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A BUDGET FOR A FIFTH YEAR OF WAR: MILITARY SPENDING IN RUSSIA'S BUDGET FOR 2026

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SUMMARY

● The Russia–Ukraine War has entered its fifth year with few signs that it will come to an end. Russia's federal budget funding of the war and other military spending reached about 16 trillion roubles in 2025, or 7.5 per cent of gross domestic product (GDP). However, the real-terms growth of military spending moderated, from 38 per cent in 2024 to 6.1 per cent in 2025.

In an attempt to restore balance to an economy overheated by increased spending on the war, in 2025 the government implemented a tough monetary policy to reduce the rate of inflation. Yet, budgetary pressures mounted, with an end-of-year deficit of 2.6 per cent GDP.

In these circumstances, the Ministry of Defence has adopted more stringent financial management methods and has made savings on purchases of armament. This has led to a reduction of planned military expenditure in the 2026 budget to 14.9 trillion roubles, or 6.3 per cent of GDP. However, the annual budget will probably be amended, as it was twice in 2025. With the Iran war, launched by Israel and the United States in early 2026, this has become even more likely, as higher oil prices should greatly ease Russia's budget situation this year.

I. Introduction

By the morning of 11 January 2026, the high intensity war that started with the Russian Federation's full-scale invasion of Ukraine on 22 February 2022—still officially termed a 'special military operation' by Russia—had lasted as long as the German–Soviet Great Patriotic War of June 1941 to May 1945.[1] While this is not as long as the nine-year 1979–89 Afghan–Soviet War, Russian casualties in Ukraine far exceed Soviet casualties in Afghanistan: by the end of 2025, Russian deaths in the current war reportedly exceeded 150 000, with the real total being almost certainly higher.[2]

As the war neared its fifth year, on 28 November 2025 Russian President Vladimir Putin signed off the three-year federal budget for the Russian Federation for 2026–28. The process of drawing up this budget was unusually difficult because of the highly uncertain economic situation when the process started, with growth of the economy slowing and the rate of inflation remaining high. These increasing pressures on the budget seem to have combined with a new focus on cost-effectiveness in the Ministry of Defence (MOD) and changes in armament procurement as warfare on the battlefield in Ukraine evolves, leading to a planned reduction in military spending in the coming years.

This paper first analyses the drafting of the 2026–28 budget and the parallel amendments made to the 2025 budget (in section II). It then (in section III) describes and consolidates all the various elements of military and other war-related spending within the budget, giving updated estimates of Russian military expenditure in 2022–25 and a first estimate for 2026.[3] After explaining the reasons behind the planned decrease in Russia's military

[1] 'Российско-украинская война теперь длится дольше, чем Великая Отечественная. А можно ли их сравнить еще в чем-то?' [The Russian–Ukrainian War has now lasted longer than the Great Patriotic War. Are there any other similarities between them?], Meduza, 11 Jan. 2025.

[2] Data of the BBC Russian service and Mediazona on the basis of monitoring open sources reported in 'Подтвержденные потери России в Украине превысили 150 тысяч человек' [Confirmed Russian losses in Ukraine exceed 150 000 people], *Moscow Times*, 29 Nov. 2025.

[3] To allow for accurate comparisons in a Russian context, this paper uses economic data (on e.g. gross domestic product, growth and inflation) from the Russian Federal State Statistics Service (Rosstat). To allow for accurate cross-country comparisons, other SIPRI publications use economic data from the International Monetary Fund (IMF). As a consequence, some figures presented here (on e.g. real-terms growth in spending and spending as a share of gross domestic product) differ from figures presented in other SIPRI publications.

expenditure in 2026 (in section IV), the paper concludes (in section V) by assessing Russia's economic prospects in 2026 and beyond.

II. The drafting of the federal budget for 2026

As usual, work on the budget for 2026 started in the early summer of 2025. At the beginning of July the government decided that the draft had to be submitted to the parliament, the State Duma, for approval by 1 October.[4] In the initial stage of work on the budget, the Ministry of Finance (MOF) had for guidance only the forecast of economic development adopted by the Ministry of Economic Development (Minekon) in April. This was an optimistic forecast: real-terms growth in gross domestic product (GDP) of 2.5 per cent in 2025, 2.4 per cent in 2026, rising to 3.0 per cent in 2028, with the rate of inflation falling to 7.6 per cent in 2025 (from 9.5 per cent year-on-year in 2024) and then to only 4.0 per cent over the next three years. Furthermore, the Brent price of oil was expected to remain close to US$70 a barrel, giving a substantial trade balance, although in 2025 the current account balance was forecast to fall to a particularly low level of $10.9 billion, but then recover to $53 billion by 2028.[5]

As economic conditions changed, the forecast was becoming inadequate. In 2024 the Russian economy had been overheating, driven by increased military spending and a vibrant defence industry and with an acute labour shortage.[6] The government adopted measures to cool the economy, aided by the Central Bank setting its key rate at 21 per cent. In the first half of 2025 growth moderated and the rate of inflation declined to a modest extent, allowing the Central Bank to cut the rate to 20 per cent on 6 June.[7] The Institute of Economic Forecasting of the Russian Academy of Sciences, in its quarterly forecast in mid June, reduced its GDP growth forecast for 2025 to 1.8 per cent and the annual growth of industrial output to 2.3 per cent, but the rate of unemployment then remained at an historic low of only 2.2 per cent.[8] At the same time, the price of oil was relatively low and threatened to remain so, putting budget revenue at risk. This threat was heightened by the fact that the rouble–dollar exchange rate was persistently strong, hovering around

[4] Kadieva, Kh., 'Проект бюджета на 2026 год внесут в Госдуму до 1 октября' [The draft budget for 2026 will be submitted to the State Duma by 1 October], *Parlamentskaya gazeta*, 2 July 2025.

[5] 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 Russian Federation's economy, key parameters of the forecast for the Russian Federation's socio-economic development, and projected changes in prices (tariffs) for goods and services provided by economic entities engaged in regulated activities in the infrastructure sector for 2025 and the planning period 2026 and 2027], 26 Apr. 2025.

[6] Cooper, J., 'Preparing for a fourth year of war: Military spending in Russia's budget for 2025', SIPRI Insights on Peace and Security no. 2025/04, Apr. 2025.

[7] Bank of Russia, 'Банк России принял решение снизить ключевую ставку на 100 б.п., до 20,00% годовых' [The Bank of Russia has decided to lower its key rate by 100 basis points to 20.00% per annum], 6 June 2025.

[8] Institute of Economic Forecasting of the Russian Academy of Sciences, 'Квартальный прогноз ВВП' [Quarterly GDP forecast], no. 66, 11 June 2025.

80 roubles to the US dollar in the second half of 2025 and remaining at about that level until the end of the year.[9]

On 25 July, as widely predicted, the Central Bank reduced the key rate of interest from 20 per cent to 18 per cent.[10] In explaining the decision Elvira Nabiullina, head of the bank, noted that inflation had slowed more rapidly than the bank had expected, making possible a lowering of its end-of-year inflation forecast to 6–7 per cent.[11] The rate of growth of the economy was also moderating, although the rate of investment remained high 'thanks to state support for priority sectors', probably meaning the defence industry.[12] A tough monetary-credit policy was still being pursued and this would continue. Finally, external conditions remained uncertain. Demand for oil had fallen and supply was being increased by the Organization of the Petroleum Exporting Countries (OPEC) and the expanded OPEC+ group (of which Russia is a member)—factors that had led the Central Bank to revise its oil price forecast, reduced to $55 per barrel in 2025 and 2026, but $60 in both following years. This decision must have caused concern in the MOF, which would have to base the draft 2026 federal budget on a lower oil price than seemed likely earlier in the year. Finally, the bank presented a revised economic forecast to 2028, with GDP increasing only by 1–2 per cent in 2025, 0.5–1.5 per cent in 2026, and 1.5–2.5 in both 2027 and 2028. In line with the Minekon forecast, inflation on a year-to-year basis was forecast to be 6–7 per cent in 2025 but only 4 per cent in the next three years. The key interest rate was expected to average 18.8–19.6 per cent in 2025, 12–13 per cent in 2026, and then 7.5–8.5 per cent in 2027 and 2028.[13]

By this time it had become clear that Minekon's forecast would need quite far-reaching revision if the new budget was to reflect economic realities.

Implementation and amendment of the 2025 budget

On 24 June 2025 President Putin signed into law an amendment to the 2025 federal budget.[14] This amendment had been drafted by the MOF in response to clear signs that the price of oil was likely to fall to a level significantly below that on which the original budget law had been based, with a corresponding diminution of oil- and gas-related budget revenue. It reduced budget revenue by 4.4 per cent, from 40.3 trillion roubles to 38.5 trillion roubles (mainly through a reduction of expected oil and gas revenue by 2.6 trillion roubles), and increased spending from 41.5 trillion roubles to 42.3 trillion roubles (see table 2 below). Analysis of the amended budget reveals that spending on the 'National defence' budget chapter was increased by just over 390 billion

[9] Bank of Russia, 'Динамика официального курса заданной валюты: Доллар США' [Official exchange rate dynamics for a given currency: US dollar], 1 July–31 Dec. 2025.

