KSE Institute Russia Chartbook

Lower Oil Prices Are Becoming a Problem at a Time of Accumulated Vulnerabilities

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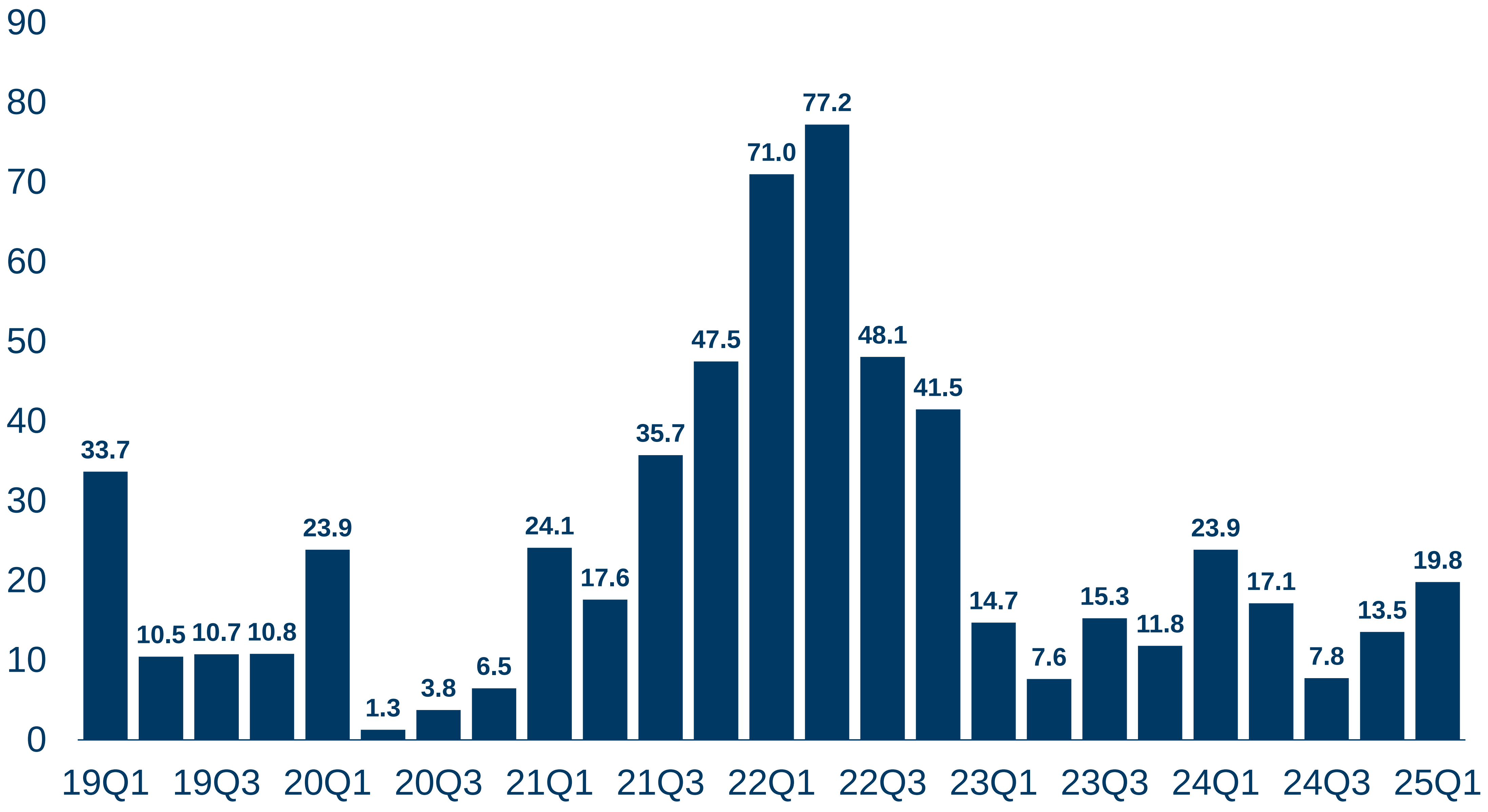
Executive Summary

1. **External environment remains relatively supportive.** The current account surplus in Q1 2025 reached $19.8 billion—the highest since Q1 2024 and second-highest since the energy price surge of 2022. This was largely driven by smaller services and income deficits. Both exports and imports dropped sharply vs. Q4 2024—by $18.2 billion and $16.2 billion, respectively, but exports showed signs of recovery in Mar., while imports remained subdued. Should these dynamics persist, the trade surplus will grow significantly in Q2.
2. **Budget deficit is significantly higher than planned.** The federal budget registered a 2.2 trillion-ruble deficit in Q1 2025—more than six times larger than in Q1 2024 and 1.9 times the deficit planned for the full year. While seasonal fluctuations are not unusual and Russia has been able to adjust before, this dynamic indicates that funding the war may have become more challenging. The deficit was caused by a significant year-over-year increase in expenditures (+24%), while oil and gas revenues declined by 10% and other revenues only grew by 11%. It was financed entirely by debt issuance, which has increased, while the NWF remains untouched in 2025.
3. **Macro buffers are under pressure from war and sanctions.** The total value of liquid assets in the NWF stood at 3.3 trillion rubles in Mar.—a decline of 66% from before the full-scale invasion. Over the last three years, 7.7 trillion rubles have been used for budget financing and the remaining funds—entirely yuan-denominated assets and gold—will only cover deficits for one additional year. At the same time, more than $350 billion in Russia's foreign reserves remain immobilized due to the sanctions, which seriously limits policy space. Macro buffers under pressure make it much harder for authorities to manage conflicts between MinFin and CBR policies.
4. **Inflation continues to rise despite tight monetary policy.** Despite much tighter monetary policy—the CBR has increased its key rate by a cumulative 1,350 bps since mid-2023—inflation is still rising. In Mar., headline inflation came in at 10.3% year-over-year, the highest reading in 2+ years. 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. In addition, a double-digit real interest rate indicates that inflation is underreported—and that many actors in the economy are not paying interest rates close to the CBR's key rate.
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—to 1-2%.

Current account improves while goods trade drops sharply.

- The current account surplus in Q1 2025 ($19.8 billion) was the highest since Q1 2024 (2nd highest since 2022).
- Both goods exports and imports dropped sharply vs. Q4 2024, by $18.2 billion and $16.2 billion, respectively.
- Key drivers of the higher current account surplus, however, were smaller services and income deficits (+$5.3 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	19.8	32.5	97.5	64.9	-7.4	9.8	17.2	-5.4	7.6	13.0
January 2025	2.4	7.3	29.4	22.1	-2.9	3.3	6.2	-2.0	2.6	4.5
February 2025	6.7	10.5	30.9	20.4	-1.9	3.1	5.1	-1.9	2.3	4.1
March 2025	10.7	14.8	37.2	22.4	-2.5	3.4	6.0	-1.5	2.8	4.3
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
Jan. 2024	2.7	7.1	28.6	21.5	-3.2	3.2	6.4	-1.2	3.0	4.2
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

Source: Bank of Russia, KSE Institute

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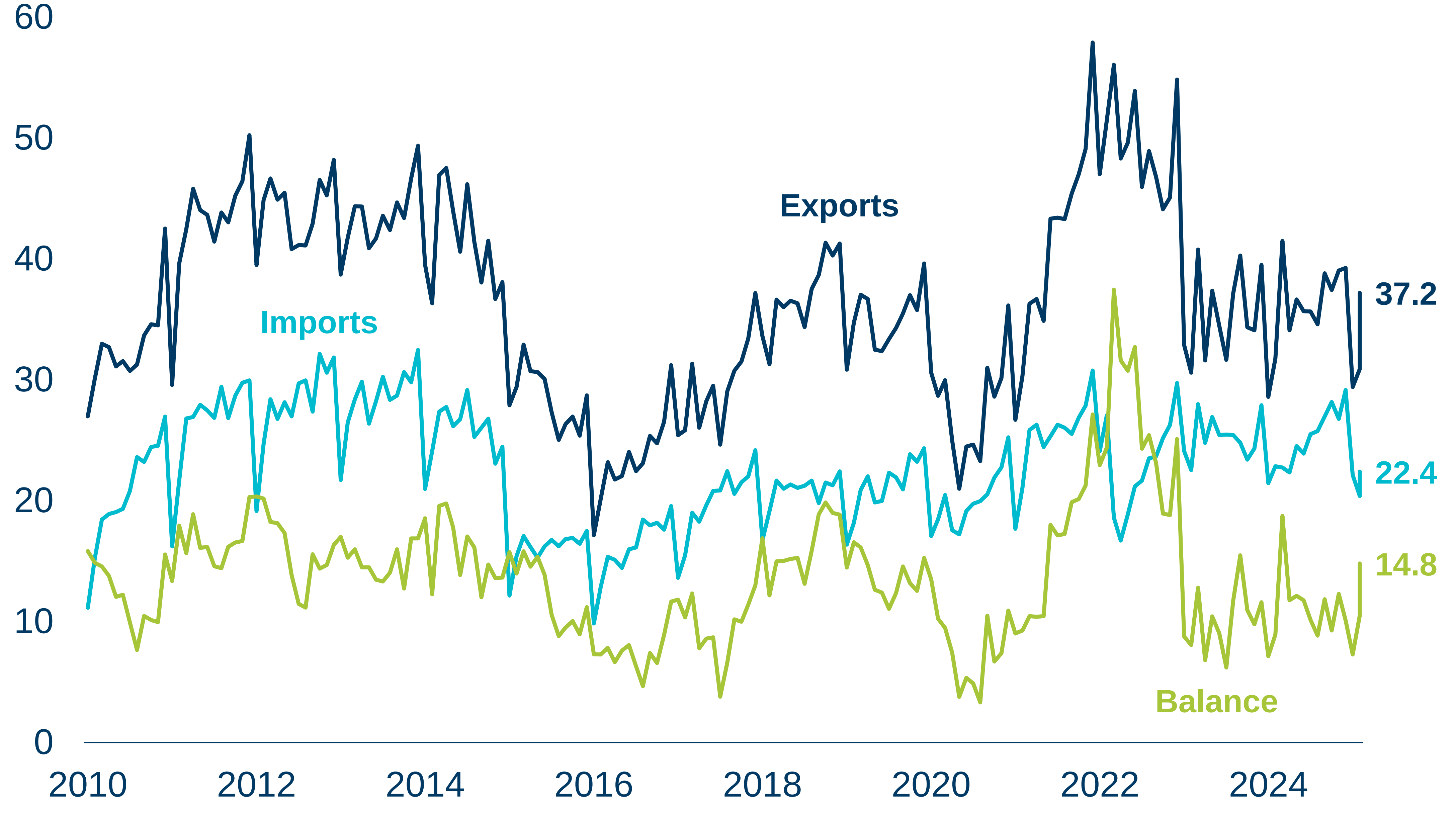
Recovery in exports, imports remain suppressed.

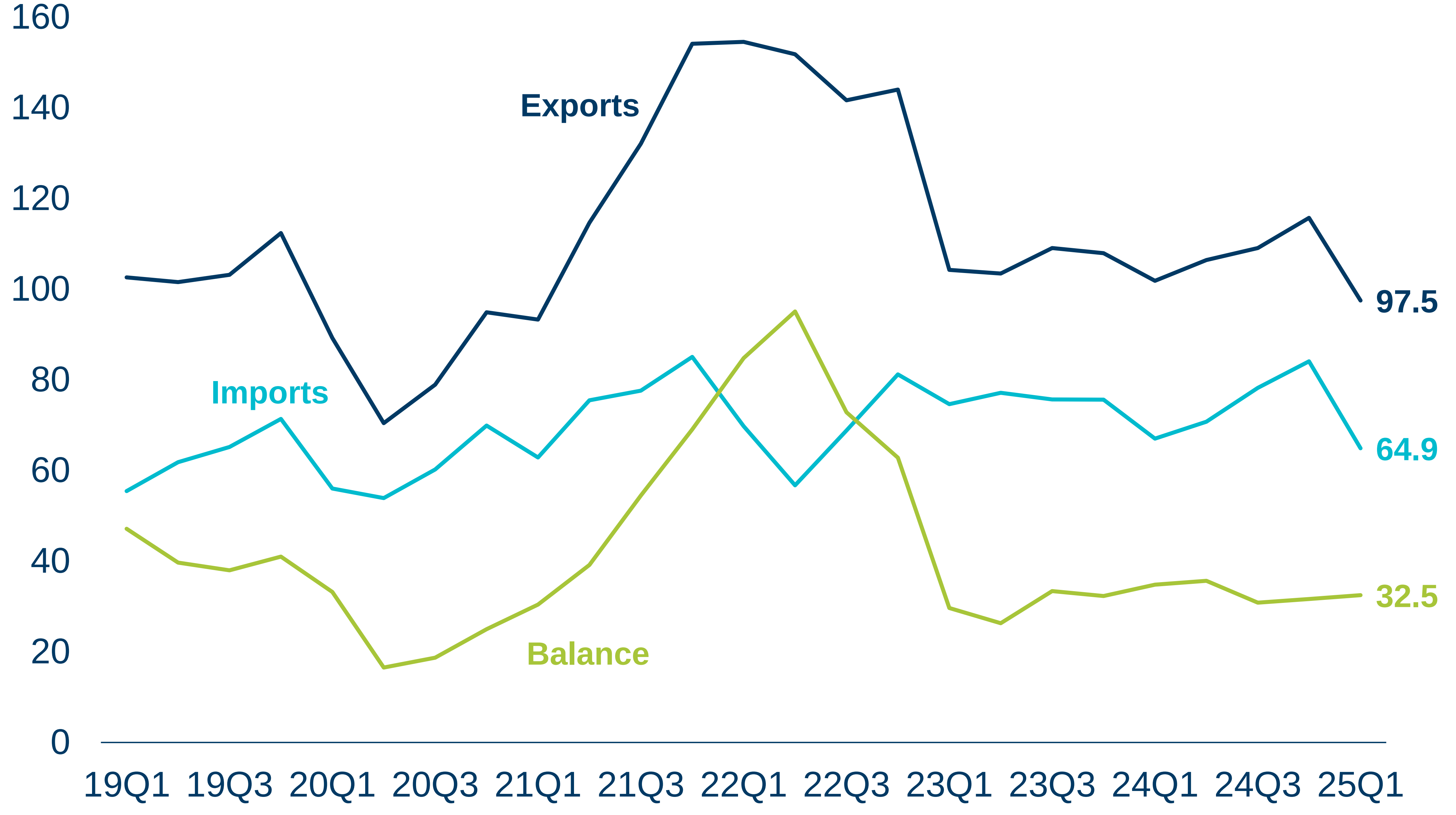
- Russia’s goods exports recovered strongly after unusually weak readings in Jan.-Feb.
- As imports remained suppressed, the goods trade balance improved markedly in Mar.
- Q1 numbers deserve monitoring as they diverge significantly from previous trends.

