Russia-Ukraine Economic Impact

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1. What Russia Invasion, Sanctions Mean for Global Economy

Contributing Analysts Tom Orlik (Economics)

(Bloomberg Intelligence) -- Russia's war on Ukraine is rippling through the global economy, posing significant risk of higher inflation and slower growth. Severe international sanctions have tipped Russia into crisis, all but guaranteeing a deep recession. European economies are particularly exposed to spillovers. The two main channels for a broader global impact are energy prices and a risk-off shock triggering tighter financial conditions.

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The Latest

Global Impact

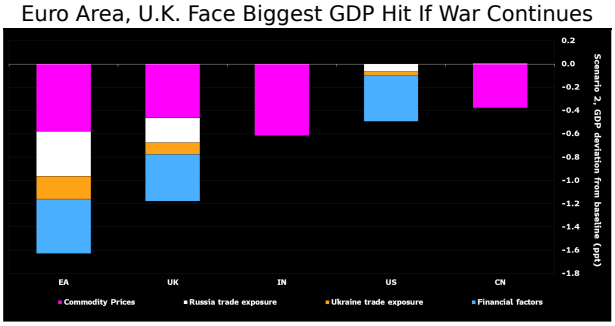
2. Modeling Global Growth Risks From Ukraine War

Contributing Analysts Bhargavi Sakthivel (Economics) & Bjorn Van Roye (Economics)

Russia's invasion of Ukraine is sending shock waves through the global economy. Drawing on a suite of models, Bloomberg Economics has estimated the impact on growth for the euro area, U.K., U.S. and other major economies. We consider three scenarios: de-escalation, continued conflict, and escalation.

The euro area -- which has the closest energy dependence and trade ties with Russia -- has the most to lose. In the continued-conflict and escalation scenarios, our models show euro-area GDP down by 1.6% and 3.3%, respectively, relative to the pre-war baseline. Click on the Text tab for the full report. (03/23/22)

Euro Area, U.K. Face Biggest GDP Hit If War Continues



Source: Bloomberg Economics

3. What Fed Models Will Tell Powell About Ukraine War

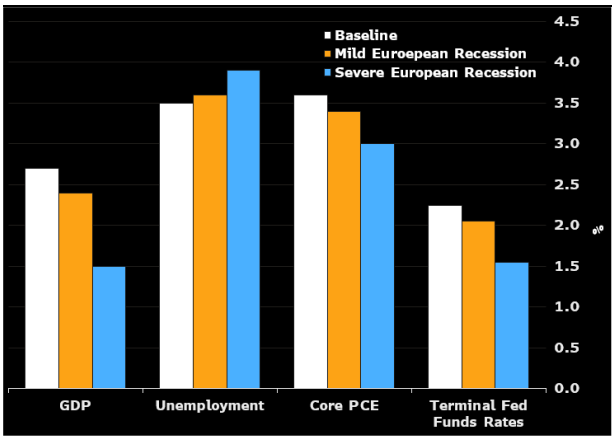
Contributing Analysts Anna Wong (Economics)

In the fog of war, Federal Reserve Chair Jerome Powell's view of how Russia's invasion of Ukraine will affect the U.S. economy will likely be shaped by two analyses from Fed staff: an estimate of the

risk to the U.S. from European recession, and an analysis of the potential blow from geopolitical uncertainty.

Based on the risks that have already materialized, it does not look like the FOMC will materially slow its rate-hike path. However, depending on the severity of a potential European recession, the Fed could end up enacting one to three fewer 25-bps hikes than the current outlook suggests. Click on the Text tab for the full report. (03/16/22)

Alternative Scenarios for U.S. Outlook in 2022



Source: Federal Reserve, Bloomberg Economics. Note: The baseline is constructed using the Bloomberg median survey where available, as of 3/15/2022. The economic impact for each scenario is based on a rough rule of thumb Bloomberg Economics estimated from SIGMA.

4. Three Scenarios for the Global Economy as Russia Attacks Ukraine

Contributing Analysts Jamie Rush (Economics) & Tom Orlik (Economics)

With Vladimir Putin's troops closing in on Kiev, and the U.S. and Europe announcing tougher sanctions, we consider three scenarios for how the conflict might impact global growth, inflation, and monetary policy. An optimistic scenario sees a swift end to the conflict, with harsher sanctions on Russia, energy prices stabilizing, and financial conditions tighter but without a sustained global risk-off shock.

In a less optimistic scenario, a protracted conflict, disruption to Europe’s energy supply, and a global risk-off shock trigger a more significant impact. In a worst-case scenario, Europe’s gas supply gets cut off, triggering a recession, and pushing ECB liftoff into the indefinite middle distance. Click the Text tab for more analysis. (03/02/22)

Scenarios Economic Impact of Ukraine Crisis

Scenario	Sanctions	Russia Impact	Europe Impact	U.S. Impact
Oil and Gas Keep Flowing, Markets Settle	Severe. Sanctions on major banks, curbs on FX transactions and access to tech components.	Falling ruble and rising inflation force big rate hikes. Sanctions hit trade, economy shrinks.	Higher energy prices and moderate negative spillovers to growth. End-2022 ECB hike still in play.	Higher energy prices and tighter financial conditions take most hawkish seven-hike path for Fed off the table.
Energy Supply Disrupted, Oil and Gas Prices Up, Risk-Off in Markets	Universal. Russian corporates and banks cut off from global markets, with carveouts for oil and gas.	Combined impact of weak ruble, market turmoil, and disruptions to trade trigger deep recession.	Energy price surge, negative spillovers, and financial turmoil prompt mild downturn. ECB hike postponed to 2023.	Higher energy prices and global risk off shock mean more dovish Fed heading into 2H
European Gas Supply Halted, Oil Disrupted, Significant Global Risk-Off Shock	Maximal sanctions or Russian retaliation cut off flow of gas to Europe.	Deeper crisis as Russia's budget and energy sector take an additional hit.	Combined impact of energy shortages, negative spillovers and elevated uncertainty triggers a recession.	Worst case: energy spike combines with unanchored inflation expectations and Fed has to tighten as demand slows

