

# Russia Weighs 10% Budget Spending Cuts as Revenues Slump – Reuters

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A Russian cabinet meeting.

Russia's government is discussing the possibility of cutting federal budget spending as revenues fall and the deficit widens, Reuters [reported](#) Wednesday, citing sources close to the cabinet.

According to the sources, spending could be reduced by about 10% across “non-sensitive” budget categories, excluding defense spending and socially sensitive items like public-sector salaries and social benefits. The final decision will depend largely on how long the current oil price increase triggered by the Iran war lasts, they said.

“The Finance Ministry has informed agencies distributing budget funds that there is a need to cut spending. They are now sitting around thinking what to cut,” one of the sources told Reuters.

Another source said the cuts would likely target “nonessential expenses.”

"Some new projects will be put on hold, such as construction or road repairs. These are likely to be considered for cuts," the person said.

The discussions highlight mounting pressure on Russia's public finances as falling energy revenues and rising war-related spending strain the federal budget as Moscow's invasion of Ukraine enters its fifth year.

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According to Finance Ministry data, the federal budget posted a deficit of 3.5 trillion rubles (\$44.1 billion) in January-February, with spending nearly double revenues.

Government income totaled 4.76 trillion rubles (\$60 billion) over the two months, while expenditures reached 8.21 trillion rubles (\$103.4 billion).

Oil and gas revenues — the backbone of the Russian budget — fell by 47% year-on-year and hit their lowest levels since the pandemic at around 400 billion rubles (\$5 billion) in both January and February.

Overall budget revenues declined by 11% despite recent increases in value-added tax (VAT) collections and higher taxes on small businesses.

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A surge in oil prices triggered by the conflict in the Middle East has temporarily improved the outlook. Brent crude briefly jumped as high as \$119 per barrel, while Russia's Urals blend rose to about \$75 a barrel after trading just above \$40 in late February.

The ruble-denominated price of oil has also climbed above the level assumed in the federal budget for the first time since January 2025, reaching about 6,010 rubles (\$75.70) per barrel compared with the budget benchmark of 5,440 rubles (\$68.50).

As of Wednesday, Urals crude was trading at around \$62 per barrel, slightly above the \$59 price assumed in Russia's 2026 federal budget.

One of Reuters' sources said the current budget situation will likely require spending cuts regardless of short-term oil price fluctuations.

Another source said officials were waiting to see how global oil markets evolve as the conflict involving Iran unfolds.

"Decisions on the extent of spending cuts have not been made yet, as everyone is waiting to see how oil prices will change as a result of the conflict in Iran," the source said.

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