[10] Bank of Russia, 'Банк России принял решение снизить ключевую ставку на 200 б.п., до 18,00% годовых' [The Bank of Russia has decided to lower its key rate by 200 basis points to 18.00% per annum], 25 July 2025.

[11] Nabiullina, E., Governor of the Bank of Russia, Statement following the meeting of the Bank of Russia Board of Directors, 25 July 2025 (in Russian).

[12] Nabiullina (note 11) (author translation).

[13] Bank of Russia, 'Среднесрочный прогноз Банка России' [Bank of Russia medium-term forecast], 25 July 2025.

[14] Russian Federal Law no. 152-ФЗ 'О внесении изменений в Федеральный закон "О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов"' [On amendments to the Federal Law 'On the federal budget for 2025 and the planning period 2026 and 2027'], 24 June 2025.

roubles to about 13.5 trillion roubles, giving total military expenditure of about 15.9 trillion roubles in 2025, equivalent to 7.2 per cent of the revised GDP forecast for the year.[15]

On 7 July 2025 the MOF published its report on budget implementation in the first half of the year.[16] Revenue totalled 17.6 trillion roubles, including oil- and gas-related revenue of 4.7 trillion—only 27 per cent of the total and 17 per cent less than in the corresponding period in 2024. Expenditure totalled 21.3 trillion roubles, over 20 per cent more than in 2024. This gave a deficit of 3693 billion roubles (1.7 per cent of forecast GDP), compared with 602 billion roubles in the same period in 2024 (0.3 per cent GDP). The deficit for the six months was almost as large as the planned deficit of the amended budget for the whole year, 3792 billion roubles. This was concerning for the government as the liquid part of the National Welfare Fund—Russia's sovereign investment fund, which acts as a basic source of funding to cover budget deficits—was steadily declining.

An issue that began to concern economists was the extent to which federal budget funding was being used to service debt, reducing scope for spending under other budget chapters. With increasing interest rates, debt servicing has been the fastest growing budget chapter in recent years, with the rate of growth outpacing spending on defence. According to Emil Ablaev of the Centre for Macroeconomic and Short-term Forecasting, total budget spending on debt servicing, subsidized credits to agriculture, mortgages and credits to small businesses (the last three all linked to the key interest rate) increased from 4 per cent of total budget spending in 2022 to 7.2 per cent in 2023, 9.6 per cent in 2024 and 14.0 per cent in the 2025 budget, when the total was forecast to reach 5.9 trillion roubles.[17] With declining oil and gas revenue, rising debt payments and swelling military spending, Ablaev questioned whether there would be enough money for both people and the 'special military operation'.

By late July speculation began to mount as to the nature of the 2026 budget, given the rising economic constraints. One economic commentator, Kirill Rodionov, thought that in these circumstances an unrealistic draft budget would probably go to the Duma for approval with an understanding that amendment would be inevitable as implementation proceeded in 2026, which would become a year of reduced budget outlays.[18] Another, the sober realist Vladislav Inozemtsev, argued forcefully that, while the rate of economic growth had moderated, Russia was not, and was unlikely to be, in recession. While there were problems, some quite acute (e.g. the depressed state of the coal industry, which could require significant budget support) and the budget situation was not as favourable in 2025 as in the previous two

[15] Cooper, J., 'Implementation of the 2024 Russian federal budget and amendment of the 2025 budget', Unpublished paper, 11 June 2025.

[16] Russian Ministry of Finance, 'Предварительная оценка исполнения федерального бюджета за январь–июнь 2025 года' [Preliminary assessment of federal budget execution for January–June 2025], 7 July 2025.

[17] Maksimova, E., 'Нефтегаз в минусе, оборонные траты пухнут. Хватит ли денег и на людей, и на СВО?' [Oil and gas are in the red, defence spending is ballooning. Will there be enough money for both people and the armed forces?], *Novye Izvestiya*, 6 Aug. 2025.

[18] Rodionov, K., 'Смена приоритетов: Почему 2026-й станет годом сокращения бюджетных расходов в России' [Shifting priorities: Why 2026 will be a year of budget cuts in Russia], *Forbes*, 25 July 2025.

years, the deficit would be manageable: 'The Russian state is quite rational in its economic decision-making . . . Nothing catastrophic awaits us.'[19]

Prospects for military spending

At the end of a summit of the Eurasian Economic Union (EAEU) in Minsk at the end of June, President Putin was asked by a journalist to comment on the decision made a few days earlier by the North Atlantic Treaty Organization (NATO) to increase the military and military-related spending of its member countries to 5 per cent of GDP.[20] In Putin's view, this was aggressive behaviour; he argued that, in contrast,

> We are planning to reduce defence spending; next year, and the year after, and for the next three years. There is no final agreement yet between the Ministry of Defence, the Ministry of Finance and the Ministry of Economic Development, but in general everyone is thinking in this direction. And Europe is thinking about how to increase its defence spending.[21]

As some commentators have argued, Putin was not saying directly that Russia's military spending would soon be reduced; he was engaged in propaganda: an 'aggressive' NATO committed to increased military spending, while Russia—engaged in a 'special military operation', and so spending 'quite a lot'—had plans to reduce it in the future.[22]

A few days later at the Financial Congress of the Bank of Russia, Andrei Kostin, head of VTB (Russia's second largest bank), stated bluntly that the cause of inflation was large military expenditure.[23] He added that, until then, they—probably meaning the economic and banking community—had been timid when speaking of the situation in the economy, but Putin's recent openness on military spending had made it easier to speak of the issue. Kostin noted that, while state spending on the military stimulated production in certain branches of the economy, these were not sectors that produce goods for sale on the market. He added that sanctions were an additional factor. However, not surprisingly, Kostin did not go on to say that the easiest way to reduce the rate of inflation would be to reduce military spending. One commentator observed that VTB is responsible for the management of a major defence industry holding company, the United Shipbuilding Corporation, which receives large-scale budget funding for state defence orders.[24] Kostin's

[19] Senshin, E., '«Экономика, несмотря на все проблемы, может обеспечивать Путину его военную игру»' ['Despite all its problems, the economy can still support Putin's military game'], *Republic*, 24 July 2025 (author translation). For a shorter version in English see Inozemtsev, V. and Senshin, Y., 'The Russian economy, despite all its problems, can sustain Putin's military adventure', Russia.Post, 28 July 2025.

[20] NATO, North Atlantic Council, The Hague Summit Declaration, 25 June 2025.

[21] President of Russia, 'Ответы на вопросы журналистов: По завершении саммита ЕАЭС в Минске Владимир Путин ответил на вопросы российских журналистов' [Answers to journalists' questions: Following the conclusion of the EAEU summit in Minsk, Vladimir Putin responded to questions from Russian journalists], 27 June 2025 (author translation).

[22] E.g. Vladimir Milov, who characterizes Putin's claimed 'reduction' as a 'purely Orwellian phrase', cited in Senshin, E., '«Путин думает, что сможет продолжать войну, пока ресурсы у него еще есть»' ['Putin believes he can continue the war as long as he still has resources'], *Republic*, 14 July 2025.

[23] 'Костин призвал не робко назвать две причины ситуации в экономике' [Kostin urged people not to be afraid to name two reasons for the economic situation], RBK, 2 July 2025.

[24] Ogorodnikov, E., 'Как банкиру стать «голубем»' [How to become a 'dove' as a banker], Monokl, 21 July 2025.

Table 1. Revised economic forecast of the Russian Ministry of Economic Development for 2025–28, basic scenario, September 2025

	2025 forecast	2026 forecast	2027 forecast	2028 forecast
GDP (b. roubles)	217 290	235 067	255 498	276 346
Rate of change in GDP (%)	*1.0*	*1.3*	*2.8*	*2.5*
GDP deflator	106.9	106.8	105.7	105.5
Inflation, year–year (%)	*6.8*	*4.0*	*4.0*	*4.0*
Inflation, annual average (%)	*9.0*	*5.1*	*4.0*	*4.0*
Industrial production, change (%)	*1.5*	*2.3*	*3.1*	*2.8*
Investment in basic capital, change (%)	*1.7*	*–0.5*	*3.8*	*3.3*
Real wages, change (%)	*3.4*	*2.4*	*3.9*	*3.2*
Real disposable income of population, change (%)	*3.8*	*2.1*	*3.5*	*3.0*
Retail trade turnover, change (%)	*2.5*	*1.1*	*3.9*	*3.6*
Unemployment (%)	*2.3*	*2.6*	*2.5*	*2.3*
Price of oil, Brent ($/barrel)	70	70	70	72
Price of oil, Urals ($/barrel)	58	59	61	65
Exchange rate (roubles/$), annual average	86.1	92.2	95.8	100.1
Trade balance ($ b.)	106.9	123.0	135.4	164.0
Exports ($ b.)	412.9	431.5	462.2	505.5
Imports ($ b.)	306.0	308.5	326.9	341.5
Current account balance ($ b.)	37.8	47.8	51.5	70.3
Current account balance as share of GDP (%)	*1.5*	*1.9*	*1.9*	*2.5*

GDP = gross domestic product.

