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KSE Institute Russia Chartbook

Oil Revenues Rebound as Prices Soar; Seasonal Budget Surplus Reduces Fiscal Pressures; Inflation Halts Rate Cuts

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Executive Summary

1. **Russian oil export earnings surged in September on the back of a sharp price spike, even as physical export volumes remained at record lows.** Total oil export earnings jumped to $17.7 billion in September (up from $14.1 billion in August), propelled by Russian oil prices climbing to $93.3/barrel (vs. $68.4/barrel in August) while the discount widened slightly to $23.6/barrel. Meanwhile, total oil export volumes remained flat at 6.5 mb/d in September, staying at the lowest level since the full-scale invasion. While crude shipments edged up to 5.3 mb/d (vs. 5.2 mb/d in August) following the reopening of ports, product exports fell to a new record low of 1.2 mb/d (vs. 1.3 mb/d) due to ongoing refinery strikes and export bans. With renewed Middle East tensions expected to push Brent to a peak of ~$116/barrel in Q4 2026 and keep Urals averaging ~$76/barrel in 2026 (~$64/barrel in 2027), Russian oil export earnings are projected to jump to $200 billion in 2026 (+$42 billion vs. 2025) before easing to $159 billion in 2027.
2. **Consecutive monthly surpluses narrowed the federal budget deficit in September, but significant fiscal pressures remain.** Russia recorded a second straight monthly surplus of 614 billion rubles in September (after 602 billion rubles in August), reducing the cumulative deficit to 5.2 trillion rubles (down from 5.8 trillion rubles in August). Over Jan.–Sep., O&G revenues were 17% weaker y-o-y as high oil prices inflated damper reimbursements (which hit 400 billion rubles in September), while non-O&G revenues rose 19% and spending grew 15% y-o-y. The cumulative deficit already accounts for 71% of the newly approved 2026 full-year deficit target of 7.3 trillion rubles. To cover financing needs, the Ministry of Finance returned to the domestic market in September after a two-month pause, raising 1.3 trillion rubles—the highest level since November 2025—and fulfilling 80% of the updated 2026 domestic borrowing plan of 5.4 trillion rubles, heavily backed by CBR repo liquidity.
3. **Persistent price pressures and surging inflation expectations forced the CBR to pause rate cuts in October.** Headline inflation stood at 6.3% y-o-y in September—well above the CBR's 4.0% target—while cumulative inflation reached 5.0% (vs. 4.7% in August), with annual increases of 12.0% for medical services, 11.9% for passenger transport, and 9.2% for meat prices. Ongoing strikes on refineries and logistics are already fueling price pressures and driving up inflation expectations across the board, with household expectations reaching 14.2% and the net balance for enterprises surging to 22.7% in September. Fearing a further acceleration in inflation, the CBR paused its easing cycle in October, keeping the policy rate unchanged at 14.0%.

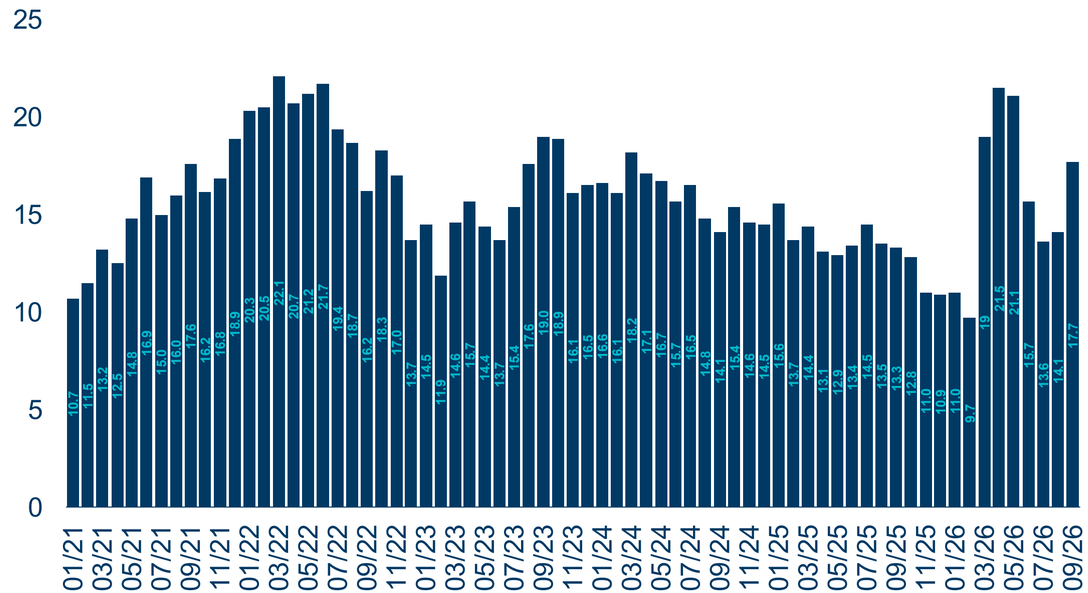
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Oil revenues surge in September driven by a sharp spike in export prices.

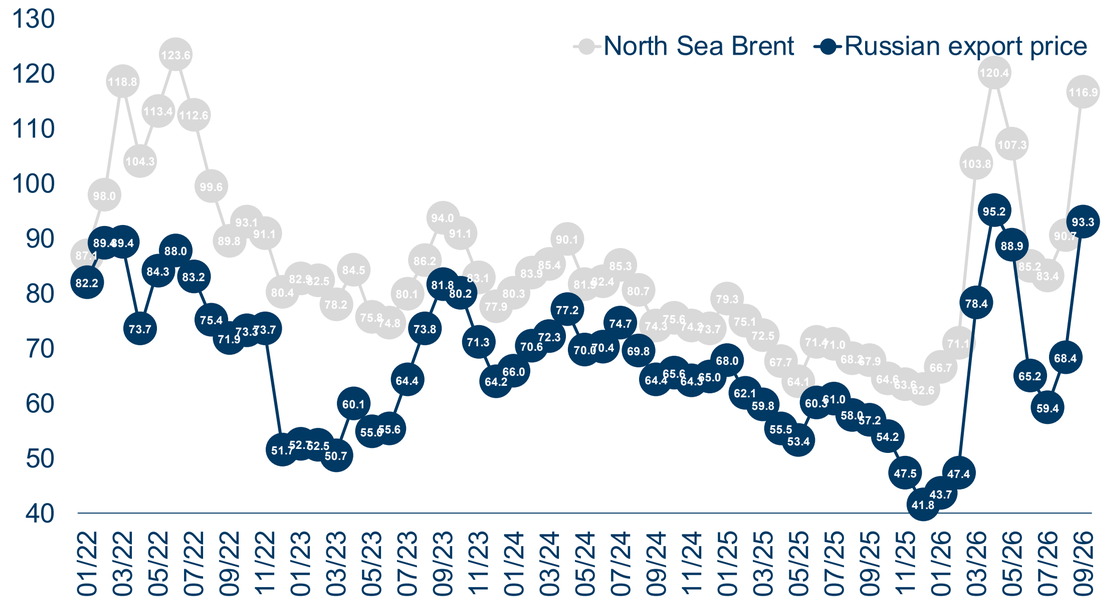
- Total oil export earnings rose sharply, jumping to $17.7 billion in Sep. (up from $14.1 billion in Aug.).
- This revenue surge was driven by higher Russian oil prices, which rose to $93.3/barrel (vs. $68.4/barrel in Aug.).
- At the same time, the discount on Russian oil widened slightly to $23.6/barrel (vs. $22.3/barrel in Aug.).

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

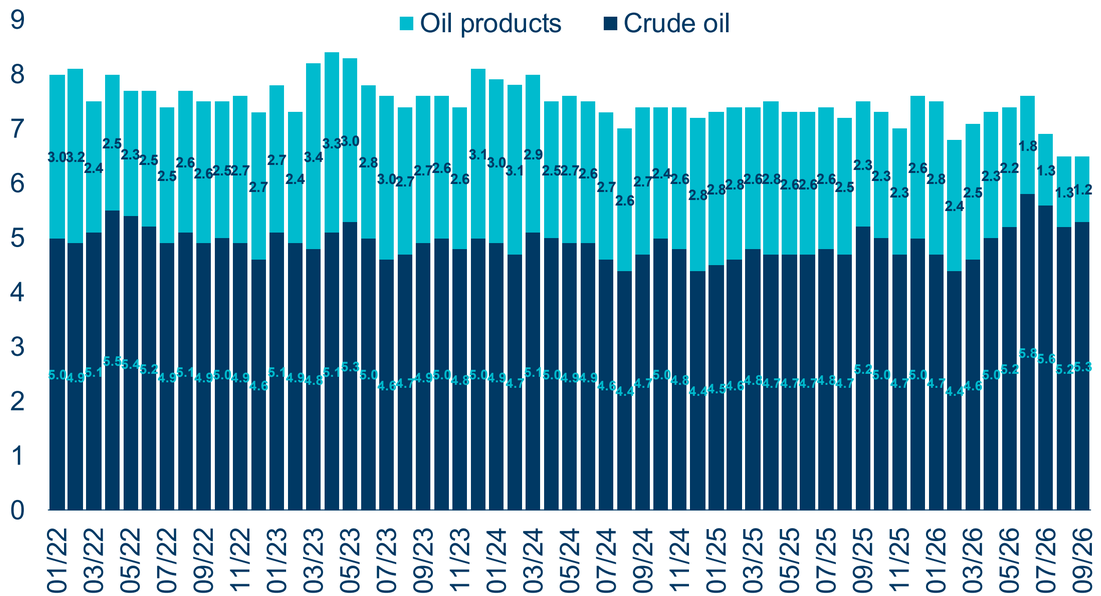
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EXTERNAL

Oil export volumes remain low as product shipments shrink further.

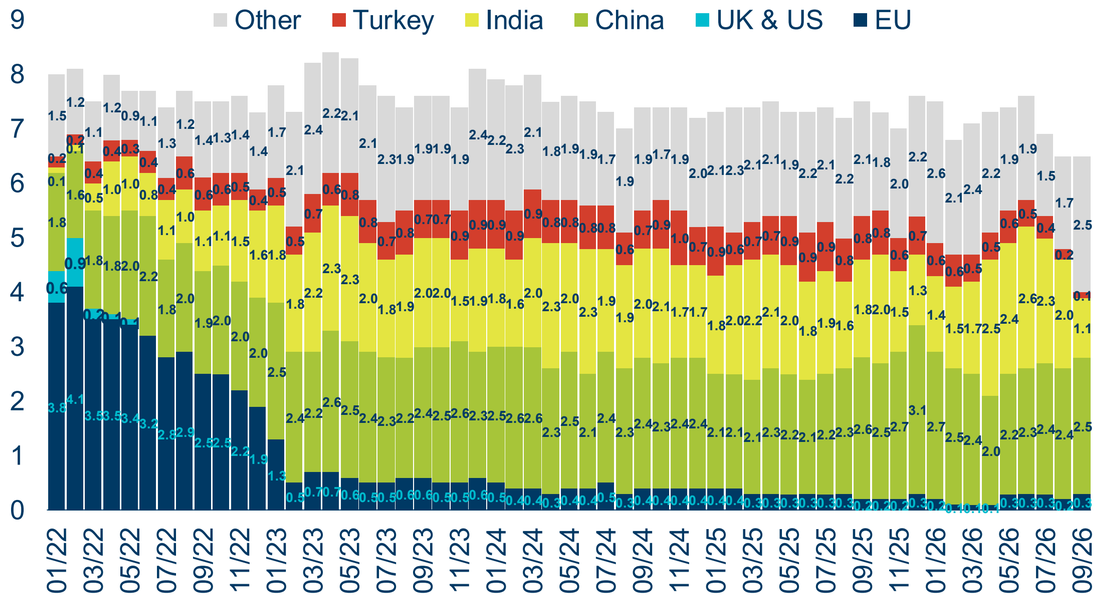
- Total oil exports remained flat at 6.5 mb/d in Sep., staying at the lowest level since the full-scale invasion.
- Crude shipments edged up to 5.3 mb/d (vs. 5.2 mb/d in Aug.), while product exports hit a new record low.
- Product exports fell further due to attacks and export bans, while crude recovered following port reopening.

