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Kremlin propaganda succeeds in making Russian forget the harm from the sanctions

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Abstract

Western sanctions have not been as effective as Europe and the United States had anticipated, not only because Russia was able to divert and circumvent them, finding alternative partners in Asia and building new financial, export and import networks, but also because Russians, thanks to propaganda, adopted a wartime mentality to better withstand their effects. A large part of the Russian population believes that sanctions are another means from the West to fight them. While the economy is approaching recession, the true success of the Kremlin's propaganda consists not so much in stuffing heads and ballot boxes, but in cultivating indifference, if not support, among the population.

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Far from the European justifications, far from all Western rationalizations explaining the reasons behind the sanctions imposed on Russia after the start of war in Ukraine, a large part of the Russian population believes these measures are yet another means used by the West to fight them. This is the result of years of propaganda. The Kremlin is highly skilled at reversing the narrative, flipping the arguments on their head. This operates on both the political and military fronts: it was not Russia that started the war; it was the West, using Ukraine. The war didn't begin with the invasion of Ukraine in February 2022; it was Europe that supposedly allowed Kyiv to attack its own populations in Donbass since 2014. It is not an imperialist Russia that is expanding; it is NATO getting too close, and Russia merely defending itself. Europe, in this narrative, is waging war against Russia and Russia was therefore forced to respond with a "special military operation" to not only protect itself and the Russians in eastern Ukraine, but also to combat Nazism in Kyiv and moral decline in Europe. Most Russians believe this narrative.

Thanks to this now-familiar mode of accusatory inversion, Russians are convinced they are in the right: the West does not like us; Europe is against us; Russia is defending itself. The same logic applies on the economic front: Russians who watch Kremlin-controlled television and read pro-regime Telegram channels do not know the real reasons why Europe and the United States imposed sanctions - to punish Moscow for the invasion, to undermine its military capabilities, and eventually to promote regime change. Instead, these sanctions are seen and understood as yet another tool to wage war on Russia: « the West doesn't like us and wants to destroy our economy ». I've often heard, from elites, on television, and in conversations with ordinary Russians, that the West is always looking for pretexts and ways to harm Russia and to act against it; economic sanctions are likened to anti-doping measures: instruments designed to target and contain Russia. Even Pavel Durov's arrest in Paris in August 2024 and the legal proceedings in France against the founder of Telegram were explained as a blow to Russia, a new act of Russophobia.

With this mindset, Russians find themselves in a "war mode" to respond to sanctions. The sanctions have not been as effective as Europe and the United States had anticipated, not only because Russia was able to divert and circumvent them - finding alternative partners in Asia and create new financial, export and import networks - but also because Russians, thanks to propaganda, adopted a wartime mentality to better withstand their effects. Propaganda succeeded in making them accept the damage caused by sanctions in the name of resisting Western attacks. Up to 2,000 sanctions have caused various inconveniences and costs for certain businesspeople, companies, and sectors. Yet, if we look at the overall impact on the Russian economy - and, in particular, on Vladimir Putin's ability to continue the war - only a handful of them have had a serious effect. The latest sanctions on oil, for instance, are largely just an extension of previous measures that have barely worked. The EU still has not implemented the tools needed to actually enforce many of the sanctions already in place. Imagine a country where the speed limit is set at 60 km/h, but everyone drives at 200 km/h. If you really want to slow down road traffic, you must install more speed cameras or set up

police checkpoints, not simply put up new signs lowering the limit to 47 km/h. Yet that is essentially what the EU is doing by lowering the price cap on Russian crude¹

Since a lot of Western sanctions did not hit the target, Kremlin propaganda is even more effective at making Russians forget the damage caused by those sanctions that do work. Of course, many Russians – especially among the more liberal segments of the society - do not endorse these arguments. But, paradoxically, they are often the ones most affected by Western sanctions. A liberal, pro-European, anti-Kremlin, anti-war businessman, a former member of Yeltsin's liberal Kremlin administration, told me as early as Spring 2022: "American and European sanctions have even had a counterproductive effect: by cutting off our banking ties, making travel more difficult for us, and banning us from importing certain industrial parts, the West has pushed us to stay in Russia", he explained. Targeted by American and European measures, Russia's wealthiest social classes have become even more dependent on the Kremlin. "The right sanctions, if the aim was to hurt the Kremlin, would have been those that triggered a mass exodus of Russians vital to the economy. Instead, the sanctions have forced them to stay in Russia or, after an initial departure, to return."

