INTESA SANPAOLO

International Research

Economy

Russia

Weak growth amid a prolonged war, energy constraints and fiscal pressures

1 September 2026

Focus

Research Department

International Research Network

Francesca Pascali
Economist – MENA and EE

The Russian economy is on a path of structurally weak growth, supported more by public demand and the military sector than by a recovery in non-defence sectors. The picture remains constrained by still-high inflation, restrictive monetary conditions and weak investment, with negative effects on credit, consumption and production capacity. The external position continues to offer a margin of resilience, but appears less robust and strongly conditioned by the performance of hydrocarbons, sanctions and logistical constraints. The risks remain predominantly downside: the extension of the conflict, the tightening of restrictions and the deterioration of structural constraints could consolidate a scenario of low growth, lower productivity and progressive economic dependence on China.

In the two-year period 2026–2027, the Russian economy is expected to enter a phase of very weak growth, after the sustained expansion of 2023–24 linked to military spending and the adaptation of the production system to the sanctions regime. We estimate GDP growth of only **0.8% in 2026** and **1.3% in 2027**, a profile consistent with an **economy close to stagnation**. Domestic demand will continue to be the main support for activity, but with a more limited contribution: private consumption will slow down significantly, investment will remain the weakest point in the macroeconomic picture, and growth will be increasingly dependent on public spending and the military sector, while the civilian economy shows signs of fatigue.

Inflation remains a significant constraint. Our forecasts indicate a gradual decline, but levels still above the target: **6.1% on average in 2026 and 5.4% in 2027**. In this context, the Bank of Russia has begun a very cautious easing, reducing the key rate to 14%, but is maintaining a prudent approach because inflationary risks remain prevalent. **Monetary policy is therefore set to remain restrictive for longer than normal, limiting credit, investment and consumption**.

The fiscal framework is one of the main vulnerabilities. State support continues to be crucial for the economy, but **the financing of the war effort, national security and social priorities increases the pressure on public finances**. The deficit is forecast to exceed 3% of GDP in 2026-27, while public debt, although starting from low levels, is expected to rise progressively.

The external position remains relatively solid, but less robust. In the first half of 2026, the current account surplus improved thanks to export growth and the trade surplus, while reserves remain high and the net financial position is largely positive. However, **the outlook indicates a weakening from 2027**: the current surplus is expected to shrink as support from energy prices fades and the trade surplus narrows. **Dependence on hydrocarbon exports therefore remains a critical factor, especially in the face of sanctions, logistical difficulties and limited capacity to fully redirect flows to Asia**.

The risks are predominantly downside. The prolongation of the war in Ukraine, a further tightening of sanctions, new attacks on energy and logistics infrastructure, lower hydrocarbon prices and a tighter-than-expected monetary policy could accentuate the stagnation of the non-military economy. These factors are compounded by medium-term structural constraints: a shortage of skilled labour, demographic deterioration, reduced access to Western technology and capital, the growing role of the state in the economy, and greater dependence on China for trade, technology and finance.

The economic situation and outlook

GDP Q2 2026 +1.3%

The press release issued by Rosstat on 12 August 2026 contains a preliminary estimate of Russian GDP in the second quarter of 2026[1]. According to the statistical institute, the physical volume of GDP increased by 1.3% year-on-year compared to the second quarter of 2025, after the 0.2% contraction recorded in the first quarter of 2026. Economic growth in the period was mainly supported by: retail trade: +7.2%; catering services: +6.2%; freight transport (freight turnover): +2.5%; wholesale trade: +2.4%; manufacturing industry: +2.0%. At the same time, declines were recorded in the following sectors: passenger transport: -2.3%; mining and quarrying: -1.9%; construction: -1.6%; agriculture: -1.5%.

The figure indicates a return to growth after the slight contraction observed in the first quarter of 2026. **The expansion was mainly driven by domestic demand, in particular household consumption and services, while the mining, agricultural and construction sectors continued to show signs of weakness.**

The Ministry of Economy stated that **monthly GDP** (see fig. 3) rose by 1.1% in June after 0.3% in May and 1.3% in April 2026.

Economy close to stagnation

After the strong expansion recorded in the two-year period 2023-24, supported by military spending and the economy's adaptation to sanctions, we expect the Russian economy to enter **a phase of marked slowdown**. We estimate **GDP** growth limited to **0.8% in 2026** and **1.3%** in **2027**, levels consistent with an **economy close to stagnation** and significantly lower than the rates observed in previous years. Domestic demand will continue to be the main support for economic activity, but with a much smaller contribution: private consumption will slow down to 1.1% in 2026 and 0.6% in 2027, while investment will remain the main weakness, with a contraction of 2.4% in 2026 and only a marginal recovery in 2027 (+0.6%).

The baseline scenario still benefits from high public spending (+3.0% in 2026), support from energy revenues and a resilient labour market, but shows growing macroeconomic imbalances. Inflation, although down compared to 2025, will remain high at 6.1% in 2026 and 5.4% in 2027, limiting the easing of monetary policy and reducing household purchasing power. Furthermore, **growth appears increasingly dependent on the military sector and public demand, while the civilian economy shows signs of recession and persistent weakness in private investment**.

The outlook for 2027 remains moderate. The slight improvement in GDP **mainly reflects favourable statistical effects** and a gradual normalisation after the weakness of 2026, rather than a structural strengthening of the economy. **Exports** are expected to grow again (+2.6%), but **will continue to be affected by sanctions**, **logistical difficulties and the limited ability to fully redirect energy supplies to Asian markets**. Even if geopolitical tensions ease, foreign investment will remain constrained by high political risk, regulatory uncertainty and persistent financial restrictions.

Downside risks with strong pressure on public finances

Risks remain on the downside. **A prolongation of the conflict in Ukraine beyond expectations would lead to greater pressure on public finances, a further deterioration in the investment climate and the risk of a combination of low growth and high inflation**. Further Western sanctions, falling hydrocarbon prices after the normalisation of energy markets and **the continuation of attacks on Russian energy and logistics infrastructure are potentially detrimental to growth**. On the structural front, demographic constraints, shortages of skilled labour, limited access to Western technologies and growing economic and technological dependence on China also continue to weigh heavily. Overall, the picture for **the two-year period 2026-27 is that of an economy that avoids recession but remains characterised by very limited growth potential and high vulnerability to geopolitical and energy shocks.**

[1] https://tass.com/economy/2172029

Table 1 – National accounts and inflation

% change in real terms	2023	2024	2025	2026F	2027F	2028F
GDP	**3.6**	**5.0**	**1.0**	**0.8**	**1.3**	**1.5**
Household consumption expenditure	8.3	6.8	3.6	1.1	0.6	0.8
Public expenditure	3.9	2.2	1.1	3.0	-0.7	1.9
Gross fixed capital formation	10.9	8.6	-0.4	-2.4	0.6	1.4
Exports	2.4	0.1	-6.3	0.2	2.6	0.8
Imports	12.2	2.9	0.6	2.4	-1.8	1.1
Average inflation %	**6.0**	**8.4**	**8.7**	**6.1**	**5.4**	**4.7**

