The Moscow Times
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Russia Cuts 2026 Growth Forecast as Oil Revenues and Wartime Pressures Weigh on Economy

May 12, 2026



Dmitry Feoktistov / TASS

Russia sharply downgraded its economic growth forecast for 2026, signaling the government is bracing for a prolonged slowdown as weaker oil revenues, high inflation and heavy wartime spending strain the economy.

Deputy Prime Minister Alexander Novak said the government now expects gross domestic product to grow by just 0.4% next year, down from a previous forecast of 1.3%.

The revised outlook, announced Tuesday, points to mounting concerns inside the government over the durability of Russia's wartime economic model after more than four years of fighting in Ukraine.

The economy contracted by 0.3% in the first quarter, according to the Economic Development Ministry, even as President Vladimir Putin has urged officials and the Central Bank to

accelerate growth.

Economist Andrei Gnidchenko of the CMAKP analytical center described the new forecast as a surprise after reviewing projections from major Russian and international institutions earlier this month.

Novak said the forecast was based on "conservative" assumptions, including an average Russian oil price of $59 per barrel this year and $50 per barrel over the following three years.

Those assumptions are even lower than the Central Bank's estimates. In April, the Central Bank raised its own forecast to $65 per barrel for this year and $55 for 2027-2028.

Novak said the lower oil-price assumptions would help contain budget spending at a time when state revenues — hit by a strong ruble and weaker oil prices — are falling while expenditure demands, including military spending, continue to rise.

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Under the government's framework, lower baseline oil-and-gas revenues would limit planned spending, while any additional energy income would be directed into the National Wealth Fund.

Economist Yegor Susin said the figures appeared to be "not exactly a forecast, but rather assumptions for drafting the budget."

"The oil-and-gas component of the budget implies a significant reduction in spending, although in the autumn, of course, everything will be revised again depending on how conditions change," Susin wrote.

Dmitry Polevoy, another economist, said the "apparently higher level of budget spending" remained the main source of uncertainty and risk for the outlook.

The government forecast also points to a difficult year ahead for households and businesses.

Investment is expected to continue falling this year, while inflation is projected to remain elevated at 5.2%. Growth in Russians' real incomes is forecast to slow to 1.6% from 7.7% last year, while consumer spending growth is expected to ease to 1.2% from 4% in 2025.

Unemployment is projected to edge up slightly to 2.3%-2.4%, from 2.2% last year and in the first quarter of 2026.

The government expects conditions to improve from 2027 onward as the Central Bank cuts interest rates and earlier monetary easing begins feeding through into the economy.

GDP growth is forecast to recover to 1.4% in 2027 before accelerating to 2.4% by 2029. Investment, household incomes and consumer spending are also expected to strengthen from 2027, according to the forecast.

Even if those projections are met, however, the expected growth rates would remain well

below the 3.5% annual expansion that several prominent Russian economists have described as the minimum needed for sustainable development.

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