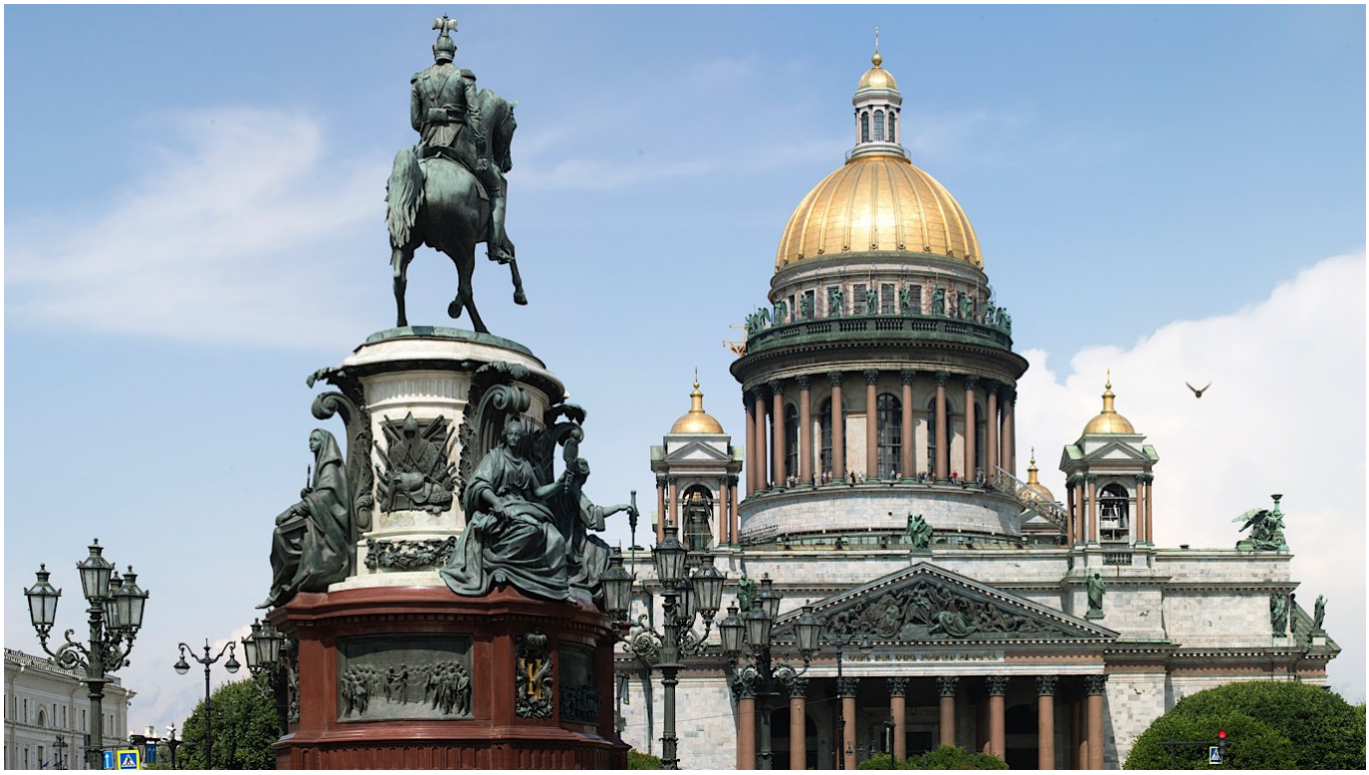
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Russian Economy Barely Grows in Q3 as War Spending Bites

By AFP

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Nikolai Gyngazov / TASS

Russian economic growth was close to zero in the third quarter, the state statistics agency said Friday, as the costs of the Ukraine war and Western sanctions start to bite.

Bloated military spending had initially supported the Russian economy for two years after it sent troops to Ukraine. But it also spurred inflation, which now weighs on growth, as the civilian sector struggles with high borrowing costs.

"The gross domestic product (GDP) in the third quarter of 2025 amounted to 100.6%, relative to the same period of 2024, according to preliminary estimates," said statistics agency Rosstat.

That is significantly lower than in the previous quarter, when GDP rose by 1.1%.

The figure was in line with the Russian Central Bank's lowered annual forecast of 0.5 to 1%,

however.

The regulator also expected that the stubbornly high inflation rate, still running at about 8%, would keep interest rates higher for longer.

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Businesses have railed against the high borrowing costs, which they say are sapping growth and holding the economy back.

This has also stretched Russia's public finances. The Kremlin is looking to tap the pockets of citizens and businesses to plug a budget gap running at around $50 billion so far this year.

Russia's finance ministry has proposed raising the value-added tax (VAT) to 22% from 20% next year.

Lower oil prices were also a headache for the budget, fossils bringing almost a fifth of the budget revenues.

Last month, the United States unveiled some of the harshest measures yet on Russia's energy sector, sanctioning its two biggest oil producers, Rosneft and Lukoil, in an attempt to force Moscow to end the war in Ukraine.

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