Notes: F=forecasts. Source: Intesa Sanpaolo Research Department forecasts

Industrial production largely stagnant

In the first half of 2026, industrial production increased by 0.4% compared to the same period in 2025. In June, it grew by 0.6%, but decreased by 0.7% compared to May. **The data confirm that Russian industry remained largely stagnant in the first half of 2026, with cumulative growth limited to 0.4%.** After the recovery observed in March and April, industrial activity slowed again in May and June. **The defence-related manufacturing sector continues to support production, while many civilian sectors are affected by high interest rates, international sanctions, weak investment and logistical difficulties.**

Stronger demand conditions support output growth in July

The Russian manufacturing sector remained in growth territory at the start of the third quarter, amid faster expansion in both output and new orders. International demand remained weak, but domestic sales continued to grow and supported the sector's recovery. However, the underlying data indicated difficulties for goods producers, as supply chain problems worsened, leading companies to deplete their stocks. At the same time, employment continued to decline while business confidence fell to its lowest level in over six years. On the price front, fuel shortages and rising supplier costs are said to have increased overall operating expenses. As a result, companies have sought to pass on the higher costs to customers through increases in selling prices. The seasonally adjusted S&P Global Russia Manufacturing Purchasing Managers' Index (**PMI) registered 50.7 in July, up from 50.3 in June, and signalled the biggest recovery in the health of the manufacturing sector since January 2025**. Total new sales increased for the second consecutive month in July, with the pace of growth reaching its fastest level since May 2025. Demand conditions are said to have improved, with companies reporting the acquisition of new customers. However, **the data suggested that the recovery was focused on the domestic market, as new export orders again declined sharply and at the fastest pace since October 2022**. The increase in new orders supported a more marked increase in production levels among goods manufacturers at the beginning of the third quarter. Although only marginal, the rate of expansion was the fastest since January 2025.

Monetary policy, fiscal policy and exchange rate

Inflation +6.0% in July 2026

According to Rosstat[2], in July 2026 the consumer price index (CPI) increased by 0.54% compared to June 2026. Since the beginning of the year (compared to December 2025), cumulative inflation has been 4.75%. On an annual basis, consumer prices are 5.98% higher than in July 2025. The core index rose by 0.44% in the month and by 5.22% on an annual basis. Among the main categories, there were increases in food goods (0.29%) compared to the previous month, in non-food goods (1.26%) and in services (+0.07%). Among non-food products, the most significant changes were in gas fuel (+22.4%), diesel (+9.2%) and petrol (+6.7%).

Our estimates indicate a moderate decline in the inflation rate, which is expected to be 6.4% at the end of the year, and we anticipate a further slight decrease in 2027 to 5.4% and a subsequent slight and gradual decline in the following years.

CBR: rate cut

At its meeting on 24 July, the Bank of Russia (CBR) decided to reduce the key rate by 25 basis points to 14.00% per annum. In the second quarter of 2026, the economy as a whole experienced moderate growth. The rise in prices and higher inflation expectations in the summer months were mainly associated with one-off factors. Core inflation measures remain in the range of 4-5% on

[2] https://rosstat.gov.ru/storage/mediabank/120_12-08-2026.pdf

an annual basis. Businesses have significantly reduced their expectations for future demand and production.

The Bank of Russia will make further decisions on key rates based on the dynamics of inflation and expectations, as well as an analysis of the risks posed by internal and external conditions. The new forecasts in the base scenario provided by the CBR assume that the key rate will average 14.5-14.6% per annum in 2026 and 10.5-12.5% per annum in 2027, due in part to the significant increase in fuel prices. Annual inflation will be 6.0-7.0% in 2026. Given the monetary policy stance, in 2027 and beyond, the annual figure will remain in line with the target.

According to high-frequency data, the **economy as a whole grew moderately in the second quarter of 2026**. Economic growth was mainly driven by consumer demand. Investment activity showed some recovery, but remained moderate overall. However, the impact of the temporary contraction in production capacity on output in some sectors has increased since June. Business expectations regarding future demand and production have declined over the past month. Among other things, this could indicate a **slowdown in consumption in the second half of 2026.** Overall, the **GDP growth forecast for 2026 has been revised downwards to 0.0-1.0%. The forecasts for the period 2027–2028 have remained unchanged.**

Inflationary risks still outweigh disinflationary risks over the medium term. The former are associated with greater secondary effects resulting from the temporary closure of production capacities in certain sectors, and could result from a more marked pass-through of costs to prices and higher and more persistent inflation expectations. They are also associated with a long period of wage growth outpacing productivity, as well as a worsening of the global economic outlook and rising global price pressures in a context of geopolitical tensions. Disinflationary risks lead to a more significant slowdown in domestic demand.

In conclusion, the 24 July cut, as we predicted and in line with the consensus, is part of a scenario in which **the CBR assumes a gradual decrease in the structural primary budget deficit to zero in 2029**. The fiscal policy parameters, including the trajectory of return to a structural balance of zero, will be further detailed in the October forecast after the government has submitted new medium-term budget projections to the State Duma. If these projections assume a higher structural primary budget deficit, a tighter monetary policy than in the current baseline scenario may be necessary. In light of the weakness of the economy and the risks also mentioned by the CBR, we do not rule out the Bank proceeding with more cautious cuts in the coming months.

Table 2 - Medium-term forecasts of the Bank of Russia

	2025	2026	2027	2028	2029
Inflation, % in December on an annual basis	5.6	6.0-7.0	4.0	4.0	4.0
Inflation, annual average, in % on an annual basis	8.7	5.9-6.2	4.3-5.2	4.0	4.0
Key rate, annual average, % y/y	19.2	14.5-14.6[1]	10.5-12.5	8.0-9.0	7.5-8.5
Gross domestic product	1.0	0.0-1.0	1.5-2.5	1.5-2.5	1.5-2.5
% change, 4th quarter - 4th quarter of previous year	1.0	0.0-1.5	1.5-2.5	1.5-2.5	1.5-2.5
Final consumption expenditure	2.9	1.5-2.5	1.0-2.0	1.0-2.0	1.5-2.5
- families	3.6	1.5-2.5	1.0-2.0	1.0-2.0	1.5-2.5
Gross capital	-4.9	(-3.5)-(-1.5)	2.0-4.0	1.5-3.5	1.0-3.0
- gross fixed capital	-0.4	(-1.5)-0.5	2.0-4.0	1.5-3.5	1.0-3.0
Exports	[2]	0.0-2.0	0.0-2.0	1.0-3.0	1.0-3.0
Imports	[2]	1.0-3.0	0.0-2.0	1.0-3.0	1.0-3.0
Money supply	10.6	7-12	6-11	7-12	7-12
Receivables from organizations households in roubles and foreign currency [3]	9.5	6-10	6-11	8-13	8-13
- on organisations	11.9	7-11	7-12	8-13	8-13
- on households, including	2.8	5-9	5-10	8-13	8-13
mortgage loans	7.8	6-10	7-12	10-15	10-15
Oil price for tax purposes [4], annual average, USD per barrel	56	60	50	50	50