Monthly trade statistics, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

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

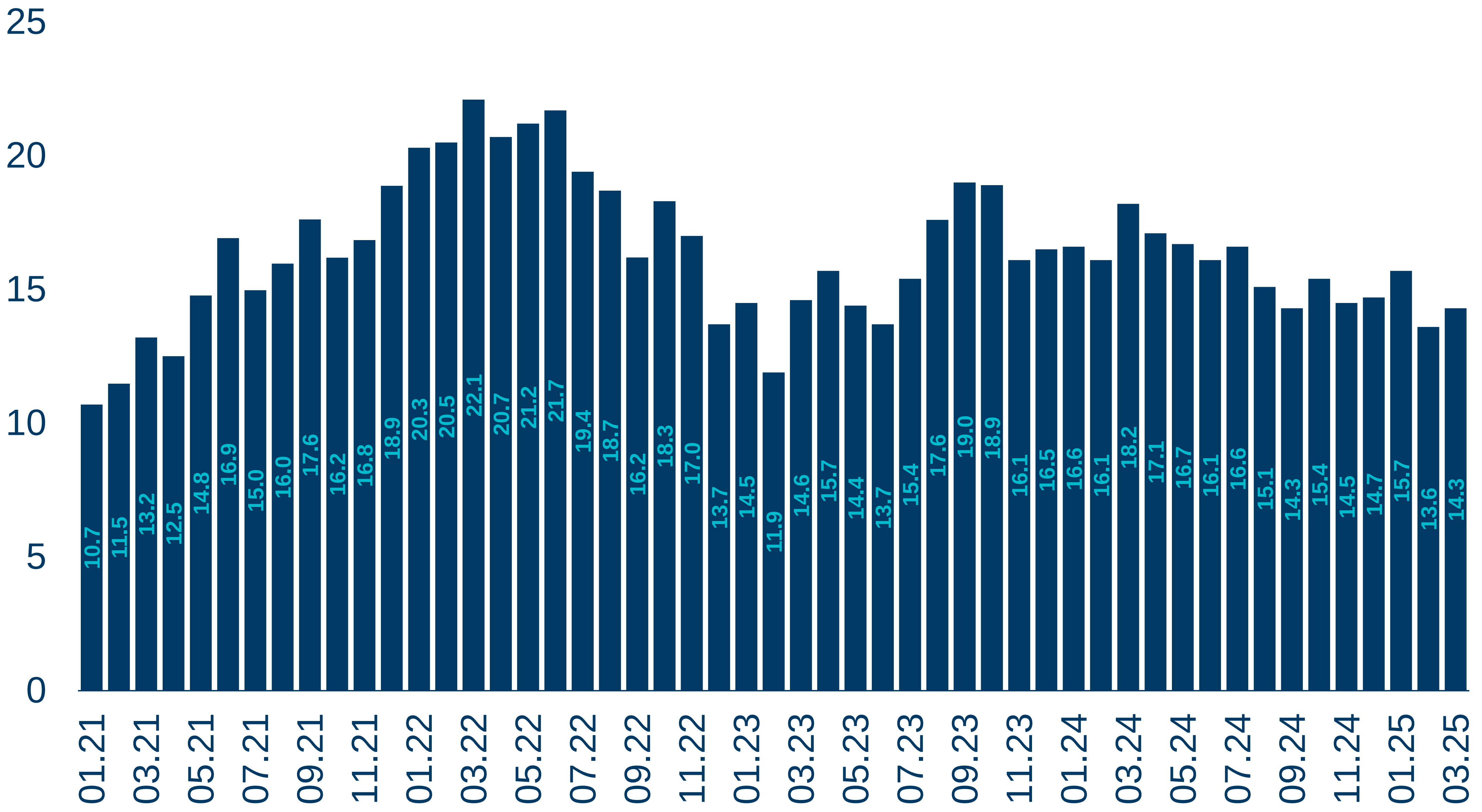


Source: Bank of Russia, KSE Institute

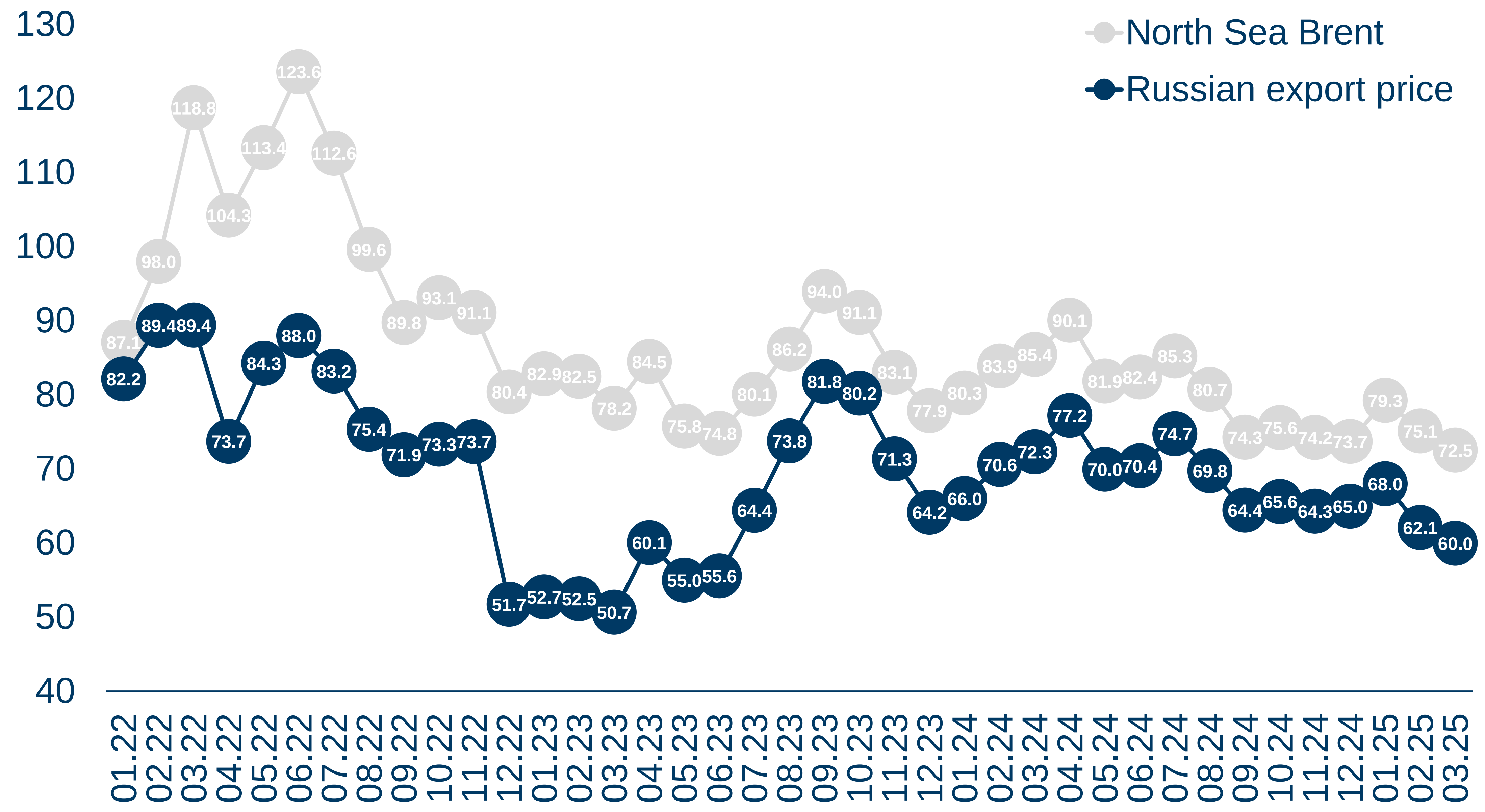
Lower oil prices weigh on export earnings.

- Oil exports earnings increased slightly in Mar. as the longer month (vs. Feb.) offset lower prices.
- Prices for crude oil fell due to lower global prices (-$2.5/barrel) and a narrower discount (-$0.5/barrel).
- Should these dynamics persist, 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*

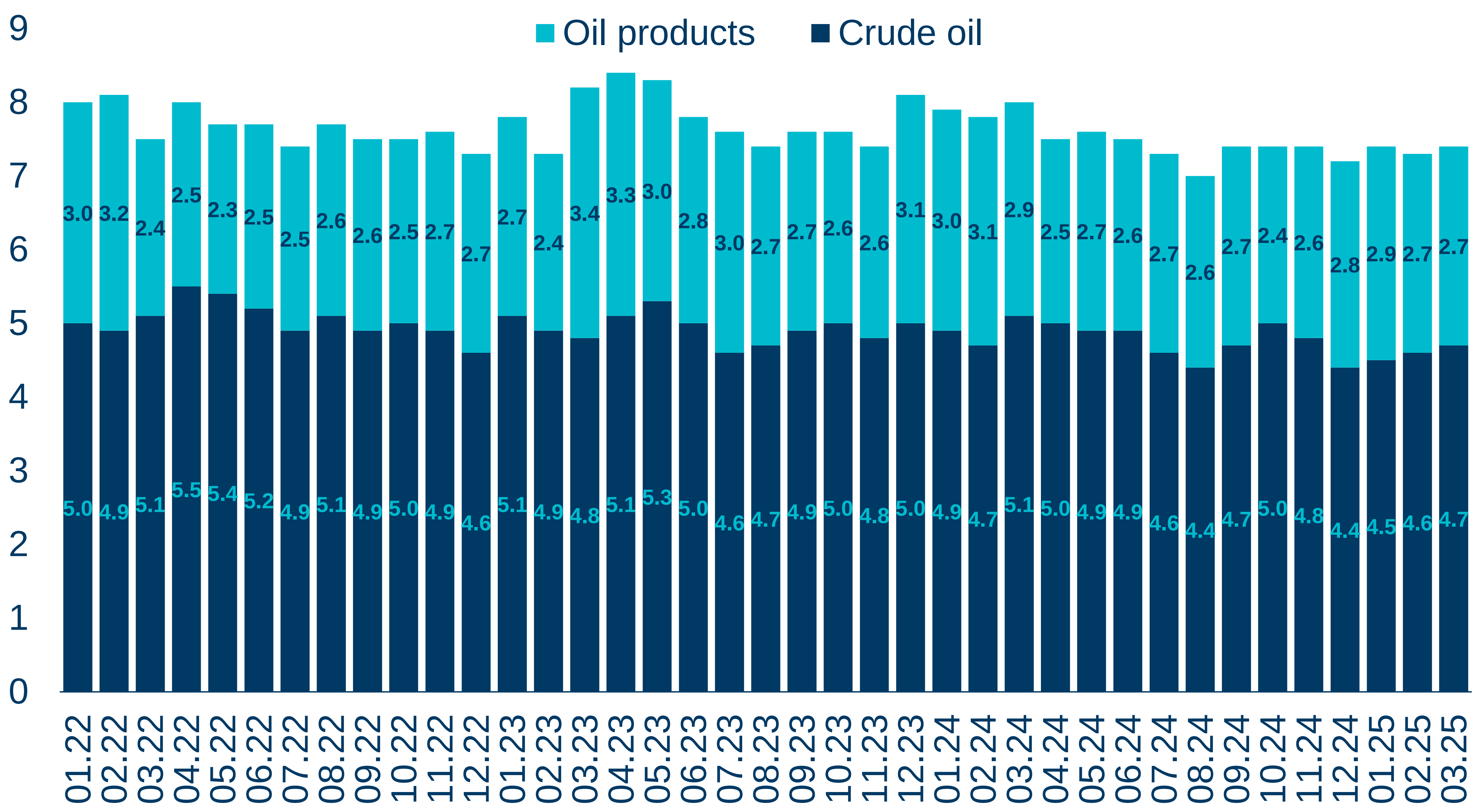


Source: Federal Customs Service, International Energy Agency, KSE Institute
*2021 data from Russian customs service, 2022-23 data from IEA

Supply of Russian oil remains stable.

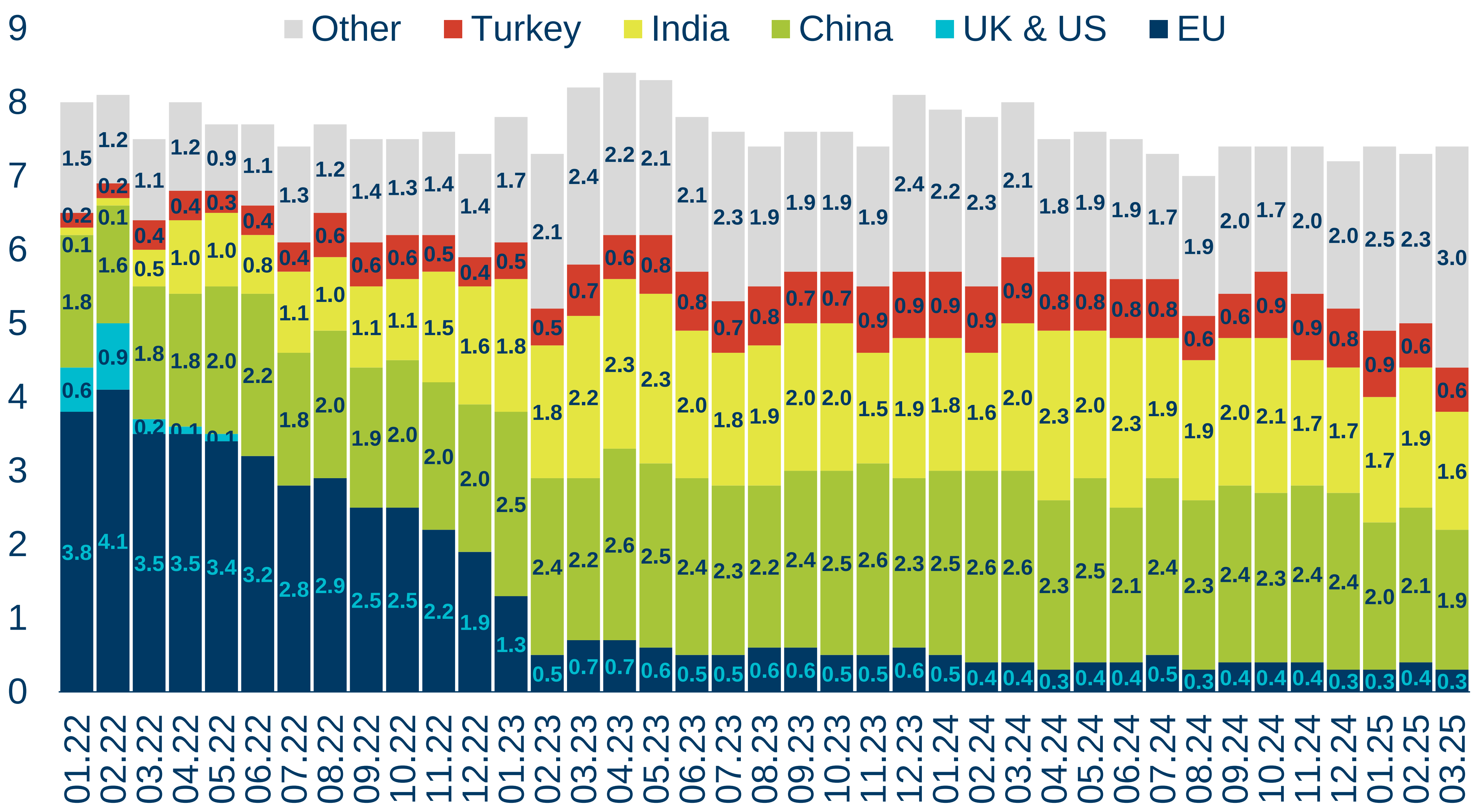
- Russian oil export volumes have been remarkably steady over the last 3 years.
- Overall, the G7+ oil price cap has succeeded at keeping Russian oil on the market.
- China, India, and Turkey are the most important buyers (~60-70% of oil exports).

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

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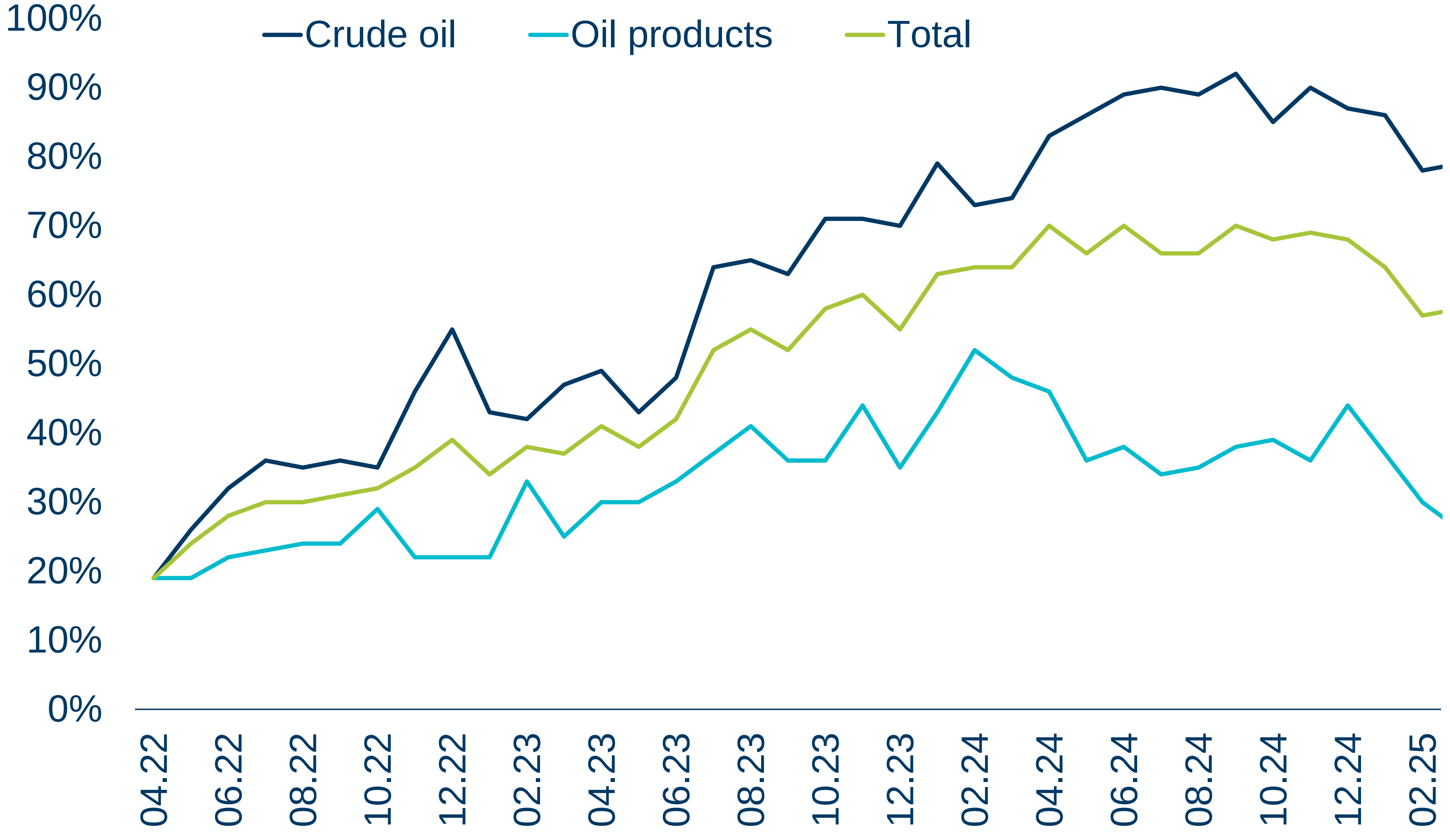
Shadow tanker designation campaign shows results.

