



Centre for  
Economic  
Recovery

CIVITTA

easyBUSINESS IN UA

# REAL WAYS TO STOP THE WAR IN UKRAINE

Analytical update after 55 days of Russian invasion

- When will Russia run out of money for the war in Ukraine and Europe?
- Is the world doing enough to help Ukraine?
- What is needed from the world NOW?

April 20, 2022

# Table of content

All titles and navigation  
numbers are clickable



1	Executive summary	3
2	War costs for <b>Ukraine</b> . How to improve Ukrainian resilience	10
3	War costs for <b>Russia</b> . How to decrease Russian capacity to wage the war	15
	3.1 Russian <b>public sector</b>	15
	3.2 Russian <b>business sector</b>	24
	3.3 Russian <b>population well-being</b>	40
4	Epilogue	49

1

2

3.1

3.2

3.3

4

Table of  
content

# Executive summary

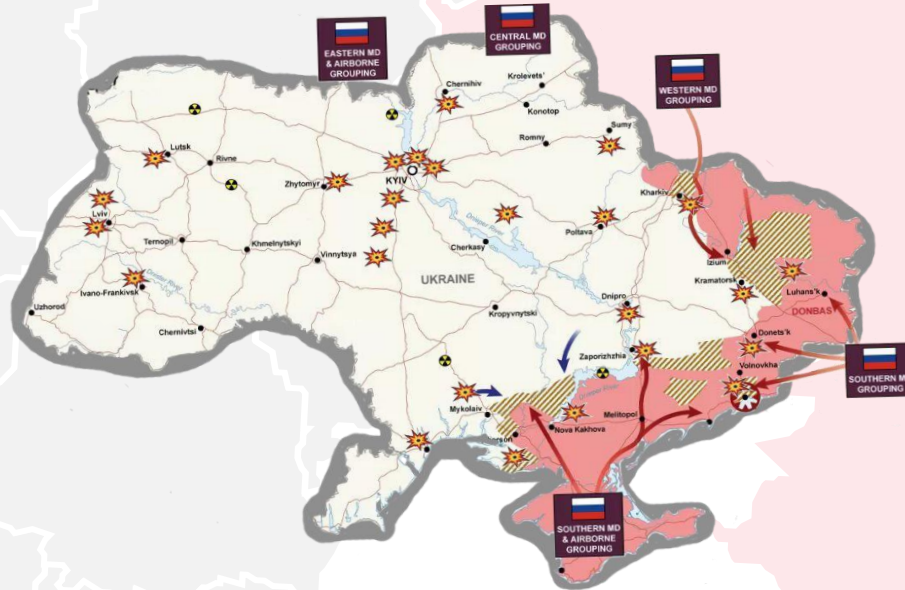
- Russia-Ukraine relations at a glance
- What could be consequences of the Russian-Ukrainian war?
- When will Russia run out of money for the war?
- What are key risks for Russia?
- How to stop the Russian aggression?
- What is needed from the world NOW?



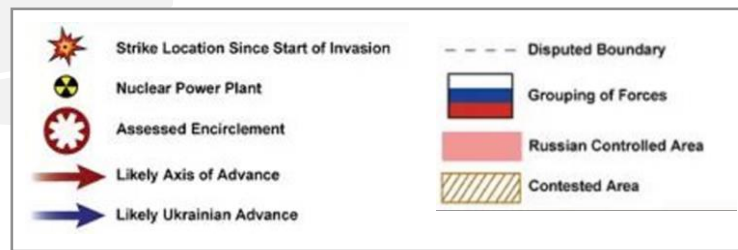


# Russia – Ukraine relations at a glance: Ukraine fights over 300-year long existential battle against Russia

## MAP OF UKRAINE AND KEY EVENTS AFTER OBTAINING THE INDEPENDENCE



\* Map as of 4/19/2022



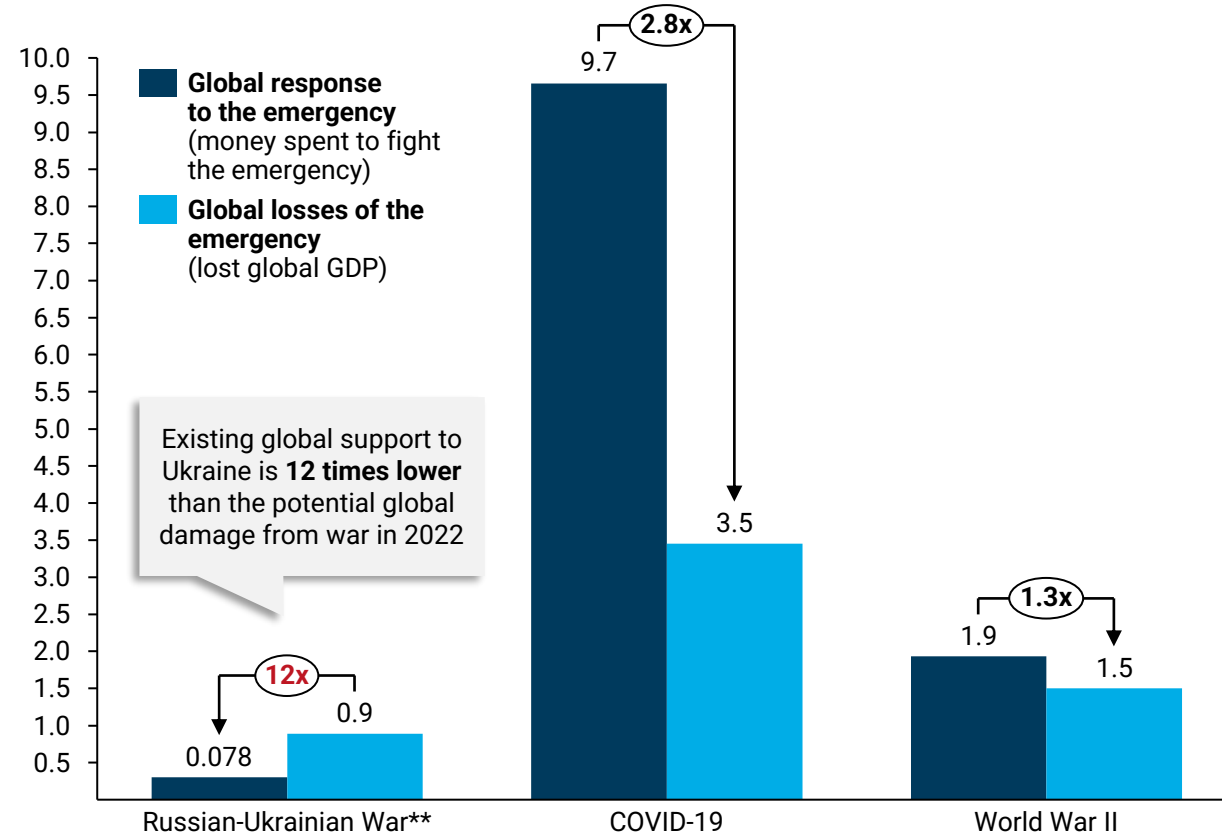
Source: Defence Intelligence, News agencies, Mapbox, Center for Economic Recovery

- (XVIII c.) **Limitation of Ukrainian autonomy:** In 1764-1765 the Russian Empire liquidated the autonomy of proto-Ukrainian state "Hetmanate"
- (XIX c.) **Suppression of Ukrainian nationality:** Formation of Ukrainian political nation, several anti-Ukrainian decrees by Russian Empire were adopted, limiting a circulation of Ukrainian language
- (1917-1922) **Soviet occupation of Ukraine:** Despite gaining statehood in 1917, Ukraine was occupied by the Bolsheviks and included in the Soviet Union
- (1932-1933) **Genocide of Ukrainian people ("Holodomor"):** Soviet government starved millions of Ukrainians, which was recognized as a genocide by 17 countries
- (1944) **Deportation of the Crimean Tatars:** Indigenous People of the Crimean peninsula were accused of collaborating with Nazi Germany and deported from their historical homeland (over 190 thousand people, up to 46% of which died in first few years).
- (1991) **Independence of Ukraine:** The Verkhovna Rada adopted an act of proclamation of independence of Ukraine which was supported by national referendum
- (1994) **Renunciation of nuclear weapons:** The memorandum between Ukraine, Russia, Great Britain and the United States on guarantees to Ukraine in connection with its acquisition of non-nuclear status was signed
- (2004) **The Orange Revolution and Constitutional Reform:** Ukrainians started the Orange Revolution after the Central Election Commission announced preliminary victory of a pro-Russian candidate Viktor Yanukovych due to mass falsifications
- (2013) **Euromaidan:** Ukrainians started the Revolution of Dignity (Euromaidan) because pro-Russian government suspended preparations to entering the EU
- (2014) **Illegal annexation of Crimea and war in Donbas:** Several days after the victory of the Revolution of Dignity, Russia brought its troops to Crimea and Donbass
- (2022) **Full-scale war started by Russia:**
  - In December 2021, 130-150 thnd Russian soldiers were concentrated near the Ukrainian border
  - In February 2022, Putin recognizes the "independence" of temporarily occupied regions of Ukraine and orders Russian forces to them. Then Russia launches full-scale invasion of Ukraine
  - **Now, 55 days after the start of the full-scale invasion, the war is still in place and already took lives of thousands Ukrainians.**



# What could be consequences of the Russian-Ukrainian war? The world faces the biggest threat after the end of the Cold War

## COMPARISON OF THE GLOBAL RESPONSE AND GLOBAL LOSSES\* OF THE RUSSIAN-UKRAINIAN WAR, COVID-19 OUTBREAK, AND WORLD WAR II, USD TRILLION PER YEAR



## COMMENTS

- The Russian full-scale invasion of Ukraine is a major threat for global economic growth. Based on different estimates, **the Russian-Ukrainian war will cost the global economy ~USD 900 bn of GDP in 2022.**
- Moreover, the Russia causes major risks for global security: according to the polls, **almost 87% of Russian support attacking to the EU countries after Ukraine, such as Poland, Baltic countries and others.**
- Furthermore, the Russian actions creates precedent for intensification of disputes over other territories in Asia and other regions. As a result, **today there is the biggest threat of the World War III after the end of the Cold War.**
- Even though the international sanctions put inevitable pressure on the Russian economy, their effect is stretched in time and cannot stop the war in a short term. Therefore, **the key intervention expected from the global community is strengthening the Ukraine's capacity to oppose the aggression.**
- Meanwhile, observing past and recent major global challenges (such as COVID-19 pandemic and WWII) that happened in the world's history, the **current international support to Ukraine is not enough relative to the costs of war to the global economy.**
- **It is crucial for the world to facilitate its response now as global costs will only grow until Russian aggression is stopped.**

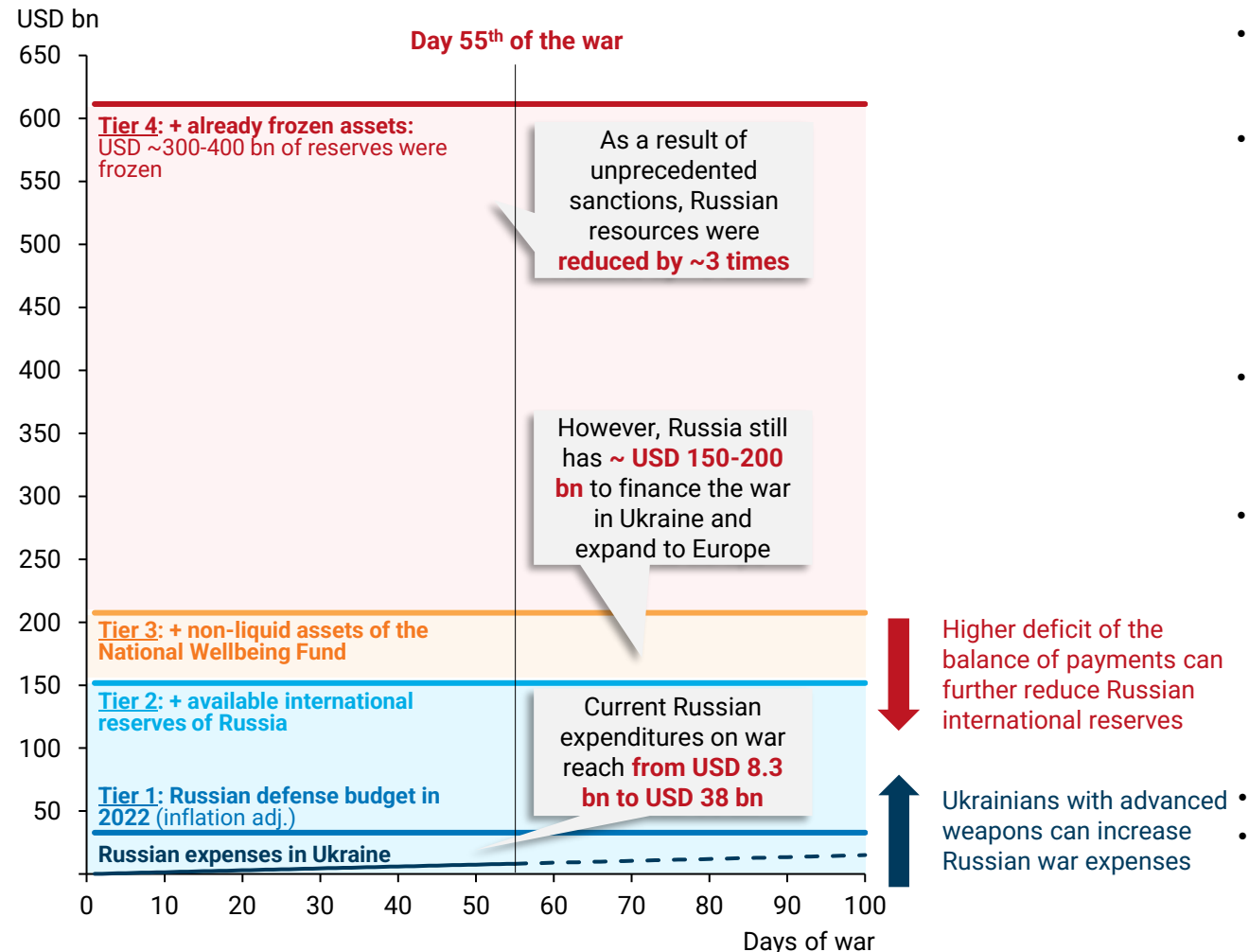
Source: Calculations of the Centre for Economic Recovery, IMF, UNCTAD, World Bank

• - the global costs are based on the adjusted IMF projections as of March 24; COVID-19 calculations are based on the IMF data on the governments' responses as of September 2021; calculations on the WWII costs are based on military expenditures of the major Allies forces (USSR, USA, UK, China, France, Poland etc.), while material, human and occupational costs are based on the academia papers' estimations for the major Allies countries and estimations of CER; \*\* - approximate estimated response in 1 year (x3 of the response as of April 15)



