

Economic Development of the Russia's Arctic and Far Eastern Regions after 2022

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Abstract

This paper analyzes the economic situation in Russia's Arctic and Far East regions since 2022, focusing on industrial production, investment, tax revenues, and regional budget revenues based on Russia's official statistics. Significant differences exist in the economic performance of each region, and it has been confirmed that these are due to the impact of the war with Ukraine and economic sanctions. It also reveals that economic policies emphasize the eastward shift (the China shift) more than the development of the Arctic region.

Key words: economic sanctions, oil and gas, investment, tax revenue, regional budget

1. Introduction

Until 2021, the development of Russia's Arctic region primarily relied on international cooperation with Europe, the United States, and Japan. This collaboration centered on oil and gas extraction, leading to substantial progress in liquefied natural gas (LNG) production on the Yamal Peninsula and the utilization of the Northern Sea Route. However, Russia's invasion of Ukraine in 2022 caused these relationships to collapse, forcing a transformation in Arctic development (Tabata, 2024). This paper analyzes the development in Russia's Arctic and Far Eastern regions since 2022 and examines how the Russian government intends to respond.

This paper analyzes 10 regions within Russia's Arctic zone, defined by the Russian government, and 11 regions within the Far Eastern Federal District. Since Sakha Republic and Chukotka Autonomous Okrug (AO) are included in both the Arctic zone and the Far East, the total number of regions (Russia's federal subjects) covered in this paper is 19. The Arctic zone includes regions from Murmansk Oblast to Chukotka AO and the Far East includes those from Sakha Republic to Kamchatka Krai in Tables 1-5.

All of the data used to compile these tables was obtained from Russia's official statistics, published by Federal Statistical Service, Federal Tax Service, Federal Treasury, etc. Consequently, Russia's totals and averages include two regions in Crimea, although the author does not recognize the annexation. Because Russia's inflation rate was high from 2022 to 2024 (averaging 9.4% annually), the author calculated tax and regional budget revenues in real terms, accounting for inflation.

2. Industrial production and investment

There are significant differences in the trends of industrial production and investment across regions since 2022 (Table 1). Regarding industrial production, performance in the Arctic and Far East regions has been worse than that of Russia as a whole. In the Arctic region, in particular, there was almost no increase. Major factors

affecting industrial production performance in each region include the impact of economic sanctions on the oil and gas industry and the timber and paper industry, as well as production by military-related enterprises.

Table 1. Annual growth rate of industrial production and investment in percent

	Industrial production					Investment				
	2022	2023	2024	2025	Avg.	2022	2023	2024	2025	Avg.
Russia	100.7	104.3	105.6	100.8	102.9	106.7	109.8	107.4	100.5	106.1
Arctic	100.6	99.6	102.3	98.0	100.1	107.8	99.7	103.7	93.2	101.1
Far East	96.4	106.0	103.3	101.8	101.9	113.9	122.7	105.9	101.6	111.0
Murmansk O	95.9	97.5	99.7	89.4	95.6	86.9	92.4	105.1	95.4	95.0
Karelia R	93.1	100.2	98.8	94.8	96.7	104.7	92.5	92.9	102.1	98.1
Arkhangelsk O	95.5	98.8	107.3	97.8	99.9	88.1	100.8	85.3	81.8	89.0
Nenets AO	112.1	93.7	97.6	95.5	99.7	105.0	94.6	118.0	98.8	104.1
Komi R	104.6	100.3	99.9	97.2	100.5	83.6	98.4	112.5	76.5	92.8
Khanty-Mansi AO	103.1	98.5	96.5	98.1	99.1	110.2	107.4	103.8	90.5	103.0
Yamal-Nenets AO	98.3	97.1	105.4	101.5	100.6	109.0	97.0	104.5	72.0	95.6
Krasnoyarsk K	103.2	98.4	100.0	97.6	99.8	108.7	109.7	106.8	124.4	112.4
Sakha R	113.0	101.9	109.5	100.6	106.3	135.8	105.3	99.3	86.6	106.8
Chukotka AO	86.8	110.0	108.6	107.7	103.3	146.2	99.0	108.8	104.2	114.6
Buryatia R	111.7	97.1	103.4	107.5	104.9	130.9	125.1	86.3	81.4	105.9
Zabaikalsky R	102.4	102.7	100.6	104.4	102.5	99.5	147.0	85.1	96.9	107.1
Amur O	102.8	97.2	94.8	105.5	100.1	114.4	142.4	119.1	113.5	122.4
Jewish AO	107.0	94.3	105.1	104.8	102.8	108.9	136.3	100.8	232.9	144.7
Primorsky K	99.8	98.8	105.7	106.0	102.6	110.7	116.0	98.2	108.3	108.3
Khabarovsk K	103.2	100.0	107.3	118.0	107.1	98.5	146.1	132.5	92.2	117.3
Sakhalin O	76.8	117.5	96.9	95.7	96.7	101.6	104.2	109.2	119.0	108.5
Magadan O	101.1	92.9	105.4	98.9	99.6	95.4	101.2	102.8	81.4	95.2
Kamchatka K	85.4	129.7	84.5	99.0	99.7	102.5	131.6	70.4	101.2	101.4