Source: Russian Ministry of Economic Development, 'Прогноз социально-экономического развития Российской Федерации на 2026 год и на плановый период 2027 и 2028 годов' [Forecast of socio-economic development of the Russian Federation for 2026 and the planning period 2027 and 2028], 26 Sep. 2025.

outspokenness has not been subsequently echoed by anyone else in a position of power and influence.

On the 'National defence' budget chapter, the realist Inozemtsev forecast for 2026 that 'Putin will increase nominal outlays on military needs but will not increase them beyond the rate of inflation. The military budget for next year will be kept somewhere in the range 14–15 trillion roubles. If it stays within that range the economy will not face serious problems.'[25] As shown below, this was an overestimate.

A revised forecast and another amendment to the 2025 budget

On 12 September the key interest rate was cut by 1 percentage point to 17 per cent.[26] In taking the decision the Central Bank noted that, while the rate of inflation was moderating, inflationary expectations remained elevated and the rate of corporate crediting had increased. However, growth was declining and the economy was returning to a more stable trajectory. Any

[25] Senshin (note 19) (author translation).

[26] Bank of Russia, 'Банк России принял решение снизить ключевую ставку на 100 б.п., до 17,00% годовых' [The Bank of Russia has decided to lower its key rate by 100 basis points to 17.00% per annum], 12 Sep. 2025.

decision taken at the next meeting of the board of the bank, in October, would take account of the amendments to the 2025 federal budget that the MOF was expected to submit to the Duma.[27]

In late September Minekon published its revised economic forecast for the years 2025–28. As expected, growth prospects were significantly less positive than in the April forecast (see table 1). The forecast rate of growth was now much lower, especially for 2025 and 2026, the Urals oil price was now below $60 a barrel, and the rate of inflation, now estimated to be 9 per cent in 2025, was still optimistically expected to decline quickly to 4 per cent by 2027. It was also thought that unemployment would increase in 2026 as balance was restored to the economy.

At the same time as the government handed over the draft budget for 2026–28 to the Duma, it also submitted the draft of a second amendment to the 2025 budget. This took account of Minekon's September forecast and the budget implementation during the first eight months of the year.

Table 2. The main parameters of the amendments to the 2025 Russian federal budget

Figures are billions of roubles unless otherwise stated.

	Budget law	June amendment	October amendment
Revenue	40 296	38 506	36 562
Oil- and gas-related	10 936	8 317	8 654
Non-oil and gas	29 360	30 189	27 908
Expenditure	41 470	42 299	42 299
Open	29 348	29 767	. .
Classified	12 122	12 532	. .
Deficit	**–1 173**	**–3 792**	**–5 736**
Deficit as a share of GDP (%)	*0.5*	*1.7*	*2.6*
GDP	214 575	221 861	217 290

GDP = gross domestic product.

Sources: *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. *Amendments to 2025–27 federal budget*: Russian Accounts Chamber, *Заключение Счетной палаты Российской Федерации на проект федерального закона № 1026191-8 «О внесении изменений в Федеральный закон «О федеральном бюджете 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. 1026191-8 'On amendments to the federal law "On the federal budget for 2025 and the planning period 2026 and 2027"'] (Accounts Chamber: Moscow, 10 Oct. 2025), p. 20.

The changes proposed were relatively modest (see tables 2 and 3). Changes to open spending by budget chapter mainly affected military spending and some social spending (housing and utilities). The main reduction was to environmental conservation, above all that part of spending linked to the motor industry. The changes to military spending were marginal: planned spending on 'National defence' at 13.6 trillion roubles and total military spending at 16.0 trillion roubles remained at the level in the June amendment, but their respective shares of GDP (as estimated at the time) rose to 6.2 per cent (from 6.1 per cent) and 7.3 per cent (from 7.2 per cent).[28]

The law on amendments to the 2025 budget was approved as submitted by the government, with no changes, at both second and third readings by the State Duma on 21 October 2025, with a final vote of 402 in favour, none against

[27] Nabiullina, E., Governor of the Bank of Russia, Statement following the meeting of the Bank of Russia Board of Directors, 12 Sep. 2025 (in Russian).

[28] Author's analysis; and Russian State Duma, Committee on Defence, 'Заключение "По проекту федерального закона N 1026181-8 'О федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов'"' [Conclusion 'On Draft Federal Law no. 1026181-8 "On the federal budget for 2026 and the planning period 2027 and 2028"'], 8 Oct. 2025.

Table 3. Amendments to the 2025 Russian federal budget, by budget chapter

Figures are billions of roubles.

	As budget law	Amended budget	Change
1 General state issues	2 467.7	2 436.1	−31.6
2 National defence	13 087.4	13 574.8	+487.4
3 National security and law and order	3 438.4	3 448.7	+10.3
4 National economy	4 377.4	4 405.2	+27.8
5 Housing and utilities	1 815.5	2 331.3	+515.8
6 Environmental conservation	891.1	648.9	−242.2
7 Education	1 597.0	1 607.4	+10.4
8 Culture and cinema	234.6	232.1	−2.5
9 Healthcare	1 884.2	1 894.4	+10.2
10 Social policy	6 881.5	6 923.3	+41.8
11 Physical fitness and sport	69.7	69.9	+0.2
12 Mass media	140.3	141.6	+1.3
13 Debt servicing	3 181.7	3 181.7	–
14 Inter-budget transfers	1 403.1	1 403.3	+0.2
Total	**41 469.6**	**42 298.7**	**+829.1**

Sources: *Budget law*: 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). *Amended budget*: Russian Federal Law no. 414-ФЗ 'О внесении изменений в Федеральный закон "О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов"' [On amendments to the Federal Law 'On the federal budget for 2025 and the planning period 2026 and 2027'], 4 Nov. 2025.

and 1 abstention.[29] It was signed into law by President Putin on 4 November and then published.[30]

The draft three-year budget for 2026–28

The draft budget for 2026–28 was submitted to the State Duma on 29 September 2025 and registered as bill no. 1026181-8.[31] It set revenue in 2026 optimistically at 3.7 trillion roubles more than in the 2025 amended budget but, with expenditure increased by 1.8 trillion roubles, the deficit was expected to fall from 2.6 per cent of GDP to 1.6 per cent (see table 4). The deficit was then set to fall in 2027 to only 1.2 per cent of GDP.

Planned spending of 12.9 trillion roubles on 'National defence' in 2026 was lower than in the amended budget for 2025 (13.6 trillion roubles), but planned to be higher in 2027 (see table 5). However, planned spending on

[29] 'Госдума рассмотрит корректировку федерального бюджета на 2025 год без доработок' [State Duma will consider amendments to the federal budget for 2025 without further changes], Finmarket, 21 Oct. 2025; and 'Госдума приняла закон о корректировке федерального бюджета на этот год' [State Duma passes law on amending the federal budget for this year], Finmarket, 21 Oct. 2025; and 'Госдума приняла закон об изменениях в федеральный бюджет на 2025 год' [State Duma adopts law on changes to the federal budget for 2025], *Parlamentskaya gazeta*, 21 Oct. 2025.

[30] Russian Federal Law no. 414-ФЗ 'О внесении изменений в Федеральный закон "О федеральном бюджете на 2025 год и на плановый период 2026 и 2027 годов"' [On amendments to the Federal Law 'On the federal budget for 2025 and the planning period 2026 and 2027'], 4 Nov. 2025.

[31] Russian State Duma, Draft Federal Law no. 1026181-8, 'О федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов' [On the federal budget for 2026 and the planning period 2027 and 2028], 29 Sep. 2025.

Table 4. The main parameters of the amended Russian federal budget for 2025 and the draft budget for 2026–28

Figures are billions of roubles unless otherwise stated.

	2025	2026	2027	2028
Revenue	36 562	40 283.3	42 910.4	45 869.4
Oil- and gas-related	8 654	8 918.6	9 050.4	9 704.7
Non-oil and gas	27 908	31 364.7	33 859.9	36 164.6
VAT increase	. .	1 186.7	1 559.5	1 676.8
Expenditure	42 299	44 069.7	46 096.1	49 383.2
Deficit	**–5 736**	**–3 786.4**	**–3 185.7**	**–3 513.9**
Deficit as a share of GDP (%)	*2.6*	*1.6*	*1.2*	*1.3*
State programmes	. .	33 066	33 271	35 690

GDP = gross domestic product; VAT = value-added tax.

