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Russian Federation

On behalf of
Russian Federation and Syrian Arab Republic

STATEMENT
by the Minister of Finance of the Russian Federation,
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Global Economic Outlook

The global economy is currently evolving under a negative scenario: intensifying geopolitical tensions are slowing business activity worldwide. As a result, medium-term global growth projections are now at their lowest levels in decades. *According to the IMF's October forecast, global GDP growth is expected to remain slightly above 3 percent – at 3.3 percent in 2024 and 3.2–3.1 percent in 2025–2026, marking a historical low. By comparison, the average annual global GDP growth rate over the period 2000–2019 stood at 3.8 percent.*

The geopolitical confrontation is proving costly for all countries, as it provokes unbalanced fiscal policy characterized by massive increases in public spending and rising debt levels. Today, the fiscal burden remains excessively high in most countries, and many economies have yet to formulate credible fiscal consolidation strategies, resulting in heightened fiscal risks worldwide. Moreover, the level of global debt remains critically high, and debt servicing costs are increasingly crowding out essential public expenditures. Under these conditions, there is an urgent need for reliable and consistent medium-term fiscal consolidation strategies, grounded in robust fiscal rules, to ensure predictability and discipline in budgetary decision-making.

Another major source of destabilization today is the "tariff wars" between countries. Current protectionist tendencies are characterized by a "domino effect," whereby the actions of major economies compel other countries to adopt retaliatory or defensive measures, fueling a spiraling cycle of protectionism. Simple tariff barriers are increasingly being replaced by more complex instruments, such as elaborate subsidy schemes, localization requirements, and environmental standards, which serve as more sophisticated tools of protectionism.

Moreover, the negative economic impact is evident even in the countries that impose sanctions and protectionist measures. For example, the euro area countries are facing severe fiscal imbalances, record high levels of public debt, and historically low economic growth rates – below 1 percent.

Given the accumulated imbalances and current challenges, long-term strategies aimed at securing a sustainable development path must play a central role in the conduct of macroeconomic policy today. Recent country experiences demonstrate that poorly designed fiscal policies lead to economic imbalances, which in turn create a wide range of risks.

Against this backdrop, countries' primary strategic priority should be adherence to the fundamental principles of balanced development. Countries' efforts should focus on the responsible management of public finances, the removal of barriers to trade and capital flows, and the implementation of structural reforms that foster sustainable economic growth.

The Role of the IMF

The IMF should evolve from a crisis-response mechanism into an institution that manages the transformation of the international financial system. The focus should shift toward proactive regulation and global risk management. The Fund should set long-term benchmarks for global economic policy, supporting member countries in adapting their macroeconomic, fiscal, and monetary strategies to the new technological and financial reality.

To prevent the materialization of systemic risks looming over the global economy, **the Fund must continue to strengthen its core functions** – enhancing the effectiveness of bilateral and multilateral surveillance, supporting member countries in building institutional capacity, and further improving its lending toolkit. In its surveillance and policy advice, the IMF should focus on safeguarding financial stability and restoring fiscal sustainability. The Fund's fiscal policy recommendations should become concrete and subject to monitoring. We also call on the IMF to actively develop guidance for countries on mobilizing domestic resources.

Special attention should be given to developing a more coherent, predictable, and accessible Global Financial Safety Net (GFSN). Despite its significant expansion since the Global Financial Crisis, more than half of all countries still have access to only one element of the network, namely, the IMF. The fragmentation of the GFSN, including unequal access to financing from international financial institutions and to swap lines, undermines confidence in its overall efficiency. We support efforts to strengthen the IMF's precautionary instruments and to deepen cooperation with Regional Financing Arrangements (RFAs). Restrictive measures should not extend to countries' participation in these mechanisms.

The Managing Director's Global Policy Agenda highlights the need to safeguard the stability of the international monetary system in the digital era. Given that the scale of ongoing transformations extends beyond national jurisdictions, it is the IMF that should assume a coordinating role in managing this transition.

The IMF should also play an active role in promoting regional cooperation amid the weakening of the multilateral trading system. Strengthening trade and economic ties at the regional level can enhance economies' resilience to external shocks and create new opportunities for integration.

The Russian Economy

The Russian economy is gradually moving toward a trajectory of balanced and sustainable growth. The excessive level of demand that emerged in 2023–2024 is steadily declining, which is a necessary condition for reducing inflation, lowering interest rates, and ensuring a new quality of economic growth.

The structural transformation of the economy is accompanied by job creation and rising household incomes. Over the past two years, the unemployment rate has fallen to a historic low of 2.1 percent as of August 2025. Thanks to sustained growth in labor income, real disposable incomes are estimated at a high level of 7.8 percent in the first half of 2025 (compared to 6.1 and 7.3 percent year-on-year in 2023 and 2024, respectively).

Amid the unfavorable external environment, it is crucial to focus on strengthening resilience to external shocks. In this regard, fiscal policy based on the principles of balance provides a solid foundation for ensuring sustainable economic growth and rising real incomes.

Russia's fiscal policy is focused on strengthening overall resilience, including the sustainability of public finances. The federal budget for 2026–2028 has been designed to ensure a zero primary structural deficit, fully consistent with the fiscal rule. To reduce the vulnerability of the Russian economy to cyclical risks, a phased reduction of the baseline oil price by USD 1 per barrel per year is planned starting in 2026, reaching USD 55 per barrel by 2030. This approach will help shield the economy and public finances from external shocks, strengthen the country's financial sovereignty and confidence in its economic policy, and support sustainable and balanced economic development.

Tight monetary policy has led to a significant deceleration of inflation in 2025. This allowed the Bank of Russia to lower the key interest rate by a cumulative 400 basis points to 17 percent per annum over the last three meetings of the Board of Directors, starting in June. Given the current monetary policy stance, annual inflation is expected to decline to 4 percent next year. Combined with prudent fiscal policy, this will create the conditions for a predictable macroeconomic environment conducive to long-term investment and productivity growth.