



PREPARING FOR A FOURTH YEAR OF WAR: MILITARY SPENDING IN RUSSIA'S BUDGET FOR 2025

JULIAN COOPER

I. Introduction

The high-intensity war that started with the Russian Federation's full-scale invasion of Ukraine in February 2022 has now entered its fourth year. Russian President Vladimir Putin and his government have been devoting an ever-increasing volume of resources to the war—which it still officially terms a 'special military operation'—while attempting to maintain as normal a life as possible for Russia's citizens. To this end, ambitious national projects, many on social issues, the pursuit of 'technological sovereignty' and building infrastructure have been allocated budget spending on a large scale at the same time as the funding of the armed forces and the security services has been growing rapidly. This has been possible because, notwithstanding tough international sanctions, the Russian economy has been growing at a rapid pace, which has enabled the government to maintain an almost balanced budget. The challenge in preparing the three-year federal budget for 2025–27 was to continue this balancing act at a time when the economy was showing signs of overheating—that is, unable to produce enough to keep pace with demand—with the Central Bank of Russia attempting to cool it by increasing the key rate of interest to ever higher levels, creating problems for the business sector.

This paper analyses military spending in all parts of Russia's federal budget for 2025–27. It first describes (in section II) the process of preparing the 2025 budget and its general features. It then (in section III) analyses military and other war-related spending in the budget, devoting particular attention to the growth of military spending outside the 'National defence' budget chapter, which is rendering that chapter an increasingly unreliable proxy for total Russian military spending. It then turns (in section IV) to other government spending that is related to the war but is not, strictly speaking, military expenditure. The paper closes by assessing (in section V) Russia's economic performance in 2024 and prospects for 2025 and beyond before drawing conclusions (in section VI). Throughout, the focus is on the budget for 2025—the second and third years of Russia's three-year budgets are only loosely indicative of future plans.

SUMMARY

● The Russian government has been devoting an ever-increasing volume of resources to the war with Ukraine, while attempting to maintain normality for its citizens. Russia has maintained an almost balanced budget because the economy has been growing at a rapid pace, despite tough international sanctions. The challenge in preparing the budget for 2025–27 was to continue this balance as the economy showed signs of overheating and the Central Bank attempted to cool it, creating problems for businesses.

Despite diminished budget transparency, Russia's total planned military expenditure in 2025 can be estimated at 15.5 trillion roubles, a real-terms increase of 3.4 per cent over 2024 and equivalent to 7.2 per cent of gross domestic product. This level of spending should be manageable, but budgetary pressures could mount.

A growing share of total military spending lies outside the budget chapter 'National defence', including spending on social support. This is rendering 'National defence' an ever more unreliable proxy for Russian military spending. In addition to military expenditure, the budget includes war-related spending on territory occupied in Ukraine and its own border regions.

Table 1. The basic forecast of the Russian Ministry of Economic Development for 2024–27, September 2024, with actual data for 2024

	2024 forecast	2024 actual	2025 forecast	2026 forecast	2027 forecast
GDP (b. roubles)	195 849	200 039	214 575	230 568	248 313
Rate of change in GDP (%)	3.9	4.1	2.5	2.6	2.8
GDP deflator	109.2	108.9	106.8	104.7	104.7
Inflation, year–year (%)	7.3	9.5	4.5	4.0	4.0
Industrial production (%)	4.0	4.6	2.0	2.4	2.6
Investment in basic capital (%)	7.8	7.4	2.1	3.0	3.3
Real wages (%)	9.2	9.1	7.0	5.7	4.1
Real disposable income of population (%)	7.1	8.4	6.1	4.6	3.4
Retail trade turnover, change (%)	8.6	7.2	7.6	6.1	4.1
Unemployment (%)	2.6	2.5 ^a	2.6	2.6	2.6
Price of oil, Brent (\$/barrel)	83.5	81.0	81.7	77.0	74.5
Average export price of oil (\$/barrel)	70.0	69.0	69.7	66.0	65.5
Exchange rate (roubles/\$), annual average	91.2	92.6	96.5	100.0	103.2
Trade balance (\$ b.)	132.8	122.7	123.0	112.7	118.9
Exports (\$ b.)	427.6	417.2	445.0	455.2	476.2
Import (\$ b.)	294.9	294.5	321.9	342.6	357.4
Current account balance (\$ b.)	51.2	53.0	36.4	25.3	25.1

GDP = gross domestic product.

^a Unemployment in December was 2.3 per cent.

Sources: Russian Ministry of Economic Development, ‘Основные макроэкономические параметры среднесрочного прогноза социально-экономического развития Российской Федерации до 2027 года (Базовый вариант)’ [Main macroeconomic parameters of the medium-term forecast of socio-economic development of the Russian Federation until 2027 (base case)], Russian State Duma, 30 Sep. 2024. 2024 actual: Russian Federal State Statistics Service (Rosstat), Russian Ministry of Economic Development (Minekon) and Central Bank of Russia.

II. The budget process

An evolving forecast

As usual, a central element of drafting the new federal budget was the preparation of a three-year forecast of economic development. The Ministry of Economic Development (Minekon) issued its first version in April 2024. This estimated gross domestic product (GDP) growth in 2024 to be 2.4 per cent, 2.3 per cent in both 2025 and 2026, and 2.4 per cent in 2027. Inflation, year-on-year, was expected to be 5.1 per cent in December 2024, falling to 4.0 per cent each year in 2025–27. Unemployment was forecast to be stable at 3 per cent throughout the period.¹ Given the circumstances, with deepening

¹ Russian Ministry of Economic Development, Сценарные условия функционирования экономики Российской Федерации, основные параметры прогноза социально-экономического развития Российской Федерации и прогнозируемые изменения цен (тарифов) на товары, услуги хозяйствующих субъектов, осуществляющих регулируемые виды деятельности в инфраструктурном секторе, на 2025 год и на плановый период 2026 и 2027 годов [Scenario conditions for the functioning of the economy of the Russian Federation, main parameters of the forecast socio-economic development of the Russian Federation, and projected changes in prices (tariffs) for goods and services of economic



sanctions, this was a fairly optimistic forecast foreseeing modest but stable growth, declining inflation, increasing exports and imports with a stable current account balance, and increasing disposable incomes. Indeed, the next three to four months tended to confirm that the forecast was on track, apart from a rising rate of inflation and an increasingly tight labour market as unemployment fell to under 3 per cent.

In early May President Putin convened the first meeting on the future budget. He said that he wanted not just the usual three-year budget, but a budget plan to 2030 (which had not appeared by the end of March 2025). The documents had to be 'responsible, balanced and realistic to the maximum extent'.² The government decided that the 2025 draft budget had to be submitted to the State Duma for approval by 1 October, and work on its preparation was undertaken behind the scenes throughout the summer and early autumn. In early September Minekon issued an amended three-year forecast, which would provide the basic economic parameters for the new budget (see table 1). A week later the Central Bank increased its key interest rate to 19 per cent, having already increased it to 18 per cent in July from the rate of 16 per cent that had held since the beginning of the year.³ This rendered the Minekon forecast somewhat problematic from the outset.

The September forecast was more optimistic about Russia's growth prospects over the three next years but acknowledged a higher rate of inflation in 2024, although this was expected to moderate rapidly from 2025. The forecast rate of unemployment was reduced to 2.6 per cent from 3 per cent, even though the actual rate had already fallen to 2.4 per cent by June 2024 according to the Russian Federal State Statistics Service (Rosstat).⁴ There were also more optimistic expectations with respect to the export price of oil, to the benefit of budget revenues, and a larger current account surplus in 2024 and 2025, although imports were now expected to be slightly lower. In short, no drama was expected and conditions were considered appropriate for a stable budget on the lines established in recent years.

The draft budget

At its meeting on 24 September the government approved the draft budget and its transfer to the State Duma (the lower house of the Russian Parliament) according to the established procedure.⁵ It was duly handed over to the Duma on 30 September and soon appeared on its legislation site.⁶ It then became apparent that the level of transparency had diminished: when the 2024–26 draft budget had appeared on the Duma website a year earlier, it was accompanied by several hundred other documents; this time, only 227

entities carrying out regulated types of activities in the infrastructure sector for 2025 and the planning period 2026 and 2027], 26 Apr. 2024.

² President of Russia, 'Совещание по экономическим вопросам' [Meeting on economic issues], 3 May 2024 (author translation).

³ Bank of Russia, 'Bank of Russia increases the key rate by 100 bp to 19.00% p.a.', 3 Sep. 2024.

⁴ 'В России безработица в июне обновила исторический минимум—2,4%' [In Russia, unemployment in June hit a historic low—2.4%], Interfax, 31 July 2024.

⁵ Russian Government, 'Решения, принятые на заседании правительства 24 сентября 2024 года' [Decisions adopted at the government meeting on 24 September 2024], 29 Sep. 2024.

