



Executive
Perspectives

War in Ukraine: Global Update

BCG Global Advantage Practice Area

Prepared: 26 May 2022

Introduction to this document

The war continues to be first and foremost a humanitarian crisis, and the top priority for all continues to be the safety and security of people.

Moreover, the continuity of the war has resulted in profound economic impact, not only within Ukraine but globally—as supply chains face disruption, commodity prices rise, and unprecedented levels of sanctions take hold.

We continue to lean into the most pressing issues and questions on the minds of our clients and teams.

This edition shares the latest update on the **global economic impact** as well as implications for business leaders.

War in Ukraine continues to evolve along several dimensions

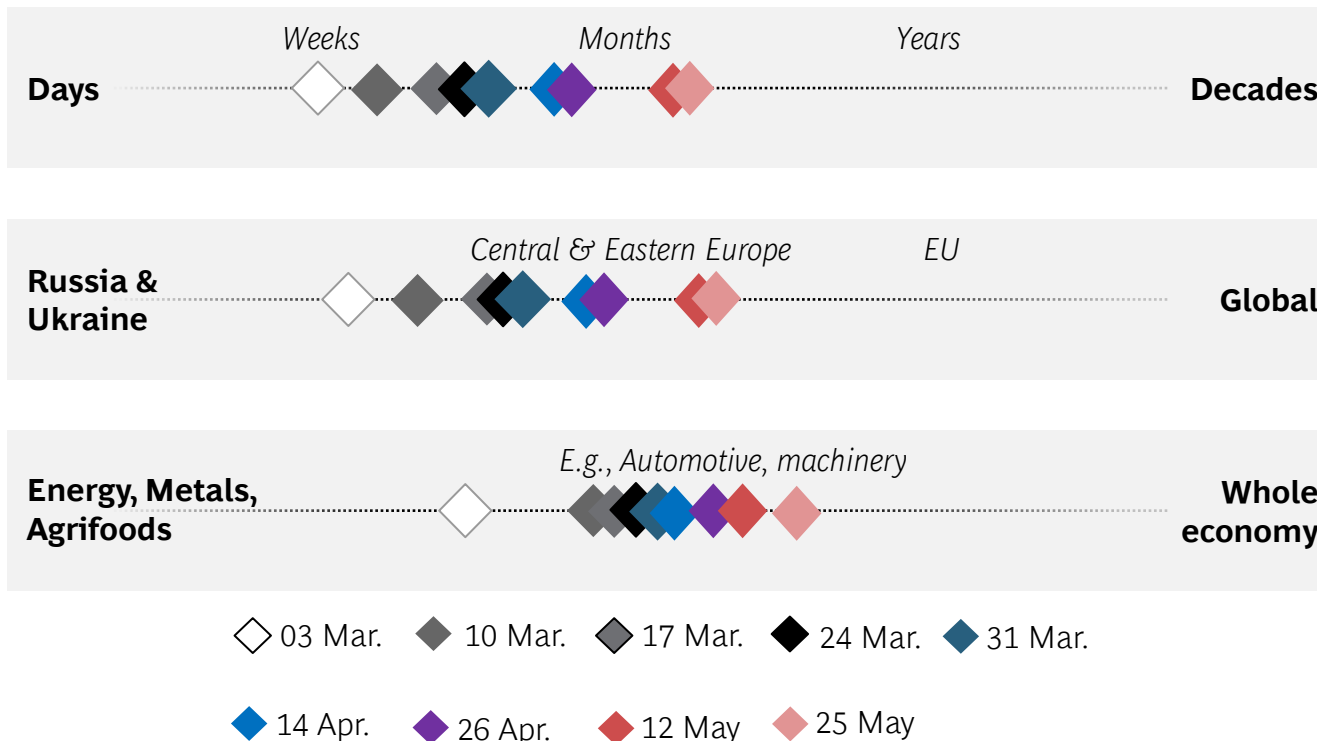
Interrelated dimensions

Duration

Geographic scope & materiality

Sectoral scope & materiality

Narrower impact Broader impact



Last defenders of Mariupol surrender. Russia gains control of the Azov sea coast

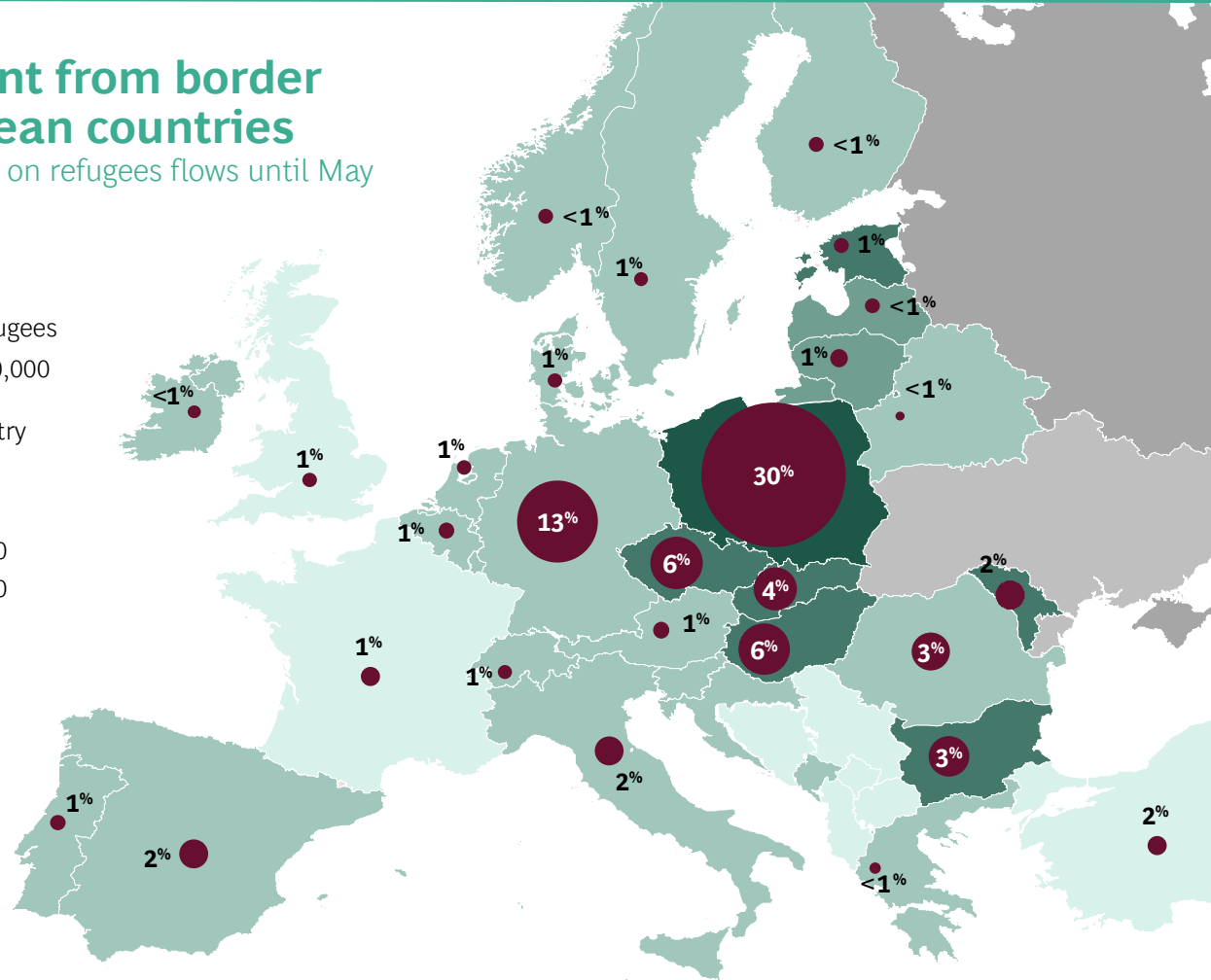
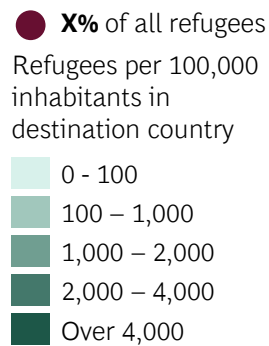
Australia granted 6,000+ temporary humanitarian visas to refugees. 1,700+ have arrived

