

Between Trump's Tariffs and an Oil Price Slump, How Bad Do Things Look for Russia's Economy?

Donald Trump's trade wars are unlikely to bring down the Russian economy, but they could lead to a new wave of price hikes and raise the risk of recession.

By [Moscow Times Reporter](#)

April 15, 2025



An oil field in Russia's republic of Tatarstan. **Yegor Aleyev / TASS**

A wave of global tariff hikes set in motion by the [Trump](#) administration has fueled fears of a worldwide recession and sent energy markets tumbling.

How bad do things look for Russia?

When tariffs are high and widespread — like the latest ones between the U.S. and its trading

partners — they can force companies to make products in just one country. This raises production costs and hurts factories, like those [in Asia](#), and shipping companies.

If the trade war escalates further, fewer goods will be produced and at higher costs, leading to a global economic slowdown and a glut in energy consumption.

Because Moscow hardly ships any goods to the U.S. — and is not one of the countries Trump hit with tariffs — it is not directly in the crossfire of the trade wars. But it could suffer from the collapse of oil prices and rising costs of imports.

Goldman Sachs forecasts that the price of Brent crude will stand at \$62 by December 2025 if the U.S. avoids a recession and its tariffs are reduced — and could plunge to \$58 if the U.S. economy contracts, [Reuters reported](#).

For budget planning purposes, the Russian [government expected](#) the Urals price, a Russian blend of oil traded at a discount to Brent, to average \$69.70 per barrel in 2025.

Against the backdrop of trade war fears, the price of Russia's benchmark Urals brand has fallen below \$50 per barrel for the first time since June 2023, the RBC news website [reported](#) last week, citing Argus Media estimates.

While the oil prices rebounded as Trump paused some of his tariffs, the situation is not out of the woods yet as trade negotiations between the U.S. and its trading partners, particularly China and the EU, remain fraught with uncertainty.

With energy markets oversupplied and global demand waning, Russia risks losing its clout as an exporter, as consumers — particularly in Asia — may start pressing Moscow for deeper discounts compared to oil and LNG offered by suppliers from the Middle East and elsewhere.

Meanwhile, every \$10-a-barrel decrease in the export price of Russian oil translates to about \$17 billion a year in lost revenues. This is not good news, but it is also not the end of the world: \$17 billion is about 4% of Russia's total exports in 2023, which amounted to \$425.1 billion.

Nor will Russia's oil drilling grind to a halt.

According to estimates cited by analyst [Sergei Vakulenko](#), the average cost of producing, processing and transporting Russian oil to export terminals, including drilling and other costs, is just \$17 per barrel.

However, if energy prices continue to fall, this will mean that Russian companies will bring home less foreign currency and pay less tax to the state.

Weaker ruble, higher inflation

The shortage of foreign currency in Russia can weaken the value of the ruble and, as a result, increase the price of imported goods within the country — all at a time when [inflation](#) is already pushing 10%.

This will come on top of the likely general increase in the price of consumer goods such as cars, clothing or technology.

To take just one example, the cost of a Chinese-assembled iPhone 16 Pro Max with 256GB of storage, which retails for \$1,199, could rise to \$1,999 as a result of the tariff war, [CNN reported](#), citing analysis by UBS Investment Research.

It is estimated that up to 25% of the average Russian consumer's shopping basket [consists](#) of imported goods.

Budget under strain

Equally important, the lack of tax revenue will make it difficult to finance the budget.

Russia [ended](#) last year with a deficit of some 3.5 trillion rubles or \$34.4 billion, and its readily available rainy-day fund has been depleted by over 50% since the start of the war.

The federal budget deficit for January-March 2025 [was about](#) \$25.5 billion, several times larger than the deficit for the same period last year and larger than the planned deficit for all of 2025. This was because oil and gas revenues were down nearly 10% from the same period last year and expenses were up nearly 25%.

According to the [Telegram channel MMI](#), 27.1% of the government's planned annual expenditure was spent in the first quarter of 2025, an "all-time high."

Though expenses surged in the first three months of 2024 as well, spending was more modest at that time and the situation with revenues was much better, [it added](#).

But while things may look worrying for the Russian government, the situation is not yet dire, analyst Pavel Ryabov [said](#) in his Spydell Finance blog.

"Relative to budget revenues, the annual deficit is 14.5%, which is in the dangerous 'yellow zone,' while in a budget crisis deficits balloon above 20% of revenues," he said.

Looming recession

The combination of these pressures could lead to a slowdown in Russia's economic growth.

The Kremlin cannot bring inflation down to its target of 4%, but it has also been careful not to let inflation run wild.

This means that Russia will have to cut back on spending that has in many ways supported the country's economic growth.

"The Finance Ministry will have to significantly repay the fiscal impulse in the next nine months to keep the deficit within a relatively acceptable range. This will have a negative impact on economic activity, which is highly dependent on the fiscal impulse," Ryabov said.

The Central Bank flagged potential trade wars as a serious downside risk in its 2025-2027 economic forecast [published last August](#).

In a crisis scenario, the Bank envisages that the Russian economy may contract by up to 4% in 2025 and by up to 2% in 2026, with the country's rainy-day fund running out of money in

2025.

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