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Russian Banks Lack Cash to Buy Government Debt, Sberbank Executive Says

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Russian banks have no spare ruble liquidity to buy the government bonds used to finance the federal budget deficit, a senior Sberbank executive said, raising questions about Moscow's ability to cover rising wartime spending through domestic borrowing.

The warning comes as the Finance Ministry faces a widening budget shortfall and may need trillions of rubles in additional borrowing this year. With banks increasingly short of liquidity and government bond auctions suspended, the Central Bank may face growing pressure to provide the funds needed to keep debt purchases flowing.

Taras Skvortsov, Sberbank's vice president and chief financial officer, said cash withdrawals from the banking system had reached about 2 trillion rubles ($25.2 billion) since the start of the year, creating a liquidity shortage.

"Today, banks have only enough funds to lend to customers — that is their core business," Skvortsov was quoted as saying by Reuters. "You can buy OFZ bonds, especially without a significant premium, when you have spare liquidity and are confident that it will remain available. Today, the situation is the opposite."

OFZs are ruble-denominated government bonds issued by the Finance Ministry to finance state spending.

The federal budget recorded a deficit of 5.7 trillion rubles ($71.82 billion) in the first half of 2026 amid higher-than-planned defense spending.

Russia's war-related expenditures could exceed the amount budgeted for this year by 4 trillion to 5 trillion rubles ($50.4 billion to $63 billion), requiring the Finance Ministry to raise an additional 2 trillion to 3 trillion rubles ($25.2 billion to $37.8 billion), Bloomberg reported in June, citing unidentified sources.

Related article: Russia Turns to State Banks to Help Finance Mounting Wartime Budget Deficit

The government's original 2026 budget plan called for 4.4 trillion rubles ($55.44 billion) in domestic borrowing.

But the Finance Ministry suspended government bond auctions in July after OFZ prices fell and yields rose. Banks that held the securities recorded about 200 billion rubles ($2.52 billion) in mark-to-market losses.

Skvortsov said "all hope" now rested on "some form of support from the Central Bank."

The regulator has already increased lending to Russian banks that buy government debt. It has injected an additional 2.3 trillion rubles ($28.98 billion) into the banking system since the beginning of the year, bringing banks' total debt to the Central Bank to 6 trillion rubles ($75.6 billion).

Economist Nikolai Korzhenevsky said the lending was linked to financing the federal budget.

"Money is being 'printed' in a way that ensures budget spending can be financed," he said.

The Finance Ministry had planned to reduce the 2026 deficit to 3.8 trillion rubles ($47.88 billion). But analysts at Gazprombank estimate that the shortfall could reach 6.5 trillion to 7.5 trillion rubles ($81.9 billion to $94.5 billion), nearly twice the official target.

They forecast that federal spending will exceed the amount set out in the budget law by 3 trillion to 4 trillion rubles ($37.8 billion to $50.4 billion).

The deficit is likely to begin widening again in the fall, said Ilya Sokolov, a senior researcher at the Financial University under the Russian government.

Oil and gas revenues remain under pressure despite higher crude prices because of government subsidies to refineries damaged by drone attacks, while the risk of a shortfall in non-energy revenues is also increasing, Sokolov said.

He added that the economy could enter a recession in the second half of the year, potentially leaving the government 600 billion to 800 billion rubles ($7.56 billion to $10.08 billion) short of expected value-added tax revenue. Corporate profit tax and personal income tax receipts could also fall below target, he said.

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