# When will Russia run out of money for the war? Export revenues from energy products & reserves allow Russia to sustain the war for years

## RUSSIAN CAPACITY TO CONTINUE THE WAR IN UKRAINE AND EXPAND TO EUROPE\*



## COMMENTS







- **Russia faces unprecedented economic pressure from sanctions**, that are expected to reduce the country's GDP by 11.2% in 2022; inflation can reach 22%.
- Even though the sanctions will have a significant effect on the Russian state budget, because of the significant increase in oil & gas prices, **the fiscal deficit in 2022 will reach up to ~2.8% of GDP (compared to planned surplus of 1%) which is fully manageable for the Russian economy** (if the prices had not grown up, the deficit could have reached over 7%).
- As a result, even though the pressure from sanctions significantly affects the economy and wellbeing of the population, **Russia still has sufficient capacity to continue military actions in Ukraine.**
- Also, Russia can source additional funds from:
  - **Non-frozen international reserves of the Central Bank of Russia** (excl. value of ~4 months of imports to maintain macro-stability) equal to ~USD 118.8 bn.
  - **Non-liquid assets of Russian National Wellbeing Fund** (may be potentially approached in longer term) equal to ~USD 55.7 bn, although the value may depreciate
- Hence, **Russia has ~USD 150-200 bn**
- **There is a need for strong sanctions to prevent Russian war expansion to the European countries. The most impactful measure is a full embargo on Russian energy products.**

Source: Ministry of Finance of Russian Federation, Central Bank of Russian Federation, Statista, World Bank, calculations of the Centre for Economic Recovery, others

\* The estimates provided on the slide are based on the official statistical data of the Russian Federation, which is incomplete and may be inaccurate



## What is Russia/Putin afraid of? Russia faces multiple economic and military risks that can be aggravated by a global community

RISK	IMPACT	PROBABILITY	DESCRIPTION	HOW TO AGGRAVATE
 <b>Military victory of Ukraine</b>	● ● ●	● ●	With an exposure to a highly effective military equipment, Ukraine can cause <b>more damage to Russian forces</b> and gain the victory	Provide Ukraine with <b>highly effective heavy weapons</b>
 <b>Lack of resources to continue the war</b>	● ● ●	●	Russia may face a <b>significant fiscal deficit</b> and run out of resources needed to continue the war	Impose <b>embargo on the Russian oil and gas</b> and <b>restrict Russian from utilizing its reserves</b>
 <b>Deficit of the balance of payments</b>	● ●	●	With the <b>most of international reserves frozen</b> and need to <b>finance critical imports</b> , Russia may face an inevitable damage to its economy	<b>Stop international trade</b> with Russia and ensure <b>proper execution of foreign reserves' freeze</b>
 <b>Crisis of the financial sector</b>	● ●	● ● ●	Sanctions imposed on Russian banks may lead to their <b>default</b> , <b>confiscation of deposits of population</b> and <b>disruption of the overall country's financial system</b>	<b>Expand sanctions</b> (disconnection from SWIFT, freezing assets, restriction of transactions) to all Russian banks
 <b>Significant drop in population wellbeing</b>	● ●	●	Increasing <b>inflation, unemployment and loss of savings</b> resulting from banking crisis may decrease support of the Putin's regime and war in Ukraine, resulting in protests	Strengthen the sanctions in <b>economic and cultural fields</b>
 <b>Riot of the Russian elites</b>	● ● ●	● ●	Oligarchs and elites within the Russian government may accelerate the end of the war by building <b>opposition to the Putin's regime</b>	<b>Expand personal sanctions</b> against Russian oligarchs and persons close to the government

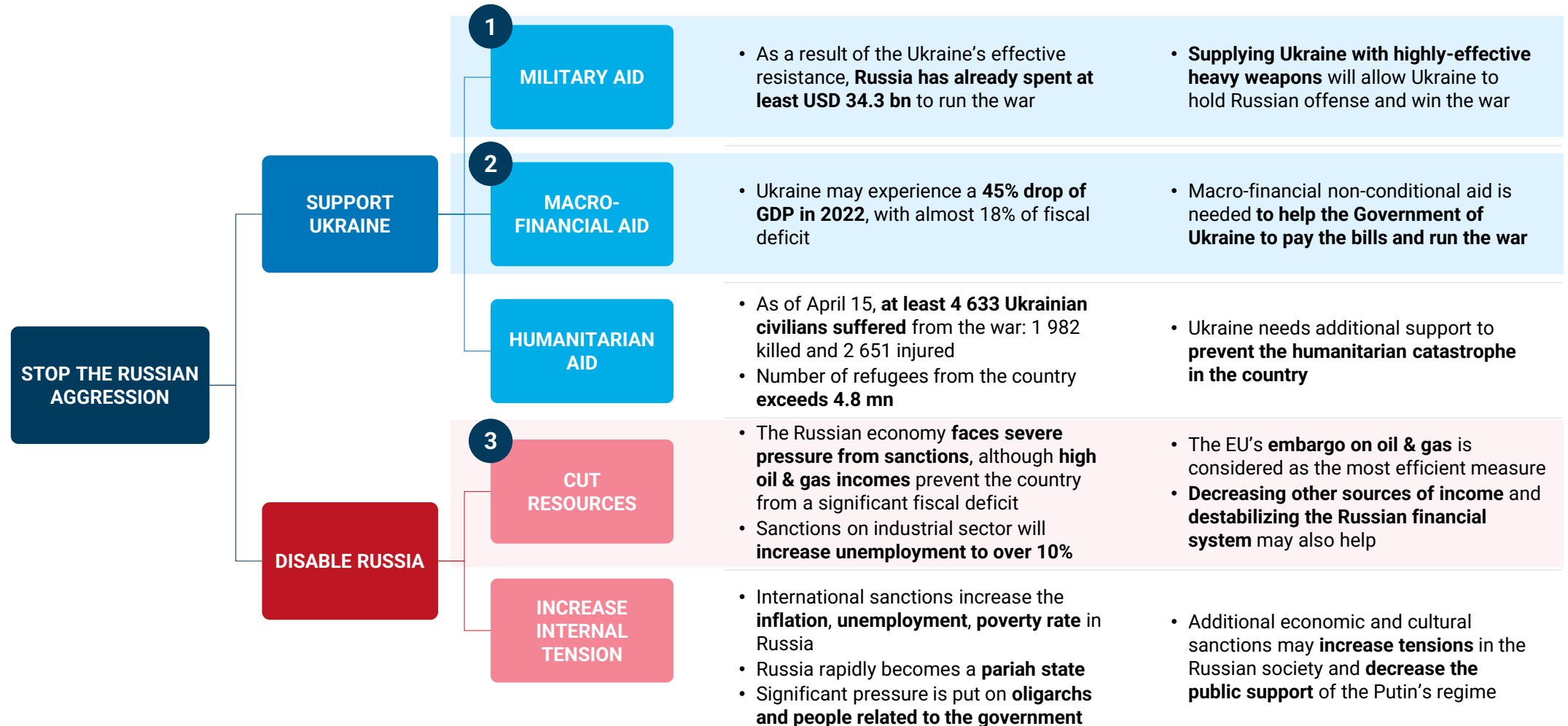


# How to stop the Russian aggression? The world should support Ukraine and decrease Russian capacity to run the war

## WAYS TO STOP RUSSIAN WAR AGAINST THE CIVILIZED WORLD\*

## CURRENT STATE

## ACTIONS NEEDED



Source: Centre for Economic Recovery, Ministry of Defense of Ukraine, OHCHR, World Bank, others





# What is needed from the world NOW? We urge to stop buying Russian energy products and provide heavy weapons to Ukraine

## KEY ACTIONS NEEDED FROM THE WORLD TO STOP THE WAR IN UKRAINE

### 1 PROVIDE MILITARY AID TO UKRAINE

1. **Supply Ukraine with more highly-effective heavy weapons** including: (1) air defense systems as well as combat aircraft; (2) long-range weapons (Long-Range Artillery Missile complexes, MLRS and heavy artillery); (3) tanks and armored vehicles; (4) anti-ship missiles; (5) reconnaissance and strike drones. (TBD by USA, EU & others)

**Attention! Key initiative #1.** Heavy weapons will allow the Ukrainian army to stop Russia.

### 2 PROVIDE MACRO-FINANCIAL AID TO UKRAINE

2. **Provide Ukraine with macro-financial aid to finance the increased expenditures** (preferably in the form of grants, not loans, because a war-torn country is unlikely to be able to service and repay additional debt in the short term) (TBD by USA, EU, IFIs)

**Attention! Key initiative #2.** Macro-financial aid is needed to sustain a protracted war effort

### 3 CUT RUSSIAN RESOURCES TO FINANCE THE WAR

3. **Introduce a full embargo on Russian imports of oil, coal, nuclear fuel, and gas** (TBD by the entire world)
4. Increase custom rates for Russian imports, excl. oil, coal, nuclear fuel, and gas (TBD by G7 & others)
5. Disconnect all Russian banks from SWIFT and impose other sanctions on the Russian financial system (e.g., freezing assets of Russian banks) (TBD by USA, EU & others)
6. Impose an additional global tax on international companies operating in Russia (TBD by USA, EU & others)
7. Prevent trade and military cooperation between Russia and Iran (TBD by USA, EU, UK)
8. Ban any cooperation with Russian public or private companies and organizations (TBD by USA, EU & others)
9. Suspend all international visas for Russian nationals and impose a ban on issuing new visas (TBD by USA, EU & others)
10. Freeze foreign reserves of the Central Bank of Russia, National Wellbeing Fund & others to run all operations incl. debt payments (by USA, EU & others)
11. Mirror sanctions on countries supporting Russia (TBD by USA, EU & others)
12. Prosecute Putin and his inner circle (oligarchs) (TBD by USA, EU & others)

**Attention! Key initiative #3.** Russia started the war with the assumption that no country in the world will stop importing Russian oil & gas.

1

2

3.1

3.2

3.3

4

Table of  
content

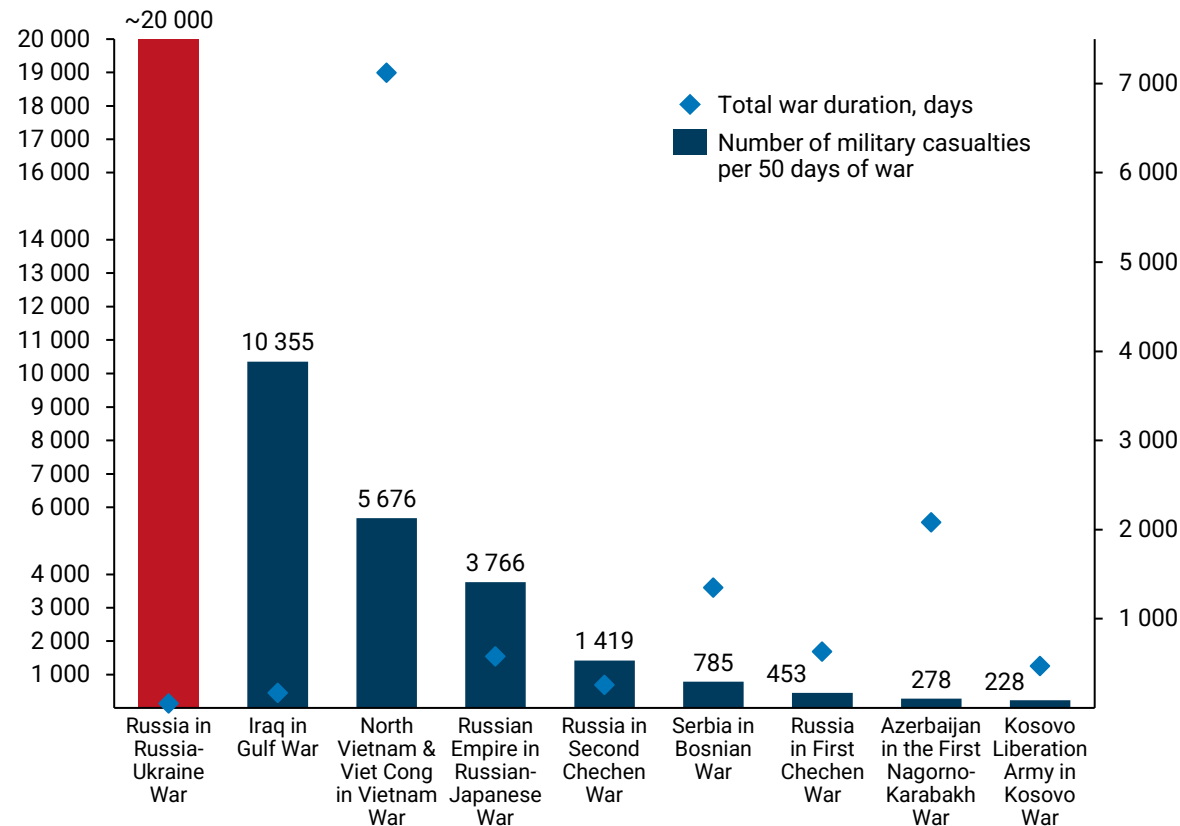
# War costs for Ukraine: How to improve resilience

- Military resistance
- Humanitarian crisis
- Economic crisis
- Recovery and modernization



# Military resistance: Ukraine is opposing the Russian aggression effectively, but the additional military support is still needed

COMPARISON OF THE NUMBER OF MILITARY CASUALTIES IN SELECTED WARS GLOBALLY, AGGREGATED PER 50 DAYS OF WAR



## COMMENTS

- In 50 days of combat **Ukrainian military forces eliminated more Russian invaders than Russian army lost during two Chechen wars** that lasted for almost 2.5 years combined.
- While Russia's and Ukraine's military spending account for more than 4% of countries' GDP, **Russian military budget is 10 times bigger compared to Ukrainian.**
- Still, **Ukrainian army shows high military efficiency given the limited resources.** This is proved not just by the 20 thnd casualties in such a short period of time, but also by successful tactical operations such as the submersion of the USD 750 mn Russian lead warship Moskva.
- Despite being outgunned, **Ukrainian army caused losses of almost 40% (773) of tanks** and more than 50% (165) of Russian aircrafts initially assigned for the invasion.
- **Ukraine's considerable military success is highly praised by the international war experts.** It is noted that providing the army with modern defense systems, machinery and equipment will increase miliary success significantly.
- Hence, **Ukraine requires rapid military support from its international partners urgently.** Although the support process is slow and bureaucratic, it shows signs of acceleration – e.g., lend-lease from the US.