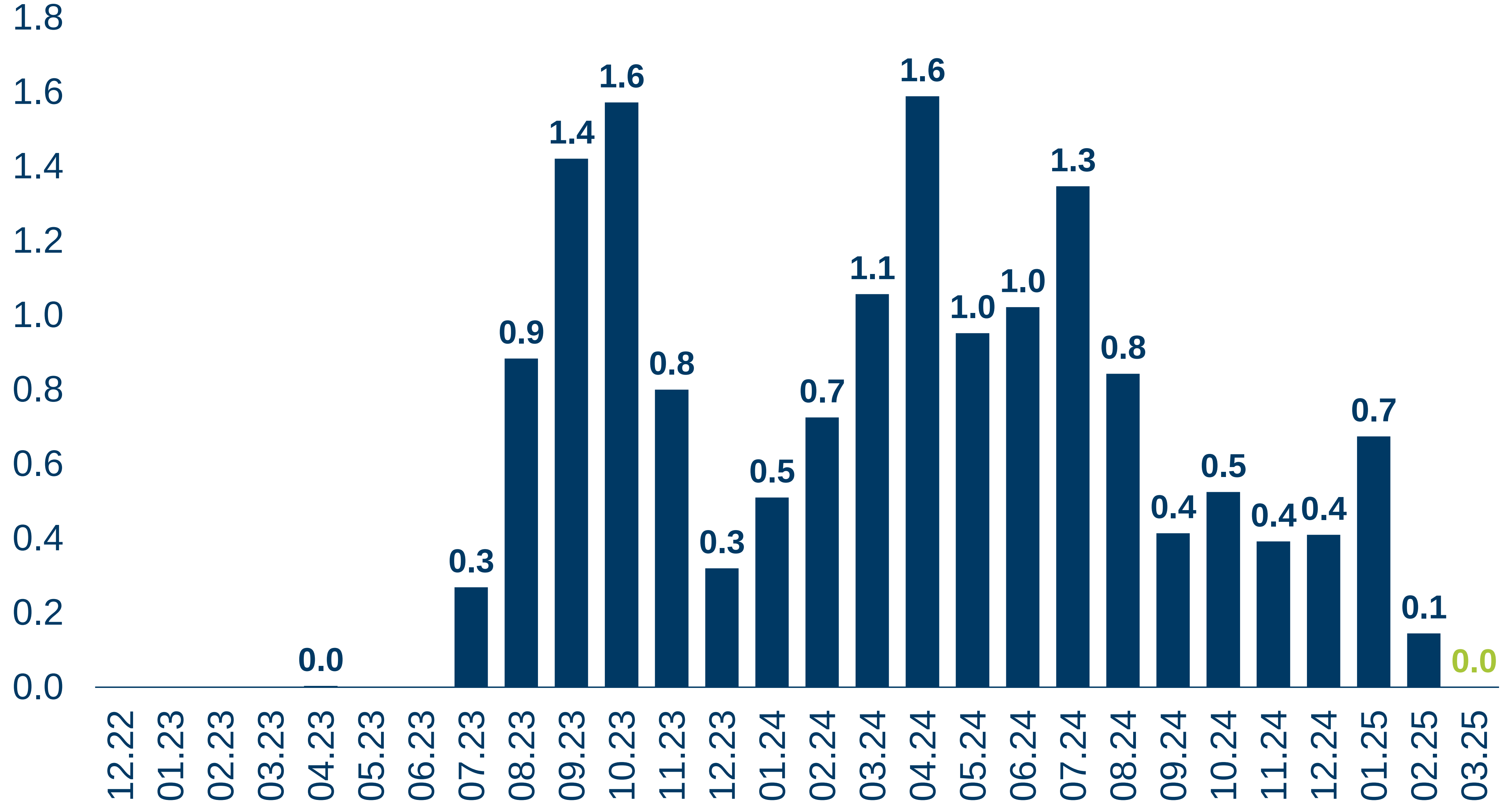
- In Mar. 2025, 79% of seaborne crude oil was transported without the involvement of G7+ services.
- The impact of the large number of ships sanctioned in Jan.-Feb. shows the potential of the instrument.
- With the average export price for Russian oil falling under $60/barrel, no extra earnings were generated.

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

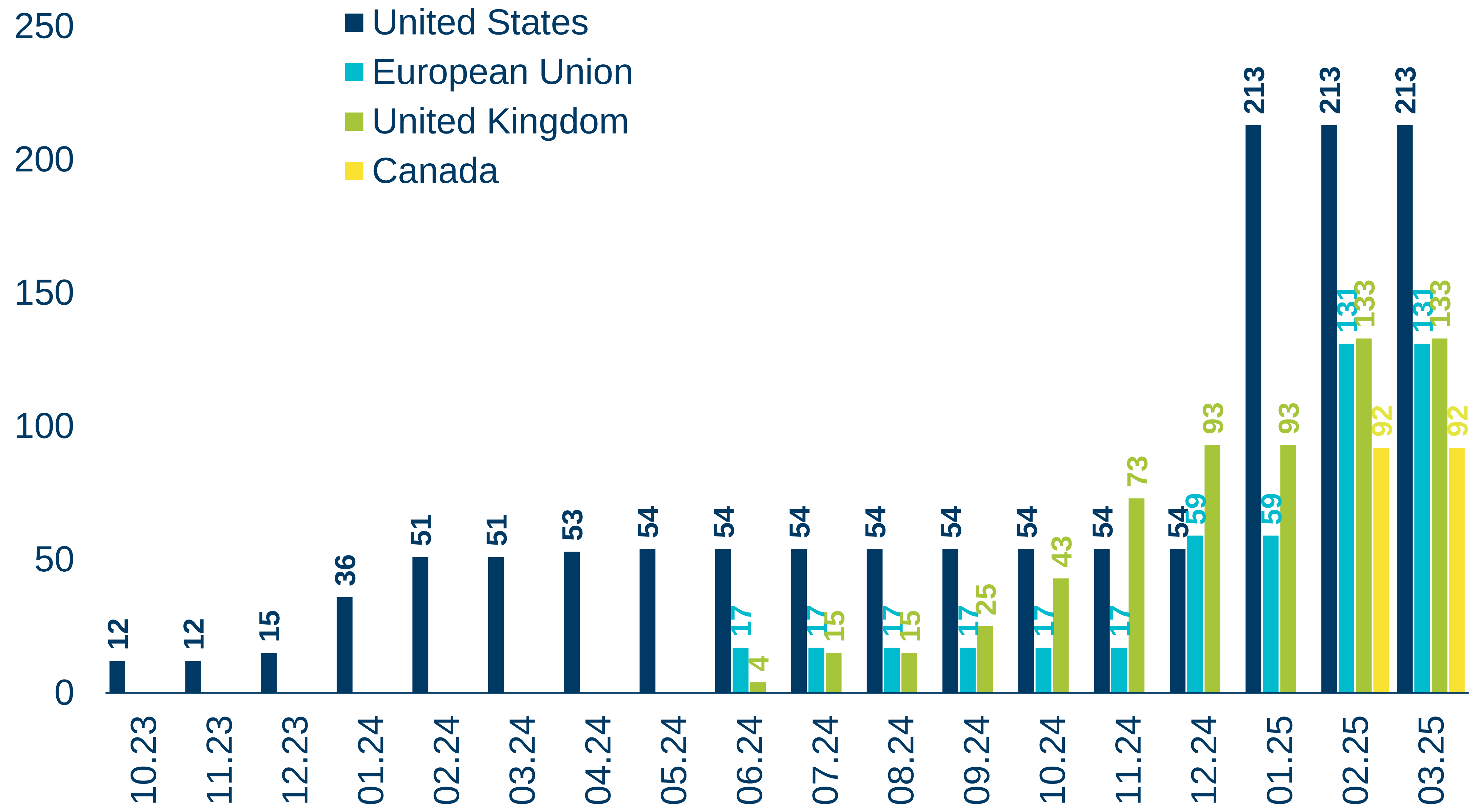


Source: Equasis, International Energy Agency, Kpler, P&I Clubs, KSE Institute

Countries have stepped-up sanctions on shadow tankers.

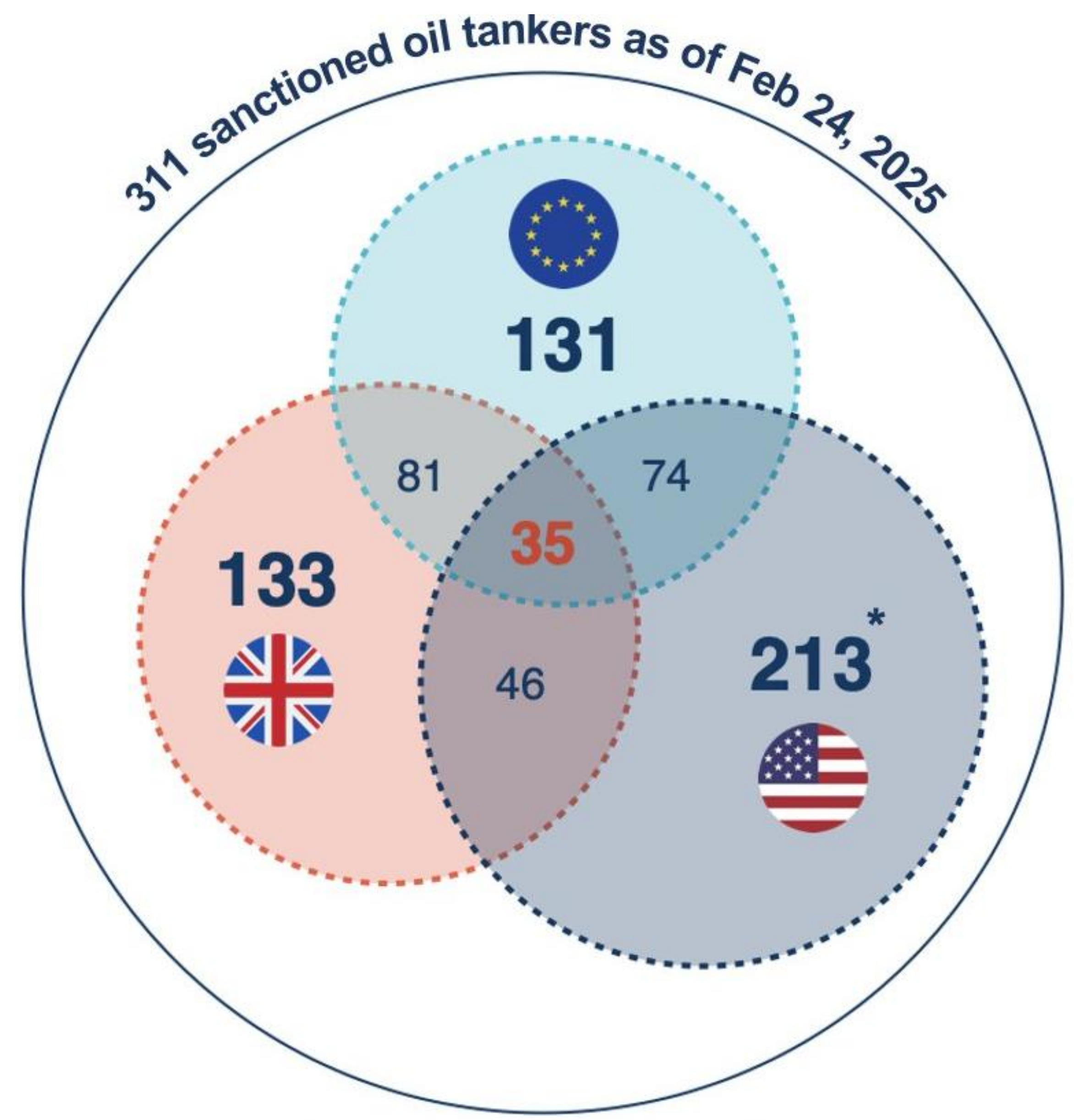
- After an almost 12-months hiatus, the US government adopted a major designations package in January.
- The EU also sanctioned a significant number of vessels in Dec. (15th package) and Feb. (16th package).
- With the UK's continuous designations efforts, 311 vessels are now sanctioned in at least one jurisdiction.

Cumulative vessel designations by jurisdiction and month



Source: European Commission, OFAC, OFSI, KSE Institute

Current vessel designations by jurisdiction

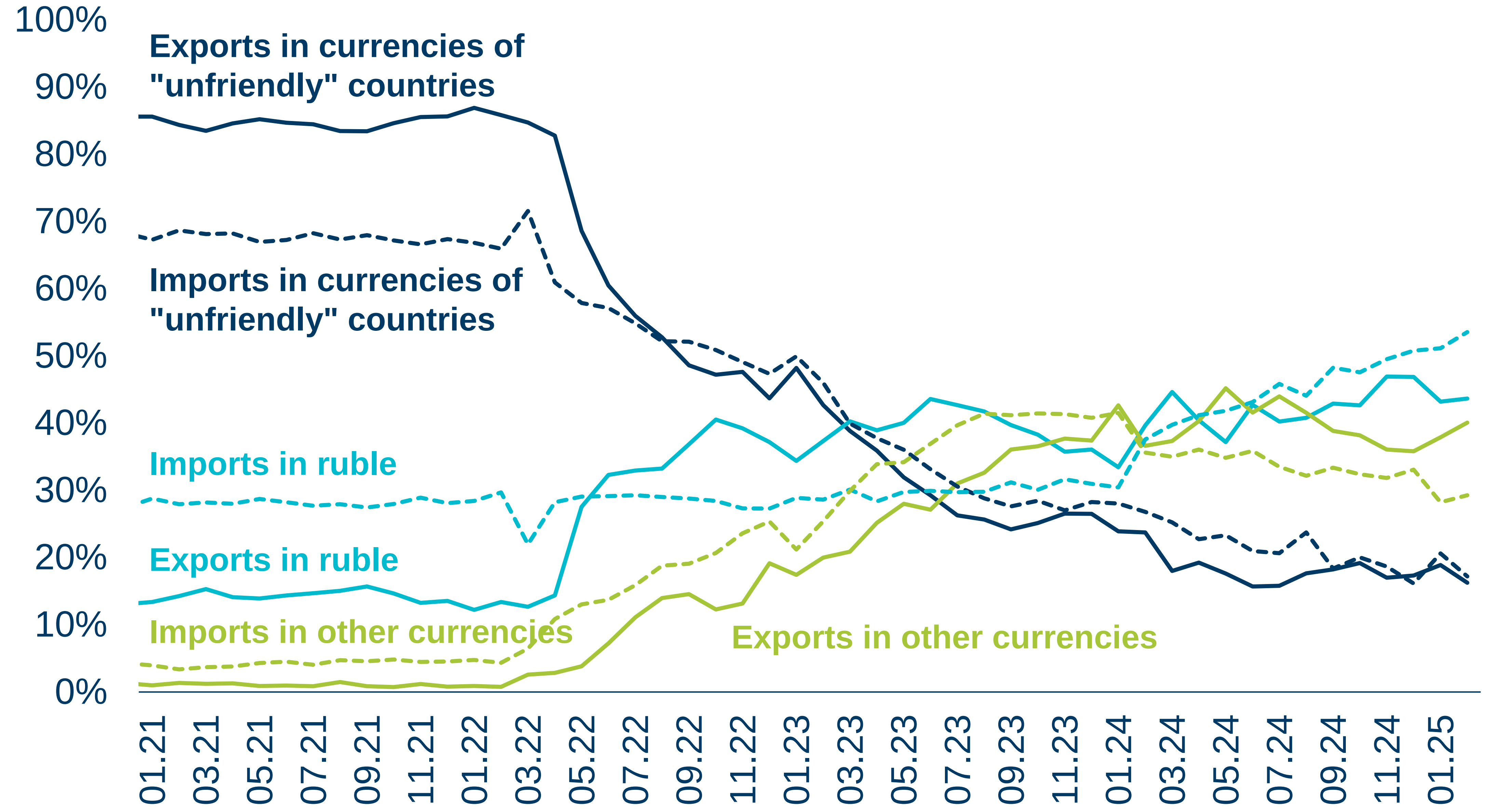


Source: European Commission, OFAC, OFSI, KSE Institute
* Includes 2 tankers that were sanctioned by the U.S. under the SDGT program rather than RUSSIA-EO14024, as they had already been sanctioned by one of two other governments.

Trade currency changes create hard currency shortage.

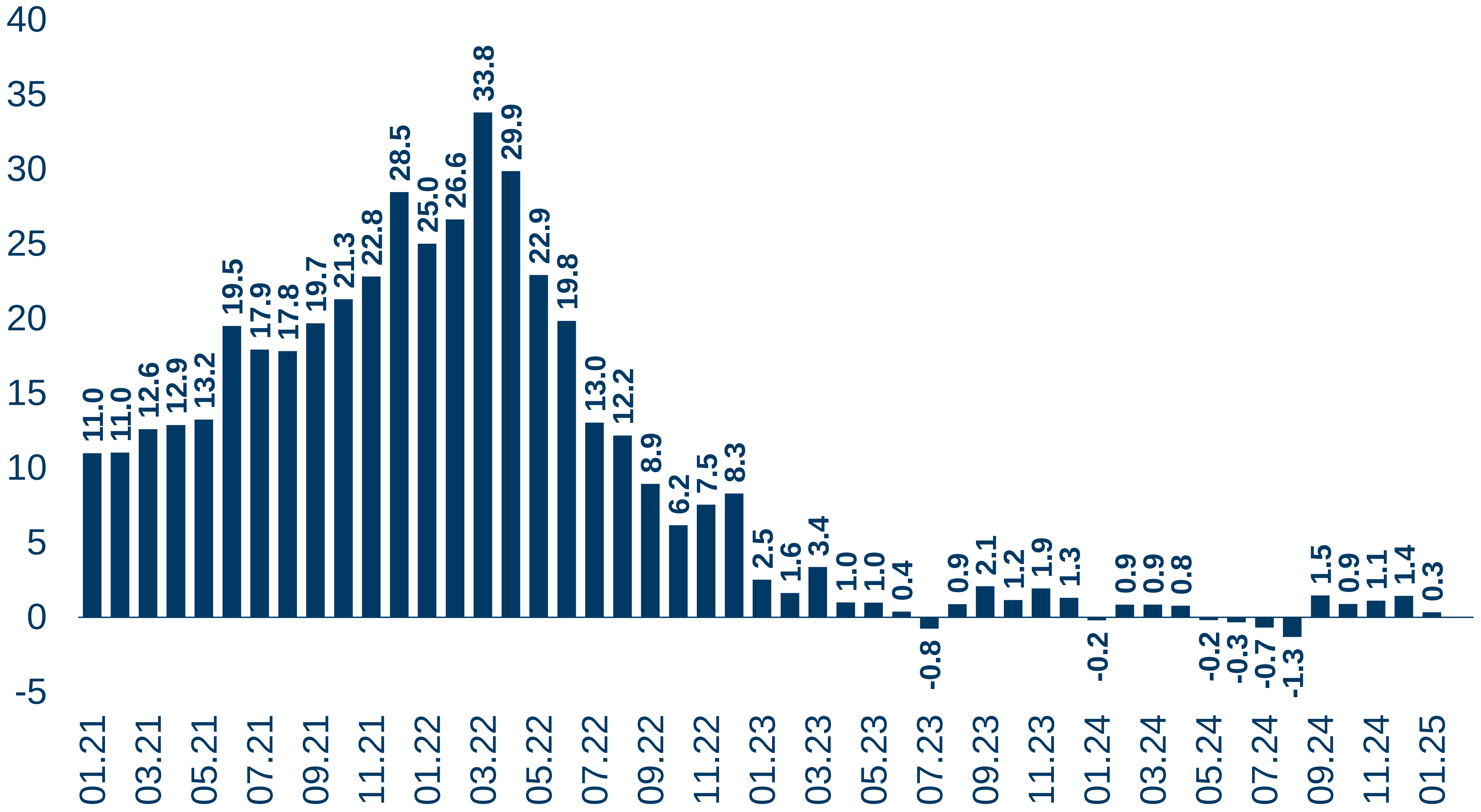
- The share of “unfriendly” countries’ currencies (e.g., USD, EUR, GBP, JPY, CHF) in Russian trade has fallen sharply.
- At the same time, the ruble and other currencies (likely, yuan) have gained importance for both exports and imports.
- This has created a shortage of hard currency as net inflows from goods and services trade have essentially disappeared.

