KSE | Institute

KSE Institute Russia Chartbook

Energy Price Moderation Returns Pressures; Budget Deficit Grows

August 2026

Benjamin Hilgenstock
Director of the Center for Geoeconomics and Resilience
bhilgenstock@kse.org.ua

Yuliia Pavytska
Head of the Sanctions Hub of Excellence
ypavytska@kse.org.ua

Matvii Talalaievskyi
Sanctions Policy Analyst
mtalalaievskyi@kse.org.ua

KSE | Institute

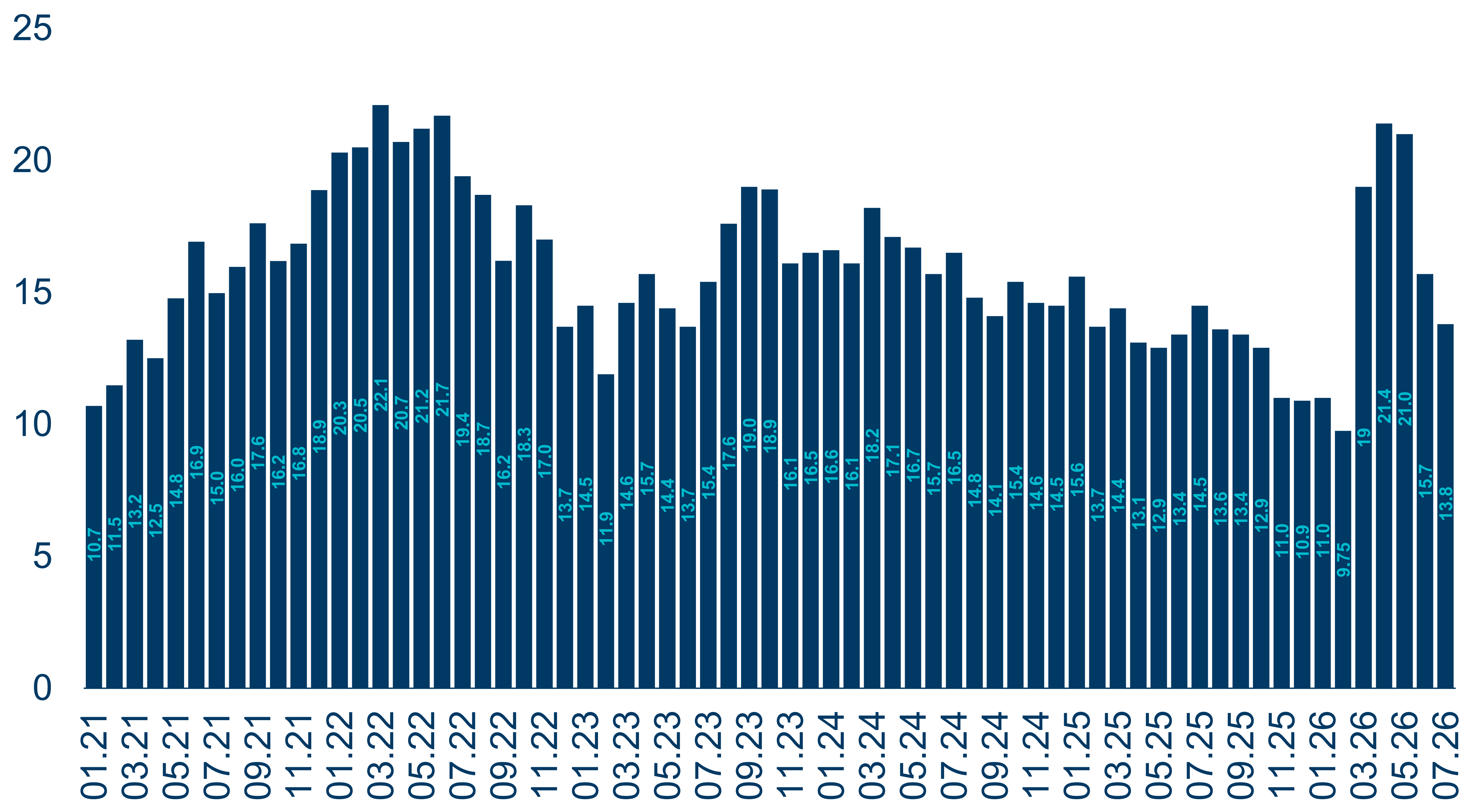
Executive Summary

1. **Russia's oil export earnings continued to decline amid volume disruptions.** In July, they dropped to $13.8 billion (down from $15.8 billion in June). This contraction occurred despite Russian export prices remaining largely stable at $63.9/barrel (vs. $65.2/barrel in the previous month) due to only small movements in global prices and discounts. Instead, the primary driver was a substantial drop in oil export volumes, which decreased to 7.0 mb/d in July (vs. 7.6 mb/d in June). This was largely caused by temporary closures of the Novorossiysk port, which disrupted crude exports (-0.2 mb/d vs. June), while Ukrainian attacks on Russian refineries and the associated export bans for key products such as diesel, gasoline, and gasoil continue to weigh on oil product export volumes (-0.4 mb/d vs. June).
2. **The federal budget deficit grew after a two-period of relative stability.** The cumulative federal budget deficit grew in July, increasing by approximately 600 billion rubles to 6.5 trillion rubles over January–July. This significant increase was primarily driven by a 22% drop in non-O&G revenues compared to June, coupled with a 13% m-o-m increase in expenditures. The current fiscal is 40% larger than the January–July 2025 deficit and exceeds the Ministry of Finance’s revised full-year target (of 4.8 trillion rubles) by 34%. Fiscal challenges are also increasingly evident at the local level: during H2 2026, 56 out of 89 regions (including annexed territories) were in deficit.
3. **Options for financing the budget deficit are severely constrained.** The domestic borrowing market has come to a halt, with OFZ issuance in July hitting its lowest level since September 2022 due to the complete suspension of auctions as the Ministry of Finance failed to secure acceptable terms. This reflects Russian bank’s increasing liquidity struggles. Auctions are not expected to resume until September according to authorities. Alternative funding sources are also taking a hit. Specifically, the drop in the NWF's non-liquid assets (by 500 billion rubles m-o-m) stems from plunging share prices of NWF-held state-owned companies, primarily Sberbank.
4. **The macroeconomic outlook remains fragile.** Russia reported Q2 2026 real GDP growth of 1.3%, rebounding from the contraction recorded in Q1. However, this reported uptick should be treated with caution, as Rosstat's data is frequently subject to revision. Furthermore, underlying economic constraints are increasingly visible through broadening inflationary pressures. Headline inflation remained unchanged at 6.0% y-o-y in July, while inflation expectations among both enterprises and households have surged (20.2% and 14.7% vs. 15.9% and 12.4% m-o-m, respectively). With price growth accelerating across most tracked consumer categories and ongoing strikes on key infrastructure, the long-term macroeconomic forecasts for 2026–27 remain fundamentally bleak.

Oil revenues continue to decline despite stable export prices and discounts.

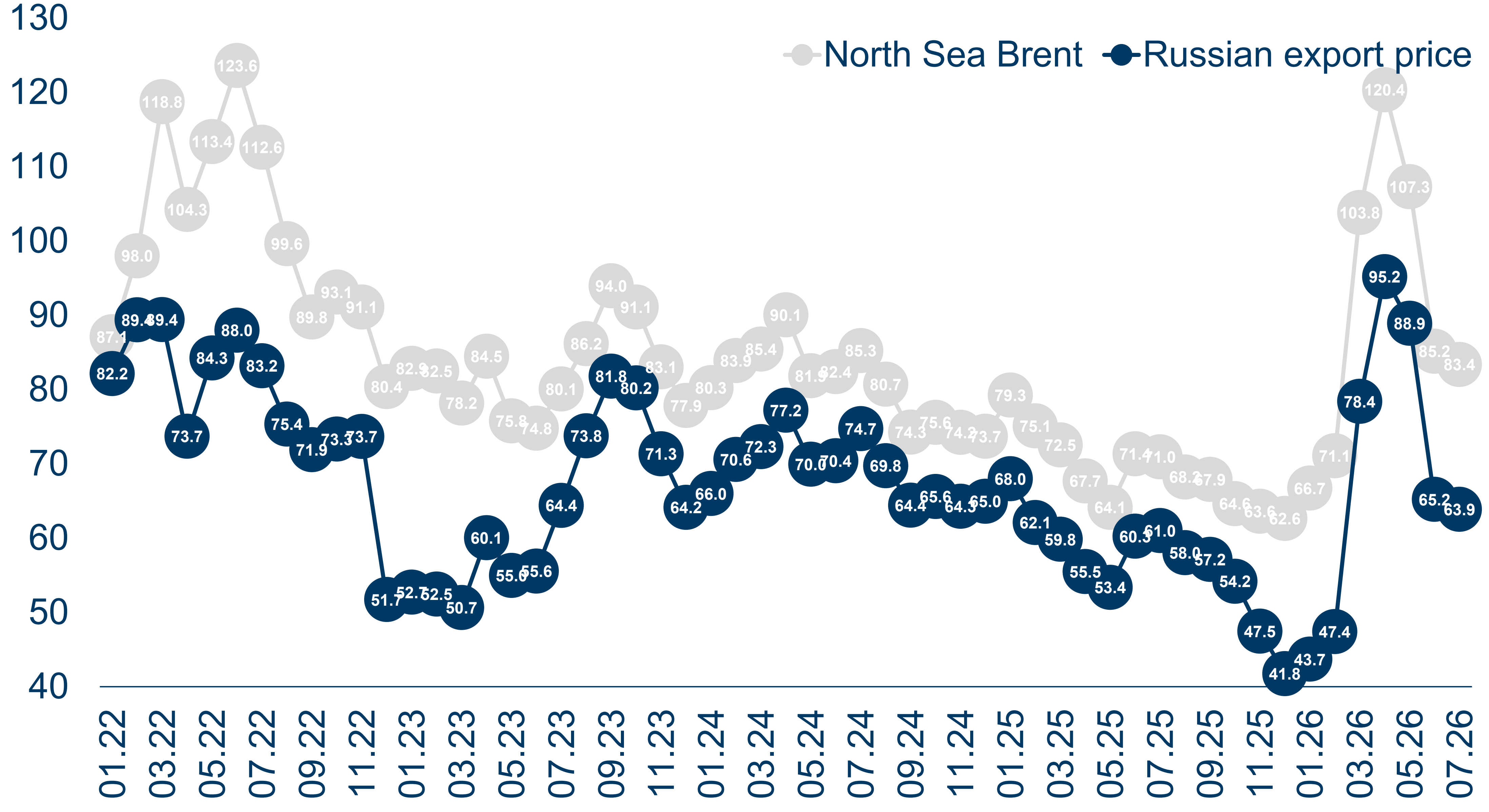
- Oil revenues continued their downward trend, falling to $13.8 billion in Jul. (vs. $15.8 billion in Jun.).
- Russian prices stabilized, remaining roughly at the same level at $63.9/barrel in Jul. (vs. $65.2/barrel in Jun.).
- The discount on Russian oil also stayed largely unchanged at $19.5/barrel (vs. $19.9/barrel in Jun.).

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

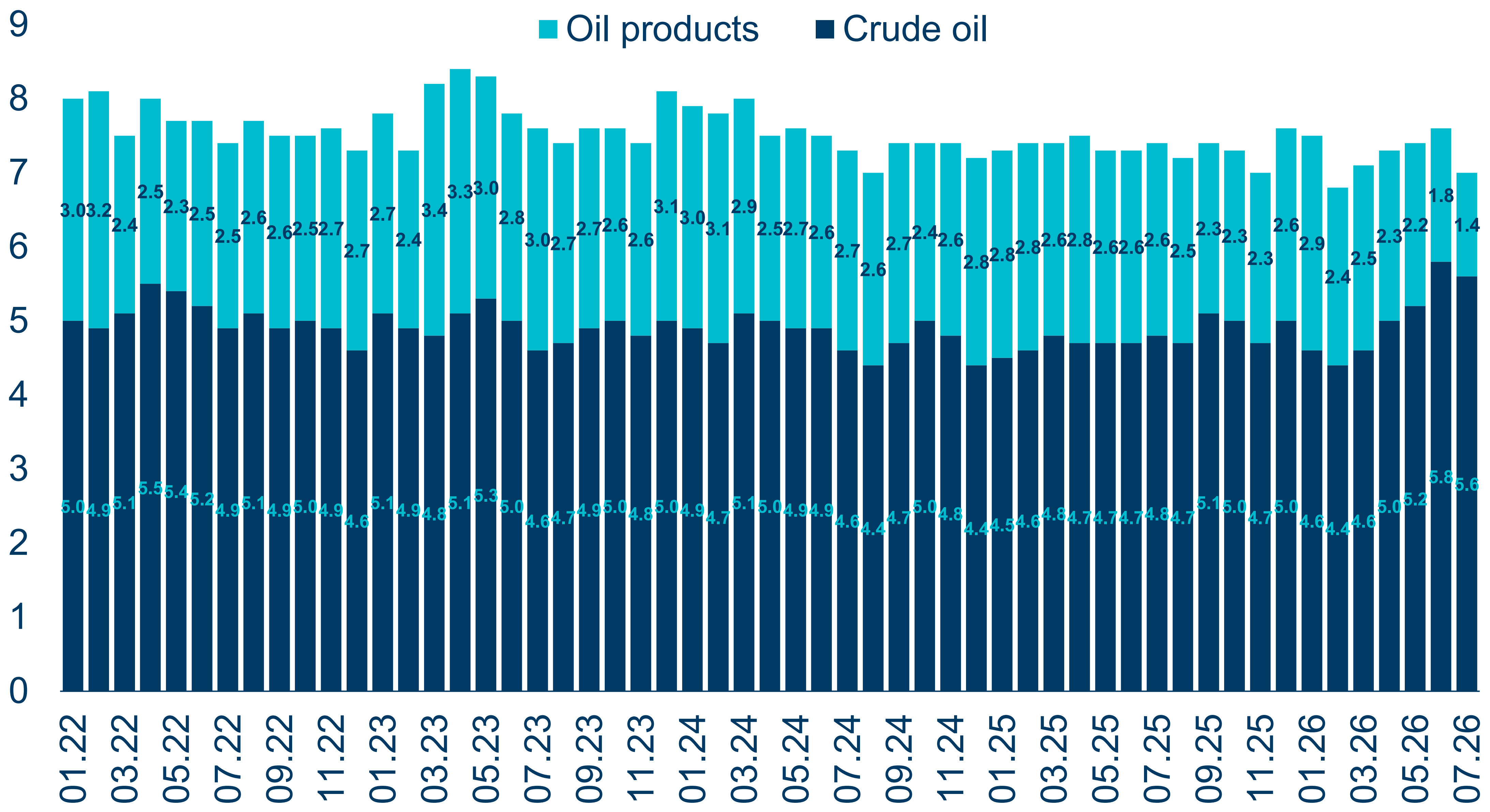


Source: International Energy Agency, KSE Institute

Oil export volumes fall as both crude and product shipments face disruptions.

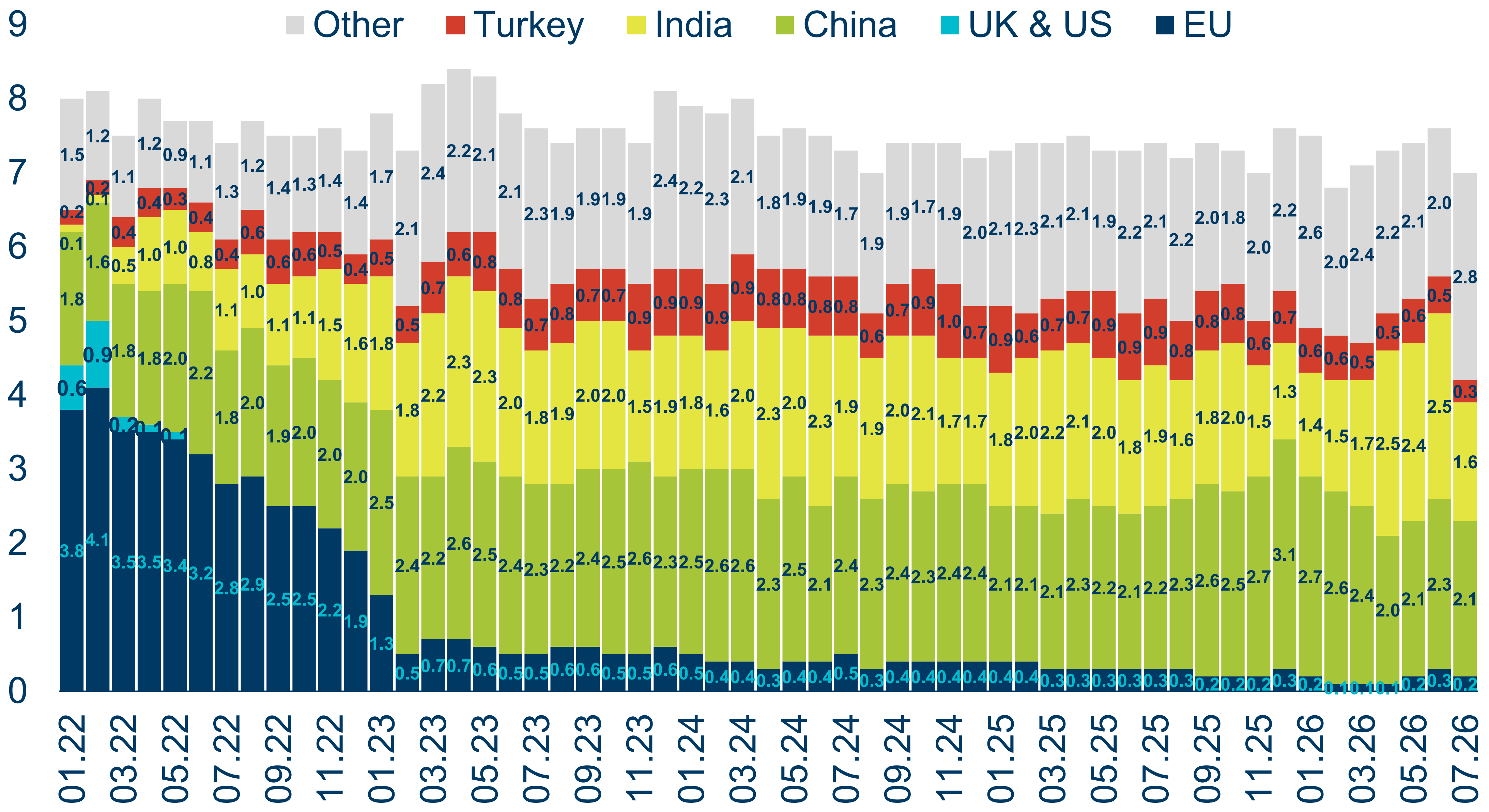
- Total Russian oil export volumes reached 7.0 mb/d in Jul. 2026, marking the lowest level seen since Feb. 2024.
- The decline reflects drops in both crude (5.6 mb/d vs. 5.8 in Jun.) and oil products (1.4 mb/d vs. 1.9 in Jun.).
- The product decline stems from ongoing attacks and export bans, while crude fell due to Novorossiysk port closures.

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

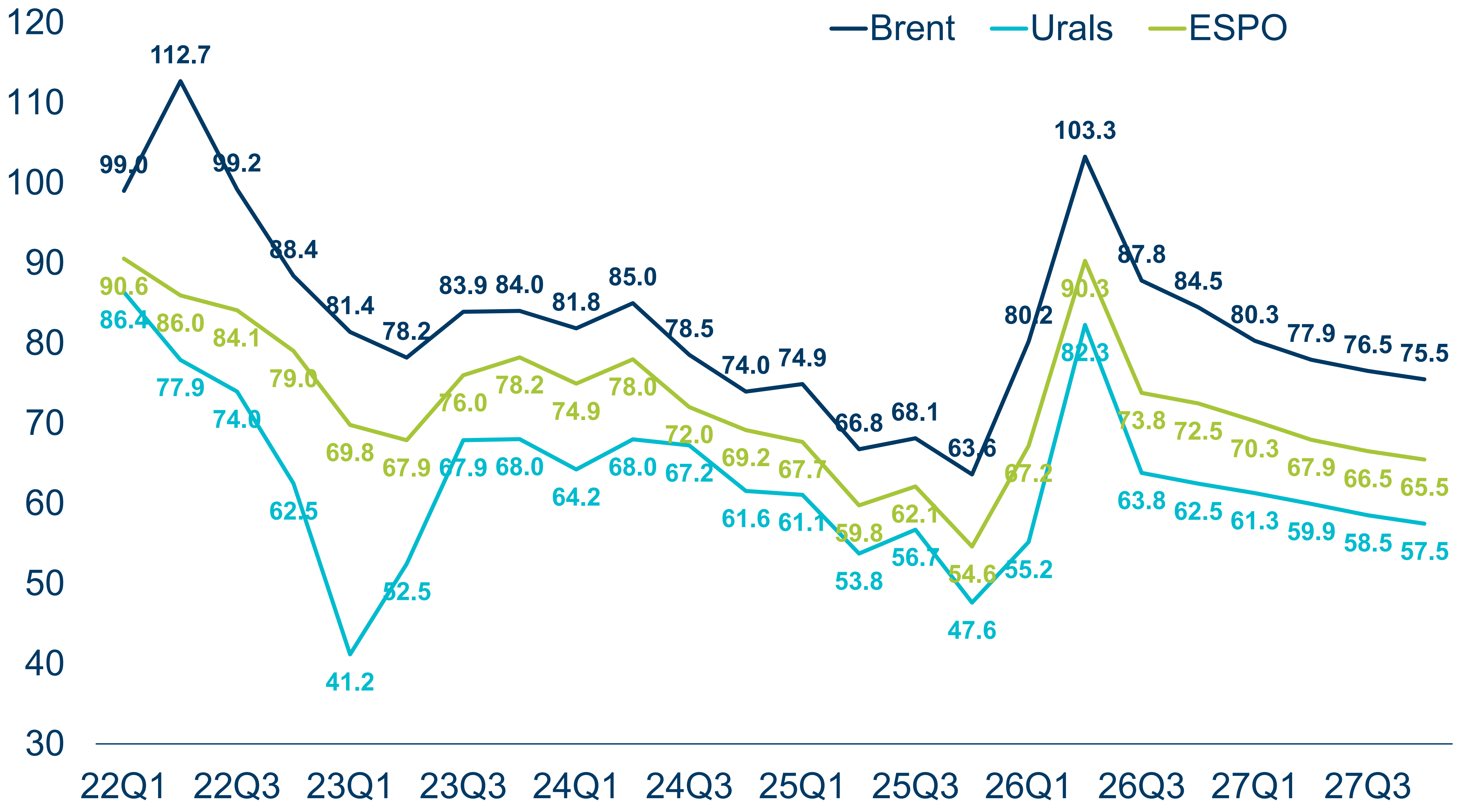


Source: International Energy Agency, KSE Institute

Renewed Middle East tensions to keep Russian oil prices elevated.