EU's 6th sanction package awaits approval. Other nations continue to take punitive action – e.g., CA sanctions more oligarchs, bans import/export of luxury goods

6.5M Ukrainians have crossed borders | Current capacity constraints in Central Eastern Europe, future flows could add pressure on Western Europe

Movement from border to European countries

Indicative view on refugees flows until May 23rd, 2022



- > ~**54%** entered the Schengen Area through **Poland** and ~**16%** through **Hungary**
- > **All other bordering countries** also facing capacity constraints
- > ~**50%** settling down in **Central Eastern Europe**
- > ~**50%** moving to other **countries** (including non-EU countries)
- > **Limited flows to rest of the world**, with potential to increase long-term intake
- > An estimated **1-1.5M refugees have returned** to Ukraine, mostly from CEE countries; however, uncertainty remains over permanence

Note: Actual number of "unique" refugees might be slightly lower as the crossing are not counted as per "unique" person, however at this point it is uncertain whether the return is permanent or temporary. Note: Indicative view; recent analyses indicate that onward travel from directly neighboring countries (particularly Poland, Hungary, Slovakia) and hence also inflow to not directly neighboring countries (particularly Germany, Italy, France) might be higher than stated. Note: These analyses represent only potential scenarios based on discrete data from one point in time. They are not intended as a prediction or forecast, and the situation is changing daily. Source: UNHCR; interviews with NGOs; survey among refugees, BCG calculation & analysis

Summary snapshot | War in Ukraine global economic impact

Global Growth Outlook

GDP Forecasts¹

	2021	World Bank 2022	Leading FIs 2022	
	Actual	Jan'22 Forecast	12 May – 20 May '22 Forecasts	
			Median	Minimum
Russia	4.7%	2.4%	-10.1%	-15.0%
Euro Zone	5.3%	4.2%	2.7%	1.8%
Global	3.9%	4.1%	3.3%	2.0%

Commodity Prices⁴

Commodity price (actual, \$)

Commodity	Jan 3 '22	May 23 '22	Change
Crude Oil (\$/bbl)	79.0	110.0	+39%
Gas (\$/MWh)	80.4	87.9	+9%
Coal (\$/t)	157.5	392.9	+149%
Wheat (€/bu)	274.0	414.0	+51%
Rapeseed (€/t)	728.5	830.0	+14%
Nickel (\$/t)	20,430.0	28,215.0	+38%
Palladium (\$/oz)	1,826.0	1,939.7	+6%

Supply Chain Metrics

Deep Sea Cargo Bosphorus Straits Transits (Avg. #/day) ²					Deep Sea Cargo Port Calls (Avg. #/day) ²					Baltic Dry Index (Daily Avg) ³				
	Pre-War (Nov '21)	Prev. Wk (5/9-5/15)	Curr. Wk (5/16-5/22)	ΔCW- PreWar		Pre-War (Nov '21)	Prev. Wk (5/9-5/15)	Curr. Wk (5/16-5/22)	ΔCW- PreWar		Pre-War (Nov '21)	Prev. Wk (5/10-5/16)	Curr. Wk (5/17-5/23)	ΔCW- PreWar
Northbound	8.9	6.1	4.9	-45%	Ukraine	4.5	0.0	0.0	-100%	BDI ³	2780	3059	3257	17%
Southbound	9.6	5.9	5.6	-42%	Russia	21.6	20.3	20.4	-6%					

