The Moscow Times
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Russia’s Budget Deficit Blows Past Annual Target in Just 7 Months

August 08, 2025



Russia's Finance Ministry. **Maxim Stulov / Vedomosti / TASS**

Russia’s budget deficit has overshot the government’s full-year target, underscoring the mounting financial cost of the war in Ukraine and Moscow’s struggle to rein in spending.

The Finance Ministry said Friday the deficit reached 4.88 trillion rubles ($61.1 billion) between January and July, or 2.2% of GDP. That is well above the 3.8 trillion rubles planned for all of 2025 under a revised budget signed by President Vladimir Putin earlier this summer.

July alone added another 1.19 trillion rubles to the shortfall. The ministry blamed weaker oil and gas revenues — down nearly 19% year-on-year — and “advance financing” of expenses early in the year.

Analysts, however, say the real driver is runaway spending. Outlays in July jumped more than 24% compared to last year, with spending over the first seven months up more than 20% to 25.2 trillion rubles. Revenues, by contrast, have barely grown.

“Reality has turned out worse than our most pessimistic forecasts,” the MMI analytical group wrote on Telegram, warning that to meet the government’s spending target, the Kremlin would need to slash expenditures by nearly 20% in real terms over the rest of the year.

According to MMI, that is “simply not possible.” The analytical group now expects the deficit to hit at least 8 trillion rubles by year’s end.

Economist Yegor Susin noted that even with a large chunk of current spending tied up in advance payments, the deficit is still running ahead of plan. To get back on track, he said, the government would have to post a “significant surplus” in the coming months.

An unnamed Finance Ministry official told the business newspaper Vedomosti earlier this week that the government is preparing another budget revision this coming fall to align with its “socio-economic policy priorities.”

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