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

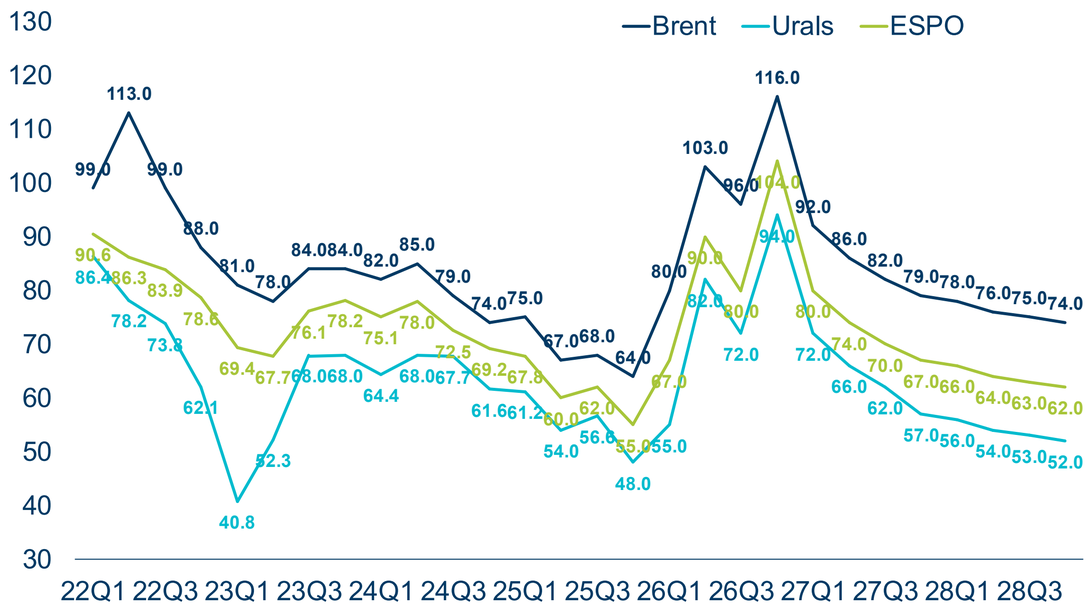
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EXTERNAL

Renewed Middle East tensions to keep Russian oil prices elevated.

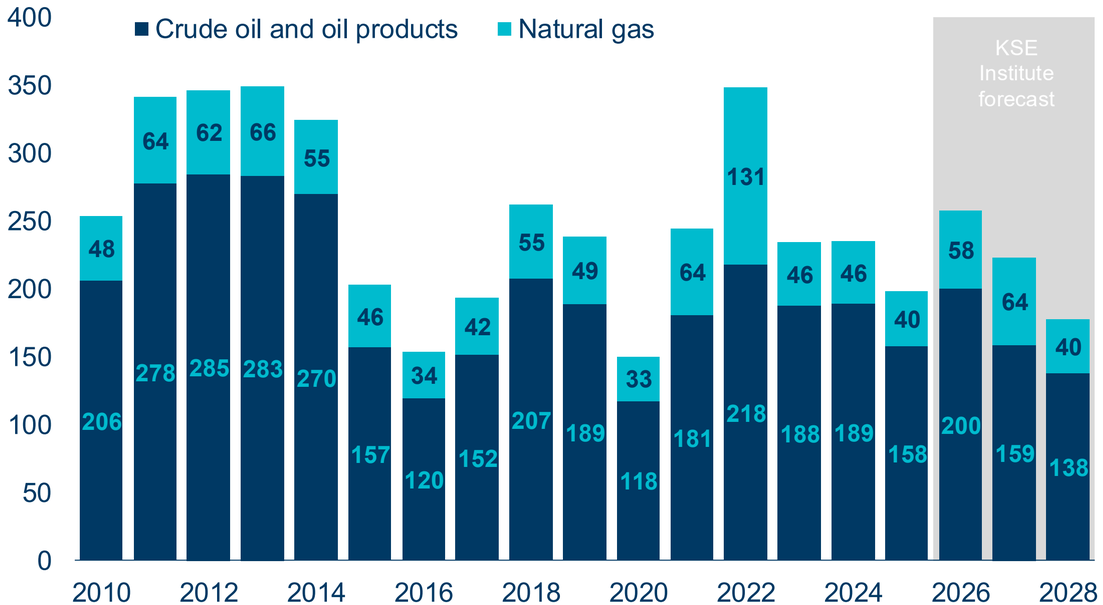
- Global oil benchmarks will remain elevated, with Brent projected to peak at ~$116/bbl in Q4 2026 before easing.
- Russian Urals will therefore trade well above the $60/bbl budget price, averaging ~$76/bbl in 2026 (~$64/bbl in 2027).
- Total oil exports will jump to $200 billion in 2026 (+$42 billion vs. 2025) before falling to $159 billion in 2027.

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

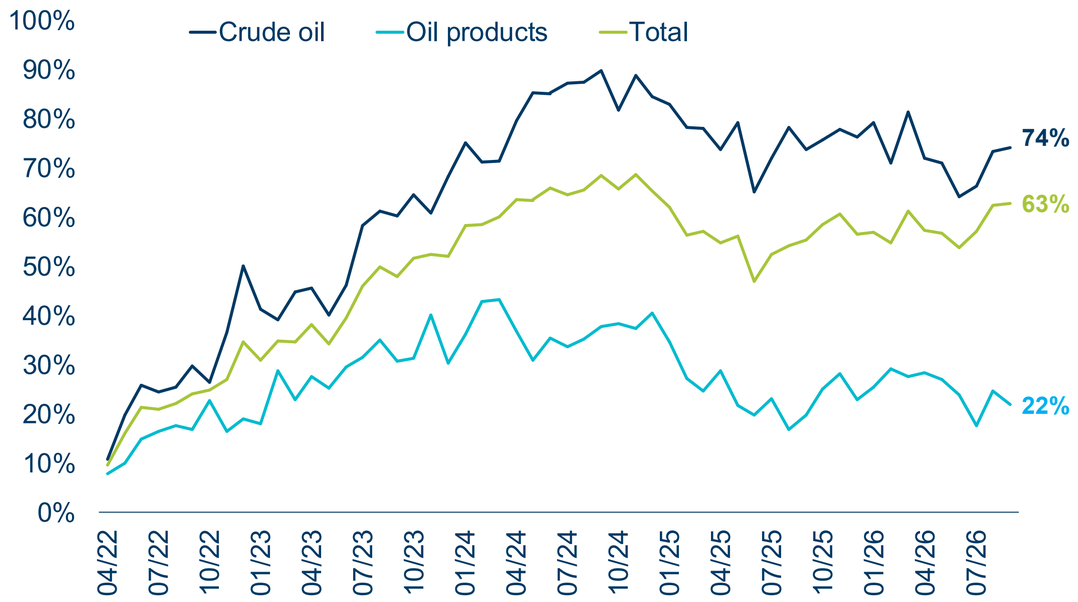
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EXTERNAL

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

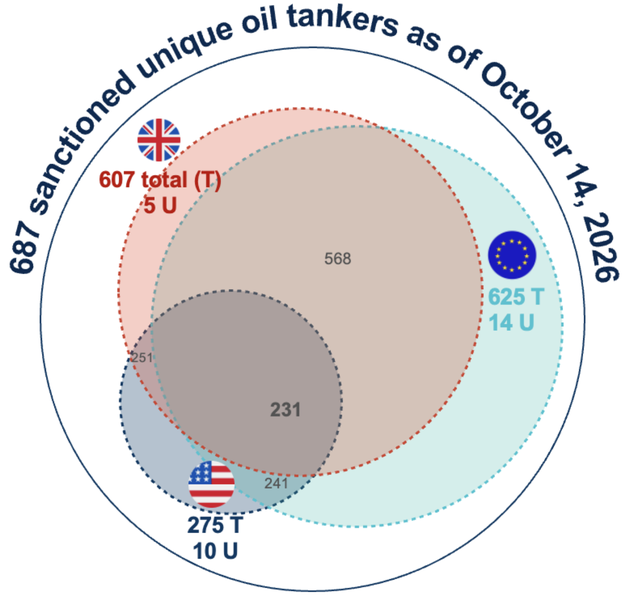
- The shadow fleet's share in Russian oil exports increased slightly to 63% in Sep. vs. 62% in Aug.
- Its share in crude oil edged up to 74% (vs. 73% in Aug.), while in oil products it fell from 25% to 22%.
- Vessel designations remain insufficient without comprehensively targeting the ecosystem; further alignment is also needed.

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.

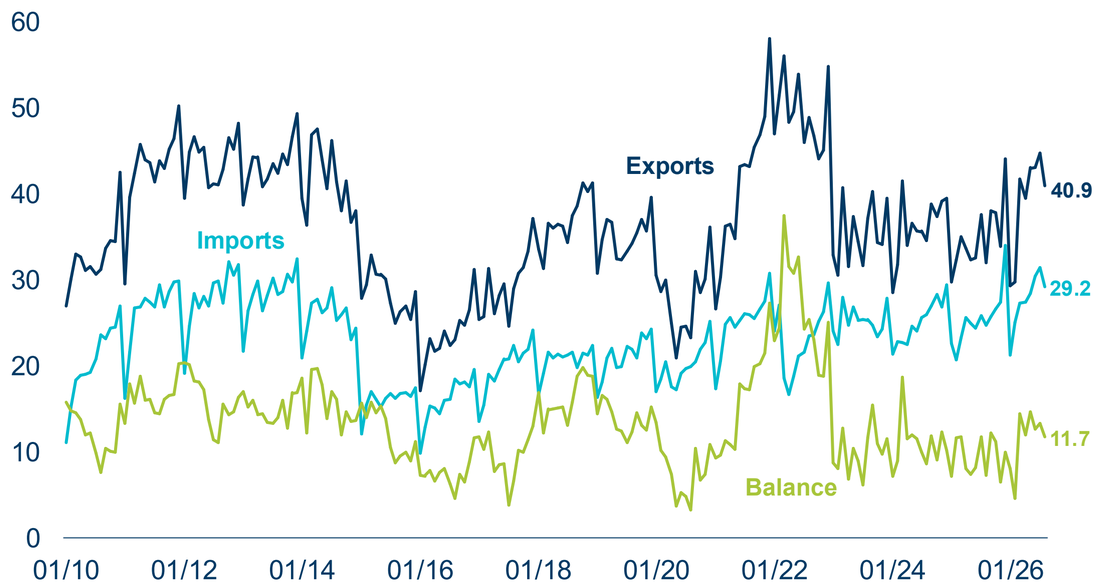
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Current account surplus surges in Q2 driven by oil windfalls.

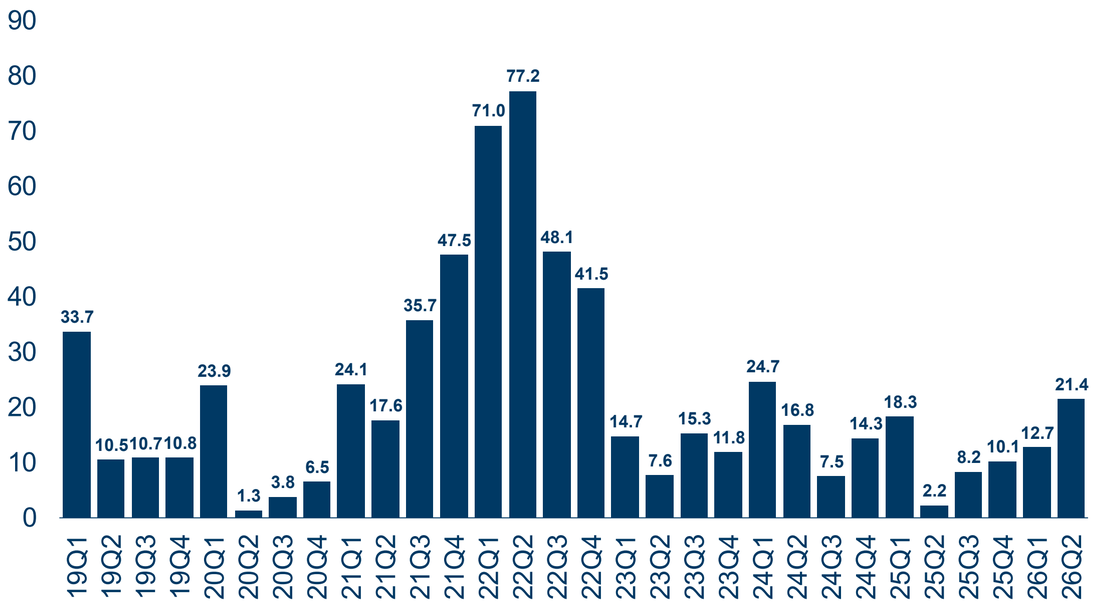
- The Q2 current account balance reached $21.4 billion, increasing by $8.7 billion (69%) q-o-q and $19.2 billion y-o-y.
- This sharp increase was driven by oil export windfalls linked to the ongoing Middle East conflict.
- The trade balance narrowed in Aug., as both exports and imports declined.