Source: Bank of Russia. (1) Since the reference rate averaged 15.0% from 1 January to 26 July 2026, the forecast range for the average reference rate from 27 July to the end of 2026 is 13.7-14.0%. Further information on how to interpret the proposed format for reporting reference rate forecasts is provided in the methodological note [http://cbr.ru/Content/Document/File/120337/comment_20210422_e.pdf]. (2) Data on the use of GDP for 2025 in terms of exports and imports have not yet been published by Rosstat. (3) Loans of the banking system to organisations and households are defined as all loans of the banking system to non-financial and financial institutions and households in roubles, foreign currency and precious metals, including loans disbursed (including overdue loans), overdue interest on loans, investments by credit institutions in debt and equity securities and bills of exchange, as well as other forms of participation in non-financial and financial institutions, and other loans arising from settlement transactions involving non-financial and financial institutions and households. Loan growth rates are shown excluding foreign currency revaluation. In order to exclude the effect of foreign currency revaluation, the growth of loans in foreign currency and precious metals is converted into roubles using the average USD/RUB exchange rate for the period. (4) Price of Russian oil used for tax purposes and published monthly on the official website of the Ministry of Economic Development of the Russian Federation.

Depreciation of the rouble

After strengthening in the two-year period 2025-26, with an average exchange rate moving from 83.8 USD/RUB in 2025 to 76.8 USD/RUB in 2026, we estimate a **depreciation of the currency** , which should subsequently return to a path of gradual depreciation until stabilising just above 92 USD/RUB in the long term. This trend is consistent with **the assumption of temporary support from high energy revenues, still contained import demand and restrictive financial conditions, factors that favour the rouble in the short term.**

However, from 2027 onwards, a trend reversal emerges, with the average exchange rate weakening to around 89 USD/RUB and subsequently remaining in the range of 92-95 USD/RUB. This development reflects structural weaknesses: **modest economic growth, the persistence of sanctions, high dependence on hydrocarbons, the progressive deterioration of the demographic outlook and the need to maintain a fiscal policy geared towards financing large public spending requirements.** In this context, the Russian authorities could continue to tolerate a relatively weak rouble, as the conversion of foreign currency-denominated energy revenues into local currency supports budget revenues.

Draft law 2027-29: key guidelines

The Russian federal budget law for 2027 has not yet been submitted to the Duma (**the bill for the three-year period 2027-29** [3]is expected to be drafted by the Government in autumn 2026), but some key guidelines are already emerging from the official indications of the Ministry of Finance and the budget preparation procedures.

The Russian authorities aim to maintain a **prudent budgetary approach, oriented towards macroeconomic stability and the containment of fiscal imbalances, while continuing to finance the government's strategic priorities.** In the process of preparing the 2027-2029 budget, the

[3]https://minfin.gov.ru/ru/press-center/?id_4=40468-v_minfine_rossii_obsudili_osobennosti_formirovaniya_byudzheta_na_2027-2029_gody

Ministry of Finance reiterated the strengthening of results-based planning, the extension of spending review and "zero-based budgeting" tools, and greater control over the effectiveness of spending on state programmes and national projects. These indications suggest an intention to **improve the efficiency of the use of public resources in a context of increasing pressure on the federal budget.**

A second element concerns the desire to preserve the sustainability of public debt. In the previous official planning, the government had indicated that federal debt would remain below the threshold of 20% of GDP, considered a safe level, while deficit financing should continue to rely mainly on the domestic government bond market.

From the point of view of spending priorities, government statements and previous budget laws show **strong continuity in support for social programmes, families, national projects and national security**. Analyses of the multi-year budget approved in previous years also show that high levels of expenditure related to the defence sector and the military industry are being maintained, an element that is likely to continue to influence the structure of the 2027 budget.

In terms of **risks**, the **fiscal framework remains exposed to the trend in energy revenues**. Official government documents continue to be based on relatively conservative assumptions for the price of oil, the rouble exchange rate and economic growth, with the stated aim of reducing the vulnerability of public finances to external shocks and international sanctions.

In summary, the message that emerges from official Russian sources is that of a **2027 budget law oriented towards fiscal discipline, the maintenance of the state's strategic priorities and greater efficiency in public spending**, in a context still characterised by high geopolitical uncertainty and dependence of revenues on the performance of the energy sector.

Foreign debt: contained dynamics and a structure attributable to banks and the private sector

The Russian Federation's external debt increased in the first half of 2025, from 289.9 billion dollars at the end of 2024 to a peak of 324.1 billion in June 2025, before gradually declining to 299.1 billion in March 2026. The overall trend was driven mainly by the other sectors, which rose to 194.9 billion in mid-2025 and subsequently fell to 169.3 billion, reflecting in particular the reduction in loans, currency and deposits and debts to direct investors. Central bank and bank debt increased throughout much of 2025, reaching 111.6 billion in December, before falling to 106.7 billion in the first quarter of 2026, mainly due to a decline in loans, currency and deposits. General government debt remained very low and essentially stable, at around USD 23 billion, after the increase recorded in the first part of 2025; within the federal component, the growth of bonds denominated in roubles more than offset the substantial stability of Eurobonds in foreign currency.

In conclusion, the evolution of **foreign debt** confirmed **an overall contained trend**: after the increase recorded in the first half of 2025, the stock returned to levels only slightly higher than those at the end of 2024. The subsequent reduction mainly reflected the downsizing of the exposure of the other sectors, while the public component remained marginal, confirming **a structure of foreign debt still predominantly attributable to banks and the private sector.**

