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World Bank Cuts Russia's Growth Outlook, Warns of Long-Term Stagnation

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Yegor Aleyev / TASS

Russia's economy is heading toward stagnation rather than a "managed slowdown," the World Bank said in its latest forecast, cutting its growth outlook and warning that output is unlikely to rise more than 1% per year through 2028.

The lender now expects Russia's GDP to grow 0.9% in 2025, down from 1.4% in its June forecast, 0.8% in 2026 and 1% in 2027. It also projects a 0.4% decline in investment this year and a further 0.2% fall next year before modest recovery in 2027.

The World Bank cited falling oil prices, weaker exports and high interest rates as key drags on growth, saying fiscal stimulus has largely run its course while private demand and investment are under pressure. A persistent labor shortage is also likely to limit output.

The bank expects Russia's budget deficit to widen to 2.9% of GDP this year — higher than the Finance Ministry's 2.6% forecast — and to remain near 2.7% in 2026-27.

Inflation, however, is seen easing from 7.5% this year to 4.5% in 2026 and 4% in 2027.

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Other analysts have also revised forecasts downward. The Kremlin-aligned think tank CMACP expects GDP to rise just 0.7-1% this year and 1.4-1.7% in 2026, while a consensus of economists surveyed by Russia's Central Bank in September lowered 2025 growth expectations to 1.6%.

Official projections remain more upbeat. The Economy Ministry forecasts growth of 1% this year and 1.3% in 2026, followed by an acceleration to around 2.5-2.8% later in the decade. The Central Bank sees GDP expanding 1-2% in 2025 and up to 2.5% by 2028.

Business leaders are less optimistic.

"Whether it's a cooling or a controlled soft landing [of the economy], it's not very soft — or very controlled," said Alexander Shokhin, head of the Russian Union of Industrialists and Entrepreneurs.

Analysts note widening divergence between the defense-linked industries driving growth and the civilian sectors suffering sharp declines.

According to CMACP estimates, output in non-military industries has fallen 5.4% so far this year, leaving roughly a third of Russia's real-sector companies under severe financial stress.

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