Ukrainian army proved to be highly efficient in fighting Russian aggression, while being outgunned. **Rapid support with a highly-effective heavy weapon will significantly increase military success**



# Humanitarian crisis: At least 4 633 civilian Ukrainians were wounded or killed in first 50 days of war with Russia, millions suffer humanitarian crisis

4 633\*

Civilians were killed or injured, including at least 90 children

4.8

Million Ukrainians were forced to leave the country

6.5

Million Ukrainians were forced to move within the country

## HUMANITARIAN DAMAGE DONE BY RUSSIA



### War crimes and violations

- Based on the OHCHR's report, **at least 4 633 Ukrainians were killed or injured** as a result of Russian aggression (officially registered cases)
- **Real number of victims may be higher by several times.** For instance, in Mariupol alone, the mayor of the city reported that over 10 thousand of citizens were killed
- Numerous cases of **rape, tortures, looting** and other war crimes are confirmed



### Hidden victims

- Limiting the capacity of hospitals and, as a result, deteriorating conditions for **people with severe chronic diseases**
- Deprivation of people from home and the opportunity to work and, as a result, **starvation of part of the population**
- **Psychological traumas** from hostilities, especially for children



### Refugee crisis

- After the start of the war, **at least 4.8 of Ukrainians were forced to leave the country** and move abroad as refugees
- The most people have relocated to Poland, Romania, Hungary, Slovakia, causing a **refugee crisis in Europe**
- Moreover, **~6.5 Ukrainians relocated within the country** to relatively safe regions



### Harm for environment

- **Significant damage to the environment** from the destruction of the oil depot in the village of Kryachky
- **Rising radioactive dust** due to the movement of heavy military equipment in the Chernobyl Exclusion Zone

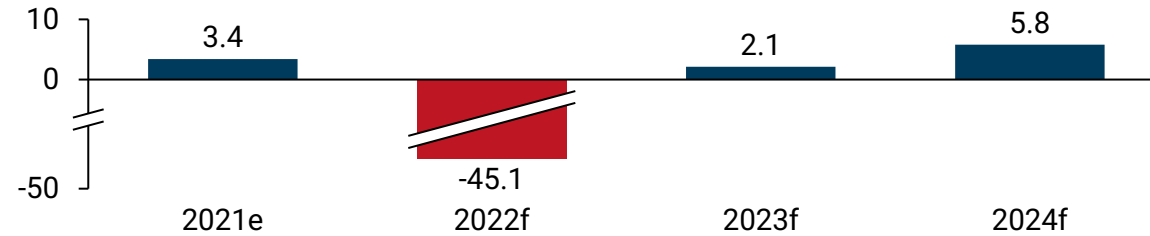
Today the Europe and whole world take significant actions to prevent Ukraine from a humanitarian catastrophe, but the **global support will be needed until the Russian aggression is over**



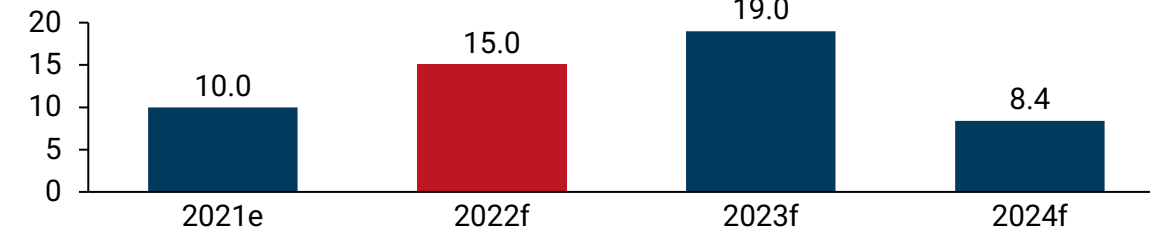


## Economic crisis: World Bank projects a 45% decline of Ukrainian GDP in 2022, with fiscal deficit reaching 15% of GDP

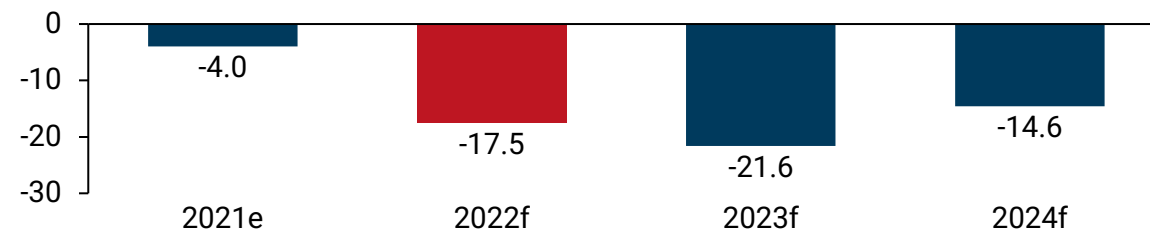
PROJECTED REAL GDP GROWTH, AT CONSTANT PRICES, %



PROJECTED INFLATION (CPI), %



PROJECTED GOVERNMENT BUDGET DEFICIT, % OF GDP



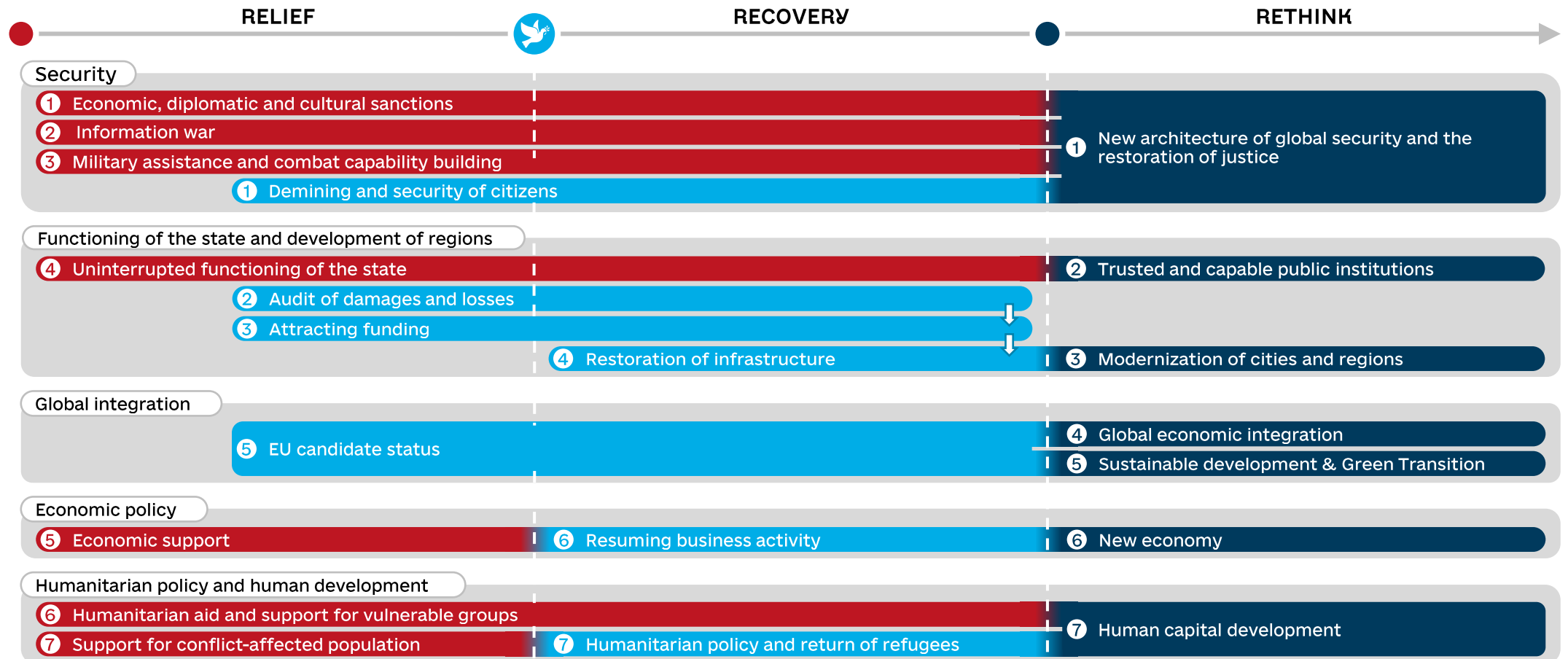
### COMMENTS

- Due to the strengthened macroeconomic, fiscal and financial reforms, **Ukraine has tackled COVID-19 pandemic better than it was anticipated** and effectively started economic recovery in 2021. **Ukrainian economy grew by 3.4% in 2021** as domestic demand was supported by the easing of pandemic restrictions.
- However, **Ukraine has suffered massive economic and humanitarian crisis** following the Russian invasion. To prevent macro-fiscal collapse, the **government has imposed capital control, banking sector restrictions, announced tax deferrals and other measures** aimed to support business and financial sectors.
- **A large fiscal gap opened as tax revenues dropped sharply.** In response, international partners have provided substantial funding (grants, loans etc.).
- The further projections are subject to a high uncertainty. Assuming the war continues for several months, **a 45% GDP contraction is anticipated in 2022.** Furthermore, a fiscal deficit is projected at a level of 17.5% of GDP (meanwhile, some Ukrainian economists expect fiscal deficit to reach almost USD 70 bn).

To stabilize the economic situation in the country during the war, **Ukraine needs additional macro-financial support from its international partners**



# Recovery and development: After winning the war, Ukraine will need additional support in rebuilding and modernizing the country



National Recovery Plan development will be coordinated by the National Recovery Council that is expected to be created by the Decree of the President of Ukraine. In the first months after the war, Ukraine will presumably finance the reconstruction of the real sector of the economy through the Recovery Fund and carry out structural reforms in order to focus on tax revenues and foreign investment as sources for reconstruction and modernization in the long run. Recovery and development should help Ukraine to reach USD 500 b GDP in the decade

1

2

3.1

3.2

3.3

4

Table of  
content

# War costs for Russia. How to decrease Russian capacity to wage the war: **Public sector**

1. Military costs
2. Public finance

1

2

3.1

1

2

3.2

3.3

4



# Military costs



**Russia has already spent over USD 38.6 bn** for running the war, including operational costs, destroyed equipment and lost human personnel.





# Military costs (1) 55-day military invasion costed Russia ~USD 38.6 bn of destroyed equipment, military casualties and operational expenses

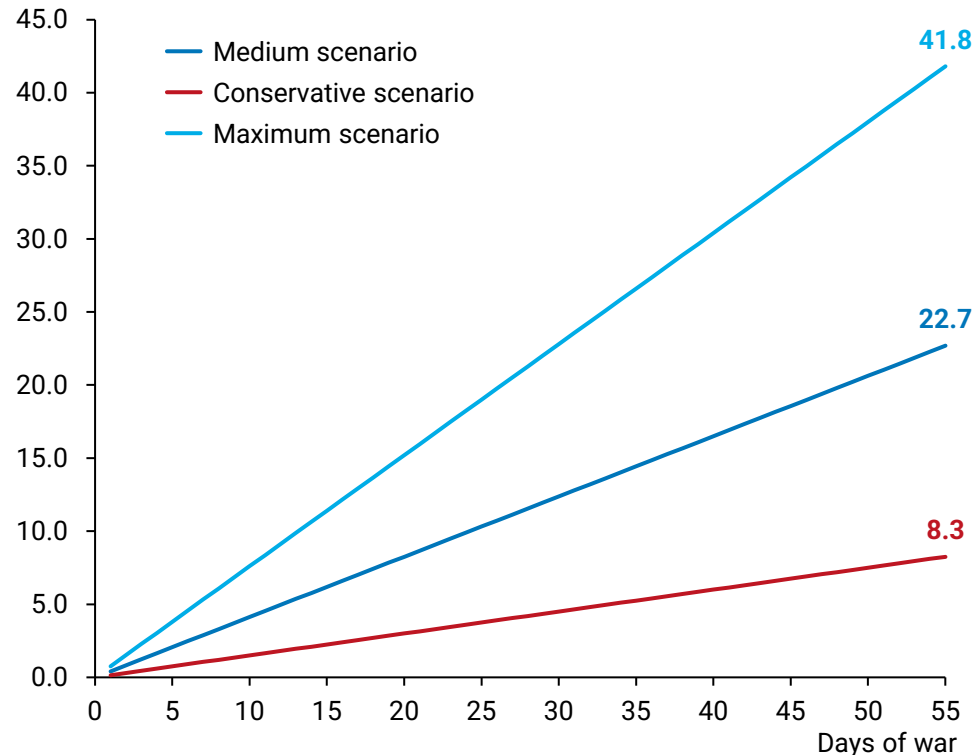
TOTAL RUSSIAN COST OF WAR IN UKRAINE = ~ USD 38.6 bn (conservative)

OPERATIONAL EXPENSES TO RUN THE WAR = min USD 8.3 bn



COST OF DESTROYED EQUIPMENT & MILITARY CASUALTIES = ~ 30.3 bn

Russian expenditures to run the war in Ukraine, USD bn (cumulative)\*



Source: Ministry of Defence of Ukraine, World Bank, Deagel, other sources, calculations of the Centre for Economic Recovery

Units	# of units destroyed (% of total)	Total costs, USD bn
Attack jets	171 (51%)	8.6
Attack helicopters	150 (63%)	2.1
Artillery pieces	391 (24%)	0.6
Cruise missiles	1 393 (n/a)	2.7
Tanks	815 (40%)	1.8
Armored vehicles	2 087 (52%)	2.0
Warships and Patrol boats	8 (n/a)	1.7
Human personnel*	20 900	10.8

\* Daily costs are calculated based on benchmarking of other Russian military campaigns (in Georgia and Syria)

\*\* Costs of human personnel are estimated as average gross value added generated by worker per years, multiplied by the remaining productive life expectancy of the personnel



## **Military costs (2)** The abovementioned estimation is conservative, while real cost must be higher due to numerous factors



**Lost machinery** estimations do not yet include some of the military machines, such as the cost of unclassified “special equipment”



Additional human **personnel costs** invoke expenditures on evacuation and treatment of wounded soldiers, as well as lost human capital and productivity



**Direct military costs** are now calculated using a benchmarking of other Russian military campaigns. More precise estimates can be made by calculating exact costs by elements (remuneration for personnel, fuel, spare parts, etc.)

1

2

3.1

1

2

3.2

3.3

4



# Public finance

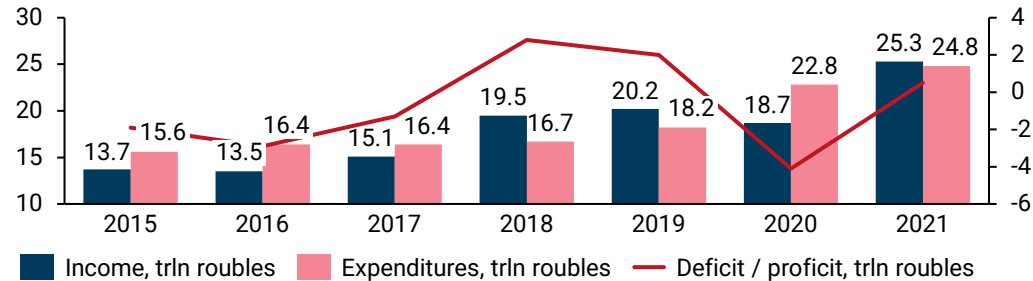


Increased prices in oil & gas compensate for the detrimental effect of sanctions: **Russian fiscal deficit is expected at the level of up to ~2.8% of GDP**, while without increase in prices it could have exceeded 7%. Introducing embargo on Russian oil and gas will drive budget deficit to unbearable level way beyond 10%.

