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Russian Economy Slipped Into 'Technical Stagnation,' Sberbank CEO Warns

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German Gref. **Vyacheslav Prokofyev/TASS**

Russia's economy slipped into "technical stagnation" in the second quarter of this year, according to Sberbank CEO German Gref, who on Thursday repeated his past warnings that the Russian Central Bank's tight monetary policy risked tipping the country into recession.

Speaking at the Eastern Economic Forum, Gref also said that July and August data suggested growth was now approaching zero.

"A main driver, of course, is the key interest rate. According to our internal estimates [at Sberbank], the rate will be around 14% by year-end. Is that enough for the economy to start recovering? In our view, it is not," the banker added. "Given the current level of inflation, recovery can only be expected when the rate is at 12% or lower."

Russia's Central Bank had raised its key rate to a two-decade high of 21% in September 2024 to combat surging inflation, largely driven by spending on the military. Although

policymakers have since lowered the rate to 18%, signaling a gradual shift away from their fight against inflation, they have refrained from more drastic cuts, as state spending remains high.

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Gref's sense of unease was echoed by senior government officials at the Vladivostok forum, where President Vladimir Putin is expected to speak on Thursday.

Economic Development Minister Maxim Reshetnikov said the economy was "cooling down faster than expected" and that new government forecasts would be submitted "shortly." Finance Minister Anton Siluanov told Putin last week that growth projections for next year are down to 1.5%, from 2.5%, with some estimates pointing closer to 1.2%.

The slowdown comes as Russia's state finances show growing strain. In August, the Finance Ministry reported that the budget deficit reached 4.88 trillion rubles ($61.1 billion) between January and July, already exceeding the government's full-year target.

At the same time, weaker global oil prices, a stronger ruble and mounting Ukrainian attacks on Russian oil storage and pumping sites have eroded export earnings.

According to Kommersant, oil and gas revenues fell for the fourth straight month in August, totaling 505 billion rubles ($6.2 billion), down 36% from July and the lowest level since mid-2025. The government has restricted gasoline exports to stabilize domestic prices, further squeezing revenues.

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