⁶ Russian State Duma, Draft Federal Law no. 727320-8 'О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов' [On the federal budget for 2025 and the planning period 2026 and 2027], 30 Sep. 2024.

Table 2. Total revenue and expenditure in the draft Russian federal budget for 2025–27

Figures are millions of roubles unless otherwise stated

	2024 forecast	2025	2026	2027
Revenue	36 110 700	40 296 100	41 840 937	43 154 174
As share of GDP (%)	18.4	18.8	18.1	17.4
Expenditure	39 406 600	41 469 517	44 022 177	45 915 619
As share of GDP (%)	20.1	19.3	19.1	18.5
GDP	195 849 000	214 575 000	230 568 000	248 313 000
Balance	-3 295 900	-1 173 417	-2 181 240	-2 761 445
As share of GDP (%)	1.7	0.5	0.9	1.1

GDP = gross domestic product.

Source: Russian State Duma, Draft Federal Law no. 727320-8 ‘О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов’ [On the federal budget for 2025 and the planning period 2026 and 2027], 30 Sep. 2024, pp. 1–4; and Russian State Duma, Committee on Budget and Taxes, ‘Оценка ожидаемого исполнения федерального бюджета в 2024 году’ [Estimation of expected federal budget execution in 2024], 30 Sep. 2024.

were listed.⁷ Furthermore, a key document setting out total spending—that is, open spending plus classified—for each budget chapter and subchapter, which has always appeared as an appendix to the explanatory notes accompanying the draft, was not made public; only chapter totals were available. The usual assessments of the draft by Duma committees that appeared before the first reading also failed to include subchapter totals, only presenting open data.

The draft budget had its first reading in the Duma on 24 October. As usual at this stage, the debate focused on the main parameters of the budget and the economic forecast on which it was based. There was an unusually large majority in favour of the draft: 314 of the 393 deputies present voted in favour and only 1 against (Oksana Dmitrieva, a member of the budget committee but not of any faction), with 78 abstaining. On this occasion the Communist Party did not vote against the budget, as it often does; its leader, Gennady Zyuganov, even spoke in favour of its overall balance of priorities.⁸

On 26 September Elvira Nabiullina, director of the Central Bank, had said that she could not rule out a further increase in the basic rate in October.⁹ Then, a day after the budget’s first reading, the Central Bank did indeed raise its key interest rate from 19 per cent to 21 per cent, explained by the need to bring the rate of inflation under control.¹⁰ At a stroke, this measure was bound to have an impact on the budget itself and the economic forecast on which it was based; yet this was not taken into account in future consideration of the budget before its final approval.

The draft budget forecast revenue in 2025 to be more than 4 trillion roubles above the forecast 2024 level and total expenditure to be 2 trillion roubles higher, giving a deficit on only 0.5 per cent of GDP (see table 2). This was to

⁷ Russian State Duma, Draft Federal Law no. 448554-8 ‘О федеральном бюджете на 2024 год и на плановый период 2025 и 2026 годов’ [On the federal budget for 2024 and the planning period 2025 and 2026], 30 Sep. 2023.

⁸ Veretennikova, K., ‘Депутаты проявили бюджетный оптимизм’ [Deputies show budgetary optimism], *Kommersant*, 24 Oct. 2024.

⁹ ‘Нобиуллина не исключила дальнейшего повышения ключевой ставки ЦБ в октябре’ [Nabiullina does not rule out a further increase in the Central Bank’s key rate in October], *Finmarket*, 26 Sep. 2024.

¹⁰ Bank of Russia, ‘Bank of Russia increases the key rate by 200 bp to 21.00% p.a.’, 25 Oct. 2024.



be covered mainly by state borrowing. Earlier, the Ministry of Finance had said that the gross volume of borrowing would be 4.8 trillion roubles in 2025, 5.1 trillion roubles in 2026 and 5.3 trillion roubles in 2027, with state debt consequently increasing from 15 per cent of GDP in 2023 to 18 per cent in 2027.¹¹ Thus, Russia continues to maintain extremely low indebtedness by international standards.

A number of features of the draft budget are immediately evident (see table 3), not least the fact that spending on the chapter 'National defence' was set to increase by 3.1 trillion roubles to almost 13.5 trillion roubles, a 30 per cent increase. At the same time, spending on national security and public order was to increase by 5.3 per cent, indicating that the 'special military operation' is still seen in predominantly military terms, rather than security.

Another notable feature is the decline in spending on 'Social policy', but most Russian commentators have failed to explore the underlying changes. For the 2025 budget it was decided that the separate Pensions and Social Insurance Fund was in a sufficiently strong financial position that the usual annual transfer to it of federal budget money could be reduced.¹² According to the report by the Accounts Chamber on the fund's draft budget, intra-budget transfers to it from the federal budget were set to total 5.4 trillion roubles in 2024, 4.0 trillion roubles in 2025, 4.7 trillion roubles in 2026 and 4.7 trillion roubles in 2027.¹³ This saving of 1.4 trillion roubles in 2025 helps to partly explain why it proved possible to increase military spending again in the 2025 draft budget.

Two other significant changes should be noticed: first, a large increase in 'Housing and utilities', boosted by significant subsidies to some categories of house buyers, including military personnel; and second, a large increase in 'Debt servicing', reflecting the steady growth of interest payments on the national debt.

The draft budget, with amendments amounting to reallocations of 8129 billion roubles, was approved at its second reading on 14 November with 330 deputies voting in favour, 80 abstaining and Dmitrieva again voting against.¹⁴ In all, 1065 amendments had been submitted, of which 888 were accepted, the majority of them submitted by the government. According to the Ministry of Finance, many related to defence and security (including the 'special military operation') and also social policy.¹⁵ The funding of national projects was increased by 500 billion roubles and the 'Social policy' chapter

¹¹ 'Правительство внесло в Госдуму проект федерального бюджета на 2025–2027 гг.' [The government submits a draft federal budget for 2025–2027 to the State Duma], Finmarket, 20 Sep. 2024.

¹² Savchishina, K. E., 'Отзыв на проект федерального закона «О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов»' [Feedback on the draft federal law 'On the federal budget for 2025 and the planning period 2026 and 2027'], Institute of Economic Forecasting of the Russian Academy of Sciences, 8 Oct. 2024, pp. 5–6.

¹³ Russian Accounts Chamber, Заключение Счетной палаты Российской Федерации на проект федерального закона № 727321-8 «О бюджете Фонда пенсионного и социального страхования Российской Федерации на 2025 год и на плановый период 2026 и 2027 годов» [Conclusion of the Accounts Chamber of the Russian Federation on draft federal law no. 727321-8 'On the budget of the Pension and Social Insurance Fund of the Russian Federation for 2025 and the planning period 2026 and 2027'] (Accounts Chamber: Moscow, 10 Oct. 2024), p. 35.

¹⁴ 'Госдума приняла бюджет во втором чтении с поправками на 8 трлн' [State Duma passes the budget at the second reading with amendments of 8 trillion], RBK, 14 Nov. 2024.

¹⁵ [State Duma passes the budget at the second reading] (note 14).

Table 3. Spending by budget chapter in the draft Russian federal budget for 2025–27 and in the budget law for 2024

Figures are billions of roubles unless otherwise stated.

Budget chapter	2024	2025	2026	2027
1 General state issues	2 187.9	2 513.9	3 048.3	2 930.4
2 National defence	10 378.2	13 490.9	12 797.6	13 068.5
3 National security, law and order	3 285.2	3 459.9	3 565.0	3 744.9
4 National economy	4 203.2	4 354.8	4 787.0	4 711.5
5 Housing and utilities	958.9	1 799.9	1 443.2	1 276.2
6 Environmental conservation	481.7	914.3	1 278.0	1 533.5
7 Education	1 565.4	1 577.1	1 681.9	1 753.6
8 Culture and cinematography	224.4	233.1	285.2	290.0
9 Healthcare	1 649.3	1 864.3	1 862.1	1 918.3
10 Social policy	7 873.1	6 492.3	7 190.8	7 249.2
11 Physical fitness and sport	68.1	67.3	67.5	67.8
12 Mass media	122.3	137.2	96.6	96.6
13 Debt servicing	2 291.3	3 181.7	3 475.4	3 594.0
14 Inter-budget transfers	1 821.1	1 382.9	1 343.0	1 385.3
Total committed spending	37 110.1	41 469.5	42 921.6	43 619.8
Uncommitted spending	–	–	1 100.6	2 295.8
Total expenditure	37 110.1	41 469.5	44 022.2	45 915.6
Open	25 650.9	28 387.0	30 543.0	31 023.3
Classified	11 459.2	13 082.5	13 479.2	14 892.3
Classified share (%)	30.9	31.5	30.6	32.4

Sources: 2025–27: Russian Ministry of Finance (MOF), *Основные направления бюджетной, налоговой и таможенно-тарифной политики на 2025 год и на плановый период 2026 и 2027 годов* [Main directions of the budget, tax, customs and tariff policies for 2025 and the planning period 2026 and 2027] (MOF: Moscow, 2024), p. 69. 2024: Russian Ministry of Finance (MOF), *Бюджет для граждан к федеральному закону о федеральном бюджете на 2024 год и на плановый период 2025 и 2026 годов* [Budget for citizens to the federal law on the federal budget for 2024 and the planning period 2025 and 2026] (MOF: Moscow, 2023), p. 7.

by almost 400 billion roubles. As usual, only amendments relating to open spending were made public; those concerning classified spending were secret and only known to deputies with the required level of security clearance. This made it impossible to establish the final volumes of funding by budget chapter as these figures were also excluded from the final budget law.