Monthly trade statistics, in U.S. dollar billion



Source: Bank of Russia, KSE Institute

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

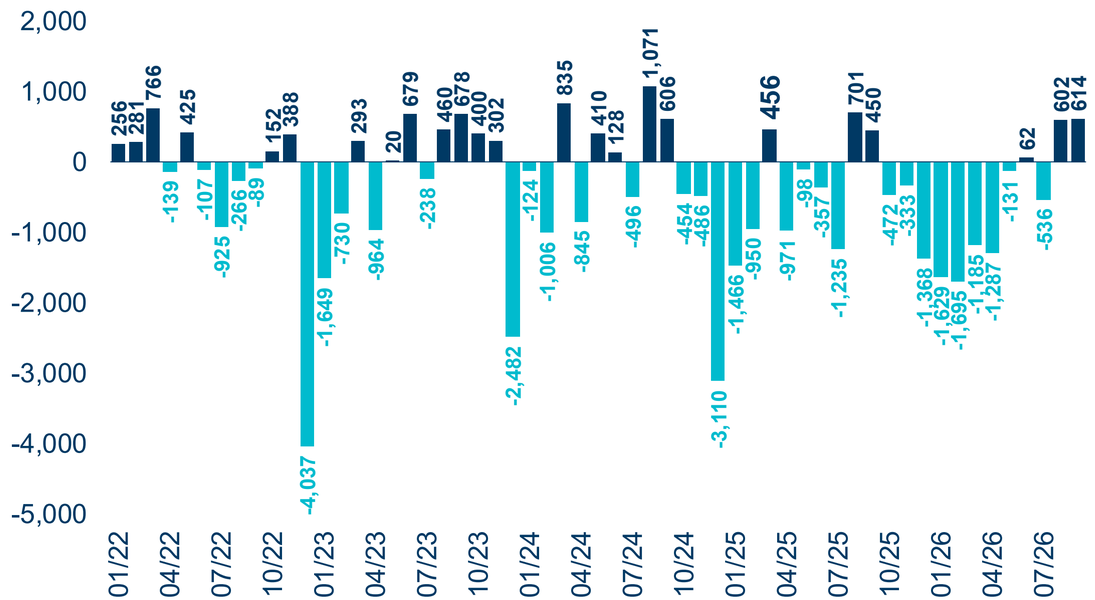


Source: Bank of Russia, KSE Institute

Consecutive monthly surpluses narrowed the cumulative defecit.

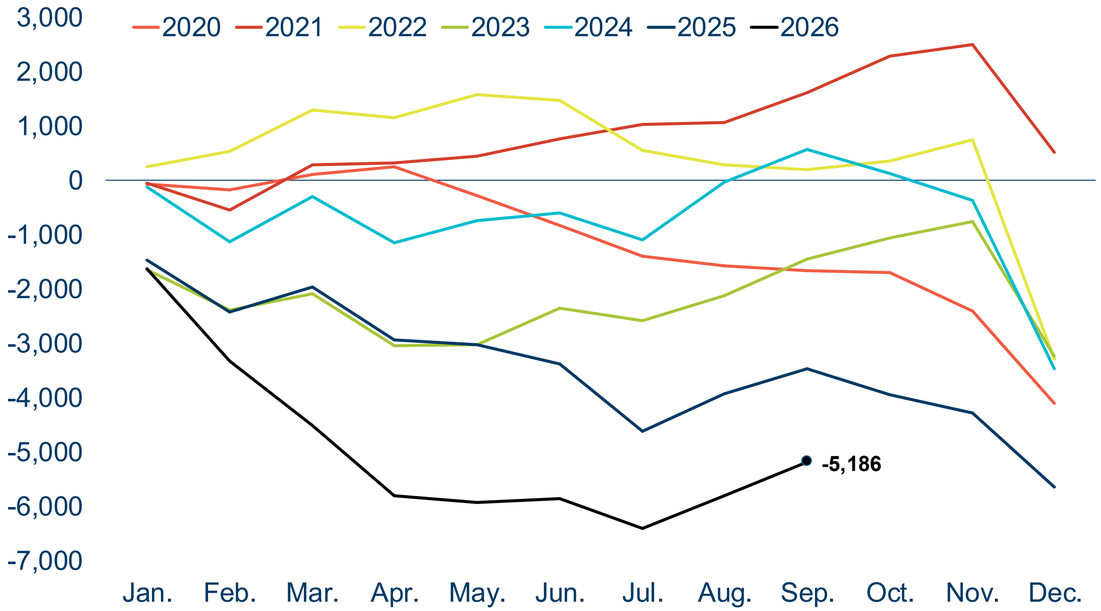
- Russia recorded a second consecutive monthly surplus (614 billion rubles in Sep. and 602 billion in Aug.).
- The cumulative deficit narrowed to 5.2 trillion rubles in Sep. (vs. 5.8 trillion in Aug.), in line with previous seasonal patterns.
- The Jan.–Sep. deficit accounts for 71% of the newly approved 2026 budget deficit target of 7.3 trillion rubles.

Federal government balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Cumulative federal budget balance, in ruble billion

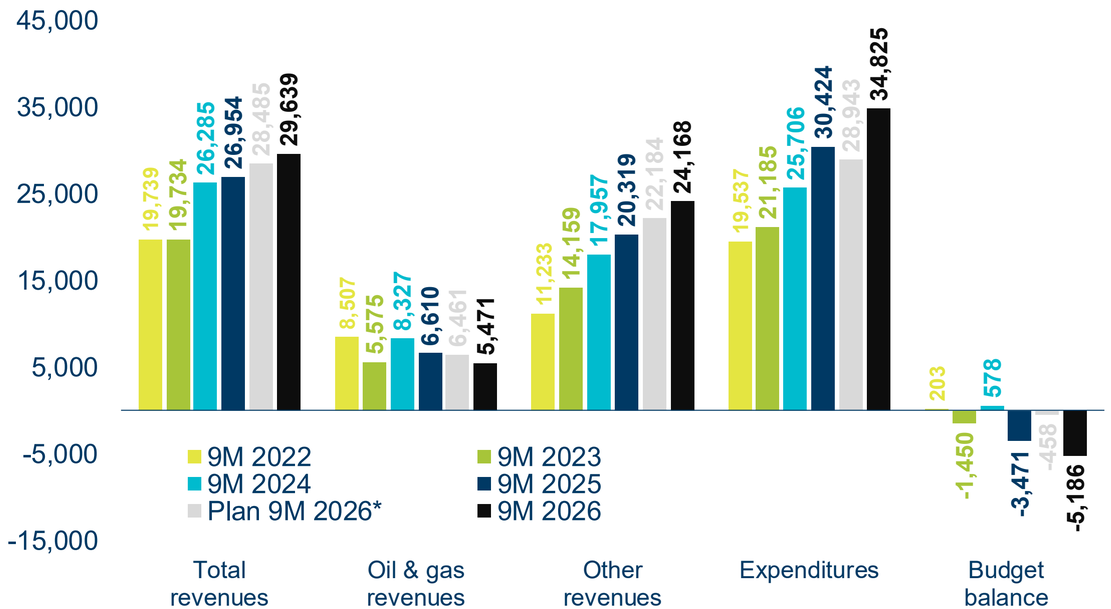


Source: Ministry of Finance, KSE Institute

O&G revenues remain subdued as high prices inflate damper payments.

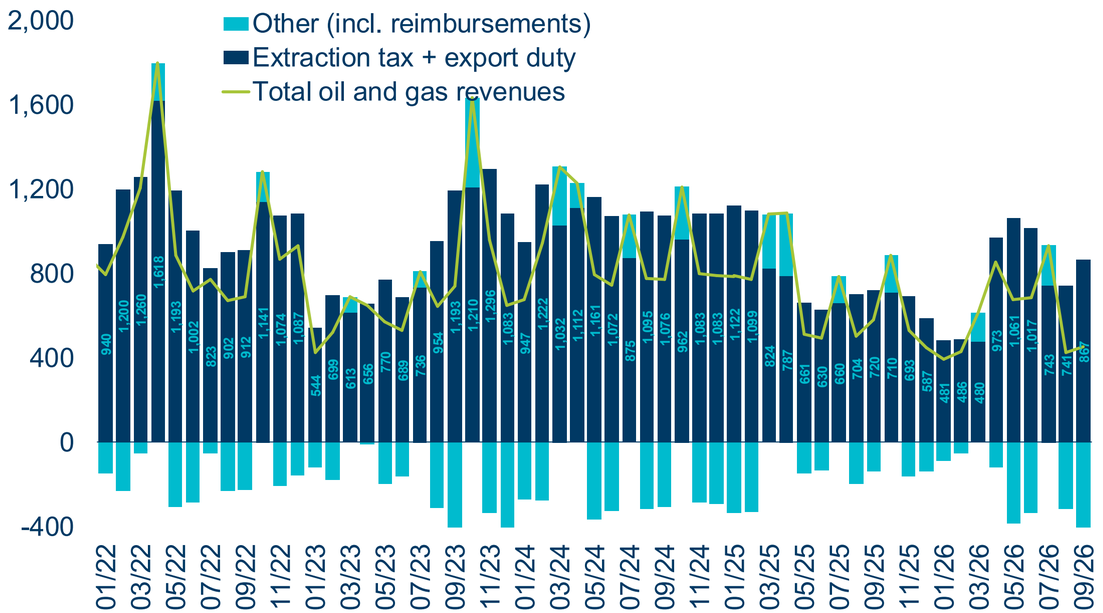
- In Jan.–Sep., O&G revenues fell 17% y-o-y, while non-O&G revenues rose 19% and expenditures increased 15%.
- Higher energy prices drove up damper payments, pushing total reimbursements to 400 billion rubles in Sep.
- Continued disruptions to Middle Eastern energy flows will provide further support to revenues 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

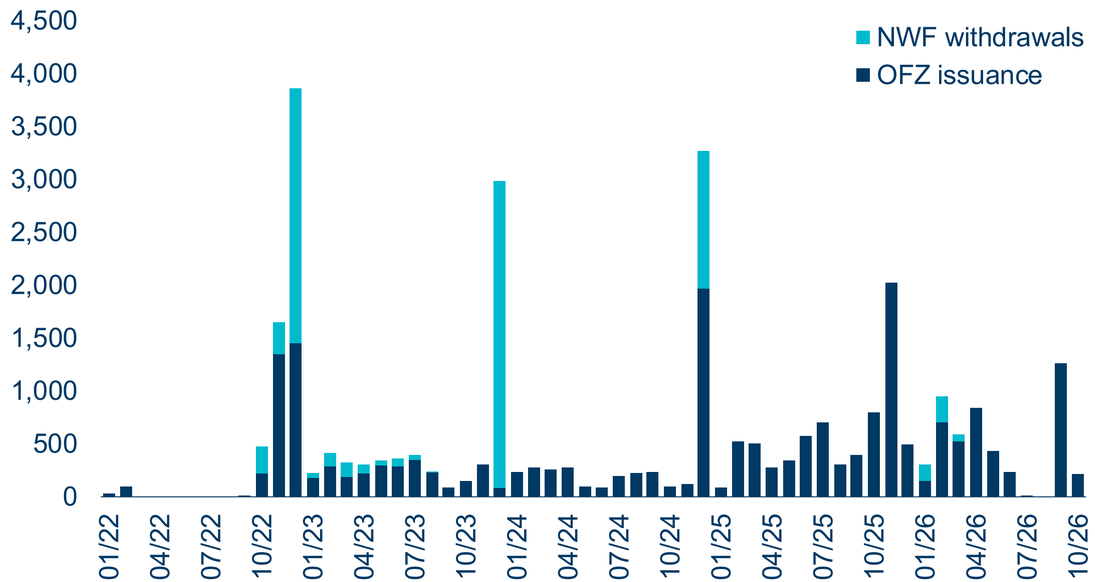


Source: Ministry of Finance, KSE Institute

High OFZ placement volumes increasingly rely on CBR liquidity injections.

