

I'm the Foreign Minister of Sweden. Don't Overestimate Russia

di Maria Malmer Stenergard

The war in the Middle East may be consuming much of the world's attention, but Russia's war against Ukraine has not abated. It will not end until we make it cost President Vladimir Putin more than he believes it is worth.

Since Russia launched its full-scale invasion of Ukraine four years ago, the Kremlin has tried to make the world believe that the Russian economy is strong and that sanctions don't work. The Swedish government disagrees, and has commissioned several studies by leading economists and intelligence services to uncover the truth behind Russia's official statistics: The economy is more fragile than it appears.

Having an accurate picture of the state of the Russian economy is crucial. We can't afford to underestimate Russia's strength and its ability to harm Ukraine and NATO allies — by providing Iran with intelligence, for instance — but we must not overestimate it either.

There are several reasons to believe that Russia has been exaggerating its economic strength. Russia has [claimed](#) that its economy grew by around 13 percent between 2020 and 2024, but by measuring nighttime luminosity, an [established](#) way of assessing economic activity in countries where official statistics are not available or cannot be trusted, we have estimated that the economy actually contracted by around 8 percent during this period.

We also believe inflation is substantially understated. In 2024, when inflation in Russia was [reportedly](#) around 10 percent, the central bank [raised](#) the benchmark interest rate to 21 percent, [suggesting](#) that inflation was higher. And Sweden's Military Intelligence and Security Service [believes](#) that it is higher than the current [official](#) forecast of

around 5 percent. This would mean Russia is overstating its purchasing power, and that its military spending capacity is weaker than it appears.

A study published by the British government estimates that the overall losses to the Russian economy as a result of international sanctions amount to [at least](#) \$450 billion since February 2022. The effect on sectors such as energy exports has been devastating: Russia's energy revenues in January 2026, before the beginning of the war in Iran, were down [by 50 percent](#) from the [same month](#) the year before.

Russia is benefiting from the waiving of [some sanctions](#) because of the war in Iran and the near-total closure of the Strait of Hormuz, but Swedish intelligence estimates that Russia would need the average oil price for Urals oil to remain above \$100 a barrel for the rest of the year to make a [significant difference](#). The benefits to Russia have also been limited by Ukraine's successful strikes on Russian [oil refineries](#).

Not [everyone agrees](#) with Sweden's assessment of Russia's reporting on its economy, but there is growing agreement about the economy's general fragility. Inside the country, elites are increasingly alarmed. Mr. Putin has acknowledged [some weaknesses](#) in the economy's performance, and last month ordered officials to improve it. A Kremlin-friendly think tank, run by the brother of the Russian defense minister, recently [warned](#) of the risks of a systemic banking crisis this year. And [last week](#), the economic growth forecast for 2026 was downgraded to [0.4 percent](#), despite rising oil prices.

Then there are Russia's strategic failures in Ukraine. Advances at the front have [almost](#) ground to a halt, with Ukraine even regaining some territory. Russia's casualty rates at the front are catastrophic. Russia has suffered 1.2 million casualties since the start of the invasion, by [some estimates, an average](#) of roughly 35,000 a month in 2025. Recruitment is [increasingly](#) expensive.

Ukraine is in a stronger position than it has been in a long time. It has given counterdrone assistance to the [Gulf states](#) in response to Iran's attacks, and increased [cooperation](#) between Ukrainian and Western defense actors, such as weapons manufacturers, to develop and produce completely new kinds of defense matériel.

In April, the European Union made two important decisions to strengthen support for Ukraine and further increase the pressure on Russia: It greenlit a loan of 90 billion euros, or \$106 billion, that will cover a significant part of Ukraine's funding needs for 2026-2027 and [approved](#) a 20th package of sanctions against Russia.

The work cannot stop there. One measure in particular would make a tremendous difference: The introduction of a ban on providing maritime services — insurance, access to ports, financing and so on — to any ships leaving Russian ports carrying oil, gas or coal. Escalating from a price cap to an outright prohibition would deal a significant blow to the Kremlin's war chest. Sweden would like to see the European Union, and ideally the rest of the Group of 7, impose this measure.

Russia's economy, in nominal terms, is [barely bigger](#) than the [State of New York's](#), smaller than that of [Texas](#) and fragile. Russian households are feeling the pinch of daily expenses, and the lion's share of the liquid assets in the country's national wealth fund — its financial buffer — has been drained to finance the war. The weakness in the economy shows how effective Western sanctions have already been, and why further pressure is the best way to force Mr. Putin to engage in serious peace negotiations.

We can't change Mr. Putin's wish to control Ukraine, but we can change how much it will cost him.