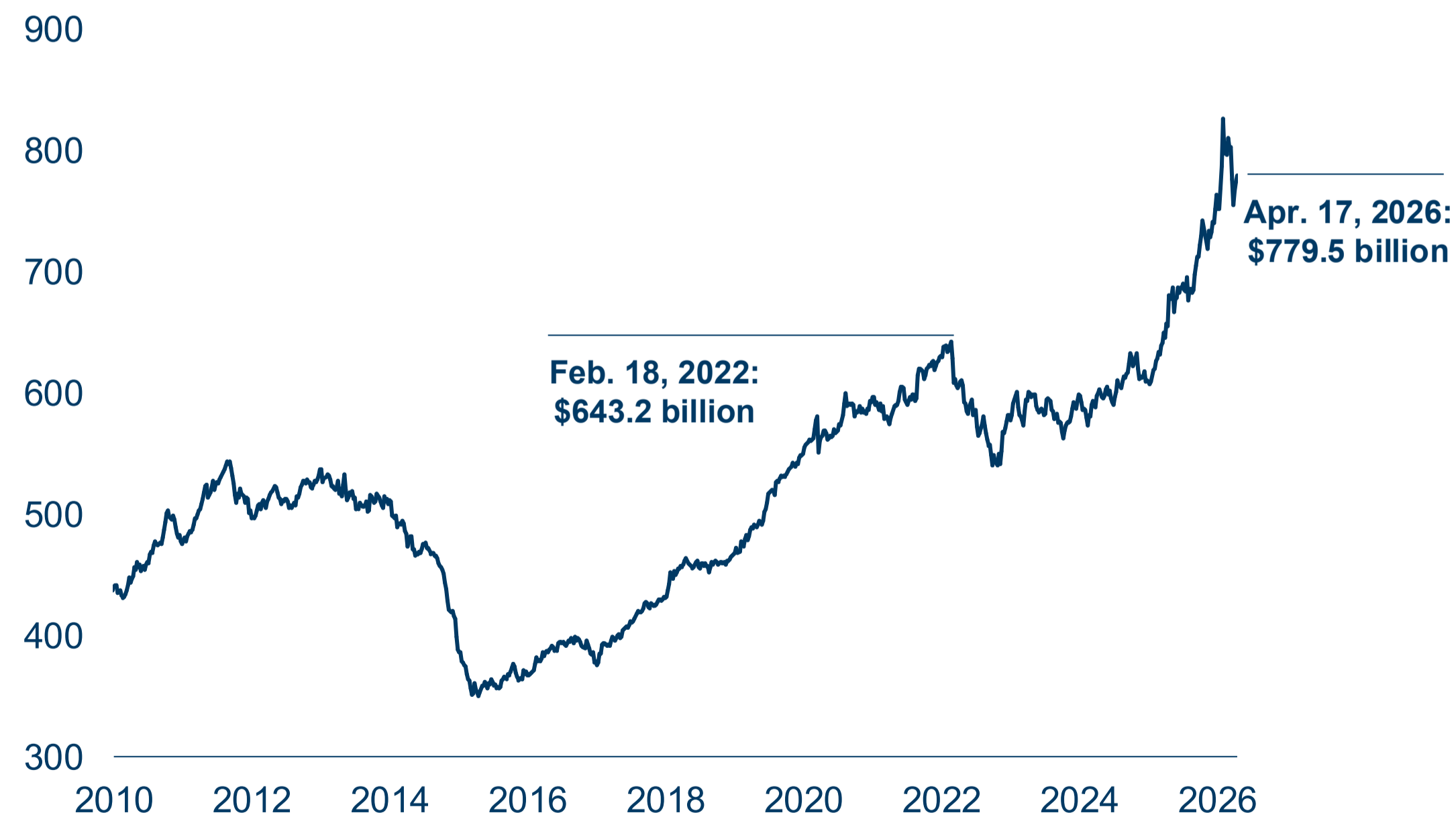


Source: Ministry of Finance, KSE Institute *based on market exchange rates/prices

Reserves decline as gold prices fall and some assets are sold.

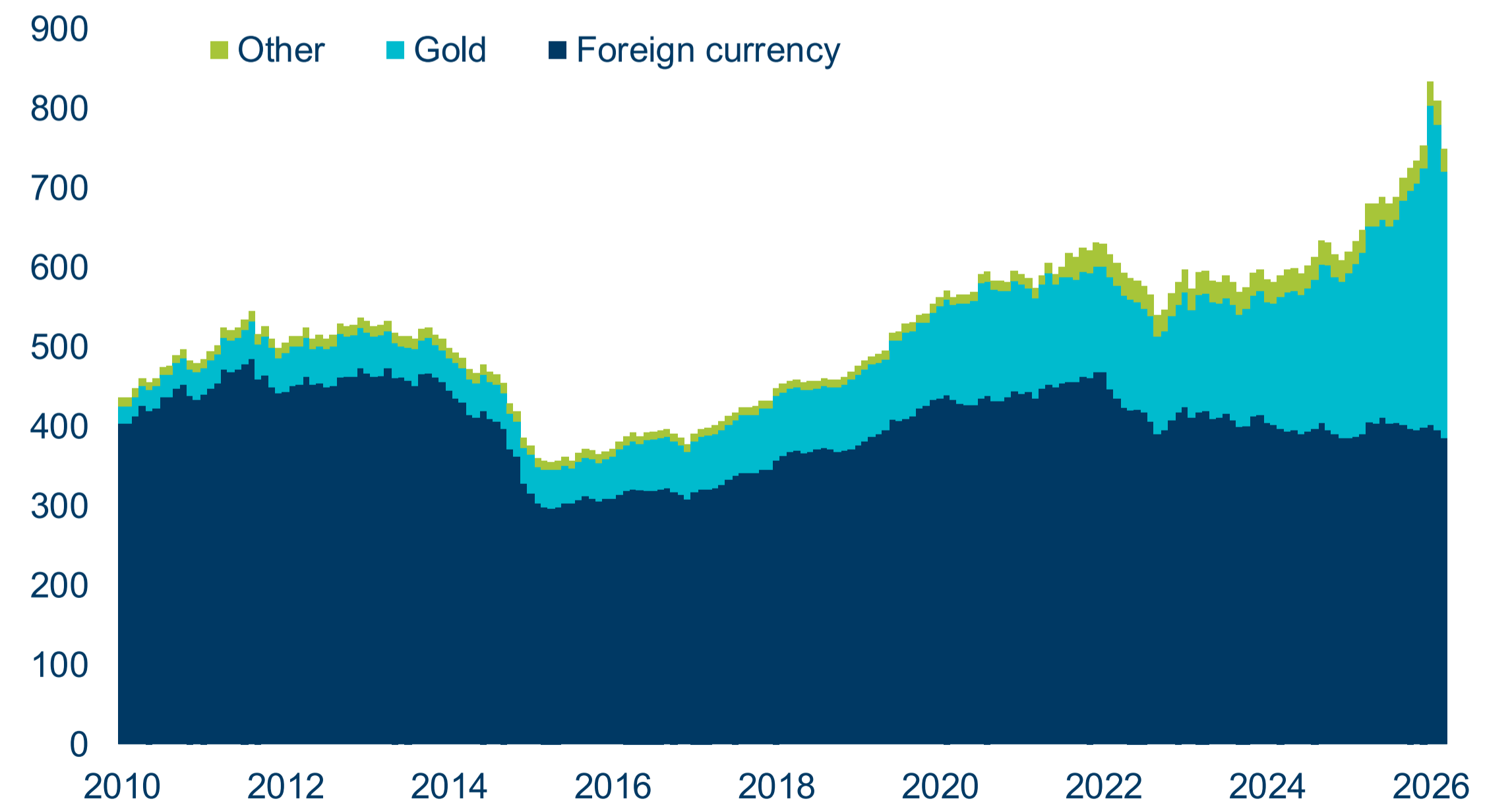
- Russia’s total international reserves stand at \$780 billion vs. \$643 billion before the start of the full-scale war.
- This increase is largely a result of sharply higher gold prices, whose fluctuations also drive more recent changes.
- However, Russia has also sold Chinese yuan and gold, while hard currency reserves remain largely immobilized.