The budget law

The Duma held its third and final reading on 21 November, with 335 deputies voting in favour, 77 abstaining and only 1 (again Dmitrieva) voting against.¹⁶ The Federation Council (the upper house) approved the budget in its usual formal manner on 27 November, followed by it being signed into law by President Putin and then published a few days later.¹⁷

¹⁶ Tsulanov, M., 'Госдума приняла закон о федеральном бюджете на 2025–2027 годы' [State Duma passes law on federal budget for 2025–2027], *Vedomosti*, 21 Nov. 2024, p. 1.

¹⁷ Russian Federal Law no. 419-ФЗ 'О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов' [On the federal budget for 2025 and the planning period 2026 and 2027], signed into law 30 Nov. 2024.



Table 4. Spending by budget chapter in the law on the Russian federal budget for 2025–27

Figures are billions of roubles unless otherwise stated.

Budget chapter	2024	2025	2026	2027
1 General state issues	2 409.6	2 467.7	2 984.2	2 832.1
2 National defence	10 374.4	13 087.4	12 813.7	13 078.4
3 National security, law and order	3 301.6	3 438.4	3 512.0	3 669.1
4 National economy	4 295.3	4 377.4	4 861.5	4 809.1
5 Housing and utilities	1 073.1	1 815.5	1 440.9	1 284.2
6 Environmental conservation	492.6	891.1	1 252.0	1 497.5
7 Education	1 608.6	1 597.0	1 700.3	1 775.4
8 Culture and cinematography	225.0	234.6	290.9	290.3
9 Healthcare	1 650.1	1 884.2	1 861.4	1 921.7
10 Social policy	7 896.0	6 881.5	7 200.7	7 257.6
11 Physical fitness and sport	68.1	69.7	71.2	70.8
12 Mass media	122.3	140.3	98.4	99.1
13 Debt servicing	2 293.9	3 181.7	3 475.4	3 594.0
14 Inter-budget transfers	1 371.7	1 403.1	1 359.1	1 410.8
Uncommitted spending	–	–	1 100.6	2 295.8
Total	37 182.6	41 469.5	44 022.2	45 915.6
Open	..	29 348.2	30 557.3	31 025.6
Classified	..	12 121.3	13 464.9	14 890.0
Classified share (%)	..	29.2	30.6	30.5

Note: The figures for budget chapter spending in 2027 do not sum to the total due to an error in the source.

Source: Russian Ministry of Finance (MOF), *Бюджет для граждан к федеральному закону о федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов* [Budget for citizens to the federal law on the federal budget for 2025 and for planning period 2026 and 2027] (MOF: Moscow, 2024). *Open spending:* as budget law.

Fuller details became known only on 27 December when, without any publicity, the Ministry of Finance published its usual *Budget for Citizens*. This appeared in an unusually abbreviated form, only 18 pages compared to over 60 for the 2024 budget—another sign of the sharply reduced transparency in relation to the federal budget. The *Budget for Citizens* nonetheless made it possible to establish final total spending by budget chapter (see table 4).

Comparing the draft and final figures (in tables 3 and 4) shows that spending on ‘National defence’ was reduced by more than 400 billion roubles at the second reading while, as noted above, ‘Social policy’ was increased by almost 390 billion roubles. Other chapters were changed to only a modest extent, but total classified spending was reduced by 961 billion roubles to 29.2 per cent of total expenditure (down from 31.5 per cent in the draft).

The change in classified spending can be explained by looking in detail at open and classified spending in the draft budget and the budget law (see table 5). There was a substantial reduction in classified military spending and an increase of 220 billion roubles in classified social spending. The probable meaning of these changes is explored below. The figures on classified spending will be useful in assessing budget implementation as 2025 progresses as the official budget.gov.ru website gives only open spending on a quarterly basis by budget chapter and total spending for the budget as a whole.

Table 5. Open and classified spending by chapters of the draft and final Russian federal budget for 2025

Figures are billions of roubles.

Budget chapter	2025 draft budget		2025 budget law		Change, classified
	Open	Classified	Open	Classified	
1 General state issues	2 303.1	210.8	2 250.9	216.8	+6.0
2 National defence	2 088.7	11 402.1	2 870.6	10 216.8	-1 185.3
3 National security, law and order	2 167.7	1 292.2	2 189.3	1 249.1	-43.1
4 National economy	4 318.6	36.2	4 298.1	79.3	+43.1
5 Housing and utilities	1 796.2	3.7	1 811.9	3.6	-0.1
6 Environmental conservation	914.3	-	891.1	-	-
7 Education	1 544.0	33.1	1 563.8	33.2	+0.1
8 Culture and cinematography	232.0	1.1	233.7	0.9	-0.2
9 Healthcare	1 823.3	41.0	1 843.1	41.1	+0.1
10 Social policy	6 470.3	22.0	6 639.6	241.9	+219.9
11 Physical fitness and sport	67.0	0.3	69.5	0.2	-0.1
12 Mass media	136.5	0.7	139.6	0.7	-
13 Debt servicing	3 181.7	-	3 181.7	-	-
14 Inter-budget transfers	1 343.6	39.3	1 365.3	37.8	-1.5
Total	28 387.0	13 082.5	29 348.2	12 121.3	-961.2

Sources: As for tables 3 and 4.

III. Military spending in the federal budget for 2025–27

Total military expenditure

From the budget law and the *Budget for Citizens*, it is possible to assemble all the relevant data to establish the total volume of military spending in 2025–27 (see table 6). Preliminary data on the implementation of the 2024 budget is also available, but only for total revenue and expenditure, not disaggregated by chapters. Details of open spending by budget chapter should be made public later in 2025, prior to the appearance of the draft law on the implementation of the 2024 budget that usually appears early in the summer. No details are available for the classified components of allocations under the subchapters of ‘National defence’ and they are unlikely to be known until after the conclusion of the war. It must also be stressed that the budgets for 2026 and 2027 are from the Ministry of Finance and, especially in relation to military spending, do not indicate any expectations or intentions of the government with respect to the war after 2025.

It can be seen that planned total military expenditure in 2025 is about 5.5 trillion roubles. Using the forecast average exchange rate for 2025 (see table 1), this would be equivalent to US\$160 billion, although the volatility of the exchange rate makes this estimate highly speculative. In nominal terms, the rouble figure is about 12 per cent more than in 2024, based on the budget listing (i.e. the upper limit on spending) of the beginning of October 2024. Overall, there are few significant discontinuities in the various lines of spending but one feature merits attention: the large military-related social support. In 2024, this amounted to 915 billion roubles, falling to 563 billion roubles in 2025, but including a large new element of classified spending of 242 billion roubles (as discussed below).

**Table 6. Military expenditure in the Russian federal budget for 2024 and the budget law for 2025–27**

Figures are billions of roubles unless otherwise stated. Disaggregation by subchapters is available only for open spending, not for total or classified spending.

Chapter/subchapter	2024 ^a	2025	2026	2027
<i>02 'National defence': open spending</i>				
01 Armed Forces of the Russian Federation	2 757 229	2 535 042	1 830 080	1 883 978
03 Mobilization and extra-forces training	19 241	16 949	17 199	17 405
04 Mobilization preparation of economy	–	–	–	–
05 Collective security and peacekeeping	3 676	–	–	–
06 Nuclear weapons complex	–	–	–	–
07 International obligations, military-technical cooperation	9 323	4 713	4 778	4 948
08 Applied R&D in field of national defence	27 026	24 922	24 856	25 894
09 Other questions of national defence	248 145	288 966	249 298	232 058
Total open spending	3 064 640	2 870 592	2 126 211	2 164 283
Total 'National defence'^b	[11 340 000]	13 087 400	12 813 700	13 078 400
Classified residual	[8 275 360]	10 216 808	10 687 489	10 914 117
Arms recycling ^b	..	–	–	–
<i>Other military expenditure</i>				
Other MOD expenditure:				
Housing	118 878	122 496	112 549	117 145
Environment	3 511	3 745	3 896	3 046
Education	115 513	54 809	55 681	57 650
Health	138 254	136 529	115 372	119 371
Culture and cinematography	9 659	9 866	12 888	10 891
Physical culture and sport	4 969	4 998	5 025	5 138
Mass media	4 045	2 576	2 629	2 643
Pensions of service people ^c	500 893	551 980	579 579	605 660
Social support	915 376	593 358	437 016	451 566
Classified social support ^d	..	241 848	18 320	18 500
Paramilitary forces:				
Troops of the National Guard (Rosgvardiya) ^e	445 640	389 924	387 340	399 468
Open spending	421 130	365 424	362 840	374 968
State defence order (GOZ)	[24 510]	[24 500]	[24 500]	[24 500]
Border Service of FSB ^e	[221 000]	[244 000]	[261 000]	[281 000]
Support, closed MOD towns, Rosatom	8 952	8 952	8 952	8 952
Support for Baikonur Space Centre	1 712	1 197	1 197	1 197
Total other military expenditure	2 488 402	2 366 278	2 001 444	2 082 227
Total military expenditure	13 828 400	15 453 678	14 815 144	15 160 627
Total budget expenditure	39 410 000^f	41 469 517	44 022 177	45 915 619
'National defence' as share of total expenditure (%)	29	32	29	28
Total military expenditure as share of total expenditure (%)	35	37	34	33
Gross domestic product ^g	200 039 500	214 575 000	230 568 000	248 313 000
'National defence' as share of GDP (%)	5.7	6.1	5.6	5.3
Total military expenditure as share of GDP (%)	6.9	7.2	6.4	6.1

