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Weak oil prices deplete Russia's sovereign-wealth fund; Oil and natural gas accounted for 68% of Russia's exports in 2013

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Russia is running out of emergency funds.

The country, which has been relying on its sovereign-wealth fund to plug gaps in its budget deficit, said its Reserve Fund is likely to be depleted in 2016. The news is another blow to an economy reeling from weak oil prices and Western-led sanctions in connection with fighting in Ukraine.

"Our reserves volume will decrease by approximately 2.6 trillion rubles ($40.85 billion) — more than half. This means that 2016 is the last year when we are able to spend our reserves that way. After that we will not have such resources," Russian Finance Minister Anton Siluanov told Tass, the government-owned news agency.

Tass reported that Russia's budget deficit for 2016 is projected at 4.946 trillion rubles, or 6.7% of the gross domestic product. The Reserve Fund would cover most, but not all, of the shortfall.

"If the current oil prices and exchange rates remain the same, and the current oil price is at around $44 per barrels for Urals, and the ruble exchange rate is about 62 rubles to the dollar, we can fall 900 billion rubles ($14.12 million) short. We really face such risks," said Siluanov.

That Russia is depleting its rainy day fund isn't unexpected. Many, if not all, sovereign-wealth funds are created to be a reserve of last resort and oil-producing countries operate such vehicles with the understanding that the funds will be reallocated as needed. But the news nevertheless raises questions about whether other countries may have to do the same should oil prices remain depressed.

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Russia operates two sovereign-wealth funds: the Russian National Wealth Fund, which supports the nation's pension system, and the Reserve Fund, which is a part of the federal budget asset.

"The Reserve Fund is dedicated to ensure financing of the federal budget expenses and maintaining federal budget balance in case oil and gas budget revenues decline," said the Russian Ministry of Finance in a statement on its website.

Brent crude on London's ICE Futures exchange (LCOZ5, UK) dropped 1.5% to $46.84 a barrel on Tuesday. The international crude benchmark is down more than 45% over the past 12 months.

Russia, one of the world's biggest oil producers, has felt the collapse in oil prices more acutely than other oil-reliant economies. Oil and natural gas accounted for some 68% of the country's exports in 2013.

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“With a slowdown in the Chinese economy, and a glut of production, oil prices are unlikely to recover. However, through making global amends, Russia may ease some of the sanctions in place from Western countries because of its annexation of Crimea and part in the Ukraine uprising,” said **Usha Haley**, professor of management and international business at West Virginia University.

The World Bank projected Russia’s , down from its previous forecast of a contraction of 2.7%. However, if oil prices fall below the baseline projection of $53 per barrel, Russia’s economy could contract by as much as 4.3% in 2015.

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