Notes: The data for 2025 shows growth rates in percent of the corresponding months of the previous year. The Arctic is an average of its constituent regions, and "Avg." is the arithmetic mean over a four-year period.

Regions involved in oil and gas production (Khanty-Mansi AO, Yamal-Nenets AO, Nenets AO, Sakhalin Oblast) generally struggled due to economic sanctions and a decrease in exports to Europe. However, Sakha Republic performed well thanks to increased exports to China (Tabata, 2021). Industrial production in Karelia Republic, Arkhangelsk Oblast, and Komi Republic in the northwestern Arctic region was significantly impacted by the substantial decline in exports of timber and pulp products to Europe due to sanctions.

The impact of the defense industry in the Far East does not appear to be particularly significant. Military production of aircraft, ships, and other items is included

in the “Other Transportation Equipment Production Sector” in industrial production statistics. The share of this sector in industrial shipments was 29.3% in Buryatia Republic, 17.6% in Primorsky Krai, and 10.9% in Khabarovsk Krai in 2024, compared to 3.0% for Russia as a whole. From 2022 to 2025 (January – November), the average annual production growth rate for this sector was 100.4%, 88.7%, and 108.2% in these three regions, respectively. Only the Khabarovsk Krai saw this sector contribute to the growth of its industrial production.

Since 2022, amid significantly higher interest rates, investment has become difficult without government support, and investment trends are thought to reflect policy priorities to a considerable degree (The policy interest rate was 21% from late 2024 to early 2025, and it is currently 16%). Across Russia as a whole, investments in the military-industrial complex have increased significantly in recent years.

Investment trends from 2022 to 2025 show that the Far East exceeds Russia’s average, while the Arctic region falls below it (Table 1). In particular, Amur Oblast, Jewish Autonomous Oblast, Primorsky Krai, and Khabarovsk Krai, which border China, have seen high investment growth rates. China has invested in projects such as the Amur Gas Chemical Complex and food industry initiatives. Interestingly, 26.1% of investments in Amur Oblast were made by joint Russian and foreign organizations in 2024, compared to 6.8% in Russia as a whole. This share was 13-14% from 2021 to 2023 in Amur Oblast. In Jewish Autonomous Oblast, this share was 23.2% in 2023 but decreased to 2.1% in 2024.

Furthermore, significant investments are being made in transportation infrastructure (railways, roads, bridges, etc.) to promote trade with China. Investments in the mining sector, including gold and iron ore, are also increasing in the Far East. It is also worth mentioning that in Buryatia Republic, the average annual growth rate of investments in the “Other Transportation Equipment Production Sector” was 125.1% from 2022 to 2025 (January – September).

Within the Arctic region, Krasnoyarsk Krai has a high investment growth rate, which is thought to be attributable to investments in the Vostok Oil project. This is a grand project to export oil produced in Eastern Siberia via the Northern Sea Route, but with signs of weakening demand for Russian oil, its future has become uncertain.