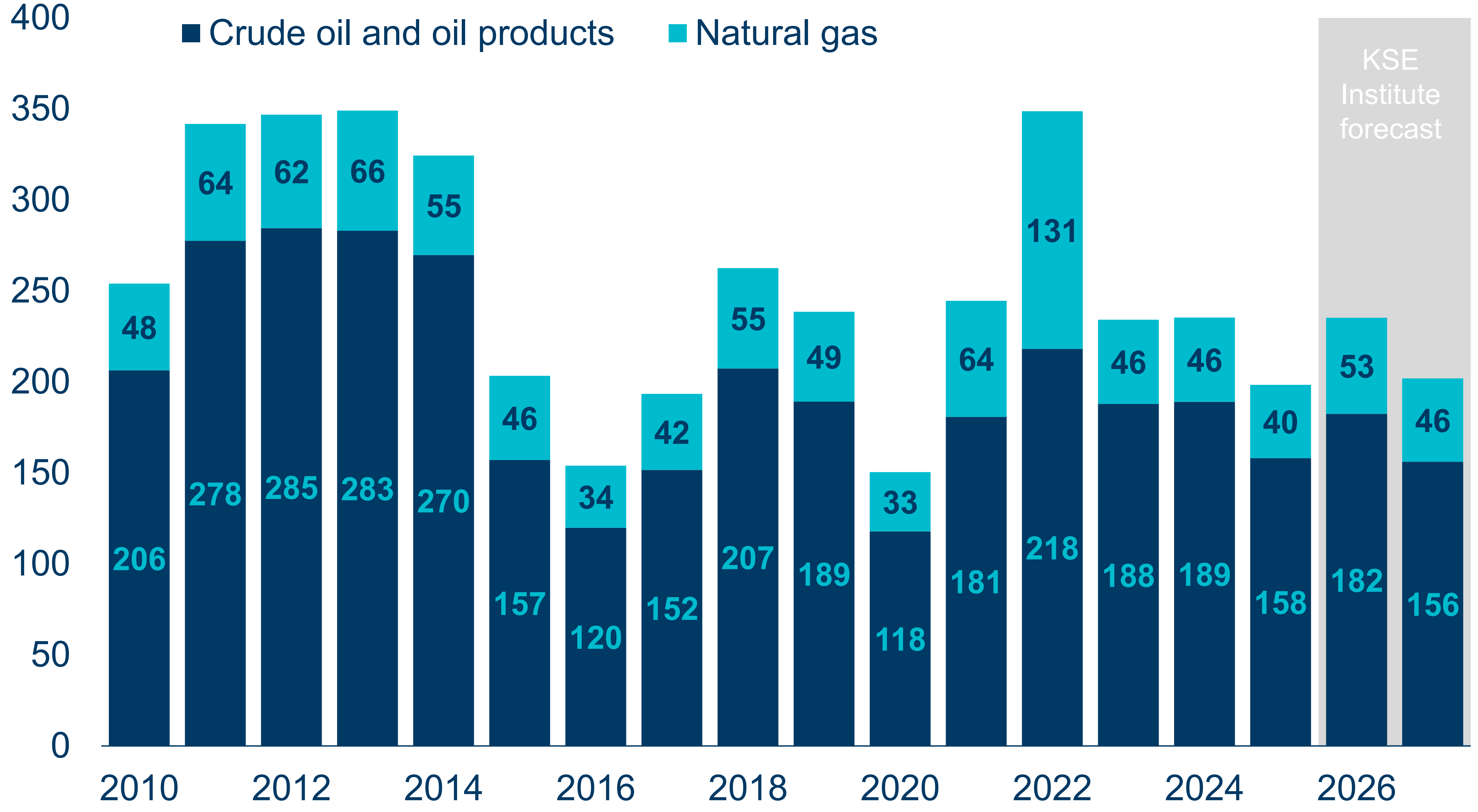
- Amid ongoing tensions, global oil benchmarks will remain high, with Brent projected to average ~$83/bbl over 2026–27.
- Supported by these dynamics, Russian Urals crude will trade above the ~$60/bbl budget price, averaging ~$63/bbl.
- Altogether, oil exports are projected to increase to $182 billion in 2026 (+$24 billion vs. 2025) before declining to $156 billion.

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

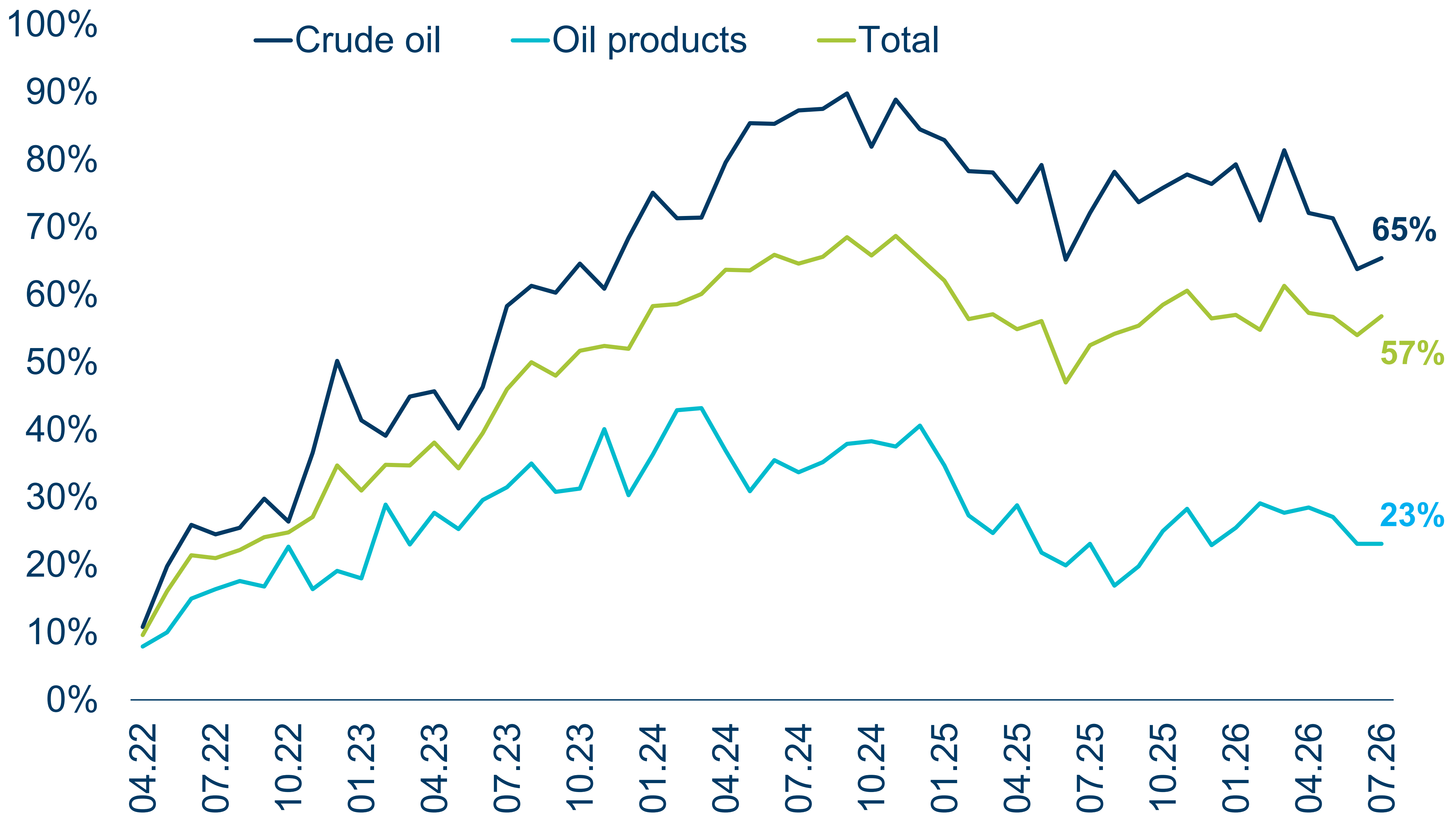


Source: Bank of Russia, KSE Institute

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

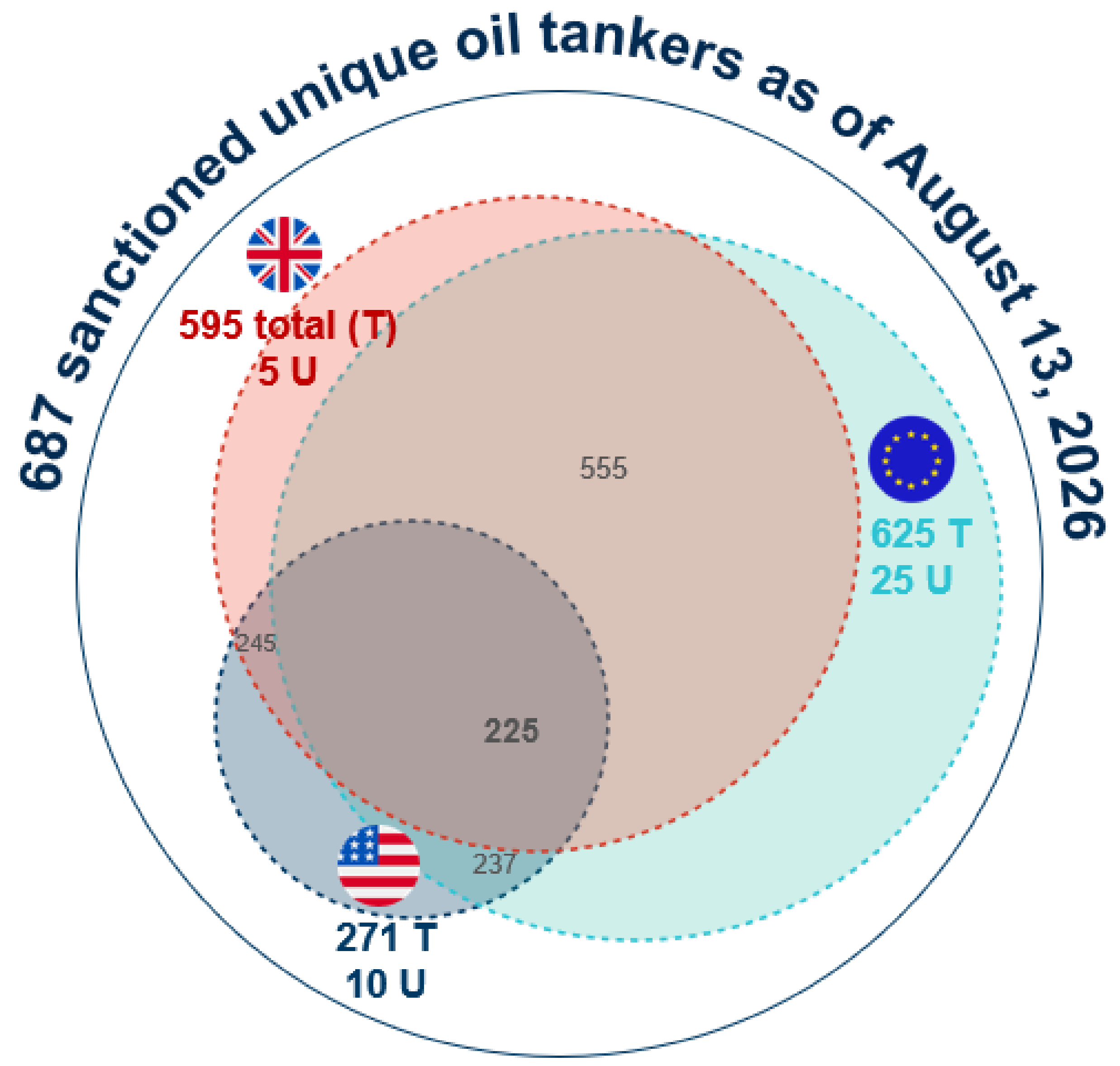
- The shadow fleet's share in Russian oil exports increased slightly to 57% in Jul. compared to 54% in Jun.
- The shares of crude oil and oil products remain mostly unchanged (65% and 23% in Jul. vs 64% and 23% in Jun.)
- The effectiveness of vessel designations needs to be improved—by comprehensively targeting the ecosystem.

Shadow fleet share of seaborne oil exports, in %



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

Current vessel designations by jurisdiction



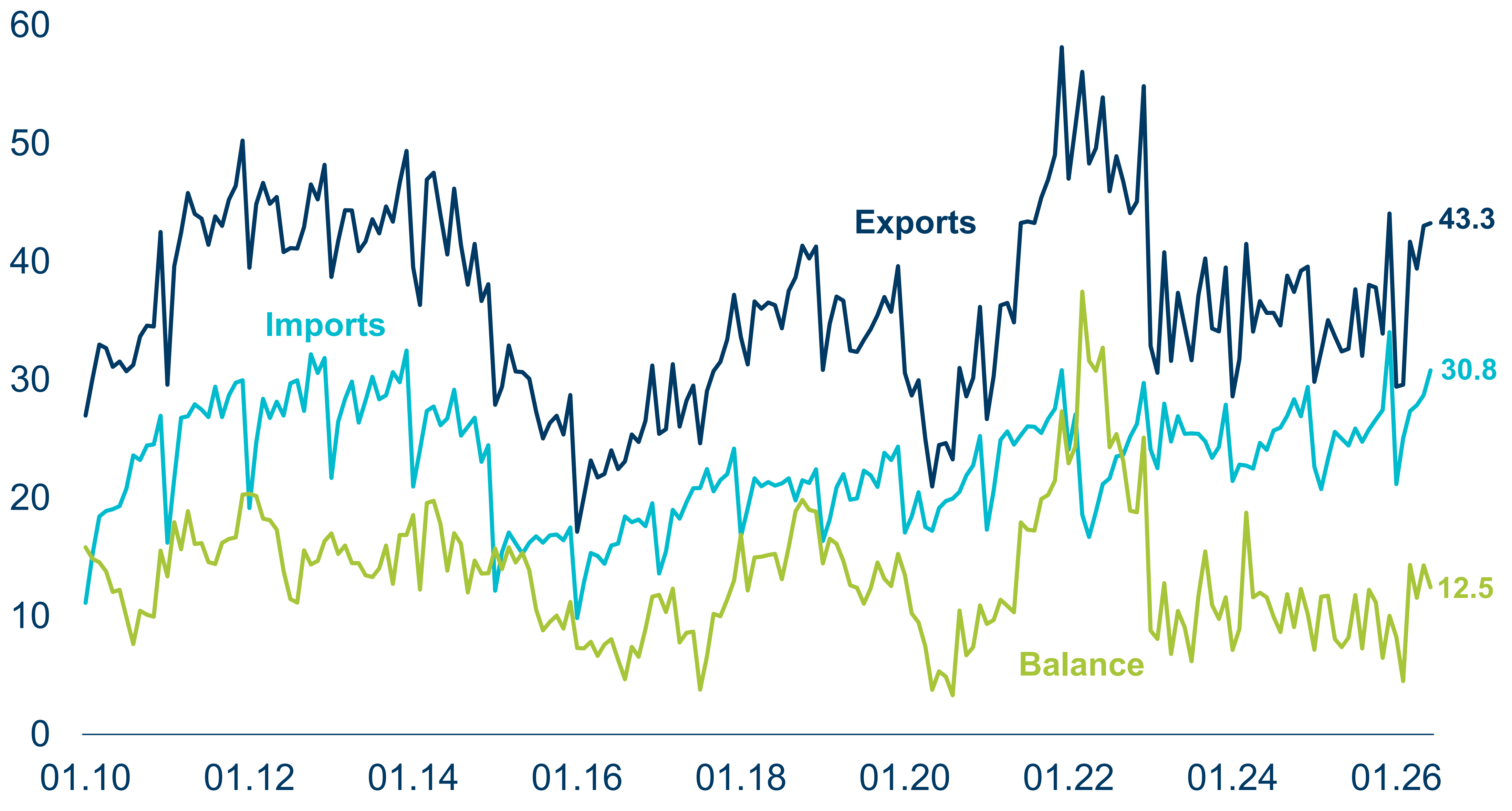
Source: European Commission, OFAC, OFSI, KSE Institute.

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.

Current account balance surges in Q2 driven by oil windfalls.

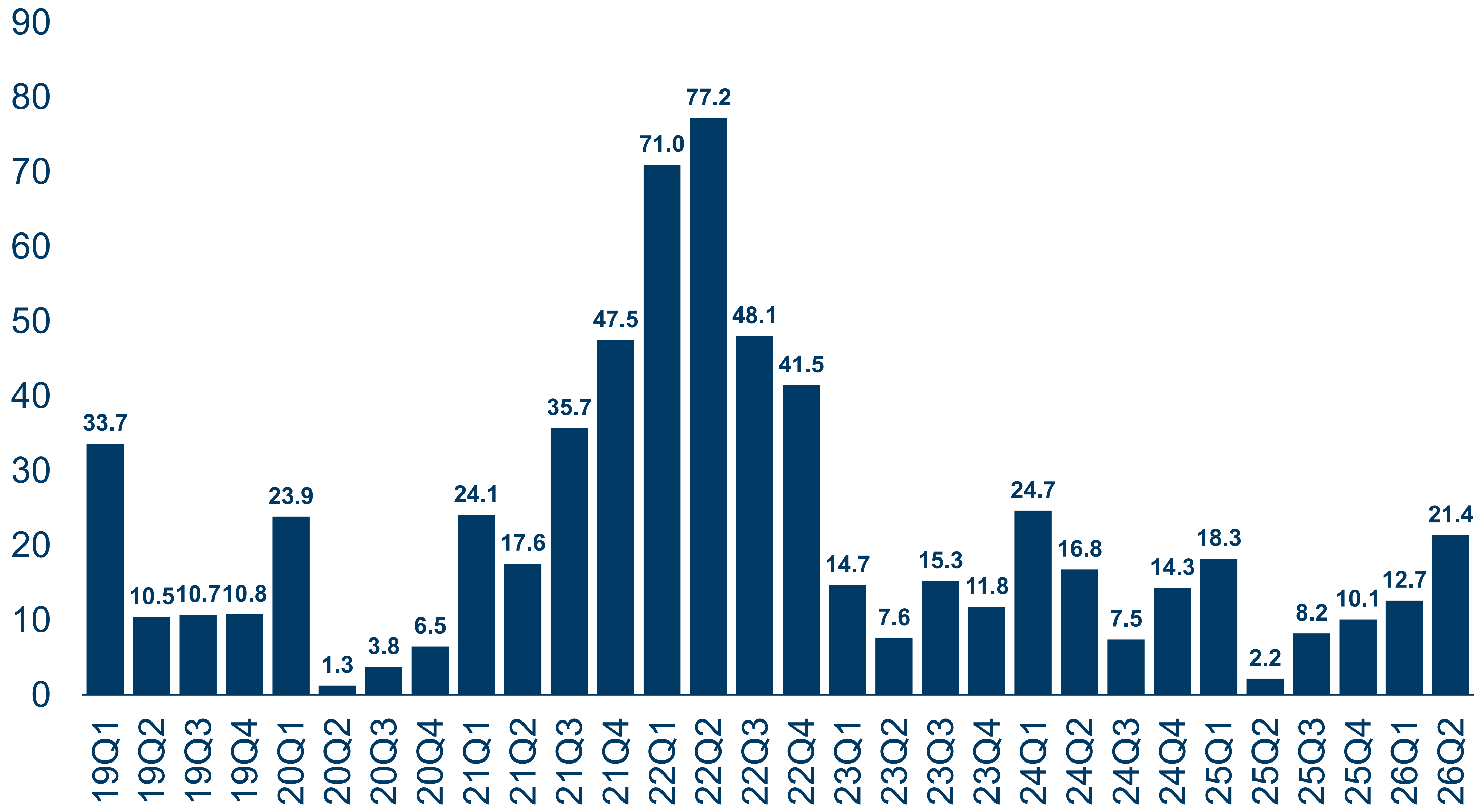
- The Q2 current account balance reached $21.4 billion, growing $8.7 billion (69%) q-o-q and $19.2 billion y-o-y.
- This robust growth was fueled by soaring oil export windfalls linked to the ongoing Middle East conflict.
- However, the trade balance narrowed in Jun. as a slight increase in imports offset unchanged exports.

Monthly trade statistics, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

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

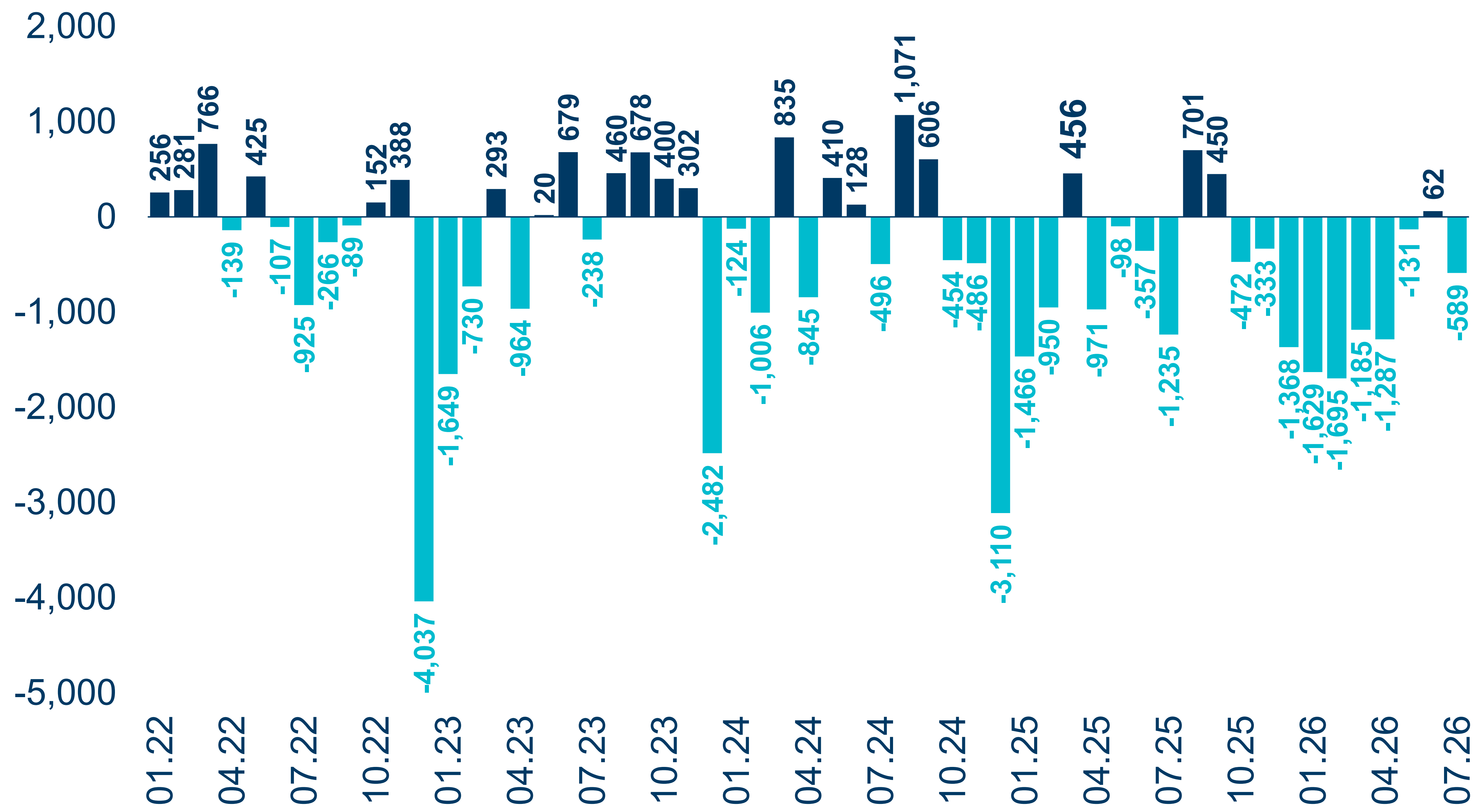


Source: Bank of Russia, KSE Institute

Budget deficit grows in July and already exceeds the revised target.