Color scheme based on Bloomberg Economics' judgment: yellow = mild; orange = moderate; purple = severe

Source: Bloomberg Economics

5. Identifying the Biggest Losers as Russia Financial Flows Freeze

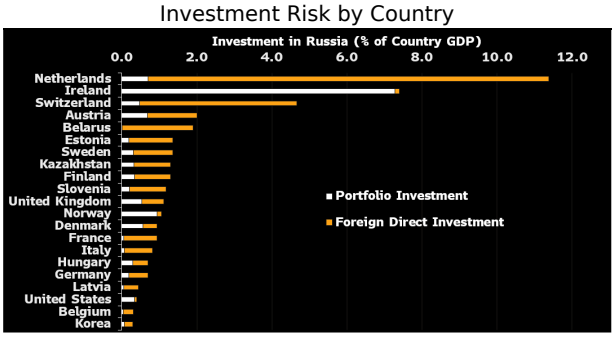
Contributing Analysts Maeva Cousin (Economics) & Tom Orlik (Economics)

The war in Ukraine, U.S. and European sanctions on Russia, and Russian retaliations are disrupting trade and financial flows between Russia and the rest of the world. As Moscow suspends some

coupon payments to foreigners and companies from around the world rush to sever ties, we explore which economies are most exposed.

Western European countries have the biggest exposure to investments in Russia. As the chart shows, the Netherlands tops the list, with IMF data showing foreign direct investment in Russia equal to more than 10% of GDP. Click the Text tab for the full report. (03/02/22)

Investment Risk by Country



Source: Bloomberg Economics, IMF CDIS, CPIS, WEO (2020)

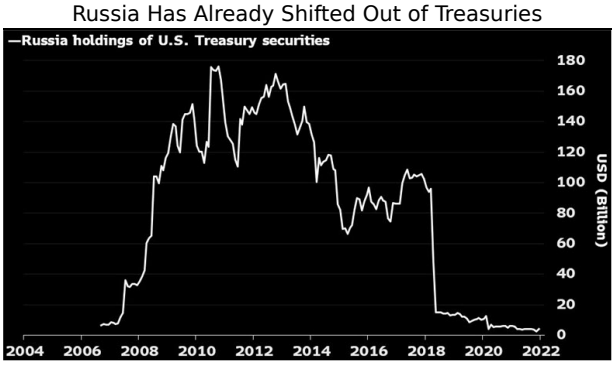
6. Freezing Putin's FX Reserves Risks Xi Blowback

Contributing Analysts Tom Orlik (Economics) & Anna Wong (Economics)

The U.S. and Europe have moved to sanction Russia's central bank, aiming to block its access to dollars that could be used to defend the ruble and backstop the stability of the financial system. That might not be as costly for Russia, or as cost-free for the U.S., as it first appears. The critical unknown: how does China react?

China may now be reconsidering the security of its own massive dollar holdings. With the U.S. and Europe blocking Russia's central bank from accessing a portion of their reserves, China might well conclude that its own reserves are best held outside of the grasp of Western leaders. Click the Text tab for the full report. (03/02/22)

Russia Has Already Shifted Out of Treasuries



Source: Bloomberg

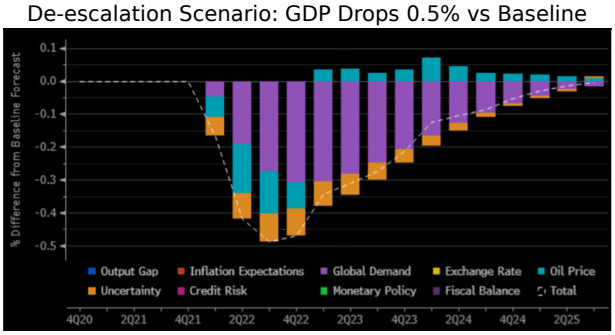
7. Putin's War May Put ECB Rate Hikes Off, QE On

Contributing Analysts Jamie Rush (Economics)

Russia's invasion of Ukraine has upended the European economic outlook. Using SHOK, our in-house model of the euro-area economy, we sketch out three scenarios -- ranging from a de-escalation of the war to a sudden halt of gas shipments from Russia. Elevated uncertainty calls for caution and we expect that to be reflected in the European Central Bank's policy meeting on March 10.

Click on the Text tab for the full report. (03/04/22)

De-escalation Scenario: GDP Drops 0.5% vs Baseline



Source: Bloomberg Economics, {SHOCK<GO>}

8. Emerging Markets and Putin's War on Ukraine -- Scorecard

Contributing Analysts Felipe Hernandez (Economics) & Tamara Mast Henderson (Economics)

President Vladimir Putin's decision to invade Ukraine has disrupted trade and capital flows, sent commodity prices to new highs and will trigger a deep recession in Russia. Among major emerging markets, our analysis shows Turkey and Egypt are most exposed to economic and financial spillovers. Saudi Arabia and other oil exporters will gain as the war pushes prices higher.