Currency composition of Russia’s foreign trade, in %



Source: Bank of Russia

Net inflows of hard currency from goods and services trade, in $ bn*

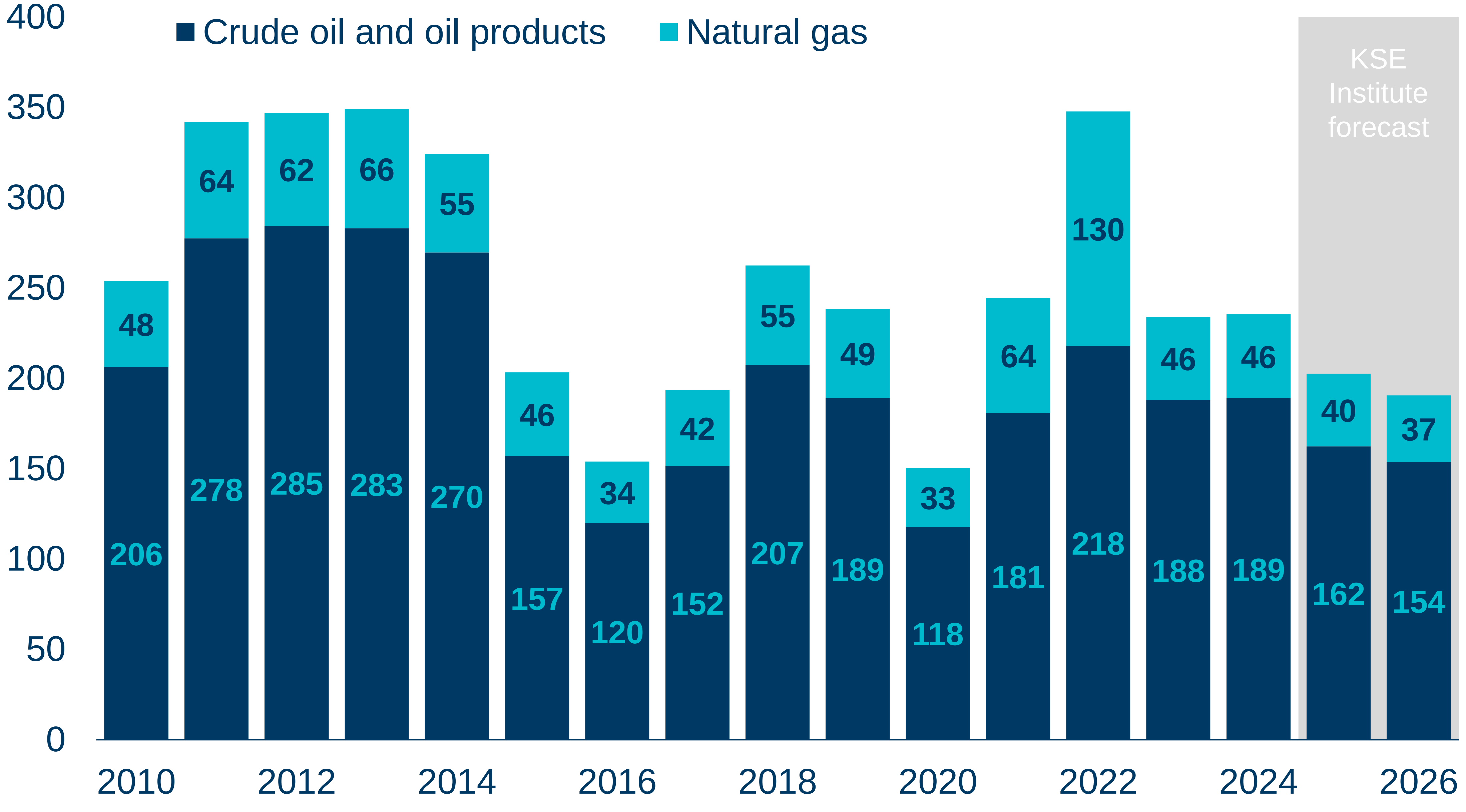


Source: Bank of Russia, KSE Institute *includes currencies of “unfriendly” countries; methodology changed from previous editions of the chartbook by applying currency shares reported by the CBR to goods *and* services trade instead of goods trade only.

Current account surplus to decline moderately.

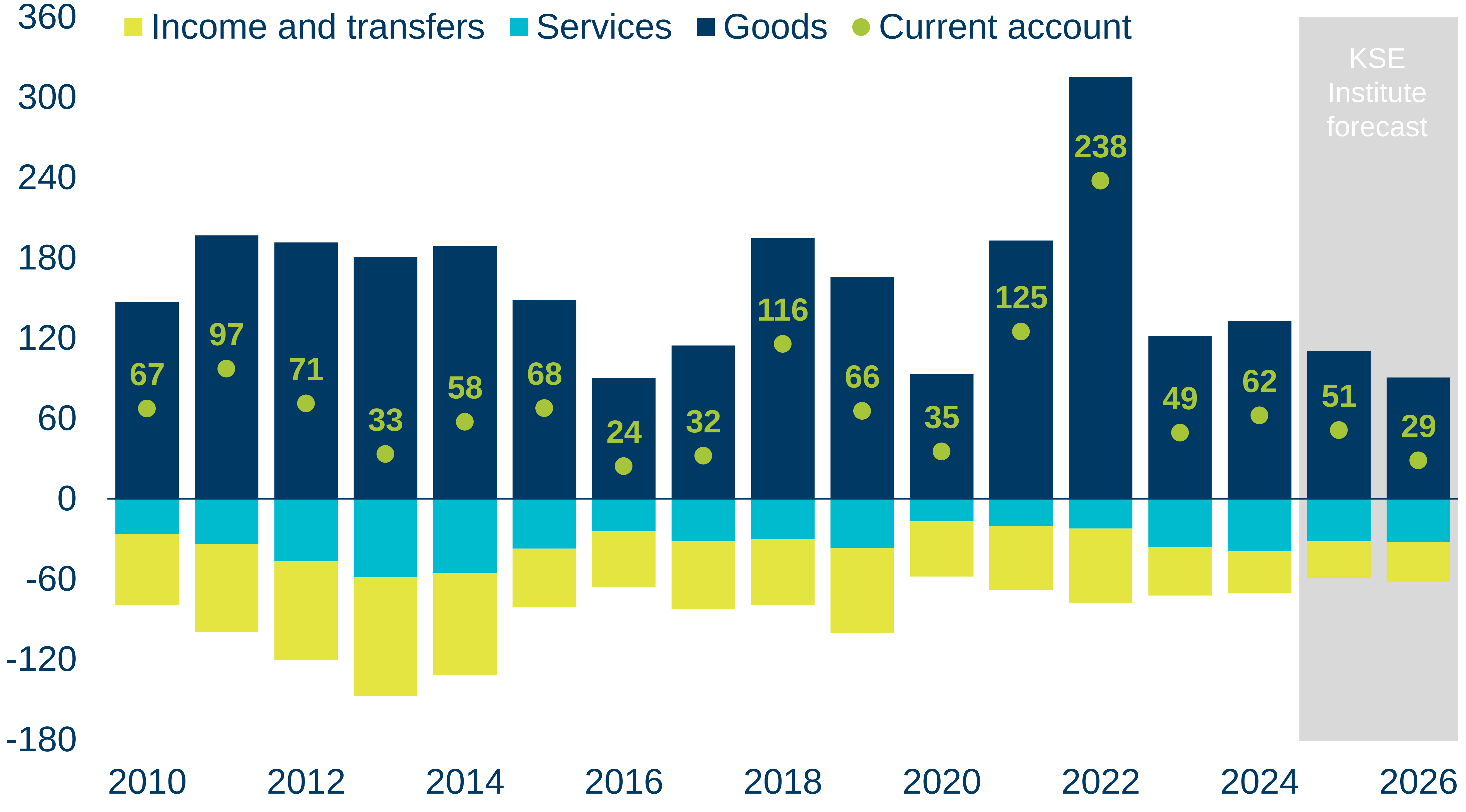
- We estimate oil and gas exports to have reached $235 billion in 2024, while the current account came in at +$64 billion.
- The current account surplus is projected to decrease to $51 billion in 2025 and $29 billion in 2026 as O&G exports weaken.
- At least for 2025, this leaves Russia in a relatively 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

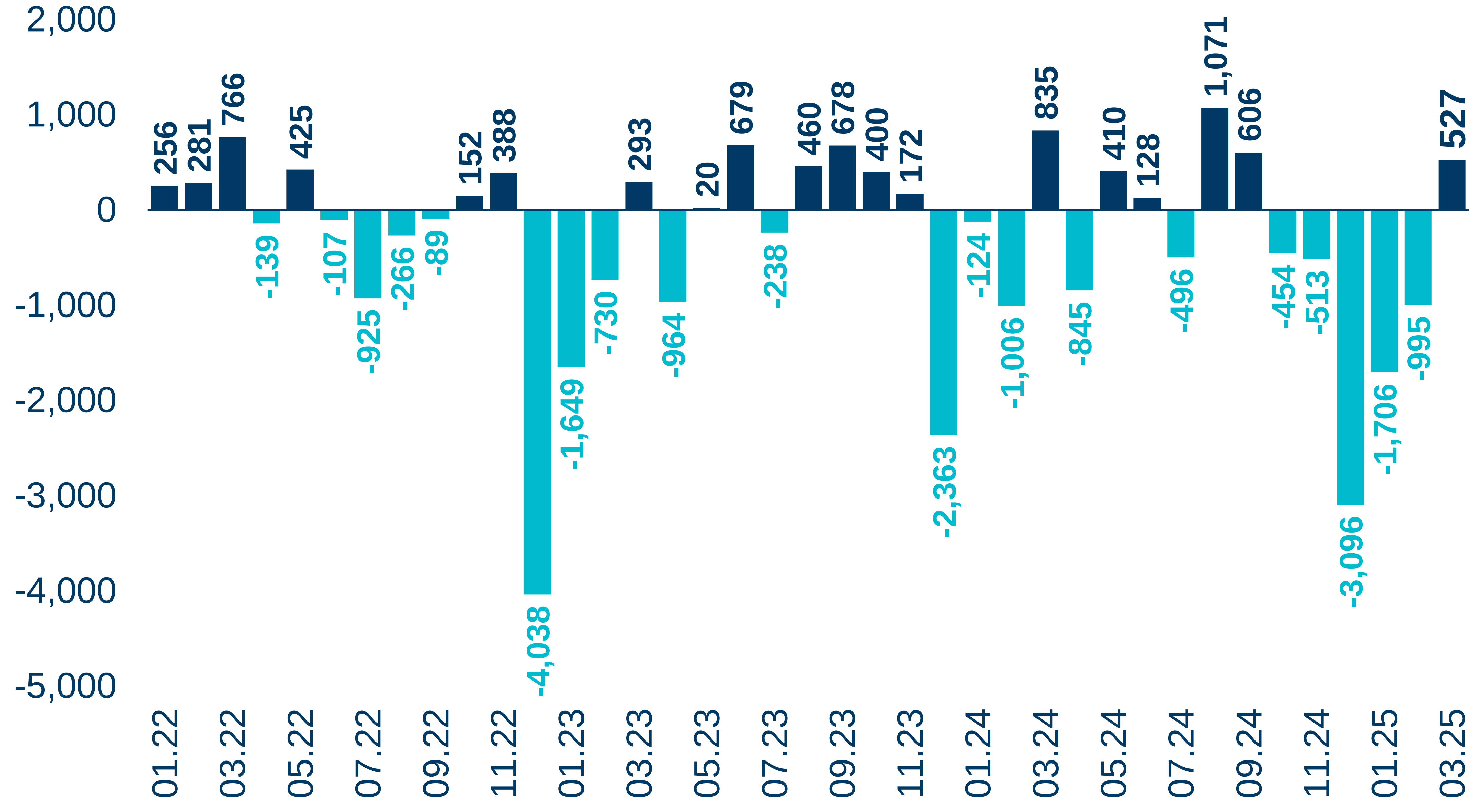


Source: Bank of Russia, KSE Institute

The year started with a large federal budget deficit.

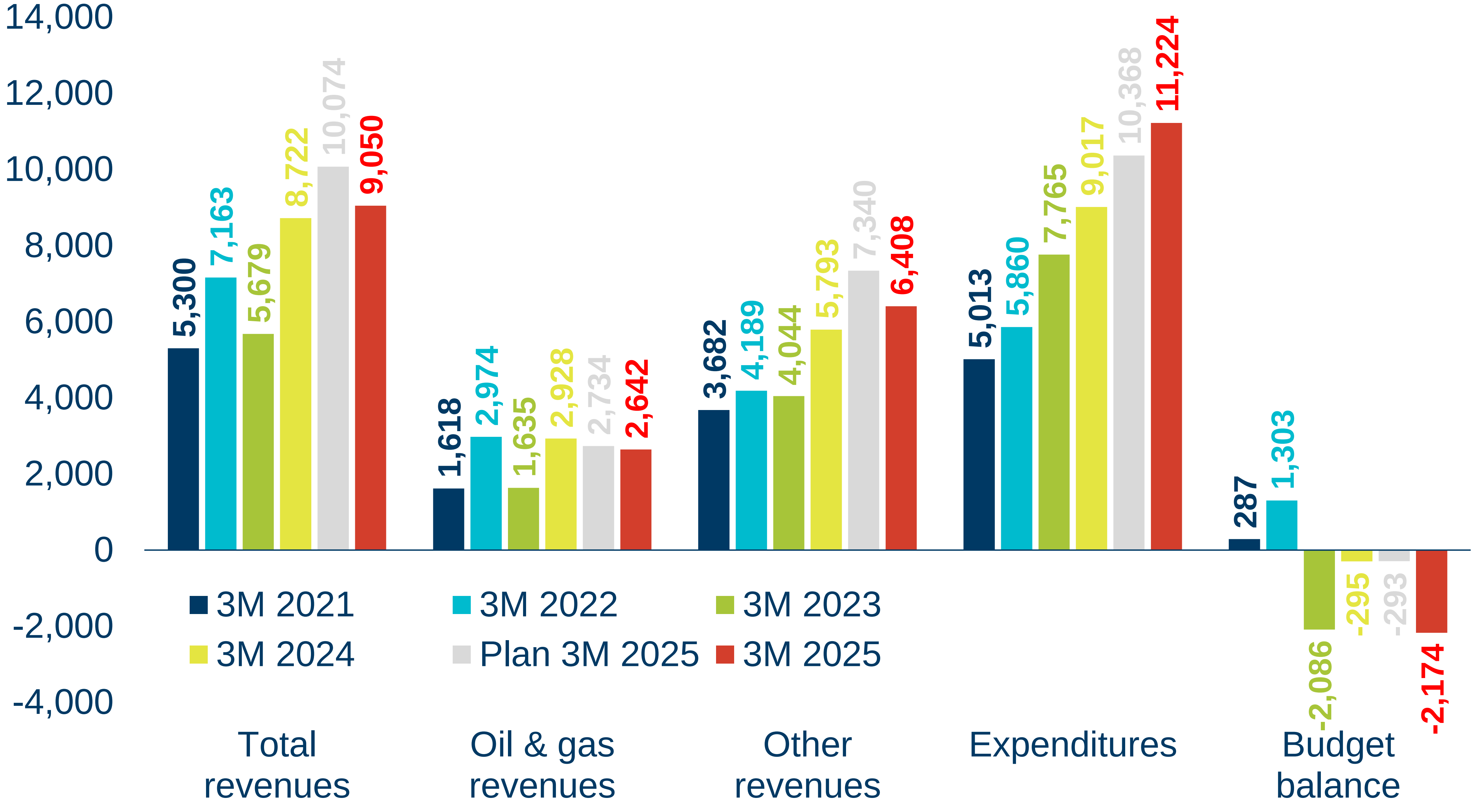
- The budget deficit was significantly larger than last year in Jan.-Mar. at 2.2 trillion rubles (vs. 300 billion in Jan.-Mar. 2024).
- Oil and gas revenues were 10% weaker year-over-year, non-O&G revenues 11% stronger, and expenditures 24% higher.
- Total budget expenditures in Mar. were 13% lower than in Feb. and 27% lower than in Jan. but remain clearly elevated.