Sources: *Amended budget for 2025*: As table 2. *Draft budget for 2026–28*: Russian State Duma, Draft Federal Law no. 1026181-8, 'О федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов' [On the federal budget for 2026 and the planning period 2027 and 2028], 29 Sep. 2025.

Table 5. Spending in the draft Russian federal budget for 2026–28, by budget chapter

Figures are billions of roubles and shares (%) of total expenditure.

	2026		2027		2028	
	b. roubles	%	b. roubles	%	b. roubles	%
1 General state issues	2 757.5	*6.2*	2 849.1	*6.2*	2 984.5	*6.0*
2 National defence	12 930.5	*29*	13 565.9	*29*	13 048.8	*26*
3 National security and law and order	3 910.1	*8.9*	4 234.3	*9.2*	4 430.0	*9.0*
4 National economy	4 768.4	*11*	4 916.8	*11*	5 476.9	*11*
5 Housing and utilities	1 996.1	*4.5*	1 399.0	*3.0*	1 431.1	*2.9*
6 Environmental conservation	1 102.7	*2.5*	1 370.6	*3.0*	1 627.2	*3.3*
7 Education	1 744.4	*4.0*	1 879.8	*4.1*	2 036.1	*4.1*
8 Culture and cinema	306.3	*0.7*	324.4	*0.7*	337.1	*0.7*
9 Healthcare	1 877.0	*4.3*	1 923.5	*4.2*	2 087.6	*4.2*
10 Social policy	7 103.5	*16*	7 089.8	*15*	7 269.6	*15*
11 Physical fitness and sport	74.8	*0.2*	75.0	*0.2*	80.5	*0.2*
12 Mass media	146.3	*0.3*	100.4	*0.2*	99.2	*0.2*
13 Debt servicing	3 900.2	*8.9*	3 757.5	*8.1*	4 522.5	*9.2*
14 Inter-budget transfers	1 452.1	*3.3*	1 457.6	*3.2*	1 483.1	*3.0*
Total	**44 069.7**	***100***	**46 096.1**	***100***	**49 383.2**	***100***
Conditionally approved	–	–	1 152.4	*2.5*	2 469.2	*5.0*

Source: Russian State Duma, Draft Federal Law no. 1026181-8, 'О федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов' [On the federal budget for 2026 and the planning period 2027 and 2028], 29 Sep. 2025.

national security and law and order was set to increase in both nominal terms and as a share of total spending. This was also true of the chapters on national economy, education and—unsurprisingly, given the high interest rates—debt servicing. Indeed, the expected cost of debt servicing is equivalent to almost one third of 'National defence' spending, while social spending was set to fall as a share of total expenditure (see also section III).

Table 6. The Russian federal budget for 2026 and the original draft budget

Figures are billions of roubles.

	Draft budget	Budget law	Change
1 General state issues	2 757.5	2 751.3	−6.2
2 National defence	12 930.5	12 121.0	−809.5
3 National security and law and order	3 910.1	3 826.7	−83.4
4 National economy	4 768.4	4 843.7	+75.3
5 Housing and utilities	1 996.1	2 031.4	+35.3
6 Environmental conservation	1 102.7	1 102.5	−0.2
7 Education	1 744.4	1 747.4	+3.0
8 Culture and cinema	306.3	304.8	−1.5
9 Healthcare	1 877.0	1 904.9	+27.9
10 Social policy	7 103.5	7 838.7	+735.2
11 Physical fitness and sport	74.8	73.8	−1.0
12 Mass media	146.3	148.9	+2.6
13 Debt servicing	3 900.2	3 900.2	–
14 Inter-budget transfers	1 452.1	1 474.5	+22.4
Total	**44 069.7**	**44 069.7**	–

Sources: *Draft budget*: As table 5. *Budget law*: Russian Ministry of Finance (MOF), *Бюджет для граждан к федеральному закону о федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов* [Budget for citizens to the federal law on the federal budget for 2026 and for planning period 2027 and 2028] (MOF: Moscow, 2025).

The first reading took place in the Duma on 22 October 2025, with the approval of the basic parameters of the draft budget; 323 deputies voted in favour and none against, with 79 abstaining.[32] For the second reading, on 18 November, 751 amendments were submitted, including 590 from the government to a total sum of over 7 trillion roubles. According to the minister of finance, Anton Siluanov, a significant part of the government amendments aimed at covering the country's defence and security needs, including those of the 'special military operation'.[33] Others were concerned with national projects and state programmes, including an additional 35 billion roubles for the 'new regions' (i.e. occupied Ukrainian territory). The government amendments, all of which were approved by the deputies, included 39 relating to classified spending according to the chair of the budget committee, Andrei Makarov.[34] At the third and final reading, on 20 November, 348 deputies voted in favour of the budget as amended, 1 against (an error) and 56 abstained.[35] It was then quickly approved by the Federation Council, signed off by President Putin on 28 November and published the same day.[36]

After its publication there was surprisingly little comment in the media, with the reduced level of spending on 'National defence' being hardly noticed at all. However, at that time the final details of funding by budget chapters were not known; they were only revealed by the MOF, according to what has become an annual practice, at the end of the year.

III. Military spending in 2025 and in the federal budget for 2026–28

The *Budget for Citizens* on the 2026 federal budget was published by the Ministry of Finance on 29 December 2025.[37] It is brief—only 20 pages—but does set out total spending by each budget chapter for the three years

[32] Russian State Duma, Chronicle, 22 Oct. 2025 (in Russian).
[33] Russian Government, Government meeting, Transcript, 6 Nov. 2025 (in Russian).
[34] Russian State Duma, Transcript, 18 Nov. 2025 (in Russian).
[35] Russian State Duma, Chronicle, 20 Nov. 2025 (in Russian).
[36] Russian Federal Law no. 426-ФЗ 'О федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов' [On the federal budget for 2026 and the planning period 2027 and 2028], 28 Nov. 2025.
[37] Russian Ministry of Finance (MOF), *Бюджет для граждан к федеральному закону о федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов* [Budget for citizens to the federal law on the federal budget for 2026 and for planning period 2027 and 2028] (MOF: Moscow, 2025).

2026–28, plus the final totals for the amended budget of 2025, which were not previously available.[38] The data was revealing: perhaps for the first time ever the final total for 'National defence' in 2026 was less than that specified in the draft version of the budget law. There were other significant changes to spending plans for 2026, but only minor changes to spending in 2027 and 2028. For this reason, it is worth considering the final law for 2026 in some detail and the extent to which it was amended at the second reading (see table 6).

While 'National defence' was reduced by more than 800 billion roubles (6.3 per cent) and 'National security and law and order' by more than 80 billion roubles (2.1 per cent), 'Social policy' was increased by 735 billion roubles (10 per cent) and allocations to a number of other chapters also increased, but to a modest extent. Based on these figures, an updated estimate of military spending in 2025–28 can be made (see table 7).

Total military expenditure in the final 2025 budget amounted to almost 16 trillion roubles, equivalent to 7.5 per cent of GDP and 38 per cent of total planned government spending. The final total may in fact be a little higher as on 19 January 2026 the MOF published its provisional total budget expenditure for 2025: at 42 928 billion roubles it was about 630 billion roubles more than the earlier forecast.[39] This suggests a possible additional 250 billion roubles of military spending, giving possible total military spending of about 16.2 trillion roubles in 2025.

The 2025 figures have been corroborated by the defence minister, Andrei Belousov. At a December 2025 meeting of the enlarged board of the Ministry of Defence at which President Putin also spoke, Belousov made a statement on military spending.[40] In it he noted that the military had operated in conditions of severe financial constraints in 2025. At the same time, military operations had led to a need for increased funding. This had necessitated rigorous optimization of spending, with a restructuring of its internal mechanisms, planning and execution (see section IV). Austerity measures had been imposed on spending not directly related to combat operations, some spending deferred and some reduced. This had made it possible to reduce the overall value of such expenditure from 2.7 per cent of GDP in 2024 to 2.2 per cent in 2025. Although spending directly devoted to the 'special military operation' had increased, measures had been taken to restrict the increase, with strict prioritization and oversight. Continuous budget monitoring had been implemented with the aim of finding internal reserves. According to Belousov, these measures had given a saving of nearly 1 trillion roubles in 2025. Overall, he stated, the spending of the MOD in 2025 amounted to 7.3 per cent of GDP—close to the above estimate of total military spending at 7.5 per cent of GDP. Moreover, by subtracting the expenditure he had earlier claimed was not devoted to the war, it can be concluded that military spending on the war was equivalent to 5.1 per cent of GDP in 2025 and approximately 4.5 per cent in 2024.

[38] Russian Ministry of Finance (note 37), p. 12.

[39] Russian Ministry of Finance (MOF), 'Предварительная оценка исполнения федерального бюджета за 2025 год' [Preliminary assessment of the implementation of the federal budget for 2025], 19 Jan. 2026.

[40] President of Russia, 'Расширенное заседание коллегии Минобороны' [Extended meeting of the board of the Ministry of Defence], 17 Dec. 2025.