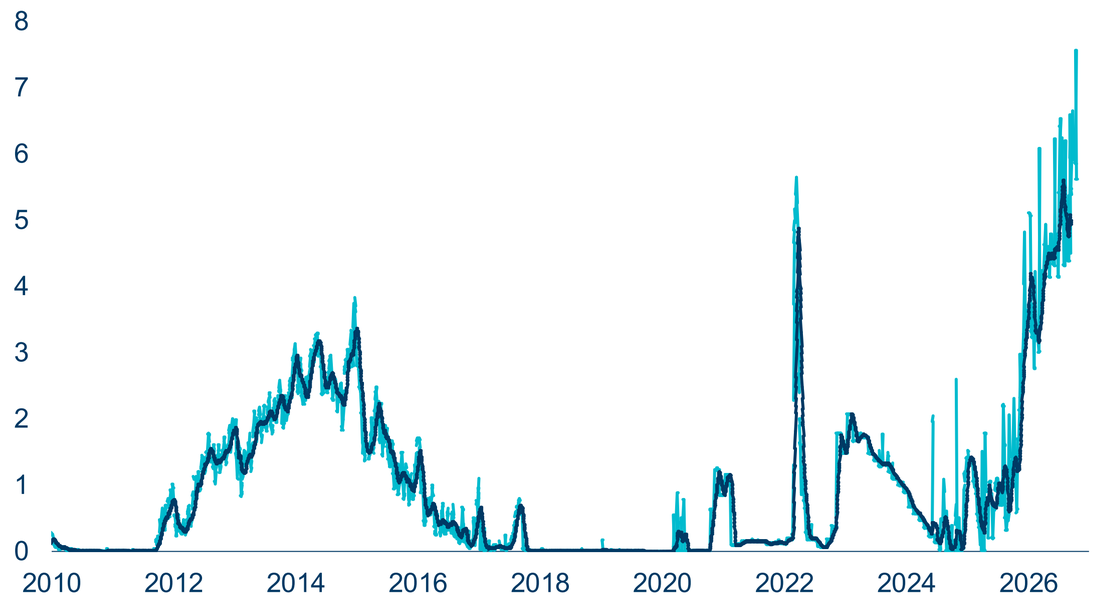
- In Sep., domestic borrowing reached 1.3 trillion rubles, the highest level since Nov. 2025.
- Following this surge, 80% of the updated 2026 domestic borrowing plan has now been fulfilled.
- As banks increase OFZ purchases, CBR repo operations are also rising, exceeding 6 trillion rubles around auction days.

Key fiscal financing channels, in ruble billion



Source: Ministry of Finance, KSE Institute

Total outstanding repo loans, in trillion rubles

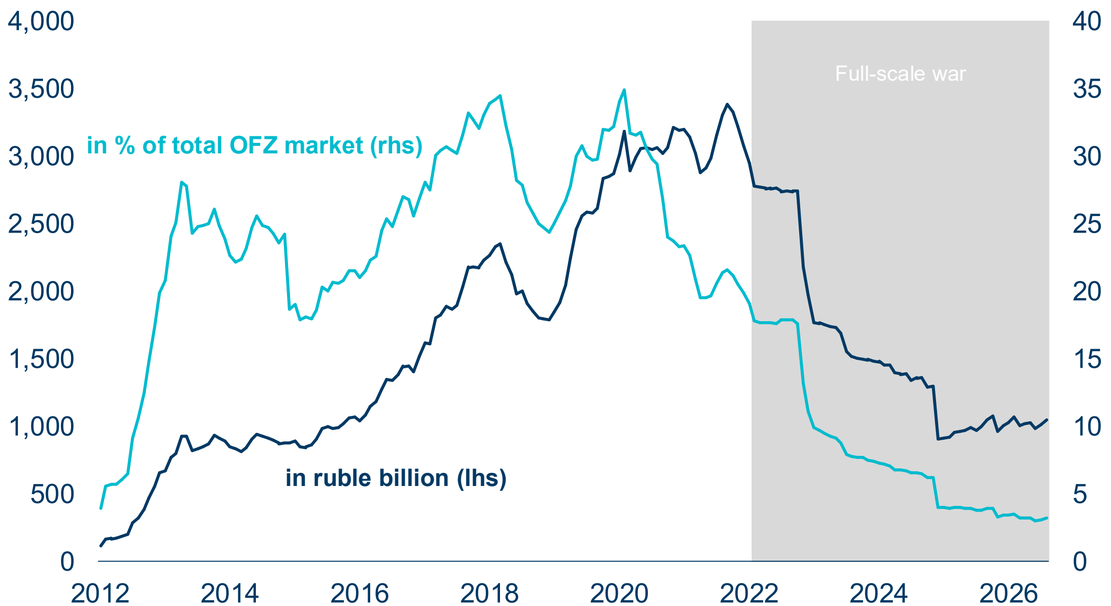


Source: Bank of Russia, KSE Institute

Domestic banks are the only remaining major buyers of OFZs.

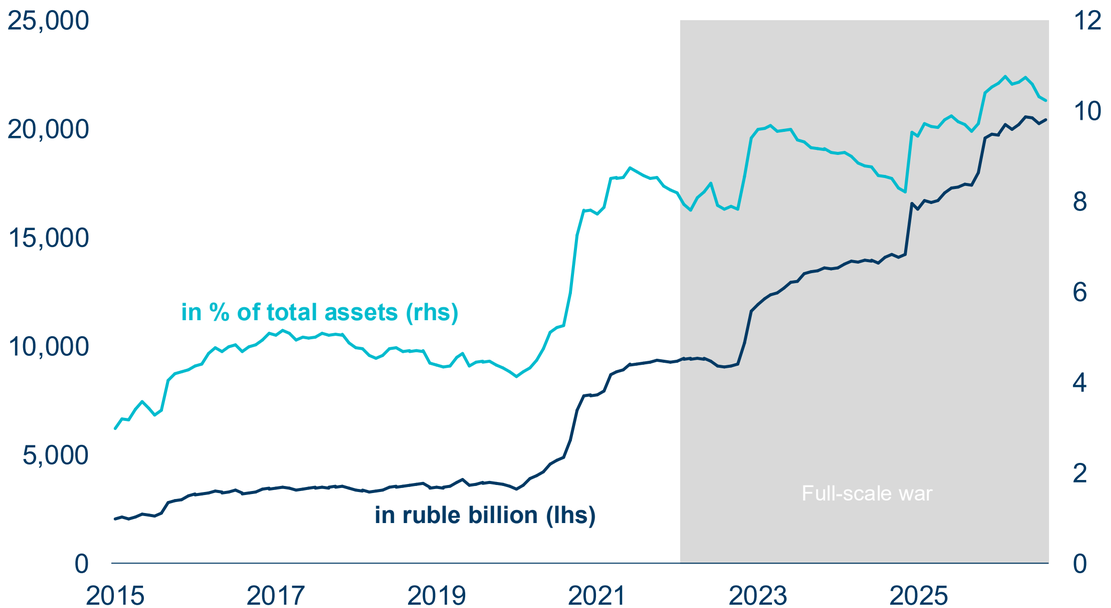
- Foreigners have largely withdrawn from the Russian sovereign debt market since the start of the war.
- Non-resident holdings have fallen 1.9 trillion rubles (65%) since Jan. 2022 as bonds matured.
- Domestic credit institutions' holdings of OFZs, meanwhile, have risen significantly over the same period.

Non-resident OFZ holdings



Source: Bank of Russia, KSE Institute

Depository corporations' OFZ holdings*

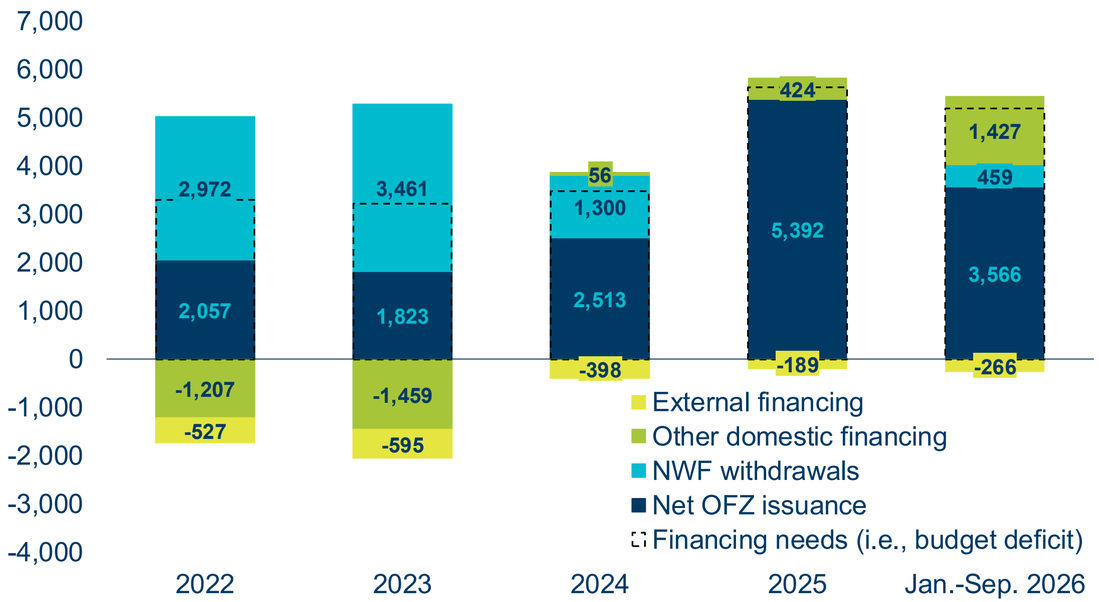


Source: Bank of Russia, KSE Institute *excluding Bank of Russia

Budget underfinancing has put pressure on the Treasury's cash balance.

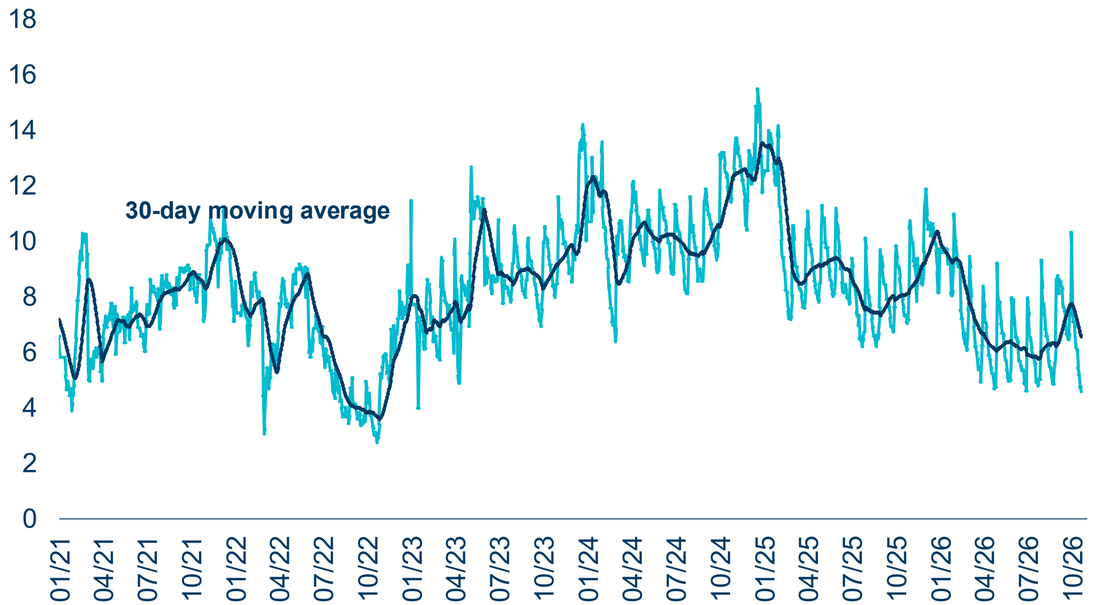
- Net OFZ issuance and NWF withdrawals fell 2.4 trillion rubles ($32 billion) short of the deficit in Jan.-Sep.
- Russia relied on Treasury cash, which declined by 2.3 trillion rubles from Dec. to Sep. (monthly avg.).
- In the absence of fiscal improvements, continued high domestic borrowing and NWF utilization will be required.