Federal government balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Revenues and expenditures, in ruble billion

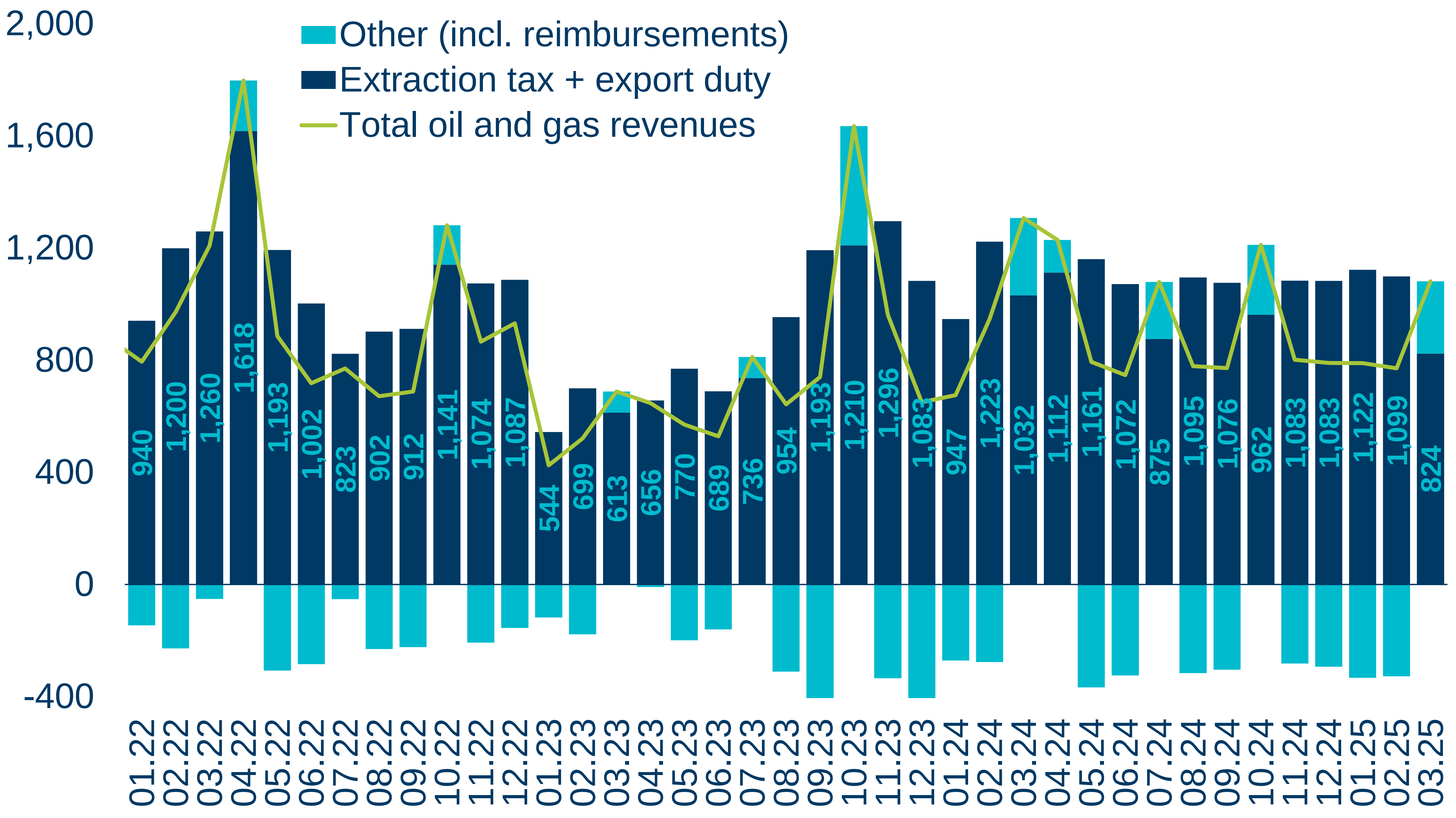


Source: Ministry of Finance, KSE Institute

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

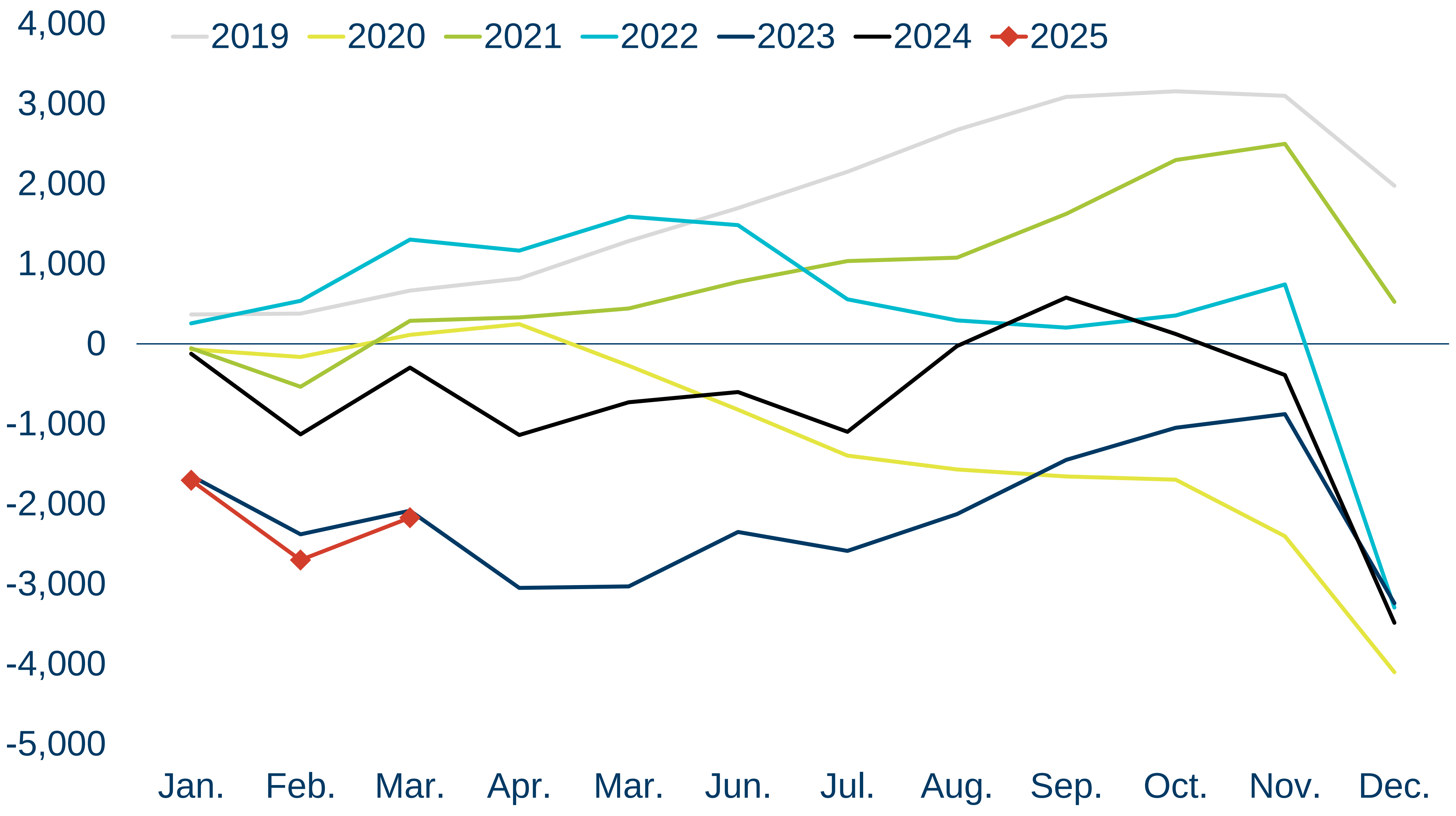
- Oil and gas revenues increased in Mar. on the back of quarterly tax payments and are broadly in line with the budget.
- Revenues from extraction taxes (and export duties) are the weakest since mid-2023 due to significantly lower prices.
- The Jan.-Mar. deficit is the largest since the start of the full-scale invasion, even surpassing Jan.-Mar. 2023 by 4%.

Federal oil and gas revenues, in ruble billion



Source: Ministry of Finance, KSE Institute

Cumulative federal budget balance, in ruble billion

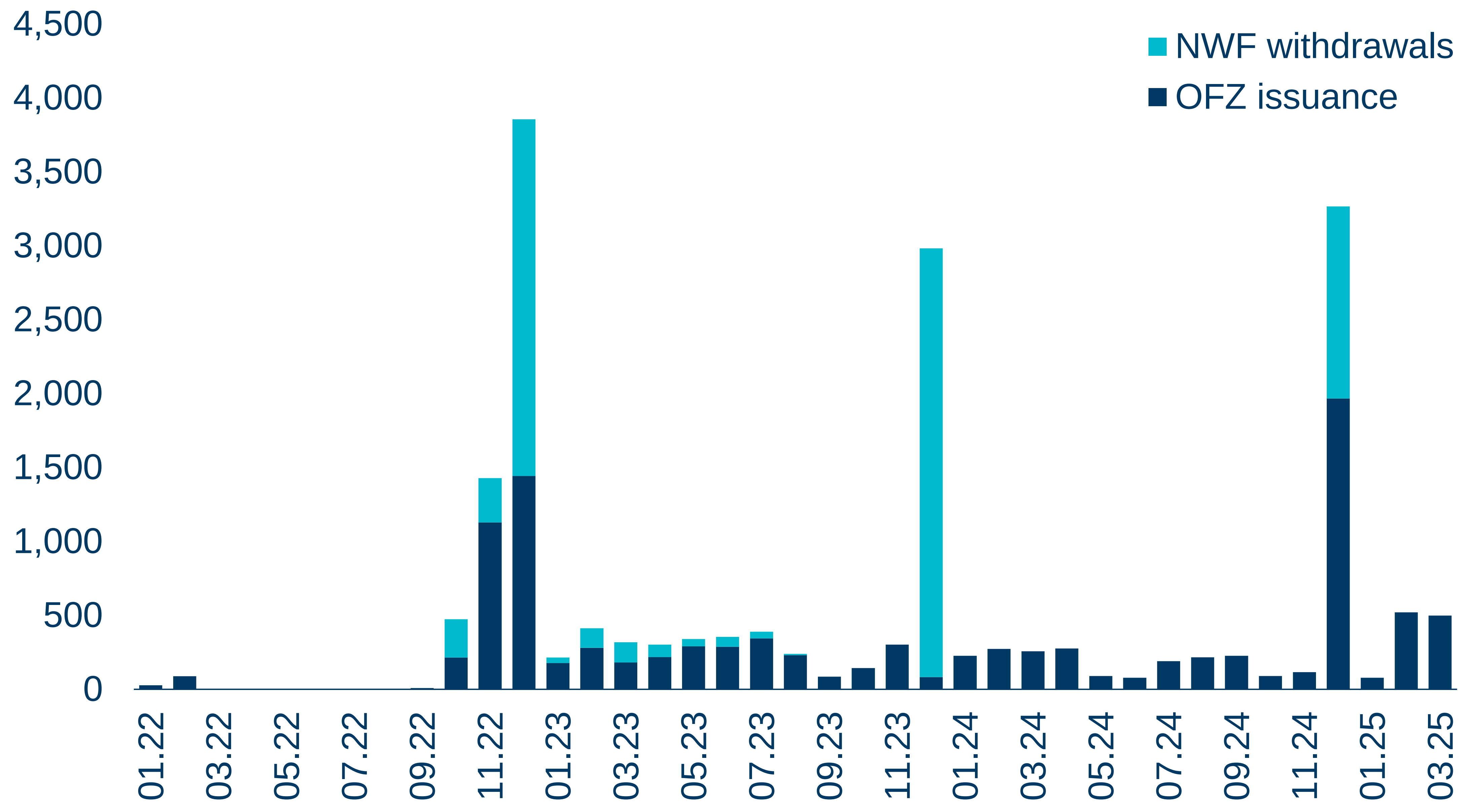


Source: Ministry of Finance, KSE Institute

Domestic debt issuance increased to finance larger deficit.

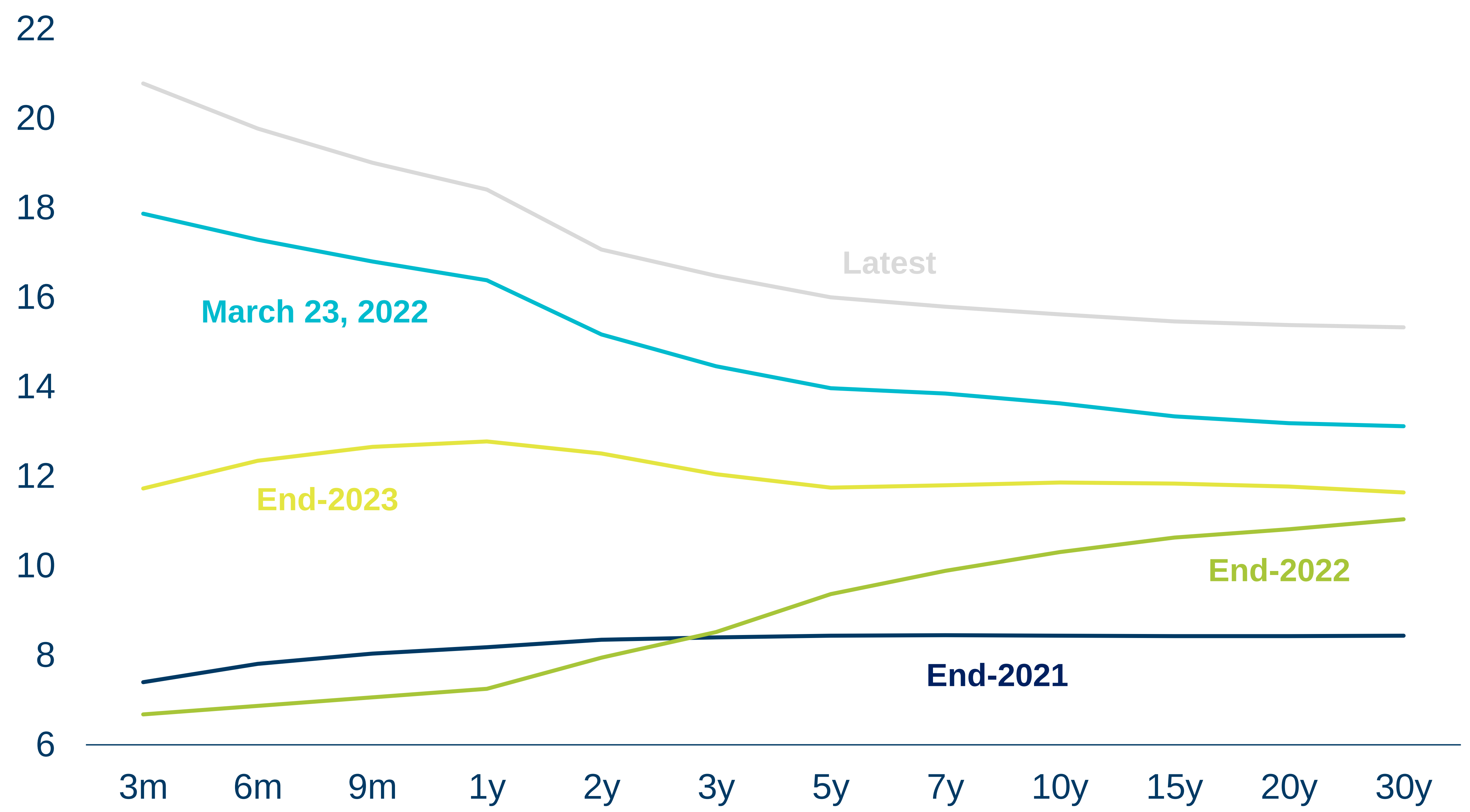
- Due to the large Jan.-Mar. deficit, OFZ issuance has increased (to 1.1 trillion rubles in Q1 2025).
- In Apr., Russia's Ministry of Finance has issued an additional 500 billion rubles so far.
- No NWF funds have been used for the budget yet this year, in line with last year's pattern.

Key fiscal financing channels, in ruble billion



Source: Ministry of Finance, KSE Institute

OFZ yield curves, in %



Source: Bank of Russia, KSE Institute

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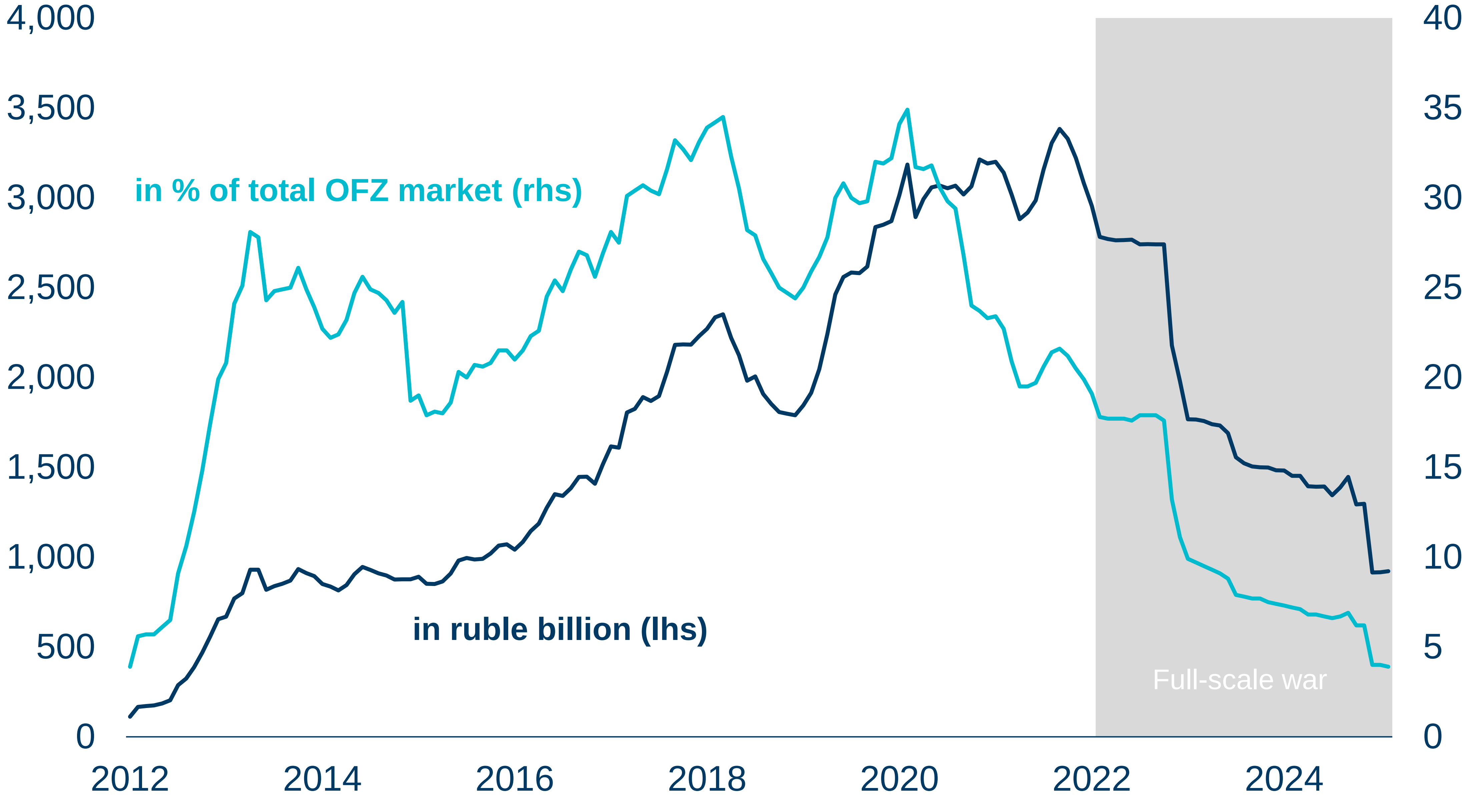
Domestic banks are the only remaining buyers of OFZs.