Table 3 – External debt of the Russian Federation

Millions of dollars	31/12/2024	31.03.2025	30.06.2025	30.09.2025	31.12.2025	31/03/2026
Total	**289,886**	**313,045**	**324.050**	**310.182**	**306.767**	**299,064**
General government	19.324	21.983	23.432	23.459	23.460	23.042
Federal government	19.322	21.982	23.431	23.459	23.457	23,037
New Russian debt	**19,090**	**21,750**	**23,197**	**23.224**	**23,222**	**22,802**
Loans	987	1,192	1,269	1,204	1,273	1,227
Bonds in foreign currency	9,099	9.102	9.248	9.351	9.159	9.245
Eurobond	9.083	9.089	9.235	9.339	9.042	9.162
Eurobonds (relating to the second debt restructuring of the London Club)	15	13	13	12	12	11
Bonds denominated in roubles	8,995	11,446	12,669	12,659	12.780	12.321
OFZ	8,995	11.446	12.669	12.659	12.780	12,321
Eurobond	0	0	0	0	0	0
Other	10	10	10	10	10	10
Debt of the former USSR	**232**	**232**	**235**	**235**	**235**	**235**
Local administrations	2	0	0	0	2	6
Loans	0	0	0	0	0	0
Bonds in foreign currency	0	0	0	0	0	0
Bonds denominated in roubles	2	0	0	0	2	6
Central bank and banks	**95,872**	**101.664**	**105,704**	**108.933**	**111.552**	**106,723**
Payables to direct investors and direct investment companies	2,001	1,929	685	688	637	632
Debt securities	1,316	1,714	1,852	1,634	1.756	1,718
Loans, currency and deposits	66,458	70,973	74,257	76,513	80,072	76,066
Other	26,097	27.047	28,910	30.098	29.086	28,307
Other sectors	**174,689**	**189.399**	**194,915**	**177,791**	**171.755**	**169,298**
Payables to direct investors and direct investment companies	48,535	53,188	58,576	55,280	53,331	51,319
Debt securities	2,072	2,592	2,626	2,884	2.994	3,178
Loans, currency and deposits	70,523	72,539	72,041	68,338	65,616	63,750
Other	53,560	61,081	61,672	51,290	49.815	51.052

Notes: (1) The new Russian debt includes withdrawals by the IBRD, EBRD, other international organisations and governments of foreign states, debt to non-residents in the form of Eurobonds issued by the government of the Russian Federation, and also debt to the creditors of the London Club. Other liabilities include external debt based on current transactions. (2) The debt of the former Soviet Union includes loans from former socialist countries and other official creditor countries, as well as the remaining liabilities based on receivables for the supply of goods and default interest, which are classified as other liabilities. Source: Central Bank of Russia

The external financial position

The Bank of Russia[4] published the balance of payments estimate for June 2026, simultaneously revising the April and May 2026 data based on additional statistical information available as of 14 August 2026.

Current account surplus: USD 5.9 billion in June

In June, the **current account surplus stood at USD 5.9 billion**, down from USD 8.6 billion in May but a marked improvement on the deficit of USD 1.3 billion recorded a year earlier. Overall, in the first half of 2026, the current account surplus rose to 34.1 billion dollars, from 20.4 billion in the same period of 2025, thanks to the growth in exports of goods.

In June, the **trade surplus reached USD 12.5 billion, supported by increased exports driven by both higher prices and higher sales volumes, while import growth remained more subdued**. **The services deficit** increased compared to May, reflecting the seasonal growth in Russian citizens' spending on travel abroad, while the primary and secondary income deficit decreased significantly compared to a year earlier due to lower dividend payments abroad and higher investment income. **Official reserves increased by USD 5.7 billion in the month.**

In the period January-June 2026, the **trade surplus** rose to USD 65.4 billion from USD 54.2 billion in the first half of 2025, supported by growth in exports and increased demand for Russian products. The services deficit increased moderately, while the primary and secondary income deficit decreased. Net financial assets abroad grew to 30.1 billion dollars and foreign liabilities to 10.3 billion; at the same time, official reserves recorded a slight increase in the six-month period.

[4] https://www.cbr.ru/eng/statistics/macro_itm/external_sector/pb/bop-eval/

Table 4 – Balance of payments

Billions of dollars	Q1 2026	Q2 2026	Apr. 2026	May 2026	Jun. 2026
Current account	**12.7**	**21.4**	**6.9**	**8.6**	**5.9**
Balance of goods	27.1	38.3	11.6	14.3	12.5
Exports	100.7	125.7	39.4	43.0	43.3
Imports	73.6	87.4	27.9	28.7	30.8
Balance of services	-8.8	-12.5	-3.2	-4.4	-4.9
Exports	11.3	12.3	4.0	4.1	4.2
Imports	20.1	24.8	7.2	8.4	9.2
Balance of primary and secondary income	-5.6	-4.5	-1.5	-1.3	-1.6
Capital account	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Current and capital account balance	**12.6**	**21.4**	**6.8**	**8.6**	**5.9**
Financial account balance, net of foreign exchange reserves	**17.9**	**2.0**	**4.4**	**0.9**	**-3.4**
Change in foreign exchange reserves	**-6.7**	**7.3**	**-0.1**	**1.7**	**5.7**
Net errors and omissions	**-1.4**	**-12.2**	**-2.6**	**-6.0**	**-3.6**

Note: in the financial account, a surplus indicates net lending and a deficit indicates net borrowing. In assets and liabilities, "+" means growth, "-" means decrease. E= estimate. Source: Central Bank of Russia

CBR estimates: external position in surplus but increasingly dependent on the energy sector

The Bank of Russia's estimates of **the balance of payments** were released at the July monetary policy meeting and are shown in Table 5.

In the two-year period 2026-27, **Russia's external position shows first a temporary strengthening and then a gradual weakening. The current account surplus is expected to increase in 2026, supported by the improvement in the goods balance and a more favourable average Urals price, but in 2027 it will decrease significantly with the loss of this energy support and the reduction in the trade surplus**. The structurally negative components, in particular services and primary and secondary income, remain at high levels and limit the overall stability of the balance of payments. The **financial account, while remaining positive, also tends to decline between 2026 and 2027**, indicating a lower intensity of flows compared to the initial peak. In the **following two years** , the picture normalises further: the external surplus remains positive but continues to shrink, reflecting a smaller goods balance, oil prices stabilised at lower levels and persistent deficits in the other current items. Overall, the forecasts of the Central Bank of Russia indicate an **external position that is still in surplus, but less robust and increasingly dependent on the development of energy exports.**

Table 5 – Central Bank estimates on the balance of payments

Billions of dollars	2025	2026F	2027F	2028F	2029F
Current account	**39.0**	**48.0**	**25.0**	**15.0**	**10.0**
Assets	113.0	119.0	99.0	92.0	88.0
Services	-49.0	-50.0	-51.0	-52.0	-52.0
Balance of primary and secondary income	-26.0	-22.0	-23.0	-25.0	-26.0
Current and capital account balance	**38.0**	**48.0**	**25.0**	**15.0**	**10.0**
Financial account (including change in official reserves)	**44.0**	**43.0**	**36.0**	**25.0**	**16.0**
Net errors and omissions	-13.0	-9.0	0.0	0.0	0.0
Urals oil price, annual average, USD per barrel	**56.0**	**60.0**	**50.0**	**50.0**	**50.0**

Notes: F = forecasts. Source: Central Bank of Russia

Russia has a **strongly positive net financial position**, amounting to USD 1,110.7 billion as at 31 March 2026. The figure mainly reflects the large stock of international reserves and other investments, which more than offset liabilities concentrated in direct and portfolio investments, confirming a solid external financial position despite geopolitical and financial pressures.