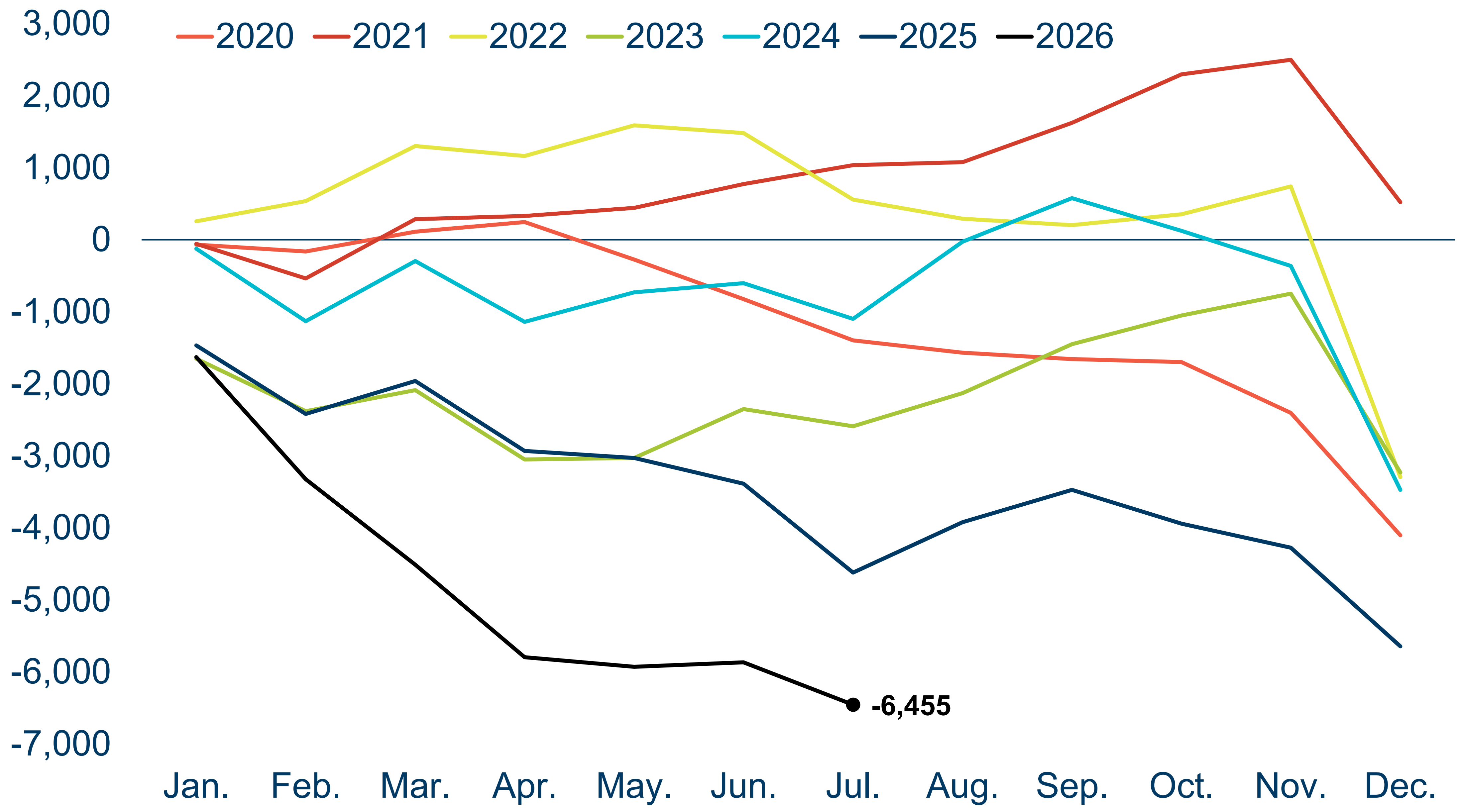
- The cumulative federal budget deficit grew to 6.5 trillion rubles in Jul. (+600 billion) after a two-month hiatus.
- This was driven by a drop in non-O&G revenues (-22% vs. Jun.) and rising expenditures (+13% vs. Jun.).
- The deficit is 40% larger year-over-year and already exceeds MinFin's revised annual target of 4.8 trillion.

Federal government balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Cumulative federal budget balance, in ruble billion

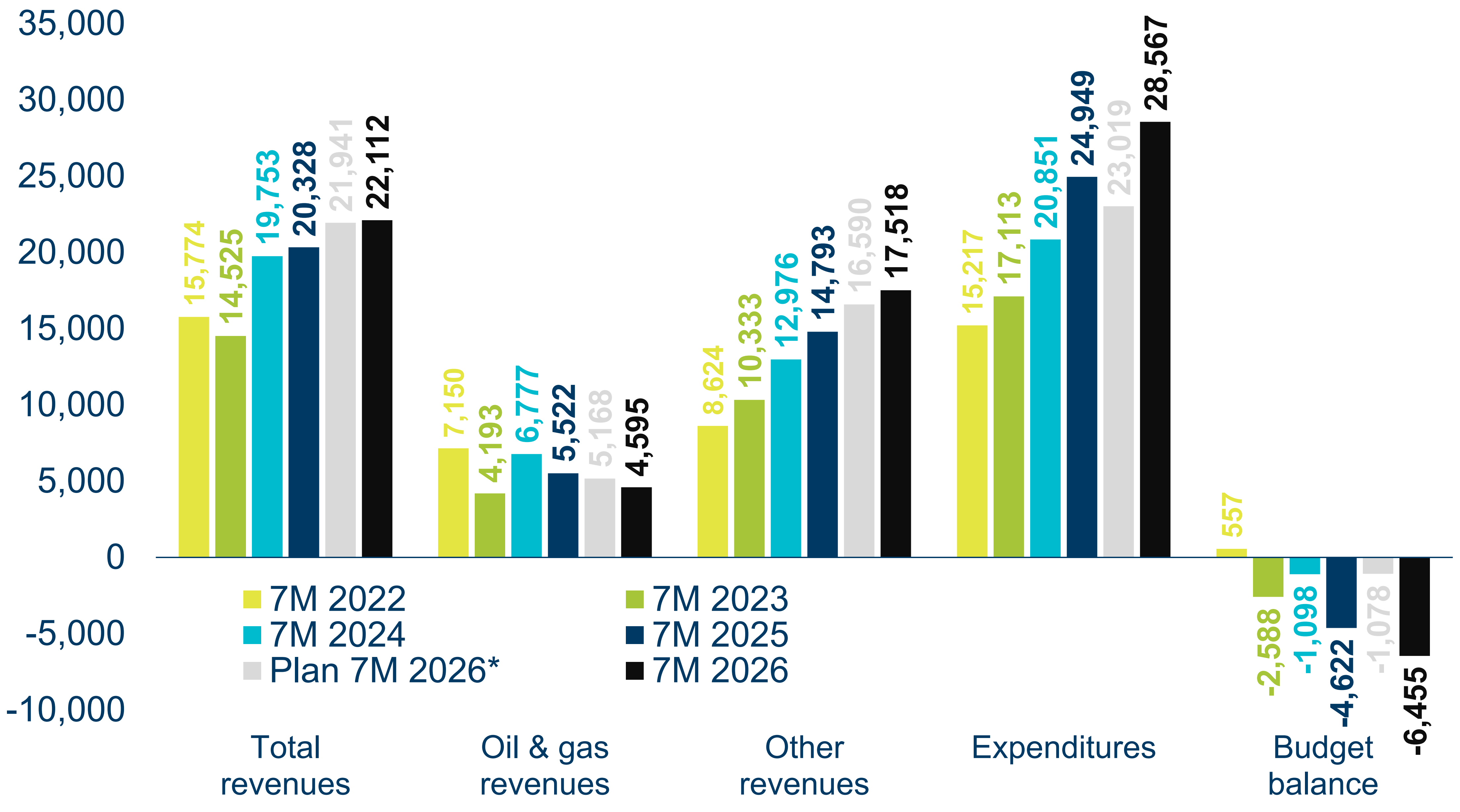


Source: Ministry of Finance, KSE Institute

Quarterly tax payments boost O&G revenues, but base receipts are down.

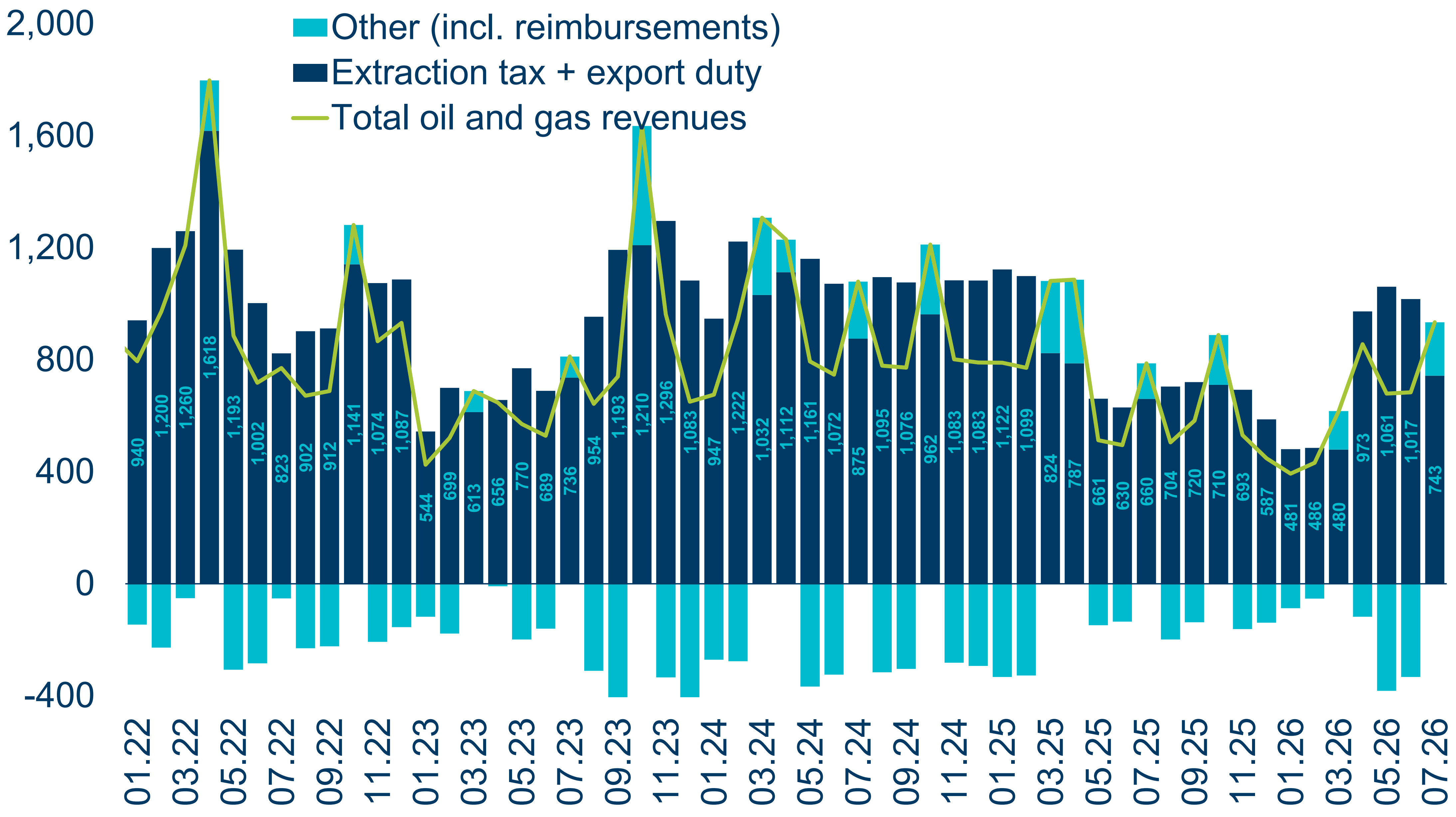
- In Jan.–Jul, O&G revenues were 17% weaker y-o-y, non-O&G revenues 18% stronger, and expenditures 15% higher.
- Jul. O&G revenues were supported by scheduled quarterly profit-based tax payments, while base revenues dropped.
- With disruptions to energy flows in the Middle East persisting, revenues will receive further support in the coming months.

Federal budget revenues and expenditures, in ruble billion



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

Federal oil and gas revenues, in ruble billion

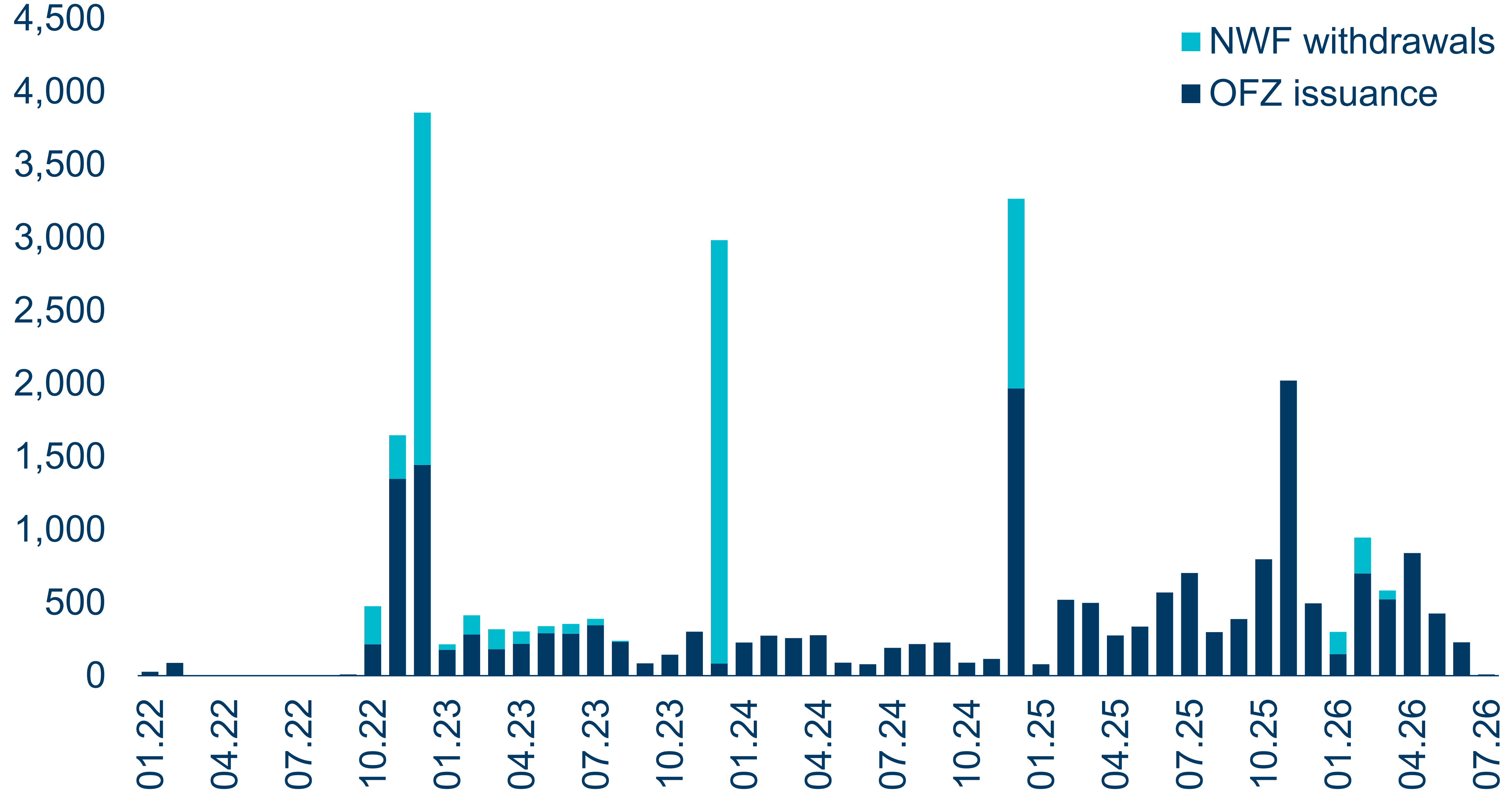


Source: Ministry of Finance, KSE Institute

Domestic borrowing stalls; MinFin fails to secure acceptable terms.

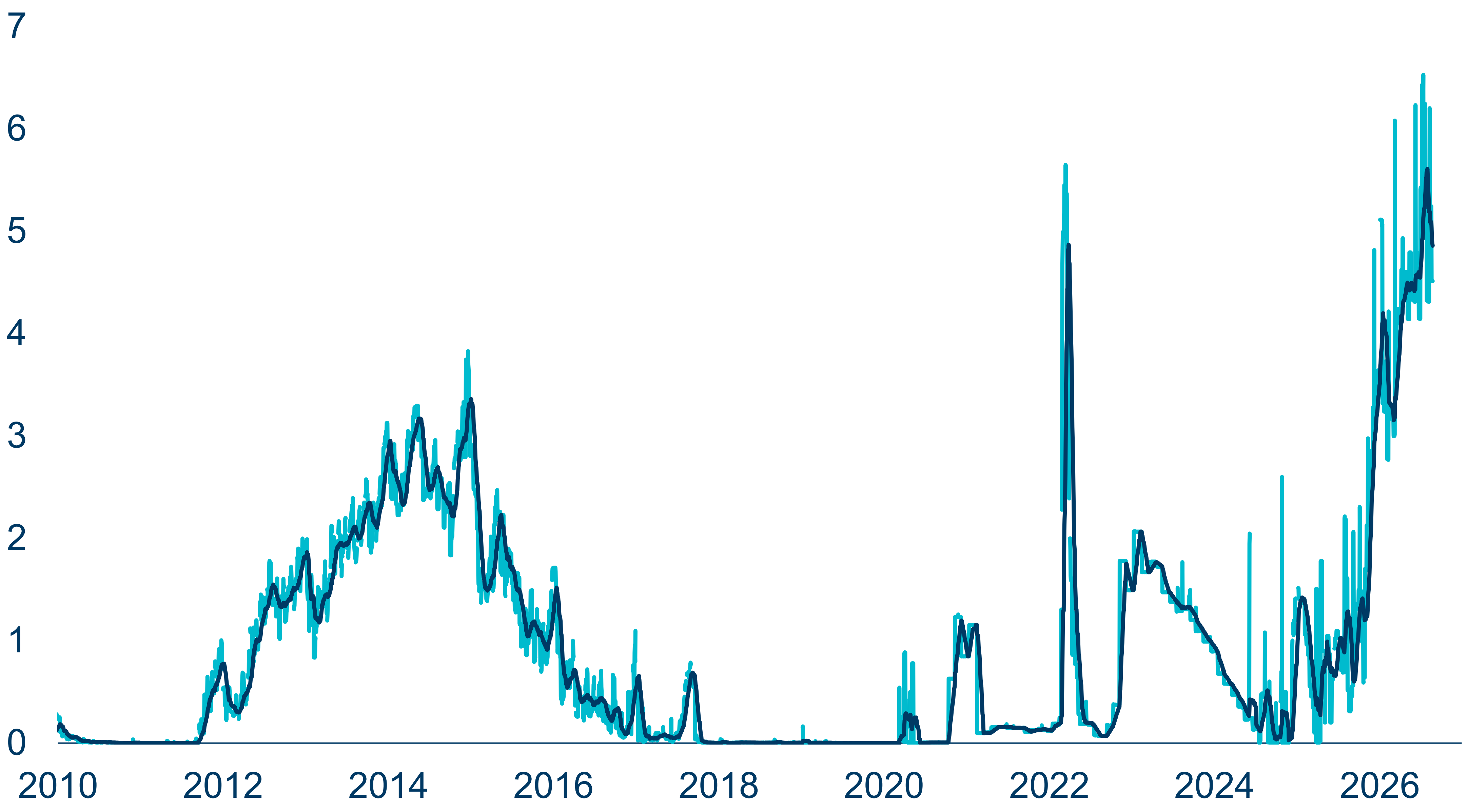
- OFZ issuance in Jul. hit its lowest level since September 2022, driven by the suspension of auctions.
- Prolonged auction suspensions threaten the 2026 borrowing plan, which is currently only 53% fulfilled.
- With banks buying less OFZs, CBR repo operations have moderated to around 5 billion rubles.

