

# Current Intelligence Report Circular

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## Strains in Russia's Economy are Beginning to Show Despite President Putin's Reassurances

On 15 SEPT, new signs of Russian economic strain began to show. First, Russia's surplus budget was reported to have shrunk during the summer months, according to data released by Russia's Finance Ministry. A budget surplus often indicates that a country's tax revenue is greater than what the government spends. At the end of June 2022, the surplus budget was approximately 1.37 trillion rubles (23 billion USD). By the end of August 2022, the budget was at approximately 137 billion rubles (2.3 billion USD), which is a 900% drop within about two months. This drop indicates the increasing strain the Kremlin is experiencing while trying to maintain military spending for the war and attempting to cushion the economic impacts of Western sanctions. Second, the 2022 Russian military expenditure budget was set at 3.5 trillion rubles (56.98 billion USD), however it is reported this budget has already been exceeded as of September 2022. Lastly, Vedomosti, a Russian business reporting agency, cited close Kremlin sources stating government agencies need to cut their spending budgets by 10% in 2023. The company further cited a source close to Russia's Defense Ministry stating defense spending will increase in 2023. END

### CMCD Note

We can assess that it is likely Russian military retreat and repositioning as of the week of 12 SEP is correlated with the recent reports on Russia's surplus budget. This large decline supports our prior assessments that the Russian economy is very likely to collapse by the midpoint of 2023. Russia has continued seeking new investments and income sources in the Middle East and Asia, especially China. It was reported Chinese spending on Russian energy (coal and oil predominately) is up 68% compared to last year, totaling 44 billion USD alone since the start of the Russo-Ukrainian War. Although China is continuing to fill Russia's energy gap caused by Western sanctions, it is highly unlikely that China can prevent the Russian economy from collapsing in 2023.

### Sources

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