Sanctions & Policy Actions

Updates since 11 May

- UK sanctions Putin's close family and friends
- UK prohibits Russian airlines from selling UK airports landing slots
- CA sanctions more oligarchs, bans import/export of luxury goods
- NZ sanctions 27 Belarusian leaders including Pres Lukashenko
- RU cuts gas supply to Finland, prohibits business with 31 companies

Cumulative # WW Sanctions in-place⁵ (Δ since previous)



Corporate Actions in Russia Market

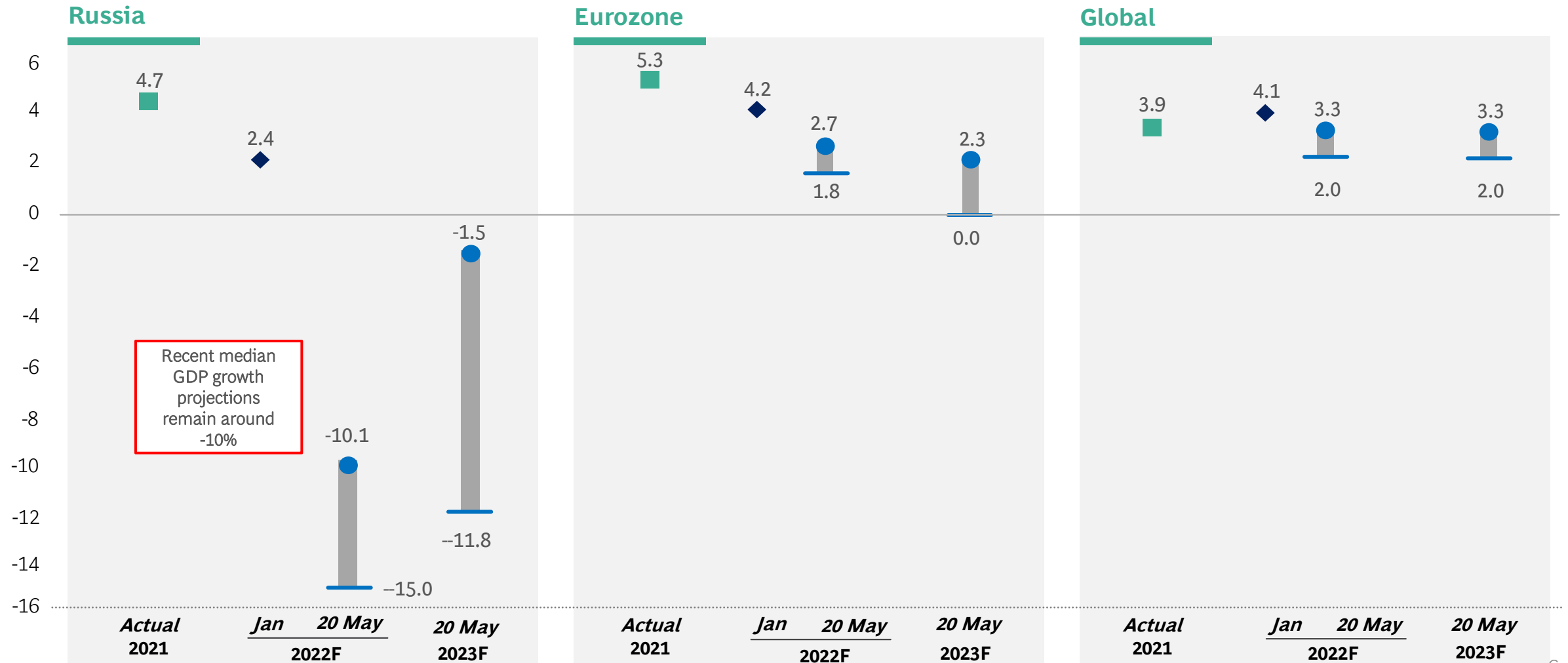
Based on sample of +850 companies⁶



1. GDP forecasts from World Bank and FIs per Bloomberg database (13-60 FIs per forecast period) 2. Deep Sea Cargo: oil tankers MR & up, bulkcarriers Panamax & up, containerhips 3,000+ TEU, VLGCs, LNG carriers 60,000+ cbm & PCTCs 6,000+ ceu, Clarkson Research (<https://www.clarksons.com/>) Clarkson Research Services Limited ("Clarkson Research"). © Clarkson Research 2021. All rights in and to Clarkson Research services, information and data ("Information") are reserved to and owned by Clarkson Research. Clarkson Research, its group companies and licensors accept no liability for any errors or omissions in any Information or for any loss or damage howsoever arising. No