Key fiscal financing channels, in ruble billion



Source: Ministry of Finance, KSE Institute

Total outstanding repo loans, in trillion rubles

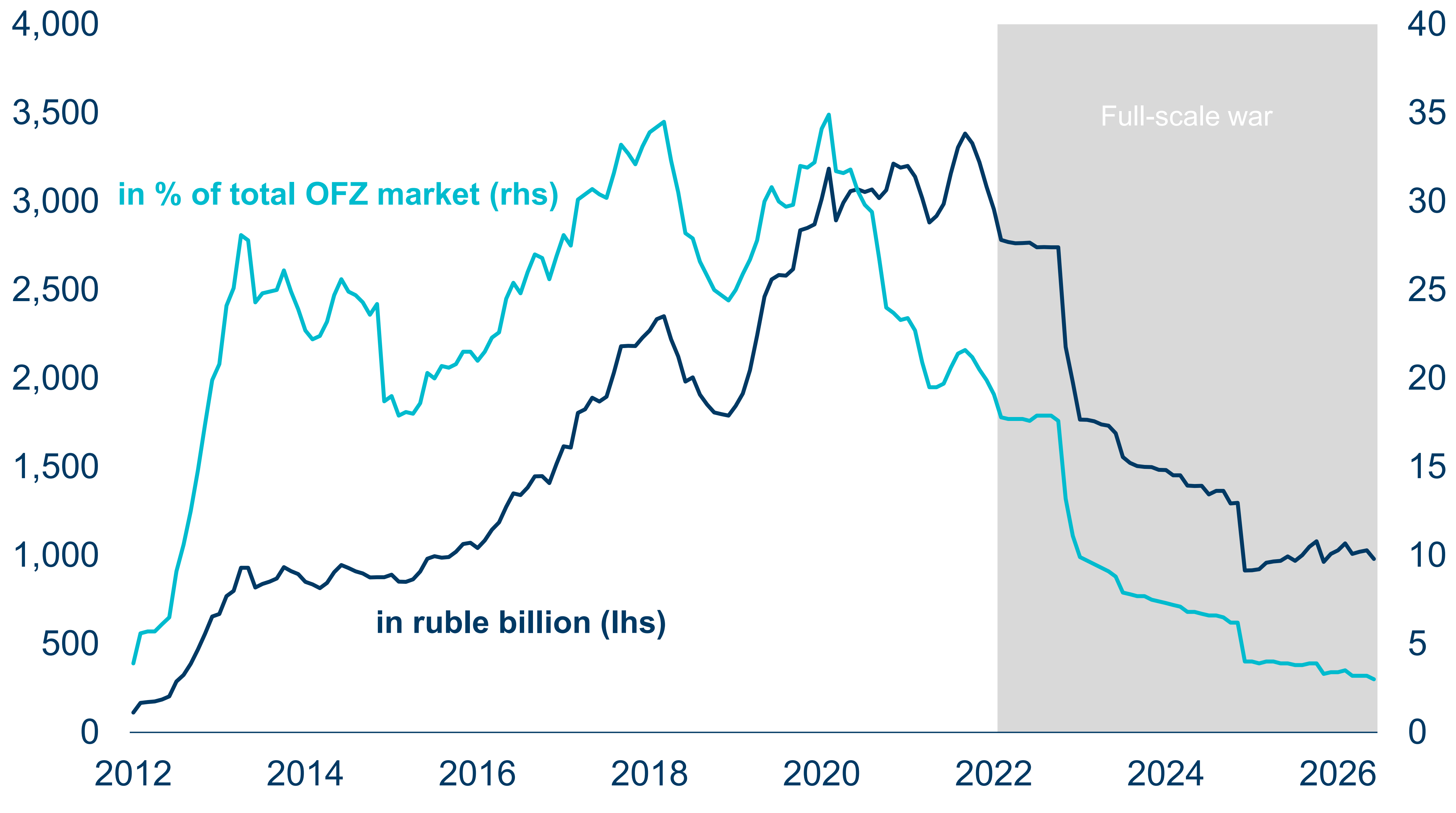


Source: Bank of Russia, KSE Institute

Domestic banks are the only remaining buyers of OFZs.

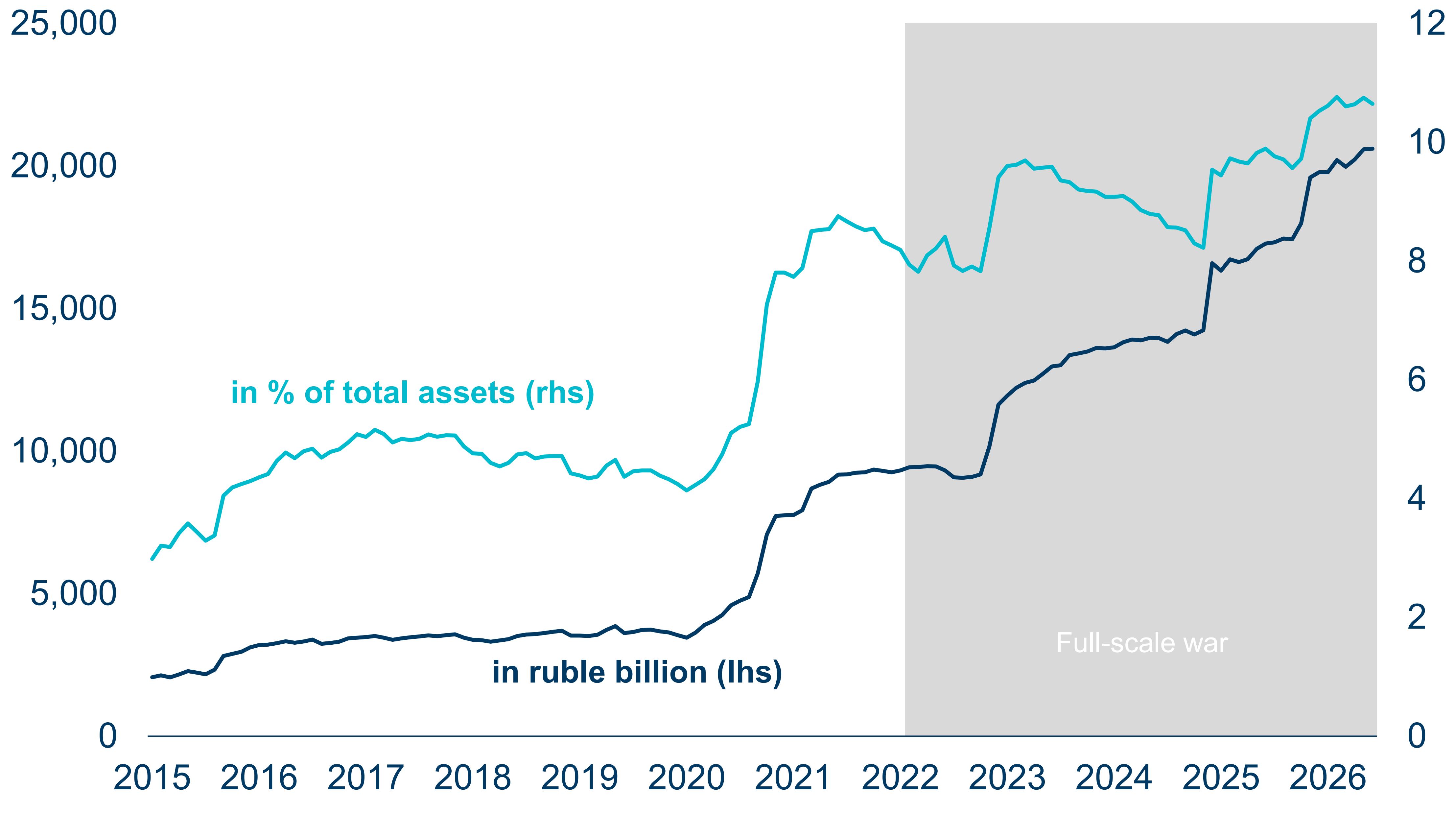
- Foreigners have largely disengaged from the Russian sovereign debt market since the start of the war.
- Non-resident holdings have dropped 2.0 trillion rubles (or 67%) since January 2022 as bonds matured.
- Credit institutions' holdings of OFZs, on the other hand, have risen significantly over the same period.

Non-resident OFZ holdings



Source: Bank of Russia, KSE Institute

Depository corporations' OFZ holdings*

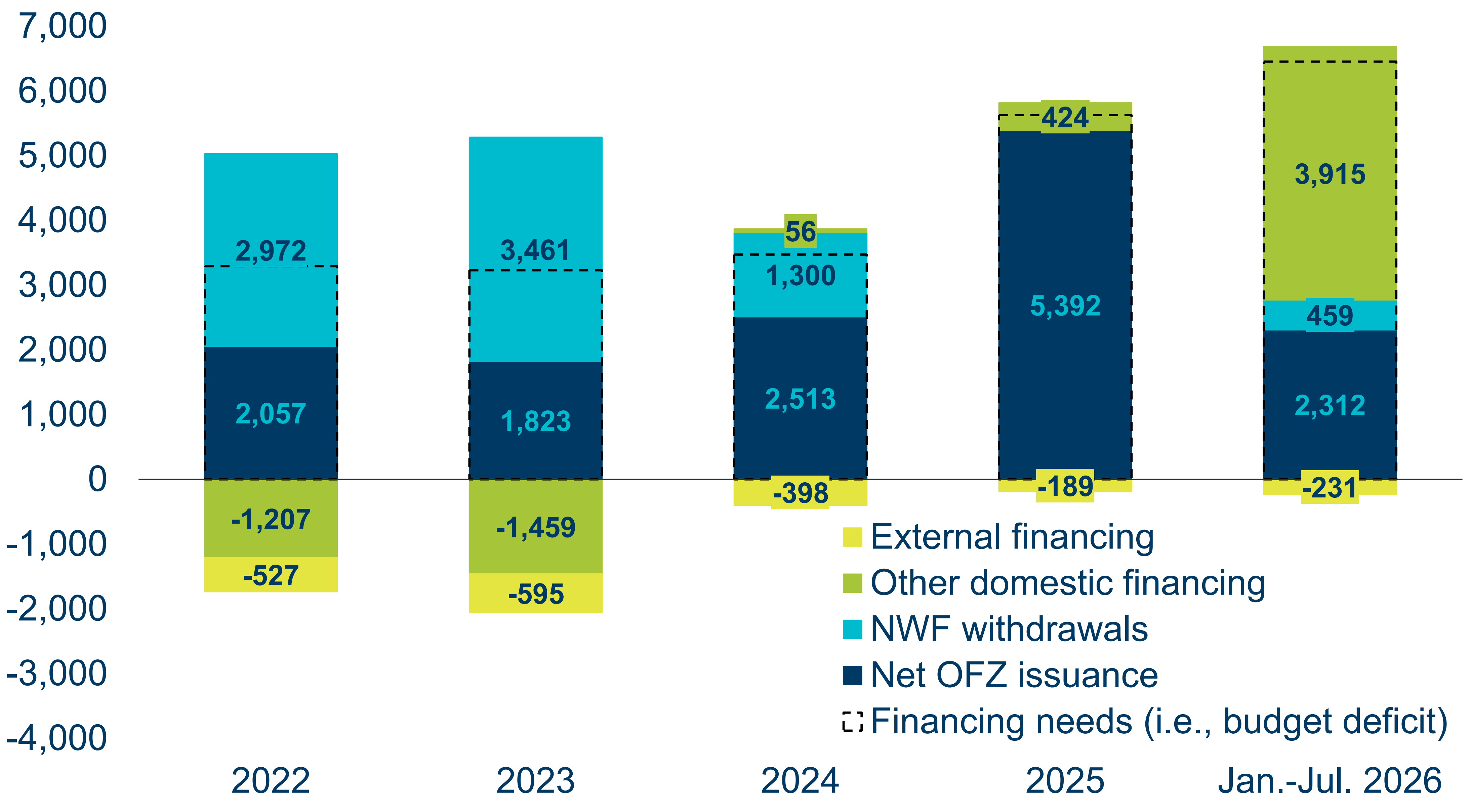


Source: Bank of Russia, KSE Institute *excluding Bank of Russia

Budget underfinancing puts pressure on the Treasury's cash balance.

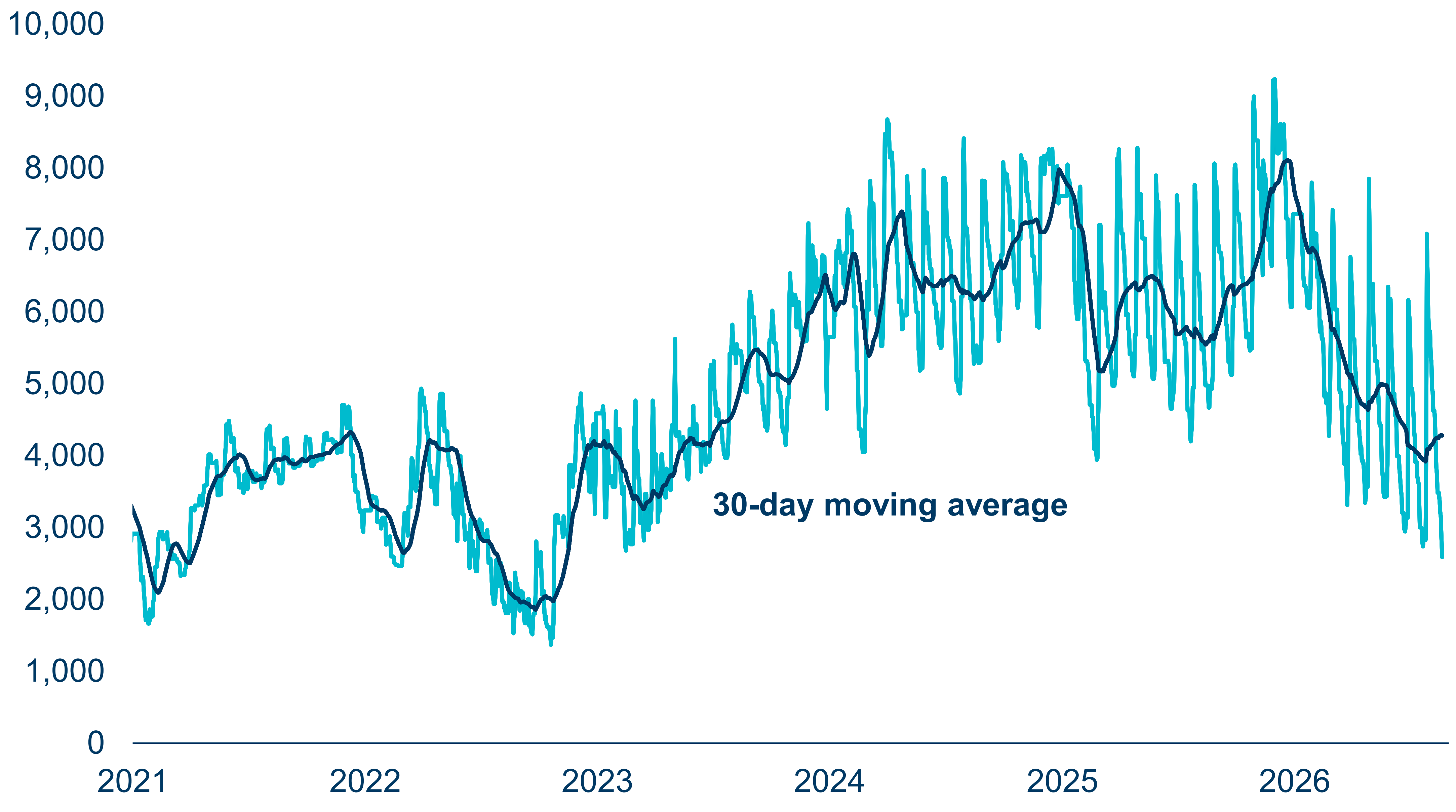
- Net OFZ issuance and NWF withdrawals were 3.7 trillion rubles ($47 billion) smaller than the deficit in Jan.-Jul.
- Russia relied on its Treasury's account, which declined by 3.6 trillion rubles from December to Jul. (monthly avg.).
- In the absence of meaningful fiscal improvements, higher domestic borrowing and NWF utilization will be required.

Budget financing needs vs. sources, in ruble billion



Source: Ministry of Finance, KSE Institute

Treasury deposits at commercial banks, in ruble billion

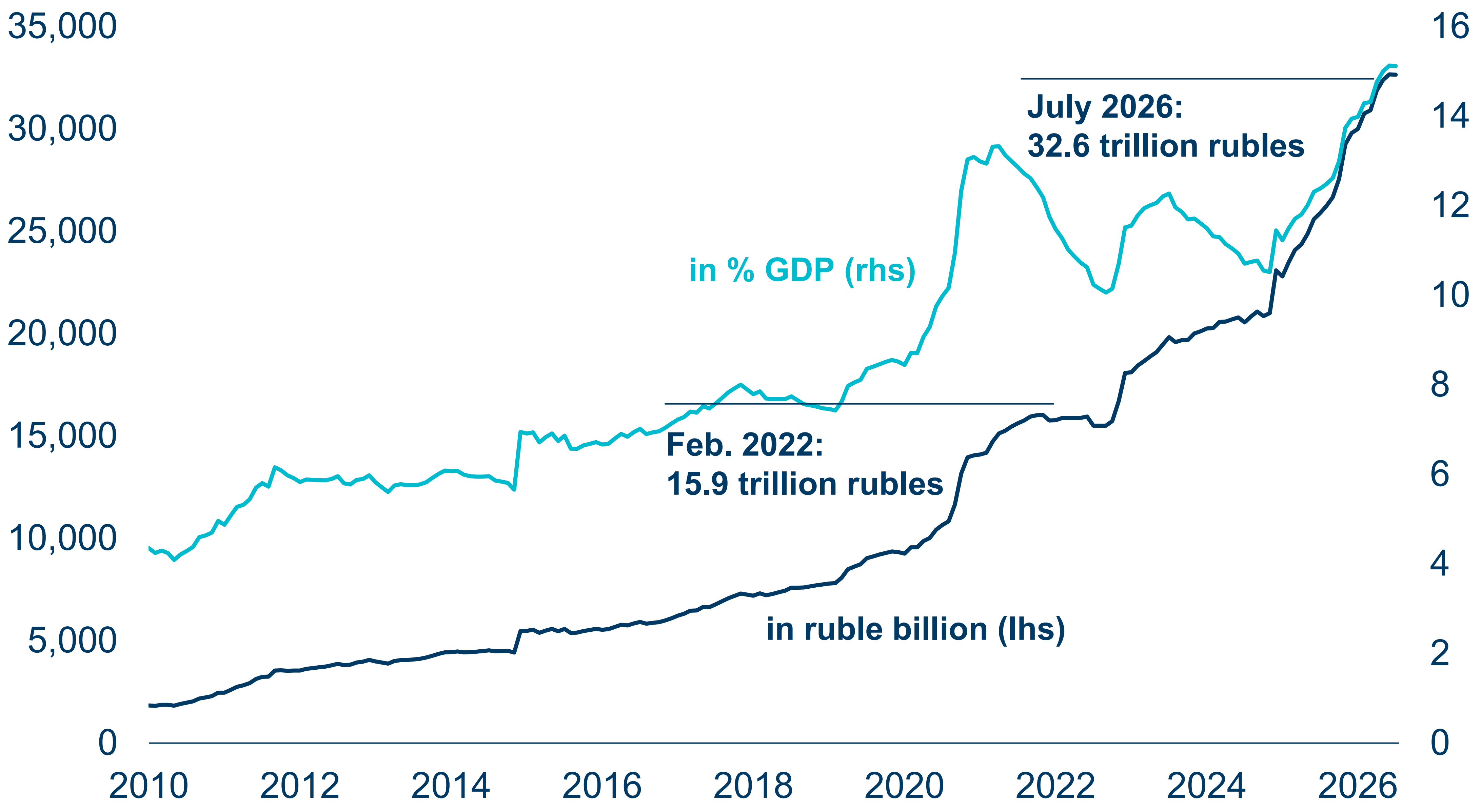


Source: Bank of Russia, Russian Treasury, KSE Institute

Domestic debt soars, budget exposed to rising servicing costs.

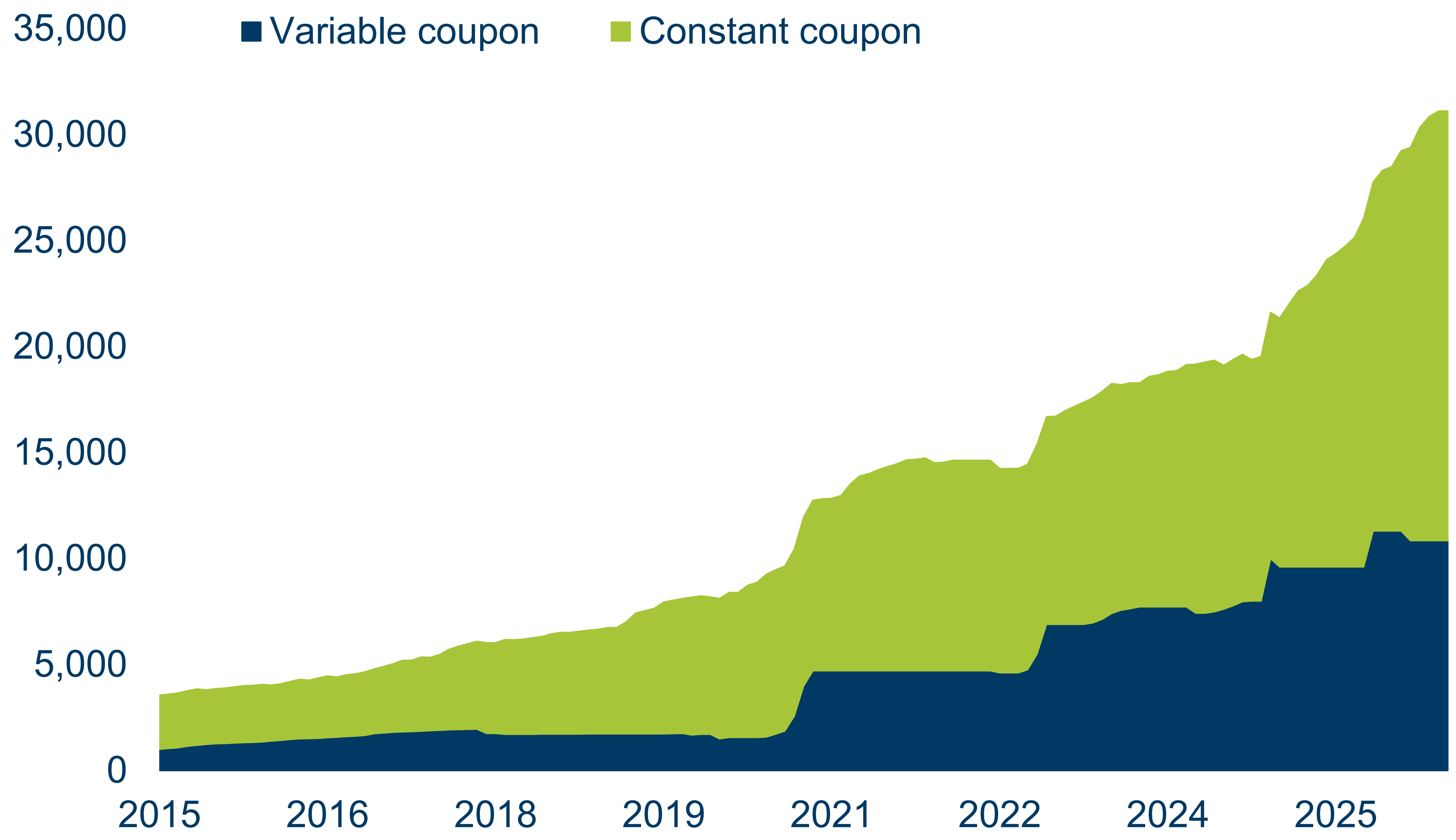
- Federal domestic debt has doubled since Feb. 2022 to 32.6 trillion rubles in Jul. 2026 and stands at ~15% of GDP.
- Total debt decreased marginally (by 15 billion rubles) as MinFin merely services existing debt without new borrowing.
- Given ongoing market volatility, MinFin may have to accept higher yields to place sufficient amounts of OFZs.

