

Russian Budget Deficit Swells on Increased War Spending, Falling Energy Revenues

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A mural depicting Russian President Vladimir Putin, on the side of a five-story residential building in Kashira, Moscow region. **Yuri Kochetkov / EPA / TASS**

Russia's budget deficit surged to 1.76 trillion rubles (\$24.8 billion) in January 2023, the Finance Ministry [said](#) Monday, as Western sanctions cut into oil and gas revenues and the country raised its wartime spending.

The figures mark Russia's largest first-month budget deficit since at least 1998, [according](#) to Bloomberg.

Revenues fell 35% to 1.356 trillion rubles (\$19 billion) while spending rose 59% to 3.117 trillion rubles (\$44 billion) compared to January 2022.

Revenues from oil and gas were down 46% at 426 billion rubles (\$6 billion), while non-oil and gas revenues down 28% at 931 billion rubles (\$13 billion).

The Finance Ministry blamed the drop in energy revenues on falling gas exports and the “decreased representativeness” of Western monthly price assessments that forced Russia to sell its oil at a big discount.

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Non-oil and gas revenues dropped due to changes in value-added tax rules and VAT reimbursements, the ministry said in its preliminary assessment of the budget.

Western price caps and embargoes weighed down on Russia’s oil and gas revenues, with Russia’s Urals blend trading at under \$50 a barrel in January 2023 — down 42% from January 2022.

To counteract the sanctions’ effect on budget revenue, President Vladimir Putin has set a March 1 deadline for his government to draft a new plan for calculating the price of Russian oil.

The January 2023 budget deficit comes after Russia posted the [second-highest gap](#) in its recent history in 2022.

Russia [forecasts](#) its budget deficit to reach 3 trillion rubles (\$43 billion) in 2023, with at least one-third of state spending expected to go to defense and security.

Bloomberg Economics economist Alexander Isakov [said](#) Russia’s 2023 budget deficit could more than double to 6.9 trillion rubles (\$97 billion).

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