3. Tax revenues

Table 2 and Table 3 show the 2024 tax revenues converted to 2021 prices, presenting both the ratio relative to 2021 and the increase amount. In Russia, corporate tax accounted for 18.7% of total tax revenues, personal income tax – 19.4%, tax on the use of natural resources – 34.3%, value-added tax – 21.8%, and other taxes – 5.9% in 2024 (This paper does not cover taxes

collected by the Federal Customs Service, such as import/export duties and value-added taxes on imported goods, because it is unclear from which region these taxes were collected).

The bulk of the increase in tax revenue in this period comes from taxes on the use of natural resources, most of which are extraction taxes on oil and gas (Table 3). Note that in terms of total tax revenue, the Arctic region is six times larger than the Far East in 2024 due to significant oil and gas extraction tax revenues. Although oil and gas production volumes have not increased in most regions, tax revenues have risen due to soaring prices. This is reflected in the tax revenue performance of regions that produce oil and gas.

Table 2. Increase rate of tax revenues from 2021 to 2024 in real terms in percent

	Total tax revenue	Corporate tax	Personal income tax	Tax on the use of natural resources
Russia	116.5	100.9	128.7	135.1
Arctic	111.0	91.5	117.6	113.6
Far East	122.9	125.7	120.7	145.8
Murmansk O	78.9	39.1	98.3	202.9
Karelia R	94.4	78.1	119.1	213.5
Arkhangelsk O	103.3	77.1	107.3	116.2
Nenets AO	118.8	108.2	114.9	127.1
Komi R	54.3	78.0	102.0	29.3
Khanty-Mansi AO	111.4	125.1	121.7	111.1
Yamal-Nenets AO	134.1	139.3	115.3	134.1
Krasnoyarsk K	91.7	50.1	127.6	127.8
Sakha R	103.7	97.5	127.4	107.5
Chukotka AO	68.0	81.3	121.2	110.7
Buryatia R	110.6	64.7	118.5	122.7
Zabaikalsky R	136.7	141.8	130.8	207.2
Amur O	313.0	103.0	117.6	145.9
Jewish AO	120.7	96.7	116.0	198.1
Primorsky K	146.0	121.0	133.9	359.4
Khabarovsk K	98.0	113.3	120.9	174.1
Sakhalin O	140.1	159.3	109.4	...
Magadan O	152.6	138.5	103.6	152.1
Kamchatka K	89.4	65.4	97.7	319.0

Notes: Russia and the Arctic are calculated by the author from the sum of its constituent regions. Tables 3–5 follow the same method. The “...” in Sakhalin is considered an outlier attributable to changes in tax revenue classification.

The Far East’s growth rate of total tax revenue exceeds Russia’s average, while the Arctic region’s falls below it. In regions adjacent to China, where industrial production performed well, personal income tax and corporate tax revenues increased (Yushkov and Alexeev, 2024). Conversely, in the northwest, where industrial production declined due to sanctions, corporate tax revenues decreased considerably, resulting in a decrease or a slight increase in total tax revenues.

In many regions of the Far East, tax on the use of

natural resources from non-ferrous metals (mostly gold and silver) and aquatic biological resources has increased. In 2023, the tax rate on the use of aquatic biological resources was raised significantly and this tax revenue increased sevenfold. In 2024, Kamchatka Krai and Primorsky Krai contributed 27% and 26% respectively to Russia's total revenues from this tax.

It should be noted that the significant increase in Sakhalin's corporate tax revenue stems from payments made by the new company established in 2022 for Sakhalin-2 project after Shell announced its withdrawal. Amur Oblast's tax revenue grew exceptionally quickly due to a substantial VAT refund (recorded as a negative value) in 2021, likely related to the gas chemical industry. The Komi Republic's significant decrease in oil extraction tax revenues (included in the tax on the use of natural resources in Table 2 and Table 3) is likely due to Lukoil-Komi's absorption by Lukoil-Perm at the end of 2023.

