



INSTITUTE OF
INTERNATIONAL
MONETARY RESEARCH

Analysis and insight into trends in money and banking,
and their impact on the world's leading economies

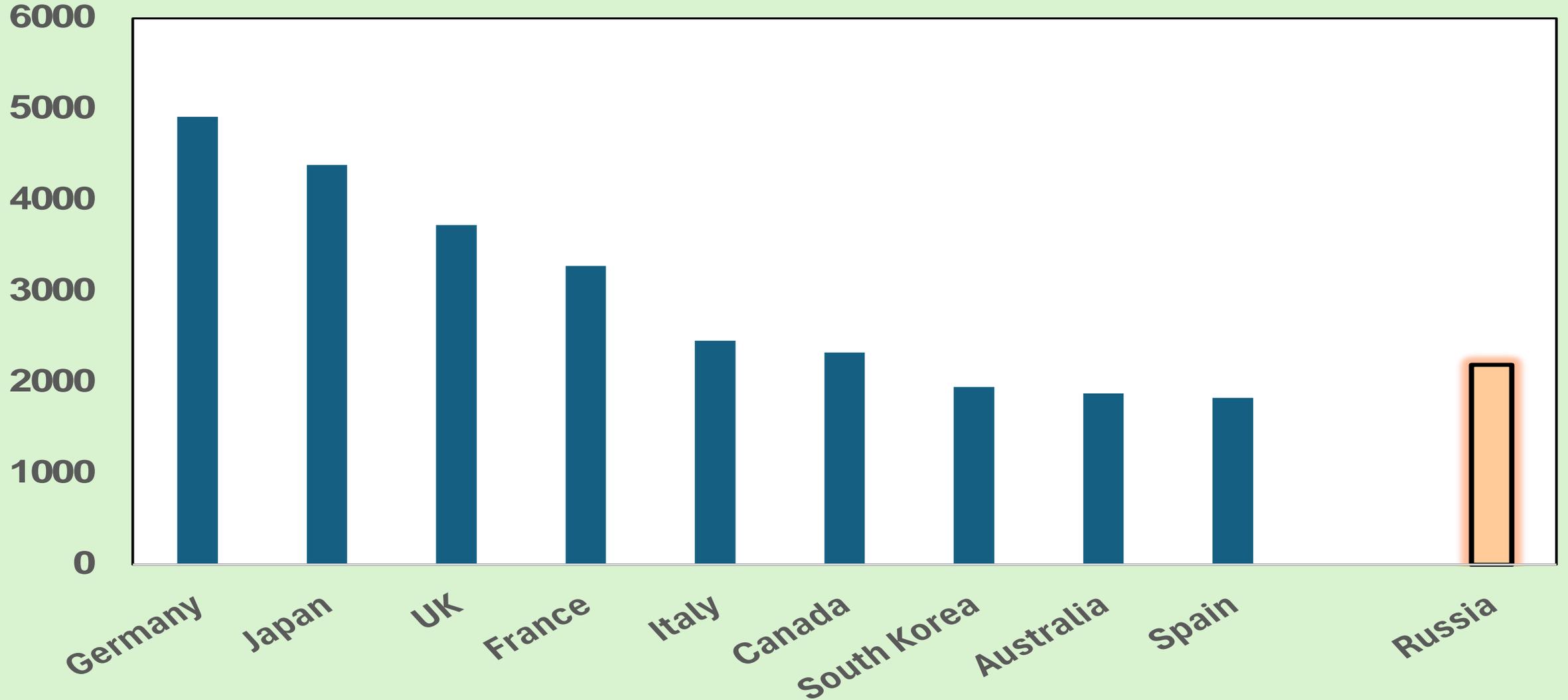
The economic background to the Ukraine War :

Russia is *not* a super-power

*A presentation by Professor Tim Congdon CBE,
Chair of the Institute of International Monetary Research,
in March 2025*

Projected nominal GDPs in 2025

- \$b., current prices and exchange rates, data from IMF



Russia's GDP, relative to the non-US 'West'

- In nominal terms Russia's GDP in 2025 will be lower than that of Germany, Japan, the UK, France, Italy and Canada.
- It will be somewhat larger than that of Australia, South Korea and Spain, but not markedly so.
- On this basis of calculation, Russia's 2025 GDP is 8.2% of that of the combined non-US 'West', where the combined non-US 'West' is taken to be these nine nations. ***It is outnumbered 12 times.***
- This calculation doesn't include Poland, the Czech Republic, and all the smaller members of NATO.