Some of these Russians, a minority, have switched sides and allowed themselves to be convinced by the propaganda, seduced by the system proposed by the Kremlin. Punished in the West, they have found themselves prisoners, trapped in Russia where, in order to survive, they must support the system. As a result, they have become more dependent on the regime and, indirectly, have ended up providing even stronger support for Vladimir Putin. The majority of Russians immerse themselves in daily life and apathy. Long before the war, this was the true success of the Kremlin's propaganda: not so much stuffing heads and ballot boxes, as cultivating indifference. People have come to prefer ignoring the war. They focus on their private lives. The conflict in Ukraine and Western sanctions have not led Russians to understand the true nature of power in the Kremlin. Vladimir Putin's real victory lies not only in annihilating the opposition and crushing civil society, but above all in orchestrating this general apathy.

In practice, in real life, the effects of the sanctions are tangible, as the smooth functioning of the economy has been disrupted. The main sign is inflation. It is much higher than the official 9-10%, already far from the Central Bank's official target of 4%. On a daily basis, Russians complain about rising prices: the poorest about the price of potatoes and other basic goods, the richest about the price of imported phones and airline tickets.

Those benefiting from the war economy fall into two main categories: employees of the military-industrial complex and the families of frontline "heroes" with their large bonuses. Aside from these two exceptions, most of the population feels the economic impact of war and sanctions through inflation, even if official statistics show steady growth in average real incomes between 2022 and 2025 and, correspondingly, dynamic household consumption. In principle, both businesses and individuals are forced to borrow to maintain their level of consumption or to pursue their investment plans. And this leads directly to the debt problem. To fight inflation, the Central Bank maintained its key rate for a long period at close to 20% -

¹ source : https://www.lemonde.fr/economie/article/2025/07/29/seules-quelques-sanctions-ont-eu-un-effet-serieux-sur-la-capacite-de-poutine-a-poursuivre-la-guerre_6625212_3234.html?search-type=classic&ise_click_rank=1

although since September, it has been lowered to 17% and 16% since December. As a result, banks maintain very high lending interest, often above 25%. This is a brake on the development of the economy - the real economy, not the one subsidized by the military sector: who will take out a loan when the rate, above 20%, exceeds the expected increase in income? Companies postpone investment decisions; households delay taking on new debt. Those who do borrow risk ending up with serious debt problems.

In today's Russia at war, there are even fewer reliable figures than before. That is why we don't know the full extent of the current debt crisis. But there are signs that are hard to ignore. Banks, for instance, have become increasingly worried about a rapid rise in unpaid loans. More than 55% of loans granted to companies carry variable rates and, with interest rates still high, many companies find themselves close to default. Between the beginning of 2022 and May 2025, corporate debt to banks almost doubled. At the end of June, Bloomberg, citing banking-sector sources, warned of the mounting risks of a systemic banking crisis. Banks that granted loans at reduced rates to support the Kremlin's war effort are now threatened by « bad debts ». Nearly half (48 out of the 100) largest Russian banks saw their financial results worsen in the first half of the year compared to 2024. Fifteen of them posted losses. Elvira Nabioullina, governor of the Russian Central Bank, tries to remain optimistic: "With full access to the data of the banking system, I can confidently state that fears of a banking crisis are unfounded", she said in July 2025². But other officials are less optimistic. For example, Sberbank CEO German Gref warned in June that the toxic combination of soaring interest rates and an overvalued ruble was creating a "perfect storm" capable of dragging the Russian economy into decline³. So high interest rates are the main headache of the Russian "economic bloc" (the officials in charge of economic policy, most of them from liberal backgrounds). Enormous bonuses given to soldiers and their families on the rear lines certainly stimulate demand, but they also create new inequalities and social tensions. This is the second major concern.