Total reserves, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

Composition of reserves, in U.S. dollar billion

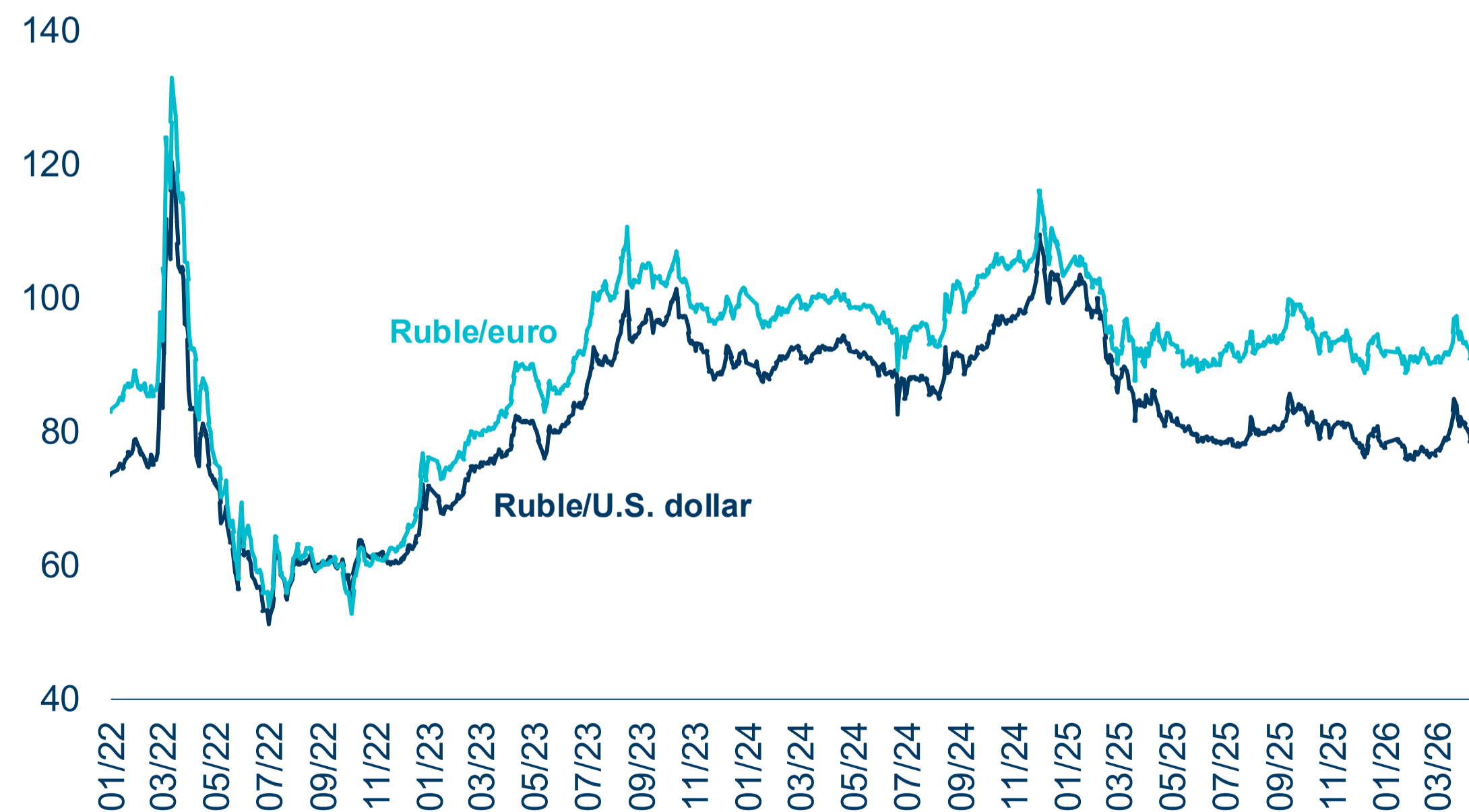


Source: Bank of Russia, KSE Institute

Pro-inflationary risks cast doubt on further CBR rate cuts.

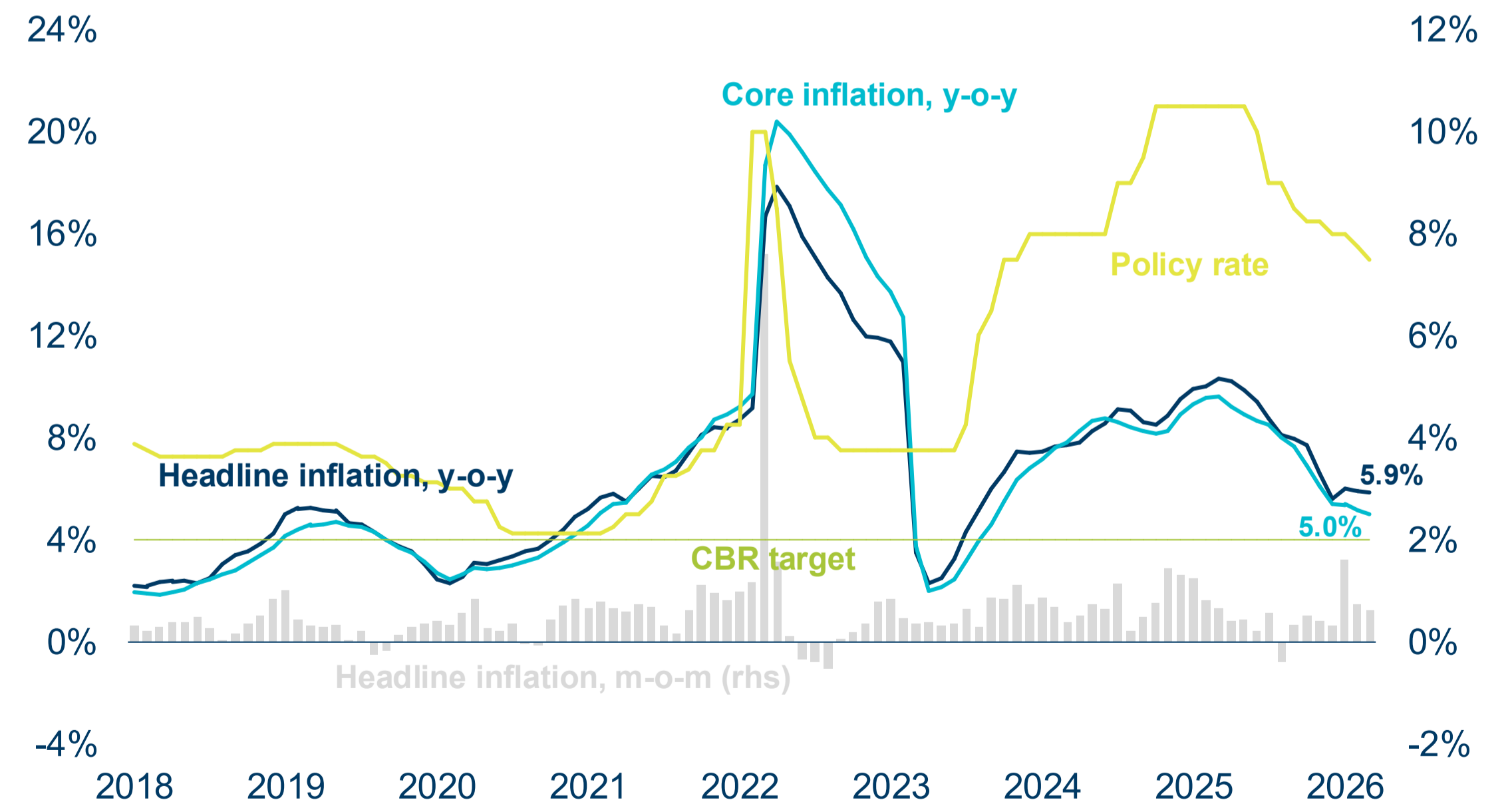
- The ruble has strengthened significantly in recent days due to a dramatically more favorable external environment.
- Headline inflation remained stable at 5.9% throughout Feb. and Mar. but stays persistently above the CBR's 4% target.
- Further rate cuts are uncertain: CBR balances growing recession fears against pro-inflationary risks from the budget deficit.