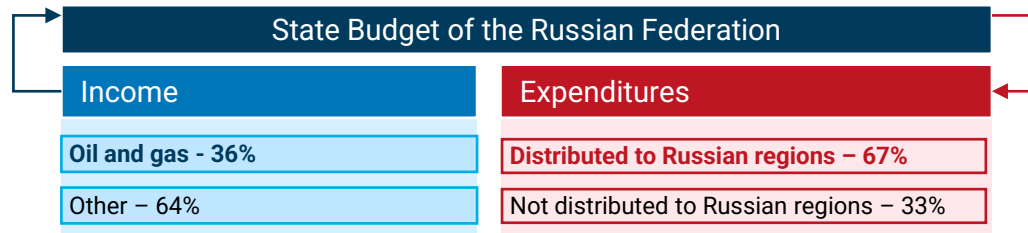


# Public finance (1) Russian state budget relies on revenues from oil and gas while the largest expense categories are social sphere and defense

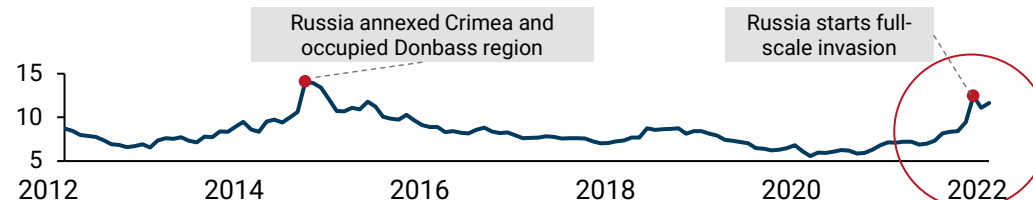
INCOME AND EXPENDITURES OF RUSSIAN STATE BUDGET, TRILLION RUBLES



RUSSIAN STATE BUDGET STRUCTURE, 2021



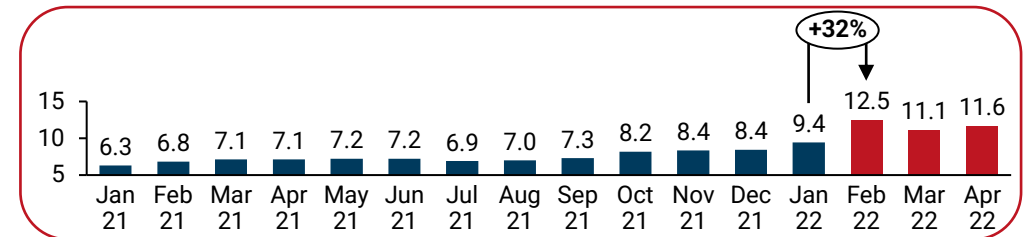
RUSSIAN 10-YEAR BOND YIELD, 2012-2022, %



Source: Ministry of Finance of Russian Federation, Investing.com, Capital IQ, Centre for Economic Recovery

RUSSIAN BUDGET OVERVIEW

- Russian economy is **highly dependent on the volatile Oil & Gas industry** which significantly impacts the state budget performance.
- Oil & Gas Industry forms around 40% of the state budget income.**
- The biggest **budget expenditures are directed to the social sphere and defense**: social security – over 30%, defense – 12-14%.
- Russian budget is running at deficit.** Over the last 7 years the average budget deficit reached 0.7 trln rubles. The key instrument to offset the deficit is additional emission of rubles which fosters inflation growth.
- The deficit in 2015 was covered by the **currency emission**, which led to **13% inflation**, internal debt growth by 2% and reduced indexation of social payments that resulted in a 1.5% decrease of average income.
- Russian debt is more internally oriented** and does not form significant burden for Russian budget. **External debt of Russia remains at a low 10% of the GDP level**, while internal debt reaches 17% of the GDP.
- Due to the international sanctions, the **financial possibility of debt coverage is limited** and hence, Russia is in a pre-default state. All major international credit rating agencies have excluded Russia from their ratings.

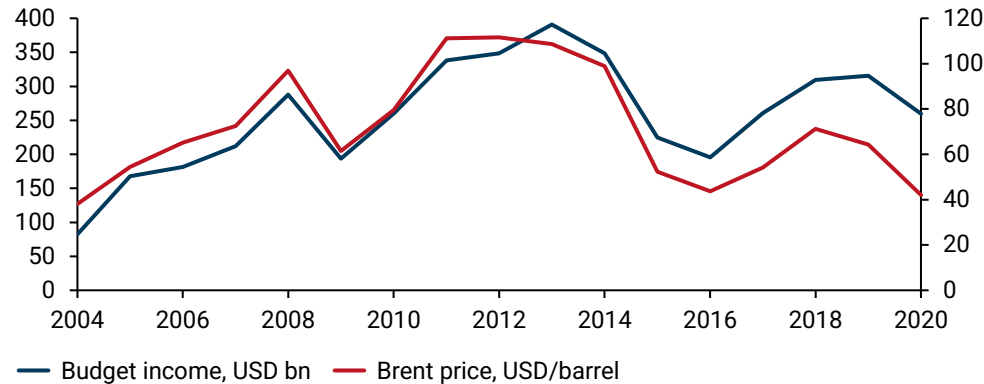






## Public finance (2) Russian economic decline can impede stable financing for social sphere and subsidized regions

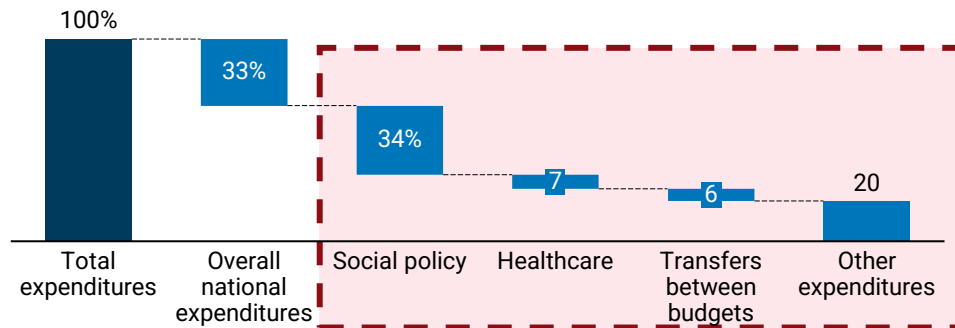
### RUSSIAN BUDGET INCOME AND OIL PRICES CORRELATION



### DECREASE IN INCOME

- Russian federal budget is **strongly dependent on the energy prices**. Incomes of the federal budget have a strong correlation with the global prices of energy resources, particularly – with oil prices. Significant volumes of oil (over 20%) are traded within the short-term contracts which are highly sensitive to the oil market price and significantly shape the budget income.
- Oil **prices hike may partially cover the budget losses** caused by embargo on Russian oil. The embargo imposed by the US and UK will impact the market and will lead to a price increase as a result of production shortage, which cannot be fulfilled in the short run (but will be fulfilled by the OPEC countries and US by the end of the 2022).

### EXPENDITURES STRUCTURE OF RUSSIAN BUDGET, 2021



### DECREASE IN EXPENDITURES

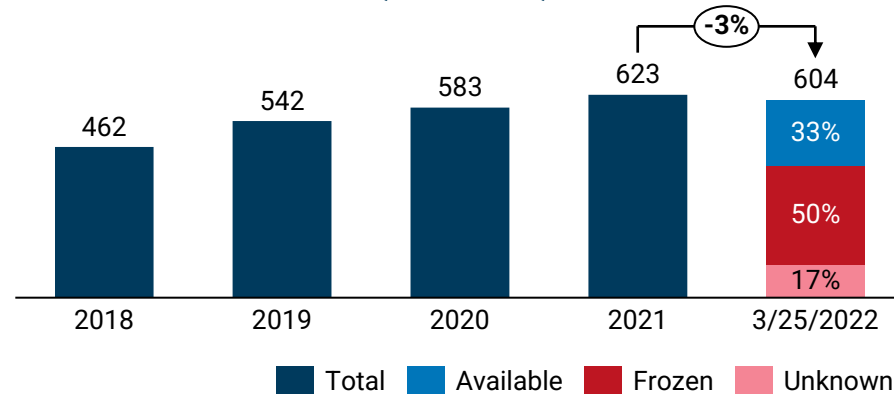
- Over **30% of the federal budget expenditures** are aimed to **support the economy** (17%), to finance national security and defense (14%).
- Around **67% of the federal budget is directed at social spheres**. The biggest share is directed at pensions (54%) while the rest is directed at the social support (45%).
- The number of **subsidized local budgets is rapidly growing**. In 2022, over 23 out of 85 local budgets required subsidies from the state budget. In comparison to 2021 (13 subsidized regions), the number has almost doubled. For subsidized regions, the average state budget support reaches 17% of the average local budget.

**Sanctions and a decrease in budget incomes will lead to cuts in expenditures**, which will influence the social spheres and subsidized regions significantly.



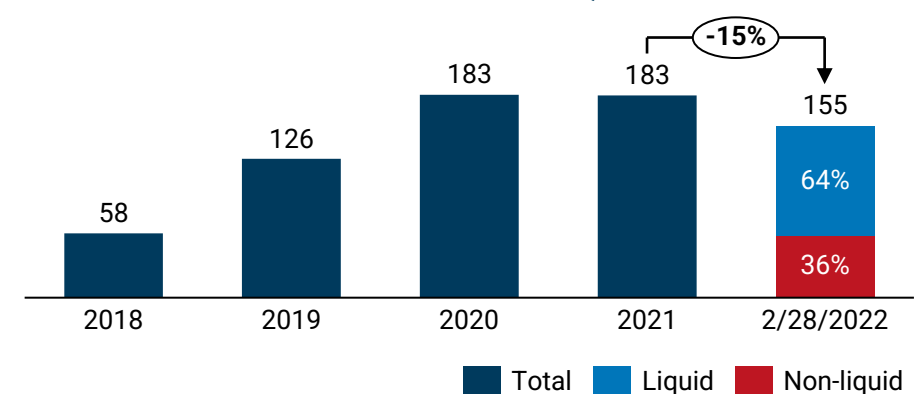
## Public finance (3) Partially frozen foreign reserves ruin the economic stability but do not lead to default

CENTRAL BANK OF RUSSIA, RESERVES, USD BILLION



- **Russia's international reserves amount to USD 604 bn.** Euro, US dollar, and pound sterling account for around 60% of reserves.
- The US, UK, and EU have introduced list of sanctions, including **freezing the transactions of Russia's Central Bank**, preventing it from deploying its international reserves in ways that would undermine other sanctions. As a result, now Russia has access to limited amount of its reserves, including yuan, gold, etc.
- As a result, **Russia has been deprived from the effective use of its reserves** due to central bank asset freezes. However, the extent to which the reserves are frozen, is unclear and provided data is an estimate.
- It is considered that **Russia has been able to pay for its debts from the frozen reserves**, which may delay negative effects on the Russian economy. At the same time, recent decisions of the US government will limit such possibility.

NATIONAL WELLBEING FUND RESOURCES, USD BILLION



- Russian **National Wellbeing Fund consists mainly of liquid assets (64%)**, which include euro, British pounds, Chinese yuan, gold, and Russian rubles. **Those assets are included into the international reserves, thus part of them are frozen.**
- **Non-liquid assets (36%)** include ruble deposits at the state development bank VEB, foreign countries' debt instruments, Russian securities linked to large infrastructure projects, shares of Sberbank and Aeroflot. **Linkage to infrastructure projects may become a burden**, as capital investments are currently being frozen.
- Russia has been **using the Fund to purchase more shares of Russian companies after the beginning of the war** to support the country's stock market.
- Russia is being restricted in using its **National Wellbeing Fund reserves**, which **suffered the same sanctions as Central bank reserves**, although the structure of available assets is unclear.








# Public finance (summary) International community should increase financial pressure on Russia

## KEY INTRODUCED SANCTIONS

- ✓ Freezing Russian international reserves (USA, EU, UK, etc.)
- ✓ Ban on transactions with the Central Bank of Russian Federation (USA, EU, UK, etc.)
- ✓ Excluding Russia from credit ratings (EU)

## ACTIONS TO BE TAKEN

-  Freeze foreign reserves of the Central Bank, National Wellbeing Fund and other financial institutions to run all operations incl. debt payments (TBD by USA, EU & others)
-  Mirror sanctions on countries that support Russia (TBD by USA, EU and other countries)
-  Include Russia and Belarus in the FATF blacklist (TBD by USA)

1

2

3.1

3.2

3.3

4

Table of  
content

# War costs for Russia. How to decrease Russian capacity to wage the war: **Business sector**

1. Financial sector
2. International trade
3. Voluntary break of ties

1

2

3.1

3.2

1

2

3

3.3

4



# Financial sector



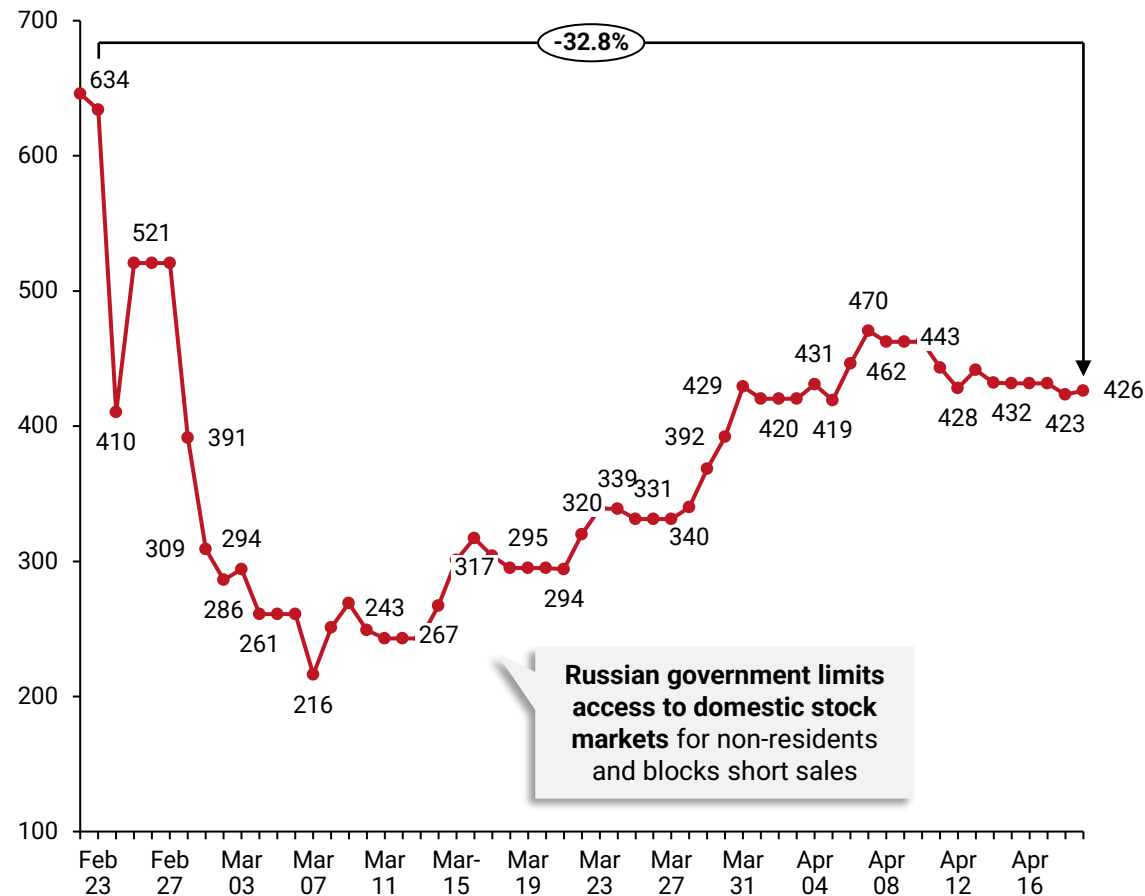
Russian companies are limited in attracting funding which may lead to a series of defaults. The **official currency exchange rate stopped reflecting the real situation**, the **Russian banking sector's losses might reach USD 130 billion in 2022**, leading to frozen deposits of the population.