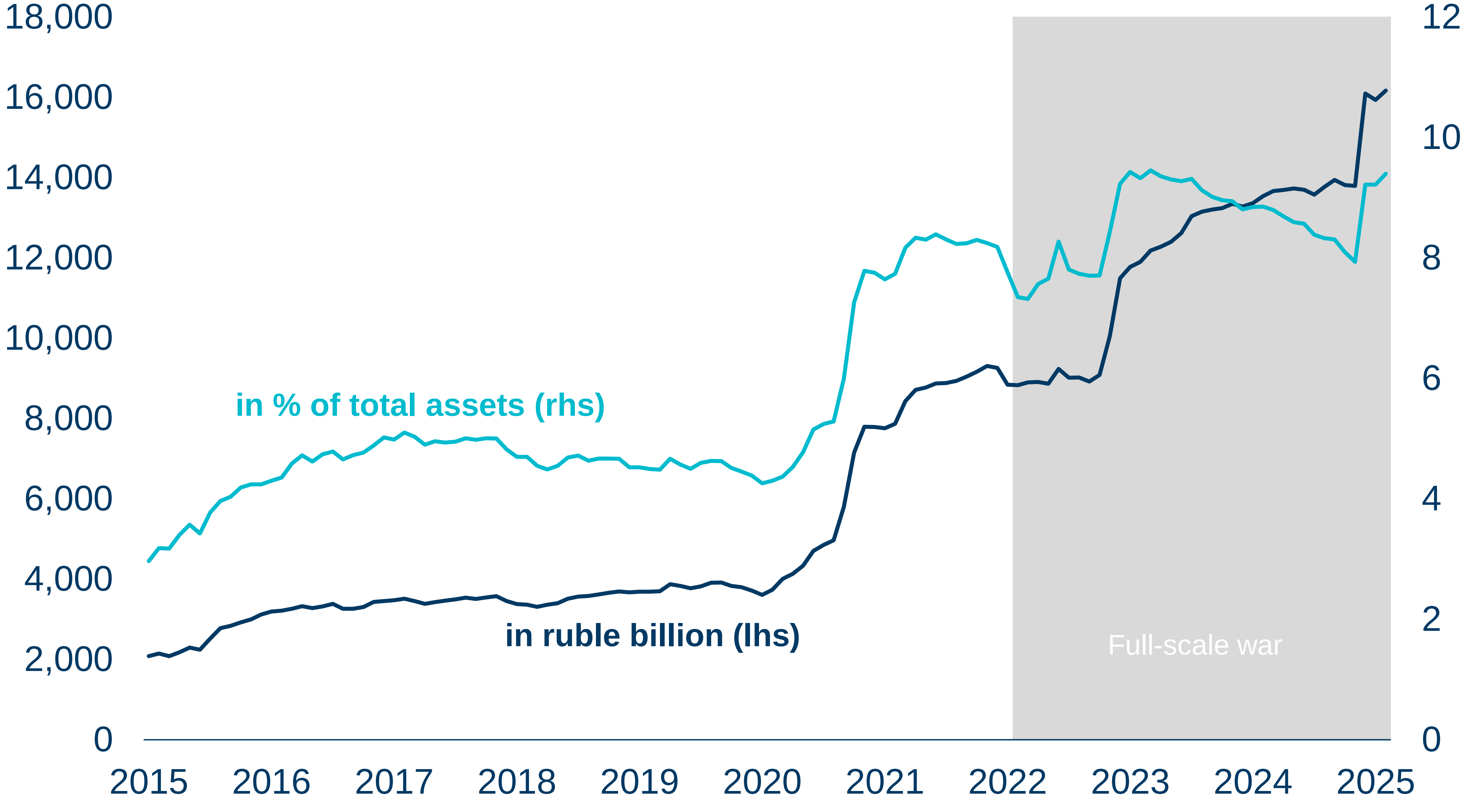
- Foreigners have largely disengaged from the Russian sovereign debt market since the start of the war.
- Non-resident holdings have dropped 2.0 trillion rubles (or 69%) since Jan. 2022 as bonds matured.
- Credit institutions' holdings of OFZs, on the other hand, have risen significantly over the same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

Non-resident OFZ holdings



Source: Bank of Russia, KSE Institute

Depository corporations' OFZ holdings*

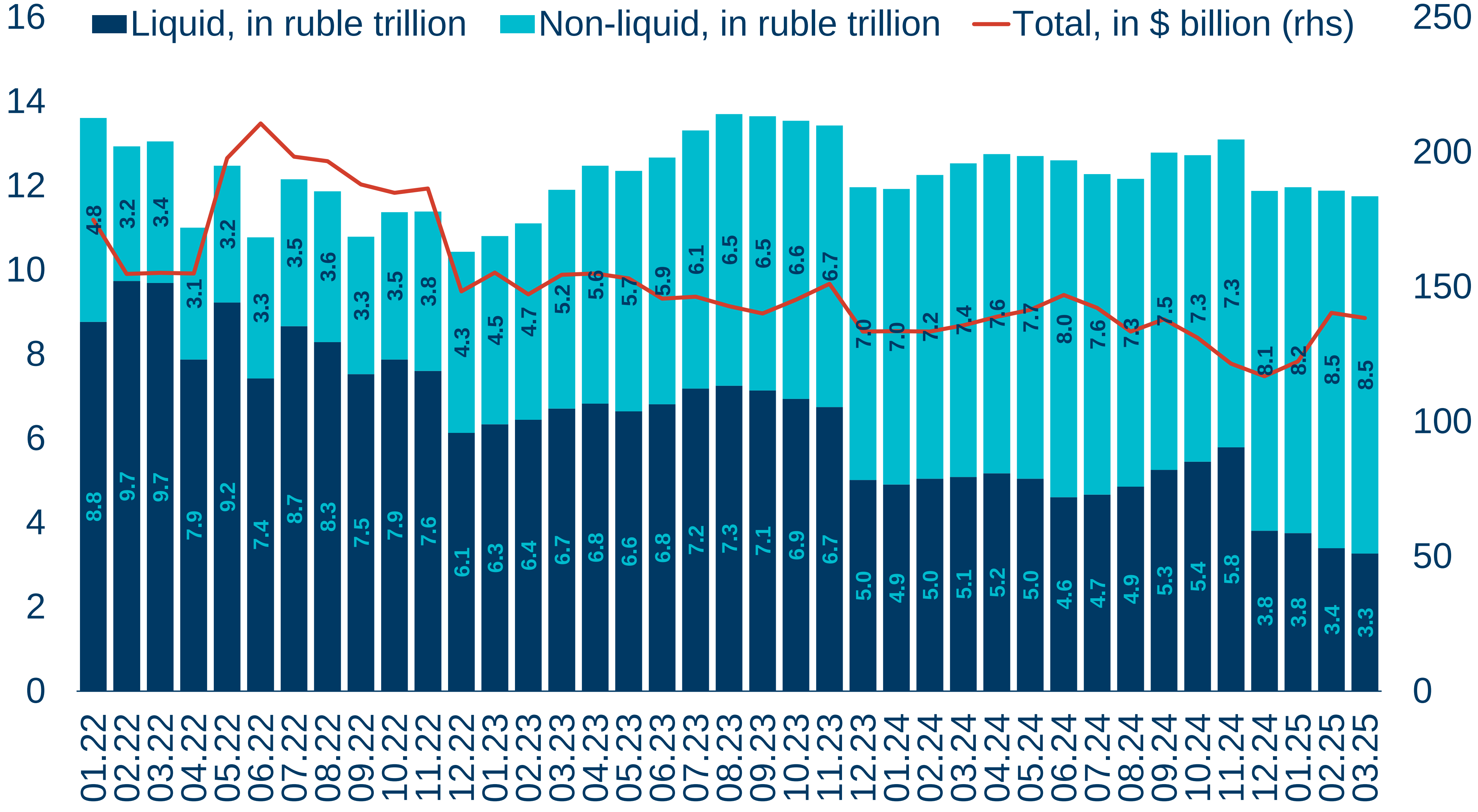


Source: Bank of Russia, KSE Institute *excluding Bank of Russia

Liquid NWF assets have dropped sharply.

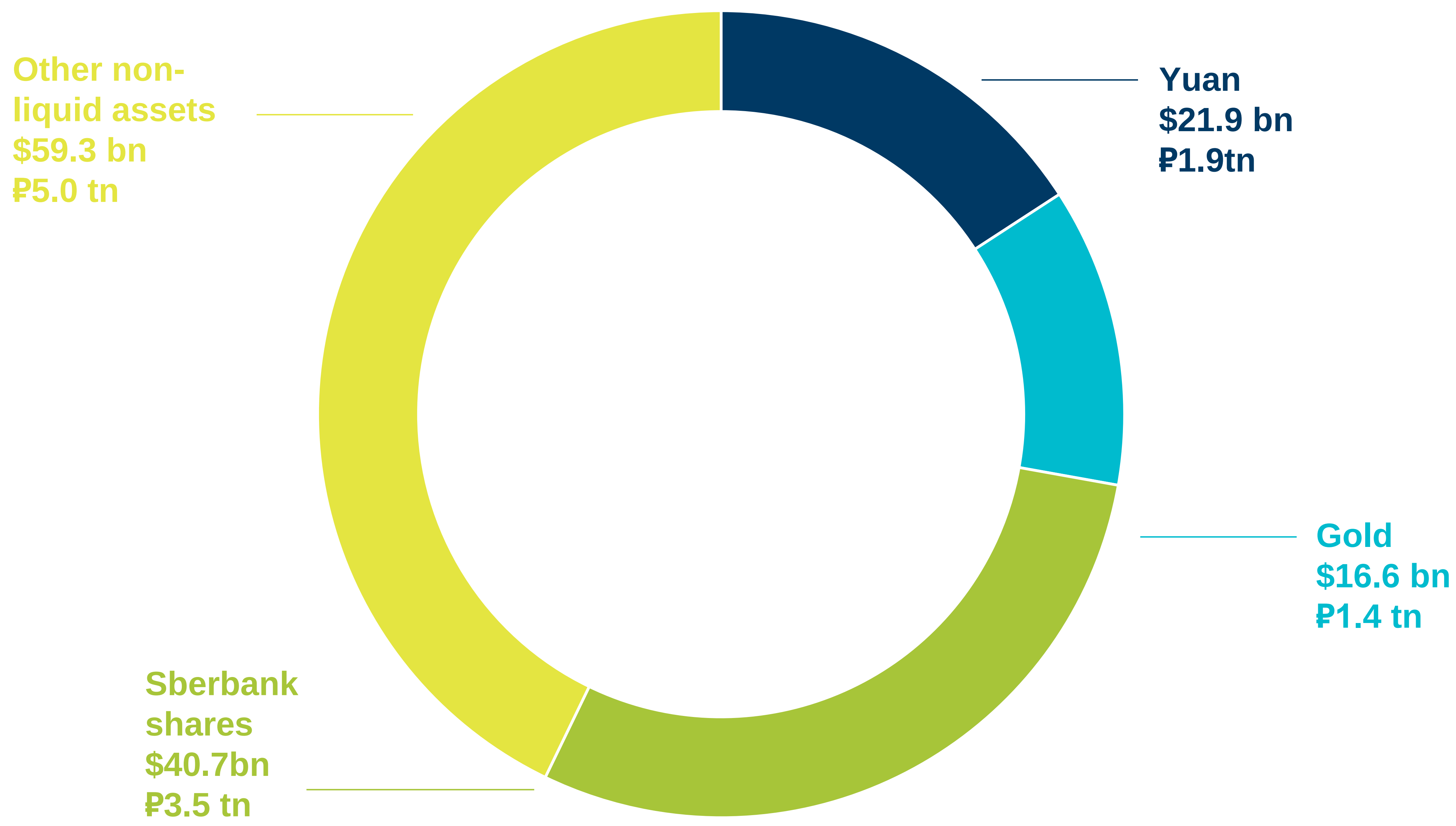
- Total assets of the National Welfare Fund stood at 11.8 trillion rubles ($139 billion, 5.5% of GDP) in Mar. 2025.
- The liquid portion has declined by 66% since early-2022 as 7.7 trillion rubles were used to finance the budget.
- Stronger ruble means ⬀ USD value of assets held in rubles and ⬂ ruble value of assets held in foreign currency.

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*

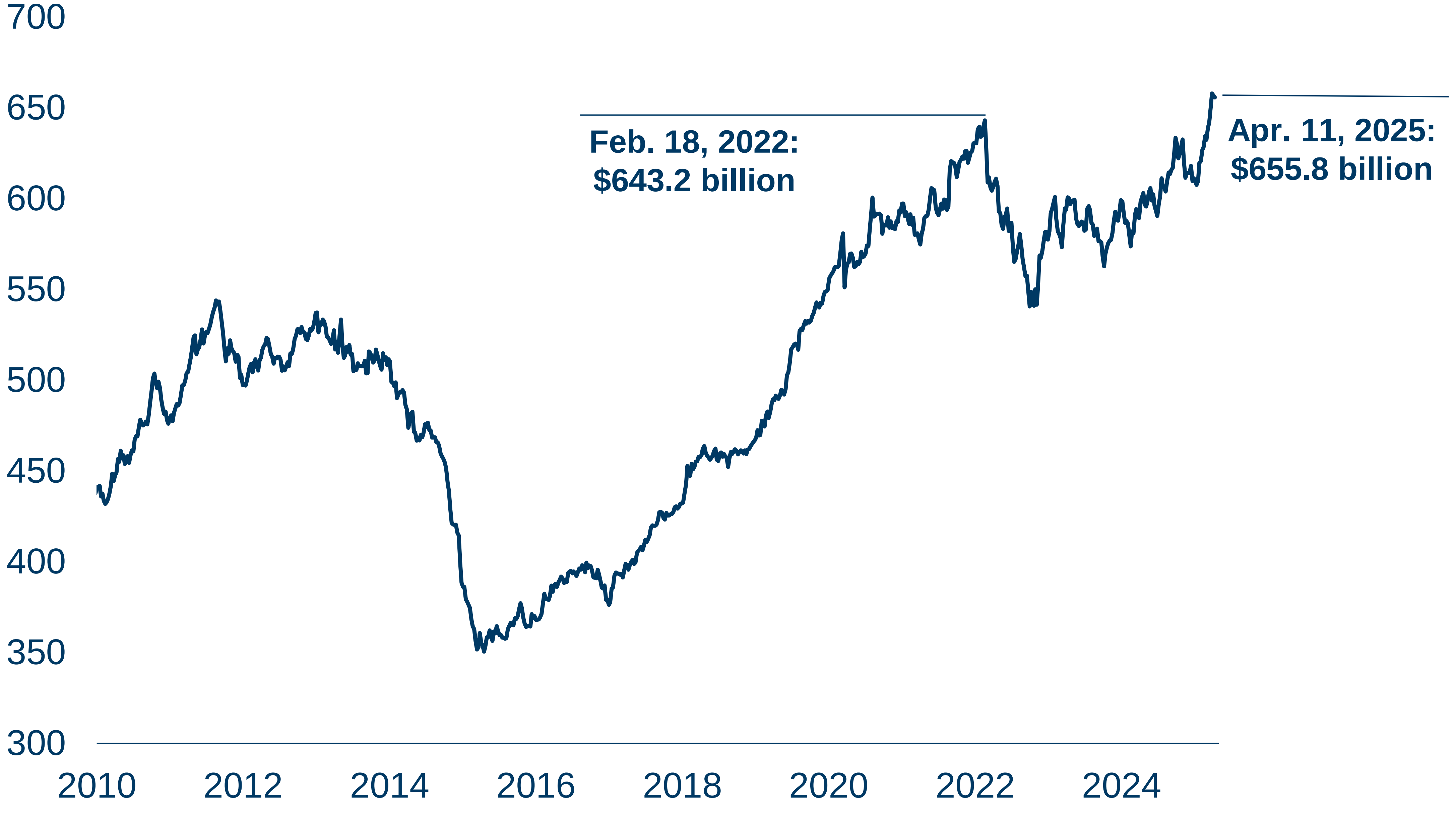


Source: Ministry of Finance, KSE Institute *based on market exchange rates/prices

Large share of reserves remains immobilized.