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



Source: Bank of Russia, KSE Institute

Inflation and CBR policy rate, in %

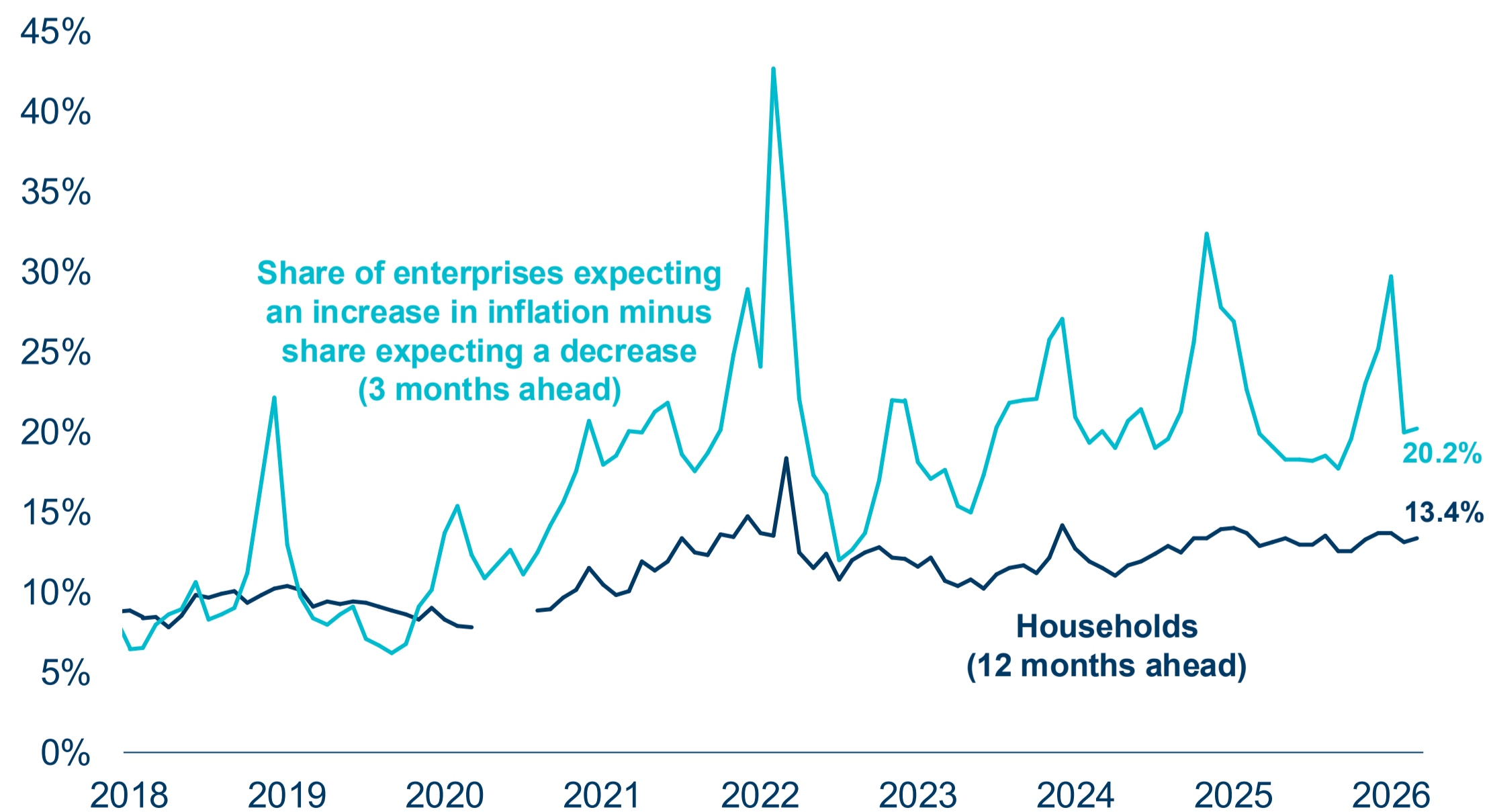


Source: Bank of Russia, KSE Institute

Inflation expectations moderate as price dynamics normalize.