.. = not available or not applicable; – = zero; [] = author's estimate; FSB = Federal Security Service; GDP = gross domestic product; GOZ = Gosudarstvennyi oboronnyi zakaz (State Defence Order); MOD = Ministry of Defence; R&D = research and development.

^a Figures for 2024 are based on the budget listing of 1 Oct. 2024.

^b The standard SIPRI and North Atlantic Treaty Organization (NATO) definitions of military expenditure do not include two items—arms recycling and mobilization preparation of the economy—that are included in total ‘National defence’. These are typically subtracted from the total to give a comparable estimate of Russian military expenditure. However, the 2025–27 budget has no funding for arms recycling (which has perhaps been suspended until the war has ended) and mobilization of the economy was budgeted to be only 2713 million roubles in 2024, so can be considered too small for 2025–27 to deduct from total ‘national defence’.

^c Pensions of armed forces personnel are not shown in full for the second and third years of a three-year budget. They are estimated here assuming growth at a rate 1% higher than the forecast rate of inflation.

^d Part of social policy spending has been classified since the full-scale invasion of Feb. 2022. This was initially modest, but at the second reading of the 2025 budget the amount sharply increased from 22 billion roubles to 242 billion roubles (see table 5). This is almost certainly compensation for families of killed or seriously wounded troops or additional payments to those called up.

^e The figures for paramilitary forces are estimates. The figure for Rosgvardiya for 2024 is based on the draft budget, when the GOZ was 5.5% of the total. For 2025–27 it is assumed that the GOZ is maintained at the 2024 level (which is perhaps an underestimate). The estimate for the FSB Border Service is based on the figure of 210 350 from the 2024 draft budget, with an assumed increase of 5% in the budget listing for 2024 and further increases of 10% in 2025 and 7.5% in both 2026 and 2027.

^f The provisional total budget expenditure for 2024 according to the Ministry of Finance was 40 192 billion roubles. This suggests that the final total for ‘National defence’ and total military expenditure could be somewhat larger than shown here, perhaps just over 14 trillion roubles. See ‘Бюджет РФ в 2024 году исполнен с дефицитом 3,485 трлн руб., или 1,7% ВВП’ [Federal budget for 2024 executed with a deficit of 3.485 trillion roubles, or 1.7% of GDP], Interfax, 20 Jan. 2025.

^g GDP figures are estimates from the Russian Ministry of Economic Development (Minekon) except for the provisional estimate for 2024 from Russian Federal State Statistics Service (Rosstat), ‘Национальные счета: Валовой внутренний продукт—ВВП годы (с 1995 г.)’ [National accounts: Gross domestic product—Annual GDP (since 1995)], 7 Feb. 2025.

Sources: 2024 budget listing: ‘Отчет об исполнении федерального бюджета на 1 октября 2024 г.’ [Report on the execution of the federal budget as of 1 October 2024]. *2025–27 budget law:* Russian Federal Law no. 419-ФЗ ‘О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов’ [On the federal budget for 2025 and the planning period 2026 and 2027], signed into law 30 Nov. 2024. *Total ‘National defence’:* Russian Ministry of Finance (MOF), Бюджет для граждан к федеральному закону о федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов [Budget for citizens to the federal law on the federal budget for 2025 and the planning period 2026 and 2027] (MOF: Moscow, 2024).

The budget for 2025–27 was drafted at a time when the rate of inflation was steadily increasing. With the modest GDP deflator of the economic forecast on which the budget was based (see table 1), total military spending is set to increase by 3.4 per cent in real terms in 2025 (see table 7). This compares with a possible 53 per cent increase in 2024, although this figure may be misleading as final total military spending in 2022 and 2023 is not known with any precision. Since the full-scale invasion of 2022, actual military spending in each year has been much larger than originally planned, and this may also be the case in 2025 but will depend on the performance of the economy.

In February 2025 Rosstat published a revised GDP series with new totals, rates of growth and deflators for recent years.¹⁸ This led to a revision of the growth and GDP share of military spending in 2021, the year before Russian invaded Ukraine: in real terms, military spending fell by 5.2 per cent compared with 2020. This provides additional evidence that Russia was not well prepared for war.

Military spending in other chapters of the federal budget

Officially, when military spending is discussed in Russia it is invariably in terms of the budget chapter ‘National defence’. To some extent this is also the case in the West. However, there is military spending in most other budget

¹⁸ Russian Federal State Statistics Service (Rosstat), ‘Национальные счета: Валовой внутренний продукт—ВВП годы (с 1995 г.)’ [National accounts: Gross domestic product—Annual GDP (since 1995)], 7 Feb. 2025.



Table 7. The trend of total military spending in real terms, 2015–27

All changes are in real terms, calculated using the GDP deflator.

Year	GDP			Military expenditure		
	Total (m. roubles)	Change (%)	GDP deflator	Total (m. roubles)	Change (%)	As share of GDP (%)
2027 ^a	248 313 000	+2.8	104.7	15 160 627	-2.3	6.1
2026 ^a	230 568 000	+2.6	104.7	14 815 144	-8.4	6.4
2025 ^a	214 575 000	+2.5	106.8	15 453 678	+3.4	7.2
2024	200 039 500	+4.1	108.9	14 000 000 ^b	+53.0	7.0
2023	176 413 900	+4.1	108.0	8 400 000 ^b	+17.0	4.8
2022	156 941 000	-1.4	118.2	6 648 000 ^b	+15.8	4.2
2021	134 727 500	+5.9	118.2	4 859 035	-5.2	3.6
2020	107 658 100	-2.7	100.9	4 335 251	+2.1	4.0
2019	109 608 300	+2.2	103.3	4 209 409	+3.7	3.8
2018	103 861 700	+2.8	110.0	3 928 147	-3.6	3.8
2017	91 843 154	+1.8	105.3	3 704 422 ^c	-8.2	4.0
2016	85 616 100	+0.2	102.8	3 830 548 ^c	-7.5	4.5
2015	83 087 400	-2.0	107.2	4 026 284	+16.5	4.8

^a Figures for 2025–27 are budget figures.

^b These figures are author estimates.

^c These figures exclude payments to clear past debts.

Sources: 2025–27 budget and 2024 estimate: as for table 6. 2022 and 2023: Laws on budget implementation for the years. 2015–21: Based on author's calculations of total military spending derived from the annual laws on the implementation of the federal budget. *GDP estimates 2015–23*: Russian Federal State Statistics Service (Rosstat), 'Национальные счета: Валовой внутренний продукт—ВВП годы (с 1995 г.)' [National accounts: Gross domestic product—Annual GDP (since 1995)], 7 Feb. 2025.

chapters and this appears in the annual budget of the Ministry of Defence. Almost all of it is in open terms, not classified, covering spending on the environment, education, health, culture, physical education and sport, and the mass media (see table 6). In addition, there is usually a small amount of military spending in the first chapter, 'General state issues', and in the final chapter, 'Inter-budget transfers' (i.e. transfers to regional budgets).

Military spending on social policy

Since the full-scale invasion, one of the most rapidly increasing components of military spending has been MOD spending on 'Social policy'. Analysis shows that this is a revealing case of spending on guns being presented as spending on butter. The budget chapter 'Social policy' always includes the funding of military pensions as one of its larger components, plus subchapters on social support measures. By far the largest of these subchapters is 10.03 'Social support of the population'. In the past this has included various forms of compensation and extra payments to certain categories of military personnel or to civilians who have experienced negative consequences of military-related activities. Thus, it funds compensation for victims of nuclear radiation incurred during nuclear testing, leaks from nuclear weapon facilities and the Chernobyl nuclear accident. The total sums for these payments are modest, about 2 billion roubles a year. There are also payments to recipients of honours such as Hero of the Soviet Union and Hero of the Russian Federation

Table 8. Social support' measures for personnel of the Russian Ministry of Defence, 2021–25

Figures are millions of roubles.