# Financial sector (1) Russian war against Ukraine reduced market capitalization of Russian companies

MARKET CAP OF RUSSIAN PUBLICLY LISTED COMPANIES, FEBRUARY - MARCH 2022, USD BN

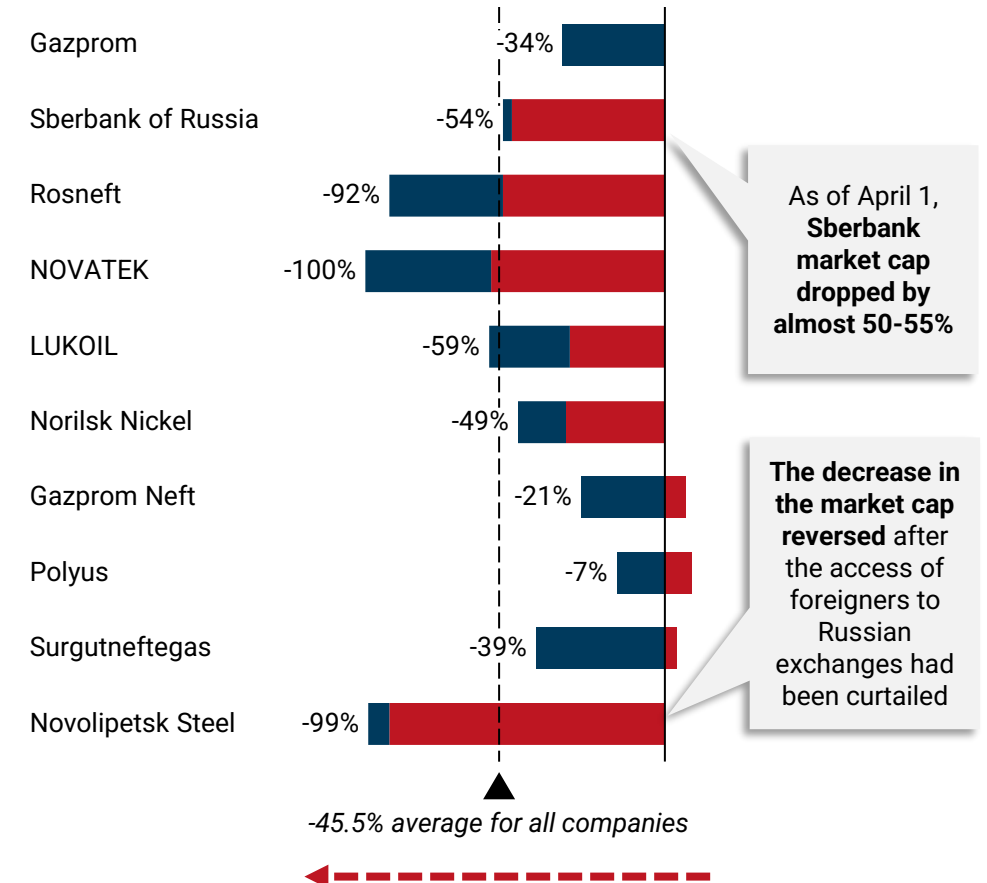


Note: 209 companies included in the assessment, based on S&P Capital IQ data

Source: S&P Capital IQ, Centre for Economic Recovery

MARKET CAP CHANGE FOR TOP-10 RUSSIAN PUBLICLY-LISTED COMPANIES, 2022, %

February 22 vs March 1 March 1 vs April 1

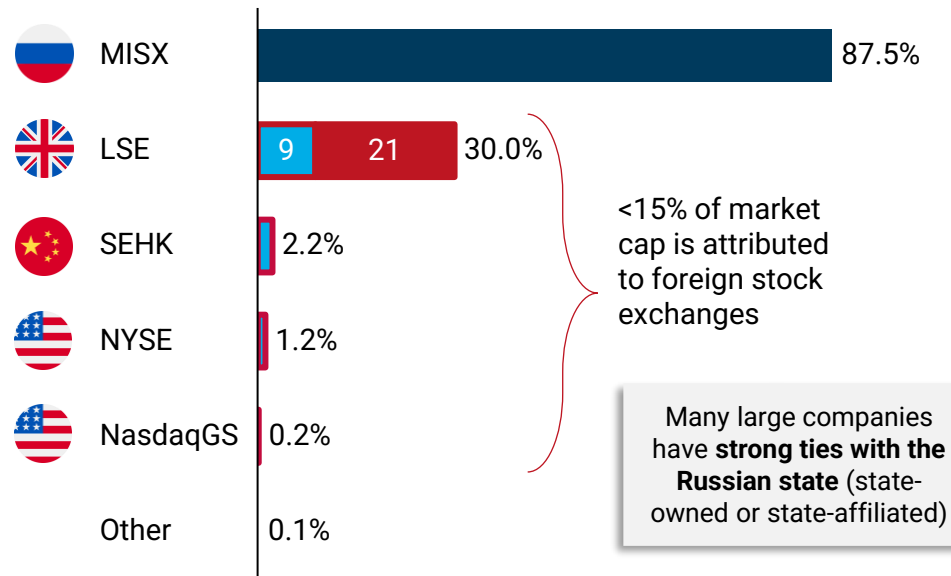




## Financial sector (2) Russian companies are broadly exposed to foreign capital markets – a significant lever to derail Russian economy

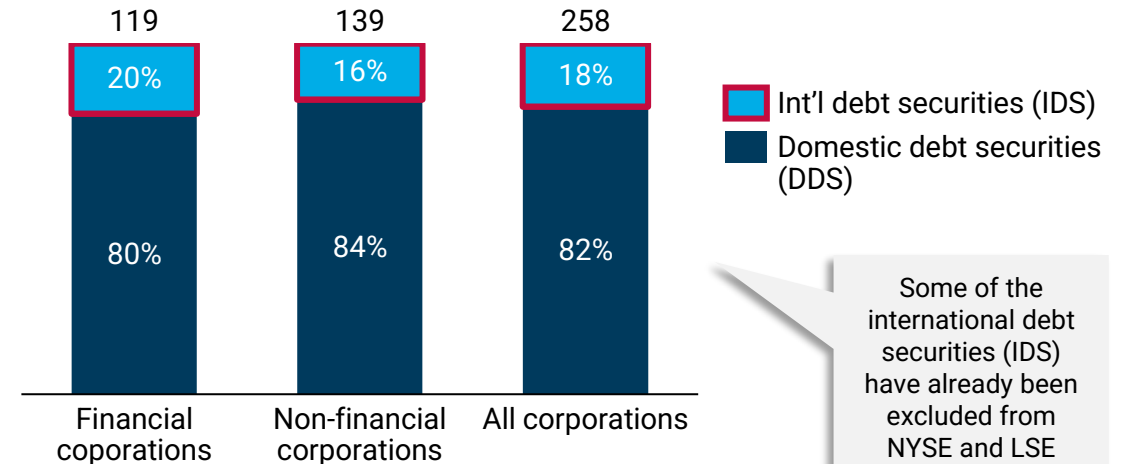
Russian companies had a large exposure to international **stock markets** – 30% of Russian market cap was attributed to LSE alone.

MARKET CAPITALIZATION OF RUSSIAN COMPANIES BY STOCK EXCHANGE, AS OF APRIL 1 2022, %



Russian companies have also actively used international **debt securities** to finance their activities (~20% of the total debt securities).

OUTSTANDING AMOUNTS OF DEBT SECURITIES FOR RUSSIAN RESIDENT ISSUERS<sup>1</sup>, Q2 2021, USD BN



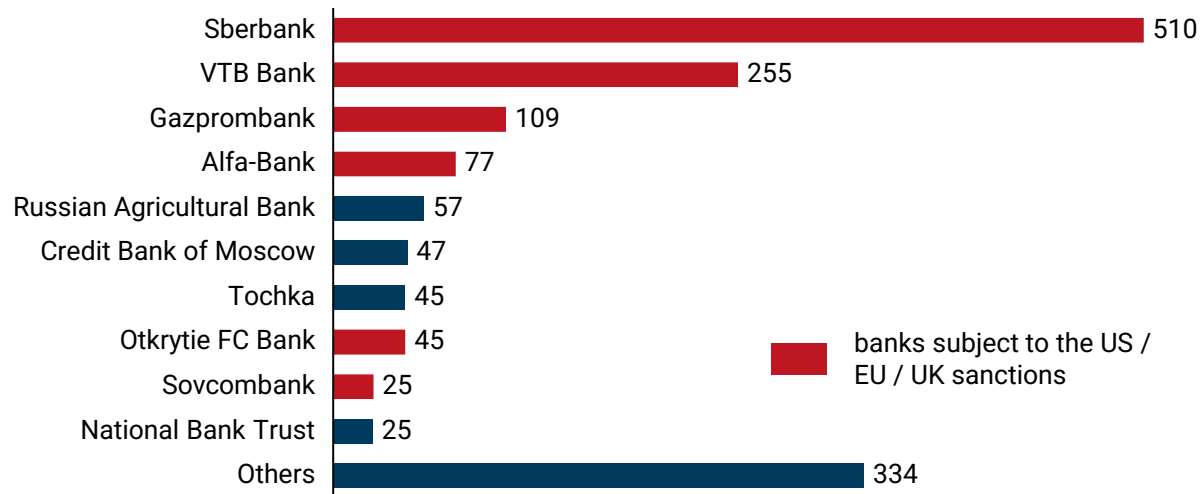
<sup>1</sup> Total debt securities (TDS) and domestic debt securities (DDS) are reported by national authorities, while international debt securities (IDS) are defined and compiled by the BIS from commercial data sources. Due to differences in definitions and valuation, the amounts for TDS may differ from the sum of DDS and IDS.

The exclusion of Russian companies from capital markets **destroyed market cap of many Russian companies** and complicated their further funding and debt servicing, potentially leading to their bankruptcy

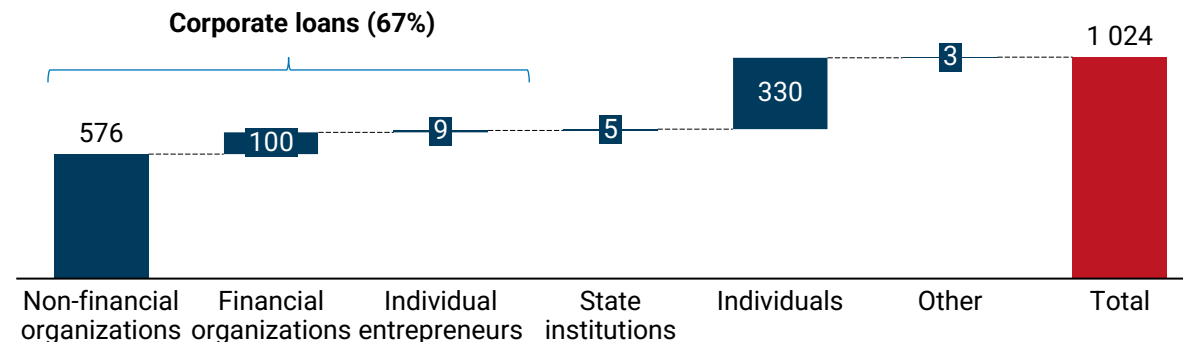


## Financial sector (3) Russian banking sector's losses might reach USD 130 billion in 2022, leading to default crisis and frozen deposits of the population