Federal government domestic debt



Source: Ministry of Finance, KSE Institute

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

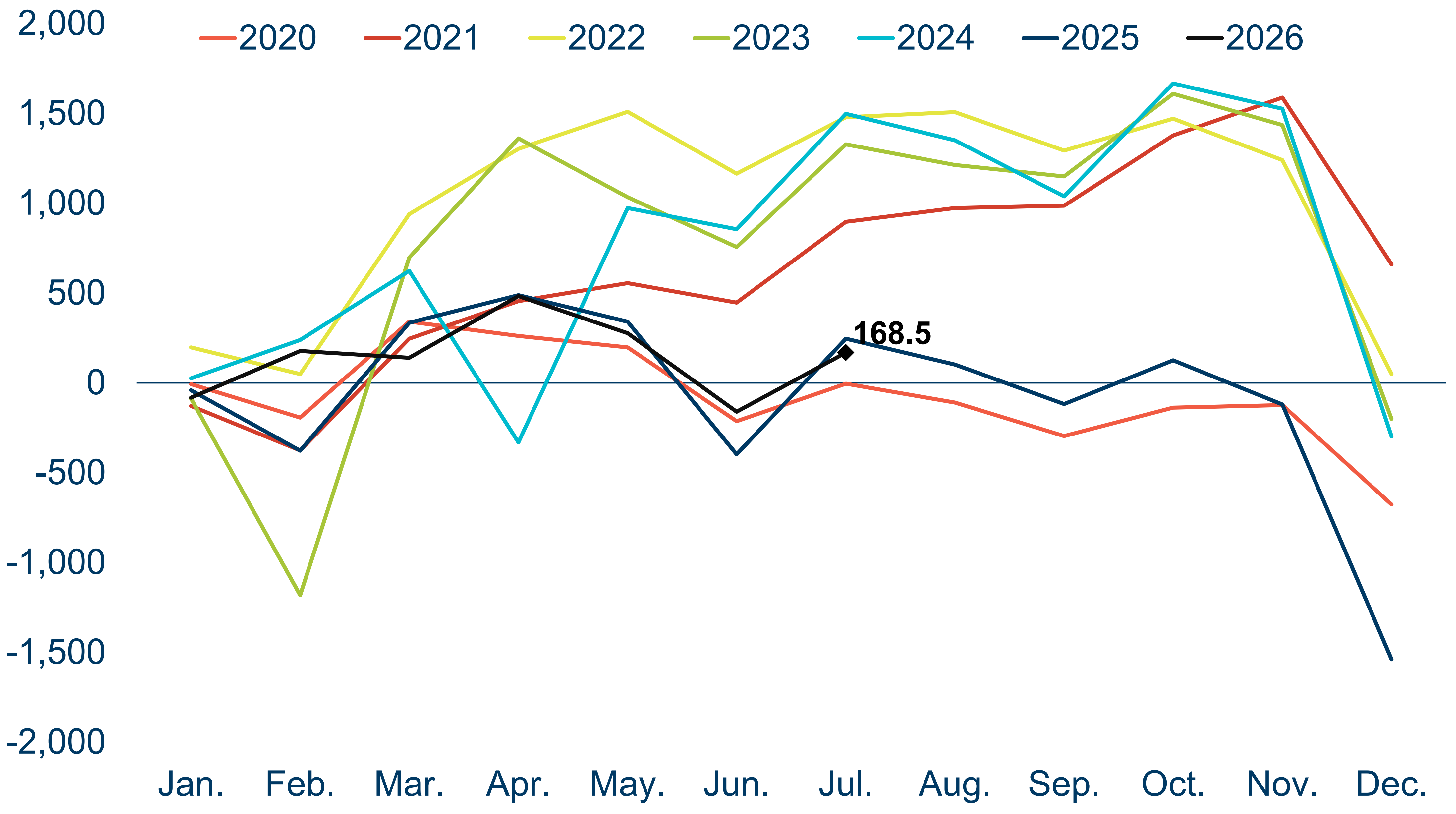


Source: Ministry of Finance, KSE Institute

Regional budgets under strain; widespread deficits offset by federal bailouts.

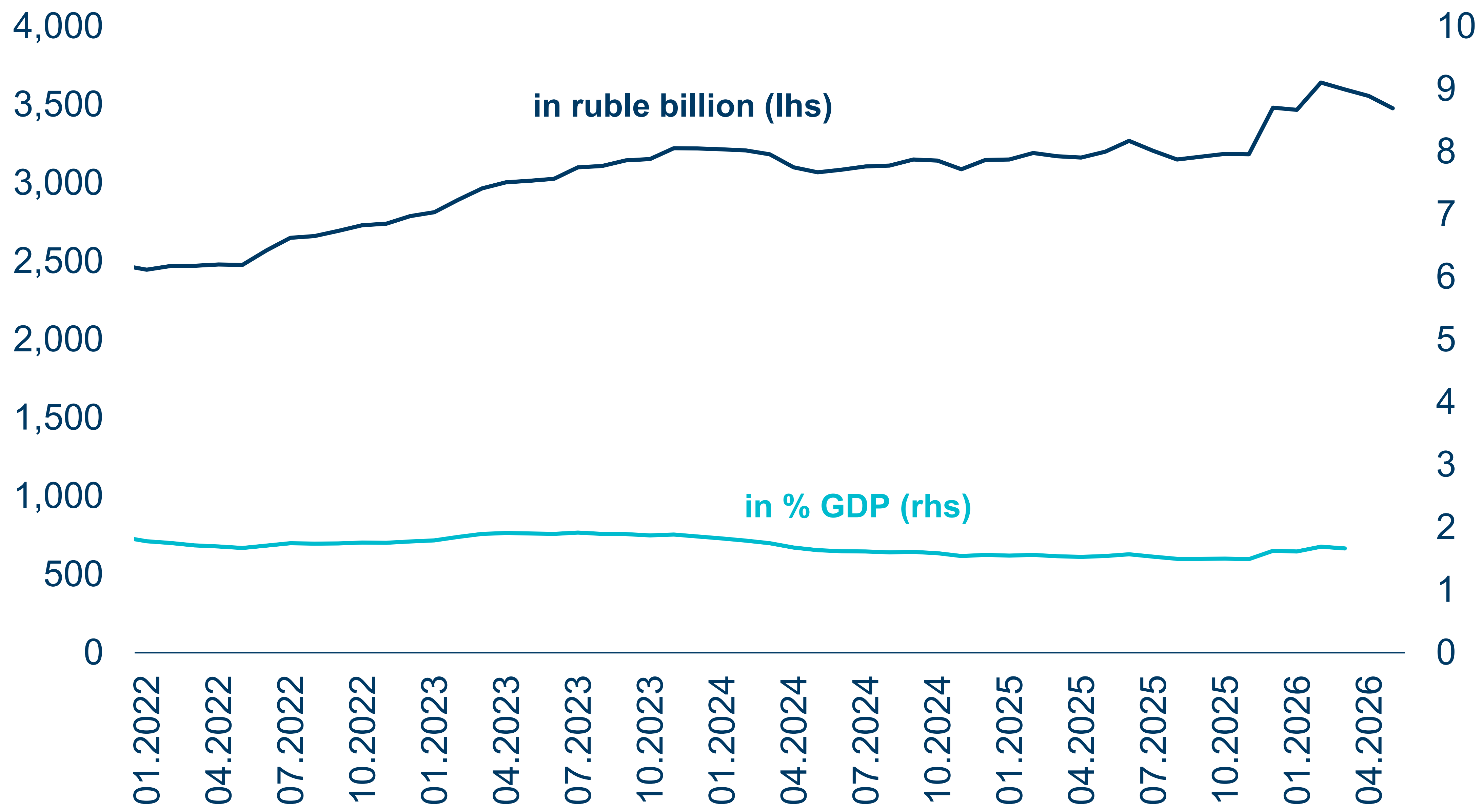
- Over Jan.-Jul. 2026, the cumulative budget of the regions was in line with the 2025 path (at ~170 billion rubles).
- As of the first half of 2026, 56 out of 89 regions (including annexed territories) were running a budget deficit.
- To ease the debt burden, 2/3 of regional loans were written off by the government, with the rest being postponed to 2030.

Cumulative consolidated regional budget balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Regional government debt



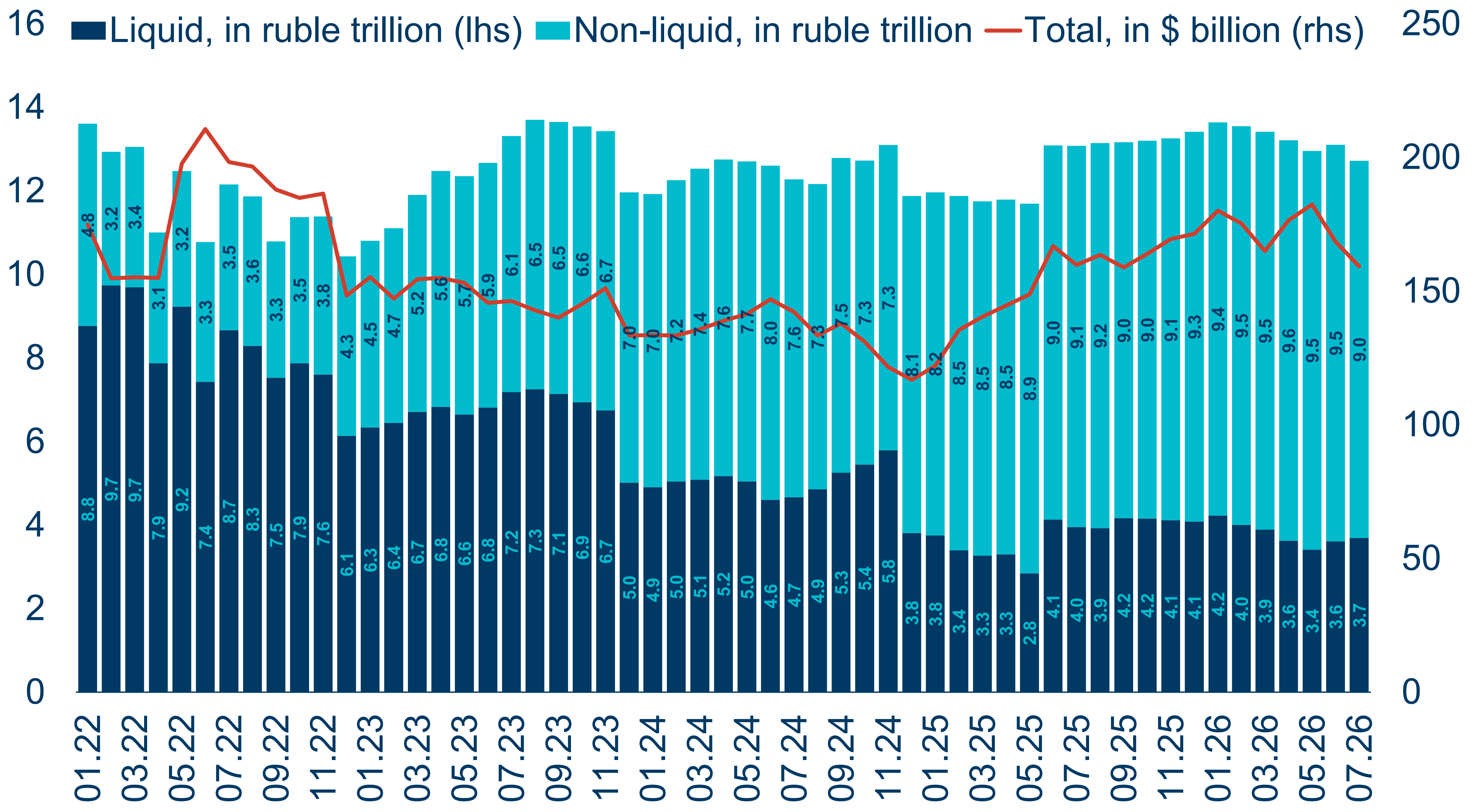
Source: Ministry of Finance, KSE Institute

KSE | Institute

Total NWF assets decline as plunging stock prices hit non-liquid holdings.

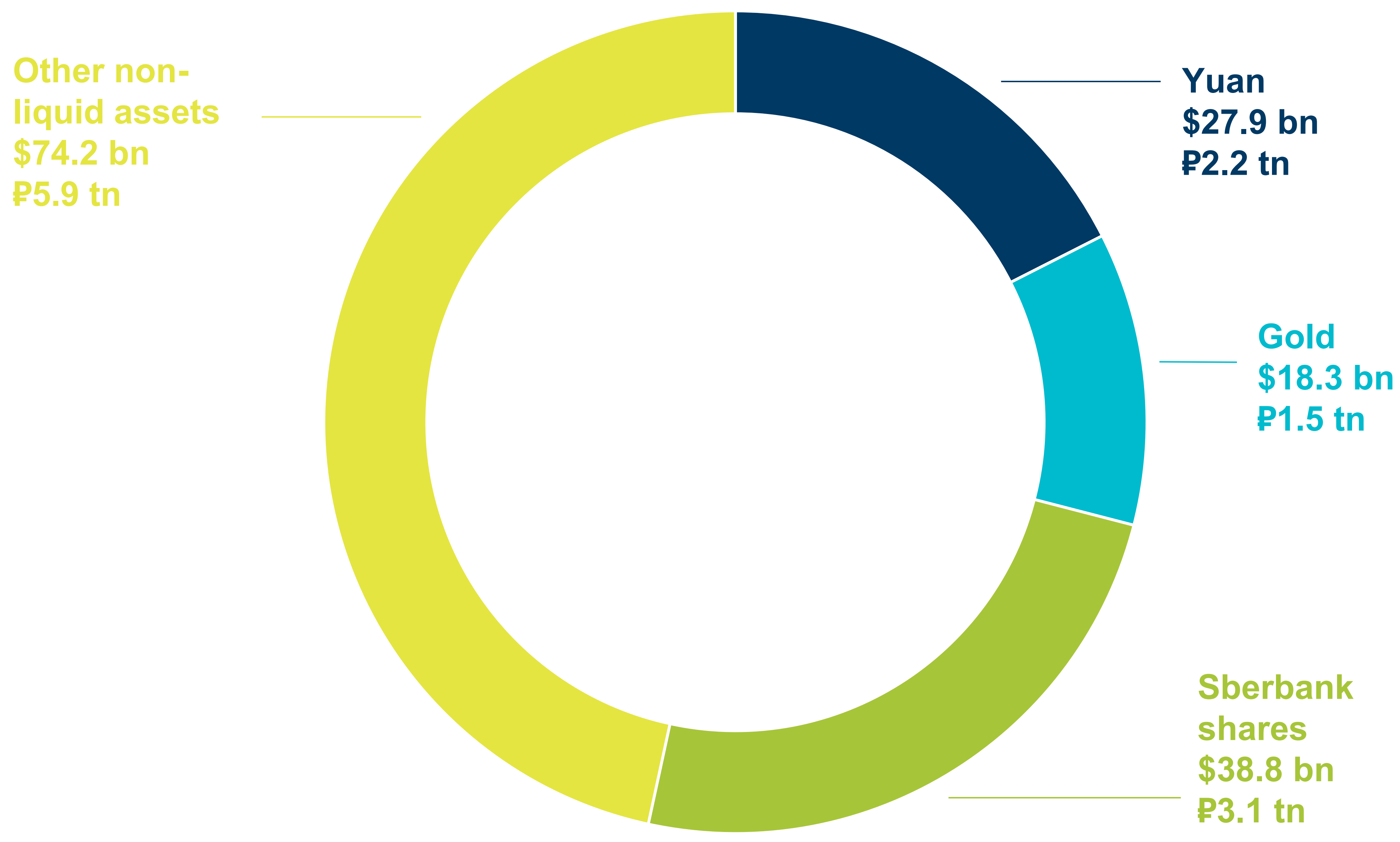
- Total assets of the National Welfare Fund stood at 12.7 trillion rubles ($159.3 billion, 5.9% of GDP) in July 2026.
- Liquid assets have shrunk by 63% since early 2022 and only accounted for 29% of the total in Jul. (vs. 75%).
- The marked drop in non-liquid assets reflects plunging prices of NWF-held stocks, primarily those of Sberbank.

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



Source: Ministry of Finance, KSE Institute

Composition of NWF assets as of July 1, 2026*

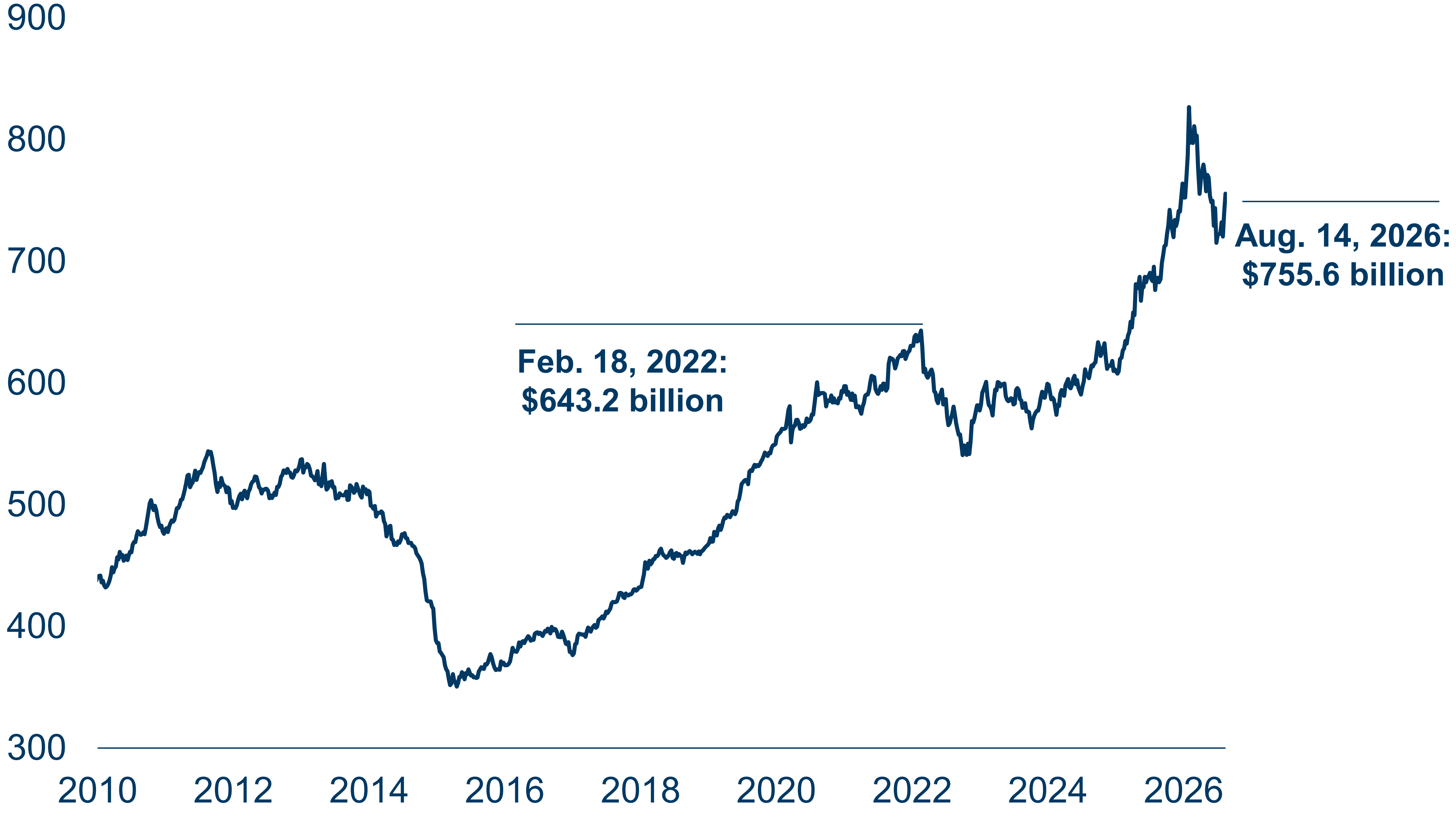


Source: Ministry of Finance, KSE Institute *based on market exchange rates/prices

Reserves grow as gold prices rise; FX reserves are broadly stable.

