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Russia Pauses Budget Rule Changes as Oil Price Spike Eases Pressure – Reuters

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TASS

A surge in global oil prices triggered by the U.S.-Israeli war on Iran has allowed Russia to delay planned changes to its budget rule, easing immediate pressure on state finances, Reuters reported Tuesday, citing three sources familiar with the discussions.

The spike in prices has given Moscow breathing room after a steep drop in energy revenues earlier this year, offering a temporary fiscal reprieve despite ongoing strain on the budget.

Russia's oil and gas revenues fell nearly 50% year-on-year in January-February 2026, while the federal budget deficit widened to 3.45 trillion rubles ($42.0 billion), or 1.5% of gross domestic product, compared with a full-year target of 3.8 trillion rubles (1.6% of GDP).

Officials had been weighing a 10% cut in non-military and non-social spending, as well as revisions to the fiscal rule to prevent depletion of the National Wealth Fund (NWF), Russia's rainy-day reserve.

However, two sources told Reuters that the baseline oil price underpinning the budget rule would remain unchanged this year, adding that previously discussed spending cuts were now uncertain.

Russia's budget rule sets a cut-off oil price, currently $59 per barrel, above which excess revenues are saved and below which reserves are used to cover budget shortfalls. The mechanism is designed to shield the economy from oil price volatility and the impact of sanctions.

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The Finance Ministry had planned to gradually lower the threshold to $55 per barrel by 2030.

Under the rule, when oil prices exceed the cut-off, the Central Bank purchases foreign currency and gold on behalf of the Finance Ministry to replenish the NWF. When prices fall below it, the ministry sells reserves to compensate for lost revenues.

Finance Minister Anton Siluanov said in late February, shortly before the outbreak of the Iran war, that new parameters for the rule would be announced within weeks.

The ministry subsequently suspended foreign exchange operations under the rule in March as it reviewed the changes.

Siluanov said Monday that the government would soon decide on further steps to reduce the budget's dependence on oil prices over the medium term and limit state influence on the currency market.

President Vladimir Putin has called for a balanced approach to using additional oil revenues, while Central Bank Governor Elvira Nabiullina has urged caution in setting long-term oil price assumptions.

Preliminary Reuters calculations show that Russia's oil and gas revenues could jump by around 70% in April from March amid rising global prices, reaching their highest monthly level since October 2025.

But oil prices remain volatile, falling more than 8% on Monday after U.S. President Donald Trump backed down from threats to strike Iranian power plants and energy infrastructure due to "productive" talks with Tehran on ending the conflict.

Iran has denied taking part in talks with the U.S.

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