TOTAL ASSETS OF 10 LARGEST RUSSIAN BANKS, FEBRUARY 2022, USD BN



LOAN PORTFOLIOS OF RUSSIAN BANKING SECTOR, FEBRUARY 2022, USD BN



Source: Central Bank of Russia, Sravni, Ukraine Economic Outlook

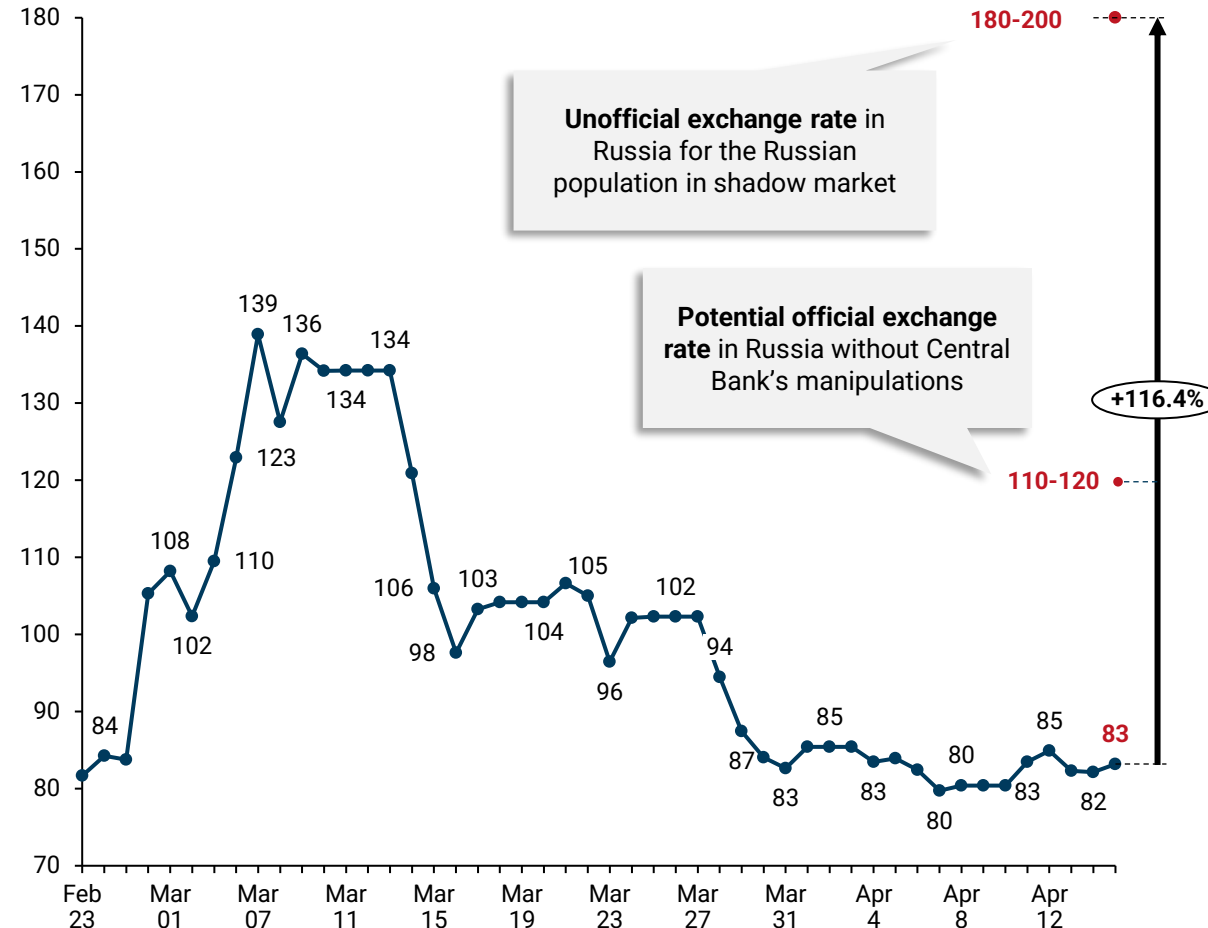
### COMMENTS

- Russian banking sector is represented by more than 300 commercial banks. **Assets of the 10 largest banks account for 78%** (USD 1.2 trn) of the total Russian banks' assets.
- In terms of the loan structure, **more than 80% of the corporate loans** provided by the Russian banks **account for large enterprises**, while the rest is loaned to small SMEs. **Individual loans account for 32% of the total loan portfolio** and are mostly constitute of mortgages, consumer and car loans. Both mortgages and consumer loans account for more 45% each of the total loans to individuals.
- In spite of the Russian aggression in Ukraine, 6 out of TOP-10 banks were sanctioned by various countries globally. However, **sanctions for Russian banks are not uniform across countries**.
- Thus, third largest bank Gazprombank is sanctioned only by the UK government, while **Sberbank and Alfa-Bank, that control 80% of the total individual deposits** (together with Tinkoff Bank) were sanctioned only by the US government in April.
- It is projected that **the total losses to the Russian banking system could reach USD 130 bn (pre-war exchange rate) by the end of 2022**. Such losses exceed the equivalent of two annual federal defense budgets.
- Problems in banking sector may lead to non-payment crisis, where the **Central bank will be forced to freeze deposits of population**.



## Financial sector (4) Foreign exchange rate of ruble is being stabilized by decisions of the Central Bank

CURRENCY EXCHANGE RATE, FEBRUARY-APRIL 2022, USD TO RUB



### COMMENTS

- Russian **official USD/RUB exchange rate peaked in the beginning of March**, two weeks after the start of the full-scale invasion.
- Since March, the **Central Bank of Russia limited the conversion of rubles into dollar and has artificially held the exchange rate** at around 84 rubles per dollar.
- The Russian government **obliged exporters to sell 80% of their export revenues in foreign currencies**. It was announced that such restriction will gradually decrease over time.
- Importers' participation in currency purchase is very limited and **non-residents are not allowed to purchase foreign currency in exchange for rubles** until September 3<sup>rd</sup>.
- Also, according to the Russian Central Bank statistics, the **capital "flight" from Russia amounted to USD 64.2 bn in the first quarter of 2022**. In comparison, the total capital "flight" from Russia totaled USD 50.3 bn in 2020 and USD 72.6 bn in 2021.
- Imposed restrictions and **manipulations with currency led to a mismatch between an official and "black" market rates** – in Russian exchangers the exchange rate is around 180-200 rubles per dollar.
- Meanwhile, the majority of experts indicate that the **"fair" exchange rate without the Central Bank's manipulations may be equal to RUB 110-120 per USD**, which is partially reflected in prices for imported products

Source: National Bank of Russia, WorldBank, Bloomberg, Centre for Economic Recovery



1

2

3.1

3.2

1

2

3

3.3

4



# International trade



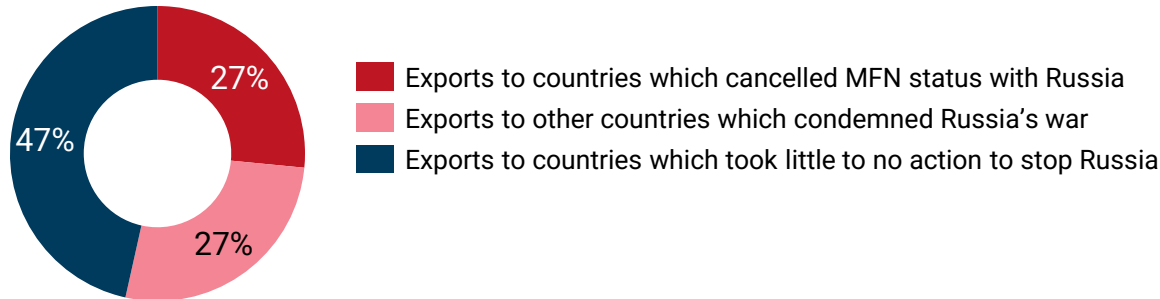
Export restrictions can heavily impact the Russian economy, which is reliant on energy and other crude mineral exports. Imposed sanctions related to Nord Stream 2 can potentially result in not receiving revenue for ~4% of Russian GDP whereas a **full oil and gas embargo will bring even more damage.**



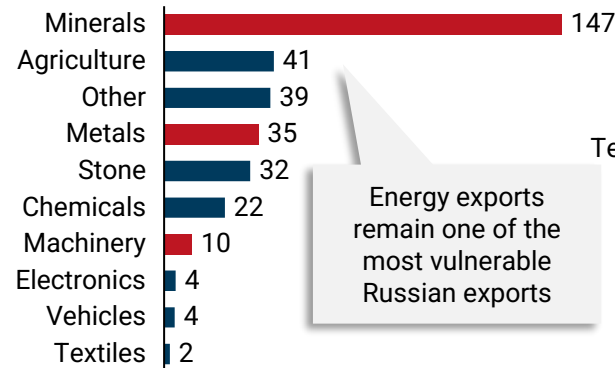


# International trade (1) Export restrictions can heavily impact the Russian economy, which is reliant on energy and other crude mineral exports

## STRUCTURE OF THE RUSSIAN EXPORTS

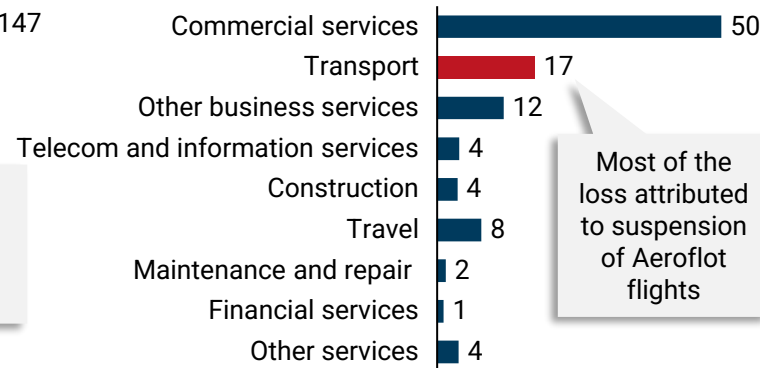


## RUSSIA'S EXPORTS OF GOODS, USD BN, 2020



Energy exports remain one of the most vulnerable Russian exports

## RUSSIA'S EXPORTS OF SERVICES, USD BN, 2020



Most of the loss attributed to suspension of Aeroflot flights

■ Goods and services ■ Categories that can potentially be affected by sanctions

141 countries that officially condemned Russia's war in Ukraine account for **over 44%** of Russian exports. A decline of exports to those countries **by 10%** would mean a loss of **3+ mn jobs** in Russia.

Source: Rosstat, UN Comtrade ITC, UNCTAD, WTO, Centre for Economic Recovery

## COMMENTS

- **G7 countries, Australia and New Zealand have effectively stripped Russia of MFN status.** Russian exports to these countries (**24% of total exports**) can now be subject to tariffs generally prohibited by WTO.
- **Australia and Canada have already imposed 35% general tariff on all Russian goods, which can potentially result in a USD 209 mn decrease** in Russian exports to these two countries.
- If the rest of the G7 members were to implement the same tariffs, the **total decrease of Russian exports would amount to USD 21.1 bn.**
- Still, even without the measures, the general estimations of the state-owned Centre for Macroeconomic Forecasts predicts the following decline in exports:
  - **Machinery and equipment - by 50-80%** to countries that have imposed sanctions, **by 15-20%** - to other countries outside the EAEU.
  - **Coal - 30-40%** and **10-15%**, respectively.
  - **Oil and oil products – by 20%** and **5-10%**, respectively.
- Meanwhile, our own estimates suggest that **full restriction of Russian exports** by G7 members is likely to result in an additional **5% decrease in Russian GDP.**



# International trade (2) Imposed sanctions related to Nord Stream 2 can potentially result in not receiving revenue for ~4% of Russian GDP

## CONTEXT

- **Nord Stream 2 (NS2) could significantly increase European dependency on Russian energy** and undermine the security of Ukraine while the transit through Ukraine decreases.
- **The pipeline owned by the Russian state-owned energy company Gazprom, with USD 11 bn construction costs and the capacity of 55 bn cubic meters, was effectively shut down.**
- All 5 European **companies involved with the project** (Wintershall Dea, OMV, Uniper and Shell) **have written off their financing** for the project.

## MAP OF NORD STREAM ROUTES



**1 200 KM**

Length of NS2

**55 BCM**

NS2 Gas transition capacity

**11 USD BN**

Reported cost of NS2

**75%**

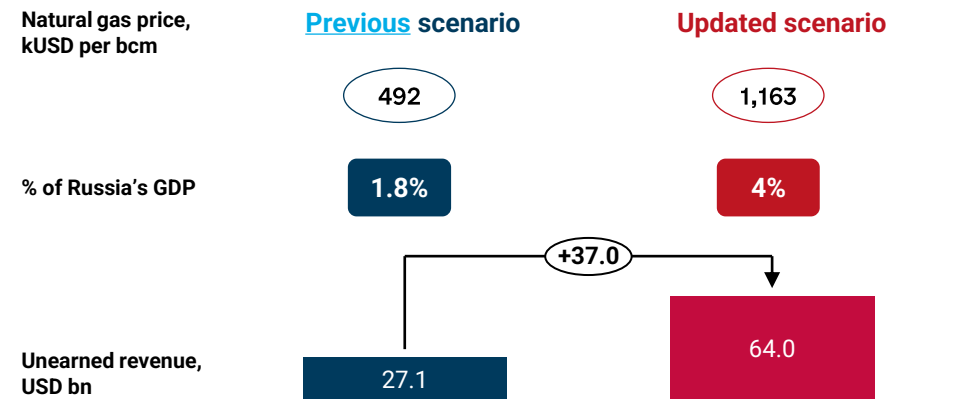
Share of EU in Russia exports in 2020

## MEASURES & IMPACT

- **The initial forecast projected losses of USD 11-27 bn of unearned revenue** according to [the previous gas price scenario](#) (based on 2021 price data). The **cumulative loss is equivalent to 0.7-1.8% of Russian GDP**, or USD 30-75 mn in daily losses.
- According to the new gas price scenario, **readjusted estimates** (average 2022 gas prices) amount to USD 64 bn, which is **equivalent to 4-4.3% of Russian GDP losses**. Currently, this translates to USD 175 m in daily losses of unearned export revenue.



## LOSS OF EXPECTED REVENUES FROM BLOCKING NS2 DEPENDING ON GAS PRICE





# International trade (3) A full oil and gas embargo could result in up to 20% decline of Russian GDP

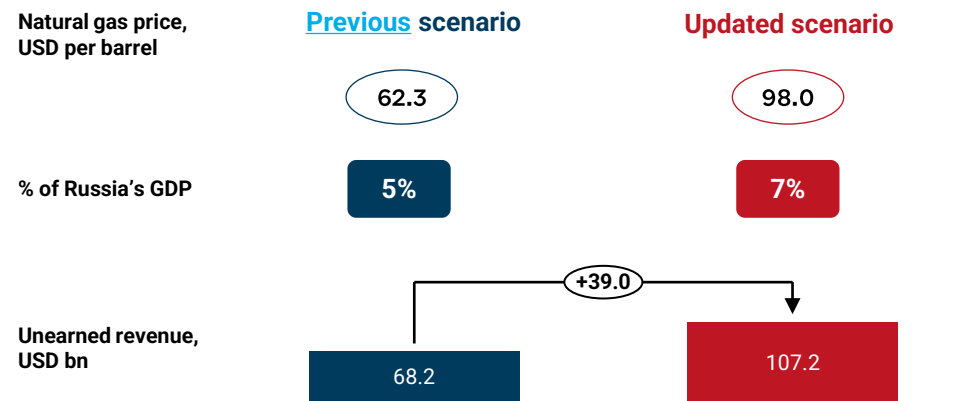
## CHANGES IN CRUDE OIL PRICE SCENARIO

- **Full embargo on Russian crude oil** exports to Europe **would lead to the unearned revenue of USD 100-107 bn** (7-8% of Russian GDP), depending on the updated price scenario
- **The UK and the US have already announced an embargo on Russian oil.** However, their share in Russian energy exports is only 6%.
- **An upward price pressure** caused by the drop in supplies **may be eased by returning of Iranian and Venezuela's crude oil** to the market.