	2024					2025 Budget law
	2021 actual	2022 actual	2023 actual	Budget law	Budget listing	
Budget subchapter 10.3 'Social support of the population'						
State programme no. 3, Social support ^d Including 03480 ^b	19 514	19 470	58 495	24 460	36 840	26 618
State programme no. 31, Defence Monetary payments ^d	–	10 061	49 215	13 931	25 591	15 688
(a) New contract payments	158 759	325 861	1 090 843	531 832	873 433	563 292 ^c
(b) Payments to mobilized service people	..	323 654	652 022	181 863	523 445	..
(c) Payments for those in action	..	1 449	53 921	..	..	..
(d) Payments of military medical personnel	..	138 354	551 560	..	..	..
(e) Other 'social' payments	..	–	31 111	..	..	..
Housing for service people	..	938	1 025	..	..	..
Other, various small allocations	..	182 913	14 405	..	..	..
Total 10.03	178 273	345 331	1 149 338	556 292	910 263	589 910

.. = not available or not applicable; – = zero.

^a The state programme 'Social support of citizens' covers support for various recipients, including victims of radiation, heroes of the Soviet Union or Russia, and war veterans (mainly World War II). In 2023 c. 38 billion roubles went to additional recipients, but it is not possible to determine who they were. They were possibly war-related as formerly undertaking military service. This extra category disappeared in the 2024 and 2025 budget laws.

^b Budget line 187 10.03 03480 is state support measures, including compensation to families of war dead or seriously injured (034800240): 5594 million roubles in 2022, 42 590 million roubles in 2023 and 13 563 million roubles in the 2024 budget listing but not shown in 2025 budget law.

^c The uses of this figure are not given apart from 30 billion roubles specified as social support and other payments and some minor allocations.

^d The 5 types of monetary payment are more fully described as (a) one-off payments to new on contracts; (b) monthly 'social' payments to mobilized service people; (c) monthly 'social' payments for those in action in 'special military action'; (d) payments of military medical personnel; and (e) other 'social' payments.

Sources: 2021–23: Russian federal laws no. 249-ФЗ of 14 July 2022, no. 329-ФЗ of 24 July 2023 and no. 161-ФЗ of 8 July 2024 on the execution of the federal budgets for 2021–23.

2024 budget law: Russian Federal Law no. 540-ФЗ 'О федеральном бюджете на 2024 год и на плановый период 2025 и 2026 годов' [On the federal budget for 2024 and the planning period 2025 and 2026], signed into law 27 Nov. 2023; 2024 budget listing: 'Отчет об исполнении федерального бюджета на 1 октября 2024 г.' [Report on the execution of the federal budget as of 1 October 2024]. 2025 budget law: as for table 6.



and other distinguished war veterans, but the sums are not large. A summary of these social payments from 2021 (for pre-war comparison) to the 2025 budget law is shown in table 8, which is inevitably complex. There is also military spending in the form of 'Social support' in regional budgets, but the available data does not permit an estimation of the total volume.

Unfortunately, for the draft budget for 2025–27 there must have been a change of budget classification because some other payments—a few clearly relating to the war—have disappeared from the open version of budget subchapter 10.03. There is a line of funding (10.03 3100) of the state programme no. 31 for defence (SP 31) devoted to social support, including monetary payments to military personnel. In the 2024 budget listing of 1 October, the total had reached 873 billion roubles compared with 532 billion in the budget law for the year, and 766 billion roubles was disbursed in the first nine months of the year (see table 8). In the budget law for 2025 there are hardly any details of spending under this line of funding.

Taking the whole budget chapter 'Social policy', classified spending of 23 billion roubles in the draft budget for 2025 rose to almost 242 billion roubles in the budget law, while open spending of the MOD on this budget subchapter increased to 563 billion (as shown in table 6)—these must have been significantly amended at the second reading. There was no classified part of MOD social support in the 2024 budget and for 2026 and 2027 this new classified component falls to just over 18 billion roubles. However, the total of these two sums in 2025, 835 billion roubles, is less than the 915 billion roubles in the 2024 budget listing.

This decrease suggests that part of the spending has been transferred to another budget chapter, almost certainly 'National defence', accounting for some of the increase between 2024 and 2025. It has, without doubt, been classified. This probably covers all compensation payments to the families of victims of the war and possibly some of the extra payments to those newly recruited on contracts. One line of spending that has disappeared in 2024 from 10.03 'Social support' is that for housing subsidies for service people, which had grown from 2.2 billion roubles in 2021 to reach 350 billion roubles in the 2024 budget law. This is probably one of the inducements to serve that have been adopted since the full-scale invasion and as such may also have been switched to the 'National defence' chapter.

Analysing military spending on social policy

The issue of funding for 'Social support' relating to the war is complex. It is difficult to research because of the wide range of payments and the fact that federal government funding is supplemented by funding from regional budgets, but it is a topic meriting a separate paper. As the war has dragged on, the level of transparency has diminished, making it impossible to establish the true volume of funding from either the federal budget or regional ones. The main national rates of payment are publicized, however, and the MOD website has a section devoted to the payments that can be received for service in the war, as do numerous regional websites and the national site giving explanations of government measures.¹⁹

¹⁹ E.g. the new website of the Russian Ministry of Defence (MOD), 'Социальные гарантии' [Social guarantees], which links to the specialized site for contract servicemen; the informative specialized site of Moscow oblast, 'Контракт на СВО.РФ' [Contract on SVO], which gives the monetary rewards



As of late 2024 the national signing-up payment for service under contract reached 400 000 roubles (\$3920), having been doubled by President Putin at the end of July from 195 000 roubles. This was also the minimum additional payment at the regional level, with many regions paying a larger sum. At the beginning of 2025 the largest payment was in Samara oblast, which was increased to 7 million roubles (but only for those signing up in January), much higher than the previous top-paying regions, Belgorod and Nizhegorodsk, which offered 3 million.²⁰

The minimum monthly monetary salary was 210 000 roubles, with more for higher ranks. Since Putin signed an order in April 2022 on financial compensation to victims of military service, it has been updated three times. Most recently, in November 2024 the one-off compensation payment to families reached 5 million roubles (\$49 000), with up to 3 million roubles for the families of those wounded.²¹ However, the government soon amended the new rules: previously all wounded soldiers received 3 million roubles; now only those with wounds deemed 'severe' would receive this sum; those with 'minor' wounds would get 1 million roubles. Alexander Golts, a military journalist, saw this as a sign that budgetary pressures on the war were beginning to be felt.²² Perhaps another sign was a government decision that, from the beginning of 2025, large signing-up payments would not be paid to prisoners concluding contracts with the MOD.²³ Nevertheless, as many who have served in the war and their families have found, military service can bring significant economic and social benefits, a grim reality that Vladislav Inozemtsev has termed 'deathonomics' (смертономика, *smertonomika*).²⁴

A powerful actor is Defenders of the Fatherland (Защитники Отечества, *Zashchitniki Otechestva*), a state foundation that was established by President Putin on 3 April 2023 to provide support for participants in the 'special military operation'.²⁵ Initial funding was provided in June 2023 by a large grant of 1314 billion roubles from the government reserve fund, of which 1085 billion roubles was for the foundation's staff.²⁶ It soon established a nationwide network of 89 regional offices. Since then the government has allocated a number of grants to help fund the foundation's activities, in par-

for destroying or capturing the adversary's weapons (maximum 1 million roubles for Abrams, Leopard and Challenger tanks and HIMARS); and 'Военная служба' [Military service], *Объясняем.рф*.

²⁰ 'В российском регионе выплаты за контракт с Минобороны увеличили до четырех миллионов рублей' [In a Russian region, payments for a contract with the MOD have been increased to four million roubles], *Karelia News*, 4 Jan. 2025.

²¹ Russian Presidential Decree no. 98 'О дополнительных социальных гарантиях военнослужащим, лицам, проходящим службу в войсках национальной гвардии Российской Федерации, и членам их семей' [On additional social guarantees for military personnel, persons serving in the National Guard Troops of the Russian Federation, and members of their families], 5 Mar. 2022.

²² Golts, A., 'The Kremlin's implicit deal with soldiers starting to fall apart', *Russia Post*, George Washington University, 18 Nov. 2024.

²³ 'Правительство РФ отменило единовременные выплаты заключенным, подписавшим контракт с Минобороны РФ' [The Russian government cancels one-off payments to prisoners who sign a contract with the Russian Ministry of Defence], *Meduza*, 31 Dec. 2025.

²⁴ Tumakova, I., '«Смертономика»: Владислав Иноземцев—о том, как «гробовые» и другие выплаты изменили экономику страны' ['Deathonomics': Vladislav Inozemtsev on how 'coffin' and other payments have changed the country's economy], *Novaya Gazeta*, 25 July 2023.