Click the Text tab for more analysis. (03/07/22)

Emerging Markets Exposure to Russia

	Exports of goods and services to Russia (% of GDP, 2018)	Direct investment position from Russia (% of GDP, 2020)	Net energy exports (% of GDP, 2019)	Net grain exports (% of GDP, 2019)	Vulnerability to global risk-off scenario Rank, 2021	Exposure to Russia Invasion Fallout Rank
Turkey	2.17	0.51	-0.93	-0.39	2	1
Egypt	1.11	0.02	-0.93	-1.64	4	2
Vietnam	1.30	0.02	-3.62	-0.91	15	3
Poland	3.40	0.05	-2.31	0.07	7	4
Philippines	0.44	0.00	-3.46	-0.53	10	5
Thailand	0.42	0.10	-4.60	-0.14	16	6
South Korea	1.11	0.00	-5.16	-0.20	17	7
Peru	0.19	0.01	-1.21	-0.56	13	8
China	0.56	0.00	-2.08	-0.01	11	9
Chile	0.04	0.00	-3.82	-0.25	8	10
India	0.27	0.01	-3.79	0.00	14	11
Mexico	0.15	0.00	-1.23	-0.31	11	12
South Africa	0.15	0.00	-1.68	-0.05	5	13
Colombia	0.11	0.00	5.30	-0.51	5	14
Malaysia	0.27	0.00	1.24	-0.32	9	15
Argentina	0.11	0.00	-0.33	1.82	1	16
Brazil	0.20	0.00	0.27	0.30	3	17
Indonesia	0.20	0.00	0.96	-0.27	18	18
Saudi Arabia	0.23	0.00	24.79	-0.11	19	19

Source: OECD, IMF, UN, World Bank, Bloomberg Economics

9. Ukraine Risks Hoist Asia Up FX Haven Ranking

Contributing Analysts Yuki Masujima (Economics)

Rising tensions between the West and Russia over Ukraine have shaken up our safe-haven rankings. The yen climbed to the top spot, bumping the dollar into second, while gold jumped to third from sixth last year, according to our rankings as of Feb. 21.

European currencies slid down the safe-haven rankings while Asian currencies climbed the list. That points to a shift in perceived global risk hot spots to Ukraine from North Korea. Click on the Text tab for the full report. (03/02/22)

Yen Is Top Safe-Haven Among 15 Currencies

Ranking	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Feb. 21, 2022	Ranking
1	CHF	JPY	JPY	JPY	USD	USD	JPY	JPY	JPY	JPY	JPY	CHF	JPY	JPY	USD	JPY	1
2	JPY	CHF	HKD	USD	JPY	JPY	Bitcoin	CHF	CHF	CHF	GOLD	JPY	Bitcoin	CHF	JPY	USD	2
3	THB	THB	USD	THB	GOLD	GOLD	HKD	Bitcoin	HKD	Bitcoin	CHF	CNY	CHF	EUR	CHF	GOLD	3
4	USD	USD	CNY	CNY	Bitcoin	CNH	USD	CNY	GOLD	EUR	CNY	USD	USD	USD	EUR	HKD	4
5	HKD	HKD	CHF	Bitcoin	CHF	CNY	IDR	USD	EUR	GOLD	USD	IDR	CNY	CNY	HKD	CHF	5
6	Oil	Oil	THB	IDR	CNH	IDR	CNY	GOLD	CNY	USD	CNH	Oil	GOLD	IDR	GOLD	CNY	6
7	CNY	CNY	MYR	HKD	CNY	Bitcoin	CNH	EUR	USD	CNY	Bitcoin	HKD	HKD	GBP	IDR	EUR	7
8	EUR	GOLD	GOLD	CNH	THB	HKD	GBP	HKD	GBP	MYR	EUR	GOLD	EUR	GOLD	CNY	THB	8
9	GBP	EUR	IDR	CHF	HKD	CHF	MYR	CNH	CNH	IDR	SGD	CNH	IDR	HKD	Oil	KRW	9
10	SGD	KRW	KRW	GOLD	IDR	THB	KRW	IDR	SGD	HKD	MYR	Bitcoin	GBP	KRW	GBP	Oil	10
11	CAD	SGD	GBP	MYR	MYR	MYR	THB	GBP	Bitcoin	SGD	GBP	GBP	Oil	SGD	Bitcoin	IDR	11
12	GOLD	GBP	EUR	KRW	Oil	Oil	CHF	Oil	THB	CNH	IDR	EUR	KRW	MYR	THB	Bitcoin	12
13	IDR	MYR	Oil	EUR	GBP	KRW	GOLD	CAD	AUD	GBP	THB	KRW	CNH	CNH	KRW	GBP	13
14	KRW	IDR	SGD	GBP	EUR	GBP	Oil	THB	IDR	THB	HKD	SGD	SGD	THB	CNH	CNH	14
15	MYR	CAD	CAD	Oil	KRW	EUR	EUR	MYR	KRW	KRW	Oil	THB	THB	Bitcoin	SGD	SGD	15
16	AUD	AUD	AUD	SGD	CAD	CAD	SGD	KRW	Oil	Oil	AUD	MYR	AUD	Oil	AUD	CAD	16
17				CAD	SGD	SGD	CAD	SGD	MYR	AUD	KRW	CAD	CAD	AUD	CAD	AUD	17
18				AUD	AUD	AUD	AUD	AUD	CAD	CAD	CAD	AUD	MYR	CAD	MYR	MYR	18

Source: Bloomberg Economics

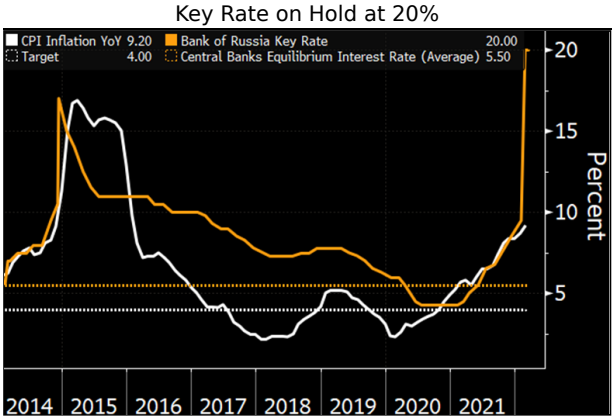
Russia

10. Bank of Russia Rates on Hold at 20%, Outlook Strategically Vague

Vladimir Putin's war against Ukraine has partly dismantled an economic framework his central bank spent years building. The lasting impact isn't lost on Elvira Nabiullina, who looks set to remain in place through the crisis and beyond. After holding rates at a sky-high 20%, as expected, the Bank of Russia governor outlined a "structural transformation" of the economy, requiring painful adjustments that can be cushioned, but not avoided.