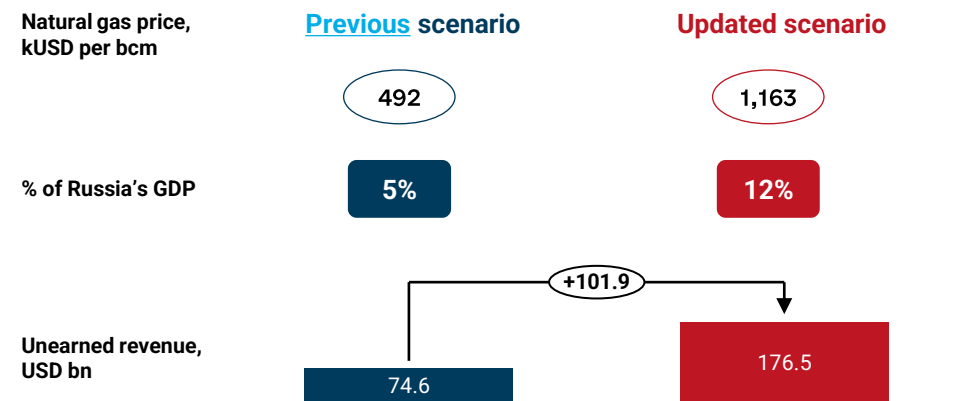
## CHANGES IN NATURAL GAS PRICE SCENARIO

- Wholesale **gas prices in Europe have already increased by 20%** since the start of the year which increased Russian daily gas revenues.
- Introducing the **gas embargo can result in a loss of USD 170-175 bn** of unearned revenue for Russia, which is **equivalent to 12% of Russia's GDP**.
- **Cutting off the Russian gas supply is not likely to result in shortages in the EU** at least until autumn, given the stored gas and LNG imports.

## LOSS OF EXPECTED REVENUES FROM OIL EMBARGO DEPENDING ON OIL PRICE



## LOSS OF EXPECTED REVENUES FROM GAS EMBARGO DEPENDING ON GAS PRICE



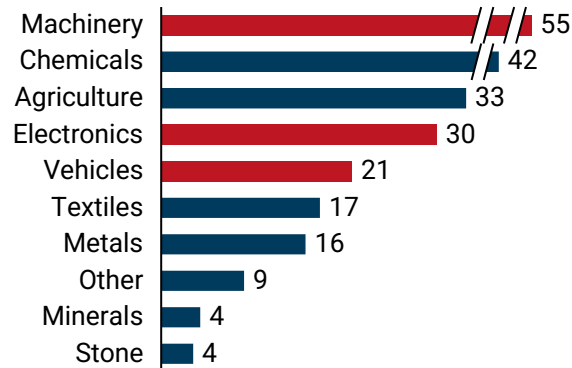


# International trade (4) Import restrictions could heavily impact the Russian economy, which relies on high-tech and B2C products/services

## STRUCTURE OF THE RUSSIAN IMPORTS

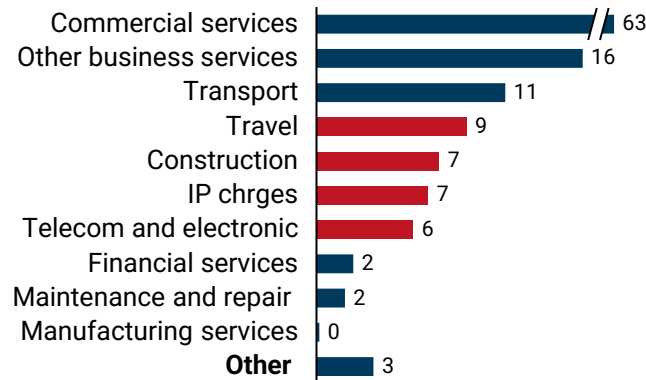


## RUSSIA'S IMPORTS OF GOODS, USD BN, 2020



■ Goods and services    ■ Categories that can potentially be affected by sanctions

## RUSSIA'S IMPORTS OF SERVICES, USD BN, 2020



**More than 12 trade restriction measures have been introduced**, including legalization of parallel imports and the introduction of "import supplementation exchange". **Over 50 large Russia-based enterprises had to suspend operations** due to the lack of import components.

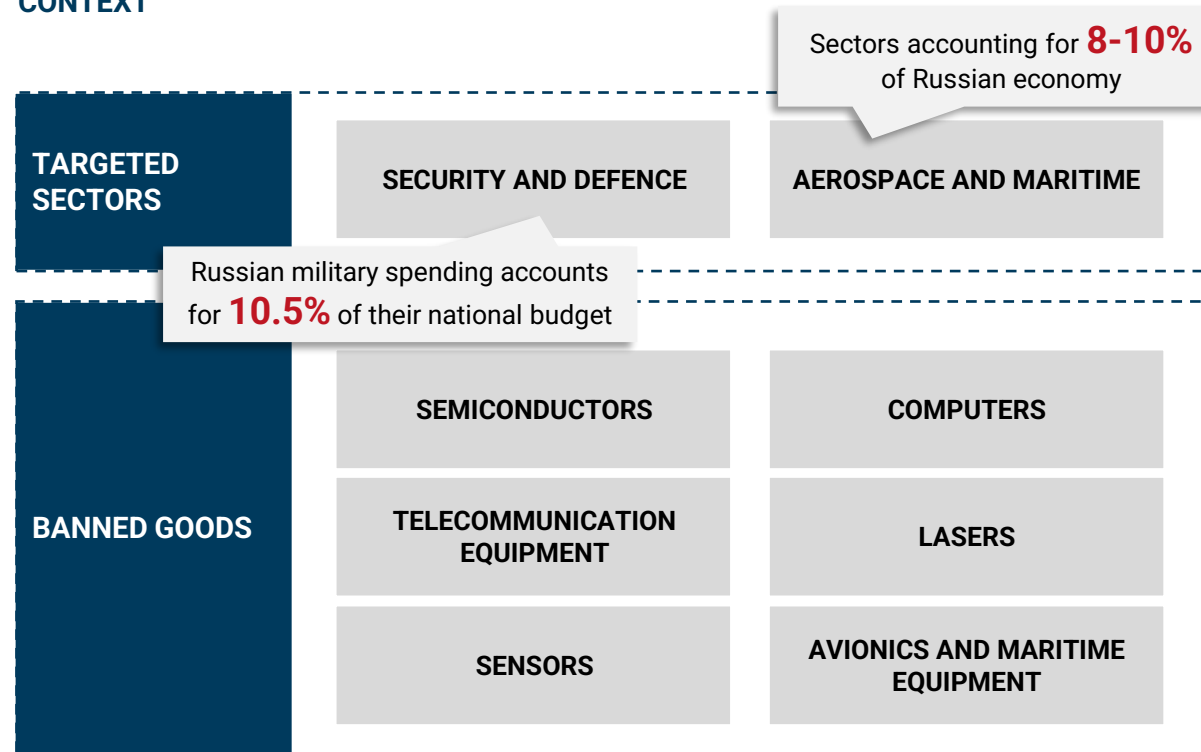
## COMMENTS

- Under Article XX GATT (g), **the export quotas are generally prohibited** and must only relate to the conservation of an exhaustible resource.
- Such **restrictions must be made effective with corollary restrictions on domestic production or consumption** to balance export quotas' burden on trade partners.
- Countries that have stripped Russia of its MFN status **can theoretically limit exports to the country by introducing export quotas or restrictions**. However, such efforts should be limited to critical technological imports for Russia, as otherwise, it can only potentially improve the balance of payments.
- **Voluntary break of ties with Russia by foreign companies can further help the situation**. As of April 6, over 600 private companies across sectors massively refused to do business with Russian counterparts, even if not mandated by home country sanctions
- According to the estimates of the state-owned Centre for Macroeconomic Forecasts **expected decline in imports** can be broken into the following categories:
  - **Investment goods** – 70-80% from the countries that have imposed sanctions, 10-15% from other countries, except for the EAEU.
  - **Consumer goods** – 25% from the countries-initiators of sanctions, from other countries their imports will increase by 10%.



# International trade (5) Restrictions on sales of high-tech products to Russia will hinder its military potential and general competitiveness

## CONTEXT



- As of 27 February 2022, the **USA, EU, UK, Japan, and Taiwan** imposed restrictions on exports of high-technological products to Russia.
- In March, in addition to the imposed sanctions, **EU, UK, USA and Japan** banned exports of «dual-use goods» which could potentially be utilized in the armaments industry.
- Further **bans on exports of luxury goods (expensive electronics) to Russia** can't hurt the **Russian economy much in real terms**, but can potentially result in a higher level of social discontent.

Source: SIPRI, Rosstat, Centre for Economic Recovery

## IMPACT:

- **Restricted supply of technology helps restrain Russia's military ambitions.** Lack of high-tech parts has already resulted in Russia's inability to sustain the current production and maintenance of some military equipment and supplies.
- Faced with scarce resources, **Russia if forced to use all combat-able divisions** it has, bringing them from far from the conflict regions.
- **Russia attempts to introduce a successful import-substitution mechanism** by launching a special "Import-substitution exchange".
- However, the estimated amount of **investments needed to replicate the manufacturing** of some high-end semiconductors for advanced computing is **USD 500-600 bn.**
- Mentioned industries are dominated by Taiwan, South Korea, the United States, Europe, and Japan. The **costs of industry replication are too high for Russia.**
- **Limited capacity for innovation and modernization will lead to an inevitable loss of competitiveness across sectors.** Development of many high value-added non-military sectors, e.g. industrial machinery and electronics in Russia will be undermined along with the potential for economic and welfare growth.
- As the Russian machinery heavily depends on imports, **restrictions exports to Russia in this field may lead to 7% drop in GDP in 2022 and additional 14% in 2023**



A background image showing a protest. A large cardboard sign with the words "BOYCOTT RUSSIA" written in black marker is being held up. The sign is slightly tilted and has some wear. In the background, other people and signs are visible but out of focus.

1

2

3.1

3.2

1

2

3

3.3

4



# Voluntary break of ties



**600+ international companies damaged Russian economy by introducing restrictions beyond state sanctions.** Countries and international business should continue breaking business ties with Russia.



## Voluntary break of ties (1/2) 600+ international companies damaged Russian economy by introducing restrictions beyond state sanctions

Sector	Companies	Undertaken measures	Impact on Russia	Further measures
IT	50+	Restricted exports of information technologies and services to the Russian clients.	Emigration of 50-70k IT specialists from the country.	<ul style="list-style-type: none"><li>• <b>Ban/label Russian products on the shelves</b> and encourage buyers to switch to other products.</li><li>• <b>Suspend the exports of products to Russian-based subcontractors</b> unless it violates the shipment contracts.</li><li>• <b>Discontinue existing collaboration programs with Russian-based companies</b>, including R&amp;D and experience-sharing events.</li><li>• <b>Temporality shut down operations in Russia</b> or move them to another country if possible.</li></ul>
Consumer goods	90+	Stopped selling Russian goods at the retail chains, stopped online orders and deliveries to Russia.	Decrease in sales of Russian food suppliers, suspended shipments of foreign consumer goods.	
Automotive	32+	Suspended deliveries of cars to Russia, closed local assembly lines.	Car shortages and possible bottlenecks in future supply and delivery processes for Russia, layoffs.	
Electronics	32+	Suspended chip sales to Russia, discontinued tech support, closed stores and repair shops.	Increased shortage of chips to damage vulnerable Russian manufacturing and nano-tech industries.	
Transport	30+	Ceased shipment of products to Russia, limited transportations options for Russian citizens and companies.	Loss of routes by Aeroflot, limited travel opportunities for wealthy Russians, delayed shipments.	



## Voluntary break of ties (2/2) 600+ international companies damaged Russian economy by introducing restrictions beyond state sanctions

Sector	Companies	Undertaken measures	Impact on Russia	Further measures
Energy	29+	Restricted imports of Russian energy exports and refused to make greenfield investments in the country.	7 largest oil and gas drilling firms suspended their new operations in the country.	<ul style="list-style-type: none"> <li>• <b>Ban/label Russian products on the shelves</b> and encourage buyers to switch to other products</li> </ul>
Agri & Food	24+	Decrease of demand on Russian goods at the retail chains, restricted sales of foreign products in Russia [1].	Decrease in sales of Russian food suppliers and a potential loss of 3% export share.	<ul style="list-style-type: none"> <li>• <b>Suspend the exports of products to Russian-based subcontractors</b> unless it violates the shipment contracts</li> </ul>
Machinery and Metallurgy	30+	Suspended assembly lines, factories and deliveries, of raw materials, ores.	Deficit of high-tech equipment, gadgets, and devices, resulting into a lower Russian citizens' welfare.	<ul style="list-style-type: none"> <li>• <b>Discontinue existing collaboration programs with Russian-based companies</b>, including R&amp;D and experience-sharing events</li> </ul>
Textiles	43+	Suspended deliveries, closed stores and production facilities.	Shortages of exclusive luxury closing, price hikes.	<ul style="list-style-type: none"> <li>• <b>Temporality shut down operations in Russia</b> or move them to another country if possible</li> </ul>
Pharma	11+	Ceased shipments of non-essential products to Russia [2].	Deficit of high-tech medical equipment, resulting in a lower quality of healthcare service.	