²⁵ Defenders of the Fatherland.

²⁶ Maier, A., 'Фонд «Защитники Отечества» распределил выделенные правительством 1,314 млрд рублей' [Defenders of the Fatherland foundation allotted 1314 billion roubles by the government], *Vedomosti*, 19 June 2024.



particular more than 18 billion roubles in February 2024.²⁷ From the outset the foundation has been chaired by Anna Tsiveleva, wife of a former governor of Kemerovo oblast.²⁸

In March 2025 President Putin approved the creation of a new body to coordinate the activity of all agencies engaged in support for veterans of combat service, including participants in the 'special military operation'.²⁹ This is to be a commission of the Russian State Council (a presidential advisory body) and is to be chaired by the governor of Astrakhan oblast, Igor Babushkin, who has a background of service in both the MOD and the Federal Security Service (Federal'naya Sluzhba Bezopasnosti, FSB). It is charged with securing coordination of all social-support measures for participants in the war and with ensuring the appropriate provision of medical and psychological assistance to veterans.

To the extent that some forms of social support have been transferred from the 'Social policy' chapter of the budget to 'National defence', the increased spending on the military in the 2025 budget is rather misleading as this is not spending on weapons procurement, nuclear forces or arms industry development. It is military spending, of course, but in the form of financial inducements to urge more people to sign up for military service and to fight, and perhaps die, in the war with Ukraine. In real terms, the funding of core military spending planned for 2025 may, in fact, be less than money actually spent on those purposes in 2024.

IV. Other war-related spending

As the present author has argued in earlier papers on military spending since the full-scale invasion of February 2022, large components of Russia's military spending are not directly linked to the war—in particular allocations to Russia's nuclear forces and much of the spending on the Russian Navy.³⁰ Similarly, allocations to the armed forces are only part of total spending on the war. Most federal budget chapters include some war-related spending, but in most cases it cannot be easily identified.

One particular form of non-military spending that is, nonetheless, directly linked to the war is that devoted to the regions of Ukraine wholly or partially seized by Russia and to some border regions of Russia suffering from the impact of the war. The former are covered by two state programmes,

²⁷ Kusmin, V., 'Фонд "Защитники Отечества" получит 18 млрд рублей на поддержку участников СВО' [The Defenders of the Fatherland foundation will receive 18 billion roubles to support participants in the SVO], *Rossiiskaya Gazeta*, 19 Feb. 2024.

²⁸ 'Биография председателя фонда "Защитники Отечества" Анны Цивилевой' [Biography of Anna Tsiveleva, chair of the Defenders of the Fatherland foundation], TASS, 3 Apr. 2023.

²⁹ Russian Presidential Decree no. 129 'О комиссии Государственного Совета Российской Федерации по вопросам поддержки ветеранов боевых действий—участников специальной военной операции и членов их семей' [On the commission of the State Council of the Russian Federation on support for veterans of combat operations—participants in a special military operation and members of their families], 10 Mar. 2025.

³⁰ Cooper, J., 'Implementation of the Russian federal budget during January–July 2022 and spending on the military', SIPRI Background Paper, Oct. 2022; Cooper, J., 'Russia's military expenditure during its war against Ukraine', SIPRI Insights on Peace and Security no. 2023/7, June 2023; and Cooper, J., 'Another budget for a country at war: Military expenditure in Russia's federal budget for 2024 and beyond', SIPRI Insights on Peace and Security no. 2023/11, Dec. 2023.

Table 9. Allocations to Russian state programmes no. 47 and 60, 2024–27

Figures are millions of roubles. The budget listing for 2024 is as of 31 Oct.

State programme	2024 budget listing	2025	2026	2027
47 Crimea and Sevastopol	110 228	108 992	102 005	105 654
60 Four ‘new territories’	355 464	319 639	329 641	326 415
Total	465 692	428 631	431 646	432 069

Source: as for table 6.

the latter by one-off federal budget allocations, the volume of which can be traced through government decrees and orders.

Spending on ‘new territories’

Most of the federal budget funding of the four ‘new regions’ of Ukraine that Russia annexed in September 2022—Donetsk, Kherson, Luhansk and Zaporizhzhia oblasts—is allocated under a new dedicated state programme, no. 60 on the ‘Restoration and socio-economic development’ of the four regions. This is in addition to the established state programme no. 47 devoted to Crimea and the city of Sevastopol, invaded in 2014. The volume of funding of these two programmes is substantial (see table 9), but not as large in 2025–27 as in the 2024 budget listing as of 1 October and the increase over the three years is modest.

In addition to spending under the state programmes, there have been a number of one-off government decisions to allocate funding to the so-called new regions and Crimea. The approximate totals can be established from analysis of government decisions: in 2024, 27 billion roubles was allocated for the four regions in addition to the state programme, mainly from the government’s reserve fund.³¹ There were also various forms of support for small businesses, free economic zones and agriculture, without the size of funding being specified.

The special case of Kursk oblast

On 6 August 2024 Ukraine made a military incursion into Russian territory, rapidly occupying more than 1250 square kilometres of Kursk oblast. Bitter fighting has taken place since then involving many Russian troops and some from North Korea, but at the end of the year Ukraine was still in possession of about half of the territory originally taken.³²

Federal government funding to support the population of Kursk was first provided on 8 August, two days after the start of the incursion, when a government order was adopted allocating just over 1.5 billion roubles from its reserve fund to assist residents of the oblast. This was followed by additional allocations on 12, 19, 20 and 26 August, mainly taking the form of one-off payments of a modest scale: a mere 15 000 roubles per person at first, later increased to 75 000 or 100 000 roubles depending on the extent

³¹ Russian Government, Various decisions, Various dates in 2024 (in Russian).

³² Evans, A., ‘Ukraine’s Kursk incursion: Six month assessment’, Institute for the Study of War (ISW), 6 Feb. 2025.



of the loss of property. The allocation process was in the hands of the Ministry for Emergencies.³³ It later emerged that this involved a complicated administrative process that meant many were unable to get support.

On 5 December Putin dismissed the governor of Kursk, Aleskei Smirnov, who seemed to be incapable of meeting the basic needs of the long-suffering population of the territory under Russian control, and replaced him with Aleksandr Khinshtein, a Duma deputy with experience of service in the National Guard. One of the motivations for the change appears to have been financial: the Kursk incursion has been a drain on the country's finances, with the federal government taking efforts to limit the funding allocated. Khinshtein has therefore not made himself popular in those parts of Kursk oblast freed from Ukrainian occupation as he has refused to secure further funding to compensate residents for the loss of their personal possessions or meet other grievances.³⁴

As Russia failed to regain the lost territory, the government found itself having to make additional allocations to support the residents and maintain healthcare and other services in the region: more than 10 billion roubles in September, followed by 3.2 billion roubles in October and 4.7 billion roubles in November.³⁵ By early December the total sum amounted to at least 35 billion roubles, almost all from the government's reserve fund. In early 2025 there were additional allocations: 1.3 billion roubles in mid-February and 43.9 billion on 25 February, both from the government's reserve fund.³⁶

While ad hoc federal funding has been allocated to Kursk oblast to compensate to some extent for the suffering caused to its residents by the Ukrainian incursions, the sums disbursed so far are far below those that will be required to repair all the damage when the war is over. According to Smirnov when he was governor, the total cost of restoring damaged buildings, roads, bridges and other structures will amount to at least 700 billion roubles—almost as much as the gross regional product of the oblast (796.5 billion roubles in 2023) and equivalent to half the planned total federal budget allocation to inter-budget transfers in 2025 (see tables 4–5).³⁷ It may well take several years before adequate finance is made available to complete the restoration.

One of the ways in which the authorities have limited funding has been by ruling that the Kursk problem is not part of the 'special military operation'. This means that not only do those fighting in Kursk get much lower pay, but those service people killed or injured in combat to regain the territory are eligible for only the modest sums available for 'normal' combat, not the large-scale compensation available to those serving in the 'special mili-

³³ Russian Government, Various decisions, Aug. 2024 (in Russian).

³⁴ E.g. Khinshtein is described as 'odious', the 'author of denunciations' and 'a skilled PR man' in Kuznetsov, P., '«Заниматься борделем было гораздо интереснее, чем эвакуацией»' ['Running a brothel was much more interesting than evacuating it'], *Novaya Gazeta Evropa*, 28 Dec. 2024 (author translation). See also 'Хинштейн отказал в выплате компенсаций за утраченное имущество жителям эвакуированных районов Курской области' [Khinshtein refuses to pay compensation for lost property to residents of evacuated districts in Kursk oblast], *The Insider*, 30 Dec. 2024.

³⁵ Russian Government, Various decisions, Sep.–Nov. 2024 (in Russian).

³⁶ Russian Government, Various decisions, Feb. 2025 (in Russian).