Table 7. Total military expenditure by Russia, 2025–28

Figures are millions of roubles unless otherwise stated.

	2025 amended budget law	2026 budget law	2027 budget law	2028 budget law
02 'National defence': open spending				
01 Armed Forces of the Russian Federation	2 546 122	2 626 854	2 067 707	2 177 497
03 Mobilization and extra-forces training	16 992	19 649	20 479	22 563
04 Mobilization preparation of economy	–	–	–	–
05 Collective security and peacekeeping	–	–	–	–
06 Nuclear weapons complex	–	–	–	–
07 International obligations, military-technical cooperation	4 676	2 290	2 379	2 486
08 Applied R&D in field of national defence	25 089	26 177	27 075	27 633
09 Other questions of national defence	290 696	259 402	269 949	277 402
Total open spending	**2 883 575**	**2 934 372**	**2 387 589**	**2 507 581**
Total 'National defence'[a]	**13 574 800**	**12 121 000**	**13 512 500**	**12 985 400**
Classified residual	10 691 225	9 186 628	11 124 911	10 477 819
Other military expenditure				
Other MOD expenditure:				
Housing	124 396	156 548	129 227	134 805
Environment	3 774	4 035	4 442	4 769
Education	55 670	62 243	65 637	69 033
Health	137 344	150 965	133 327	138 776
Culture and cinematography	9 926	14 104	12 047	11 672
Physical culture and sport	5 031	5 198	5 300	5 554
Mass media	2 579	2 657	2 685	2 711
Pensions of service people[b]	557 420	601 728	[631 815]	[663 400]
Social support	603 643	447 850	521 705	547 041
Classified 'Social policy'	241 900	594 400	..	..
Paramilitary forces:				
Troops of the National Guard (Rosgvardiya)[c]	[392 927]	[447 000]	[434 987]	[454 180]
Open spending	367 427	417 700	404 687	422 080
State defence order (GOZ)	[25 500]	[29 300]	[30 300]	[32 100]
Border Service of FSB[c]	[244 000]	[268 000]	[284 000]	[298 000]
Support for closed towns of MOD and Rosatom	8 952	8 952	8 952	8 952
Support for Baikonur Space Centre	1 198	1 198	1 198	1 198
Total other military expenditure	**2 388 760**	**2 764 878**	**2 235 322**	**2 340 091**
Total military expenditure	**15 963 560**	**14 885 878**	**15 747 822**	**15 325 491**
Total budget expenditure	**42 298 700**	**44 069 704**	**46 096 121**	**49 383 233**
'National defence' as share of total expenditure (%)	*32*	*28*	*29*	*26*
Total military expenditure as share of total expenditure (%)	*38*	*34*	*34*	*31*
Gross domestic product	213 515 800	235 067 000	255 498 000	276 346 000
'National defence' as share of GDP (%)	*6.4*	*5.2*	*5.3*	*4.7*
Total military expenditure as share of GDP (%)	*7.5*	*6.3*	*6.2*	*5.5*

. . = 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] 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, in 2025 there was no spending on arms recycling and spending on mobilization preparation is classified, so not available.

[b] 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.

[c] The figures for paramilitary forces are estimates. For Rosgvardiya, the estimated state defence order (GOZ) is added to known total open spending.

Sources: *Amended budget law 2025*: As table 3. *Actual 2025 GDP*: Russian Federal State Statistics Service (Rosstat), *Социально-экономическое положение России 2025 год* [The socio-economic situation in Russia in 2025] (Rosstat: Moscow, [6 Feb. 2026]). *Budget law 2026–28*: Russian Federal Law no. 426-ФЗ 'О федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов' [On the federal budget for 2026 and the planning period 2027 and 2028], 28 Nov. 2025. *'National defence' all years*: Russian Ministry of Finance (MOF), *Бюджет для граждан к федеральному закону о федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов* [Budget for citizens to the federal law on the federal budget for 2026 and for planning period 2027 and 2028] (MOF: Moscow, 2025).

As a share of GDP, military spending is planned to fall by more than 1 percentage point in 2026, with a similar decline in 'National defence'. However, it is early in the year and the 2026 budget may well be amended later; perhaps, as in 2025, more than once. As it stands, military expenditure is set to decline in real terms by 13 per cent (see table 8).

Social spending on the military

Military spending is beginning to eat into spending on the budget's 'Social policy' chapter (see table 9). From the data available in the *Budget for Citizens* it can be calculated that there was classified spending in the 'Social policy' chapter of 242 billion roubles in 2025, increasing to 594 billion roubles in the 2026 budget (see table 7); this was clearly military-related. Indeed, classified spending on 'Social policy' together with spending by the MOD on 'Social support' accounted for 5.3 per cent of total military spending in 2025 and 7.0 per cent in 2026.

As the military component of the budget chapter 'Social policy' has increased, civilian 'Social policy' has been steadily, but significantly, reduced—both as a share of GDP and in real terms. Most Russian citizens appear to be unaware of this cost of the war. In the budget for 2026, civilian 'Social policy' is only two thirds of the amount in 2020. Official claims that spending on social policy has been maintained or even increased ring hollow.[41]

Other war-related spending

Regional budgets

The above estimates of military spending do not include military-related spending by the regional governments of Russia. Regional budgets have played an important role in providing payments to those signing up to contracts to serve in the armed forces and providing compensation payments to those injured in combat and the families of deceased troops. Regions

[41] E.g. 'Силуанов заявил о сохранении приоритетов бюджета на 2026–2028 годы' [Siluanov announces that budget priorities for 2026–2028 remain unchanged], RIA Novosti, 26 Nov. 2025.

Table 8. The trend of total military spending by Russia, 2015–28

Figures for gross domestic product (GDP) and military expenditure are in current roubles. All changes are in real terms, calculated using the GDP deflator.

	GDP			Military expenditure		
Year	Total (m. roubles)	Change (%)	GDP deflator	Total (m. roubles)	Change (%)	As share of GDP (%)
2028[a]	276 346 000	*+2.5*	105.5	15 325 491	*–7.8*	*5.5*
2027[a]	255 498 000	*+2.8*	105.7	15 747 822	*+0.1*	*6.2*
2026[a]	235 067 000	*+1.3*	106.8	14 885 878	*–13*	*6.3*
2025[b]	213 515 800	*+1.0*	104.5	15 963 560	*+6.1*	*7.5*
2024	201 152 100	*+4.9*	110.7	14 393 000[c]	*+38*	*7.2*
2023	176 413 900	*+4.1*	106.7	9 435 000[c]	*+19*	*5.3*
2022	156 941 000	*–1.4*	118.2	7 456 933	*+30*	*4.8*
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[d]	*–8.2*	*4.0*
2016	85 616 100	*+0.2*	102.8	3 830 548[d]	*–7.5*	*4.5*
2015	83 087 400	*–2.0*	107.2	4 026 284	*+17*	*4.8*

[a] Figures for 2026–28 are budget figures.
[b] Figures for 2025 are from the amended budget.
[c] These figures are author estimates.
[d] These figures exclude payments to clear past debts.

Sources: *GDP total, change and deflator*: 2015–25 actual from latest Rosstat data; 2026–28 from Minekon forecast of Sep. 2025 (as table 1). *Total military expenditure*: 2015–21, author's earlier papers on Russian military spending; 2022 now based on official data for the year in Russian Federal Treasury, 'Консолидированный бюджет РФ и бюджетов государственных внебюджетных фондов' [Consolidated budget of the Russian Federation and budgets of state extrabudgetary funds], 2022; 2023–24 revised with account of the 2022 data; 2025–28 as in table 7.

Table 9. The trend of spending on civil 'Social policy' in the Russian federal budget, 2019–28

All changes are in real terms, calculated using the gross domestic product (GDP) deflator.

	Total	Military component		Civil 'Social policy'			
Year	'Social policy'[a] (b. roubles)	Total (b. roubles)	Share (%)	Total (b. roubles)	Change (%)	Index (2020 = 100)	As share of GDP (%)
2028	7 345	1 210	*17*	6 135	*–3.1*	67.0	*2.2*
2027	7 153	1 154	*16*	5 999	*–8.4*	69.2	*2.3*
2026	7 839	1 644	*23*	6 195	*+5.1*	75.6	*2.4*
2025	6 923	1 406	*20*	5 517	*–22*	72.0	*2.6*
2024	7 855	1 059	*13*	6 796	*–4.8*	92.6	*3.4*
2023	7 331	884	*12*	6 447	*+15*	97.3	*3.7*
2022	5 823	568	*9.8*	5 255	*–12*	84.6	*3.3*
2021	5 576	535	*9.6*	5 041	*–3.1*	95.9	*3.7*
2020	4 990	587	*12*	4 403	*+1.0*	100.0	*4.1*
2019	4 873	553	*11*	4 320	*–3.1*	95.0	*3.9*

[a] This is chapter 10 of the federal budget.