De facto, there has been a redistribution: these bonuses are directed to poorer families in the least-favoured regions. The war has therefore achieved something previous economic policies had been helpless until then: redistributing income from Moscow and St Petersburg to the poorer, more remote areas. Yet within those regions, new inequalities are emerging, between families who receive the bonuses and those who refused to send their men to the front. Other tensions have appeared: in Kursk, for example, I recall city residents being shocked by the large payments made to refugee families who had fled bombardments. These newcomers receive much more assistance than locals. And these families search for housing, contributing to property prices increase; some local residents can no longer afford the rents.

At a macro-level, another challenge looms for the Government: managing the budget deficit. While overall budget spending has increased (by around 20% in 2025), but revenues have not kept pace. Oil and gas sales, which account for roughly one third of federal revenues, fell by 20% in the first seven months of 2025. Shut out of Western markets for its oil and oil products (and potentially soon LNG), Russia has redirected exports to China, India and Turkey, but at heavily discounted prices. The economic slowdown, the fall in oil and gas revenues compared

² Source: <https://www.reuters.com/business/finance/russian-central-bank-sees-no-risk-looming-banking-crisis-2025-07-03/#:~:text=%22Having%20full%20information%20about%20the,distributed%20across%20the%20banking%20sector.>

³ Source : <https://meduza.io/en/feature/2025/06/20/we-really-are-in-a-perfect-storm>

to 2022, and the depletion of reserve funds – now almost exhausted after three years of war – make up a new reality: budget cuts are coming. The Finance Ministry will find it difficult to reduce spending on defense and security, which together represent just over 40% of expenditures. The government will therefore have to cut social spending and support for civilian industries.

All this has come at a cost to the budget and, at the Kremlin's behest, the Ministry of Finance has been steadily raising taxes on both companies and individuals. The middle and upper classes will soon feel the effects of the new European-style progressive income tax. The current flat rate of 13% will only be preserved for annual incomes up to 2.4 million rubles (around €23,600); above that threshold it will rise in stages to 15%, 18%, 20% and even 22% for the highest earners. This reform, combined with an increase in corporate tax from 20% to 25%, will take effect in 2026. In total, it is expected to bring in nearly 2,600 billion rubles in additional budget revenues - enough to fund the election promises of Putin, re-elected in March 2024, and to finance the long-term costs of the war in Ukraine. On top of this, VAT is now also set to rise, with a Finance Ministry proposal to increase it from 20 to 22 %.

All these increases will fuel inflation and erode living standards in an economy with very limited room for growth. The country is "on the verge of recession," economy minister Maxim Rechetnikov warned at the St. Petersburg Forum – the so-called "Russian Davos" – in June. In 2025 and 2026, stagnation is expected, with GDP growth of less than 1%.

An economy can grow by either employing previously unused resources or by increasing labor productivity. In many factories, workshops that used to operate 40 hours a week have already moved to 50 hours – and in the defense sector to more than 100 hours. The potential for extensive growth has therefore been largely exhausted.

Now the opposite dynamic is emerging: as stagnation takes hold, factories outside the military sector are forced to cut production. In the first seven months of 2025, entire segments of the civilian economy – metallurgy, mining, construction and the automotive industry – saw output decline. In the steel sector, MMK in Magnitogorsk, one of the world's largest steel producers and a flagship of Russian ferrous metallurgy, reduced output by 18% in the second quarter. From January to June, its net profit plunged by 89 % compared with the same period in 2024. The coal industry has been hit especially hard: production is down, export revenues are falling and debts are rising. Even the largest companies are in the red. The sector's net loss in 2025 could reach 300-350 billion rubles (more than €3 billion), warned Dmitri Lopatkine, deputy director of the coal industry department at the Energy Ministry. Directly affected by the war and sanctions, the sector is struggling to make up for the loss of European markets, where it was once a leading supplier. Redirecting exports to Asia, where competition is fiercer – especially from Australia, Indonesia and South Africa – is proving anything but easy.

All these factories cannot simply lay off workers - that would anger the Kremlin. Instead, they reduce working hours: the four-day workweek is quietly taking hold across Russian industry, from cement plants and steel mills to engine assembly lines and car factories. Any further growth would therefore have to come from gains in labour productivity. Yet over the past ten years, productivity has risen by just over 1% a year on average. That calls for new investment – something extremely difficult to achieve during wartime, and with interest rates hovering around 20 %.