

Russia's Wartime Investment Boom Falters, Kremlin-Linked Think Tank Says

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Marina Lysceva / TASS

Russia's wartime investment boom is faltering, with the supply of key investment goods shrinking despite heavy government spending, according to research by the Kremlin-linked Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF).

The think tank measured investment activity based on the availability of machinery, equipment and basic construction materials. It found that in the first seven months of 2024, supply was down 5.7% compared with the same period last year and 8.4% below a local peak in the third quarter of 2023. Supply levels are only about 6% higher than the average in 2019.

Data from state statistics agency Rosstat also [point](#) to a sharp slowdown in investment growth. After rising 8.7% year-on-year in the first quarter, growth eased to 1.5% in the second for a first-half total of 4.3%.

CMASF noted that supply contracted again in July, with a new downward cycle beginning in the second half of the year.

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Earlier declines were driven by machinery shortages, but more recently construction materials have become the main drag.

The think tank stressed its calculations were an indirect measure of investment, based on domestic output and imports minus exports of key goods.

Inventory changes were not included, even though many firms have been drawing down reserves this year as high interest rates limit financing options.

The Central Bank has [said](#) the reduction in inventories shaved growth from first-quarter GDP.

Intangible investments, such as replacing foreign software with Russian equivalents, are also excluded. CMASF [estimated](#) that such substitutions cost the economy 1.6 trillion rubles (\$18.9 billion) in 2023.

Despite headline figures showing a 36.5% increase in investment between 2020 and 2024, GDP grew only 10.1% over the same period — the widest gap in 15 years, CMASF said.

Analysts attributed the poor returns to the low quality of investments, their heavy concentration in Moscow and surrounding regions and their “forced” character — whether in IT, construction or logistics as companies sought to adapt to sanctions.

Military procurement is also [counted](#) as investment but cannot be separated from official statistics, economists [note](#).

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