party may rely on any Information contained in this communication. Please also see the disclaimer at <https://www.clarksons.net/Portal/disclaimer>, which also applies. No further distribution of any Information is permitted without Clarkson Research's prior written consent. Clarkson Research does not promote, sponsor or endorse the content of this communication. 3. <https://www.bloomberg.com/quote/BDIY:IND>; Baltic Dry Index (BDI) is index of avg price paid for transport of dry bulk mat'ls across 20+ routes 4. S&P Capital IQ 5. Total sanctioned actions, incl. duplication. Source: [corrective.org](https://www.corrective.org) 6. Yale Chief Exec Leadership Inst.. Numbers in parenthesis () indicates increase /decrease since last update. Where there is a decrease this is because reclassification due to definitions, and company action recategorization from one to another. Note: BCG does not provide legal or regulatory advice

Leading Financial Institutions predicting major decline in Russia GDP vs. World Bank Jan forecast

GDP Growth (%), Selected Regions, 2021A – 2023F

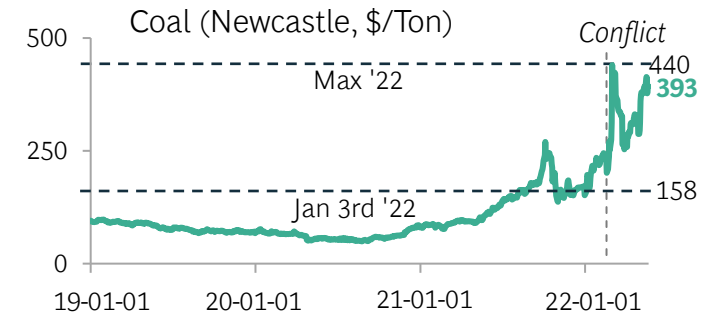
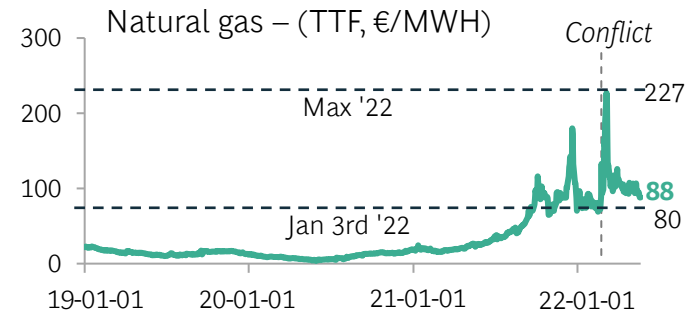
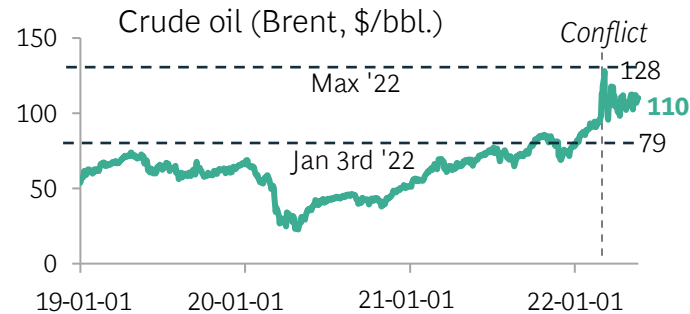