Table 6 – Net financial position as at 31 March 2026

Million dollars	Assets	Liabilities
Direct investments	265,788	290,059
Portfolio	50,270	138,095
Derivatives	89	36
Other investments	698,138	224,405
Reserves	748,984	
Total	**1,763,268**	**652,595**
Net financial position as at 31 March 2026	**1,110,673**	

Source: Central Bank of Russia

Table 7 – International reserves (end of period)

Million dollars	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
International Reserves	**833.572**	**809.308**	**748.984**	**758.678**	**747.395**	**720,447**	**720,348**
Monetary gold	402,706	384,025	333,968	337,521	325,872	298,991	292,854
Foreign exchange reserves (conv. foreign currencies)	430,867	425.283	415.015	421.157	421.524	421.457	427.493
Foreign currency	401.252	395,931	385,990	391.732	392.265	392.403	398.206
Special drawing rights	24.528	24.315	24.045	24.377	24.242	24.073	24.268
Reserve position in the Fund	5.086	5.037	4.981	5.049	5.017	4.981	5.020

Source: Central Bank of Russia

Reserves down

With regard to **reserves**, the Bank of Russia released data showing a decline between January and July 2026, from 833.6 to 720.3 billion dollars, concentrated almost entirely in the monetary gold component, which fell by about 110 billion. In contrast, foreign exchange reserves in convertible foreign currency remain broadly stable, hovering around 420 billion and recovering slightly in July. The data therefore indicate a **reduction in the overall stock that is more linked to the gold component than to a deterioration in foreign currency liquidity.**

Prospects and risks

Weak growth dependent on state economic support

In the two-year period 2026-27, the Russian economy is expected to experience a phase of **weak growth that is heavily dependent on state support, with the military sector continuing to be the main driver of economic activity**. Domestic demand will be supported by public spending, but the civilian sector will show signs of increasing fatigue, penalised by the high cost of credit, lower investment dynamics and increased tax pressure. **Economic policy will remain oriented towards the continuation of the war effort, while the conflict in Ukraine will continue to have a decisive impact on Russia's macroeconomic framework and international relations.**

Short term: downside risks

Risks in the short to medium term remain downside-oriented. A prolongation of the war beyond expectations, a tightening of the sanctions regime, further damage to energy and logistics infrastructure, and a persistent weakness in investment could accentuate the stagnation of the non-military economy. Post-war management also presents elements of fragility, linked to the reintegration of veterans, the need to maintain high security spending and the growing pressure on public finances.

Long term: loss of economic dynamism

In the medium to long term, the main scenario is that of a **progressive loss of dynamism in the Russian economy.** Despite benefiting from a large wealth of natural resources and a significant industrial base, the country will continue to be held back by the **persistence of sanctions, limited access to advanced technologies and Western capital, the expansion of the state's role in the economy, and an institutional environment that is not conducive to private investment.** The **growing dependence on China for trade, technology and finance** also risks accentuating structural imbalances and further reducing the margins of economic autonomy.

The long-term outlook is further weakened by **unfavourable demographic factors,** including the shrinking working-age population, the emigration of skilled workers and the progressive ageing of the population. In the absence of far-reaching institutional reforms and greater openness to investment and innovation, Russia therefore risks entering a phase of relative stagnation compared to other emerging economies, with growth increasingly dependent on commodity revenues and public spending, and with a limited capacity to increase productivity and competitiveness in the long term.

Macroeconomic data tables

Table 8 – Real economy

	2023	2024	2025	2026F	2027F	2028F
Population (millions)	145.4	144.8	144.0	143.4	143.0	142.7
GDP per capita (USD PPP)	44,560.2	48,119.0	50,247.7	52,409.8	54,487.9	56,248.1
Real GDP (var. %)*	3.6	5.0	1.0	0.8	1.3	1.5
Private consumption*	8.3	6.8	3.6	1.1	0.6	0.8
Public consumption*	3.9	2.2	1.1	3.0	-0.7	1.9
Gross fixed capital formation (var. %)*	10.9	8.6	-0.4	-2.4	0.6	1.4
Exports of goods and services (var. %)*	2.4	0.1	-6.3	0.2	2.6	0.8
Imports of goods and services (var. %)*	12.2	2.9	0.6	2.4	-1.8	1.1
Inflation (average) (%)*	6.0	8.4	8.7	6.1	5.4	4.7
Public debt/GDP	13.8	12.8	15.2	17.2	18.7	20.4
Public budget/GDP (%)	-2.2	-1.8	-2.6	-3.2	-3.1	-2.9
MOSPRIME at 3M (%)	NA	NA	NA	NA	NA	NA
Dollar/ruble exchange rate (average)*	85.2	92.8	83.8	76.8	89.0	90.4

Notes: NA = not available; F = forecasts, Intesa Sanpaolo forecasts for data marked with (*), EIU in other cases.
Sources: for historical data, the Central Bank of Russia and the Central Statistical Office

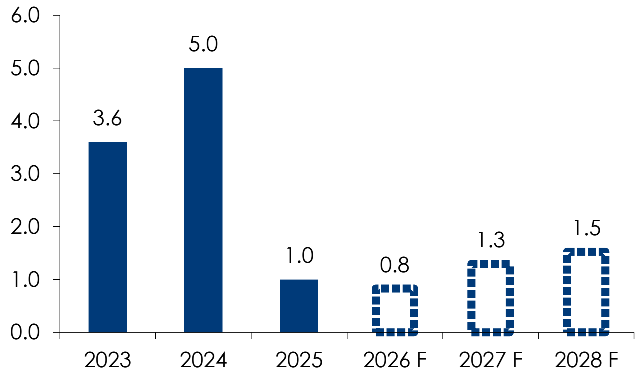
Tab. 9 – External vulnerability

	2023	2024	2025	2026F	2027F	2028F
Current account balance (USD bn)	49.4	63.3	38.8	62.5	40.2	45.0
Current account balance/GDP (%)	2.4	2.9	1.5	2.2	1.4	1.6
Trade balance (USD bn)	121.7	132.1	113.2	151.2	134.8	138.9
Balance of services (USD bn)	-36.1	-38.3	-48.6	-53.3	-54.3	-53.7
Income balance (USD bn)	-26.9	-27.5	-17.7	-30.6	-32.9	-32.8
Balance of transfers (USD bn)	-9.3	-3.1	-8.1	-4.8	-7.4	-7.5
Foreign debt/GDP (%)	16.9	13.2	12.0	10.8	11.2	11.2
Debt service/Export (%)	9.7	11.4	7.3	7.6	7.5	7.1
Short-term foreign debt/Total foreign debt (%)	21.1	18.8	17.8	18.5	23.8	27.3
Short-term foreign debt/Reserves (%)	16.5	13.2	12.7	13.7	17.2	19.1
Foreign exchange reserves (USD bn)	442.7	413.4	428.3	420.0	430.0	450.0