Budget financing needs vs. sources, in ruble billion



Source: Ministry of Finance, KSE Institute

Treasury cash balance, in ruble trillion*

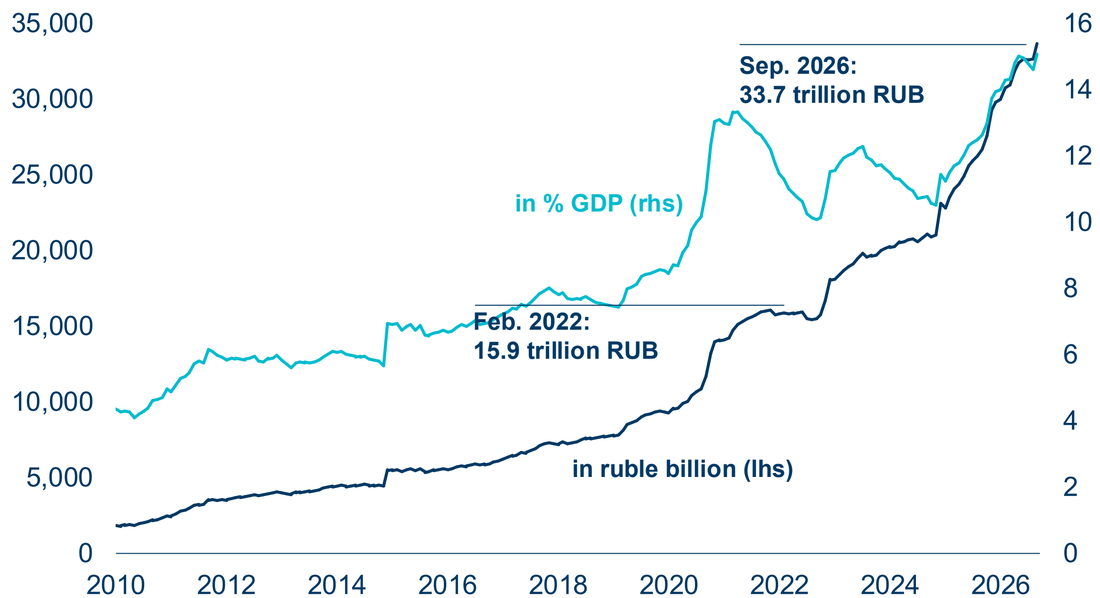


Source: Bank of Russia, Russian Treasury, KSE Institute *includes deposits with the CBR, commercial banks, and the central counterparts, as well as Treasury repo operations.

Domestic debt resumes growth as MinFin returns to the borrowing market.

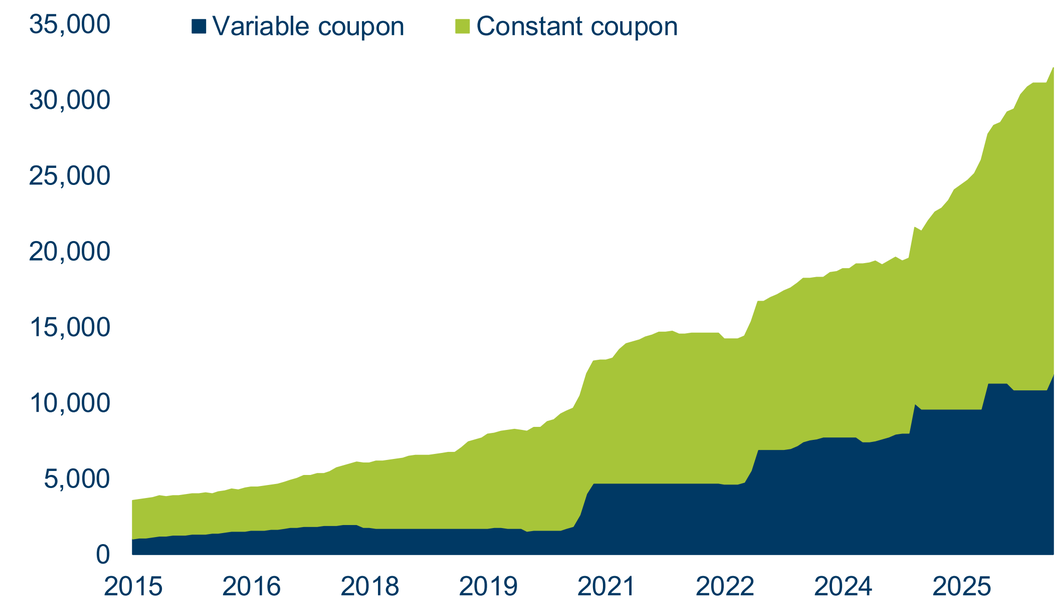
- Federal domestic debt has doubled since Feb. 2022 to 33.7 trillion rubles in Sep. 2026, reaching ~16% of GDP.
- Total debt resumed growing as MinFin returned to the domestic market following a temporary pause.
- MinFin resumed issuing variable-coupon OFZs after a prolonged hiatus, potentially raising debt servicing costs.

Federal government domestic debt



Source: Ministry of Finance, KSE Institute

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

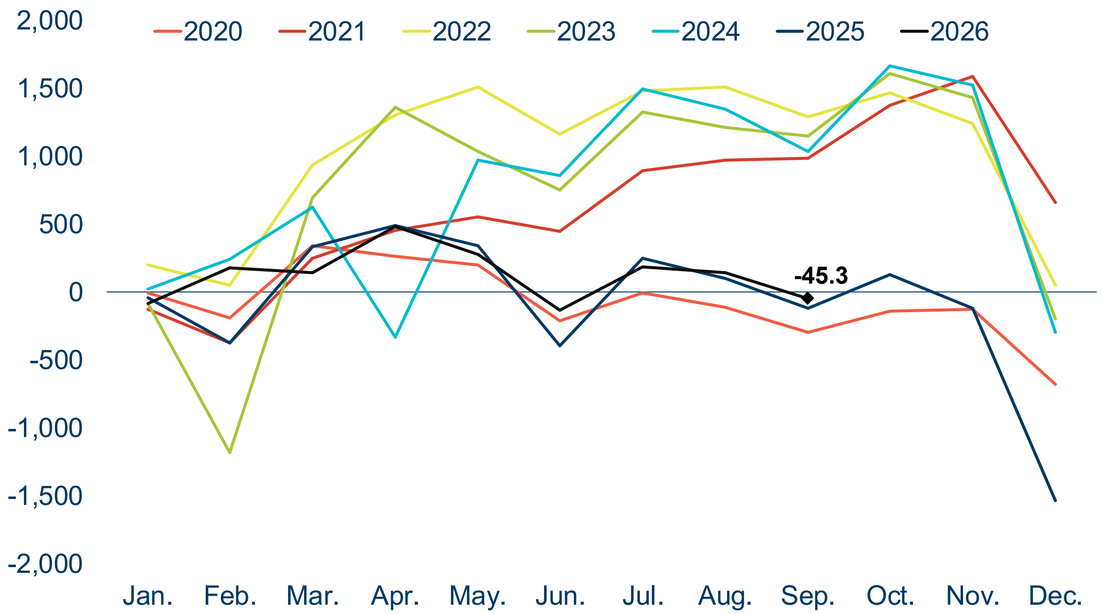


Source: Ministry of Finance, KSE Institute

Federal bailouts temporarily eased regional fiscal strains.

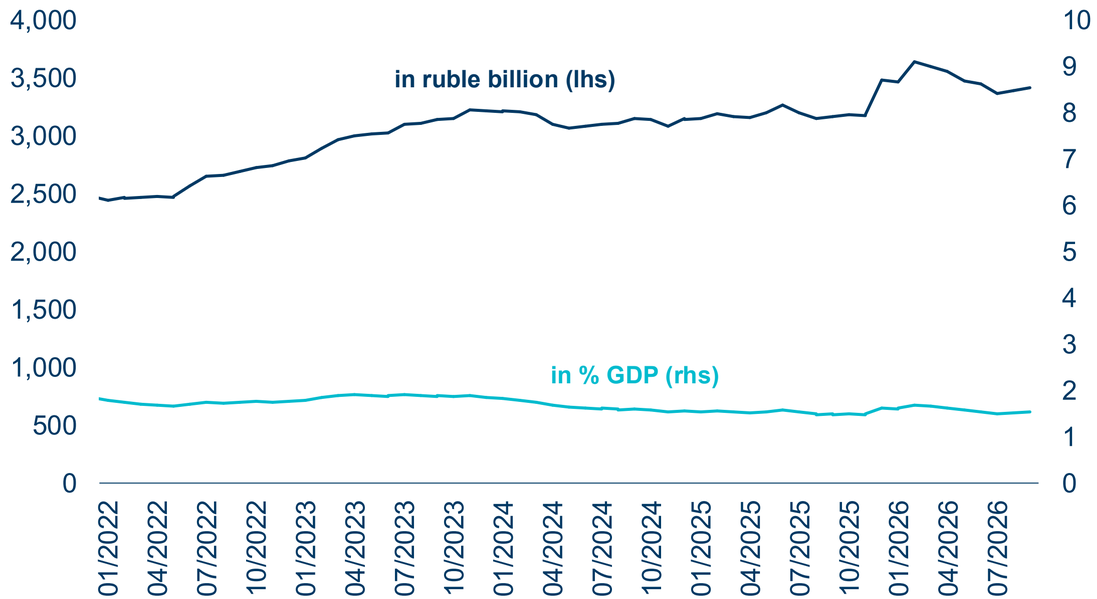
- Over Jan.–Sep. 2026, the cumulative regional deficit reached ~45 billion rubles, broadly in line with 2025.
- To ease debt pressures, the federal government wrote off two-thirds of regional loans and postponed the remainder to 2030.
- The federal scheme covers ~1.1 trillion rubles in regional debt, with >277 billion already forgiven for 68 regions in 2026.

Cumulative consolidated regional budget balance, in ruble billion



Source: Ministry of Finance, KSE Institute

Regional government debt



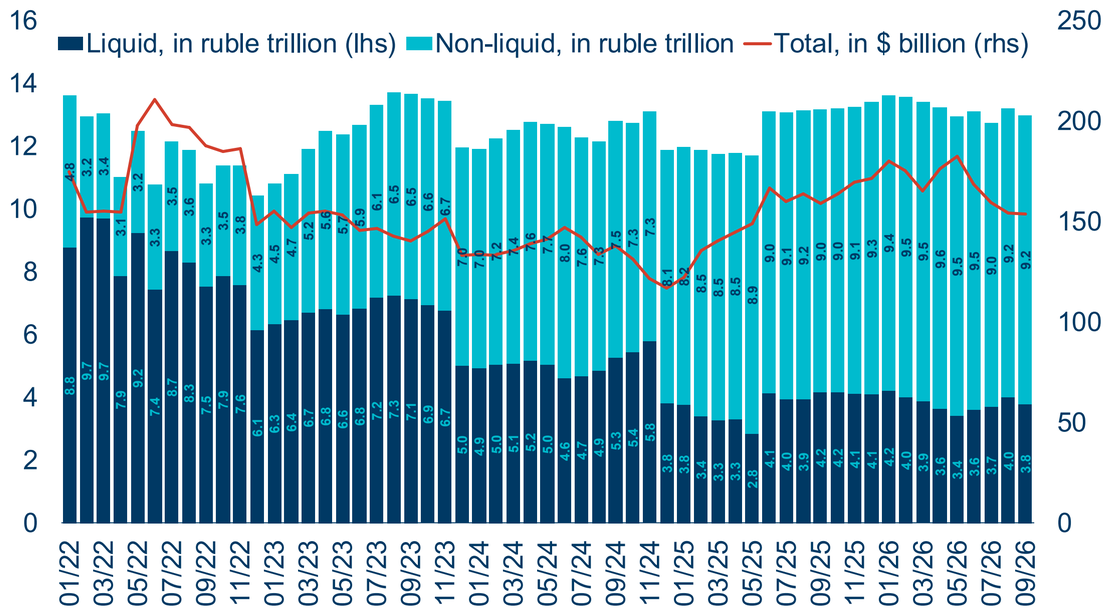
Source: Ministry of Finance, KSE Institute

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Lower gold prices reduce the liquid portion of NWF assets.