Note: 12 May - 20 May forecast of 13 FIs for Russia, 60 FIs for Eurozone, 34 FIs for Global
Sources: World Bank; Bloomberg; BCG Analysis

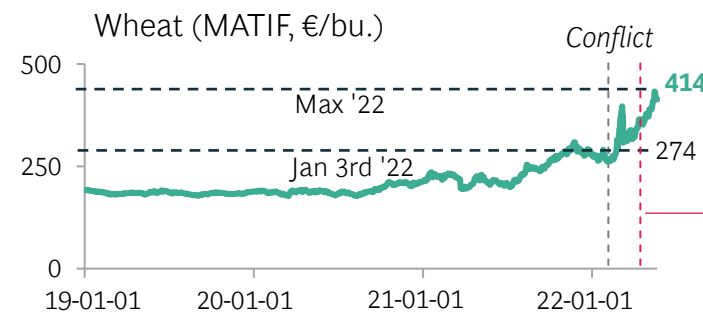
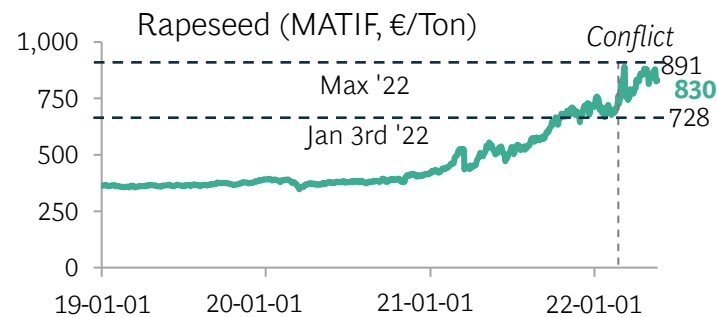
■ 2021 Actual ◆ World Bank (Jan 2022) ● / — Median/Min, Leading FIs (May 2022)

Evolution of key commodity prices, wheat prices at new high

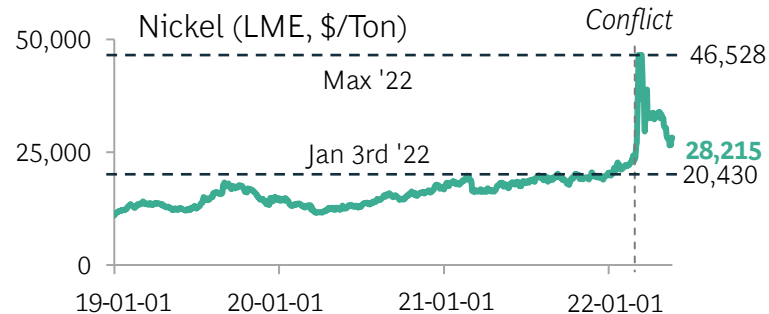
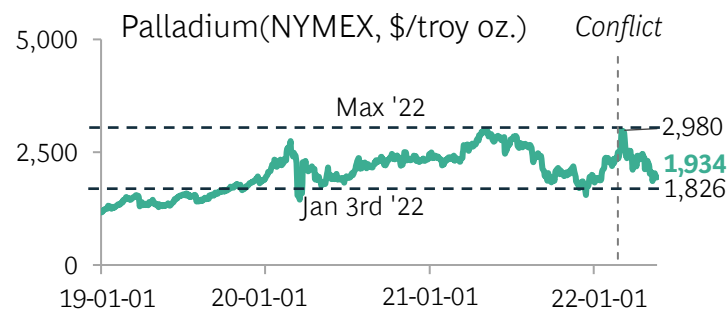
Hydrocarbons