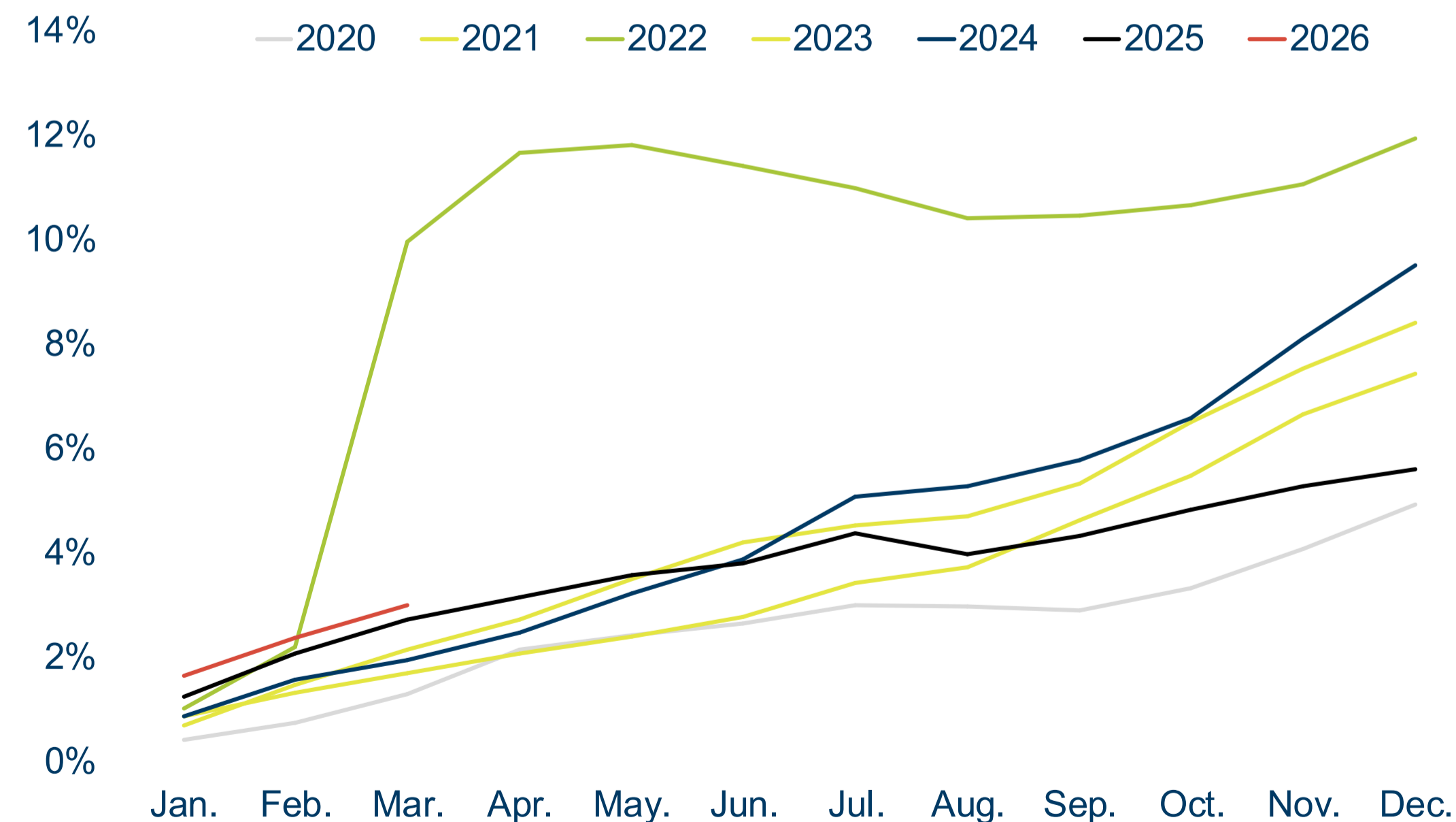
- Household inflation expectations remained broadly stable, while those of businesses dropped after a spike in Jan.
- Cumulative inflation has slowed marginally but stays at its highest level in the last three years due to the Jan. jump.
- The Jan. increase in inflation due to VAT and other fee hikes will impact inflation levels (y-o-y) for the rest of the year.

Inflation expectations, %



Source: Bank of Russia, KSE Institute

Cumulative inflation, in %

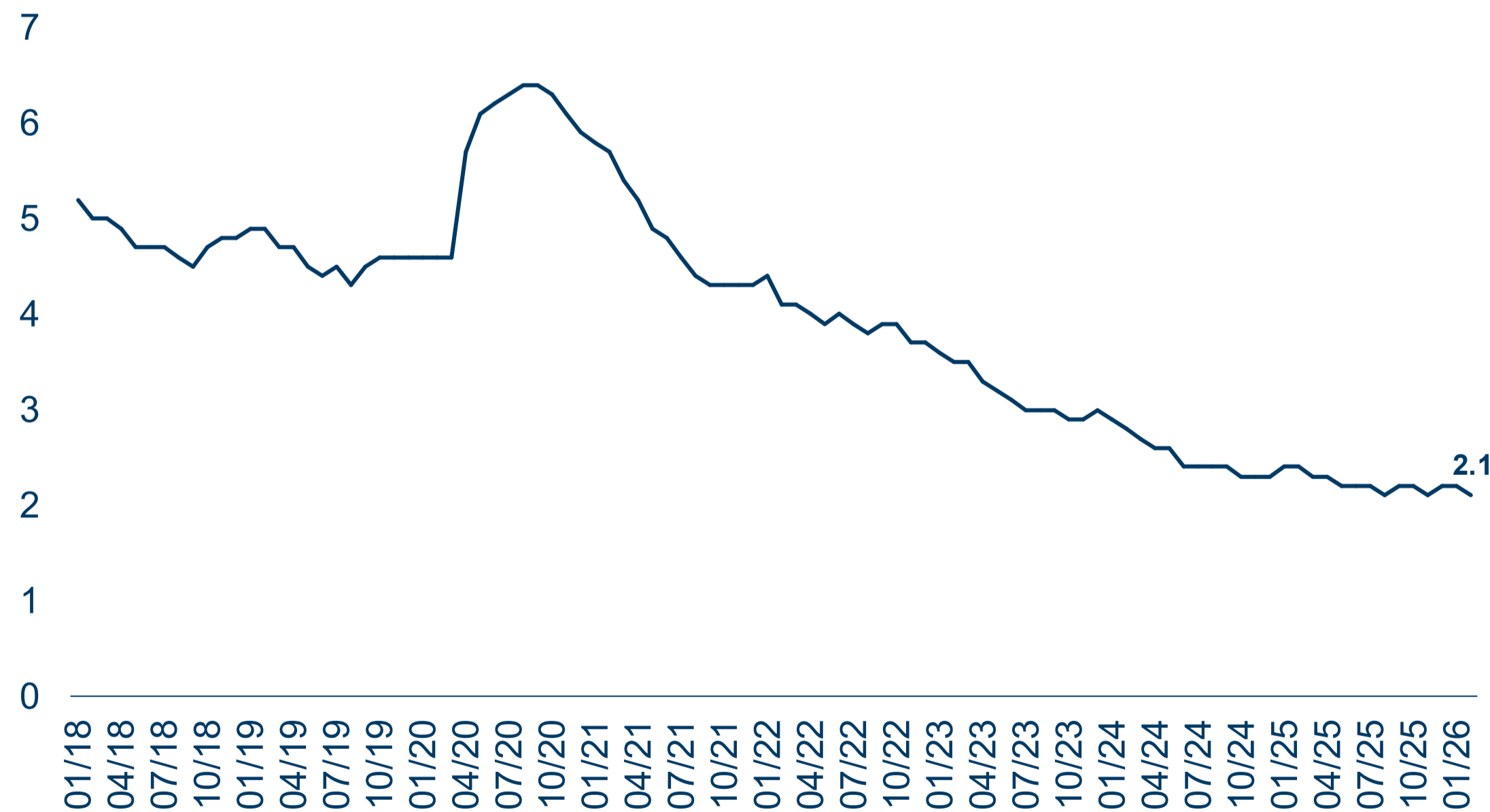


Source: Bank of Russia, KSE Institute

Severe labor shortages continue to cap economic growth potential.

