



RUSSIA REFORM MONITOR

The American Foreign Policy Council's Review of
Russian Government Actions and U.S. Policy

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Related Categories: Warfare; Resource Security; Global Health; Russia; Ukraine

PULLING BACK THE CURTAIN ON RUSSIA'S ECONOMY

How is Russia's economy faring, nearly two years into its war of aggression against Ukraine and the imposition of far-reaching Western sanctions in response? To hear officials in Moscow tell it, Russia's economy may not be thriving, but it is both resilient and surviving. Objective indicators, however, may suggest otherwise.

"In a sign that the Russian Central Bank believes that inflation is far higher than the Kremlin says it is and may even be as high as some independent experts say, the Bank is continuing to raise key rates to try to prevent price increases from going out of control in the future," writes Paul Goble in his *Window on Eurasia* blog. In December, the Russian Central Bank raised interest rates to 16% - far higher than the target of 4% previously delineated by Kremlin policymakers. Citing Russian journalist Aleksey Martov, Goble notes that "if inflation in Russia were what the Kremlin says it is, there would be no basis for the Bank's actions; but if it is as high as some independent surveys indicate it is, then what the Central Bank is doing makes good sense."

Another indicator that things are not going nearly as well as advertised when it comes to Russia's economy is the soaring price of commodities and foodstuffs. "Red hot" inflation, *Business Insider* reports, is driving up the cost of products like eggs – and causing "Soviet-style queues" at markets and grocers. The price of eggs, the paper notes, have risen nearly 50% over 2023 prices, making the breakfast staple a symbol of economic malaise and leading shopkeepers resort to Soviet-era practices like selling individual eggs to consumers.

The country's worsening economic situation presents a particular headache for Russian President Vladimir Putin, who is gearing up for presidential elections in a couple of months. For its part, the Russian government is trying to control the fallout in a number of ways, from hiking interest rates (despite near-term pain) in order to control inflation to buying foodstuffs from nearby suppliers like Azerbaijan and Turkey in a bid to drive prices down. (*Window on Eurasia*, December 25, 2023; *Business Insider*, January 16, 2024)

MOSCOW'S MANPOWER PROBLEMS PERSIST

Igor Girkin, the controversial rebel commander who was a key figure in Russia's annexation of Crimea back in 2014, before falling out with the Kremlin more recently, is predicting serious manpower shortages that will hinder plans for a broad offensive in Ukraine. Girkin, who is currently in prison on extremism charges, anticipates that the government of Russian President Vladimir Putin will delay a fresh mobilization of forces until after the upcoming presidential election in March. And when it ultimately does launch a new conscription drive, Girkin suggests, Russia's government may again rely on prisoners and contract soldiers to address the current gaps in military personnel. (*Express*, January 13, 2024)

[EDITORS' NOTE: Chronic manpower shortages have led the Kremlin to take a series of increasingly radical steps in recent weeks as it seeks to shore up its Ukraine offensive. Back in July, it officially raised the maximum mobilization age to 70, and more recently the Kremlin has – among other measures – proffered citizenship to foreign nationals as a reward for enlisting in the Russian military for a minimum of one year of service. The Duma, Russia's lower house of parliament, is now said to be considering a bill authorizing foreigners with criminal records to similarly sign contracts with the Russian armed forces.]

HITTING THE BOTTLE, AGAIN

Alcoholism, which reached epidemic proportions in the USSR during the Cold War, is on the rise once more. For the first time in a decade, the number of people classified with "alcohol dependence" has risen, reports *Kommersant*, citing data from Russia's state statistics agency, ROSSTAT. As the paper notes, that represents a monumental reversal – and an ominous trendline: "From 2010 to 2021, the number of newly-identified patients with alcohol dependence decreased by almost half – from 100 thousand to 53 thousand people. However, in 2022, doctors identified 54.2 thousand such patients." (*Kommersant*, January 15, 2024)