



The Real Costs Of Russia's Ukraine War

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How costly has the war in Ukraine been for Russia? Since the start of the conflict in February, a great deal of analysis has focused on the impact of Western sanctions on Russia's ailing economy, as well as on the practical consequences of what has become a veritable exodus of international firms from the country. Left largely unanswered, though, has been the question of how much the Kremlin itself has committed to the fight.

We now have a sense of the answer, thanks to *Forbes Ukraine*. According to recent analysis published by the financial magazine, Russia has spent some \$82 billion dollars in the nine months since the start of its war against Ukraine. Specifically, according to data culled by *Forbes* from Ukrainian military estimates, Moscow has allocated nearly \$29 billion to support for its army, spent close to \$16 billion on soldiers' salaries, and expended more than \$9 billion to pay off the families of servicemen killed in combat. Another \$7.7 billion has gone to support the families of those wounded in the war, while the Russian army's massive losses of military equipment on Ukrainian soil have cost the state almost \$21 billion more.

What does that mean, in practical terms?

As *Forbes* points out, Russia's budget revenue last year amounted to \$340 billion. In other words, the Kremlin has spent roughly a quarter of its total 2021 earnings to nurture Russian President Vladimir Putin's neo-imperial fantasies.

Those costs, moreover, are likely to continue mounting. Amid numerous battlefield setbacks in recent weeks, Russia is increasingly looking abroad for assistance. To shore up its flagging war effort, it has begun seeking reinforcements and new military hardware from other rogue nations, like Syria and Iran. At home, meanwhile, Putin's government is desperately looking for foreign help to keep domestic sectors crippled by Western sanctions afloat. Russia's weakened position, however, gives its remaining international partners a distinct advantage — one they're liable to exploit to demand funds the Kremlin is ill-positioned to provide.

Meanwhile, Russia's purchasing power is decreasing. As *Forbes* points out, this Spring, Russia was raking in more than \$1 billion daily from the sale of its oil and gas abroad — more than enough money to sustain its military aggression against Ukraine. Now, however, the Kremlin's revenue from foreign energy sales is decreasing. In September, it hit a 14-month low as a result a variety of factors, from escalating Western sanctions to a rejection of Russian energy by European consumers (which has forced Moscow to sell oil at a steep discount on the Asian market), to a rollback of energy projects by state-controlled natural gas giant Gazprom. The result has been a nearly 13 percent reduction of funds flowing into the Kremlin's coffers. All of which makes the estimated \$10 billion monthly bill for the Ukraine war significantly harder for Moscow to pay.

Sadly, though, none of this guarantees that Russia's war effort will sputter any time soon. Russia's president has made clear that he remains committed to his pet cause, even though the war in Ukraine has helped turn his country into an international pariah and rolled back decades of post-Cold War economic and strategic progress for the Russian state.

Moscow, moreover, still has some money to burn; as of this fall, Russia was estimated to possess nearly \$549 billion in foreign exchange reserves. About half of that total has been frozen by foreign countries friendly to Ukraine. But Russia can use much of the rest to continue fueling its military offensive, if necessary.

In light of all this, Putin's wager is clearly that Western resolve and support for Ukraine will run out before Russia's resources will.

In fact, he seems to be staking his country's very prosperity on it.