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Russia's Regions Post Largest-Ever Budget Deficit in 2025

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The city of Tyumen. **Alexander Ryumin / TASS**

Russia's regions went on a splurge last year, running a record combined budget deficit of around 1.48 trillion rubles ($19.22 billion) as spending continued to outpace revenue growth, the Kommersant business newspaper reported Thursday.

Citing data from the ACRA credit ratings agency, Kommersant wrote that the overall deficit of regional budgets in 2025 was 3.6 times higher than the previous year's shortfall of 407 billion rubles ($5.28 billion).

The number of regions running a deficit also increased significantly — from 50 in 2024 to 74 in 2025. Russia counts 89 regions in its fiscal reporting, including annexed Crimea and the occupied territories of eastern Ukraine.

Total regional spending increased by 9% to 24.1 trillion rubles ($312.78 billion), while revenues grew by 4% to 22.6 trillion rubles ($293.34 billion).

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In absolute terms, Moscow recorded the largest deficit at 229 billion rubles ($2.97 billion) despite posting a surplus between January and September 2025.

The Yamalo-Nenets autonomous district, Russia’s largest natural gas-producing region, and the Khanty-Mansi autonomous district, one of its top oil producers, followed with deficits of 84 billion rubles ($1 billion) and 72 billion rubles ($933.5 million), respectively.

“It’s no surprise that the regions are struggling to balance their budgets. In 2025, they spent much more on the war than in previous years,” Janis Kluge, an economist at the German Institute for International and Security Affairs, wrote in a report earlier this month.

“Regions are also paying compensation for injuries and payouts to families of deceased soldiers,” Kluge wrote.

“If the Kremlin wants the regions to contribute as much to the war effort as they did last year, it will have to increase budget transfers,” he added, referring to federal funding regions receive from Moscow.

Deficit spending in the regions is just part of the larger financial challenges facing Russia as it continues to spend heavily on the military.

Russia’s federal budget deficit reached 5.64 trillion rubles in 2025, or about 2.6% of GDP — five times higher than the 0.5% initially planned. The government projects a deficit of 3.8 trillion rubles, or 1.6% of GDP, in 2026.

“The situation looks much worse than it was originally expected,” Andras Toth-Czifra, a fellow at the U.S. Foreign Policy Research Institute, a think tank, wrote in an analysis this week.

“The negative trajectory of the past year, as regional expenditures grew, as federal transfers stalled and corporate taxes dwindled, is clear. The war is an obvious source of pressure,” Toth-Czifra wrote.

On Wednesday, in an annual address to lawmakers, Prime Minister Mikhail Mishustin said he had spent “many hours” with President Vladimir Putin and other top officials discussing how to close the widening budget gaps.

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