Sources: *GDP total, change and deflator*: As table 8. *Social policy spending*: Compiled from budget laws (and amended budget for 2025) and *Budget for Citizens* of relevant years.

allocated about 0.5 trillion roubles for each of these purposes in 2025.[42]

However, regions have been under increasing financial strain as a falling rate of growth of industrial output has reduced profits tax—a crucial source of revenue for regions—while all kinds of social payments have been increased in line with inflation. Overall, the consolidated budget for 2025 (federal, plus regional and extra-budget funds) had a deficit of almost 4 per cent of GDP.[43] These pressures must be making it more difficult for many regions to offer high sign-up payments. In addition, the mounting pressure on profits and living standards may be limiting voluntary contributions to funding the war by both corporations and individuals.[44]

Table 10. Budget allocations to the Russian-occupied regions of Ukraine, 2025 and 2026–28

Figures are millions of roubles.

State programme	2025	2026	2027	2028
45 Crimea and Sevastopol	111 058	93 790	107 794	106 500
60 'New regions'	325 861	298 428	330 108	326 767
Total	**436 919**	**392 218**	**437 902**	**433 267**

Note: Figures for 2025 are from the budget listing of 1 Oct. 2025. Figures from 2026–28 are from the budget law. Here, 'New regions' refers to occupied areas of Donetsk, Kherson, Luhansk and Zaporizhzhia oblasts.

Sources: *2025*: As table 2. *Budget law 2026–28*: Russian Federal Law no. 426-ФЗ 'О федеральном бюджете на 2026 год и на плановый период 2027 и 2028 годов' [On the federal budget for 2026 and the planning period 2027 and 2028], 28 Nov. 2025.

War-related funding to regions

Another element of war-related federal government spending that is not included in the estimate of military expenditure is budget allocations to Russian-occupied parts of Ukraine. These remain a burden on the federal budget, although in the 2026–28 budget the funding is not as large as in 2025 (see table 10).

An additional war-related cost that is likely to increase in the course of the year is funding to restore the territory of Kursk oblast, after its recapture from temporary Ukrainian occupation, and to repair damage in Belgorod and Bryansk oblasts caused by Ukrainian uncrewed aerial vehicle (UAV) and missile attacks, plus compensation to residents affected. Early in 2025 the acting minister for restoring Kursk oblast valued the total cost of making good the damage there at about 750 billion roubles. The governor of Kursk, Aleksandr Khinshtein, later valued the losses of agriculture alone at close to 100 billion roubles. In Belgorod oblast the equivalent losses to agriculture have been estimated as almost 5 billion roubles and the total harm to businesses of the region from the start of the war at over 11 billion roubles.

According to Khinshtein, early in 2025 President Putin approved the drawing up of a programme to restore Kursk oblast and in May the governor said that it would be ready by the beginning of July.[45] This task appears to have broadened as on 22 May Putin approved an assignment for the preparation of a new programme for the restoration of Belgorod, Kursk and Bryansk

[42] Kluge, J., 'Russia's consolidated budget deficit reached almost 4 per cent of GDP in 2025', Russianomics, 7 Feb. 2026.

[43] Kluge (note 42).

[44] On the organizations raising money to aid those fighting in the war see e.g. Kolash, D., 'Жители России пожертвовали более 22 млрд рублей на нужды военных' [Russian citizens donated over 22 billion roubles to support the military], Gazeta.ru, 4 Apr. 2025.

[45] On the restoration of Kursk oblast see Soloveva, O., 'Курская область обещает представить план восстановления к июлю' [Kursk oblast promises to present recovery plan by July], *Nezavisimaya gazeta*, 18 May 2025.

Table 11. Funding of civil defence, Russian Ministry of Civil Defence, Emergencies and Disaster Relief, 2021–28

Figures are millions of roubles.

	Civil defence
2028	28 209
2027	27 113
2026	29 939
2025	22 857
2024	25 298
2023	22 232
2022	26 598
2021	51 067

Sources: *2021–24*: Actual spending according to law on budget implementation. *2025–28*: Budget allocation according to federal budget laws.

oblasts.[46] The following day a Minekon meeting chaired by the minister, Maksim Reshetnikov, discussed measures to restore housing, social provision, infrastructure, transport and communications, as well as the revival of local industry and agriculture.[47] The required funding will probably be significant, but no figure is available at the time of writing.

On 6 December 2025 the first deputy prime minister, Denis Manturov, convened a meeting of officials to discuss aid to Kursk oblast.[48] It was reported to the meeting that in 2024–25 more than 220 billion roubles had been allocated to the region from the federal budget, of which 190 billion was for various kinds of assistance to the population, including one-off financial support, housing and health. From the beginning of 2025, monthly financial aid to the population totalling 82 billion roubles had been disbursed. Manturov gave details of a programme for the restoration and development of border regions that had been approved. Its first stage would see the allocation of 38.2 billion roubles in the period up to 2027 directed towards ensuring security, restoration of social facilities and infrastructure, and support for the local economies.

Although there have been several references to the approval of the programme, no evidence for this has been found and there is no reference to it in the budget for 2026–28.

Civil defence

As the war has continued, Russian territory has been hit by Ukrainian UAVs and missiles to an increasing extent and the number of civilian casualties has steadily increased. In November 2025 it was revealed that in the year so far 392 people had been killed by strikes on civilian objects.[49] Yet, federal budget funding of civil defence since the full-scale invasion has been modest.

Allocations are made under subchapter 3.8 of the budget, but this covers the activities of two agencies: the Ministry of Civil Defence, Emergencies and Disaster Relief (MChS), responsible for civil defence for the population; and the Main Directorate of Special Programmes (GUSP), responsible for protection of the principal institutions of the state and the country's leaders. GUSP's budget is totally classified. However, before the war it was possible to determine its budget funding by subtracting known MChS funding from total funding under subchapter 3.8. Since the start of the war, it is likely that GUSP has received increased allocations, but this cannot be determined as GUSP is

[46] 'Путин поручил создать программу восстановления пострадавшего приграничья' [Putin orders creation of programme to restore affected border areas], RIA Novosti Krym, 22 May 2025.

[47] Russian Ministry of Economic Development, 'В Минэкономразвития прошло совещание по формированию программы восстановления Белгородской, Курской и Брянской областей' [Ministry of Economic Development holds meeting on development of a programme for the restoration of Belgorod, Kursk and Bryansk oblasts], 31 May 2025.

[48] Russian Government, 'Денис Мантуров провёл совещание по оказанию содействия Курской области' [Denis Manturov holds meeting on providing assistance to the Kursk oblast], 6 Dec. 2025.

[49] Sechkin, D., 'Агрессивное наведение: Боевики ВСУ убили дронами 392 мирных россиянина' [Aggressive targeting: Militants of the Ukrainian armed forces killed 392 Russian civilians with drones], *Izvestiya*, 12 Nov. 2025.

part of classified funding under chapter 3 of the budget. The MChS allocation to civil defence is open (see table 11).

It is notable that the final allocation of 30 billion roubles in the budget law for 2026 was significantly more than in the draft budget for 2026–28, where it was 26 billion roubles, almost the same as actual spending in 2024. This suggests strongly that in the summer and early autumn of 2025 the Russian government finally became aware of the seriousness of the need to defend its population from Ukrainian UAVs and missiles. This was underlined in early November 2025 when President Putin decreed that some personnel of the mobilization reserve of the armed forces should be called up in 2026 to protect objects that are critically important or vital for life support.[50] The MOD was to draw up a list of the objects to be defended. It is not clear how those called up will receive payment, but from the approach adopted it appears that the funding will come at least initially from regional budgets. However, this often means that in the end federal budget resources are drawn on to cover shortfalls and debts. It is also not clear what weapons will be used to bring down UAVs and missiles.

Defence- and security-related fundamental research

There is one more missing component of military spending: allocations to fundamental research in the interests of defence and security. The spending is classified and there is no indirect means of establishing its value. It is allocated to fund the secret sixth subprogramme of the state programme 'Fundamental scientific research in the Russian Federation for the long-term period 2021–30', adopted in 2020. The subprogramme is devoted to 'fundamental and exploratory research in the interests of defence and security' and, according to Gennady Krasnikov, president of the Russian Academy of Sciences, funding of it began at the end of 2023.[51] It is possible that this has grown rapidly, but not necessarily to fund developments directly related to the war; for example, it probably includes advanced materials and electronic components linked to the Burevestnik and Poseidon strategic nuclear weapon projects.

This subprogramme is an unknown part of the total classified component of chapter 1 of the federal budget, which is known to also include the secret part of the funding of Russia's state strategic reserves (i.e. war-related activities and mobilization preparation), which may well have grown to a significant extent since the beginning of 2022. However, since the war started it cannot be ruled out that other lines of classified funding may have started.