³⁷ Interfax, 'Губернатор оценил затраты на восстановление Курской области из-за войны в 700 миллиардов рублей. Это сравнимо с годовым валовым продуктом региона' [The governor estimates the cost of rebuilding Kursk oblast due to the war at 700 billion roubles. This is comparable to the annual gross product of the region], *Meduza*, 11 Nov. 2024.

tary operation'. Not surprisingly, this has not found favour with the troops assigned to Kursk and their families. The authorities have known of this situation from the outset, but have taken no action to remedy the situation.³⁸

Allocations for Belgorod oblast

While not suffering a large direct incursion by Ukrainian forces, another region neighbouring Ukraine, Belgorod oblast, has also incurred significant costs from the war. It is often hit by uncrewed aerial vehicles (UAVs) and missiles and the population in border regions has suffered from deaths, injuries, and loss of property and employment.

The regional government has taken some support measures backed by federal budget funding. In April 2024, 2 billion roubles was allocated from the reserve fund for additional support to citizens and businesses of Belgorod, with a statement that more than 6 billion roubles would be allocated during the year. However, by the end of November less than 1.5 billion roubles had been disbursed and in December the only measure was an order delaying tax and insurance payments by businesses in the oblast. In February 2025 an additional 3 billion roubles financial assistance was approved.³⁹

Furthermore, general budget funding to Belgorod oblast appears to have been reduced. According to an informed report in November, non-repayable federal budget financing (безвозмездных поступлений, *bezvozmeznykh postuplenii*) of all regions bordering Ukraine, apart from Kursk (see above), had been reduced in the first 10 months of 2024 compared with the same period of 2023; in the case of Belgorod oblast, this was a 37 per cent reduction from 41.3 billion roubles to 26.1 billion roubles.⁴⁰ These developments hint that budgetary pressures are now being felt by the Russian government.

V. Economic performance in 2024 and prospects for 2025 and after

At first sight Russia's economy performed well in 2024, with growth of 4.1 per cent (see table 1) compared to an official forecast of 2.4 per cent. However, after a strong start in the early months of the year, the rate of growth declined: GDP increased (in annual terms) in the first quarter at a rate of 5.4 per cent, in the second quarter by 4.1 per cent but in the third quarter by 3.1 per cent.⁴¹ At the same time, the rate of inflation steadily increased. According to the April forecast, consumer prices at the end of the year were expected to be 5.1 per cent higher than at the end of 2023, with an annual average inflation rate for the year of 6.6 per cent. But by the autumn there was no doubt that the trend was worryingly negative, with Rosstat declaring a final year-on-year rate of

³⁸ Панов, Т., «Посылают на убой. И цена твоей жизни—копейки» [‘They send you to slaughter. And the price of your life—pennies’], Republic, 6 Dec. 2024.

³⁹ Russian Government Directive no. 476, 28 Feb. 2025 (in Russian).

⁴⁰ «Федеральные власти сократили финансирование прифронтовых регионов. Сильнее всего—Белгородской области, почти на 37%» [The federal authorities have cut funding for the frontline regions. Most severely—Belgorod oblast, by almost 37%], Verstka, 22 Nov. 2024. In the case of Bryansk oblast the reduction was 23.5%, Rostov 27% and Crimea 13%. The source explains that the data was obtained from the budget.gov.ru website.

⁴¹ Росстат подтвердил оценку роста ВВП РФ в 3-м квартале на уровне 3,1% [Rosstat confirms estimate of Russian GDP growth in Q3 at 3.1%], Finmarket, 13 Dec. 2024.



9.5 per cent.⁴² As noted above, this negative trend led the Central Bank to increase its basic interest rate from 19 to 21 per cent on 25 October.⁴³

The rate of inflation may, in fact, be somewhat higher as there are suspicions that Rosstat's current methodology may not be capturing with adequate precision the rate as experienced by most citizens. In late 2024 the rate of price increases of food products, which account for a large share of the spending of poorer households (e.g. potatoes), was much higher than that of non-food goods (e.g. cars, consumer durables, tourism and entertainment), which account for large shares of spending of wealthier households. The situation for many poorer families thus became very difficult.

What accounts for these negative indicators? As many analysts now agree, the Russian economy has been overheating, with excess demand fuelled above all by increased budget spending on the war, coupled with increasingly serious constraints on resources, above all labour.⁴⁴ By late 2024 the national unemployment rate fell to 2.3 per cent, but it was even lower in some industrial regions with significant concentrations of arms industry companies: 1.5 per cent in Nizhegorod oblast (dominated by Nizhny Novgorod city), 2 per cent in Tatarstan and 2.2 per cent in Chelyabinsk oblast.⁴⁵ This prompted assessments that the expansion of the arms industry was under threat from an acute shortage of workers.⁴⁶ Wages and salaries have increased steadily as labour shortages have risen, but the impact has been local as inter-regional labour mobility in Russia is limited.

With a leadership reluctant to curb the growth of military spending, in these circumstances the only effective solution, as the Central Bank understands, is to reduce effective demand by increasing the basic rate of interest and reducing the government's use of low concessional rates of interest to support certain sectors and activities. These sectors include, not least, housing and the motor industry, but also agriculture, air travel to remote regions, and many privileges for children and elderly people. Another sector that also receives preferential treatment is the arms industry, but during the war the political commitment to this sector is so strong that the Central Bank has little prospect of reigning in its generous treatment. This means that, with a limited range of options, a rapid cooling down of the economy is unlikely, but by the end of 2024 there were some signs that the process had started. Early in December, industrial output data showed a slowing of growth in civilian branches and later in the month the Central Bank director, Nabiullina, noted that there were real signs of cooling in a number of sectors.⁴⁷ By March 2025 the signs were clearer, leading Kirill Tremasov, advisor to the Central Bank,

⁴² Russian Federal State Statistics Service (Rosstat), Социально-экономическое положение России 2024 года [Socio-economic situation of Russia 2024] (Rosstat: Moscow, 2024), p. 6.

⁴³ 'Инфляция в РФ в ноябре составила 1,43%' [Inflation in Russia in November was 1.43%], Finmarket, 11 Dec. 2024; and Bank of Russia (note 10).

⁴⁴ E.g. Kolyandr, A. and Prokopenko, A., 'Is Russia's overheated economy finally starting to cool?', The Bell, 13 Sep. 2024.

⁴⁵ Fedorov, E., 'ВПК-2024: дефицит кадров становится угрожающим' [Military-industrial complex 2024: Personnel shortage becomes threatening], *Военное обозрение*, 30 Dec. 2024.

⁴⁶ Fedorov (note 45).

⁴⁷ 'Охлаждение с подогревом: российская экономика замедляется в гражданском секторе, но не в военном' [Cooling with heating: Russia's economy is slowing down in the civilian sector, but not in the military sector], *Re:Russia*, 5 Dec. 2024; and 'В ряде секторов экономики появились признаки охлаждения—Нобиуллина' [Signs of cooling in a number of economic sectors—Nabiullina], Finmarket, 21 Dec. 2024.

to say that the next board meeting, on 21 March, might discuss lowering interest rates—but in the event it held the rate steady at 21 per cent.⁴⁸

Towards the end of the year there were a number of reports in Western media suggesting that the Russian economy was heading for serious trouble.⁴⁹ These appear to have been prompted by the Central Bank's increase of its key rate to 21 per cent and a fall in the value of the rouble against the dollar in early December. However, they were not convincing; they overstated problems and underestimated the resilience of the Russian economy and its ability to adjust quickly to new conditions. But more sober assessments were also voiced, notably by exiled Russian economists Sergei Aleksashenko, Vladislav Inozemtsev and Dmitrii Nekrasov, who argued that, notwithstanding all the pressures and tensions, the Russian economy was still able to perform at a level permitting the continuation of the war.⁵⁰ However, they noted that the longer-term prospects were unfavourable because of inadequate investment and an inability to develop and produce truly modern technology—problems that are likely to deepen the longer the war continues. Other informed analysts soon echoed this assessment.⁵¹

The first months of 2025 suggest that the implementation of the federal budget is following a now familiar pattern. Total spending in January and February amounted to over 8 trillion roubles, but revenues only to 5.3 trillion roubles, giving a deficit of 2.7 trillion roubles, equivalent to 1.3 per cent of forecast GDP. This arose because of large advance payments on state contracts, in particular those under the State Defence Order. As in past years, the deficit will probably decline later in the year. At the same time, income from oil and gas as a share of total revenue fell to under 30 per cent and in absolute terms it was smaller than in 2024, while non-oil and -gas incomes increased by 11 per cent.⁵² This has become an established trend in recent years, and the government has been actively promoting it in so far as it reduces Russia's dependence on the export of hydrocarbons. More concerning for the Ministry of Finance is the fact that the price of oil has been below the level on which the budget was based (i.e. about \$60 per barrel, not \$69.7; see table 1). The ministry does not rule out the possibility that the end of year deficit will be larger than the planned 0.5 per cent of GDP (see table 2).⁵³

⁴⁸ Prokopenko, A., Kasyanchuk, D. and Kolyandr, A., 'No, Western companies aren't rushing back to Russia', *The Bell*, 7 Mar. 2025; and Bank of Russia, 'Банк России принял решение сохранить ключевую ставку на уровне 21,00% годовых' [The Bank of Russia decides to keep the key rate at 21.00% per annum], 21 Mar. 2025.