Food
















Metals



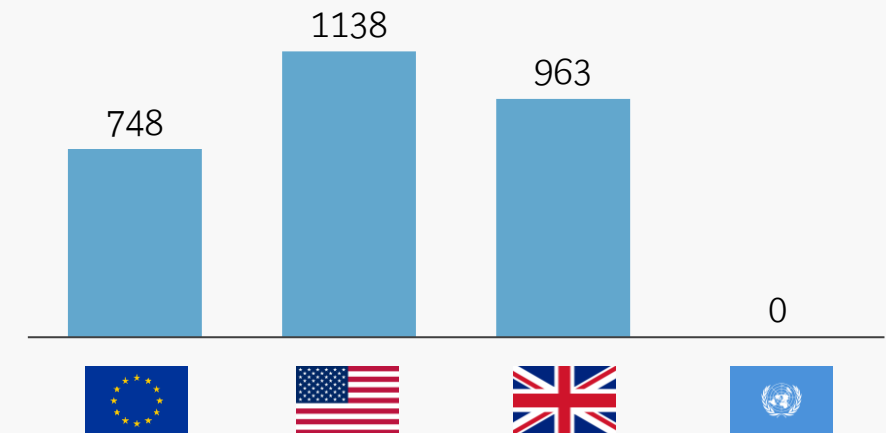
Key sanctions and policy actions currently in place

Current sanctions & policy actions (Key examples)

"Western" Allies		<ul style="list-style-type: none"> Coordinated policy/sanctions programs <ul style="list-style-type: none"> Limiting SWIFT access, removing "MFN" status, sanctioning gold¹ Enforcing sanctions and export controls via global task force Expelling diplomats, closing embassies/consulates, sanctioning govt officials Limiting or banning energy/coal, key parts, alcohol, luxury goods, steel, etc. Closing EU border crossings and ports
		
		
		
		<ul style="list-style-type: none"> US & UK ban professional services exports, some media outlets
		<ul style="list-style-type: none"> UK sanctions Putin's close family and friends
		<ul style="list-style-type: none"> UK prohibits Russian airlines from selling UK airports landing slots CA sanctions more oligarchs, bans import/export of luxury goods NZ sanctions 27 Belarusian leaders including President Lukashenko
Russia		<ul style="list-style-type: none"> Bans "unfriendly" officials, Facebook and Instagram Seeks new buyers for oil and gas, demands payment in rubles rather than USD Seizes assets and luxury items, declares bankruptcy moratorium Breaks trademark compliance rules on imports Cuts gas supplies to Poland & Bulgaria
		<ul style="list-style-type: none"> Cuts gas supply to Finland, prohibits business with 31 companies
Large EMs		
		<ul style="list-style-type: none"> China to maintain normal economic and trade relations with RU
		<ul style="list-style-type: none"> China (& RU) voted against order to halt the invasion at ICJ² in The Hague
		<ul style="list-style-type: none"> China & India abstained at 25 Feb UN Security Council vote against invasion
		<ul style="list-style-type: none"> Indonesia in difficult position, as 2022 G20 host

Current sanction actions by country and target

Sanction actions⁵ in-place



Sanction targets⁵ / Δ since last update



1. Intended to prevent selling gold reserves to finance war; 2. International Court of Justice. Source: Government websites; Media reports; BCG analysis. Note: BCG does not provide legal or regulatory advice.

Source: Government websites; Media reports; BCG analysis.

5. Total sanction actions, includes duplication. Source: www.correctiv.org

Recent developments beyond imposed sanctions

"Western" Allies



- US Secretary of State Blinken **accused Russia of using food as a weapon by holding** global supplies "hostage"¹
- The G-7 financial leaders agreed to **provide \$18.4B aid package** to help Ukraine make intl' payments²
- EU developing proposals to **confiscate frozen Russian assets** to pay for the **reconstruction** of Ukraine³
- EU announced an **action plan to speed up the transition to renewable energy** and reduce dependence on Russian gas and coal⁴
- US re-opens **embassy in Kyiv**⁵
- President Biden: **US to respond 'militarily' to potential China military actions**⁶