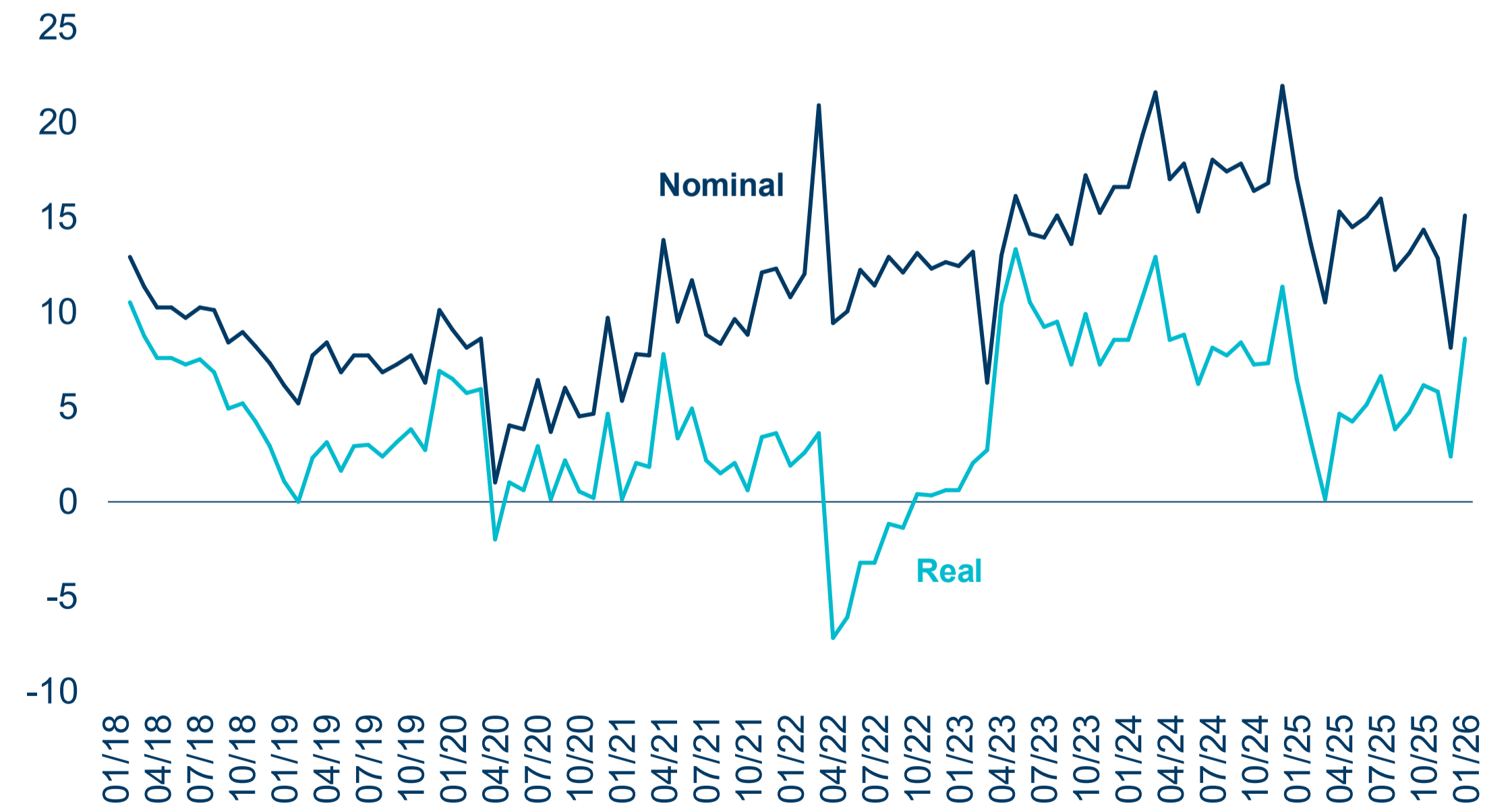
- The unemployment rate remains historically low (at 2.1%), essentially indicating full employment in the economy.
- However, rising "hidden unemployment" implies the true unemployment rate is likely much higher than reported.
- Nominal and real wage growth remain high in Jan. (15.1% and 8.6%, respectively); Dec. drop driven by base effects.

Unemployment rate, in %



Source: Rosstat

Wage growth, in % year-over-year

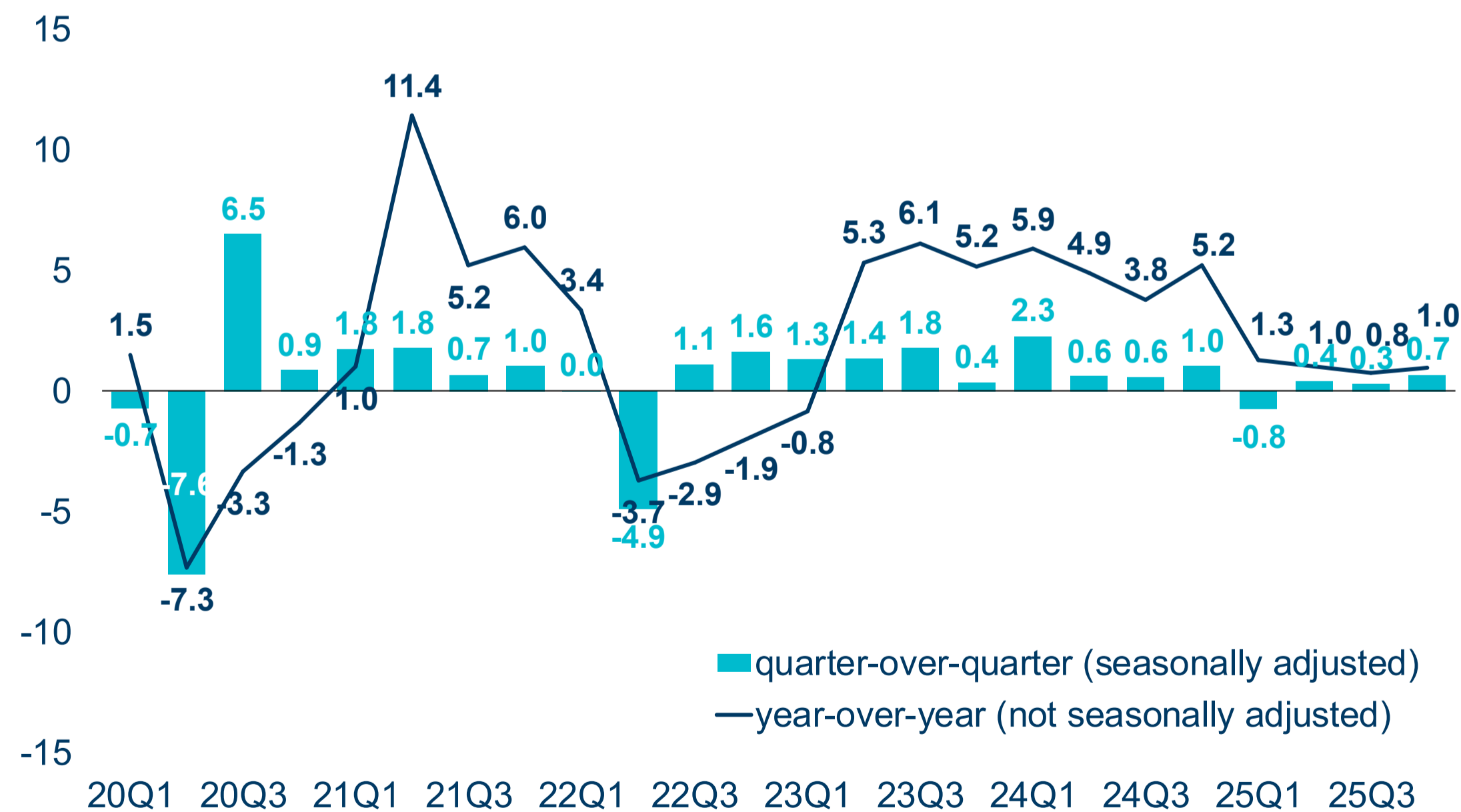


Source: Rosstat

GDP growth dropped sharply in 2025, with a bleak outlook for 2026-27.