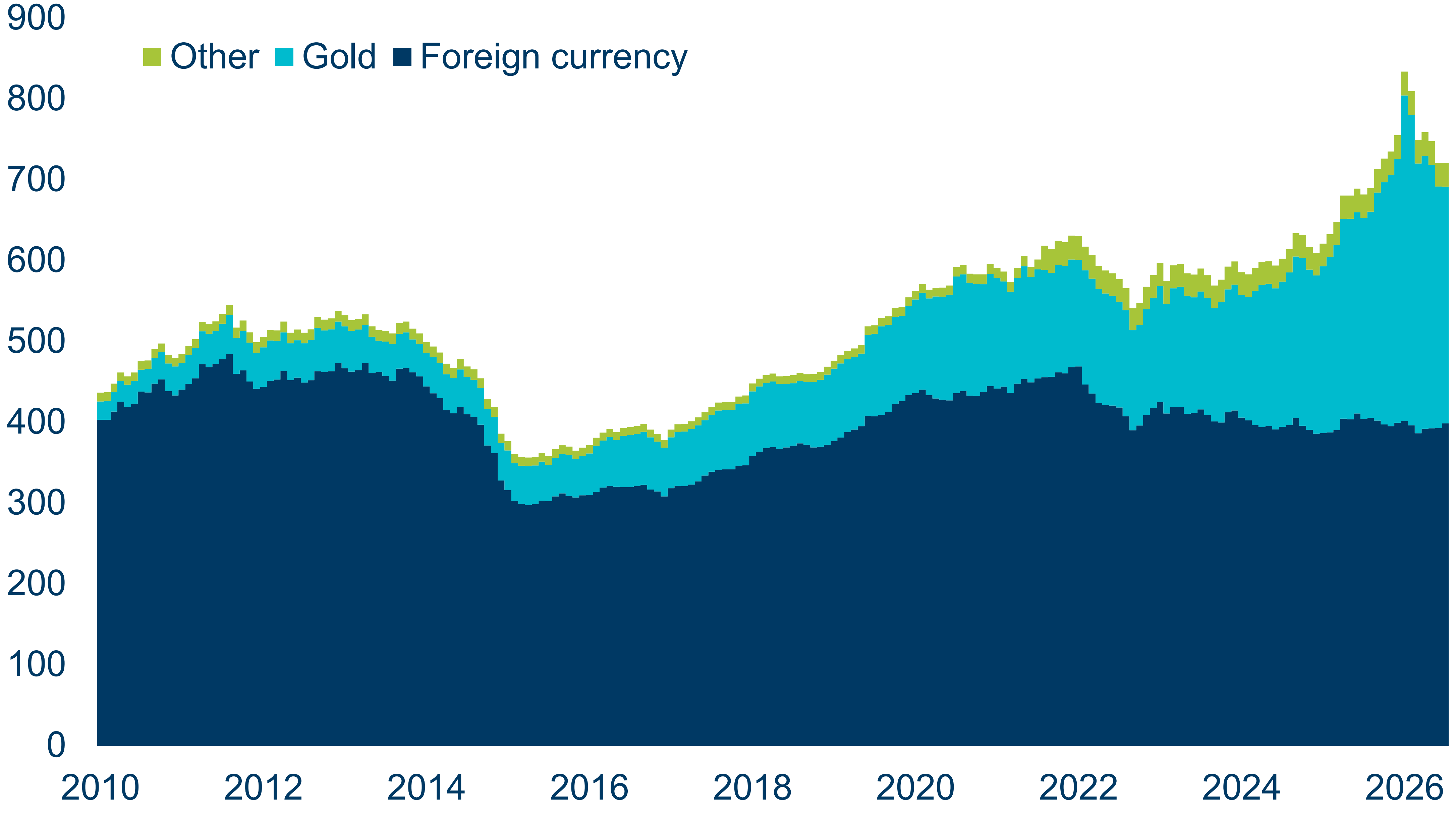
- Russia's total international reserves stand at $756 billion vs. $643 billion before the start of the full-scale war.
- Foreign currency reserves have been broadly stable for 4+ years as a large share is immobilized due to sanctions.
- Changes in the total value of Russian reserves are largely driven by significant fluctuations in the price of gold.

Total reserves (weekly), in U.S. dollar billion



Source: Bank of Russia, KSE Institute

Composition of reserves (monthly), in U.S. dollar billion

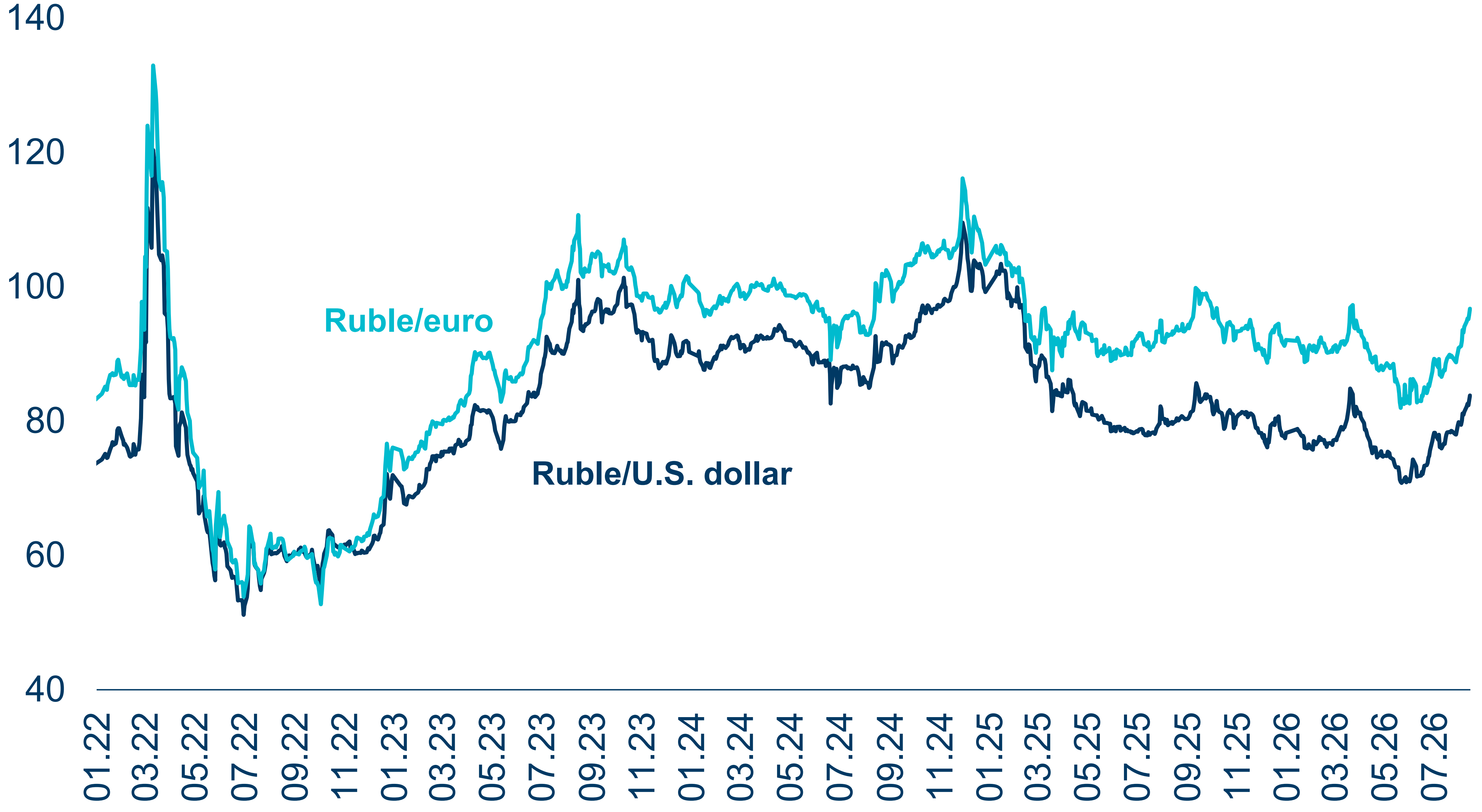


Source: Bank of Russia, KSE Institute

Inflation persists and ruble weakens; CBR likely to pause further rate cuts.

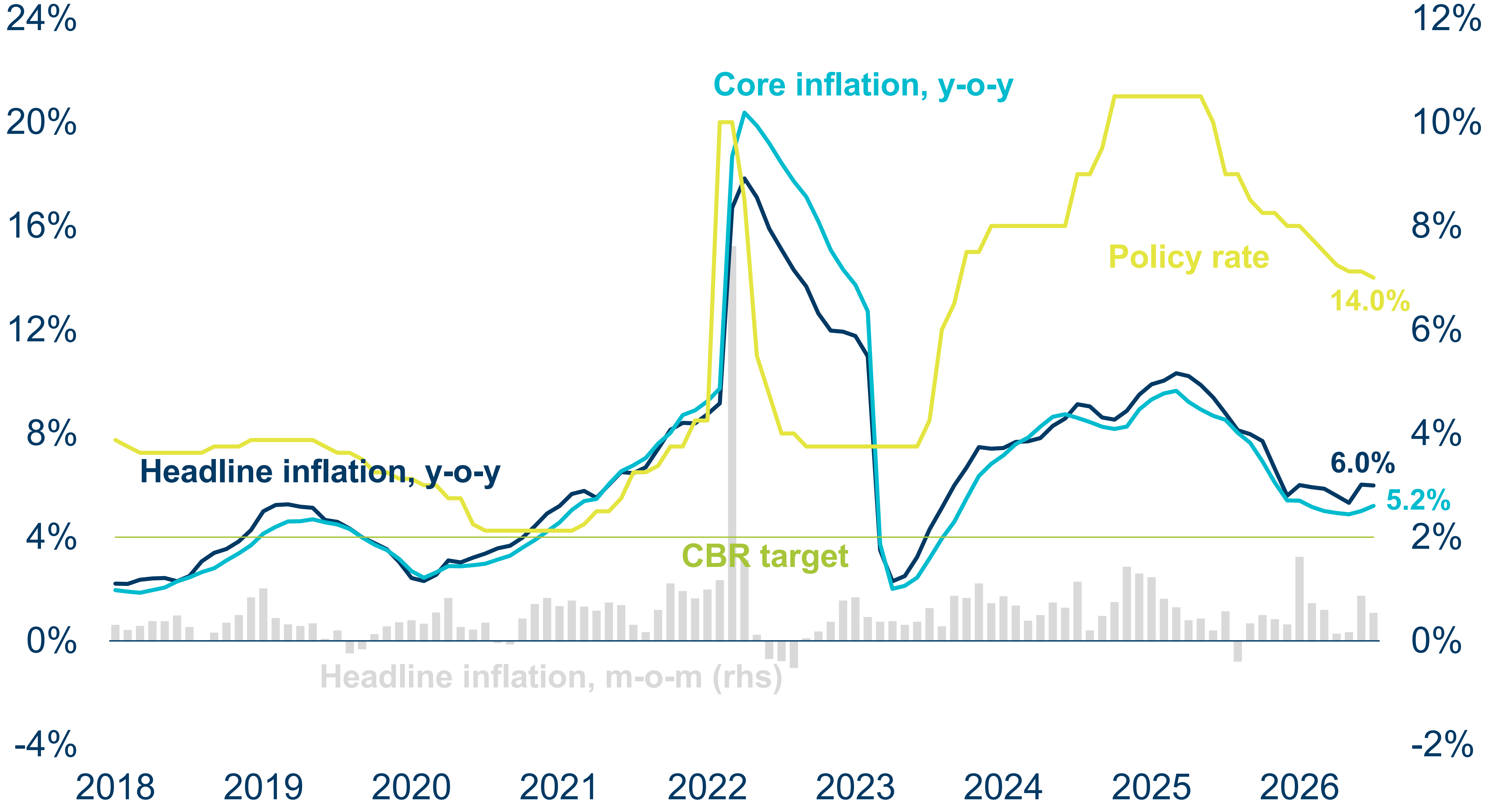
- The ruble has weakened, reversing its recent strengthening and returning to levels seen in early March.
- Headline inflation remained unchanged at 6.0% y-o-y in Jul., still well above the CBR's 4.0% target.
- Fearing a further rise in inflation, the CBR will likely be less eager to ease further despite political pressure.

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



Source: Bank of Russia, KSE Institute

Inflation and CBR policy rate, in %

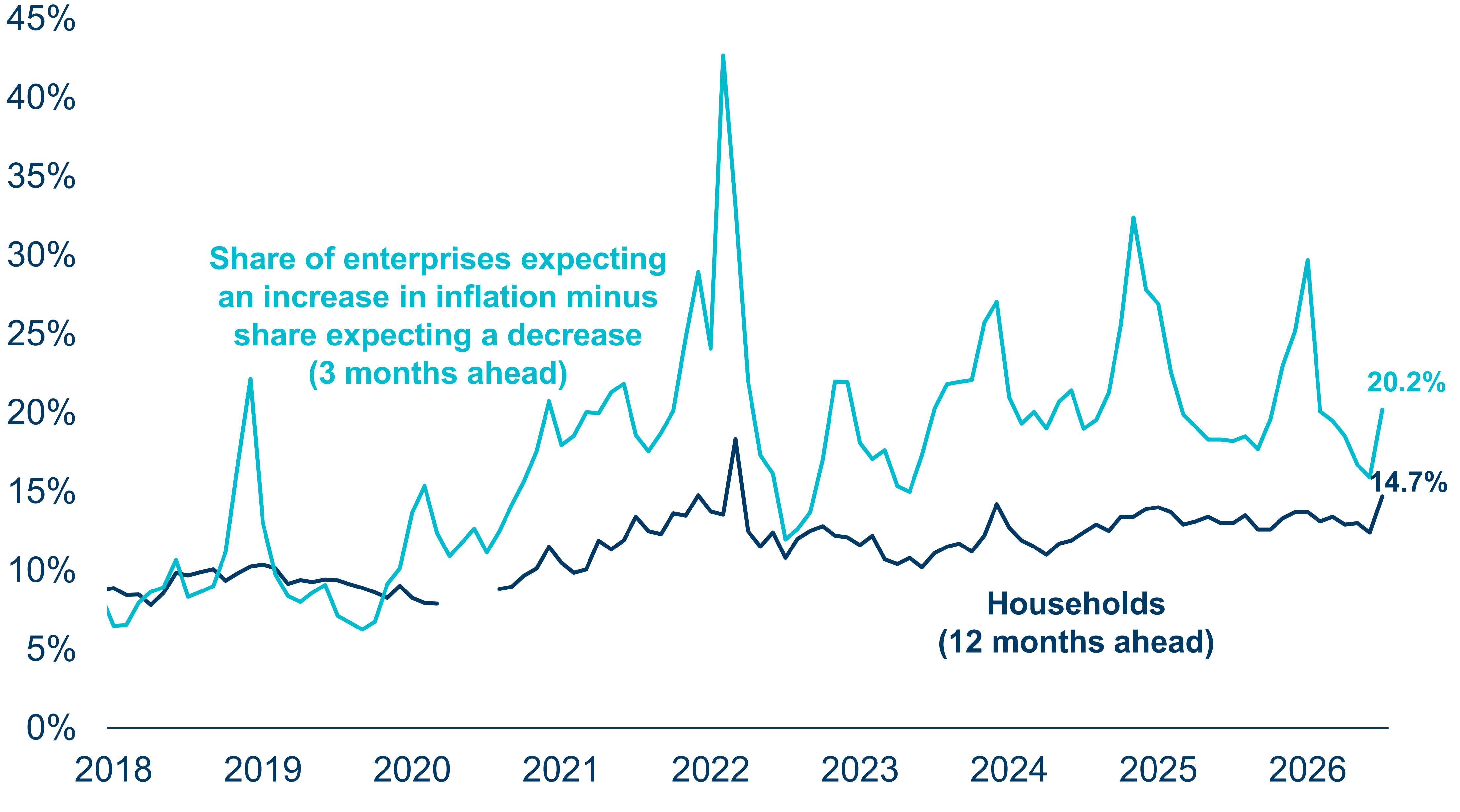


Source: Bank of Russia, KSE Institute

Ongoing infrastructure strikes will trigger further inflationary pressures.

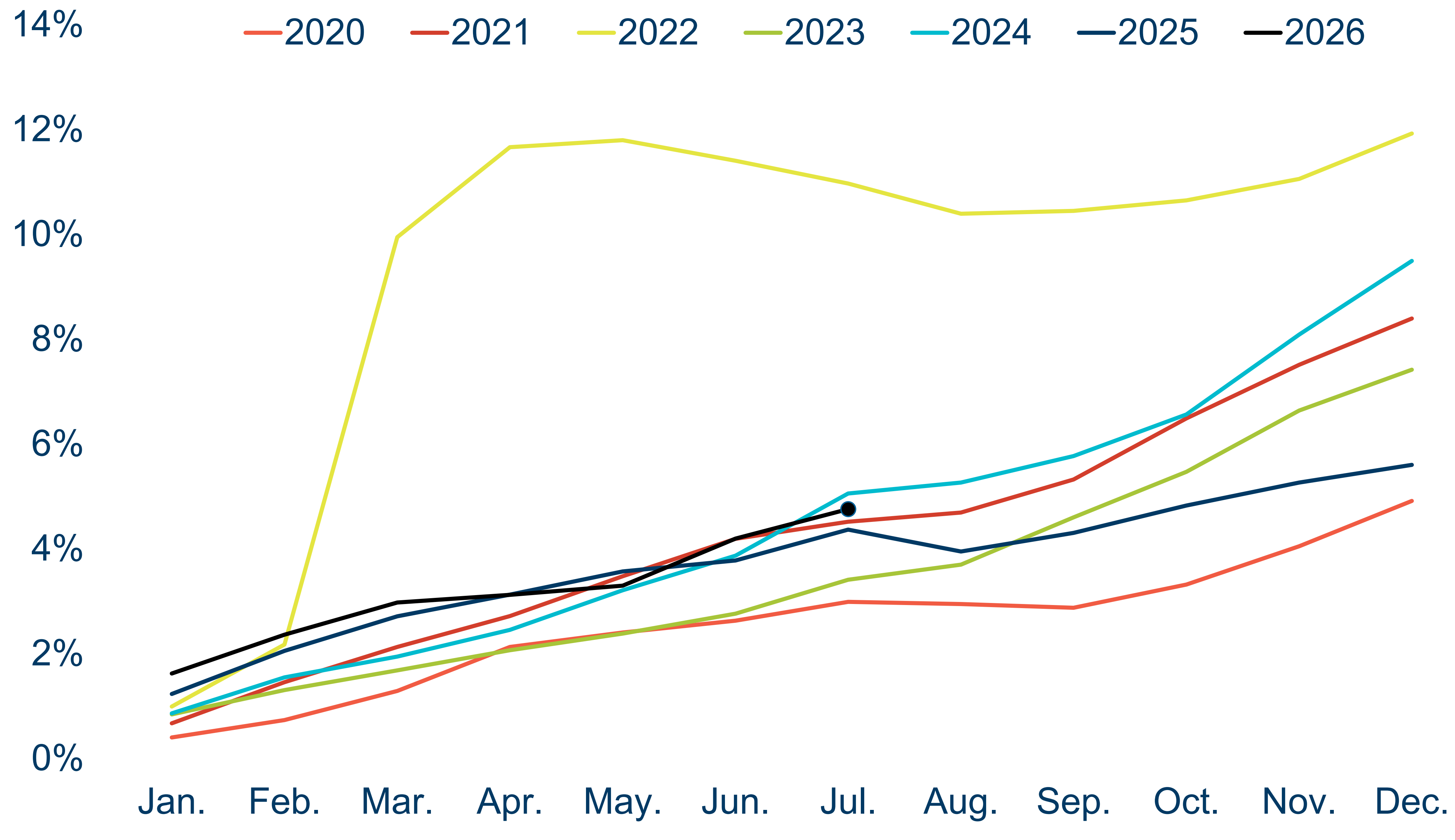
- Inflation expectations among both enterprises and households have surged amid growing economic uncertainty.
- Cumulative headline inflation reached 4.8% in Jul. (vs. 4.2% in May), surpassing last year's figures for the same period.
- Ongoing strikes on refineries, logistics, and other key facilities will likely drive-up price growth in the coming months.

Inflation expectations, %



Source: Bank of Russia, KSE Institute

Cumulative inflation, in %

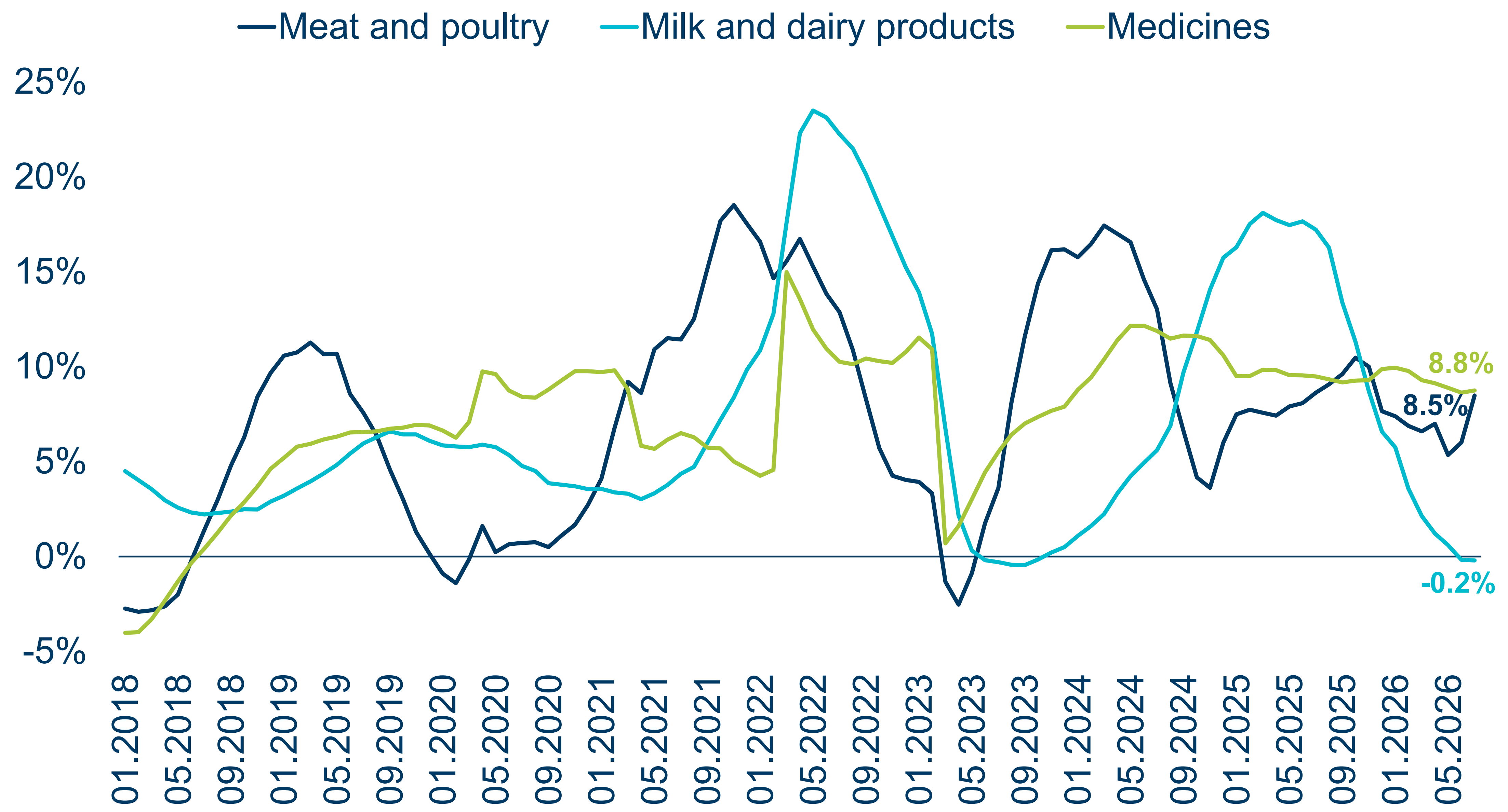


Source: Bank of Russia, KSE Institute

Inflationary pressures broaden across most categories.