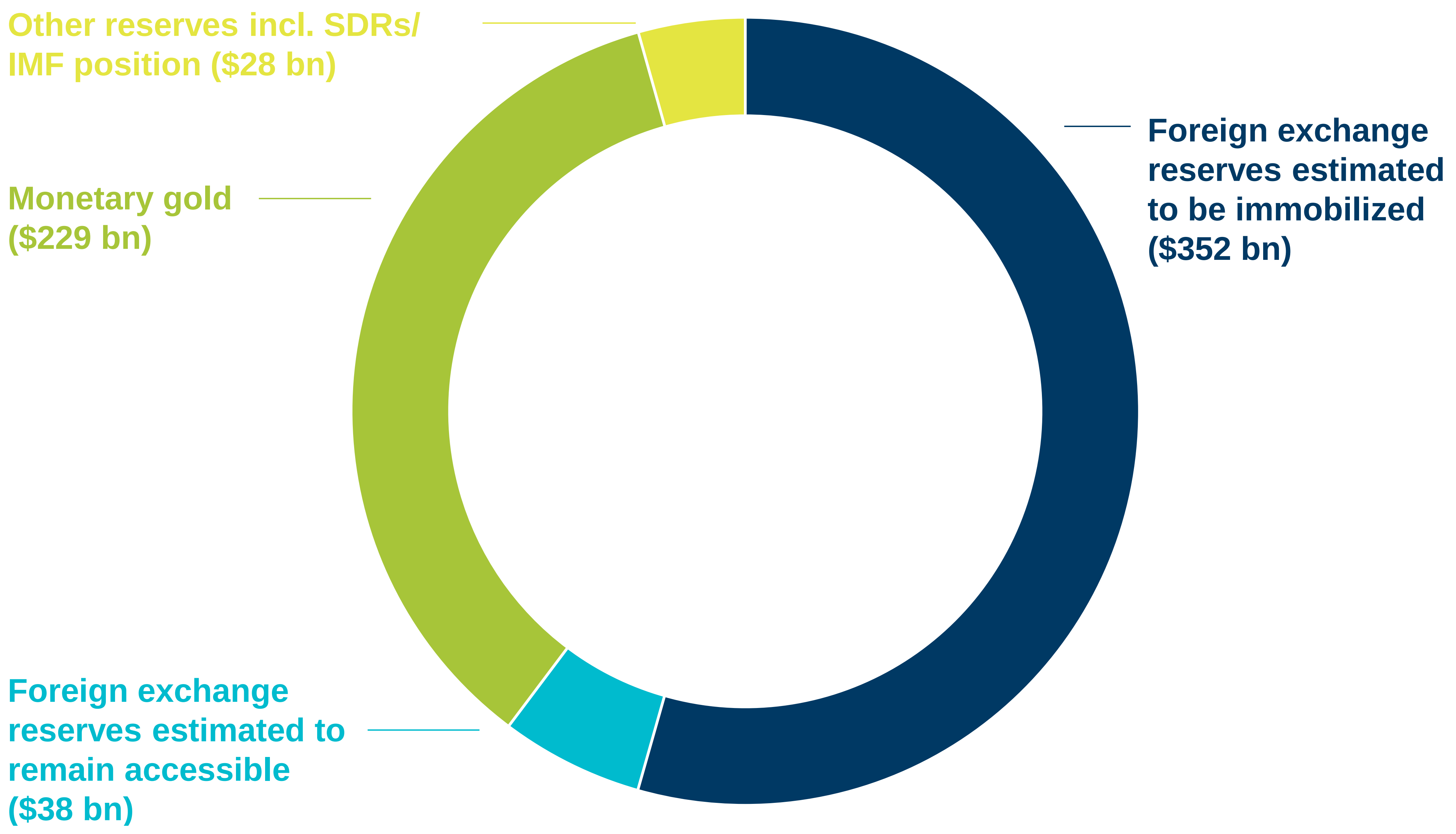
- Before the start of the full-scale invasion, Russia held $643 billion in international reserves—an all-time high.
- We estimate, based on the CBR's Dec. 2021 data, that frozen reserves have a current value of ~$352 billion.
- This leaves Russia with $38 billion of foreign exchange, $229 billion of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

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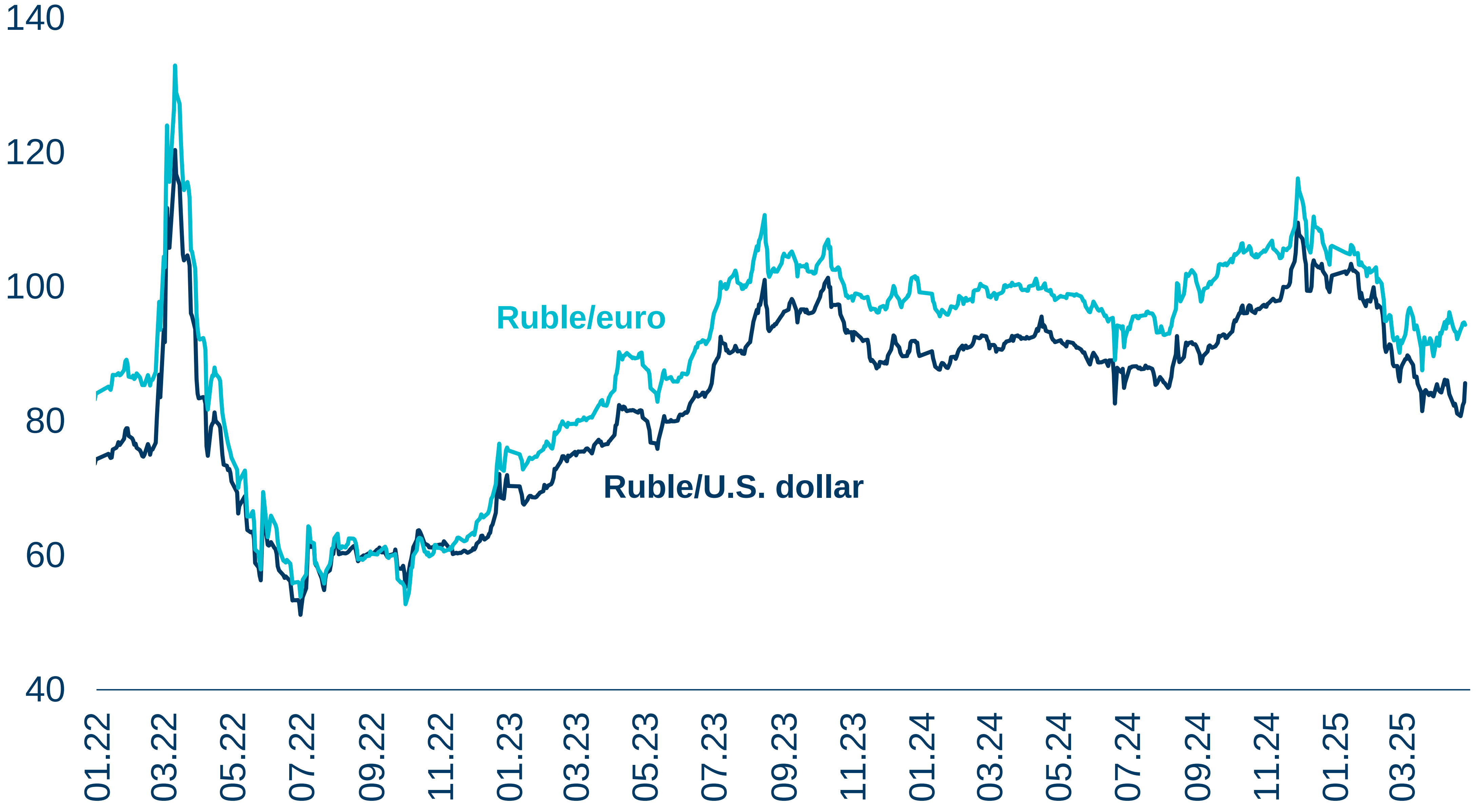
Ruble strengthens but value loss is still substantial.

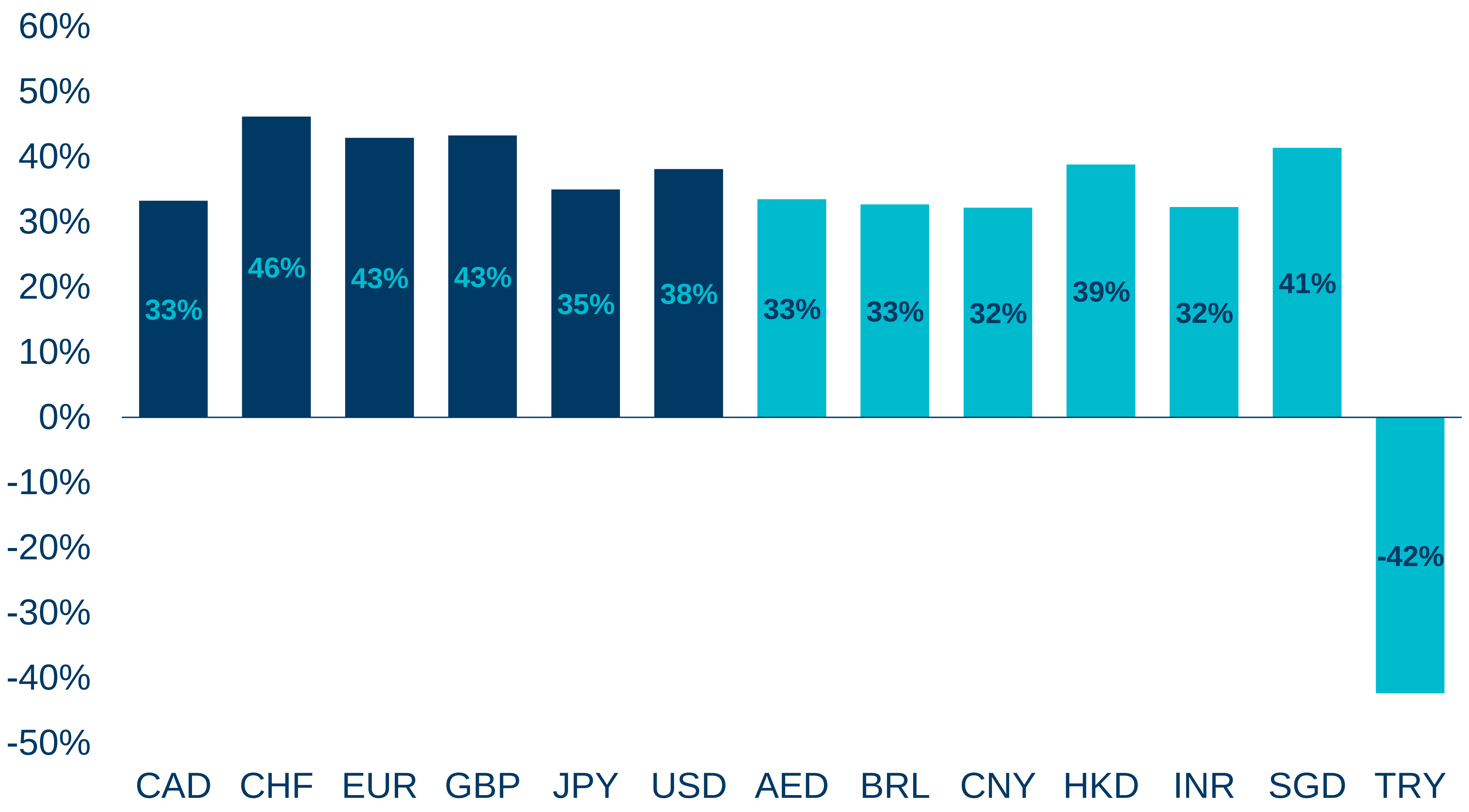
- The ruble has strengthened on the back of improved market sentiment due to U.S.-Russia negotiations.
- A significant decline in imports has offset lower exports, while the overall current account surplus increased.
- Nevertheless, Russia’s currency remains significantly weaker against almost all important currencies.

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 %

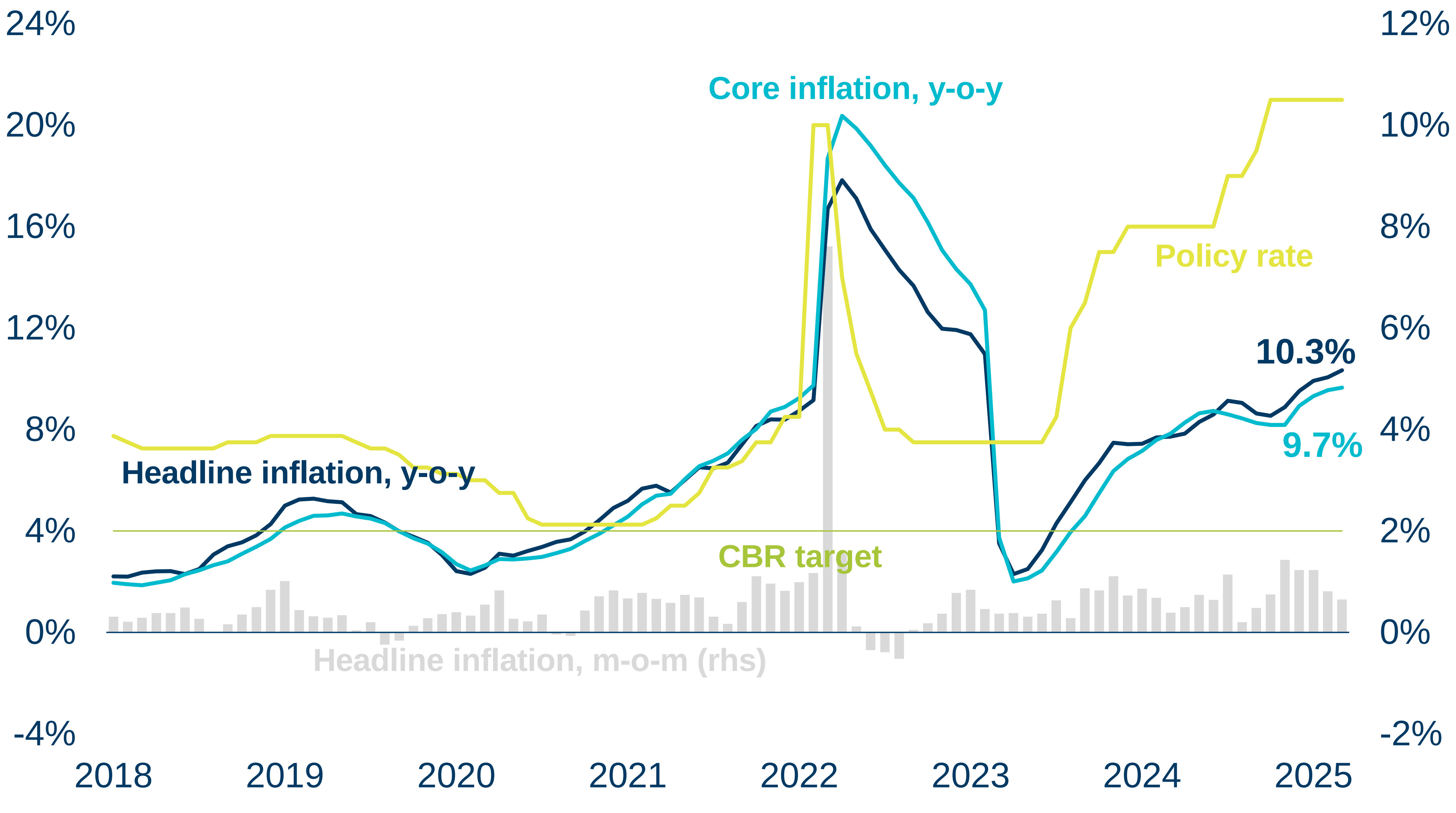


Source: Bank of Russia, KSE Institute

Inflation is still rising despite CBR policy response.

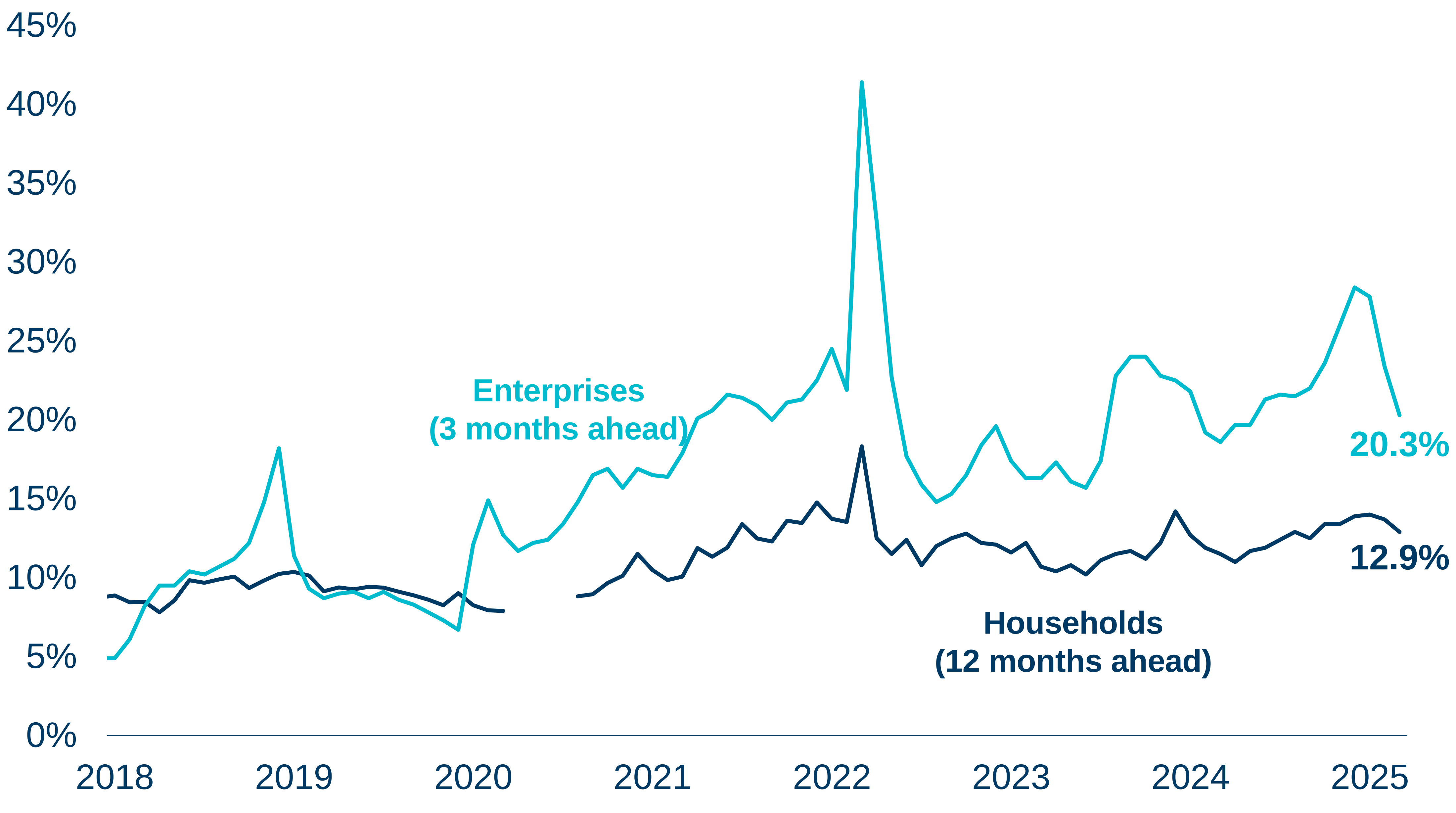
- Inflation continues to rise despite the stronger ruble, reaching 10.3% year-over-year in Mar. (9.7% for core).
- Sharp monetary tightening (+1,350 bps since mid-2023) has not been enough to reduce price pressures.
- Inflation expectations of enterprises have dropped sharply in Jan.-Mar., likely due to ruble appreciation.