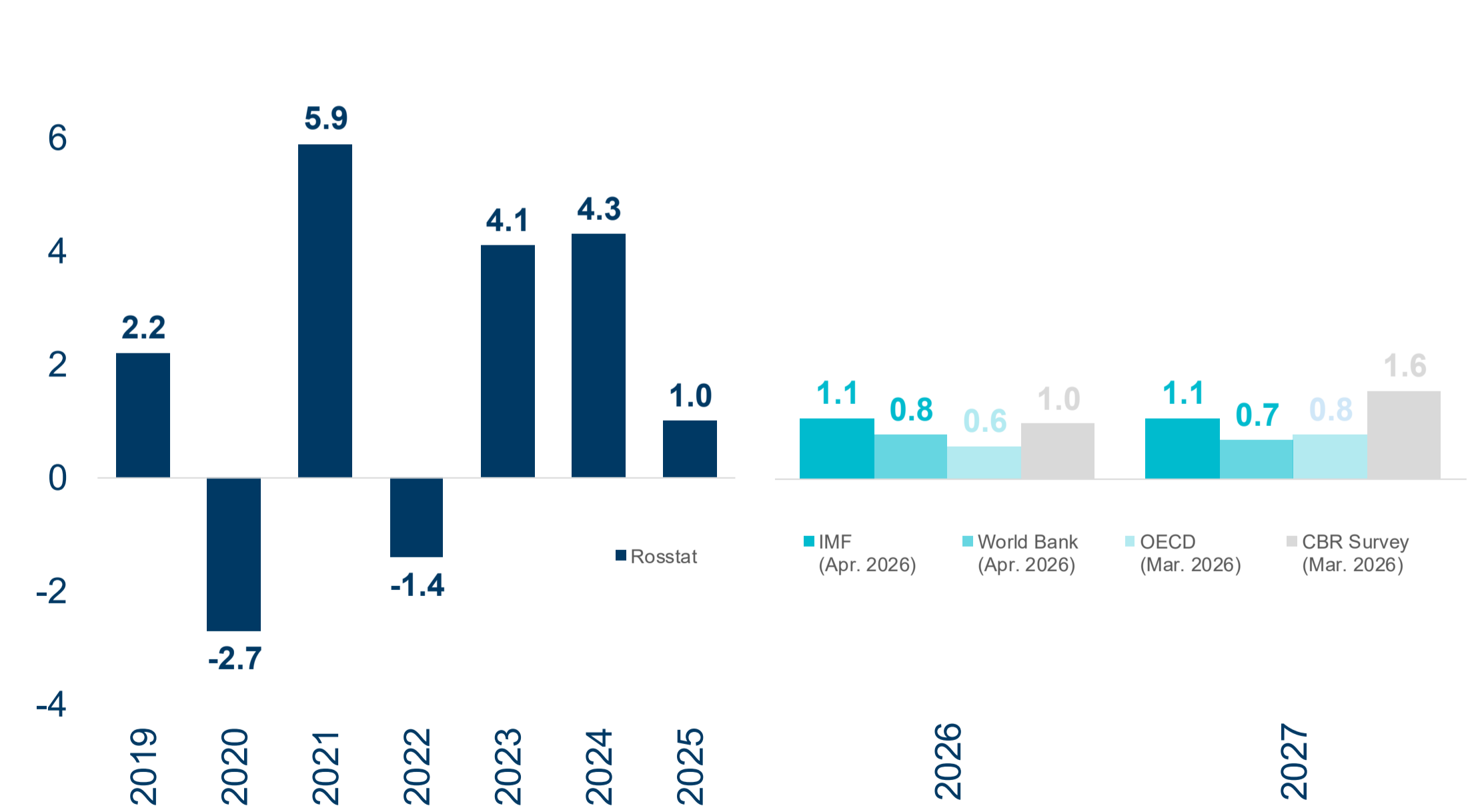
- Rosstat’s final estimate for real GDP growth in 2025 is 1%—a sharp slowdown compared to 2023-24 (>4%).
- Quarter-over-quarter figures show a slight uptick to +0.7% in Q4 2025, but overall momentum remains weak.
- International institutions are expecting ~1% growth for 2026-27, while the CBR has yet to revise its forecast.