Click on the Text tab for the full report. (03/18/22)

Key Rate on Hold at 20%



Source: Bank of Russia, Federal Statistics Service

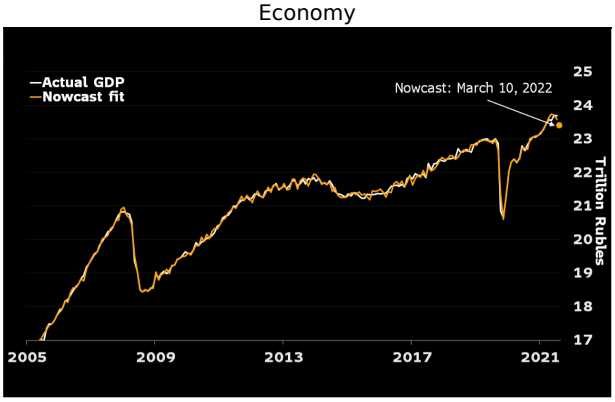
11. How Big Is Russia War GDP Hit So Far? Nowcast Says 2%

Contributing Analysts Bjorn Van Roye (Economics)

How big is the hit to Russia's GDP from the sanctions triggered by the invasion of Ukraine? Bloomberg Economics' nowcast suggests output has already fallen about 2%. The range of uncertainty around that number is wide, and -- looking forward -- the situation is in flux. Still, the initial reading indicates that the domestic cost of President Vladimir Putin's war is already significant.

Click on the Text tab for the full report. (03/11/22)

Nowcasting the Impact of War, Sanctions on Russia's Economy



Source: Bloomberg Economics

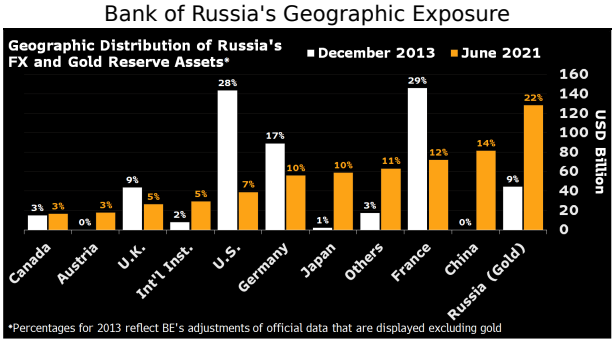
12. Sanctions on Russia's Central Bank May Light Fuse to Crisis

Contributing Analysts Jamie Rush (Economics) & Tom Orlik (Economics)

Russia is in a financial crisis -- the question is how deep and prolonged it will be. Western sanctions against the country's central bank proved to be a tipping point, blocking access to reserves that would have been a crucial backstop to the banking sector. Russia faces certain recession. Spiking energy prices, risk-off sentiment and retaliation from President Vladimir Putin could magnify the ripple effects to the global economy.

Click the Text tab for the full report. (02/28/22)

Bank of Russia's Geographic Exposure



Source: Bank of Russia, Bloomberg Economics

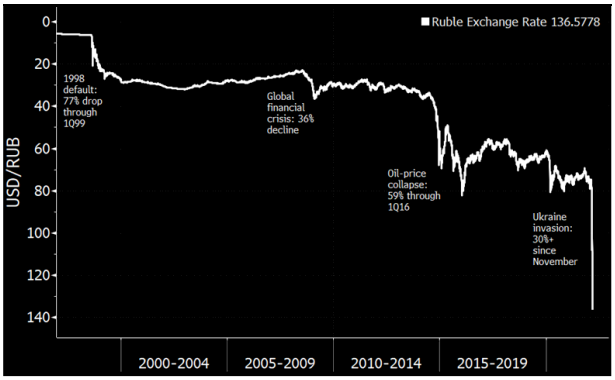
13. Putin's Financial Crisis in Five Charts

Contributing Analysts Tom Orlik (Economics)

To gauge the extent of Russia's financial crisis and the impact on its economy, we've charted the moves in the ruble, equity markets, bond yields, credit default swaps, and the discount of Russian oil to Brent. The big takeaway: The early signs suggest that the current crisis is at least as serious for Russia as the great financial crisis of 2008-9 or the debt default of 1998. The economic fall out will be commensurately large -- with the price for Vladimir Putin's war almost certain to be a deep recession.

Click on the Text tab for the full report. (03/04/22)

Ruble Slide



Source: Bloomberg Economics

14. Four Crises + Limited Tools = Deep Recession in Russia

Contributing Analysts Ziad Daoud (Economics) & Tom Orlik (Economics)

Sanctions on Russia have lit the fuse on four intersecting crises. The outcome will be a deep recession, with significant spillovers to Europe and a ripple effect around the world. The central bank has limited tools to respond. Sanctions have blocked access to a significant portion of their foreign-exchange reserves. Interest rates hikes to defend the ruble and keep deposits in the banks will exacerbate the downturn in the economy.