# Business sector (summary) Countries and international business should break business ties with Russia

## KEY INTRODUCED SANCTIONS

- ✓ Embargo on energy imports from Russia (USA, UK, etc.)
- ✓ Embargo on coal imports from Russia (EU)
- ✓ Refusal to cooperate in aviation (USA, EU, UK, etc.)
- ✓ Disconnection of several Russian banks from SWIFT (USA, EU, UK, etc.)
- ✓ Forbidding ships under Russian flag from access to the EU seaports
- ✓ Exclusion Russia from most favored nation (G7, others)

## ACTIONS TO BE TAKEN

-  Introduce a full embargo on Russian imports of oil, coal, nuclear fuel, and gas (TBD by the entire world)
-  Disconnect all Russian banks from SWIFT (TBD by USA, EU and other countries)
-  Increase custom rates for Russian imports, excl. oil, coal, nuclear fuel, and gas (TBD by G7 and other countries)
-  Impose an additional global tax on international companies operating in Russia (TBD by USA, EU and other countries)
-  Prevent trade and military cooperation between Russia and Iran (TBD by USA, EU, UK)

1

2

3.1

3.2

3.3

4

Table of  
content

# War costs for Russia. How to decrease Russian capacity to wage the war: **Population well-being**

1. Societal costs
2. Attitude towards the war



1

2

3.1

3.2

3.3

1

2

4



# Societal costs

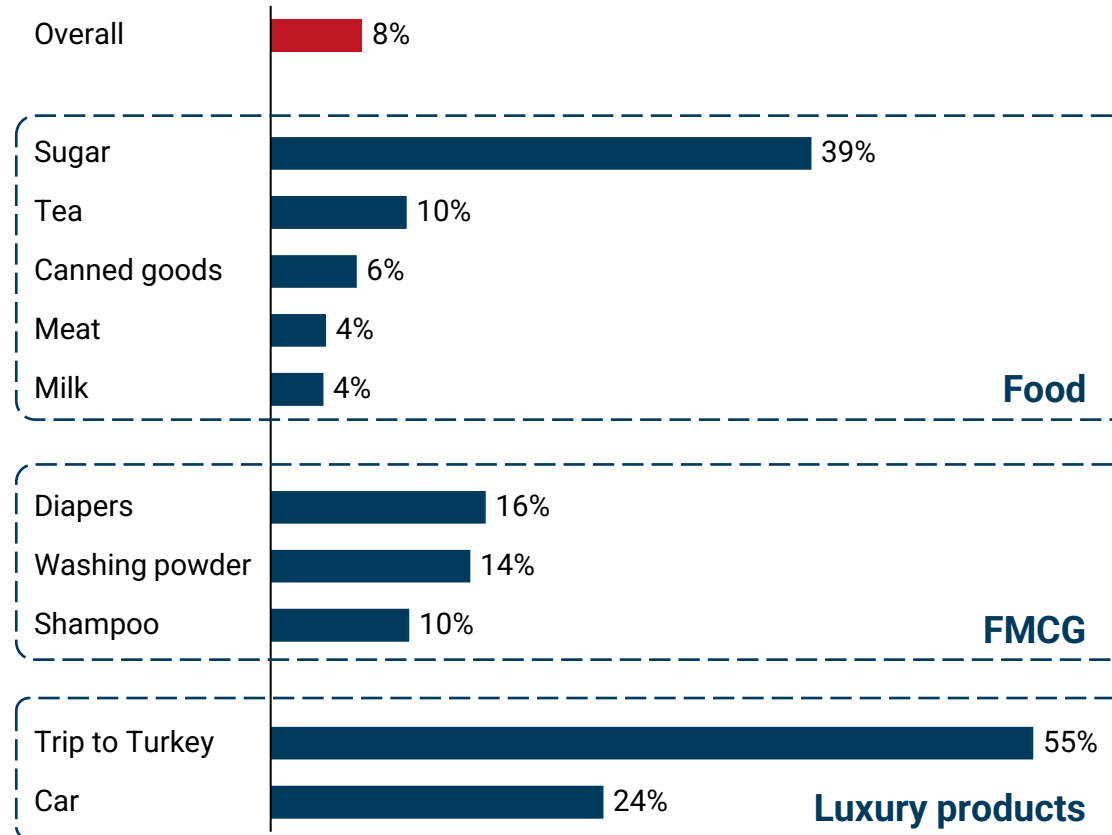


International sanctions affect the Russian population significantly, **increasing inflation and unemployment**, while the country effectively becomes a **pariah state**.



## Social cost (1) International sanctions affect the Russian population significantly, as an inflation and unemployment rate increase

PRICE GROWTH IN RUSSIA, MARCH 2022 TO FEBRUARY 2022, %



### COMMENTS

- Russia is **breaking value chains and experiencing troubles with import** due to a few sanctions by governments and international companies leaving the market, which leads to products deficit and increased inflation.
- In March, consumer prices in Russia rose by 7.61% in month-on-month terms. **Such an increase is the biggest since January 1999**, as the economy took a hit from sanctions.
- **In annual terms, the inflation accelerated to 17.5% in April** – the highest since February 2002.
- However, the Central Bank of Russia warns that due to base effects of upside inflationary pressure caused by the ruble's volatility, **the inflation will keep on accelerating in annual terms**.
- In order to cool down spending and prevent demand-pull inflation from becoming unstable, **the Central Bank has initially raised the key interest rate to 20%** from 9.5%. In April, the Central Bank cut its interest rate to 17% and announced that **further cuts are possible in the future**.
- The World Bank **projects the Russian inflation to reach 22% in 2022**. The projections for 2023 and 2024 are 13% and 8% respectively.



## Social cost (2) Russia has effectively become a pariah state

### CULTURAL SANCTIONS

- Due to the number of economic, social and cultural sanctions imposed on Russia, **the nation has become a pariah state.**
- **Companies are closing offices** in Russia and stopping all Russian operations.
- Russia has also been locked out of hosting or taking part in cultural events such as the Eurovision Song Contest **All international sporting events are cancelled in Russia**, such as the Formula 1 Grand Prix, UEFA Champions League and FIDE's Chess Olympiad.
- Most of **European countries have closed their airspace** to Russian flights and some do not permit entry to Russian tourists.
- A lot of **sports federations** (e.g., football, biathlon, athletics) **banned Russian athletes and teams** from competing in sports. However, some federations (e.g., tennis, chess) allow Russians to compete without a national flag.
- Russian singers and actors who support Russian president are being banned from participating in events in European countries.



### DIPLOMATIC SANCTIONS & INVESTIGATIONS

- **Russia was expelled from the Council of Europe and the UN Human Rights Council**, suspended from participation in OECD bodies:
  - Russia was suspended from participation in OECD bodies in addition to termination of the accession process to OECD, which was postponed in 2014.
  - After 26 years of membership, Russia was ceased of membership in the Council of Europe.
  - Russia was suspended from the UN Human Rights Council by the UN General Assembly resolution.
- During the late February-March, **institutions** such as UN General Assembly, UN Human Rights Council, Council of Europe, European Parliament, International Court of Justice, European Court of Human Rights **urged/ordered Russia to stop its aggression, military operations** and withdraw all troops from Ukraine:
  - International Criminal Court (ICC) launched its investigation of the situation in Ukraine.
  - 38 leading lawyers, academics and human rights campaigners released the declaration calling for creation of the Special Tribunal for the Punishment of the Crime of Aggression against Ukraine.
  - 10 countries have already opened criminal cases in relation to the Russian war crimes in Ukraine.

**CULTURAL / SPORTS  
ORGANIZATIONS THAT  
LEFT RUSSIA**



**EUROVISION**  
SONG CONTEST

**FIFA**



**Sotheby's**



FESTIVAL DE CANNES



## **Social cost (3)** Russia is imposing counter-sanctions to gain favorable public opinion

### RUSSIAN COUNTER-SANCTIONS CONSIST OF 3 MAIN COMPONENTS:

1. **Counter-sanctions to support the local population** (by mitigating the exchange rate fluctuations and offering direct social support).
2. **Counter-sanctions to support local SME and large businesses** (by offering favorable tax conditions, eased legal environment and subsidies).
3. **Counter-sanctions that hurt Western countries** (obligatory conversion of gas payments into rubles, etc.).

### DETAILED INFORMATION ON THE MEASURES TAKEN:

- The Russian **Central Bank** has seriously regulated domestic financial markets by imposing maximum acquiring commission and canceling taxes on gold investments.
- The **Russian government** has imposed numerous tax cuts and subsidies for domestic construction companies, IT companies and SMEs.
- The **President** of the Russian Federation signed several decrees that violate the basic concepts of international law.

Population facing signs of deficit reminding late USSR realities



**Despite the counter-sanctions, long-term implications for the Russian economy remain dim** as it has already become a “pariah nation” as the most sanctioned country in the world, having become subject to [over 5,000](#) of different penalties and restrictions



1

2

3.1

3.2

3.3

1

2

4



# Attitude towards the war



Economic sanctions and publicized war tolls have already led to **rising internal tensions in Russia**, although the decrease in well-being of population has not yet resulted in significant anti-war movements.





# Attitude toward war (1) Economic sanctions and publicized war tolls have already led to rising internal tensions in Russia

## ANTI-WAR RALLIES ARE WIDESPREAD, BUT STATISTICALLY INSIGNIFICANT WITHIN THE COUNTRY

- According to data of the Russian Ministry of Internal Affairs, **about 2,500 people took part in the first anti-war rally in Moscow**, of which 1,700 were detained [1]. Protests have been going only in 56 big cities in the country, and even there have gone into the “silent” phase [2]
- Although the real **number of protesters is likely to be bigger, it is still turned out to be smaller than expected**: the main coordinating telegram channel of active protesters in Russia (“Вечна”) has only 23,000 followers [3]
- **Peaceful protests are brutally suppressed**: The voluntary project “OVD-info” states that 15,390 people have been detained by police on the anti-war rallies. Over 11 political lawsuits have been filed so far [4]

## EMIGRATION IS THE BEST OPTION FOR THE AVERAGE RUSSIAN

- Over **200,000 people have already emigrated from Russia** to countries such as Georgia, Uzbekistan, Kazakhstan, etc. [5]
- Most **prominent leaders of the Russian opposition have left the country** or got imprisoned even before the start of the war [6]



**An insignificant rate of falling well-being has resulted in a slow rise of internal tensions** in Russia. Transition to the democratic regime in the country remains unlikely, unless more pressure on the country is unleashed. Active support to the anti-war protesters in and outside of the country represented by the Russian [Anti-war committee](#) is also a crucial criterion to the stimulation of protest movement and brain drain in Russia.



## Attitude toward war (2) The decrease in well-being in Russia has not yet resulted in significant anti-war movements

### Anti-war support

#### MAIN SOURCES OF ANTI-WAR PROTESTS:

- **Well-educated people, mostly members of Russian academia and white-collar professionals.** Over 40,000 of them have signed open letters to the Russian government against the war in Ukraine.
- **There's still no tangible protest among the Russian elites**, however, 7 Russian oligarchs (all from top 50 rank of the Russian Forbes) have spoken against the war, and one more has fled the country.

#### OCCUPATIONAL BREAKDOWN OF THE SIGNED OPEN LETTERS:

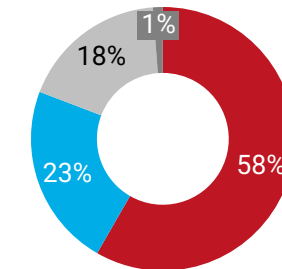
- **17 690** healthcare industry workers [1]
- **14 500** IT sector workers [2]
- **5 000** Russian teachers [3]
- **10 000+** students [4]
- **2 000+** scientists - anthropologists, economists, biologists, mathematicians, ethnographers, chemists, and physicists [5]

### Pro-war support

#### MAIN SOURCES OF PRO-WAR PROTESTS:

- **Blue-collar professionals, employees of government agencies, SOEs, and various state-dependent institutions** like schools, hospitals, etc.
- **60% of the people aged 60 y.o. and over** support the “Special military operation” in Ukraine.
- **Pro-war rallies are organized** with the help of financial and administrative pressure from the state.

#### DO RUSSIANS SUPPORT SPECIAL MILITARY OPERATION IN UKRAINE?



Yes    Doubt  
No    Refused to answer

The poll was conducted by “Aphina” project between Feb. 28 and March 1 among a random sample of 1 640 adults across Russian Federation by a group of independent survey research organizations, showing that most **Russian population support special military operation.**

As most of the war supporters are dependent on the Russian state sector, **only a shortage of public finances is likely to change their minds.** In order to increase anti-war protests, we advise increasing the financial pressure on the Russian government. The only people that suffer from sanctions will be liberal and pro-western opposition.



# Population well-being (summary) Additional pressure on society will increase internal tension and contribute to ending the war

## KEY INTRODUCED SANCTIONS

✓ Arresting assets of Russian oligarchs and government representatives (USA, UK, EU, etc.)


✓ Initiating criminal cases against Russian war crimes in Ukraine (Poland, Slovakia, Estonia, Germany, France, etc.)

✓ Introducing restriction for flight and other transportation modes from/to Russia (EU, USA, etc.)


✓ Banning Russia from sporting events: both in terms of hosting and participating


✓ Prohibiting cultural events/activities of artists supporting Russian invasion into Ukraine

## ACTIONS TO BE TAKEN

 Prosecute Putin and his inner circle (oligarchs) (TBD by USA, EU & others)



 Suspend all international visas for Russian nationals and impose a ban on issuing new visas (TBD by USA, EU & others)

 Ban Russians from taking parts in sport events even under neutral flag (TBD by USA, EU & others)



1

2

3.1

3.2

3.3

4

Table of  
content


# Epilogue



The image is a composite of two photographs. The top photograph shows a multi-lane bridge with significant structural damage. A large section of the bridge deck has collapsed, leaving a deep gap. Several cars are stopped on the remaining sections of the bridge, and a few people are standing on the edges. The bottom photograph shows a large crowd of people, including men, women, and children, gathered in the space beneath the damaged bridge. Some individuals are wearing military uniforms, including helmets and tactical vests. One person in the foreground is holding a red suitcase. The overall scene suggests a conflict zone where civilians are being displaced or held.

**Russia attempts to destroy the Ukrainian nation**





Russian  
propaganda  
threatens to  
extend military  
invasion to the  
West and carry  
out a nuclear  
strike

**83% of Russians Approve of Putin's  
Actions as President in New Survey**

- Poll finds 83% approval for Putin, highest since 2017
- Russia has imposed harsh penalties for opposition to the war

“

Who said  
that Ukrainian  
borders should  
stop us?



A photograph of several children in green military uniforms and caps, some holding toy rifles. The image is used as a background for a text overlay. The children are of various ages, and the uniforms are detailed with buttons and insignia. The background is slightly blurred, showing more children and a crowd.

**The world should put insurmountable pressure  
on the Russian economy to block war  
sponsorship now and in the future**






**Brave Ukrainian professional army needs more heavy weapons to continue protecting lives, freedom, and democracy in Europe  
[#ArmUkraineNow](#)**





**Ukraine faces unprecedented financial pressure beyond budget capacity and urges the macro-financial support to sustain the war and help our fellow citizens**





**Remember:** it is easier and cheaper to support Ukraine NOW than face unprecedented consequences for Europe and the global economy





## Who we are?

- **We are Ukrainian citizens, who were born to live in the free, democratic, and independent Ukraine**
- **We work in the top international firms located in Ukraine and decided to unite our analytical capacities to help to stop the war** started by Russia on the 24<sup>th</sup> of February
- **We act on the platform of the Centre for Economic Recovery**, independent think-tank, which was established in 2020 and aims at providing the Ukrainian government with cutting-edge public policy advice on strategic development and ways to tackle economic challenges. CER's management act as voluntary-basis Advisors to the Prime Minister of Ukraine
- **We would like to (1) raise world awareness** of what is currently happening in Ukraine; **(2) deliver to the world the real effect and cost of war** both for Russia and Ukraine; and **(3) present possible recommendations to the international community**
- After the start of the war, we have produced a **rapid assessment** of the war consequences for Russian economy. **Now, after 55 days, we provide a more precise analysis of the situation**



Centre for  
Economic  
Recovery

CIVITTA

easyBUSINESS IN UA

# PLEASE CONTACT US FOR MORE INFORMATION

**KIRILL KRIVOLAP**, Co-founder, CEO → [kirill.krivolap@recovery.org.ua](mailto:kirill.krivolap@recovery.org.ua)

**DMYTRO LYVCH**, Co-founder, COO → [dmytro.lyvch@civitta.com](mailto:dmytro.lyvch@civitta.com)

**KATERYNA SHAPOVALENKO**, Project Manager → [kateryna.shapovalenko@civitta.com](mailto:kateryna.shapovalenko@civitta.com)