Notes: F = forecasts. Sources: EIU for forecasts, Central Bank of Russia and Central Statistical Office for historical data

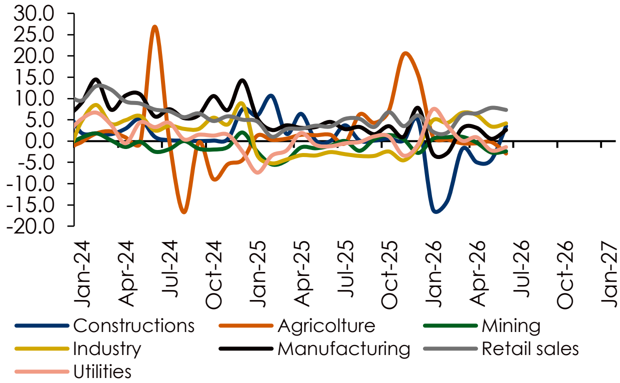
Macroeconomic framework

Fig. 1 – Real GDP



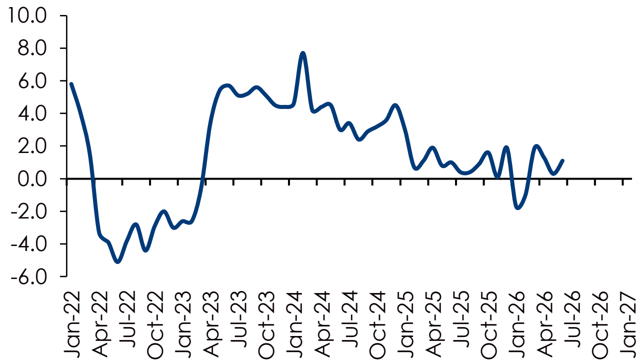
Source: LSEG Workspace, Intesa Sanpaolo calculations

Fig. 2 – GDP supply (% change y/y)



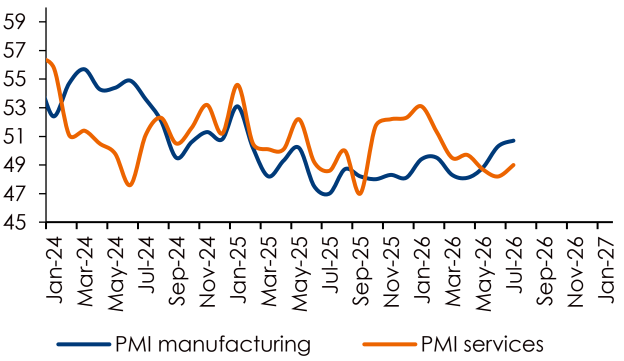
Source: LSEG Workspace

Fig. 3 – Monthly GDP



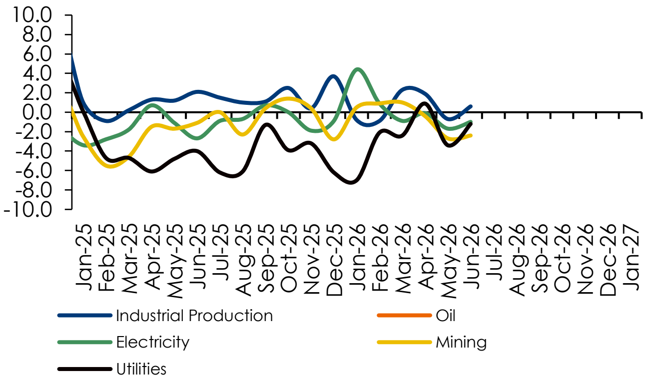
Source: LSEG Workspace

Fig. 4 – Markit PMI



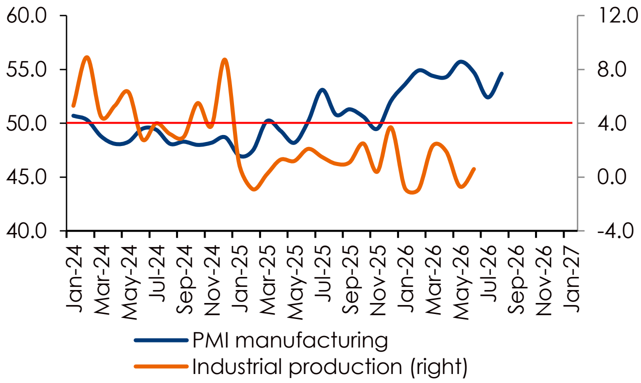
Source: LSEG Workspace

Fig. 5 – Industrial production (yoy %)



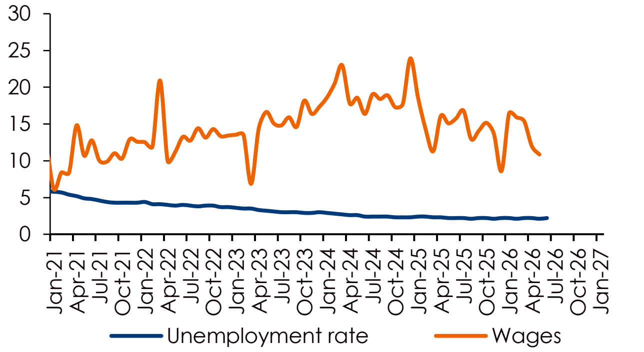
Source: LSEG Workspace

Fig. 6 – Industrial production (yoy %) and manufacturing PMI



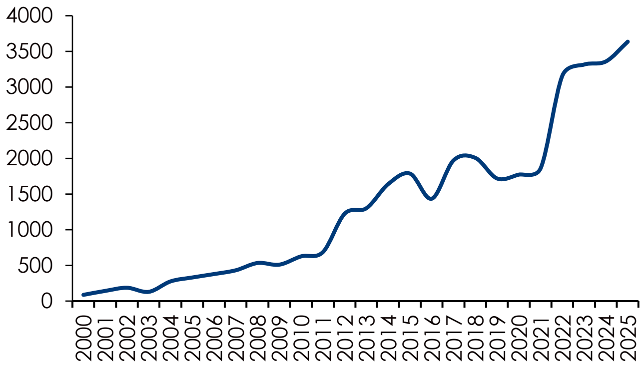
Source: LSEG Workspace

Fig. 7 – Labour market (%)