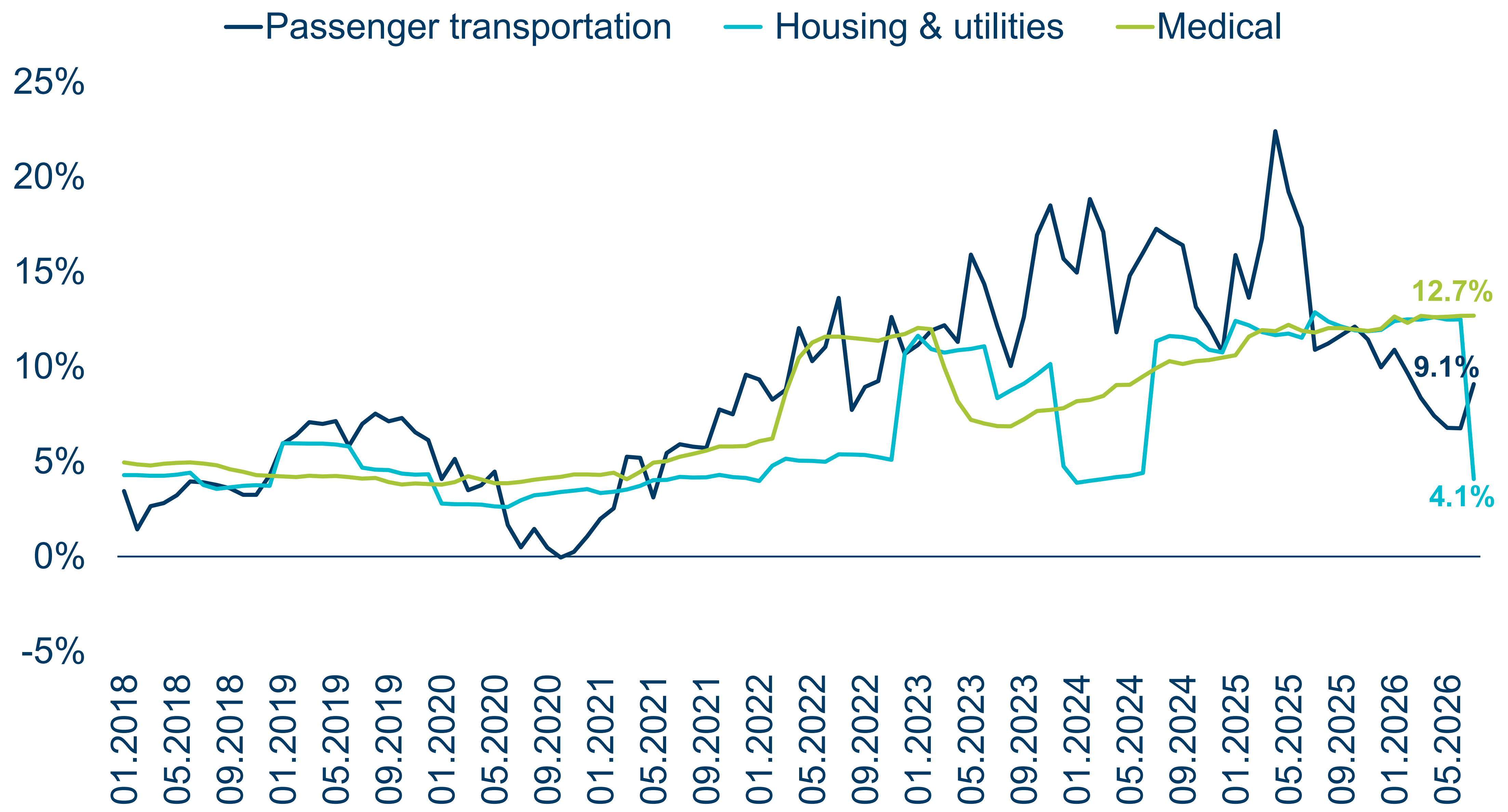
- In Jul., price growth accelerated across four of the six tracked consumer goods and services categories.
- Consumer goods showed mixed trends: medicines (+8.8%) and meat (+8.5%) accelerated, while dairy fell (-0.2%) y-o-y.
- Services also diverged: medical care (+12.7%) and passenger transport (+9.1%) rose, while housing utilities slowed (+4.1%).

Inflation for selected consumer goods, in % year-over-year



Source: Rosstat

Inflation dynamics for selected services, in % year-over-year

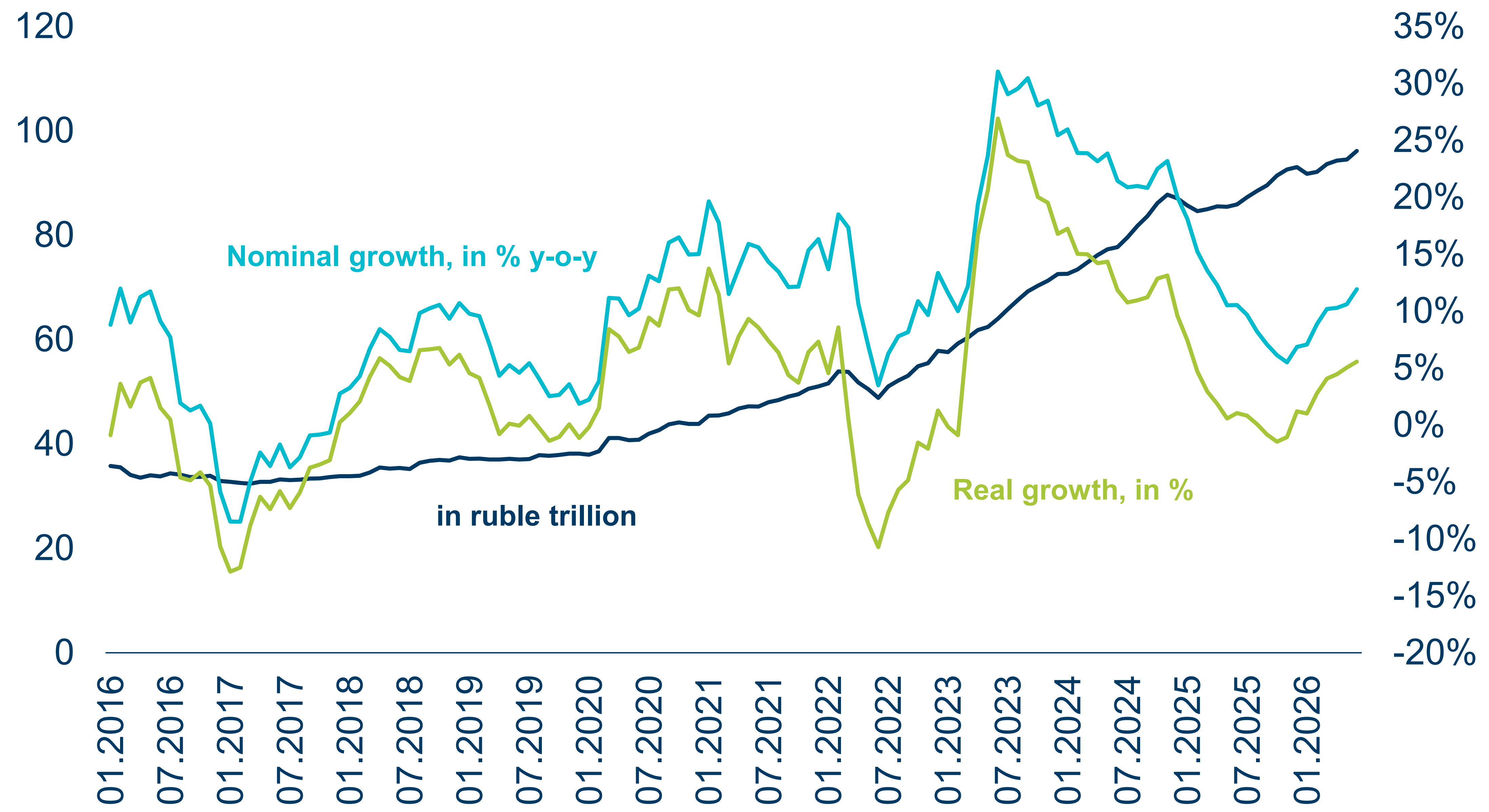


Source: Rosstat

Corporate lending gradually recovers despite elevated borrowing costs.

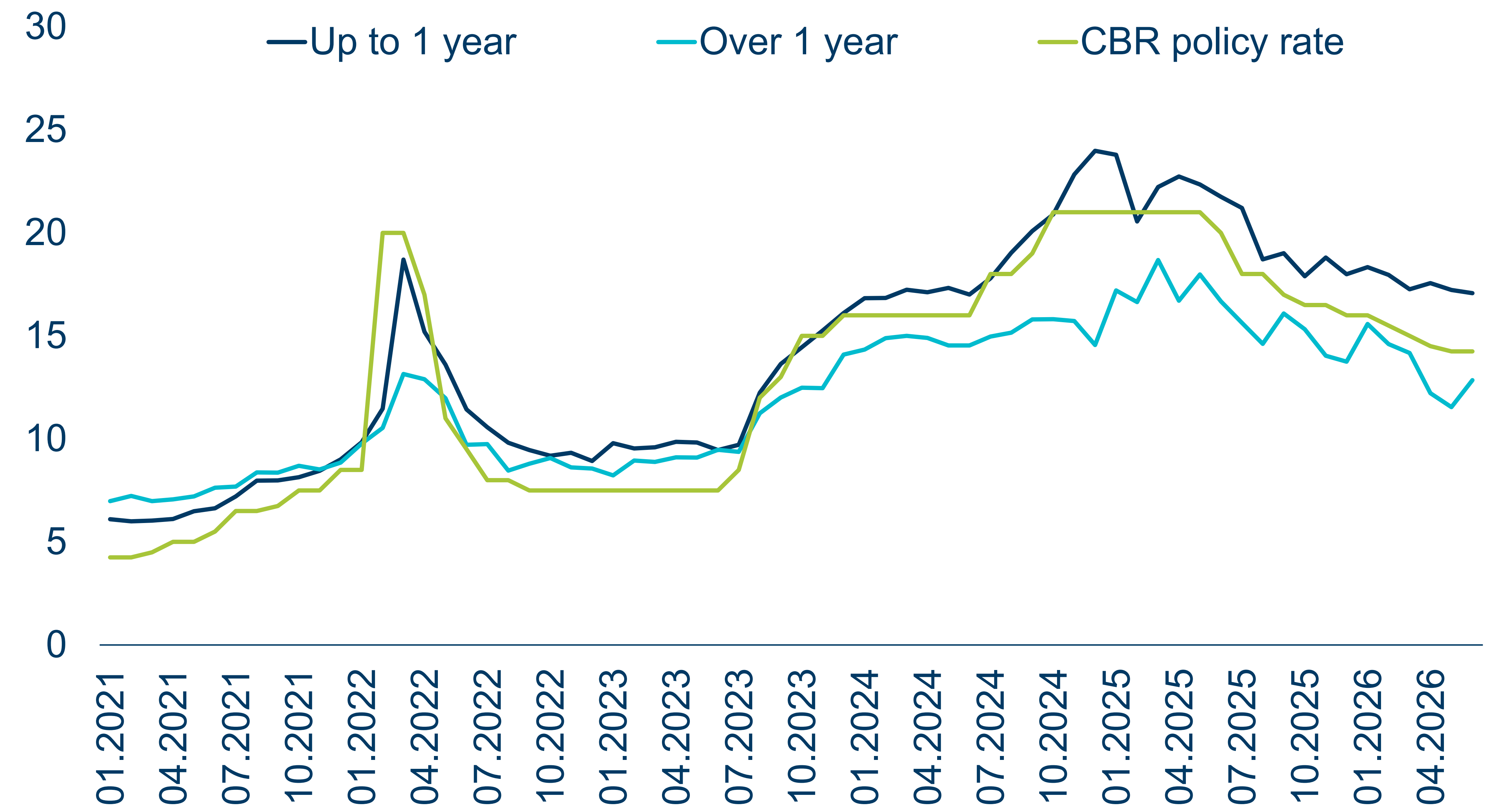
- Borrowing is gradually recovering in nominal and real terms from the collapse in 2025, while remaining subdued.
- Borrowing costs remain historically elevated as corporate loan rates closely track the CBR's tight monetary policy.
- The cost of short-term borrowing is higher than long-term rates, illustrating ongoing pressure on business liquidity.

Volume and growth rate of corporate loans



Source: Bank of Russia, KSE Institute

Corporate Loan Rates vs. CBR Policy Rate, in %

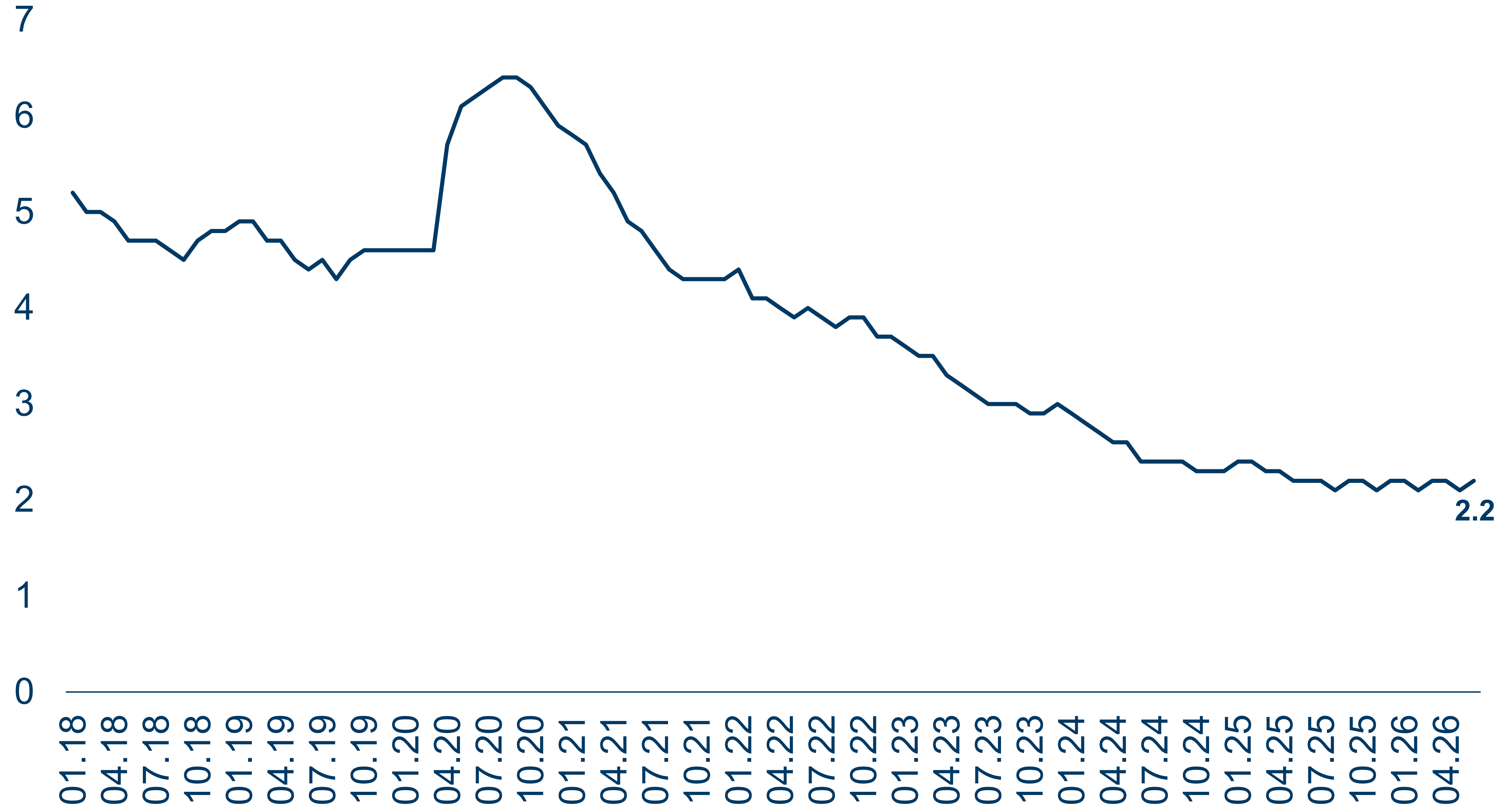


Source: Bank of Russia, KSE Institute

Labor shortages persist, while wage growth shows signs of cooling.

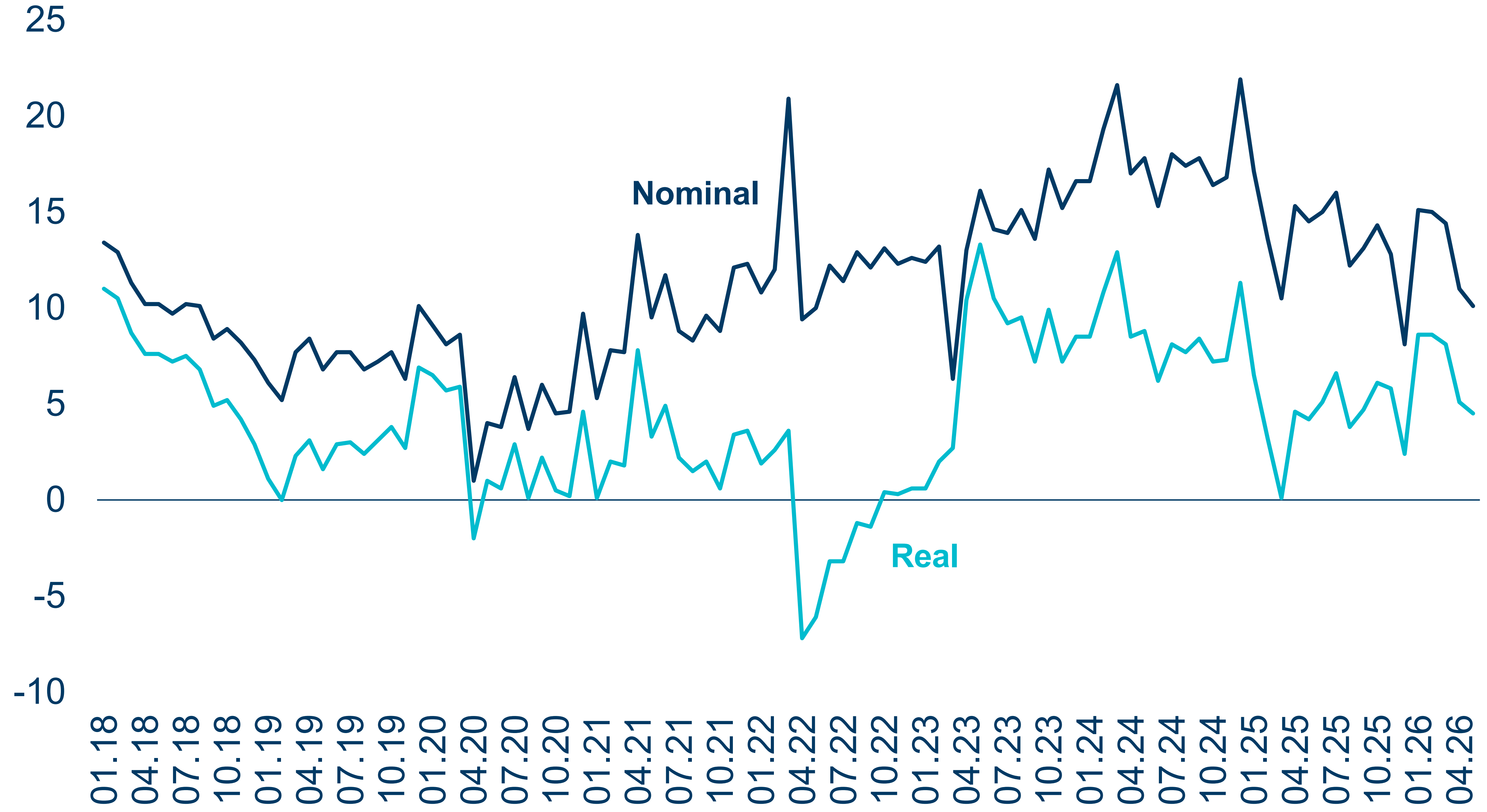
- The unemployment rate remains historically low, essentially indicating full employment in the economy.
- Anecdotal evidence regarding furloughs by large struggling enterprises points to increasing labor mismatches.
- Nominal wage growth declined slightly to 10.1% in May along with real wage growth (+4.5%).

