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Russian Central Bank Warns Falling Oil Prices Could Squeeze Budget

By AFP

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An oil loading terminal at Kozmino port. **Premier.gov.ru**

Russia's Central Bank chief warned Tuesday that falling global oil prices could strain the country's public finances, raising hopes among some in Ukraine that Moscow's ability to fund its war effort would be hampered as a result.

Oil prices have slid amid mounting recession fears fueled by U.S. President Donald Trump's aggressive tariff policies. Energy revenues make up roughly one-third of Russia's annual budget.

Trade wars "usually lead to declining global trade and... perhaps [falling] demand for our energy resources," Central Bank chief Elvira Nabiullina told Russian lawmakers. "The risks are there," she said, adding that "we always prepare for such risks."

Russia's oil revenues fell 10% year-on-year in the first quarter to $31 billion, the Finance

Ministry said Tuesday, warning of further declines "due to the weakening price environment."

Ukraine, which has long criticized countries that continue to buy Russian energy, said Monday it hoped the price drop would squeeze the Kremlin's war budget.

"The lower the oil prices, the less money Russians will have to fund their war," Andriy Yermak, chief of staff to Ukrainian President Volodymyr Zelensky, wrote on social media.

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Russia's benchmark Urals crude was trading near $50 a barrel, down 15% since March and at its lowest level since 2023, according to market data.

President Vladimir Putin said last year that Russia was spending nearly 9% of its GDP on defense and security, a level not seen since the late Soviet era.

Economist and investor Yevgeny Kogan told AFP that while defense spending could take a hit, any impact would likely be limited and delayed.

"There may be a decline, but a minor one and probably not in the moment," he said.

Russia's financial reserves remain strong. As of March 1, the country's National Welfare Fund — a rainy-day fund built up from years of oil profits — held around $138 billion in assets. Roughly $39 billion of that is considered "liquid" and can be readily sold to raise cash.

Asked about the falling oil prices, Kremlin spokesman Dmitry Peskov said Monday that Russian authorities are "very closely watching in order to minimize the consequences of the economic storm."

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