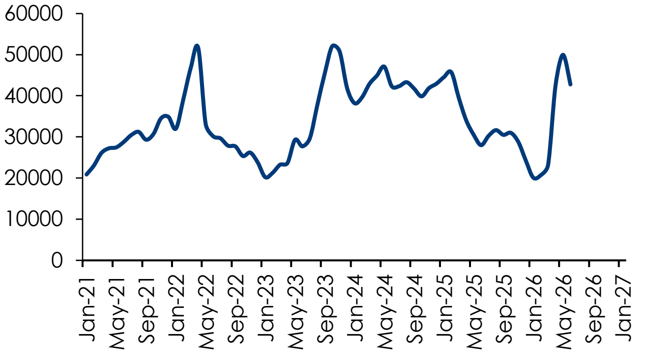
Source: LSEG Workspace

Fig. 8 – Natural gas price (roubles per thousand cubic metres)



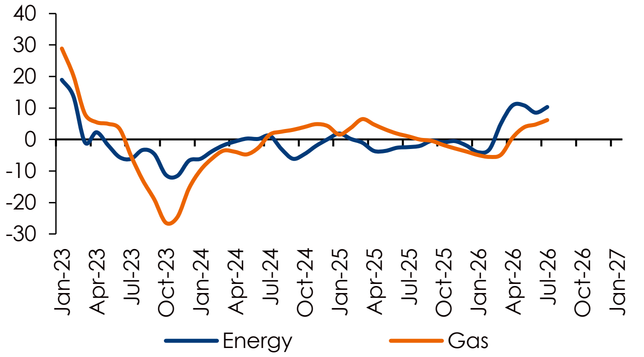
Source: LSEG Workspace

Fig. 9 – Average producer price – Crude oil, including gas condensate



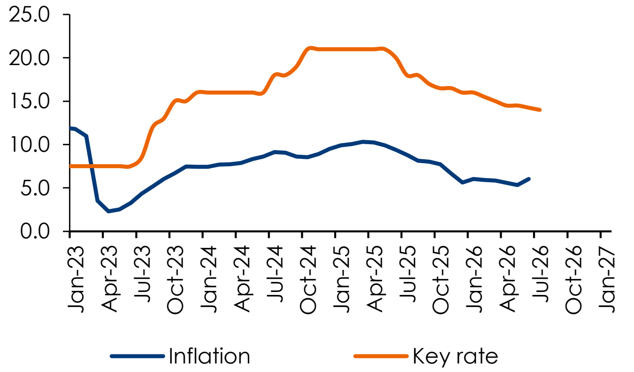
Source: LSEG Workspace

Fig. 10 – Inflation: energy and gas



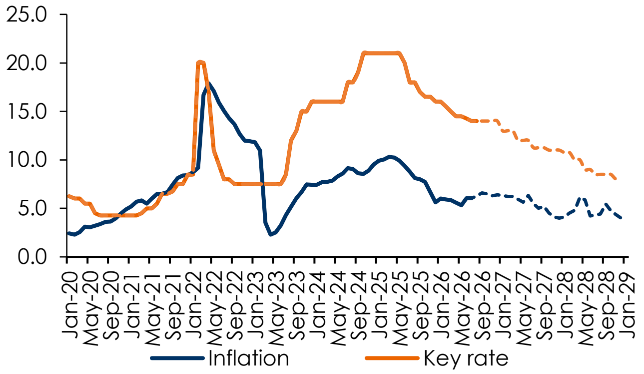
Source: LSEG Workspace

Fig. 11 – Reference rate and inflation (%)



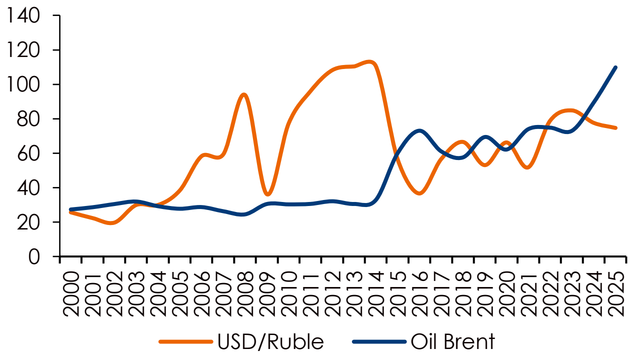
Source: LSEG Workspace

Fig. 12 – Reference rate and inflation: forecasts (%)



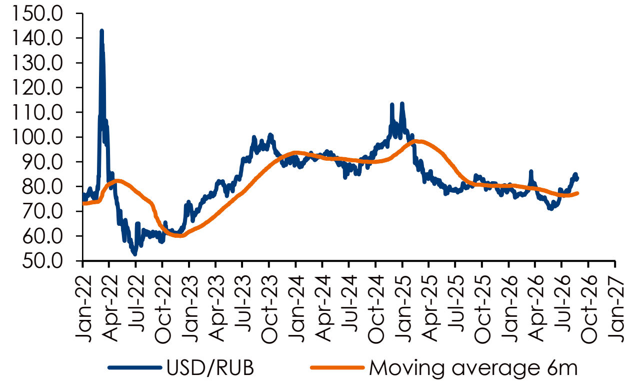
Source: LSEG Workspace

Fig. 13 – Rouble and oil price



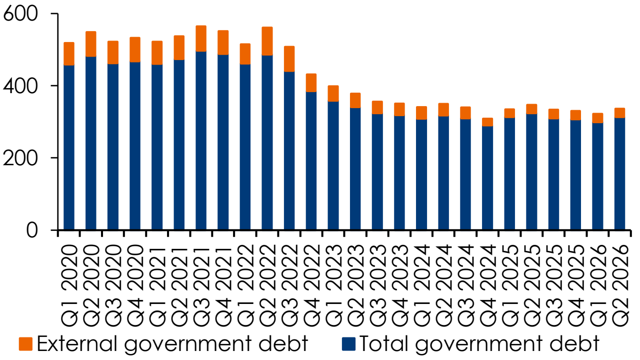
Source: LSEG Workspace

Fig. 14 – USD/RUB exchange rate



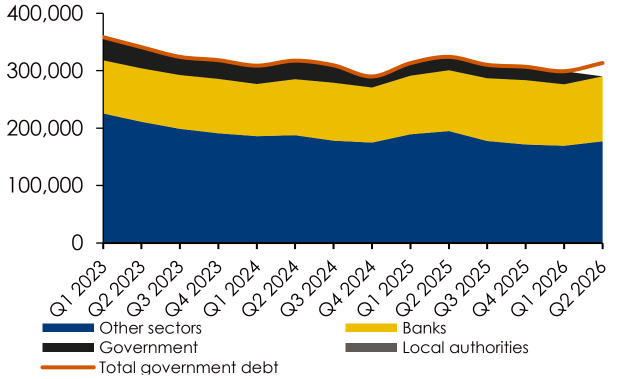
Source: LSEG Workspace

Fig. 15 – Government debt (millions of USD)



Source: LSEG Workspace

Fig. 16 – Government debt by sector (millions of USD)



Source: LSEG Workspace

Appendix

Analyst Certification and Other Important Disclosures

The economists / financial analysts drafting this report state that the opinions, forecasts, and estimates contained herein are the result of independent and subjective evaluation of the data and information obtained and no part of their compensation has been, is, or will be directly or indirectly linked to the views expressed.

