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INDEPENDENT NEWS FROM RUSSIA

Russia Posts $5.4Bln Budget Surplus in March but Hard Landing Risks Increase

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A view of Moscow. **Sergei Kiselev / Moskva News Agency**

Russia posted a 500 billion ruble ($5.4 billion) federal budget surplus in March 2025 amid falling oil revenues, according to preliminary data from the Finance Ministry.

The deficit was equivalent to 1% of GDP, well ahead of the 0.5% deficit target for this year in the budget. However, the Finance Ministry said this week that average oil prices are expected to come in at less than the $70 in the budget and the deficit was likely to be higher than anticipated.

The Finance Ministry missed its target last year as well with a deficit of 1.7% of GDP (minus 3.3 trillion rubles), which was still modest compared to the previous year's 1.9% end-of-year result.

Previously, the federal budget posted an unusual spike in spending and high deficits in January and February, which the ministry attributed to front-loaded expenses.

Despite a surplus recorded in March, the cumulative 1Q25 deficit stood at 2.2 trillion rubles ($23.7 billion), equivalent to 1% of GDP. The full-year budget anticipates a 1.2 trillion rubles ($12.9 billion) deficit, or 0.5% of GDP.

Federal budget revenues in March totaled 3.7 trillion rubles ($39.9 billion), flat year-on-year, contributing to a 4% year-on-year (y/y) increase in total revenues for 1Q25.

Oil and gas revenues declined by 17% y/y in March, while non-oil and gas revenues grew by 10% y/y. For 1Q25 overall, these revenue groups saw respective changes of -10% and +11% y/y.

Federal budget spending rose by 11% y/y to 3.2 trillion rubles ($34.5 billion) in March, returning to seasonal norms and driving a monthly surplus of 500 billion rubles ($5.4 billion).

Renaissance Capital analysts caution that the rising likelihood of a global recession increases the chances of a "hard landing" for the Russian economy due to falling oil prices. In such a scenario, an expanding budget deficit would signal continued fiscal stimulus.

They argue, however, that the inflationary impact of such a stimulus would be milder than in 2022–2024.

Using National Wealth Fund (NWF) reserves to offset lost oil revenues and increasing borrowing to cover non-oil income shortfalls is seen as less inflationary than deploying these funds to ramp up spending by analysts.

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