Click on the Text tab for the full report. (03/02/22)

Dimensions of Crisis for Russia

	Crisis			
	Bank Run	Credit Crunch	Ruble Freefall	Debt Default
Causes	-Worries about safety of bank deposits	-Bank losses prompt lending cuts	-Freezing part of FX reserves -Lower exports -Domestic dollarization	-Frozen assets overseas -Russian retaliation to sanctions
Symptoms	- Rush to withdraw cash from bank accounts	-Watch for credit rationing, tighter lending conditions	-30% plunge in the ruble	-Spike in bond yields and CDS spreads
Policy Measures So Far	-Interest rate hike to 20% -Liquidity injection	-Cutting capital requirements -Relaxing mark-to-market rules -Looser provisioning, loan restructuring	-Ban on FX transfers overseas -Ban on foreigners selling Russian assets -Mandatory conversion of export proceeds -Interest rate hike	-Ban on hard-currency payments to foreigners, hold on cash coupon payments on ruble debt
Policy Options	-Further rate hikes -Stronger guarantee of deposits	-State recapitalization of banks -Consolidation of the banking system	-Tighter capital controls -Forced conversion of hard-currency deposits -Confiscation of foreign assets in Russia -Further rate hikes	-Selective default on external debt
Consequences	-Bank failure -Credit crunch	-Deep recession -Potential fiscal crisis	-High inflation -Steep rate hikes	-Messy external default -Possible contagion to other emerging markets

Source: Bloomberg Economics

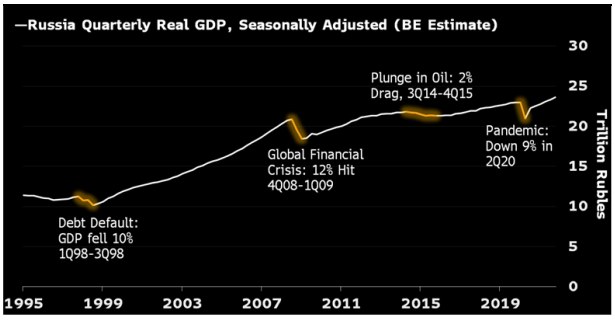
15. Three Charts to Gauge Russia's GDP Hit From Putin's War

Contributing Analysts Tom Orlik (Economics)

Russia faces a deep recession. That was clear as soon as the U.S. and its allies ratcheted up financial sanctions. Making a precise forecast of the size of the downturn isn't possible at this point. But based on market moves, historical parallels and likely channels of impact, our initial view is that a drop of 9% for 2022 GDP is in the right ball park. If Russia's energy exports get turned off, the hit could be even bigger.

Click on the Text tab for the full report. (03/07/22)

Russia's Past Crises



Source: Bloomberg Economics, Federal Statistics Service

Country Impact

Advanced Economies

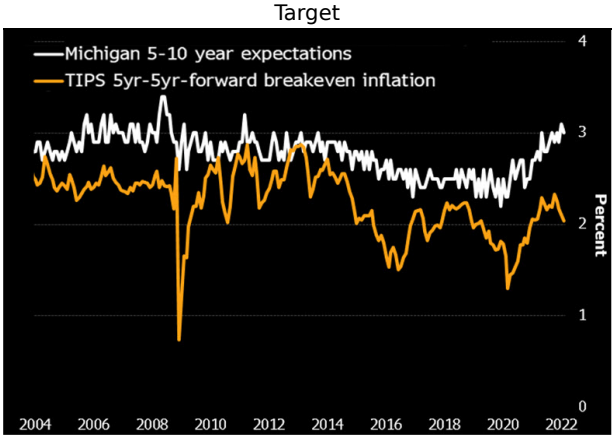
16. What Powell's Fed Will Think About Putin's War

Contributing Analysts David W Wilcox & Tom Orlik (Economics)

The war in Ukraine comes at an important inflection point for the Federal Reserve, as it contemplates lifting its policy rate for the first time since Covid shuttered the U.S. economy in March 2020. The crisis injects further uncertainty into an already highly uncertain situation, raising questions about the pace of real activity and the availability and price of energy, food and other critical raw materials.

The most likely outcome is that the FOMC will proceed with announcing a 25-basis-point rate hike at the conclusion of its meeting on March 16 and will allow the size of its asset portfolio to begin to shrink around midyear. Click on the Text tab for the full report. (03/03/22)

Longer-Run Inflation Expectations Consistent With 2% Target



Source: University of Michigan, FRED, Bloomberg Economics. Note: Last observations are preliminary readings for February 2022.

17. ECB's Lagarde, Lane Suggest Hike in 4Q22 Likely

Contributing Analysts David Powell (Economics)

European Central Bank President Christine Lagarde and Chief Economist Philip Lane hinted at the Governing Council being on track for an interest rate increase in December at the ECB and Its Watchers Conference in Frankfurt. However, it's not a done deal -- the risks to the economic outlook created by Russia's invasion of Ukraine are serious and policy makers stand ready to change track if the data point to a marked deterioration in the economic outlook.

Click on the link above right to read the full report. (03/17/22)

Key Points:

- EURO-AREA REACT: ECB's Lagarde, Lane Suggest Hike in 4Q22 Likely

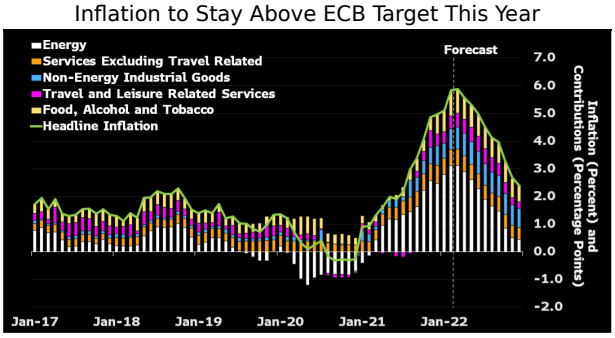
18. Euro-Area Inflation Beats Consensus Again, More to Come

Contributing Analysts Maeva Cousin (Economics)

Euro-area headline inflation hit 5.8% in February, in line with our forecast but above consensus expectations for 5.6%. The core reading jumped to a record 2.7% from 2.3% in January. Inflation in the region is likely to break records again this month with the war in Ukraine driving the global cost of commodities higher.