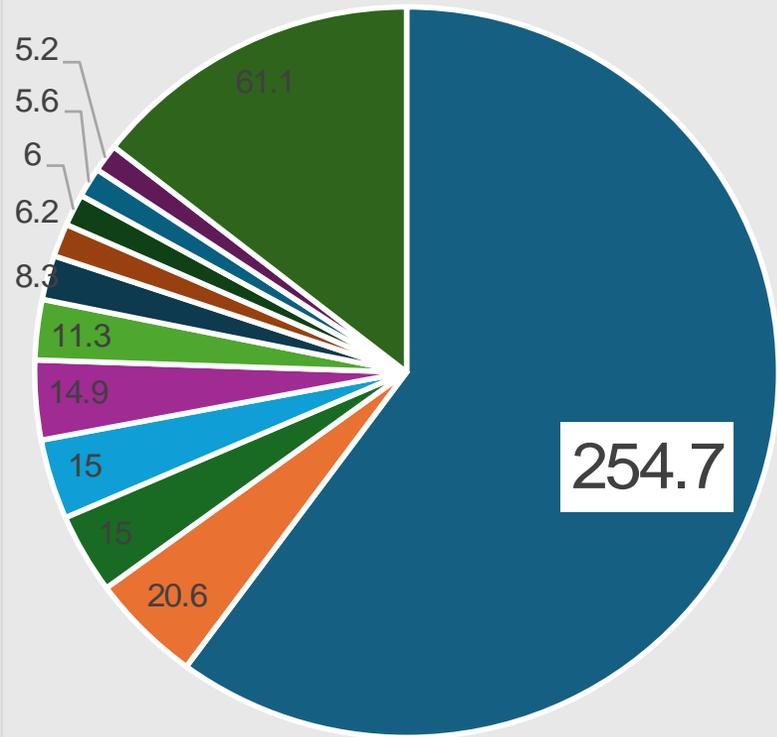
Russia's GDP, relative to the non-US 'West'

- Roughly speaking, defence spending is about 10% of Russia's GDP at present.
- Most nations in the non-US 'West' have committed $\frac{1}{4}\%$ - $\frac{1}{2}\%$ of GDP to military aid to the Ukraine. (Some of this has been for medical support for the wounded, help for those displaced by the fighting, etc.)
- **If the nations of the non-US 'West' were to reallocate spending equivalent to 1% of GDP to military support for the Ukraine, the amount involved – about \$300b. – exceeds the entire Russian defence effort at present.**

Russia's GDP, relative to the non-US 'West': analysis on different bases

- The ability to produce military hardware depends ultimately on the size of national output. Roughly speaking, the output of military hardware can be equated with the ratio of spending on military hardware multiplied by the size of national output.
- Defence spending is higher than this, because of personnel costs. **But, in advanced technological warfare with various kinds of projectile, soldiers *as such* are very vulnerable. Soldiers need expensive protection – as well as projectiles – to participate in warfare, and it is the quality and quantity of hardware which matter.**
- In assessments of the ability to produce advanced military hardware, **it is GDP at current prices and exchange rates, not GDP in purchasing power parity, which matters.**

Russia's exports of goods, \$b. in 2023 - Total of \$423.9b.



