# Ukraine drone strike costs Russia nearly £500,000 daily in key military supply loss



As the war in Ukraine escalates, Russia finds itself grappling with profound economic repercussions, especially following targeted strikes on critical military-industrial facilities. Latest reports indicate that the Energiya plant in Yelets—a key supplier of batteries for drones and missiles—has sustained substantial damage from recent Ukrainian drone attacks. The fallout from this assault is staggering, with estimates suggesting that Russia is losing up to £487,300 a day due to the facility’s shutdown. This significant financial haemorrhage underscores the intensity of Ukraine's strategy to disrupt the operational capabilities of Russia’s military forces.

Kyrylo Shevchenko, a former head of Ukraine's National Bank, articulated the gravity of the situation, indicating that following the drone strikes, the Energiya plant—a facility deemed vital for the production of munitions like Iskander and Kinzhal missiles—now faces an uncertain future. Prior to the attack, the plant had recently secured a $12 million investment aimed at nearly doubling its output in 2024. However, recent events have left the factory engulfed in flames and its production capabilities severely curtailed, reflecting a broader pattern of Ukrainian efforts to dismantle Russian military infrastructure by targeting essential supply lines.

The economic impact extends beyond individual plant closures, as experts highlight an overarching trend of deterioration within Russia's economy. Torbjörn Becker, Director of the Stockholm Institute of Transition Economics, has noted the challenges faced by the Russian economy exacerbated by overwhelming defence spending, high inflation, and dwindling foreign investment—all attributable to ongoing Western sanctions following the invasion of Ukraine. While Russia has historically managed to buoy its economy through oil exports to nations such as India and China, the volatility of global oil markets poses increasing risks. Sanctions targeting the so-called “shadow fleet” of oil tankers have markedly reduced Russia's revenue streams, leading to fears that the country could exhaust its sovereign wealth fund within a year if prices remain low.

A recent report presented to EU finance ministers asserts that Russia’s economic statistics may be misleading. Official figures suggest a GDP growth of 4.3% in 2024 and 3.6% in 2023, yet experts warn these estimates may be inflated. With incentives for maintaining a veneer of economic stability, the reality reflects a budget deficit that is likely double what official data suggests, raising alarms that reliance on credit growth could precipitate a banking crisis. Valdis Dombrovskis, European Economic Commissioner, underlined the increasing fragility of Russia's economic environment, advocating for intensified international measures to limit its war-sustaining capabilities.

As the conflict drags on, the demands of sustaining military operations are placing additional pressures on the civilian economy, including potential tax increases and cuts to social services. Although the Russian economy may not be poised for immediate collapse, these strain factors could culminate in further hardship for ordinary citizens. With high inflation rates, COVID-19 recovery strains, and rising interest rates, the economic landscape is further complicated, raising the spectre of a repeat of historical economic miscalculations that previously plagued the Soviet Union.

In contrast, Ukraine remains resolute, with its sustained attacks on Russian infrastructure aimed at crippling the capabilities required to maintain military aggression. Reports indicate an overarching determination among Ukrainian forces to counteract Russian offensives. As winter approaches, both nations seem locked in a fierce struggle, pointing to an uncertain future amid ongoing geopolitical tensions.

Ultimately, the stakes are high; both militarily and economically, the future of Russia and Ukraine hinges on the outcomes of this protracted conflict. As Western nations observe and respond, the ramifications for global energy markets and local economies continue to unfold, heralding a pivotal moment in the region's contemporary history.

## Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/world/2059798/russia-economy-meltdown-energiya-plant-ukraine-war)
* Paragraph 2 – [[1]](https://www.express.co.uk/news/world/2059798/russia-economy-meltdown-energiya-plant-ukraine-war), [[3]](https://apnews.com/article/dcf41b3db15b063bbc2c786904c81d10)
* Paragraph 3 – [[4]](https://www.reuters.com/world/europe/russian-economy-worse-shape-than-moscow-says-report-eu-shows-2025-05-13/), [[5]](https://www.ft.com/content/f7fb9005-3e80-4ccc-adbd-a0af72856ec9)
* Paragraph 4 – [[6]](https://www.reuters.com/breakingviews/putin-faces-hard-choices-if-ukraine-war-drags-2024-12-09/)
* Paragraph 5 – [[7]](https://time.com/7008613/ukraine-russia-power-sector-frontline/)