The classified component of the funding of chapter 1 in budget laws increased from 162 billion roubles in 2023 to 217 billion roubles in 2025. Total open funding of subchapter 10 on 'Fundamental research' increased from 261 billion roubles in 2024 to 311 billion roubles in 2025.[52] However, this covers eight subprogrammes, with an average of around 40 billion roubles

[50] 'Путин подписал закон о сборах резервистов для защиты важных объектов' [Putin signs law on reservists being called up to protect important facilities], RBK, 4 Nov. 2025.

[51] 'Программу исследований РАН в интересах безопасности РФ могут продлить на 10 лет' [The Russian Academy of Sciences' research programme for the security of the Russian Federation may be extended for 10 years], TASS, 11 July 2024.

[52] Calculated from total given by the *Budget for Citizens* of each year and open spending in the budget law.

each. This suggests that the allocation to the secret subprogramme 6 is of the order of 40–60 billion roubles a year or even more—a significant but not substantial addition to total military funding.

IV. Reasons underlying reduced military spending in 2026

Several factors appear to lie behind the reduced allocation to the military in 2026, not least the worsening economic situation and increasing pressures on the budget. The most important factors in the response of the military are probably an MOD leadership that is more committed to the effective use of budget funding than in the past and probable changes in armament procurement.

New leadership in the Ministry of Defence

Belousov, who has led the Russian MOD since May 2024, is an economist; one of the two first deputy ministers is another economist, Leonid Gornin. Before his MOD appointment in June 2024, Gornin had been the first deputy finance minister under Siluanov since 2018, responsible for funding the military and other power agencies. He is thus well informed on the finances of the military and probably well aware of its shortcomings, including corruption, which developed on a large scale when Sergei Shoigu was defence minister, as later trials revealed.[53] According to the MOD press service, Gornin was appointed in order to enhance the transparency of the ministry's financial flows and ensure the effective use of funding.[54]

Belousov has been active in promoting more modern methods of management, in particular the adoption by the MOD of lean management methods (бережливое управление, *berezhlivoe upravlenie*). At a meeting of the enlarged MOD board in December 2024, he emphasized the importance of lean management to significantly reduce the time devoted to administrative processes and cut costs.[55] A pilot project had been undertaken with the participation of the State Atomic Energy Corporation Rosatom, which had given excellent results.

Lean management methods were widely introduced in the MOD in 2025 with the creation of a new subdivision, a department for performance improvement. Uniformed and civilian personnel were to receive training and about 100 projects for improving performance had been identified in 50 spheres of activity.[56] In September 2025 Belousov led a meeting promoting the use of lean management in the ministry to accelerate the completion of current tasks, eliminate duplication of effort, minimize documentation and

[53] On one of the most prominent cases see 'Former Russian deputy defense minister Ivanov gets 13 years on corruption charges', Radio Free Europe/Radio Liberty, 1 July 2025.

[54] 'В Минобороны назвали задачей Горнина повышение прозрачности финансовых потоков' [Ministry of Defence states that Gornin's task is to increase the transparency of financial flows], *Izvestiya*, 17 June 2024.

[55] Obozov, S. A., 'Бережливое управление в армии' [Frugal management in the army], Chronicle of Frugal Victories, 25 Dec. 2024.

[56] 'Минобороны внедрит систему бережливого управления еще в 50 сферах' [The Ministry of Defence will implement a lean management system in 50 more areas], RIA Novosti, 17 Dec. 2025.

reduce costs.[57] In October 2025 some details of lean management activities were revealed in the media, including an intensive retraining programme for ministerial officials, the reduction of time-consuming form-filling procedures at all levels, digitalization and a general emphasis on cost-effectiveness (Экономичность, '*ekonomichnost*').[58] The extent of possible costs savings has not been indicated. At the same time, another linked priority direction was identified: the creation of a single digital environment within the MOD, replacing the approximately 100 existing separate, poorly integrated information systems. It was planned that the process would be completed by the end of 2027.[59]

Gornin's activities have received little publicity, but in August 2025 he spoke about implementing a transition to a new model of financial planning and implementation of the defence budget, involving optimization of the management structure of the central military administration.[60] The MOD was also aiming to reform lower levels of financial management, including the regional dimension, in order to form a fully integrated system throughout the ministry. In October he said that the reform of the financial and economic service of the ministry—from the centre to each regiment, brigade and division—would be completed by the end of the year.[61]

It is likely that both Belousov and Gornin have been in post long enough to achieve some results and the reduced funding allocation for 2026 may well to some extent reflect this.

Changes in armament procurement

Restructuring of weapon procurement has meant a greater emphasis on lower-cost systems. The conflict in Ukraine has become a war of attrition; the battlefield is overseen on both sides by uncrewed aerial vehicles and any advance has to be rapid, which limits the use of heavy armour. Most of the UAVs being used are relatively cheap—much less costly than tanks, armoured vehicles or trucks. Furthermore, it makes little sense to put a costly combat aircraft or helicopter at risk over or near the battlefield when it can easily be shot down by a much cheaper UAV or missile.

In these circumstances it is not surprising that the Russian forces quickly realized that using heavy Kamaz or Ural military trucks was not viable as they are slow and easily destroyed by landmines and UAVs. Instead, lighter and faster civil means of transport—such as old UAZ vans and Lada cars, then motorcycles, quad bikes and buggies—were put into use in order to move rapidly across frontal zones.[62] These means of transport, frequently imported

[57] 'Белоусов провел совещание по внедрению бережливого управления' [Belousov holds meeting on implementation of lean management], TASS, 12 Sep. 2025.

[58] 'Минобороны срежет «бумажные» приказы и «административные дубли»' [The Ministry of Defence will cut down on unnecessary 'paperwork' and 'administrative redundancies'], RBK, 22 Oct. 2025.

[59] Obozov (note 55).

[60] Zvezada TV, 'Минобороны сформировало бюджет на 2026–2028 годы' [The Ministry of Defence has drawn up a budget for 2026–2028], Rambler, 30 Aug. 2025.

[61] 'Финансово-экономические службы войдут в штаты полков, бригад и дивизий' [Financial and economic services to be incorporated into regiments, brigades and divisions], TASS, 22 Oct. 2025.

[62] For a vivid account of changing transport equipment in the course of the war see Shemelov, S., '«Буханки» против дронов: как меняется автопарк в зоне боевых действий' ['Loaves' versus drones: How the vehicle fleet is changing in the combat zone], Biznes Online, 25 Oct. 2025. 'Loaf' is a colloquial

from China, were often supplied by volunteers or the families of combatants, with no cost to the armed forces. At the same time large quantities of UAVs of many types were put into operation, especially the small first-person-view (FPV) type, imported from China or assembled in Russia from Chinese components. In September 2025 it was reported from Ukraine that Russian forces had been using few tanks in combat.[63] While it was later reported that more Russian tanks had been seen, the overall trend appears to have been that the use of tanks in large numbers declined over time.[64] It was speculated that they were perhaps being held back in reserve for a future assault, but Russia may have decided, with a high rate of destruction of tanks in combat in a UAV-overseen battlefield, to reduce the deployment rate. Finally, in late September it was revealed that Russia was considering bringing cavalry horses back into use as a means of transport on the battlefield.[65] All these developments suggest that Russia is beginning to make significant cost savings in supplying equipment for use in the war.

It took some time before Russian military specialists started to discuss lessons learned from the 'special military operation', at least in public. One of the first was an article by specialists of the Mozhaisk Military-Space Academy in early 2024 that raised a number of pertinent issues on the new predominance of UAVs, the possible diminution of the role of tanks and heavy armour, the economics of combat, and the vital role of communications (as shown by Starlink).[66] They argued that a new balance had to be found when costly systems could be readily destroyed by relatively cheap ones. The wider expert discussion agreed, above all, on the need to reconsider the value of tank forces on a battlefield overseen by UAVs that make rapid movement essential.[67] Similarly, some advocated for the replacement of the types of armoured vehicles traditional in the Russian army by high-speed, lightly armoured vehicles.[68]

More radical is the contribution of General Yuri Baluevsky, a former chief of the General Staff of the Russian armed forces (2004–2008), and Ruslan Pukhov, director of the Centre for Analysis of Strategies and Technologies

term for the robust loaf-shaped UAZ-452 four-wheel drive van. On the use of motorcycles and quad bikes see Stepovoi, B., 'Колесная пара: в военных вузах осваивают применение мотоциклов на поле боя' [A pair of wheels: Military academies are learning how to use motorcycles on the battlefield], *Izvestiya*, 14 Oct. 2025.

[63] Svetlichev, M., 'Противник неожиданно обеспокоен: ВС РФ практически перестали использовать танки' [The enemy is suddenly worried: The Russian Armed Forces have practically stopped using tanks], Voennoe obozrenie, 1 Oct. 2025.

[64] Watling, J., *Emergent Approaches to Combined Arms Manoeuvre in Ukraine* (Royal United Services Institute: London, Oct. 2025).

[65] Sotak, D., 'К штыку приравняли седло' [The saddle was equated to a bayonet], *Kommersant*, 1 Oct. 2025.