Click on the Text tab for the full report. (03/02/22)

Inflation to Stay Above ECB Target This Year



Source: Eurostate, Bloomberg Economics

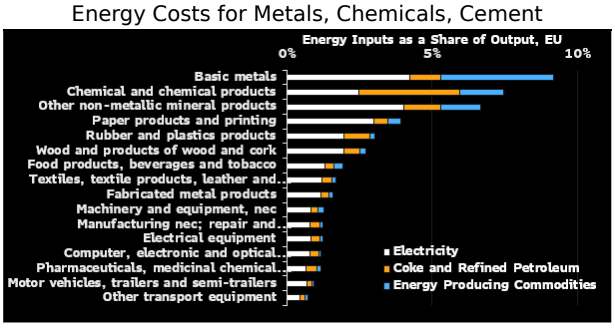
19. How the Soaring Cost of Energy Will Impact European Industry

Contributing Analysts Maeva Cousin (Economics)

Europe's manufacturers face soaring energy costs -- wholesale gas prices are nearly four times higher than a year ago. The producers most at risk make metals, chemicals and cement. But, thankfully, they account for a relatively small portion of overall euro-area output and are unlikely to topple European supply chains -- spillovers should be limited. Energy inputs represent less than 3% of the total value of manufacturing output in the European Union. But this ratio is much higher for producers of some intermediate inputs -- basic metals, chemicals, cement and glass.

Luxembourg, Belgium and the Netherlands are especially exposed to those sectors. Industry in many Eastern European countries, where production processes are generally less energy efficient, could also be more at risk. (02/16/22)

Energy Costs for Metals, Chemicals, Cement



Source: Bloomberg Economics

20. How Sanctions on Russia Could Impact European Economies

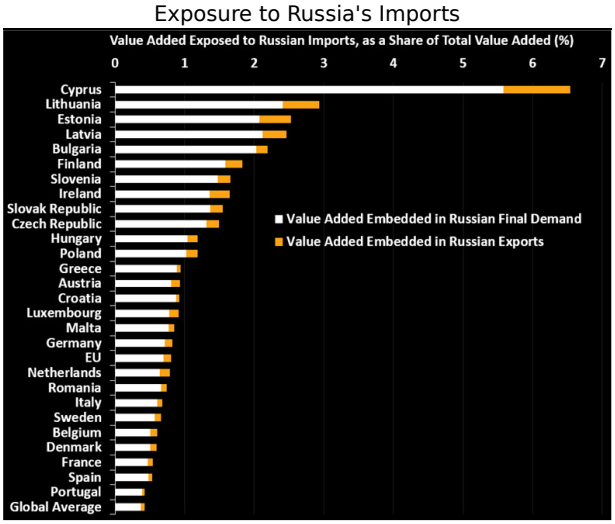
Contributing Analysts Maeva Cousin (Economics)

European countries are more exposed to trade with Russia than most other advanced economies. This is certainly affecting their thinking, as the West weighs what sanctions should be imposed on Russia if it invades Ukraine. About 0.8% of EU economic activity is directly linked to Russian

imports of intermediate and final products, while an additional 0.5% of EU output relies directly on inputs from Russia, with Eastern Europe again particularly exposed.

Overall, Europe's exposure to Russia is manageable. But its heavy reliance on Russian energy supplies constitutes a major risk. Tensions between Russia and the West have already led natural gas prices to soar, hitting consumer purchasing power in Europe and weighing on the most energy-intensive industries. Further disruptions to Russian gas supplies would make it worse. (02/16/22)

Exposure to Russia's Imports



Source: Bloomberg Economics, OECD TiVA (2018)

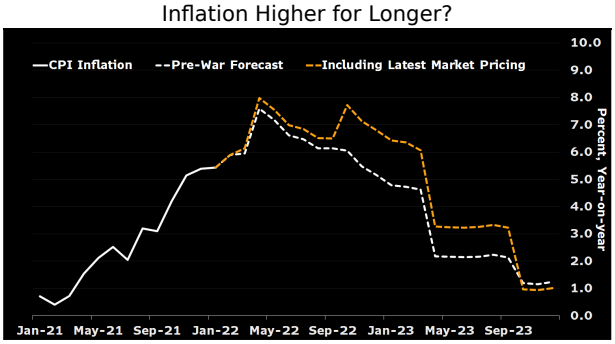
21. Putin's War Leaves BOE Facing Big Risk of Stagflation

Contributing Analysts Dan Hanson (Economics)

Russia's invasion of Ukraine raises the spectre of stagflation in the U.K., further complicating the picture for the Bank of England. We expect more rate hikes before the summer, but the prospect of an acute real income squeeze that crimps demand will likely mean policy makers hold rates steady in the second half of the year.

The BOE will probably raise interest rates in March, but the risks posed by the war suggest the increase will be 25bps rather than 50bps. We still expect another hike in May, as it seeks to front load rate hikes in the face of drifting inflation expectations. Click on the data tab to read our full analysis. (03/03/22)

Inflation Higher for Longer?



Source: Bloomberg Intelligence

22. Modeling Ukraine Impact on Safe-Haven Yen

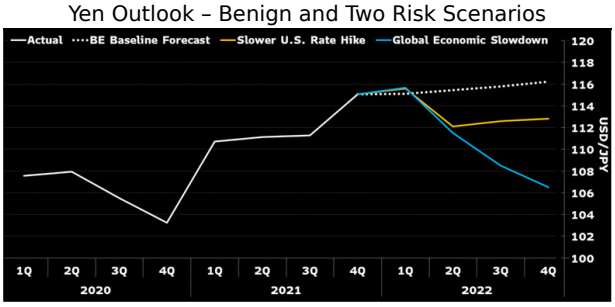
Contributing Analysts Yuki Masujima (Economics)

The yen surged on news that Russian forces attacked targets across Ukraine. Bloomberg Economics' safe-haven rankings show the yen is the top go-to currency in times of high market volatility. And demand for a refuge is likely to keep upward pressure on the yen as long as the

Ukraine crisis lasts. But another powerful driver will also set the yen's course -- U.S.-Japan yield differentials.