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## Bibliography

1. <https://www.express.co.uk/news/world/2059798/russia-economy-meltdown-energiya-plant-ukraine-war> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/kyiv-mayor-says-drones-missiles-attack-city-triggering-fires-2025-05-23/> - On May 24, 2025, Russia launched one of the largest aerial strikes on Kyiv since the start of the war, deploying 14 ballistic missiles and 250 drones, primarily targeting Ukraine’s capital. The attack injured 15 civilians, including two children, and caused significant damage to multiple apartment buildings across six districts. Fires and destruction were reported, and emergency crews worked to clear debris. Ukrainian President Volodymyr Zelenskiy condemned the attacks and called for new international sanctions against Russia, positioning the strikes as evidence of Russia’s obstruction to peace.
3. <https://apnews.com/article/dcf41b3db15b063bbc2c786904c81d10> - Russia's economy is facing increasing pressure due to its ongoing war in Ukraine and the impact of Western sanctions, according to Torbjörn Becker, Director of the Stockholm Institute of Transition Economics. He briefed EU finance ministers, noting that although Russia's economy has outperformed initial expectations—thanks to high defense spending, low unemployment, and wage growth—inflation and dwindling foreign investment present serious long-term risks. Despite maintaining revenues by exporting oil to India and China, EU and G7 sanctions, particularly on Russia’s “shadow fleet” of oil tankers, have significantly reduced oil revenues, forcing Russia to dip into its sovereign wealth fund, now at less than 3% of GDP. Becker warned that if oil prices remain low, Russia could exhaust the fund within a year. He recommended stronger sanctions, targeting oil exports, financial transactions, and high-tech imports, and urged U.S. pressure on China and India to limit trade with Russia. The EU is also considering freezing assets related to the Nord Stream II gas pipeline. Becker emphasized that although Russia’s economy is under strain, Europe must remain vigilant and prepared for increased defense spending if Russia prevails in the conflict.
4. <https://www.reuters.com/world/europe/russian-economy-worse-shape-than-moscow-says-report-eu-shows-2025-05-13/> - A report by the Stockholm Institute of Transition Economics (SITE), presented to European Union finance ministers, reveals that the Russian economy is in a deteriorating state due to its war-time economic shift and international sanctions imposed after its invasion of Ukraine. Despite Moscow's claims of robust GDP growth—4.3% in 2024 and 3.6% in 2023—SITE warns that these figures are misleading, likely overstated due to understated inflation, evident from the unusually high central bank policy rate of 21%. SITE emphasizes that Russia’s current fiscal strategy, based on opaque funding and distorted resource allocation, is unsustainable long-term. Official data reports a 2% of GDP budget deficit annually since the war began, yet SITE suggests the true deficit may be double due to hidden military financing channeled through the banking system. This reliance on excessive credit growth could foreshadow a banking crisis. European Economic Commissioner Valdis Dombrovskis affirmed the report’s findings, underscoring the unreliability of Russian economic statistics and the increasing fragility of its economy, reinforcing the need for continued international pressure to curtail Russia's war capabilities.
5. <https://www.ft.com/content/f7fb9005-3e80-4ccc-adbd-a0af72856ec9> - Le document détaille les efforts de la banque centrale russe, dirigée par Elvira Nabiullina, pour contrôler l'inflation dans une économie de guerre "en surchauffe". Malgré les attentes d'une hausse des taux d'intérêt, la banque a maintenu son taux directeur à 21 %. Cette décision surprenante survient alors que l'inflation à deux chiffres et la chute abrupte du rouble continuent de peser sur l'économie russe. Des responsables et des oligarques, dont des proches de Poutine, ont critiqué les hausses de taux agressives. L'économie, alimentée par une forte dépense de défense, connait une demande surpassant l'offre avec un chômage bas et une productivité faible. Les sanctions occidentales limitant les exportations d'énergie aggravent la situation économique. Le rouble a perdu 20 % de sa valeur depuis l'été et les taux élevés empêchent la croissance économique. Poutine pourrait être incité à mettre fin à la guerre pour éviter les erreurs économiques du passé de l'URSS.
6. <https://www.reuters.com/breakingviews/putin-faces-hard-choices-if-ukraine-war-drags-2024-12-09/> - Russian President Vladimir Putin will likely continue advancing in Ukraine unless halted by Ukrainian forces. Prolonged fighting will lead to increased costs for Russia, particularly if inflation rises or oil prices fall. The Russian economy, though unlikely to collapse, may face severe strains, requiring increased taxation, higher prices, and cuts to government spending on social services. This could pressure households and businesses. Putin, with no political rivals and supporting a war economy, may still need to compromise, particularly if U.S. President-elect Donald Trump initiates peace talks. Despite challenges, including high interest rates, rising inflation, and potential drops in oil prices, Putin may only seek a ceasefire under significant pressure. The West could tighten sanctions, including targeting Russia's oil exports, to support Ukraine and potentially drive Putin toward negotiation.
7. <https://time.com/7008613/ukraine-russia-power-sector-frontline/> - Ukraine is facing a severe crisis in its energy sector due to Russia's ongoing hybrid war tactics, including precise and brutal attacks on Ukrainian infrastructure. Since 2022, Russia has targeted 50% of Ukraine's energy facilities, leading to extensive damage and outages. In 2024, the attacks have intensified, with 60% of the power generation capacity knocked out, resulting in the worst blackouts since the invasion began. Cities like Kyiv now experience only 10 hours of electricity per day, and winter could see blackouts extending to 20 hours per day. Ukraine's largest private power company, DTEK, has lost 90% of its capacity, and the national power deficit stands at 35%. Efforts to import electricity and rebuild infrastructure are underway, with a focus on renewables and future nuclear power. Despite immense challenges, Ukrainians remain resilient and optimistic about winning the war, though international support remains crucial.