⁴⁹ E.g. Belton, C., 'Russia's elite sound the alarm on the economy amid high interest rates', *Washington Post*, 10 Dec. 2024; and Bunzel, T. and Ribakova, E., 'The Russian economy remains Putin's greatest weakness', *Foreign Affairs*, 9 Dec. 2024.

⁵⁰ Aleksashenko, S., Inozemtsev, V. and Nekrasov, D., Надёжный тыл диктатора: Российская экономика на фоне войны [Dictator's reliable rear: Russian economy at the time of war] (Center for Analysis and Strategies in Europe: Limassol, Nov. 2024).

⁵¹ E.g. Prokopenko, A., 'Putin is not yet desperate', *Foreign Affairs*, 21 Jan. 2025; Connolly, R., 'Russia's wartime economy isn't as weak as it looks', Royal United Services Institute (RUSI), 22 Jan. 2025; and Cooper, J., 'Russia's economy is stagnating—But that won't force it to end the war', *The Conversation*, 10 Mar. 2025.

⁵² Visloguzov, V., 'Бюджет набирает ход' [The budget is gaining momentum], *Kommersant*, 11 Mar. 2025.

⁵³ 'Минфин допустил превышение плана по дефициту бюджета РФ в 2025 г. при нефти в \$60/барр.' [The MOF admits exceeding the plan for the Russian budget deficit in 2025 with oil at \$60/bbl.], *Interfax*, 4 Mar. 2025.



VI. Conclusions

In 2025 Russia plans to spend 15.5 trillion roubles on its military, 7.2 per cent of its GDP—the largest share since Soviet times, although still some way from the level of 12–13 per cent in 1990.⁵⁴ If economic performance does not deteriorate to a significant extent, this level of spending should be manageable and it may prove possible to increase it to some extent during 2025 as the budget is implemented—if that is considered necessary. However, if as seems likely President Putin wishes to maintain spending on national projects, technological ‘leadership’, infrastructure and other non-military needs, then budgetary pressures could mount.

Putin appears to recognize this himself. At the expanded board meeting of the MOD in mid-December 2024, he addressed the issue of military spending:

Now, it is extremely important how much money we spend and what it results in. The [defence] minister [Andrey Belousov] said: we spend 6.3 percent of GDP on the military component to increase and strengthen defence capability.⁵⁵ This is quite an amount; about 2.5 percent higher than we spent before. But oddly enough, this is not the largest expenditure in the world, even in countries that are not involved in armed conflicts.

However, this is still a large sum, and we must use it rationally, first of all ensuring the social guarantees of our service personnel and effective operation of the defence industry complex. It is also very important to rationally use what the country is giving to the Armed Forces.⁵⁶

Later he added,

I will repeat what has just been said: 6.3 percent of GDP is spent on increasing and strengthening defence capability. We cannot increase this expenditure endlessly, because all components of the country's life such as the economy, the social sphere in the broadest sense of the word, science, education, healthcare have to develop, too.

But to recognize the budgetary pressures generated by his war is one thing; to reduce them by ending military action is another. Developments since February 2022 do not inspire confidence that a rational decision will be taken; however, conditions have changed over time, not least with the re-election as president of the United States of Donald J. Trump, who even before the election declared that ending the war was a top priority. This author hopes, in conclusion, that this will be the last paper that he has to write on Russia's military spending during this long brutal war, so costly in terms of lives, economic prospects and hopes.

⁵⁴ Cooper, J., ‘The military expenditure of the USSR and Russian Federation, 1987–97’, *SIPRI Yearbook 1998: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 1998), p. 246.

⁵⁵ The figure of 6.3% refers to the ‘National defence’ chapter only, the actual share being 7.2% (see table 6).

⁵⁶ President of Russia, ‘Expanded meeting of the Defence Ministry Board’, 16 Dec. 2024. Russian original: President of Russia, ‘Расширенное заседание коллегии Минобороны’ [Extended meeting of the Ministry of Defence Board], 16 Dec. 2024.



Abbreviations

GDP	Gross domestic product
Minekon	Russian Ministry of Economic Development
MOD	Ministry of Defence
Rosstat	Russian Federal State Statistics Service



RECENT SIPRI PUBLICATIONS

An Introduction to Military Quantum Technology for Policymakers

Michal Krelina
2025 March

Parameters to Assess Escalation Risks in Space

Nivedita Raju
2025 February

Bias in Military Artificial Intelligence

Dr Alexander Blanchard and Laura Bruun
2024 December

Enhancing Cyber Risk Reduction and the Role of the European Union

Larisa Saveleva Dovgal, Fei Su and Dr Lora Saalman
2024 December

The SIPRI Top 100 Arms-producing and Military Services Companies, 2023

Lorenzo Scarazzato, Dr Nan Tian, Dr Diego Lopes da Silva, Xiao Liang and Katarina Djokic
2024 December

Critical Minerals and Great Power Competition: An Overview

Dr Jiayi Zhou and Dr André Månberger
2024 October

Mapping the Spread of NewSpace Companies Developing, Testing, Producing or Marketing Missile-related Technology: A Pilot Study

Kolja Brockmann and Lauriane Héau
2024 October

The Expansion of the NewSpace Industry and Missile Technology Proliferation Risks

Kolja Brockmann and Lauriane Héau
2024 October

Nuclear Weapons and Artificial Intelligence: Technological Promises and Practical Realities

Vladislav Chernavskikh
2024 September

Towards a Two-tiered Approach to Regulation of Autonomous Weapon Systems: Identifying Pathways and Possible Elements

Laura Bruun
2024 August

Cyber Risk Reduction in China, Russia, the United States and the European Union

Dr Lora Saalman, Fei Su and Larisa Saveleva Dovgal
2024 June

SIPRI is an independent international institute dedicated to research into conflict, armaments, arms control and disarmament. Established in 1966, SIPRI provides data, analysis and recommendations, based on open sources, to policymakers, researchers, media and the interested public.

GOVERNING BOARD

Stefan Löfven, Chair (Sweden)

Dr Mohamed Ibn Chambas
(Ghana)

Ambassador Chan Heng Chee
(Singapore)

Dr Noha El-Mikawy (Egypt)

Jean-Marie Guéhenno (France)

Dr Radha Kumar (India)

Dr Patricia Lewis (Ireland/
United Kingdom)

Dr Jessica Tuchman Mathews
(United States)

DIRECTOR

Dan Smith (United Kingdom)



STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE

Signalistgatan 9
SE-169 72 Solna, Sweden
Telephone: +46 8 655 97 00
Email: sipri@sipri.org
Internet: www.sipri.org

SIPRI INSIGHTS ON PEACE AND SECURITY NO. 2025/04

PREPARING FOR A FOURTH YEAR OF WAR: MILITARY SPENDING IN RUSSIA'S BUDGET FOR 2025

JULIAN COOPER

CONTENTS

I. Introduction	1
II. The budget process	2
An evolving forecast	2
The draft budget	3
The budget law	6
III. Military spending in the federal budget for 2025–27	8
Total military expenditure	8
Military spending in other chapters of the federal budget	10
IV. Other war-related spending	15
Spending on 'new territories'	16
The special case of Kursk oblast	16
Allocations for Belgorod oblast	18
V. Economic performance in 2024 and prospects for 2025 and after	19
VI. Conclusions	21
Table 1. The basic forecast of the Russian Ministry of Economic Development for 2024–27, September 2024, with actual data for 2024	2
Table 2. Total revenue and expenditure in the draft Russian federal budget for 2025–27	4
Table 3. Spending by budget chapter in the draft Russian federal budget for 2025–27 and in the budget law for 2024	6
Table 4. Spending by budget chapter in the law on the Russian federal budget for 2025–27	7
Table 5. Open and classified spending by chapters of the draft and final Russian federal budget for 2025	8
Table 6. Military expenditure in the Russian federal budget for 2024 and the budget law for 2025–27	9
Table 7. The trend of total military spending in real terms, 2015–27	11
Table 8. Social support' measures for personnel of the Russian Ministry of Defence, 2021–25	12
Table 9. Allocations to Russian state programmes no. 47 and 60, 2024–27	16

ABOUT THE AUTHOR

Professor Julian Cooper is an expert on the Russian economy. He is professor emeritus at the Centre for Russian, European and Eurasian Studies of Birmingham University, having been its director for many years. He is also an associate senior fellow at SIPRI, where his recent publications include 'Another budget for a country at war: Military expenditure in Russia's federal budget for 2024 and beyond', SIPRI Insights on Peace and Security no. 2023/11.