Table 3. Increase in tax revenues from 2021 to 2024 in constant 2021 prices (in billion rubles)

	Total tax revenue	Corporate tax	Personal income tax	Tax on the use of natural resources	Other
Russia	4,641	55	1,401	2,932	253
Arctic	793	-74	77	642	147
Far East	243	93	65	91	-5
Murmansk O	-14	-36	-1	10	13
Karelia R	-4	-3	3	4	-7
Arkhangelsk O	3	-5	2	0	5
Nenets AO	17	1	1	19	-4
Komi R	-190	-9	1	-197	15
Khanty-Mansi AO	398	47	21	300	29
Yamal-Nenets AO	645	68	11	429	138
Krasnoyarsk K	-66	-133	25	65	-24
Sakha R	11	-2	13	12	-12
Chukotka AO	-6	-3	1	1	-6
Buryatia R	4	-5	3	1	5
Zabaikalsky R	17	5	8	6	-2
Amur O	51	1	6	2	42
Jewish AO	2	0	1	1	0
Primorsky K	71	8	21	3	39
Khabarovsk K	-4	4	10	5	-22
Sakhalin O	90	81	3	54	-49
Magadan O	14	5	1	5	3
Kamchatka K	-5	-2	-1	3	-5

4. Regional budget revenues

Table 4 and Table 5 show the regional budget revenues for 2024 converted to 2021 prices: their ratios and the amount of increase relative to 2021. In Russia, corporate tax accounted for 23.9% of total regional budget revenues, personal income tax – 32.8%, asset tax – 7.7%, public asset income – 4.5%, other tax and non-tax revenues – 15.9%, federal transfer – 13.6%, and other transfer – 1.7% in 2024.

The lower growth rate of regional budget revenues compared to tax revenues is due to a significant reduction in federal transfers (subsidies from the federal budget),

resulting from the deterioration of fiscal conditions accompanying the war. Federal transfers decreased by 31.1% in these three years in real terms (Table 4). Though regional budget revenue in Russia as a whole increased by 4.7% in this period, they decreased in both the Arctic and the Far East, since these regions depend more on federal transfers.

The share of federal transfers in regional budget revenues of Russia decreased from 20.7% in 2021 to 13.6% in 2024. In the Far East, this share decreased from 30.9% to 23.9% in this period. In Chukotka AO, Buryatia Republic, Jewish Autonomous Oblast, and Kamchatka Krai, the share of federal and other transfers was still 40-60% in 2024 (Other transfer includes transfer from other regions, state and non-state organizations). Even in Sakha Republic, Buryatia Republic, Amur Oblast, and Jewish Autonomous Oblast where tax revenues rose (Table 2), regional budget revenues declined mostly due to reduced transfers.

Table 4. Increase rate of regional budget revenues from 2021 to 2024 in real terms in percent

	Total revenue	Corporate tax	Personal income tax	Asset Tax	Public Asset Income	Federal transfer
Russia	104.7	97.0	125.7	97.5	175.4	68.9
Arctic	94.9	81.1	116.4	101.1	83.9	69.6
Far East	96.6	116.3	119.2	77.0	63.0	74.5
Murmansk O	81.2	45.9	98.6	100.7	98.9	105.7
Karelia R	85.0	60.6	118.1	97.3	96.4	72.1
Arkhangelsk O	90.8	88.1	106.3	102.3	76.7	70.2
Nenets AO	89.6	116.9	114.0	69.1	331.1	21.5
Komi R	89.9	92.4	101.1	89.5	198.1	54.1
Khanty-Mansi AO	118.1	103.4	119.6	110.1	146.2	94.2
Yamal-Nenets AO	115.8	100.4	114.5	117.9	216.6	40.3
Krasnoyarsk K	85.6	63.8	126.3	97.5	215.1	48.9
Sakha R	80.6	91.6	126.4	50.5	22.4	77.1
Chukotka AO	89.1	114.4	120.1	85.6	125.1	72.6
Buryatia R	89.3	66.8	117.6	87.7	142.5	79.3
Zabaikalsky R	109.2	147.1	129.9	89.7	274.4	84.4
Amur O	85.4	107.9	116.4	63.0	98.9	44.4
Jewish AO	79.0	107.4	115.2	96.6	92.9	59.7
Primorsky K	104.7	115.0	130.6	86.5	127.2	56.7
Khabarovsk K	104.4	111.4	119.3	85.8	192.1	67.6
Sakhalin O	114.7	150.1	108.3	100.3	465.1	58.3
Magadan O	108.8	136.7	102.3	104.9	108.2	80.3
Kamchatka K	98.2	69.4	96.7	102.2	145.9	101.5

Note that all oil and gas extraction taxes are federal, not regional, budget revenues. Nevertheless, total regional budget revenues increased in oil- and gas-producing regions due to rising prices.