We used our FX model, which is based on the VIX “fear gauge” and yield differentials, to examine three scenarios: a benign scenario, a downside scenario with slower Fed rate hikes, and a worst case, with a global economic slowdown. Click on the Text tab for the full report. (03/04/22)

Yen Outlook – Benign and Two Risk Scenarios



Source: Bloomberg; Bloomberg Economics

Emerging Markets

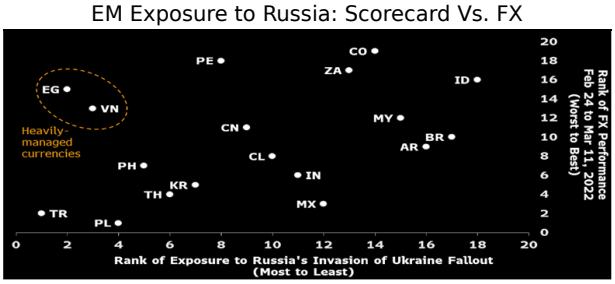
23. Ukraine War and Emerging Markets -- Scorecard Vs. Reality

Contributing Analysts Felipe Hernandez (Economics) & Tamara Mast Henderson (Economics)

The invasion of Ukraine has sent commodities soaring and already initiated a downturn in Russia. Countries most exposed to the upheaval, like Turkey and Poland, have seen their currencies underperform and could face even higher inflation. Egypt and Vietnam are also vulnerable, but their exchange rates are heavily managed. We ranked Turkey and Poland among the most exposed to the Ukraine invasion based on their trade and investment links with Russia, energy and grain imports as well as reliance on foreign capital.

Click the Text tab for the full report. (03/14/22)

EM Exposure to Russia: Scorecard Vs. FX



Source: Bloomberg Economics

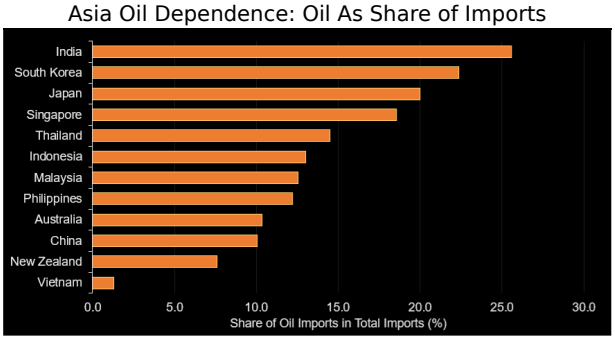
24. In Asia, Russia Attack on Ukraine Raises Inflation Alert

Contributing Analysts Chang Shu (Economics)

The fallout from Russia's attack on Ukraine will also land in Asia. Oil has jumped above $100 a barrel--a problem in a region where fuel makes up a big part of the import bill. With Asia still struggling with the pandemic, its central banks are left with a dilemma: having to choose between supporting growth and stemming inflation that could be set to climb.

Click on the Text tab for the full report. (02/24/22)

Asia Oil Dependence: Oil As Share of Imports



Source: Bloomberg Economics

25. Russia's War Triggers Severe India Inflation Risks

Contributing Analysts Abhishek Gupta (Economics)

India's trade linkages with Russia and Ukraine are limited, but it faces severe inflationary risks from the recent run up in commodity prices. We see an 80-100 bps upside risk to our baseline forecast of 5.9% average inflation during the year starting in April, if commodity prices stay at current elevated levels and the government doesn't absorb the increases.

Click the Text tab for the full report. (02/28/22)

Higher Commodity Prices May Push Up Inflation

Commodities	India's Total Imports ($ billion)	Imports from Russia-Ukraine (% of Total)	Price Increase Since Feb. 1 (%, as on Feb. 25)	Weight in CPI Basket (%)	Impact on CPI Inflation (bps)
Crude and Products	142.3	2.4	12.0	2.3	50.0
Palm Oil	17.1	12.6	14.7	1.3	19.1
Gold and Silver	57.8	0.8	6.2	1.2	7.4
Fertilizers	10.3	8.0	30.0	-	-
Coal	26.6	4.2	8.3	-	-
Total					76.5

Source: Bloomberg Economics; Bloomberg

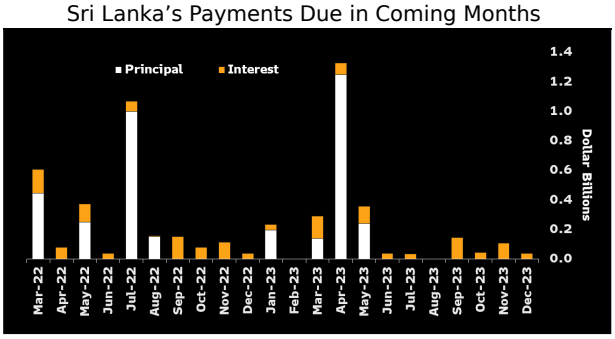
26. Russia-Ukraine War Intensifies Sri Lanka Debt Crunch

Contributing Analysts Ankur Shukla (Economics)

Russia's invasion of Ukraine has increased the probability that Sri Lanka could default on its dollar-denominated debt. This raises the urgency for Sri Lanka to seek assistance from the International Monetary Fund. The surge in oil prices and a likely blow to exports and tourism will push Sri Lanka's already-gaping current account deficit even wider -- leaving fewer dollars left to repay foreign debt. The government has to repay $2.7 billion in principal and interest this year, including $1 billion worth of international sovereign bonds in July.

