

Ukraine faces financial crisis as winter approaches

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The right-wing government of President Volodymyr Zelensky may potentially run out of funds by April of next year despite already receiving hundreds of billions in foreign aid, according to a recent report in Spain's *El Pais*.

Sources from the EU cited in the article indicate that the Zelensky government only has enough remaining funds to continue functioning “until the end of the first quarter of 2026,” forcing Western imperialism to prop up Kiev with another round of financial aid.

As part of the ongoing campaign to continue the bloody proxy war against Russia, EU officials have proposed giving the Zelensky government a \$163 billion “reparations loan,” using frozen Russian assets.

Ukraine would then only be obliged to repay the loan after the war ends and once Moscow has paid Kiev for damage as a result of the nearly four-year-long war. The Russian government has already categorically refused and called the EU proposal “theft.”

EU leaders are also viewing the seizure of Russian assets as a means to funnel the funds back into its own domestic defense industries and prepare for their own entry into the war by limiting Ukraine to buying European-produced weapons.

The Zelensky government, for its part, is resisting any limits on its use of the Russian loot, which would undoubtedly complicate its already fraught relationship with the Trump administration as it seeks to secure Tomahawk missiles from Washington.

“Ukraine’s position is that any conditionality undermines the principle of justice. So the victim, not the donors or partners, must determine how to address its most urgent defense, recovery, and compensation needs,” Iryna Mudra, a top legal adviser in Zelensky’s administration, said in an interview with Reuters.

As Mudra made clear, Ukraine “is already finalizing”

military arms deals with European suppliers but must remain committed to its close military relationship with US-weapons manufacturers.

“But we would insist on autonomy in deciding how to allocate resources between defense—if there (are) not enough defense capacities in European countries, then we have to have the possibility to buy (them) from non-European countries,” Mudra told Reuters.

EU leaders are set to discuss the loan proposal further on Thursday in Brussels. According to a draft of the European Commission document seen by Reuters, some European states want the funds to go predominantly to European-made weapons, while others have proposed a compromise, permitting Kiev more flexibility as long as the funds are used primarily for European rearmament.

Underlining the financial crisis it is facing, on Wednesday, the Ukrainian parliament voted in favor of the country’s 2026 draft budget with a deficit of over 58 percent. According to the draft budget, it is estimated that the Zelensky government will spend around \$114 billion next year while earning just \$68 billion.

While the final 2026 budget will not be voted on until December, such disparities make clear that the Zelensky government is facing a huge budget deficit well into the billions in the coming year.

Earlier in July, the *Financial Times* estimated that Ukraine would be functioning in 2026 with a budget deficit from between \$8 to \$19 billion, depending on international financing.

Despite the massive financial shortfalls and immense loss of life, Kiev remains committed to the ongoing war. On Tuesday, Ukraine’s parliament voted to amend the country’s budget for the second time this year, raising defense spending by \$7.7 billion to a record

level of \$70.86 billion for 2025.

Earlier in July, parliament voted to raise defense spending by \$9.87 billion.

According to finance ministry data, in the first nine months of the year, the government spent more than 63 percent of its total budget to fund the army, which has continued to steadily lose territory to advancing Russian forces in eastern Ukraine.

Surrounding the talk of sending billions more to Ukraine's military, Russian forces in the past week have moved close to capturing the cities of Myrnohrad, Kostyantynivka, Siversk Kupiansk, and the strategically important transportation hub of Pokrovsk in the Donbass region.

Since the start of Russia's invasion in February 2022, Ukraine has received about \$152 billion in foreign financial aid from its imperialist backers, according to Reuters.

Despite the huge influx of Western funding, a recent report from the World Bank demonstrated that the war has, in fact, exacerbated both poverty and inequality within the country, which was already the poorest country in Europe prior to the war. The report titled "Monitoring Living Conditions in Ukraine: Fall 2025 Update" found that:

- Ukraine continues to experience high poverty and rising inequality in the fourth year of Russia's invasion of Ukraine.

- The estimated preliminary poverty rate for 2025 is 36.9 percent, remaining at similar levels as 2024 (37.0 percent) and significantly higher than pre-2022 rates.

- Income inequality has worsened, with the Gini coefficient rising from 0.41 in 2023 to 0.50 in 2025, reflecting widening gaps between the poorest and wealthiest households.

- Since 2022, the Gini coefficient has doubled, now approaching the level of countries like Brazil (0.52) and Namibia (0.59).

- The leading cause of rising inequality is an uneven decline in labor incomes, with higher losses concentrated among those at the lower part of the income distribution.

- A decline in pensions in real terms, which affected poorer households more, further contributed to rising inequality between 2024 and 2025.

- 62.3 percent of respondents felt that they were financially worse off than prior to February 2022.

- The report also gives a glimpse of the staggering human toll of the conflict. It found that one in four households have at least one member who is internally displaced, a veteran, and/or has a disability. One in ten households has at least one member who has been disabled due to injuries suffered during the war, and the same proportion of households have at least one member living abroad.

It goes without saying that the issues of rising poverty and inequality as a result of the war, in which the imperialist powers use the Ukrainian working class as cannon fodder, will not be part of the discussions as EU leaders meet to plot how best to funnel Russian money into the pockets of their domestic arms manufacturers.



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