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Where does Russia stand after four years of full-scale war?

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Executive Summary

- Four years into its intended week-long war, Russia is making minimal progress on the battlefield. Moscow, however, is not backing down on any of its demands.
- In some ways, Russia has been a lucky aggressor. Quite apart from the unexpected bonus of getting the United States to switch sides, it has encountered a Europe divided over the question of whether Russia should be defeated.
- Nonetheless, Russia's war, society and especially economy are now under enormous pressure. The country is unable to achieve victory on the battlefield and is facing a bleaker future than that imagined even by the most pessimistic only a decade ago.

Economic turns and prospects

The Russian economy is stagnating. While the government apparatus has made efforts to make things appear stable on the surface, the Russian economy is buckling under self-inflicted and externally applied pressure – not least going into fiscal deficit and with many loans now non-performing. Financing the deficit means increased inflation, albeit probably not hyperinflation – at least for the next two years.

Massive military spending distorted the Russian economy to make it officially the world's ninth largest in 2025. The International Monetary Fund predicts just 0.6 percent growth in 2026, however, suggesting it will go no further and slip back down the rankings.

Oil prices have fallen and so has production, so earnings on exports are 13 percent below pre-war levels, even though Europe bought record amounts of Russian Liquefied Natural Gas in 2025. India in particular has reduced its purchase volumes in recent months. The national welfare fund has been compensating for this but cannot continue to do so. If the oil price recovers, however, Russia will be able to claw back some losses.

The economy is also being squeezed by sanctions and Ukraine's hits on oil refineries, but increased efforts to put Russia's shadow fleet out of action have barely started. Only one ship has been seized and another delayed. Fines for minor offences are up by a factor of five, which betrays the government's fear.

To cover the revenue gap, Russians have seen steep rises in income tax, purchase tax and corporate taxes, although overall the fiscal take for the government is still down. Gazprom loses money every year. Russia can only borrow domestically, which means that the cost of doing so is high: there is no way around this. These considerable difficulties should not lead to predictions of imminent economic collapse. The economy can soldier on for a considerable time. We are therefore witnessing Russia's longer-term decomposition and managed decline.

Finally, Russia's growing dependence on China ought to be a cause for concern to anybody doing long-term thinking in the Kremlin. As winning the war is of paramount importance, however, this is not nearly as great a concern as how its planners must feel about what China has failed to deliver. China may be the largest importer of Russian oil, but it has not provided the large-scale financial and military technical assistance that Russia desperately needs, such as the contract for Power of Siberia 2 or cutting-edge tech. Nonetheless, t is worth remembering that China can still tip the scales in the war either way.

Military capacities and challenges

Russia's campaign on the front line has already slowed down in 2026, due to the bad weather, the withdrawal of Starlink access, even if only temporarily, and possibly also to manpower shortages. Estimates of losses vary, but some reports say that Russia may now be unable match its rate of replacement with its rate of losses – over 1,000 a day killed or wounded, with around 712,000 troops inside Ukrainian territory. However, according to other reporting, Russia is still recruiting enough personnel to be able to reconstitute a strategic reserve. Foreigners travelling to Russia for work from Africa, Asia and Latin America have found themselves drafted by deception. Nonetheless, the Russian side is now thinly spread in some areas, offering opportunities for Ukrainian counter-attacks.

Failure to achieve air supremacy led to the grinding battle currently still under way. Russia has still notably failed to take Pokrovsk and Kupiansk. Russia has also been forced to report non-existent counter-attacks by Ukraine after overstating its gains in some areas.

In fact, the authorities continually overstate their gains – partly to buoy up the population and partly as a tactic to convince the West that a Russian victory is inevitable, and to thus gain more concessions because it supposedly "holds all the cards". Massive investment in drones and electronic warfare, successful as both have been, and the deep-strike campaign targeted at energy infrastructure to make Ukrainian cities uninhabitable appear to have only partially compensated for the multiple deficiencies noted above. Despite all these losses and its overall poor performance, however, it should be noted that Russia habitually recovers well from setbacks.

Demographic change and migration

Demographic trends are even slower to have an impact than economic pressures but Russia's core problem has had much longer to mature. Falling birth rates, casualties of war and emigration have all contributed to steady population decline from 145.5 million in 2019 to 143 million in 2024, while the 2 million boost to the official numbers resulting from the seizure of Crimea in 2014 masks an even sharper long-term decline.

Unlike western nations, Russia has not seen a rise in immigration to compensate, so there is also a shortage of labour, demonstrated by the low unemployment rate of just over two percent. Russia is not just running out of people. It is depriving itself of even the slightest chance of significant economic growth.

Key social and political issues

Russian society is changing. This is partly a Kremlin-managed process and partly uncontrolled. The managed aspect involves increased repression – the only tool Russia still has at its disposal to prevent the outbreak of unrest, which it greatly fears. The repression involves increasingly severe punishments for even the slightest expressions of dissent about the war. It is also tackling dissent "at source" by repressing communication about it. A ban on WhatsApp has now joined Facebook, Telegram and Instagram in favour of home-grown alternatives such as Max, which can, of course, be surveilled by the authorities, looking especially for signs of organised protest.

Rosgvardia, the Russian National Guard, has been carefully nurtured and "secured", through special provision of funding and training. Whether it can deal with a sizeable and motivated popular rebellion, as opposed to the limited Prigozhin one that the Federal Security Service (FSB) had to deal with, is unclear.

Less controllable by the government is the effect that the war is having on the Russian psyche, especially given the unmet expectation that it will end soon. The regions are already suffering the effects of traumatised returnees from the war, some even more brutalised than before they left. Together with the cuts in spending on education, social welfare and health, this suggests a more violent and disturbed collective populace in the future, even in comparison to Russian society's historical propensity for violence.

Conclusions and policy recommendations

Russia is in deep trouble. Russia cannot afford to cut military spending but it cannot afford not to. The war has massively accelerated its spiral of decline but the Kremlin either doesn't see it or doesn't care. Putin's Macbeth-like obsession with subjugating Ukraine overrides all other considerations. This is greatly assisted by the population's apathetic attitude of "now that we are in it, we may as well win it".

We are witnessing a deterioration in funding capacity accompanied by an increasing risk of things spinning out of control. This managed calibration of Russia's decline by the West could be considered successful if it were more deliberate, and were it not for the fact that Ukraine is also living on borrowed time.

Collapse is not the only model for how Russia withdraws from quagmires. In the Crimean war, Russia could have fought on but recognized that much of Europe was just too committed, and time was no longer on its side. Whether that model could apply today is debatable.
Only President Trump can ensure a Russian military victory by finally succeeding in forcing Ukraine's capitulation. Whatever happens, however, having transformed its economy and society for wartime, Russia cannot recover.

Recommendations

- Do not underestimate Russia just because it is weakened economically. Keeping the pressure on, and ideally increasing it, is the only way to get Russia to curtail its ambitions in Ukraine and beyond. The more the pressure, the more faults will be induced and the sooner Russia will be forced to make other choices.
- Sanctions should be reworked as a contribution to this pressure by increasing physical interventions against the shadow fleet and tightening the prohibition on uninsured vessels. A simple ban on Russian oil would increase the pressure even further. It is impossible to close Russia off completely or reduce its oil exports to zero, but much more could be done.
- Finally, signal to the Russians that we can outlast them. A renewed theory of victory should go beyond merely ensuring that Ukraine survives. Fully embrace Russia's defeat and make clear that there will be no more grey zones. It is vital to reclaim the narrative of inevitable victory from Russia.

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