Click the Text tab for the full report. (02/28/22)

Sri Lanka’s Payments Due in Coming Months



Source: Bloomberg Economics

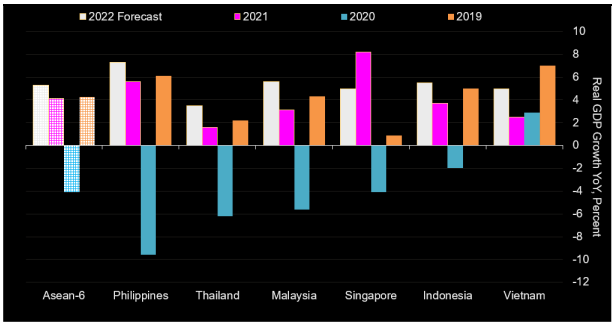
27. Ukraine Crisis to Spur Southeast Asia Central Bank Divergence

Contributing Analysts Tamara Mast Henderson (Economics)

The crisis in Ukraine will hit Southeast Asia's central banks -- but not all in the same way. In regions that export oil or have strong trade prospects, policy makers will likely focus on inflation -- which is likely to rise -- and tighten policy more aggressively. We now see Singapore and Malaysia tightening more quickly. Those with recoveries only starting to get going or that are more sensitive to cost of living pressures will likely give more weight to growth. Central banks in Thailand and the Philippines, for example, will be in no rush to tighten.

Click on the Text tab for the full report. (02/24/22)

Asean Growth Forecasts



Source: National Statistics Agency, Bloomberg Economics

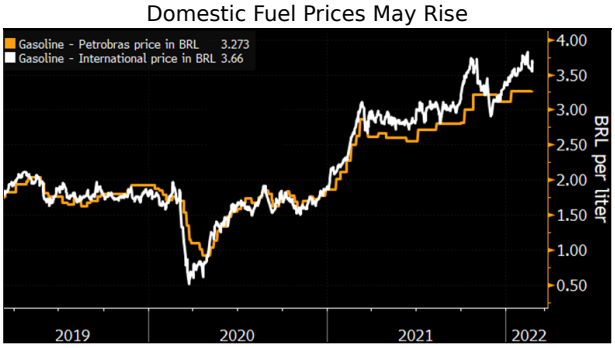
28. Putin Adds New Hurdle in BCB’s Path to Pause

Contributing Analysts Adriana Dupita (Economics)

In Brazil, widespread inflation and untamed inflation expectations already threatened the central bank's plan to end its tightening cycle. Now, the Russia-Ukraine conflict and its implications for both oil prices and Brazil's currency complicates the picture further. We still expect the BCB to slow the pace of tightening, but see upside risks to our 12.25% forecast for the terminal rate.

Click on the Text tab for the full report. (02/25/22)

Domestic Fuel Prices May Rise



Source: Bloomberg

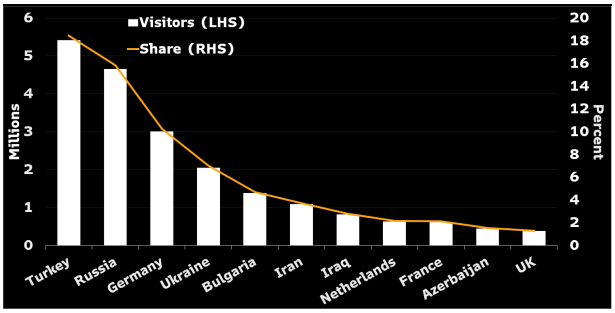
29. A New Risk to Turkey's Consumer Price Inflation -- Putin

Contributing Analysts Selva Bahar Baziki (Economics)

Turkey's consumer price inflation hit a 20-year high of 48.7% in January. The central bank expects this to rise further in the coming months, before ending the year at 23.2%. The escalating tensions between Russia and Ukraine could result in an even higher headline rate amid reduced tourism and rising energy and food costs.

Click on the Text tab for the full report. (02/24/22)

Russia, Ukraine Account for a Quarter of Tourists



Source: TUIK and Bloomberg Economics. Turkey bar shows Turkish nationals residing abroad.

Banking

Analysis

Putin's Financial Fortress: $105 Billion Financing, NPLs Next Up

Contributing Analysts Tomasz Noetzel (Banks) & Jonathan Tyce (Banks)

Timely liquidity action may have helped Russia's banks navigate sanctions damage to-date, but the worst may be yet to come, as our analysis sees nonperforming loans (NPLs) more than doubling in 2022-23. Industry recapitalization looks inevitable, with Sberbank best-placed to replace some of the $105 billion of lost foreign-bank liquidity. (03/25/22)

30. Fears of Russian Risk Spread Now Easing

Contributing Analysts Jonathan Tyce (Banks) & Tomasz Noetzel (Banks)

European lenders with the largest direct exposures to Russia and Ukraine are well known, with Raiffeisen, UniCredit and Societe Generale down between 20-40% since the invasion as a result. As ramifications ripple through markets of Russian financial institutions exclusion (e.g. global SWIFT messaging system) -- and given Europe's reliance on Russian gas and energy supply, and China's approach two key variables complicating analysis -- consensus revenue downgrades for the sector and increased expected credit-loss charges at 1Q and 2Q are near-term areas of investor focus.

BNP's updated 3 billion euro figure for total Russian (1.3 billion euros) and Ukraine (1.7 billion euros) exposure follows similar detail from peers. Some lenders remain on the sidelines regarding a Russia exit while most have now switched off lending taps. (03/23/22)

Banks' Disclosed Russia and Ukraine Exposures

	Russia		Ukraine	
	Total Exposure	Loans	Total Exposure	Loans
Raiffeisen	22,854	11,644		2,234
UniCredit	12,300	7,800		
SocGen	18,600	10,500		
BNP	1,300		1,700	881
OTP Bank	2,070	1,570		1,550
Credit Agricole	4,900		1,500	
ING	6,700		500	211
Intesa		5,571		147
Commerzbank	1,900		<100	

Source: Bloomberg Intelligence

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