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Russian Inflation Drops Sharply in 2025

By AFP

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Sergey Karpukhin / TASS

Russian annual inflation fell sharply in 2025, data from the state statistics agency showed on Friday, as Central Bank efforts to tame price growth appeared to bear fruit.

The Central Bank kept interest rates close to 20% for almost two years as high military spending, which initially gave a boost to the Russian economy, also spurred red-hot inflation.

But price growth slowed to about 5.6% last year, the Rosstat agency said.

This represents a sharp drop from the 9.5% recorded in 2024, and was also below what the Central Bank and analysts had expected.

In 2025, the Bank started to gradually ease interest rates as price growth sagged and businesses railed against high borrowing costs which have weighed on economic growth.

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Last month, Rosstat said economic growth was close to zero in the third quarter.

In November, inflation fell to about 6% from 7% a month prior, the steepest 12-month drop in 2025, according to Rosstat.

The bank is targeting an inflation rate of 4% by 2027.

Slowing growth has put pressure on Russia's stretched public finances, prompting the Kremlin to raise taxes to tap the pockets of citizens and businesses in the hope of plugging last year's budget gap of around $50 billion.

Analysts forecast inflation to pick up again in early 2026 as a rise in value added tax (VAT) kicks in, contributing to upward price pressures.

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In the four years of war in Ukraine, Russian defense spending has skyrocketed, while its oil and gas revenues have been weighed down by sanctions.

In 2025, Russian military spending rose by 3% over 2024, representing around 7% of gross domestic product (GDP), the Stockholm International Peace Research Institute (SIPRI) estimated.

Last year, the U.S. unveiled some of the harshest measures yet targeting Russia's energy sector, sanctioning its two biggest oil producers, Rosneft and Lukoil, to curb Moscow's revenues and force it to end the war in Ukraine.

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