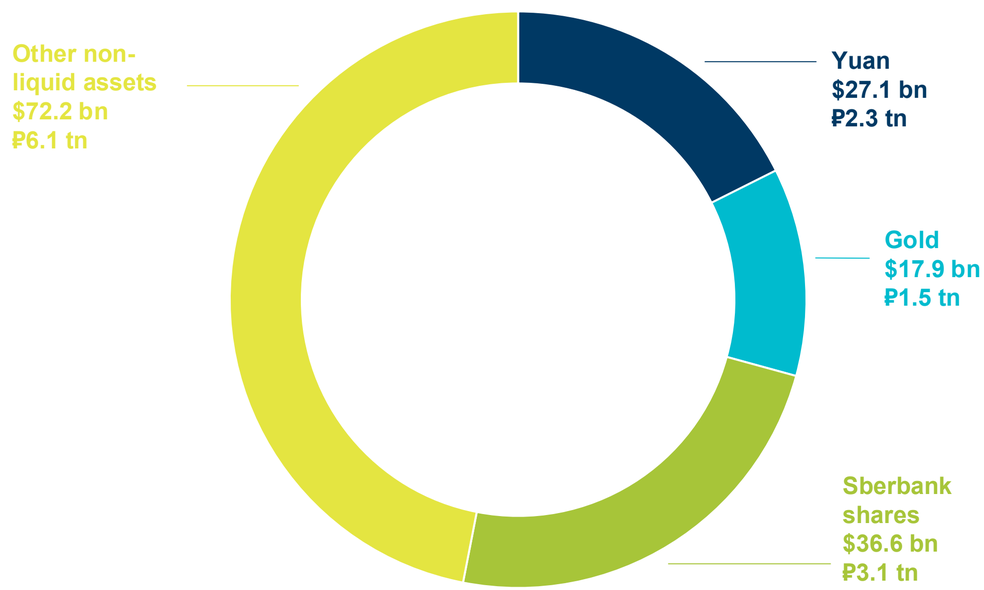
- Total assets of the National Welfare Fund stood at 13.0 trillion rubles ($153.8 billion, 5.8% of GDP) in Sep. 2026.
- Liquid assets have shrunk by 61% since early 2022, accounting for just 29% of the total in Sep. (vs. 75%).
- The liquid portion of the fund declined, primarily driven by a ~4% m-o-m drop in the price of gold.

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



Source: Ministry of Finance, KSE Institute

Composition of NWF assets as of October 1, 2026*



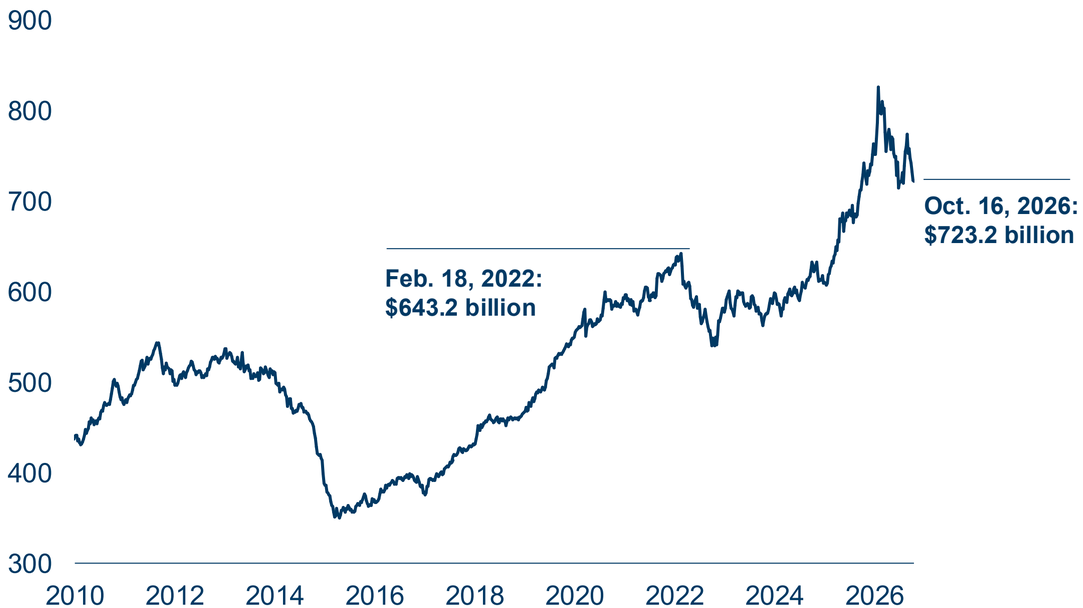
Source: Ministry of Finance, KSE Institute *based on market exchange rates/prices

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

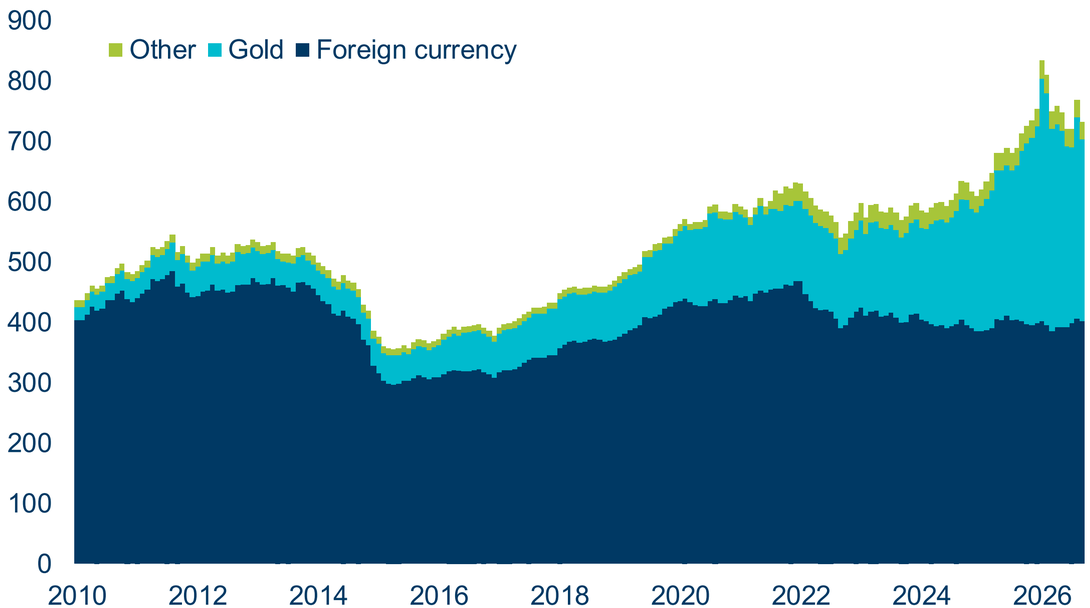
- Russia's total international reserves stand at $723.2 billion, up from $643 billion before the full-scale invasion.
- Foreign currency reserves have been broadly stable for over four years, with a large share immobilized due to sanctions.
- Changes in the total value of Russian reserves are largely driven by significant fluctuations in gold prices.

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



Source: Bank of Russia, KSE Institute

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

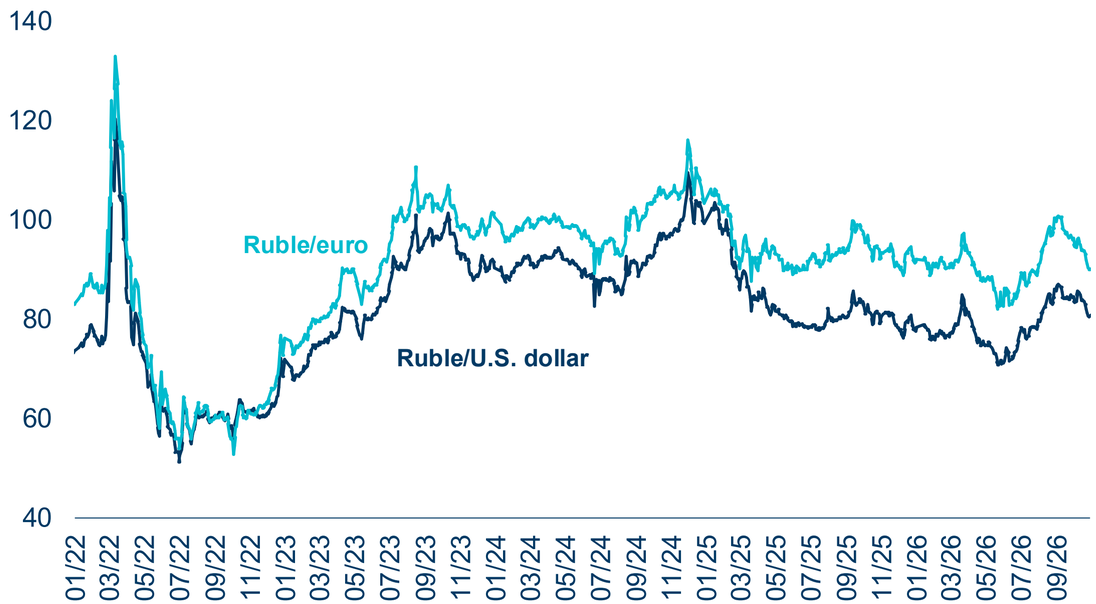


Source: Bank of Russia, KSE Institute

CBR pauses rate cuts in October as inflation persists above target.

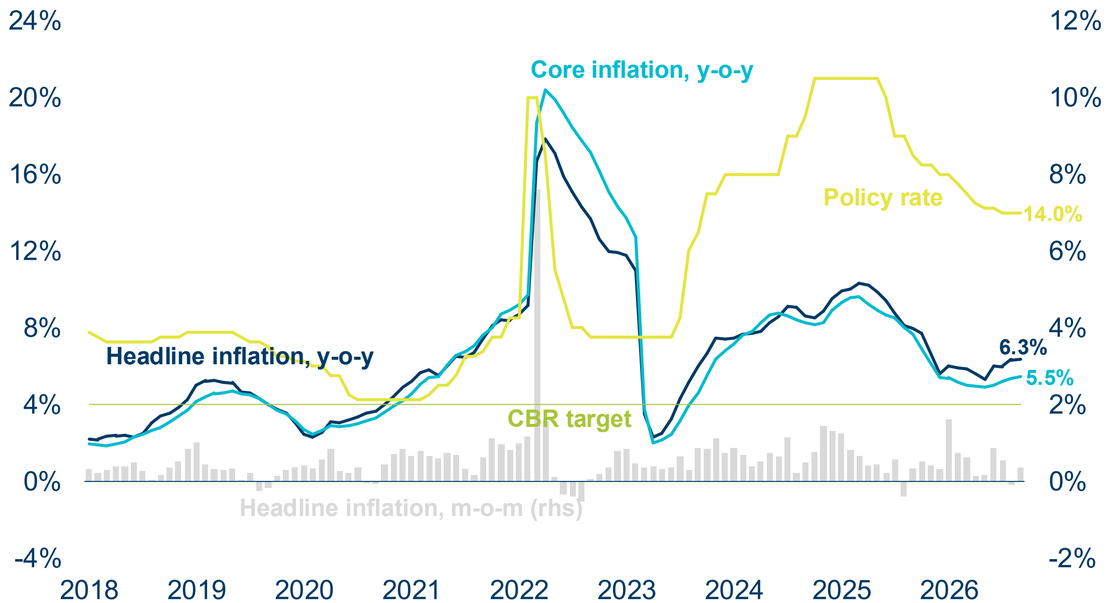
- After a period of sustained weakness, the ruble has slightly strengthened, reversing some of its earlier depreciation.
- Headline inflation stood at 6.3% y-o-y in Sep., remaining well above the CBR's 4.0% target.
- Fearing rising inflation, the CBR paused its easing cycle in Oct., keeping the policy rate unchanged at 14.0%.