■ Oil, gas, energy

■ Iron and steel

■ Fertilizers

■ Aluminium

■ Copper

■ Ores, slag, ash

■ Precious stones & metals

■ Military equipment

■ Cereals

■ Fish

■ Animal/vegetable fats

■ Other

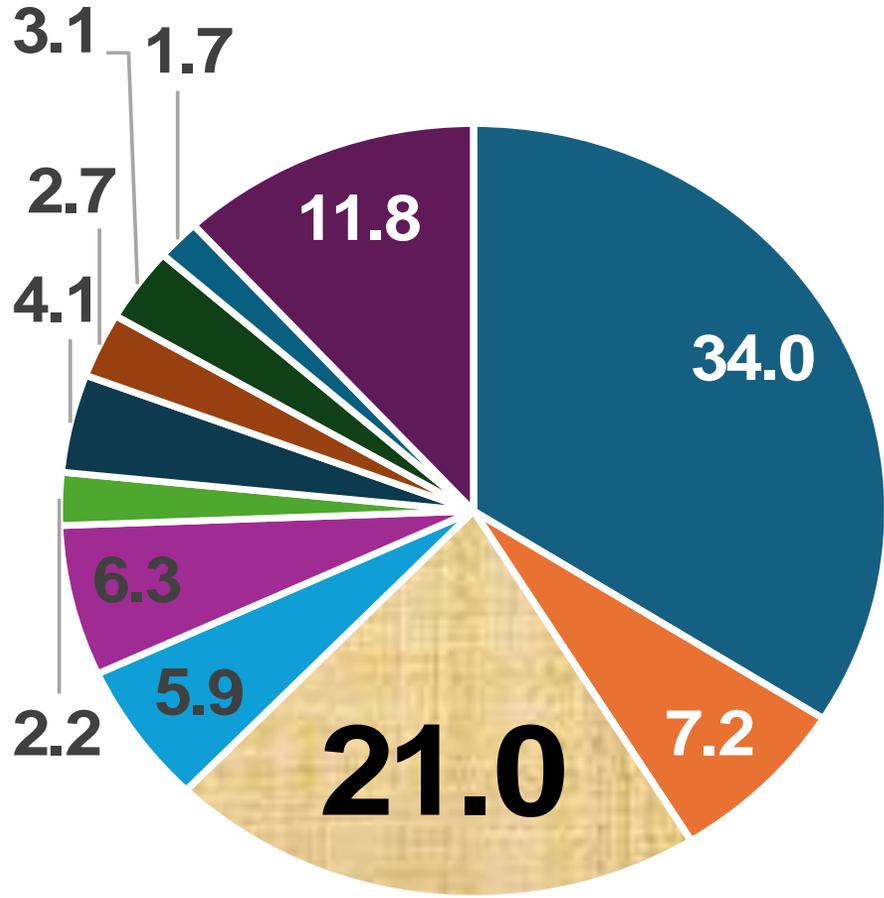
Composition of Russian exports: what does it tell us about the economy?

- **Apart possibly from its exports of military equipment, none of Russia's exports are of advanced manufactured goods.**
- Energy exports – using a depleting resource underground – dominate Russia's exports.
- Excluding military equipment, manufactured exports are of iron & steel, aluminium, fertilizer, ores etc., i.e., nothing requiring sophisticated, high-value-added production methods.

Composition of Russian exports: what does it tell us about the economy?

- **Russia has hardly any technologically advanced manufacturing capacity at all.**
- Do we ever see Russian cars on our streets, do we fly in Russian-made planes, and do we go on holiday cruises in ships built in Russian shipyards?