Quarterly real GDP dynamics, in %



Source: Rosstat, KSE Institute

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

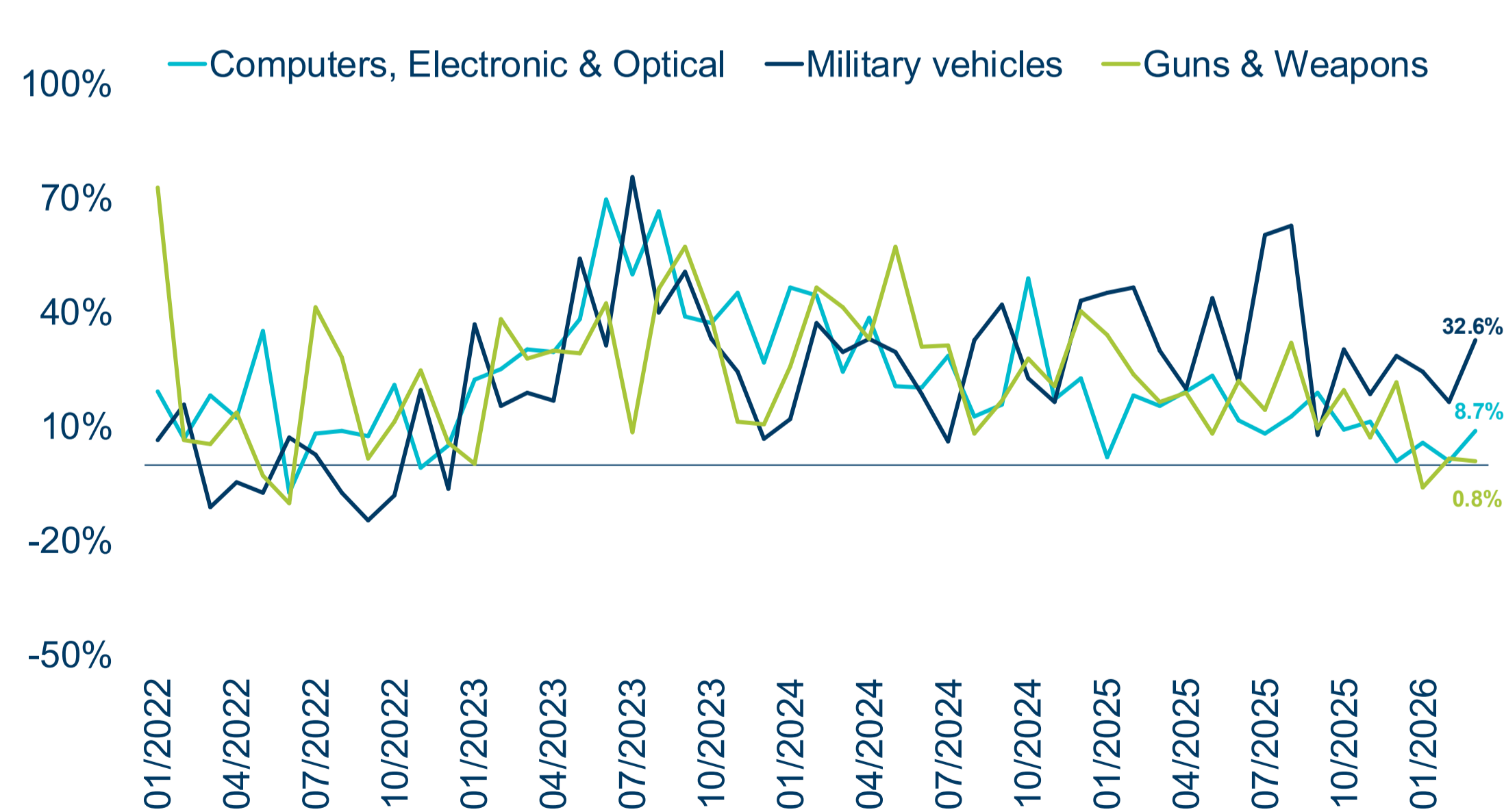


Source: Rosstat, Bank of Russia, IMF, OECD, World Bank

War-related production remains robust, while civilian sectors contract.

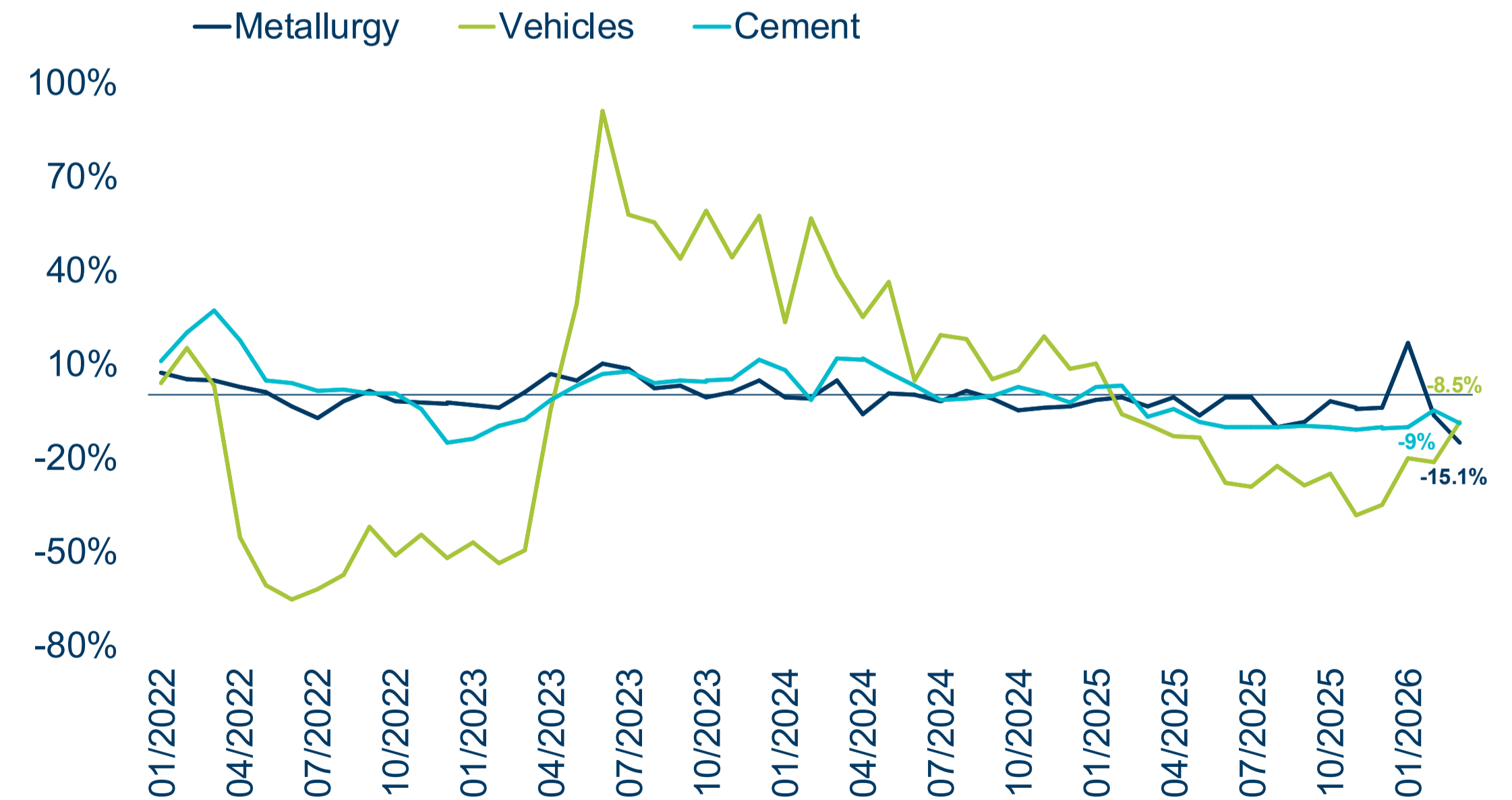
- Russia's industrial sector is propped up by defense spending, with war-related production maintaining robust growth.
- Key sectors of the civilian economy are contracting, driven by steep drops in transport, construction, and metallurgy.
- This divergence exposes a deeply unbalanced economy, effectively driven entirely by defense/war-related orders.