Inflation and CBR policy rate, in %



Source: Bank of Russia, KSE Institute

Inflation expectations, in %

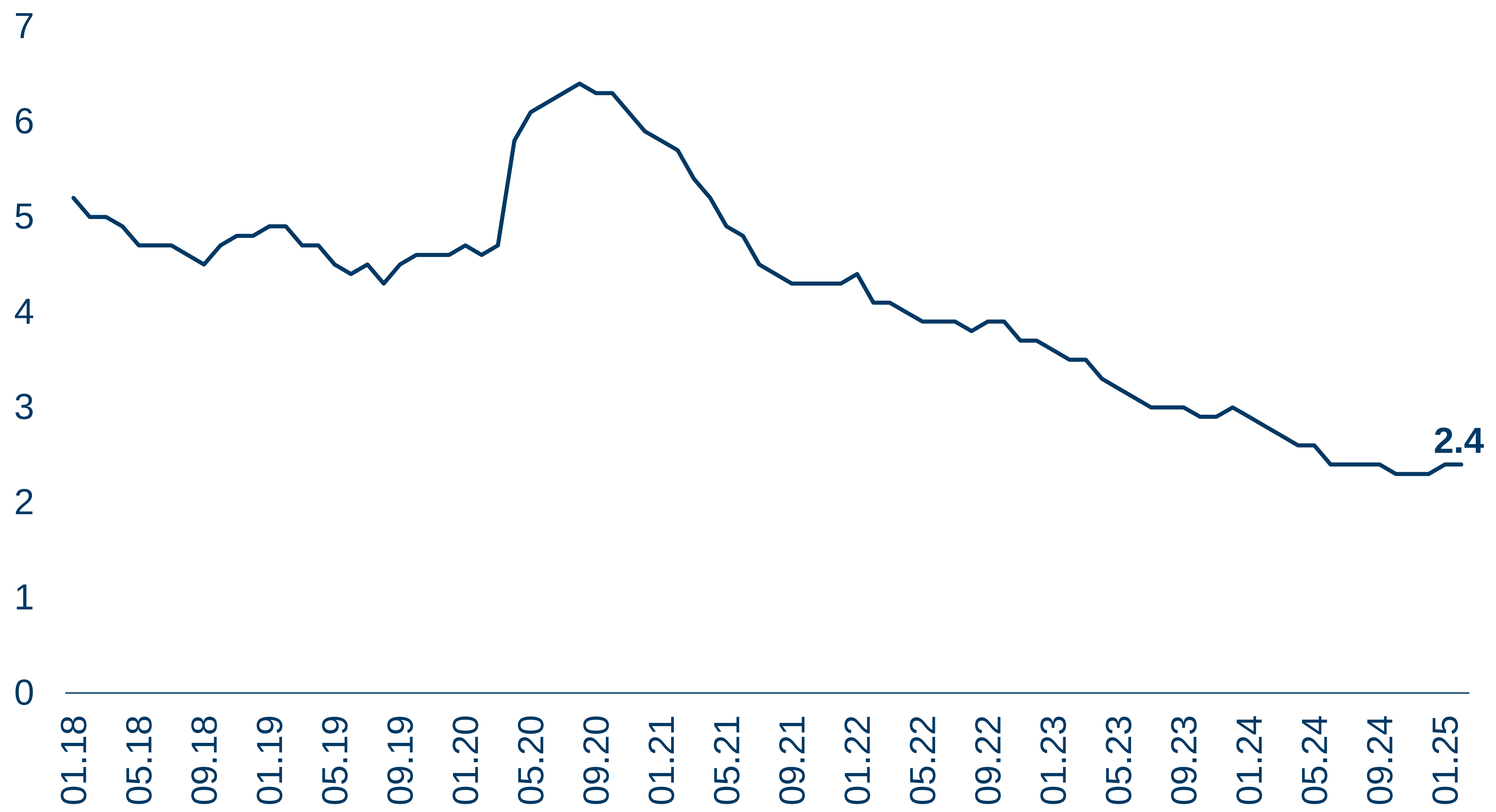


Source: Bank of Russia, KSE Institute

Tight labor market is driving up wages and inflation.

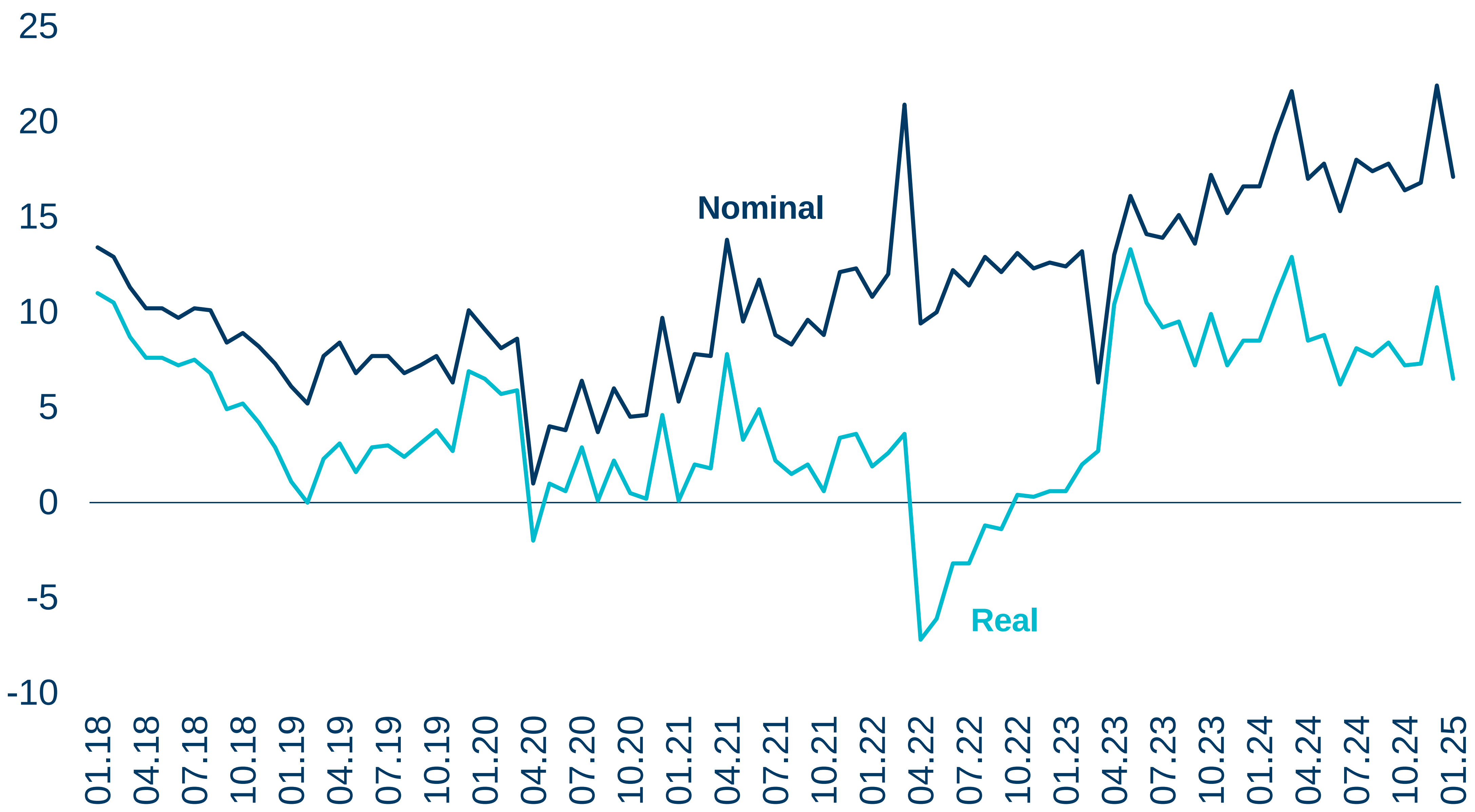
- The unemployment rate marginally increased to 2.4% in Feb.; however, this still indicates full employment.
- Nominal wage growth has trended up since the start of the full-scale invasion and stood at 17.1% in January.
- In addition to creating inflationary pressures, the economy has effectively no spare capacity left to draw from.

Unemployment rate, in %



Source: Rosstat

Wage growth, in % year-over-year



Source: Rosstat

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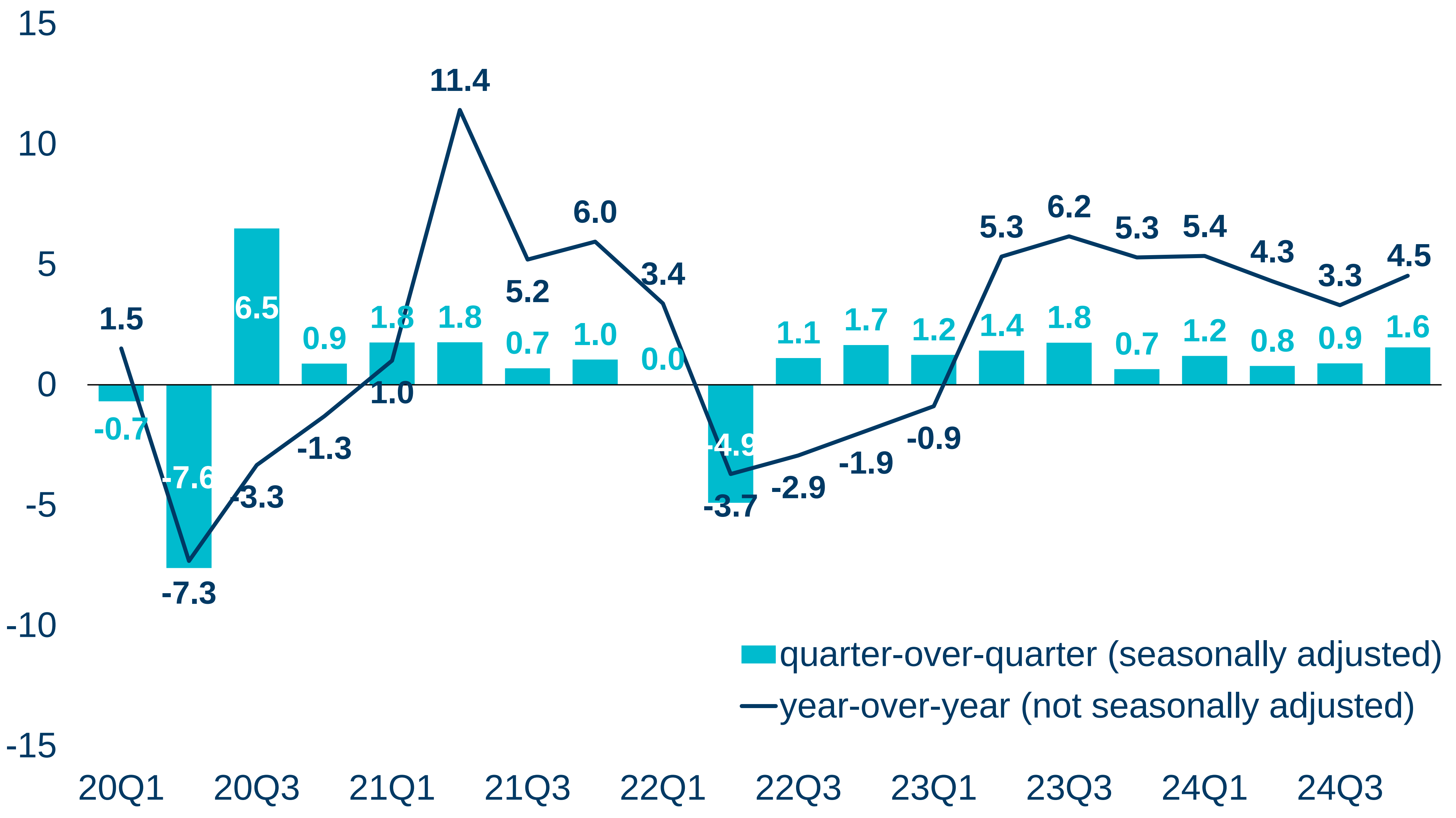
Growth is set to drop this year and beyond.

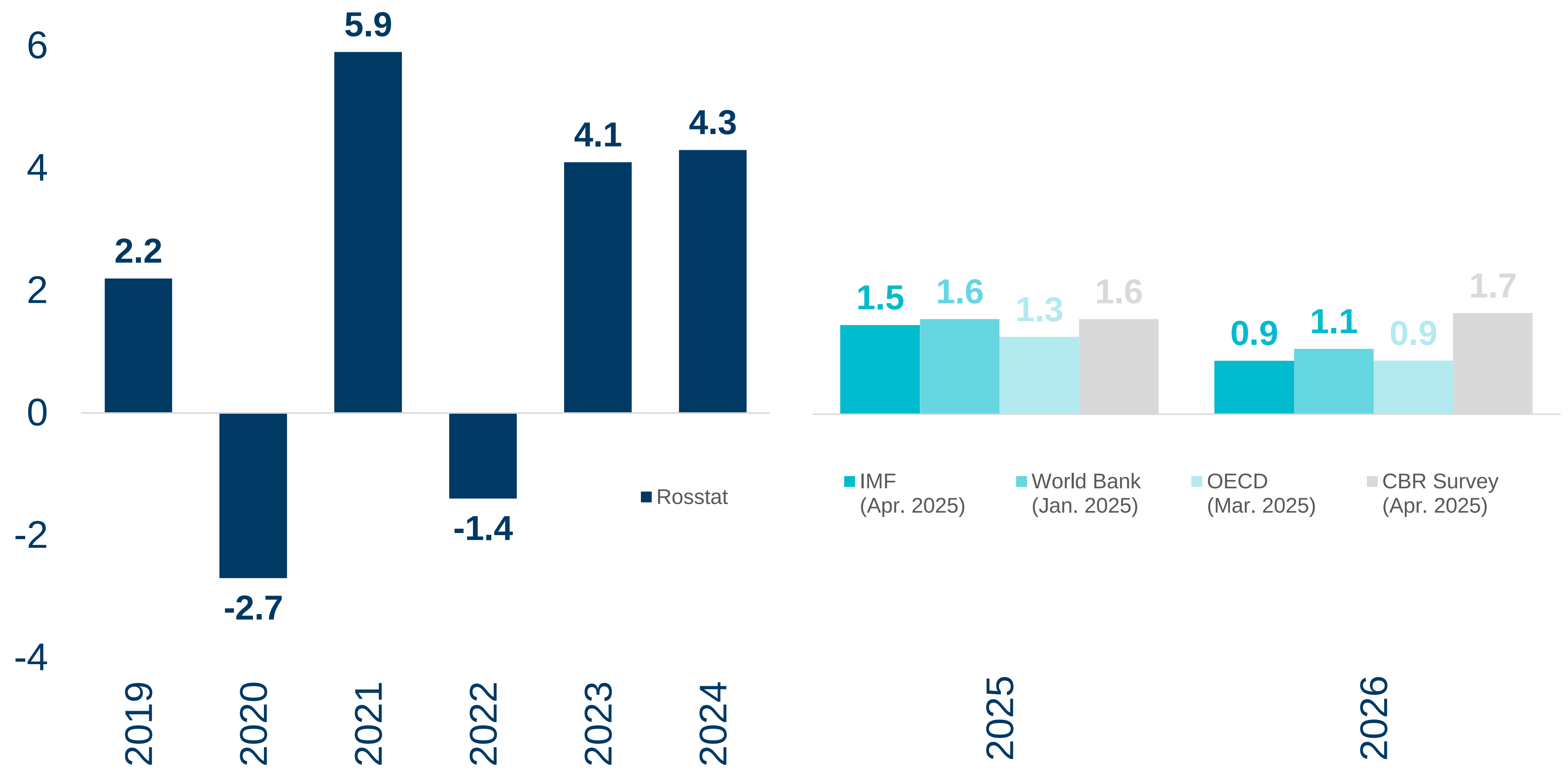
- Real GDP growth picked up in Q4 2024 to 4.5% year-over-year and is estimated at 4.3% for 2024 overall.
- Most institutions project that GDP growth will decline significantly in 2025 and slow down further in 2026.
- Key drivers: labor market constraints, missing (foreign) investment, significantly tighter monetary conditions.

Quarterly real GDP dynamics, in %



Source: Rosstat, KSE Institute

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



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

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Previous editions of KSE Institute's Russia Chartbook

- 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