[66] Gavrilov, A. D. et al., 'Два года специальной военной операции:некоторые итоги, вероятные перспективы' [Two years of the special military operation: Some conclusions, likely prospects], *Vestnik Akademii Voennykh nauk*, no. 87 (2/2024).

[67] E.g. Timokhin, A., 'Сухопутные войска после СВО: От танковых и мотострелковых частей к тяжёлой пехоте и механизированной кавалерии' [Land forces after the special military operation: From tank and motorized rifle units to heavy infantry and mechanised cavalry], Voennoe obozrenie, 30 June 2025.

[68] Staver, A., 'Армию необходимо перевооружать. Как СВО меняет саму концепцию современной армии' [The army needs to be rearmed. How the special military operation is changing the very concept of a modern army], Voennoe obozrenie, 20 Sep. 2025.

(CAST) in Moscow.[69] They argue that revolutionary changes have been taking place in military affairs—the start of an era of 'digital war'—with the uses of UAVs, network solutions and artificial intelligence (AI) requiring corresponding changes in the organization of the armed forces and their equipment. They describe a crisis of tank forces, with any increase in their defences and combat potential no longer being cost effective in the face of UAVs and long-range armament. They question whether traditional artillery systems and existing Russian armoured vehicles remain appropriate, with the United States' Bradley tracked armoured fighting vehicle being better suited to current needs. According to Baluevsky and Pukhov, in the new digital warfare a state's possession of its own strong computing power will be crucial to success; this, as they note, is a technology in which Russia lags, although they make no reference to Russia's chronic backwardness in microelectronics.

If the political and military leadership of the country takes this argument seriously, current thinking about the next State Armament Programme may have to be radically revised. Work on drafting the new State Armament Programme, for 2027–36, is well advanced. In 2025 President Putin chaired three meetings on the subject (two in June and one on 26 December), at which its basic parameters appear to have been finalized, including the scale of its financing.[70] Publication of data on the scale of funding is extremely unlikely until after the war is over, and even then it may remain classified in line with past precedent. However, the Ministry of Finance has provided some indication of its thinking about budget possibilities up to the year 2036.

With no publicity, shortly before the end of 2024 the Russian government approved a budget forecast to the year 2036, one of the basic documents of the country's elaborate system of strategic planning.[71] It must have been drafted at a time when the economy seemed to be growing strongly, notwithstanding the war and sanctions, so unsurprisingly it put forward an optimistic view of future budget prospects. While budget expenditure was forecast to decline as a share of GDP, the economy was expected to grow at a rate of 2–3 per cent a year, making it possible to generously fund a new armament programme.

However, a year later a revised forecast appeared, now to 2042.[72] This was less optimistic about future prospects for budget expenditure. It does not suggest that the MOF had much confidence that a new State Armament Programme could be funded on a generous scale. Financial constraints may be such that the political and military leadership could face some tough choices in deciding which weapons are to be developed and procured over the next decade.

[69] Baluyevsky, Yu. N. and Pukhov, R. N., 'The digital war is the new reality: Russia must quickly adapt to it', *Russia in Global Affairs*, vol. 24, no. 1 (Mar. 2026).

[70] President of Russia, 'Совещание по рассмотрению основных параметров проекта государственной программы вооружения на 2027–2036 годы' [Meeting to review the main parameters of the draft State Armament Programme for 2027–2036], 11 June 2025, 12 June 2025 and 26 Dec. 2025.

[71] Russian Government Decree no. 3750-p, 'Бюджетный прогноз Российской Федерации на период до 2036 года' [Budget forecast of the Russian Federation for the period up to 2036], 13 Dec. 2024.

[72] Russian Government Decree no. 3702-p, 'Бюджетный прогноз Российской Федерации на период до 2042 года' [Budget forecast of the Russian Federation for the period up to 2042], 11 Dec. 2025.

V. Conclusions: Prospects for 2026

Russia in early 2026 faces an uncertain future. The economy is troubled, with GDP growth in 2025 of 1 per cent, average inflation of 5.6 per cent—which rose again in January with the increase in the rate of value-added tax (VAT) from 20 per cent to 22 per cent—the key Central Bank interest rate at 16 per cent and unemployment at 2.2 per cent.[73] Industrial output in 2025 increased by only 1.3 per cent, including manufacturing by 3.6 per cent, boosted by military output. The 2025 federal budget ended up with a deficit equivalent to 2.6 per cent of GDP, with oil- and gas-related revenue accounting for 23 per cent of total revenue, compared to 27 per cent in 2024.[74] While in January 2026 the National Welfare Fund reached 13.6 trillion roubles (equivalent to $180 billion), its liquid part—which is potentially available to fund a budget deficit—was only 4.2 trillion roubles, equivalent to 1.8 per cent of forecast GDP for the year.[75] Almost all civilian branches of industry have declining levels of output; defence industry branches are increasing output, but at a lower rate than in 2024 and the first half of 2025. Sanctions have reduced budget revenue from oil and gas exports but not to an extent that threatens the funding of the war. Economic pain is unlikely to stop the war.[76] With the Iran war, launched at the end of February 2026 by Israel and the USA, this has become even more certain, as higher oil prices should greatly ease the pressure on Russia's budget this year.

The situation is unlikely to change; if it were to, the Ministry of Finance has other options for boosting revenue, although they would probably mean that a greater burden will fall on business and the population. The war is not going to be ended by any serious economic failure of Russia, and a military victory looks extremely unlikely for both Russia and Ukraine. In these circumstances a diplomatic end is the most likely outcome.

If there were to be a ceasefire, it is not easy to assess the impact on the Russian economy as much would depend on the terms of any agreement and its perceived durability. If there were some confidence that the end of fighting would mean that Russia could start to change economic priorities, that would probably generate policy struggles in government circles, especially in circumstances, as likely throughout 2026, of economic difficulties. The military would surely want to rebuild the armed forces and replace lost weaponry of types considered vital. There would also be pressure to restore the holdings of the country's strategic material reserves of weapons, munitions and other supplies needed in the event of war. At the same time, the government would be keenly aware of many pressing demands in the civilian economy, not least restoring and modernizing the country's ageing civil aviation fleet,

[73] Russian Federal State Statistics Service (Rosstat), *Социально-экономическое положение России 2025 год* [The socio-economic situation in Russia in 2025] (Rosstat: Moscow, [6 Feb. 2026]).

[74] Russian Ministry of Finance (MOF), 'Предварительная оценка исполнения федерального бюджета за 2025 год' [Preliminary assessment of federal budget execution for 2025], 19 Jan. 2026. In Jan. 2026 oil- and gas-related revenue was only 16.6% of total revenues and the deficit was 0.7% of GDP. Russian Ministry of Finance (MOF), 'Предварительная оценка исполнения федерального бюджета за январь 2026 года' [Preliminary assessment of federal budget execution for January 2026], 6 Feb. 2026.

[75] 'Объем ФНБ в январе вырос на 224 млрд руб., до 13,64 трлн руб., ликвидная часть составила 1,8% ВВП' [The National Welfare Fund grew by 224 billion roubles in January to 13.64 trillion roubles, with the liquid portion accounting for 1.8% of GDP], Finmarket, 5 Feb. 2026.

[76] This is argued by Connolly, R., 'Why economic pain won't stop Putin's war', Royal United Services Institute (RUSI), 28 Jan. 2026.

reviving the greatly diminished domestic motor industry, improving under-equipped medical facilities, and modernizing much chronically aged and decrepit infrastructure.

Clearly, meeting such challenges would be easier if sanctions were eased and foreign investment once again welcomed. However, President Putin has been resolutely attempting to diminish the country's dependence on imported technologies and imports from 'unfriendly' foreign countries—he sees this task as absolutely vital to Russia's national security. Indeed, in November 2025, at his instigation, the government adopted a 'Plan for structural changes in the Russian economy to 2030' that sets targets in this spirit.[77] For example, the share of Russian-built aircraft in the country's stock of civil aircraft is planned to increase from 19 per cent in 2025 to 50 per cent in 2050; the share of domestically produced machine tools and other production equipment is to increase from 65 per cent in 2024 to 95 per cent in 2030; the share of 'friendly' countries in Russia's foreign trade turnover is to grow from 46 per cent in 2021 and 82 per cent in 2024 to 87 per cent in 2030; and domestic spending on research and development as a proportion of GDP is to jump from 0.97 per cent in 2024 to 2 per cent in 2030. These targets are clearly unrealistic, bordering on utopian; but if the war were to end, Putin is unlikely to abandon them. Armed struggle may end on the battlefield, but policy conflict in the Russian government could become more acute.

[77] Russian Government, 'План структурных изменений в российской экономике до 2030 года' [Plan for structural changes in the Russian economy to 2030], approved 27 Nov. 2025.

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A BUDGET FOR A FIFTH YEAR OF WAR: MILITARY SPENDING IN RUSSIA'S BUDGET FOR 2026

JULIAN COOPER

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