This research has been prepared by Intesa Sanpaolo SpA and distributed by Intesa Sanpaolo SpA, Intesa Sanpaolo SpA-London Branch (a member of the London Stock Exchange) and Intesa Sanpaolo IMI Securities Corp. (a member of the NYSE and FINRA). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report. Please also note that Intesa Sanpaolo SpA reserves the right to issue this document to its own clients. Intesa Sanpaolo SpA is authorised by the Banca d'Italia and is regulated by the Financial Conduct Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness.

Past performance is no guarantee of future results.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgement.

No Intesa Sanpaolo SpA entity accepts any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report.

This document may only be reproduced or published with the name of Intesa Sanpaolo SpA.

This document has been prepared and issued for, and thereof is intended for use by, Companies which have suitable knowledge of financial markets, which are exposed to the volatility of interest rates, exchange rates and commodity prices and which are capable of evaluating risks independently.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their relationship manager/independent financial advisor for any necessary explanation of the contents thereof.

Person and residents in the UK: this document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FCA.

CH: This information is an advertisement in relation to the financial instruments discussed herein and is not a prospectus pursuant to the Swiss Financial Services Act ("FinSA") and no such prospectus has been or will be prepared for or in connection with such financial instruments. This information does not constitute an offer to sell nor a solicitation to buy such financial instruments.

The financial instruments may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the FinSA and no application has or will be made to admit the financial instruments to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this information nor any other offering or marketing material relating to the financial instruments may be publicly distributed or otherwise made publicly available in Switzerland.

US persons: this document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Intesa Sanpaolo IMI Securities Corp. in the US (see contact details below).

Intesa Sanpaolo SpA issues and circulates research to Major Institutional Investors in the USA only through Intesa Sanpaolo IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1199.

Inducements in relation to research

Pursuant to the provisions of Delegated Directive (EU) 2017/593, this document can be qualified as an acceptable minor non-monetary benefit as it is:

- macro-economic analysis or Fixed Income, Currencies and Commodities material made openly available to the general public on the IMI Corporate & Investment Banking Division website (www.imi.intesasanpaolo.com) - Q&A on Investor Protection topics - ESMA 35-43-349, Question 8 & 9.

Method of distribution

This document is for the exclusive use of the recipient with whom it is shared by Intesa Sanpaolo SpA and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Intesa Sanpaolo SpA. The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo Banking Group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Intesa Sanpaolo SpA. Persons who receive this document are obliged to comply with the above indications.

Valuation Methodology

The comments in this document are prepared based on macroeconomic and market news and data either publicly available or accessible under licence (such as Bloomberg or LSEG Datastream). Macroeconomic forecasts are prepared by the Intesa Sanpaolo SpA Research Department, using dedicated econometric models. Forecasts are obtained using analyses of historical statistical data series made available by the leading data providers and also on the basis of consensus data, taking account of appropriate connections between them.

Disclosure of potential conflicts of interest

Intesa Sanpaolo SpA and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, management and control model" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo SpA website, webpage https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001), setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – in accordance with Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rules 2241 and 2242 as applicable, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo SpA is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo SpA, webpage https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures.

As for the disclosures, please note that one or more of the companies of Intesa Sanpaolo Banking Group:

- trade or may trade as a principal in the securities (or in related derivatives) that are the subject in this report;
- plan to solicit investment banking business or intend to seek compensations from the securities that are the subject of this report in the next three months.

Furthermore, in accordance with the aforesaid regulations, the specific company-related disclosures of the Intesa Sanpaolo Banking Group's interests and conflicts of interest are available through webpage https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest. The conflicts of interest published on the internet site are updated to at least the day before the publishing date of this report.

Intesa Sanpaolo SpA Research Department – Head of Department Gregorio De Felice

Coordination International Research Network	e-mail address
Giovanni Barone (Head)	giovanni.barone1@intesasanpaolo.com
ISP Research Department (Headquarter Team)	
Macroeconomic Research	
Carlo Ascoli (Asia ex-Japan)	carlo.ascoli@intesasanpaolo.com
Debora Palmieri (Latin America and Sub-Saharan Africa)	debora.palmieri@intesasanpaolo.com
Francesca Pascali (MENA and EE)	francesca.pascali@intesasanpaolo.com
Antonio Pesce (CEE and SEE Countries and Quantitative Analysis)	antonio.pesce@intesasanpaolo.com
Francesco Martinelli (Data Base and Quantitative Analysis)	francesco.martinelli4@intesasanpaolo.com
Trade & Industry, Banking and Market Research	
Vincenzo Petrignano (Financial Markets)	vincenzo.petrignano@intesasanpaolo.com
Davidia Zucchelli (Banking)	davidia.zucchelli@intesasanpaolo.com
ISP International Subsidiaries Research Departments:	
VUB (Slovakia, Czech Republic and Poland)	
Zdenko Štefanides (Head)	zstefanides@vub.sk
Michal Lehuta	mlehuta1@vub.sk
Jacob Obst	jobst@vub.sk
CIB (Hungary)	
Mariann Trippon (Head)	trippon.mariann@cib.hu
Andras Bukovszki	bukovszki.andras@cib.hu
PBZ (Croatia, Bosnia I Hercegovina and Slovenia)	
Ivana Jovic (Head)	ivana.jovic@pbz.hr
Banca Intesa (Serbia)	
Marija Savic (Head)	marija.v.savic@bancaintesa.rs
Tijana Matijasevic	tijana.matijasevic@bancaintesa.rs
Jelena Draskovic	jelena.draskovic@bancaintesa.rs
Sanja Djokic	sanja.djokic@bancaintesa.rs
Katarina Bubonja	katarina.bubonja@bancaintesa.rs
Alexbank (Egypt)	
Samer Halim (Head)	samer.halim@alexbank.com
Mariam Massoud	mariam.massoud@alexbank.com
Aly Fayad	aly.fayad@alexbank.com
Mayada Hassan	mayada.hassan@alexbank.com
ISP International Subsidiaries Research Contacts:	
Intesa Sanpaolo Bank (Albania)	
Kledi Gjordeni	kledi.gjordeni@intesasanpaolobank.al
Intesa Sanpaolo Bank (Romania)	
Marius Pacurari (Head)	marius.pacurari@intesasanpaolo.ro
Pravex Bank (Ukraine)	
Artem Krasovskyi	artem.krasovskyi@pravex.ua
Eximbank (Moldova)	
Natalia Mihalas	natalia.mihalas@eximbank.com
Olga Pisla	olga.pisla@eximbank.com
Doina Caraman	doina.caraman@eximbank.com