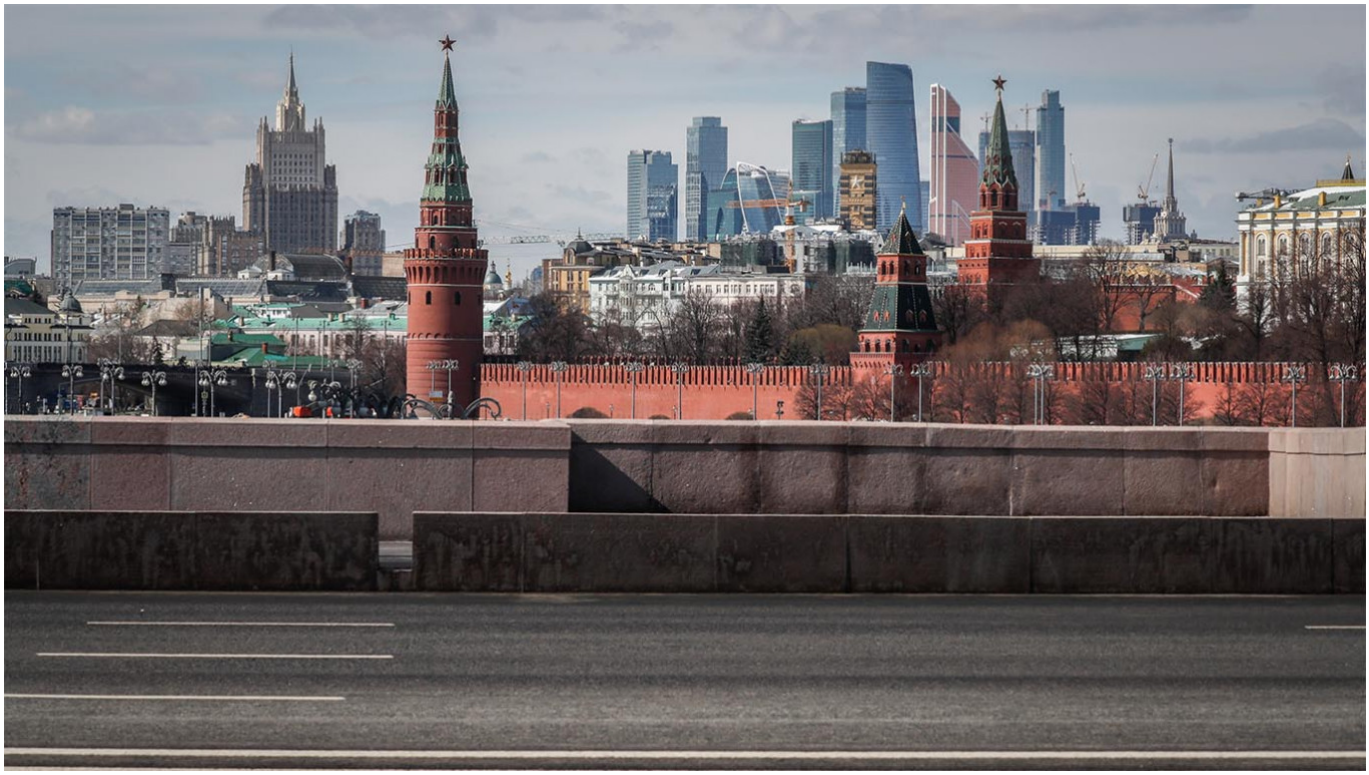
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Russia Drops Budget Cut Plans as Oil Price Surge Boosts Revenues – Bloomberg

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Yuri Kochetkov / EPA / TASS

The Russian government has dropped plans to cut budget spending as surging crude prices and eased sanctions amid the U.S.-Israeli war with Iran bolster the country's finances, Bloomberg reported Friday, citing sources familiar with the matter.

Officials had been weighing a 10% cut to "non-sensitive" spending as recently as this month as low oil prices and prolonged wartime spending fueled concerns about widening budget deficits.

The government could channel windfall oil revenues into military spending if the four-year war in Ukraine continues to drag on, Bloomberg's sources said. Russia has already earmarked 12.9 trillion rubles ($157.4 billion) for defense in 2026.

Officials are also unlikely to significantly downgrade the country's 2026 economic growth

forecast of 1.3%, after earlier discussions about lowering it to around 0.7%, the sources added.

Related article: Russia Eyes New Windfall as Iran War Chokes Fertilizer Supplies

Russia's Urals crude, which had dropped to about $40 per barrel earlier this year under tighter U.S. sanctions, has rebounded sharply as the near-closure of the Strait of Hormuz disrupted global supplies and the U.S. eased some sanctions on Russian oil.

Moscow could receive an additional 3-4 trillion rubles ($36.6-48.8 billion) in oil and gas revenues if Urals averages $75-80 per barrel this year, Natalia Milchakova, a leading analyst at Freedom Finance Global, was quoted as saying by Bloomberg.

That would narrow the budget deficit to around 1% of GDP, below the official target of 1.6%.

Internal government estimates made before the Iran war had reportedly suggested the deficit could rise to 3.5-4.4% of GDP.

Bloomberg calculations showed Russian oil export revenues reached $2.48 billion last week, their highest level since April 2022 and up 120% from late February.

However, a stronger-than-expected ruble could offset some of those gains by reducing the value of energy revenues in local currency terms, economist Dmitry Polevoy said.

Separately, President Vladimir Putin told business leaders this week that Russia intends to continue fighting in Ukraine despite mounting fiscal pressures, the Financial Times reported, citing three sources familiar with the meeting.

Putin said Moscow would keep fighting until it reaches the administrative borders of Ukraine's Donetsk and Luhansk regions, according to the report, arguing this was necessary after Ukraine refused to withdraw its troops during recent U.S.-mediated talks.

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