Production of certain types of military products, y-o-y, in %



Source: Rosstat, KSE Institute

Production of certain types of non-military products, y-o-y, in %

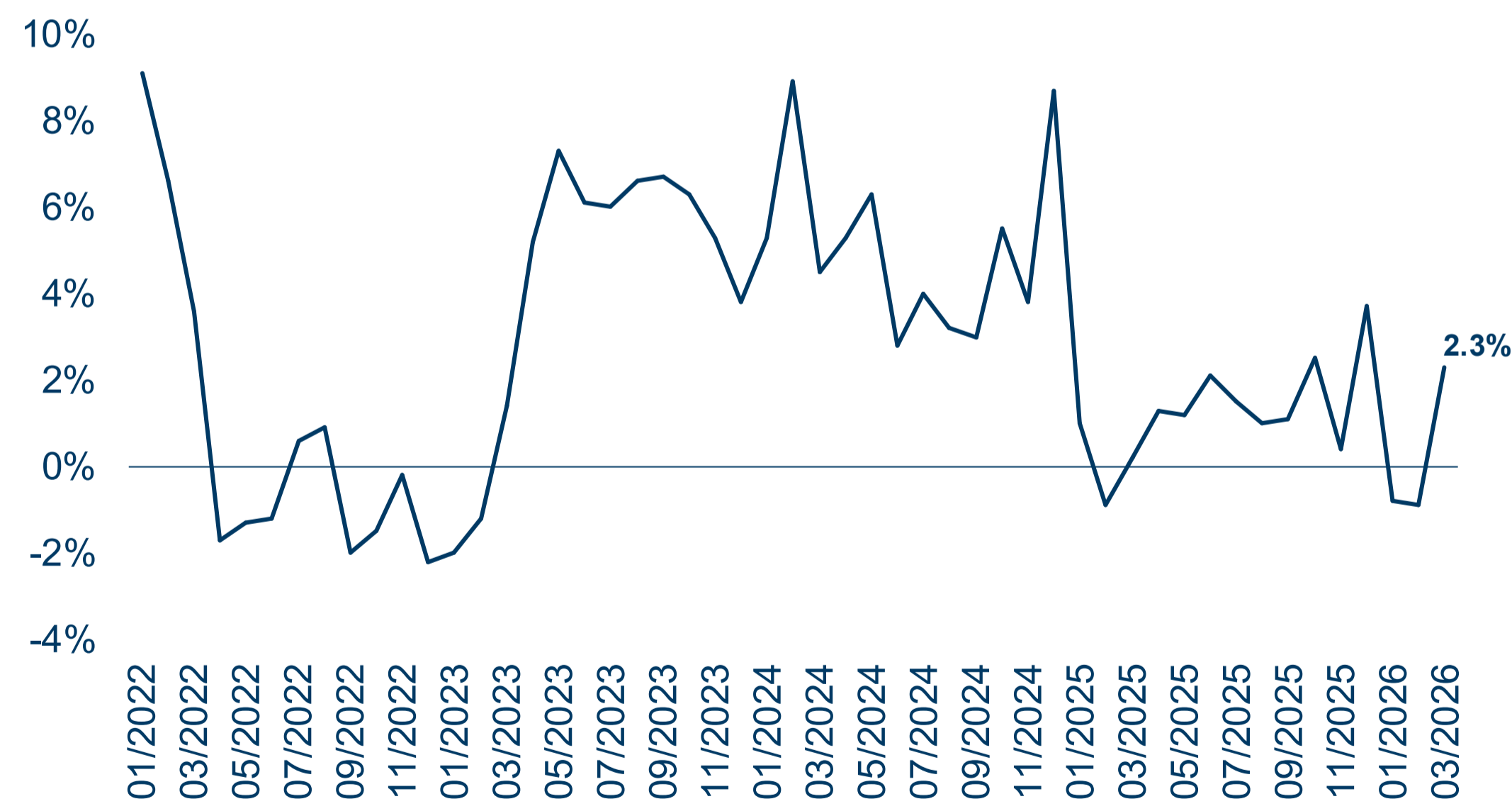


Source: Rosstat, KSE Institute

Falling capacity utilization illustrates growth constraints.

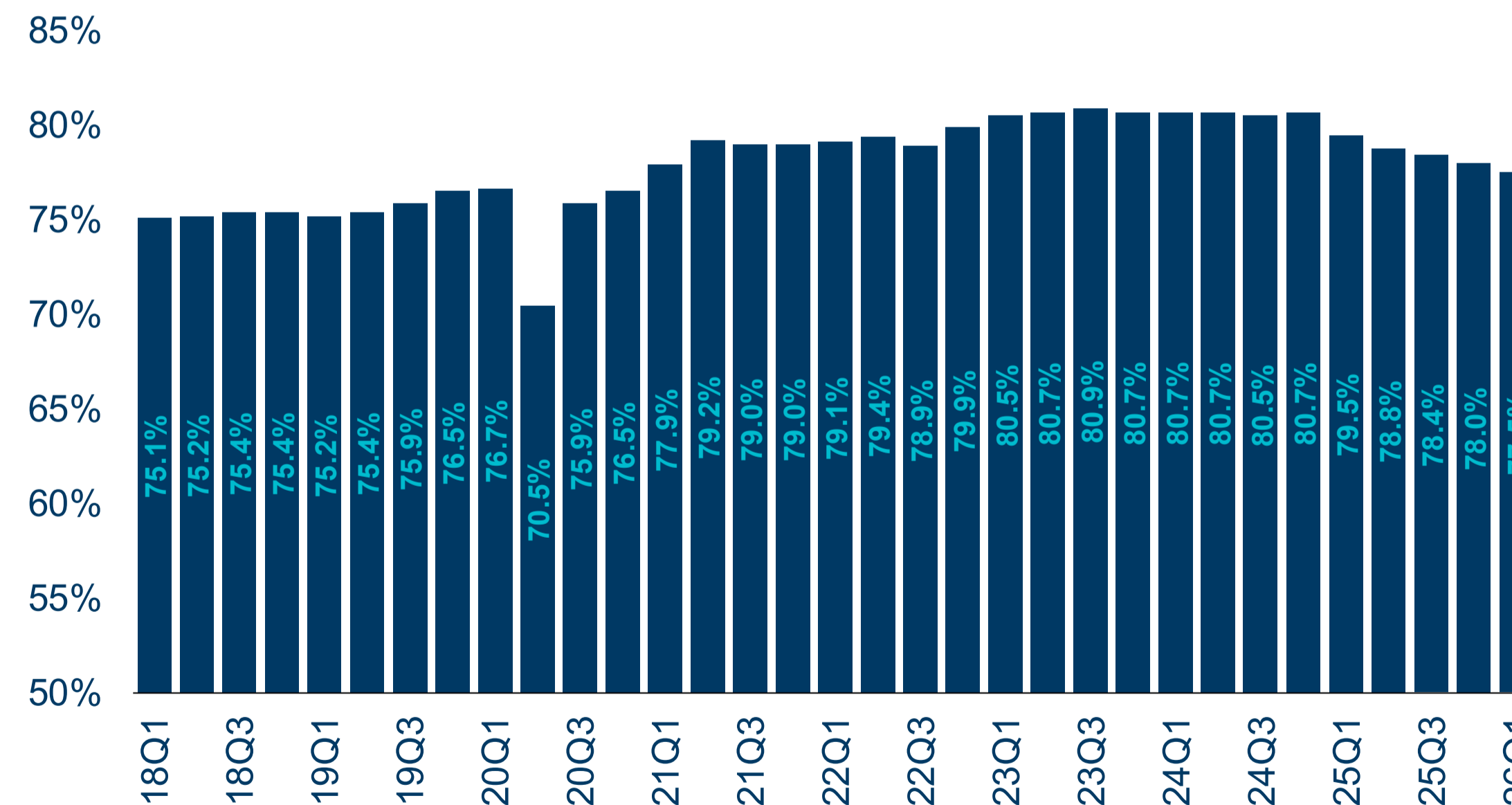
- Industrial production grew by 2.3% y-o-y in Mar. 2026, with recent volatility partially driven by base effects.
- At the same time, capacity utilization is falling from its historic highs, dropping to 77.5% in Q1 2026.
- This signals that fundamentals (e.g., tight labor market, high borrowing costs) are weighing on the economy.

Industrial production growth, y-o-y, in %



Source: Bank of Russia, KSE Institute

Capacity utilization, in %



Source: Bank of Russia, KSE Institute

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