It should also be noted that the ratio of tax revenue to GDP and the federal budget's share of tax revenue have increased in Russia in recent years due to the federal government's tax policy. Though this has increased federal budget revenue, it has made the situation surrounding regional budgets more difficult, in addition to the aforementioned decrease in federal transfers.

Furthermore, the Russian government places significant emphasis on fiscal balance. Given that regions have limited capacity to cover fiscal deficits through bond issuance or similar means, shrinking revenues are forcing expenditure restraint. This necessitates cuts to expenditures, including social policy spending, in many regions.

Table 5. Increase in regional budget revenues from 2021 to 2024 in constant 2021 prices (in billion rubles)

	Total revenue	Corporate tax	Personal income tax	Other revenue	Federal transfer	Other transfer
Russia	832	-136	1,230	821	-1,126	44
Arctic	-103	-120	71	21	-96	21
FE	-51	41	60	-16	-118	-18
Murmansk O	-27	-31	-1	3	1	1
Karelia R	-12	-5	3	1	-9	-2
Arkhangelsk O	-12	-3	2	2	-12	-2
Nenets AO	-3	1	0	2	-6	0
Komi R	-12	-3	0	0	-8	-1
Khanty-Mansi AO	61	4	19	15	-1	24
Yamal-Nenets AO	45	0	10	24	-4	14
Krasnoyarsk K	-67	-79	24	20	-28	-3
Sakha R	-70	-5	12	-45	-23	-8
Chukotka AO	-6	1	1	0	-6	-3
Buryatia R	-11	-4	3	2	-12	0
Zabaikalsky R	10	6	7	4	-8	1
Amur O	-17	1	5	0	-21	-2
Jewish AO	-5	0	1	0	-6	0
Primorsky K	9	5	18	10	-22	-2
Khabarovsk K	7	3	9	9	-14	0
Sakhalin O	28	31	3	-3	-4	1
Magadan O	5	4	0	5	-3	-2
Kamchatka K	-2	-2	-1	4	1	-4

5. Conclusions

Economic performance since 2022 shows significant regional disparities, mainly due to the war with Ukraine and the subsequent economic sanctions. In the Arctic region, where resource development is central to economic activity, the decline in resource exports due to sanctions has had a strong impact. For oil and gas, the surge in prices means that production regions still contribute significantly to tax revenues. In the Far East, bordering China, resource exports to China and the construction of transport infrastructure for this purpose are invigorating economic activity.

For Russia, continuing the war makes its relationship with China vitally important. Consequently, the regime's economic policy, as reflected in investment performance, appears to focus on the eastward shift (the China shift) rather than Arctic development. Cooperating with Western companies is crucial for developing oil and gas in the Arctic, both technologically and financially. Therefore, Russia's Arctic development strategy, which has focused on oil and gas extraction, will likely need to change (Mikhailova and Tabata, 2024).

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Summary in Japanese

2022 年以降のロシア北極域・極東の経済発展

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本稿では、鉱工業生産、投資、税収、地域財政歳入を中心に、ロシア北極域と極東の各地域における 2022 年以降の経済状況を分析した。2022 年以降の経済実績については、地域の間で大きな違いがあること、これらの違いはウクライナとの戦争や経済制裁の影響を強く受けるものであることを明らかにした。資源開発が経済活動の中心である北極域においては、その輸出が制裁により減少したことの影響を強く受けている。石油・ガスについては、価格の高騰により、その生産地域の税収面での貢献は依然として大きい。中国に隣接する極東の地域では、中国への資源輸出や、そのための輸送インフラの建設が、経済活動を活発化させている。

戦争を続けるロシアにとって、中国との関係が死活的に重要になっていることから、投資実績に反映される政権の経済政策の力点は、経済の東方シフト（中国シフト）に置かれているように見える。北極域開発には、以前ほどの力点は置かれていないように見える。北極域における石油・ガスの開発には、欧米などの企業との協力が技術的にも、資金的にも必須であることから、石油・ガス開発を中心としてきたロシアの北極域開発は、軌道修正を余儀なくされると考えられる。

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