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



Source: Bank of Russia, KSE Institute

Inflation and CBR policy rate, in %



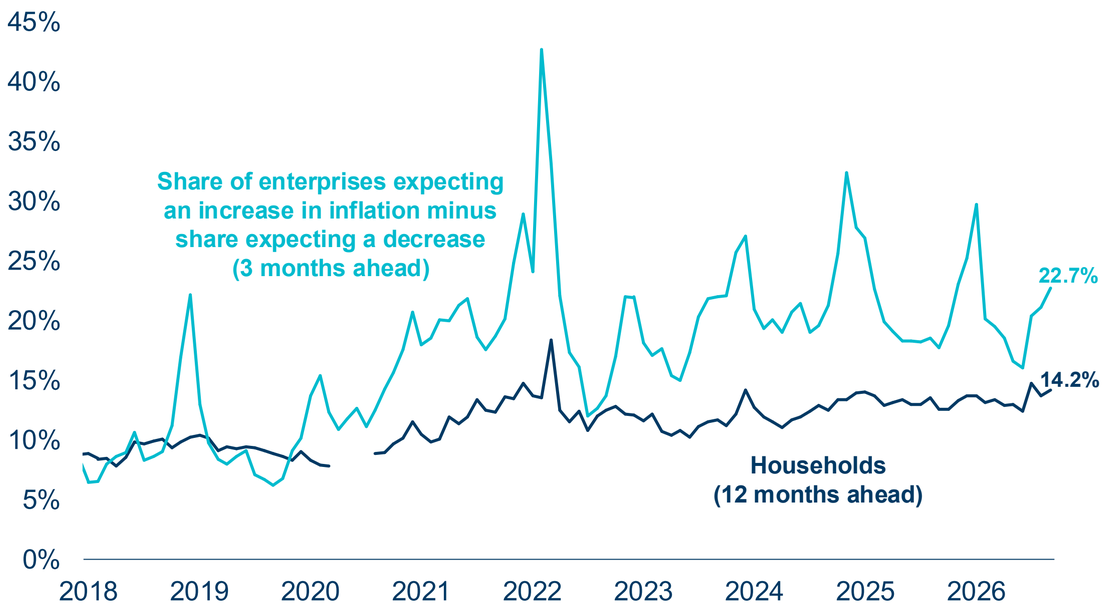
Source: Bank of Russia, KSE Institute

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Inflation risks intensify as price expectations surge across the board.

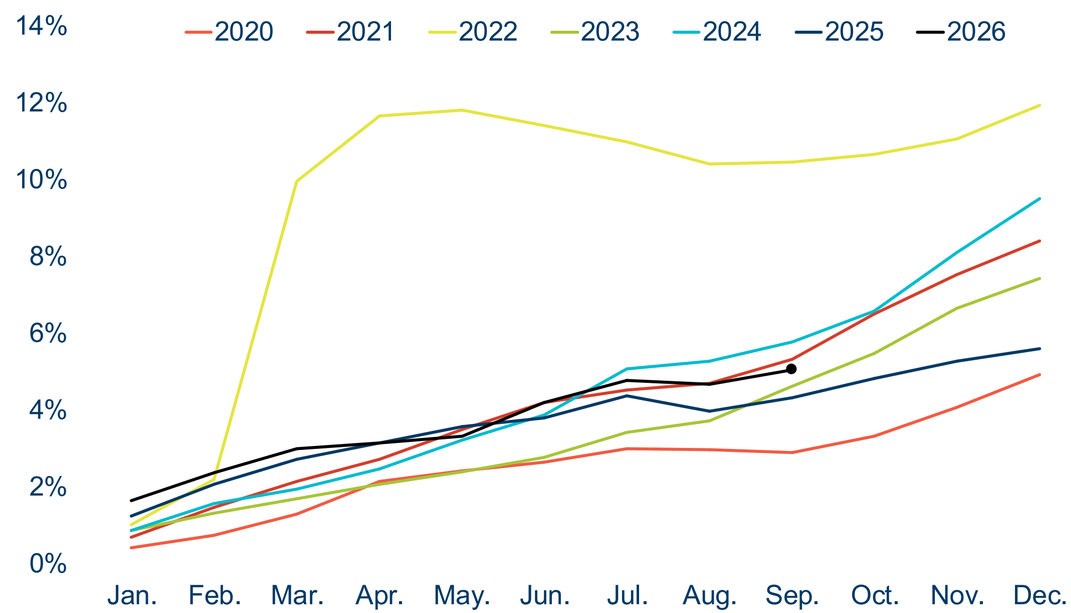
- Inflation expectations rose: households reached 14.2%, while the net balance for enterprises surged to 22.7%.
- Cumulative headline inflation reached 5.0% in Sep. (vs. 4.7% in Aug.), broadly in line with typical seasonal patterns.
- Strikes on refineries and logistics are already lifting household and business expectations, adding to inflationary pressures.

Inflation expectations, %



Source: Bank of Russia, KSE Institute

Cumulative inflation, in %

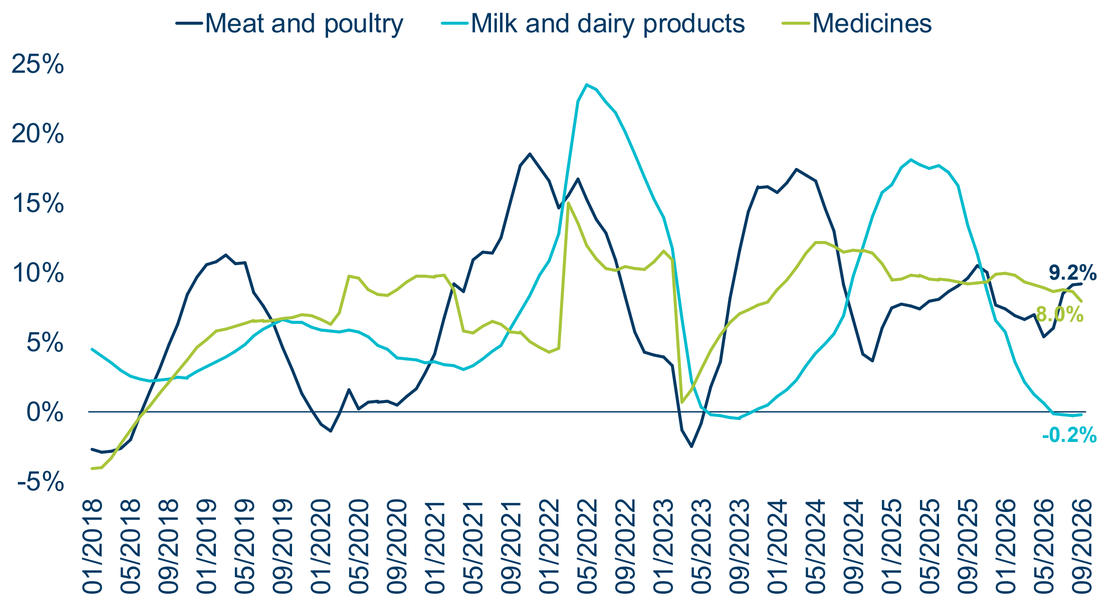


Source: Bank of Russia, KSE Institute

Price pressures remain elevated, led by services and meat prices.

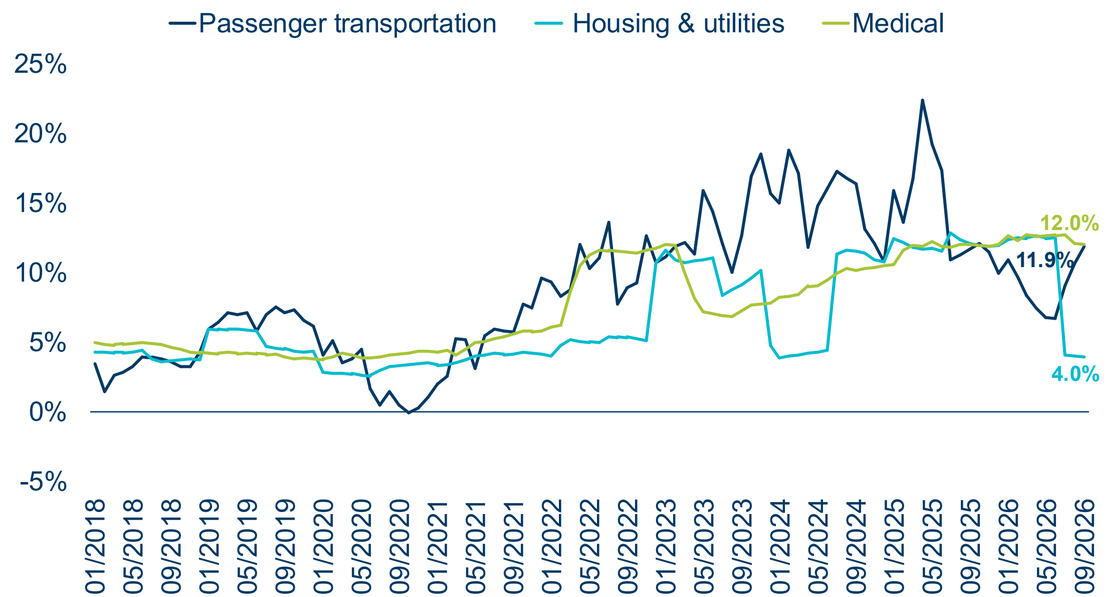
- In Sep., price dynamics diverged across the six tracked categories as seasonal deflationary effects faded.
- Price pressures remain concentrated in meat (9.2% y-o-y) and medicines (8.0%), while dairy prices fell by 0.2%.
- In services, medical (12.0%) and passenger transport (11.9%) led growth, while utilities inflation stood at 4.0%.

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



Source: Rosstat

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

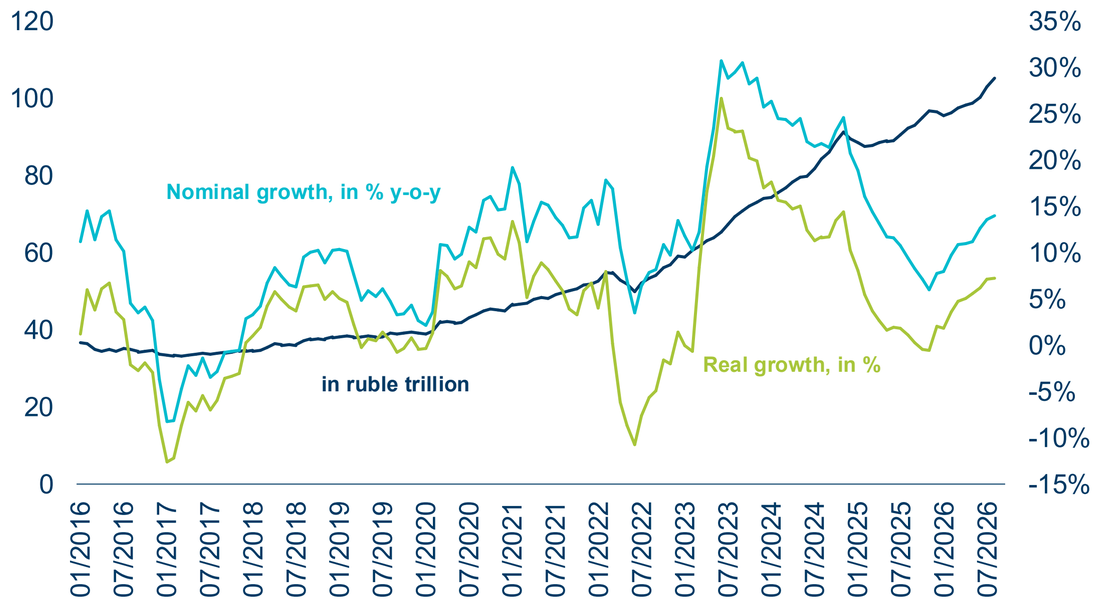


Source: Rosstat

Corporate lending gradually recovers despite elevated borrowing costs.