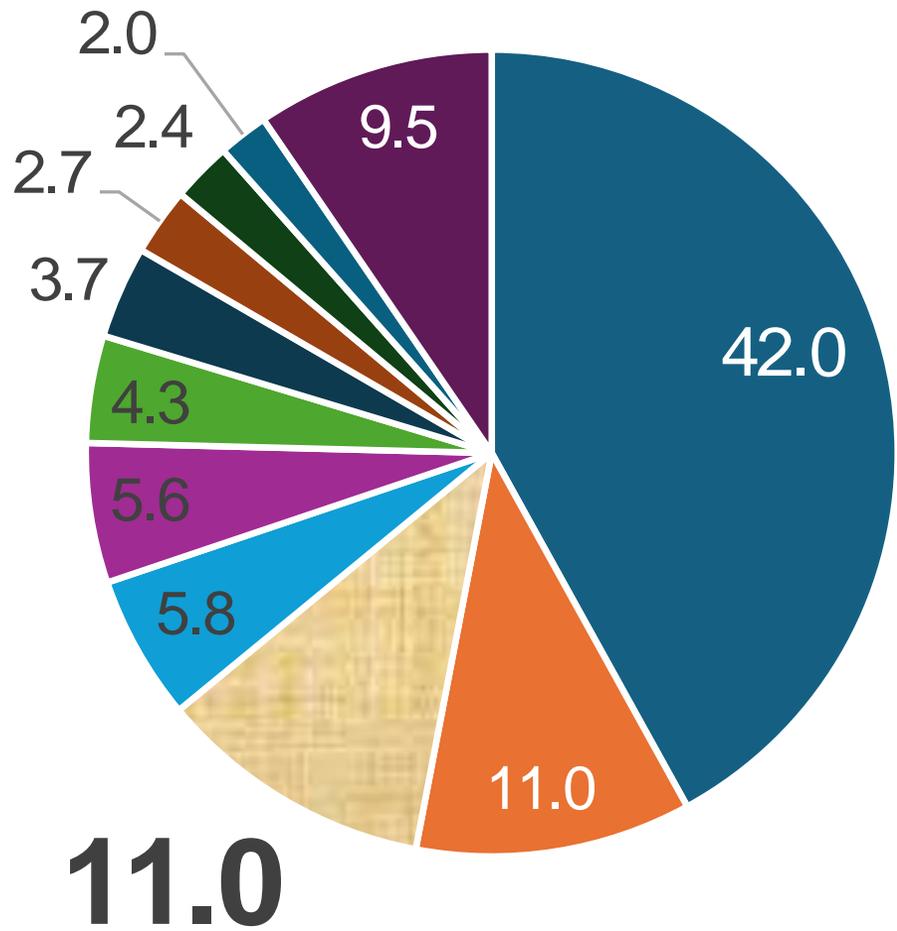
Share % of global arms exports, 2014-18 inclusive



- USA
- Russia
- Germany
- UK
- Israel
- Others
- France
- China
- Italy
- Spain
- South Korea

Data from SIPRI in Stockholm, to whom many thanks

Share % of global arms exports, 2019-23 inclusive



- USA
- France
- Russia
- China
- Germany
- Italy
- UK
- Spain
- Israel
- South Korea
- Others

Data from SIPRI in Stockholm, to whom many thanks

% change in share of world market in military equipment – according to SIPRI

•Russia		-53.0
•Israel		-25.0
•Germany		-14.0
•UK		-14.0
•China		-5.3
•South Korea	▲	+12.0
•USA	▲	+17.0
•France	▲	+47.0
• Italy	▲	+86.0

Russia's share of the global market in military equipment has collapsed in the 21st century, which may reflect trends in the relative quality and effectiveness of the weapons it produces.

Is Russia running out of weapons and manpower for its war in Ukraine?

As Ukrainian attacks wipe out their tanks and armoured vehicles, Moscow's troops adopt new tactics amid ammunition woes.

by Mansur Mirovalev - published on 14 Feb 2025

Kyiv, Ukraine – Donkeys are the newest mode of transportation some Russian military units have begun using on the front lines of eastern Ukraine, according to Moscow's soldiers and pro-war bloggers. The use of braying quadrupeds to deliver ammunition and supplies is “normal”, retired Russian Lieutenant General Viktor Sobolev reportedly said. “It's better to have a donkey killed instead of the two men that deliver cargo in their vehicle,” he told the Gazeta.ru website on February 6.

from Al Jazeera

Last year, Russia began using motorcycles, dirt bikes, electric scooters and civilian cars for frontal attacks on Ukrainian positions. Observers say the downgrading reflects a growing trend that significantly hobbles Russia's already slow advance on the war's main theatre – the southeastern Donbas region. **Military analysts have told Al Jazeera that the Ukrainian army has already destroyed a lion's share of Russia's tanks and armoured vehicles. The shortage is increasingly hard to replenish,** even as Moscow digs into mammoth Soviet-era stocks to refurbish decommissioned and dysfunctional vehicles.

from Al Jazeera

Imports, \$b., in 2024



The UAE is today
roughly twice as
significant as
Russia as a buyer
in world markets.