Unemployment rate, in %



Source: Rosstat

Wage growth, in % year-over-year

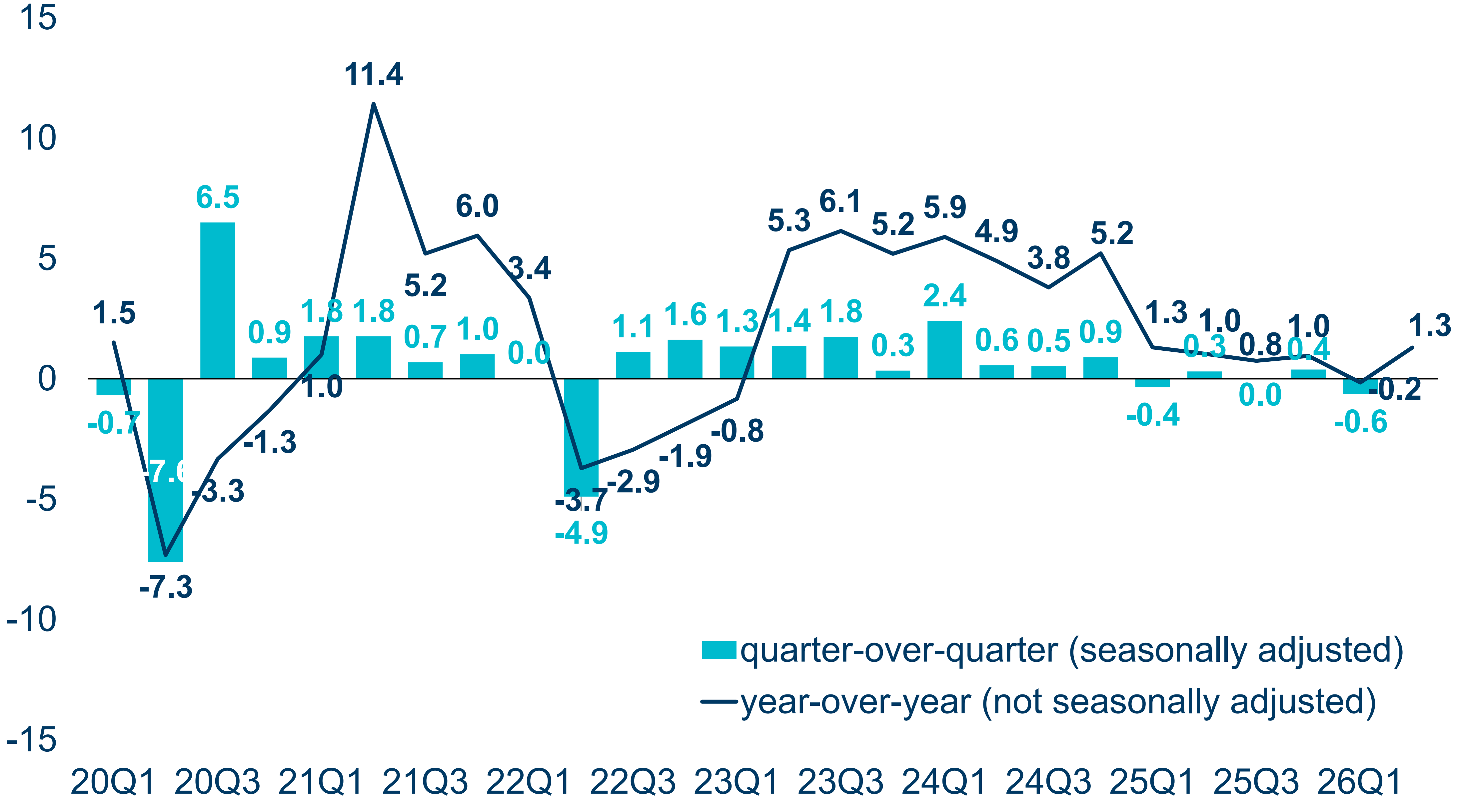


Source: Rosstat

Q2 2026 GDP rebounds; bleak outlook for 2026–27.

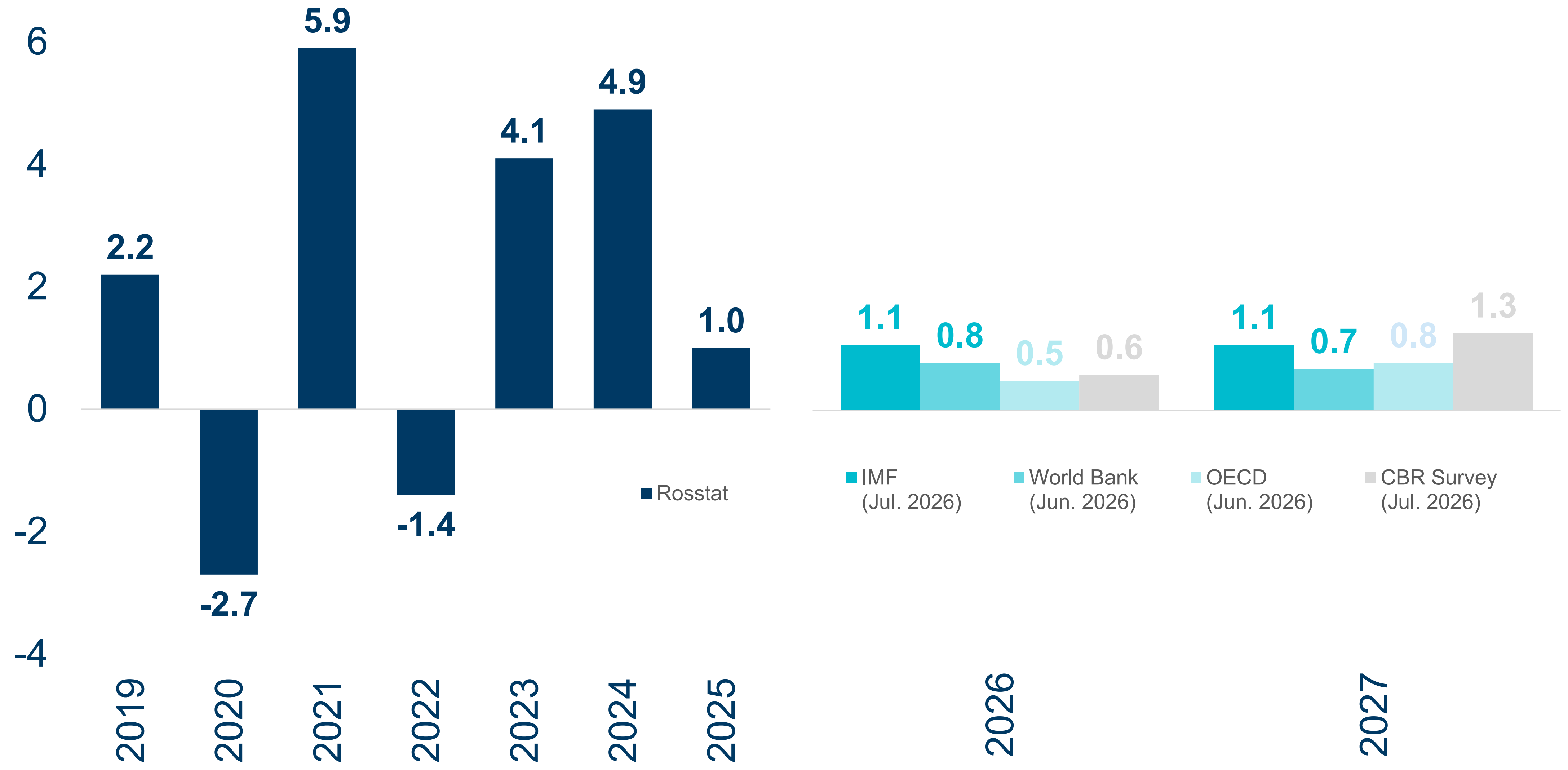
- Q2 2026 GDP grew by 1.3% y-o-y, rebounding from the 0.2% contraction recorded in the first quarter.
- Growth was likely driven by high energy prices, but Russian GDP is often subject to later revisions.
- International institutions expect weak growth of ~1% or even below in 2026–27 despite the energy windfall.

Quarterly real GDP dynamics, in %



Source: Rosstat, KSE Institute

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

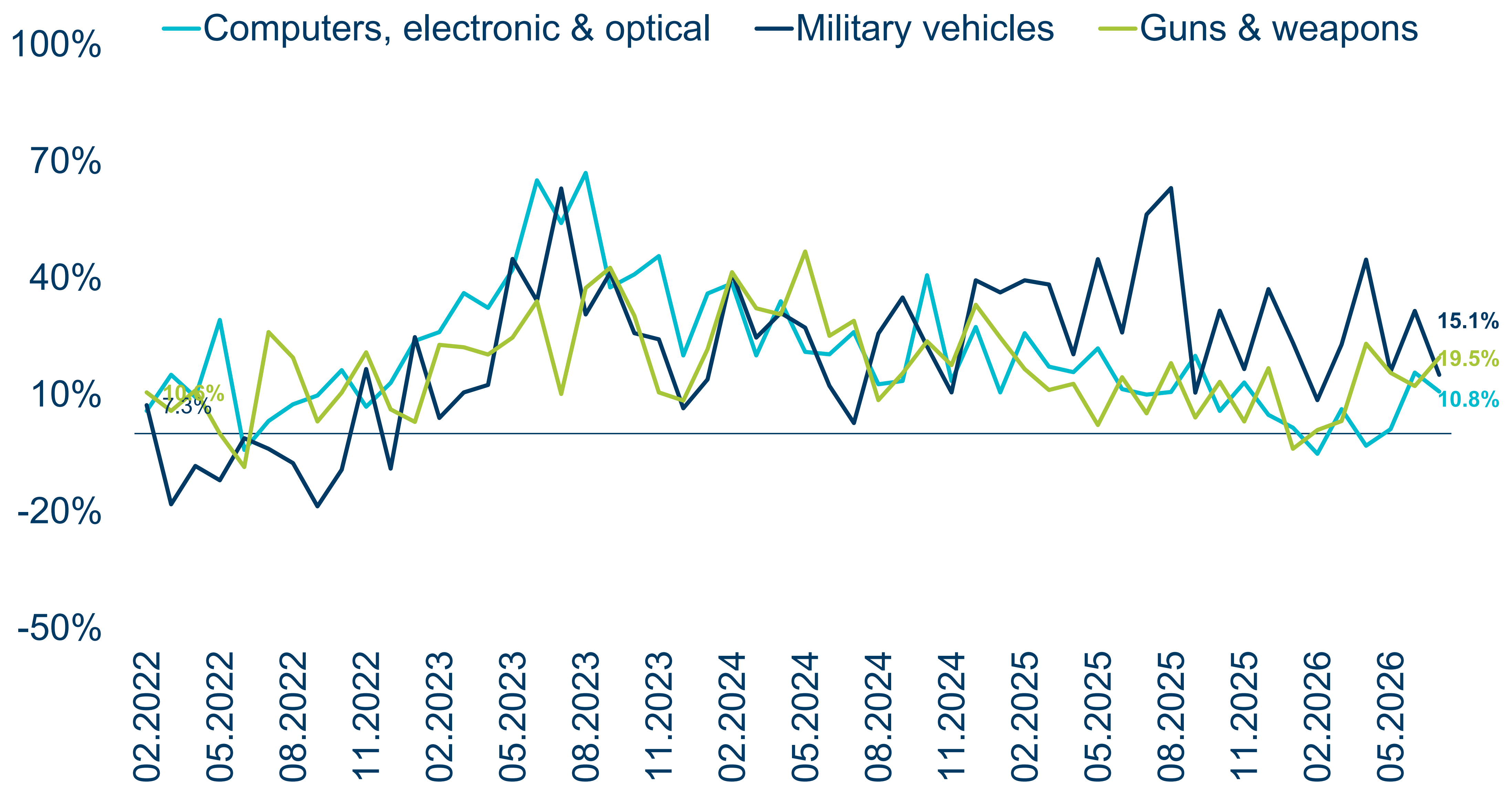


Source: Rosstat, Bank of Russia, IMF, OECD, World Bank

Military production maintains growth while key civilian sectors contract.

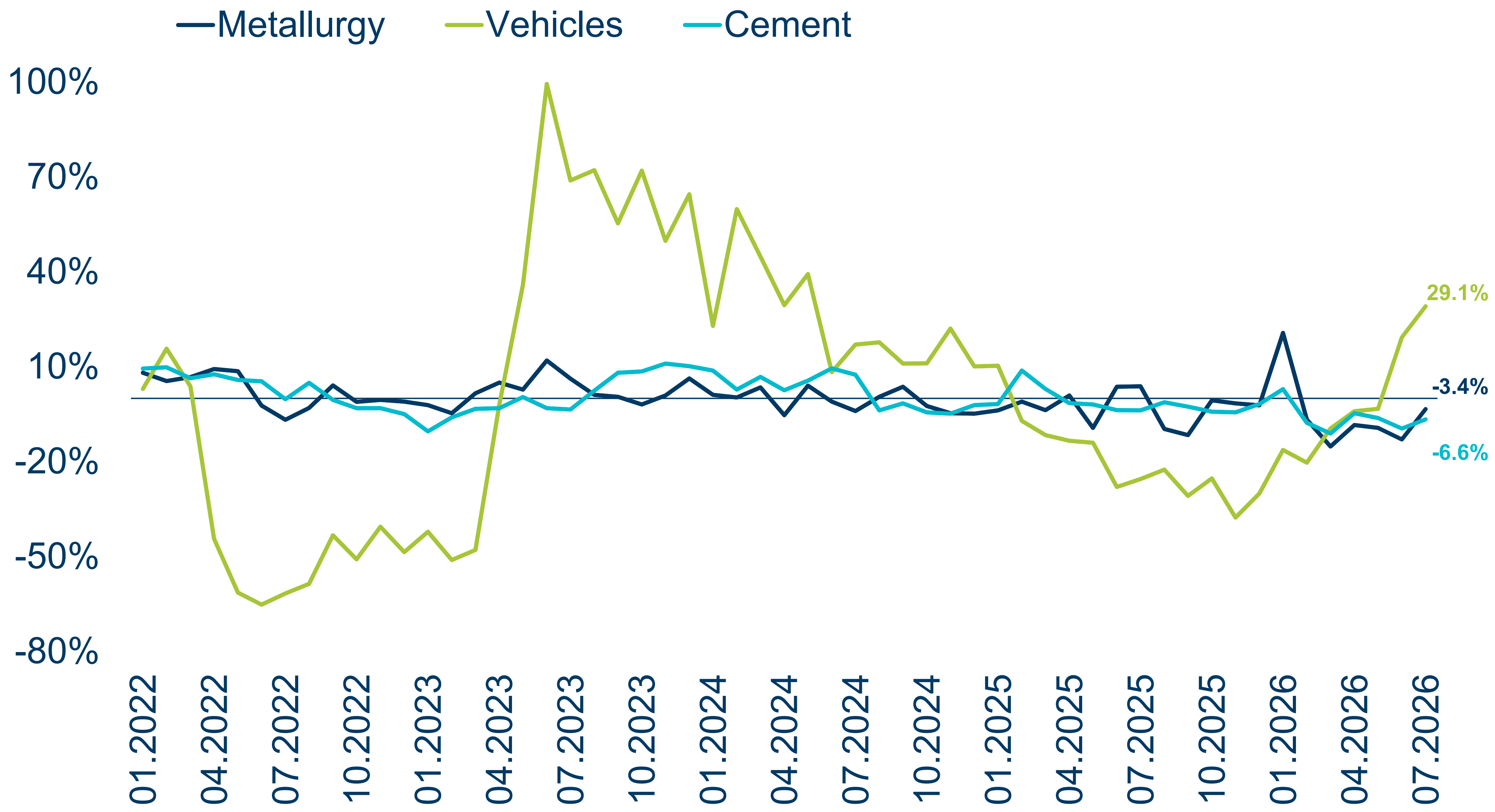
- Russia’s industrial sector is propped up by defense spending, with war-related production maintaining robust growth.
- Key sectors of the civilian economy are contracting, driven by steep drops in transport, construction, and metallurgy
- The sudden spike in vehicle production is likely driven by a low base effect rather than a genuine recovery.

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 %

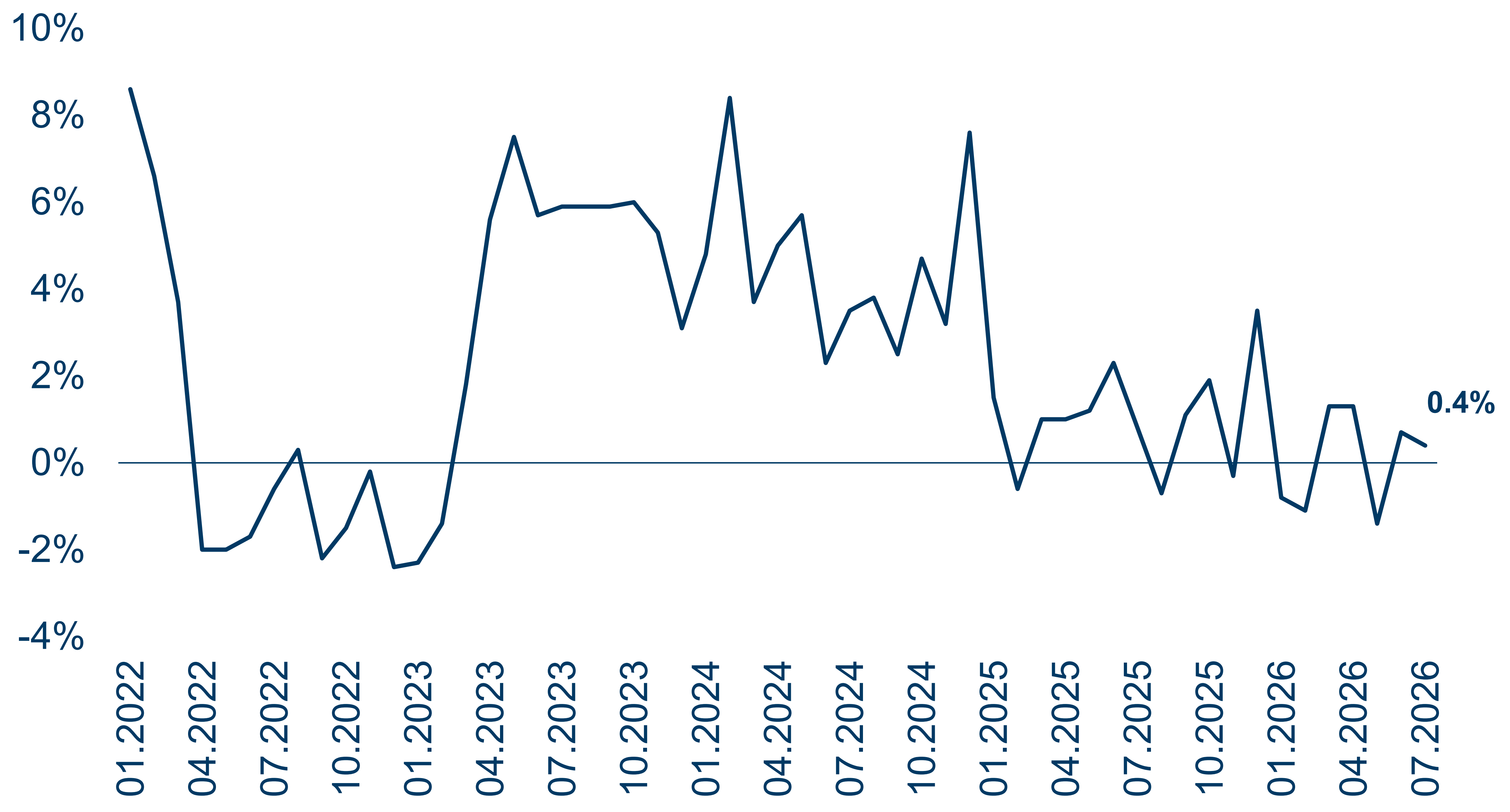


Source: Rosstat, KSE Institute

Falling capacity utilization exposes economic constraints.

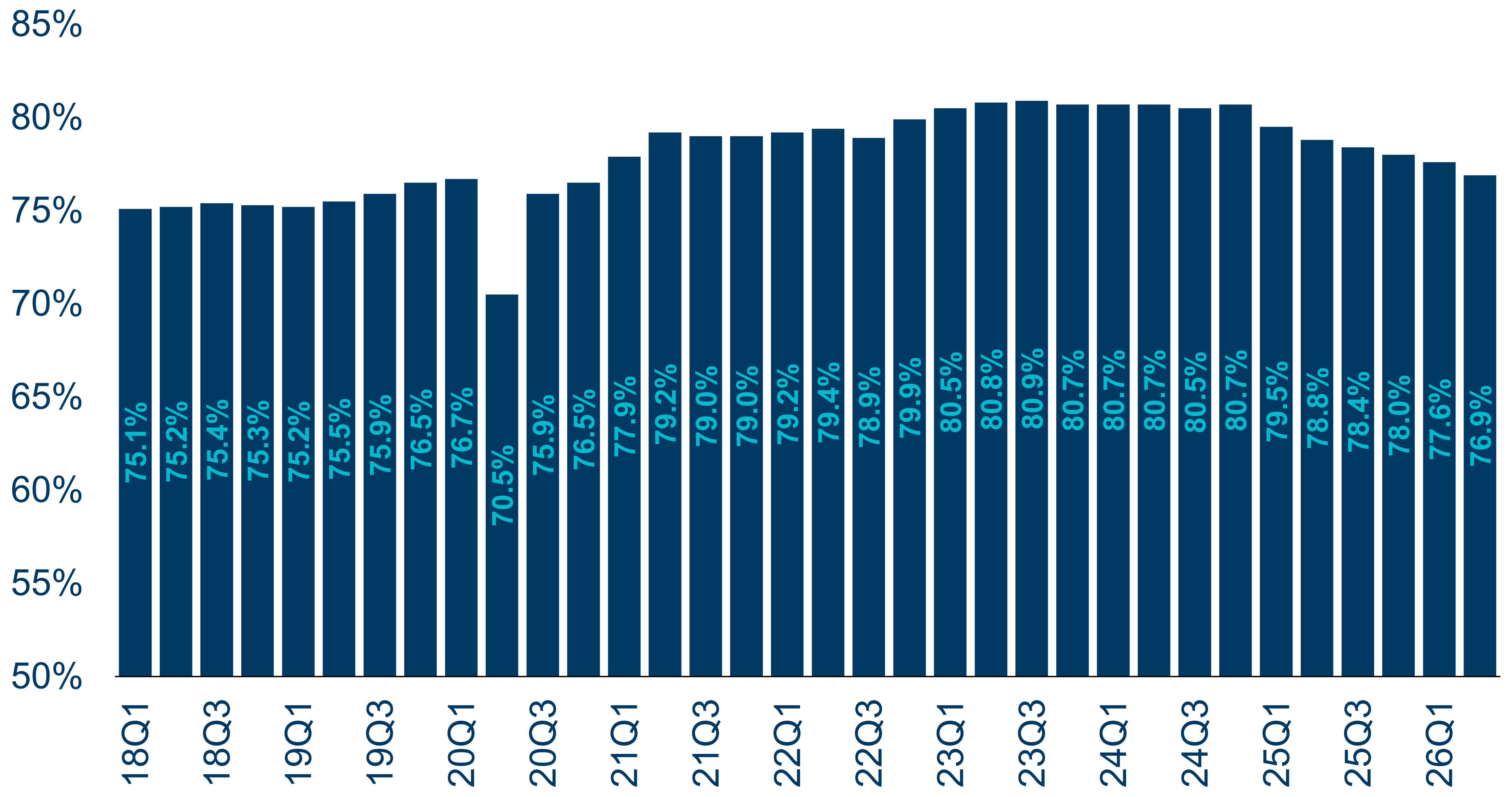
- Industrial production growth slowed to 0.4% y-o-y in Jul., following a 0.7% rebound in Jun. and a 1.4% drop in May.
- At the same time, capacity utilization is falling from its historic highs, dropping to 76.9% in Q2 2026.
- This signals that fundamentals (e.g., tight labor market, high borrowing costs) 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

KSE | Institute

Previous editions of KSE Institute's Russia Chartbook

- July 2026
- June 2026
- May 2026
- April 2026
- March 2026
- February 2026
- January 2026

- December 2025
- November 2025
- October 2025
- September 2025
- August 2025
- July 2025
- June 2025
- May 2025
- 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