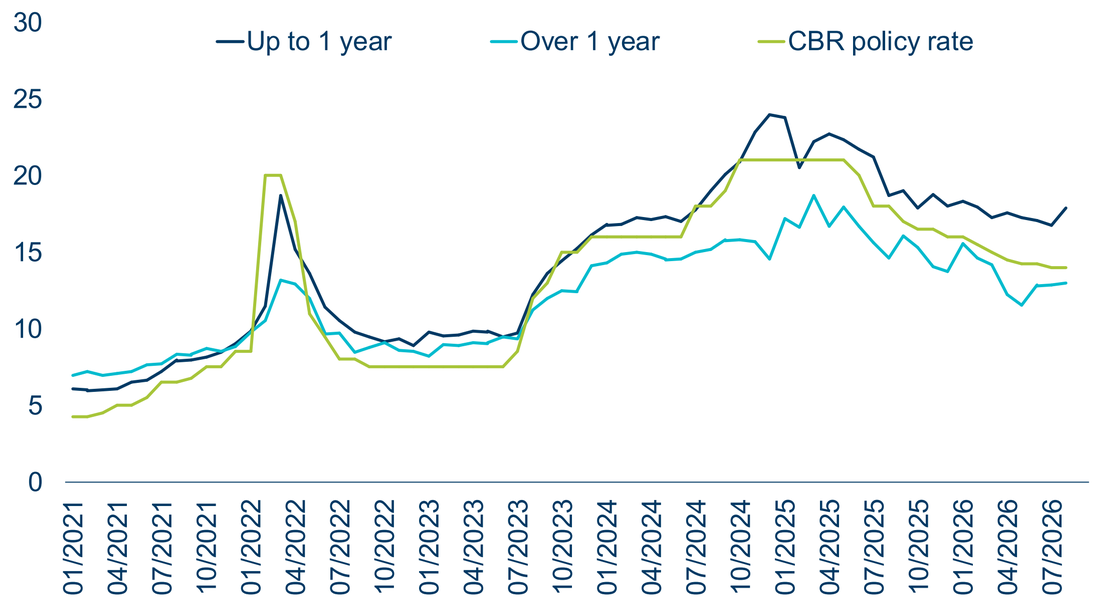
- Corporate lending is gradually recovering in nominal and real terms from the collapse in 2025, while remaining subdued.
- Borrowing costs remain historically elevated as corporate loan rates closely track the CBR's tight monetary policy.
- The cost of short-term borrowing is higher than long-term rates,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

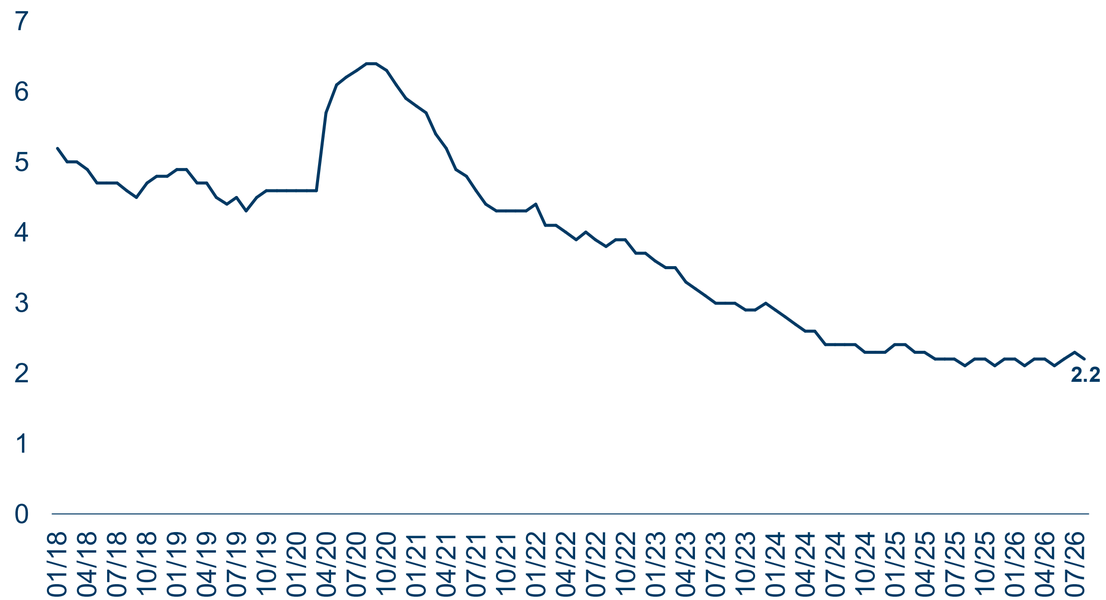


Source: Bank of Russia, KSE Institute

Labor shortages persist, while wage growth cools.

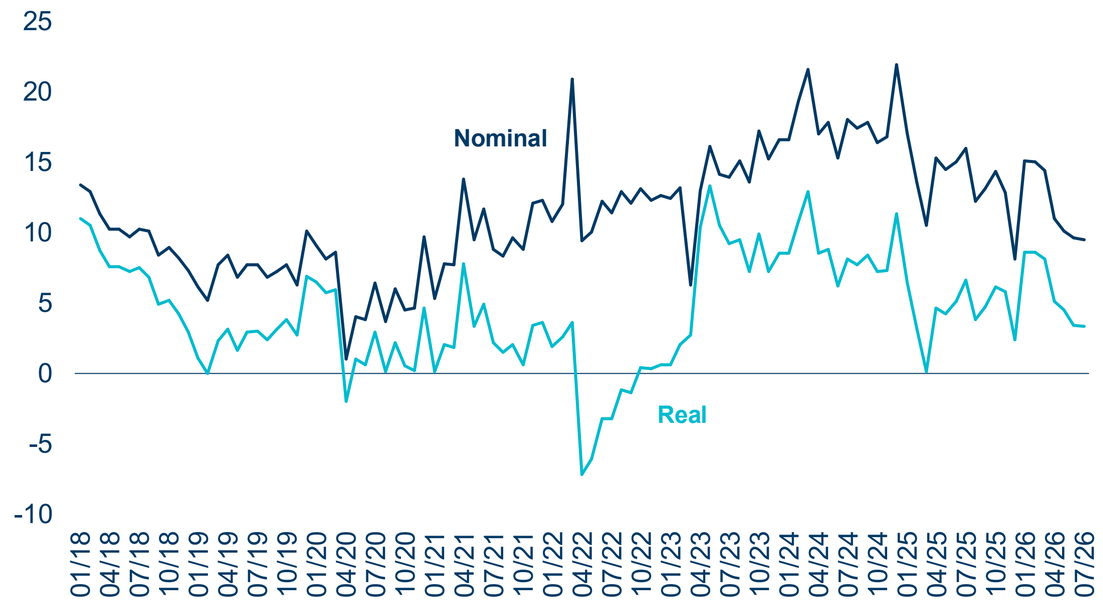
- The unemployment rate remains historically low, essentially indicating full employment in the economy.
- Nominal wage growth declined further to 9.5% in Jul., while real wage growth slowed to 3.3%.
- Wage growth has been decelerating since the start of the year, reflecting a gradual cooling of the labor market.

Unemployment rate, in %



Source: Rosstat

Wage growth, in % year-over-year

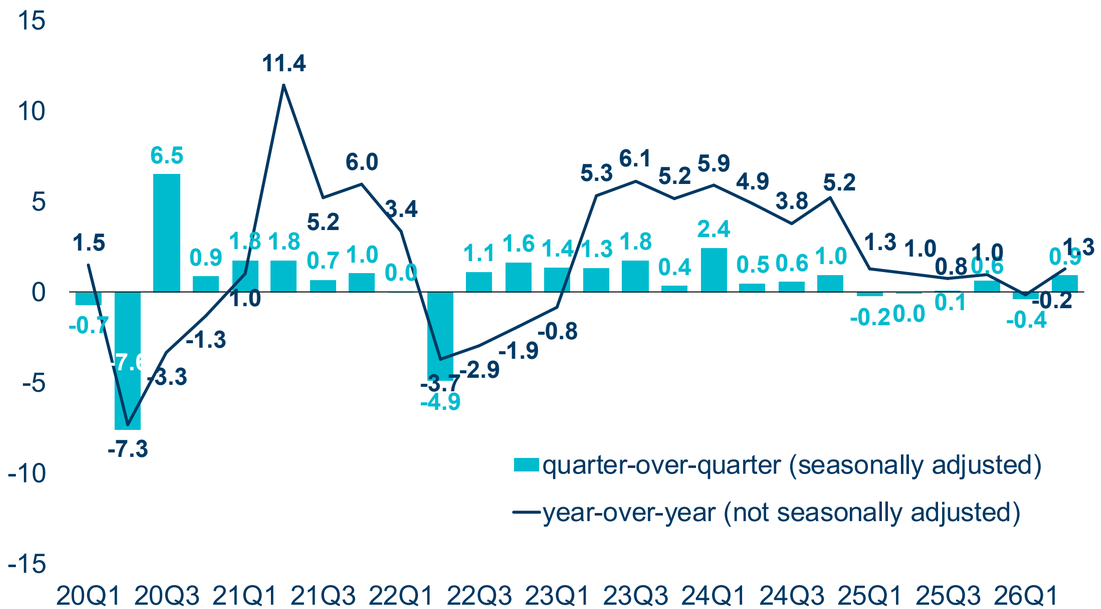


Source: Rosstat

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

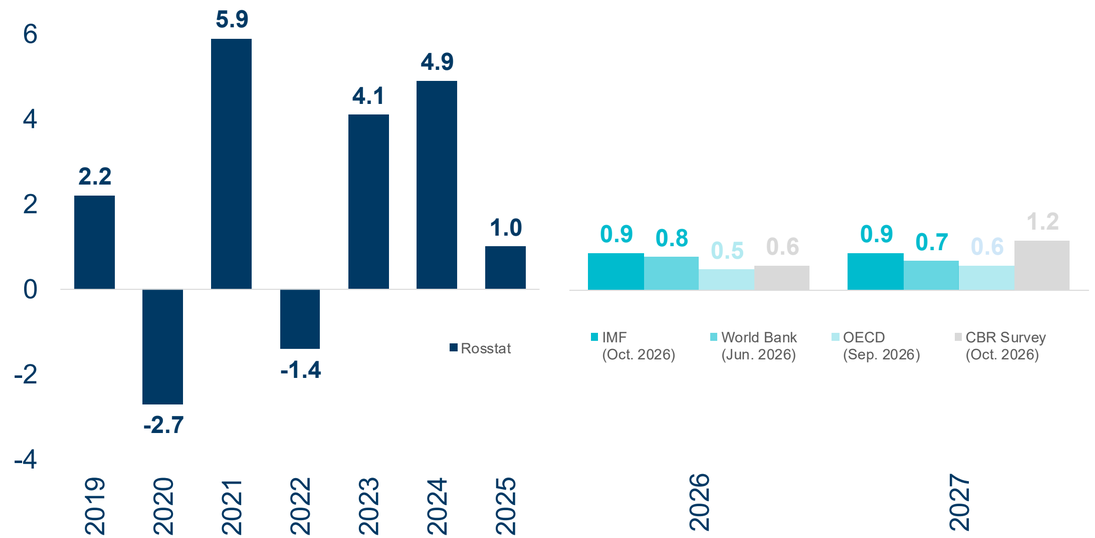
- Q2 2026 GDP grew by 1.3% y-o-y, rebounding from the 0.2% contraction recorded in the first quarter.
- Growth was likely driven by high energy prices, but Russian GDP is often subject to later revisions.
- International institutions expect weak growth of 0.5–1.2% in 2026–27 despite the energy windfall.

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

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- 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
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