Russia



- Russian Ministry of Foreign Affairs has proposed Parliament to discuss the **potential withdrawal of Russia from WTO and WHO**⁷
- Russia **condemns the West for triggering a global food crisis** by imposing severest sanctions in modern history on Russia⁸
- Russia president **Putin sacks eight generals** in anger at slow progress in Ukraine invasion⁹
- After a long siege, **Russia takes control of remaining areas of Mariupol**; continues slow **advance in the east of Ukraine**¹⁰

Large emerging markets

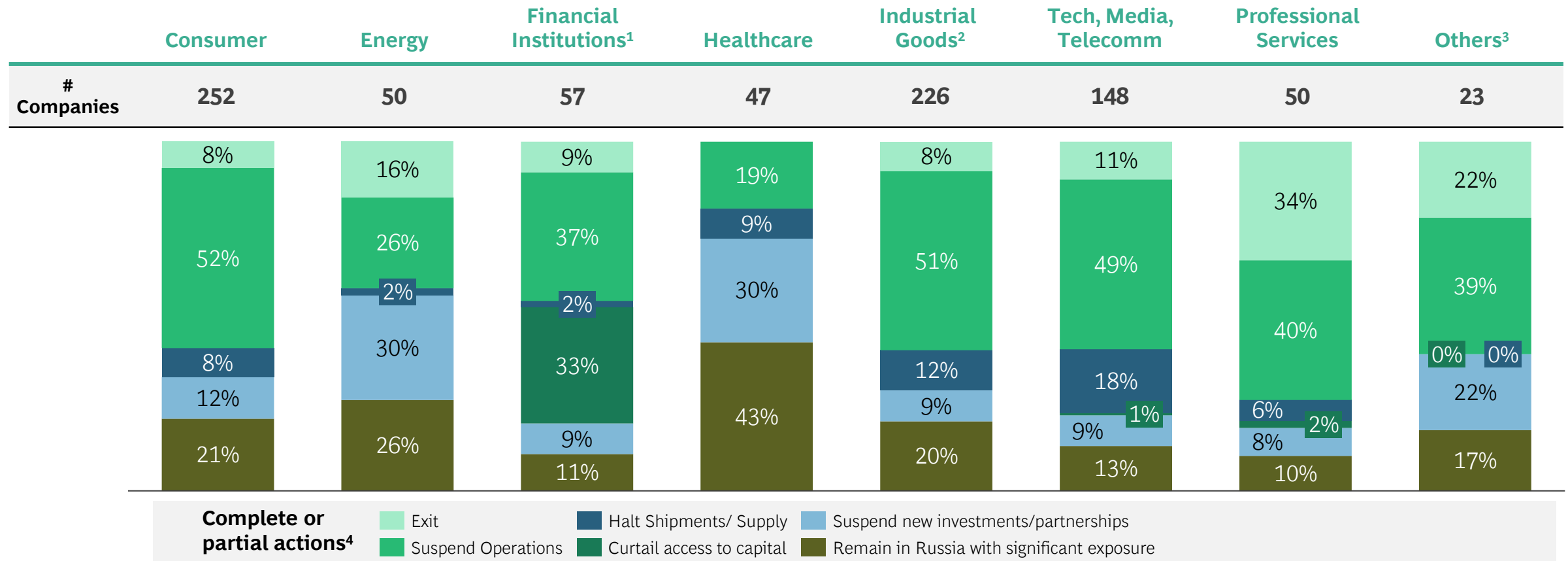


- India, **second-largest global wheat producer, banned wheat exports** as heat waves have damaged crops and the Ukraine conflict exacerbated global food shortages¹¹
- India is in **talks with Russia over a deal to buy oil at discounted rates**¹²
- China is **ramping up purchases of oil from Russia at low prices**, filling the vacuum left by Western buyers¹³

1, 2, 3. Reuters; 4. CNN; 5. CNN; 5. Reuters; 7. politico 8. Reuters; 9. metro; 10. Reuters; 11. CNN; 12, 13. Reuters.
Note: BCG does not provide legal or regulatory advice

Overview of corporate actions

Company Announcements re: Russia Market per Yale School of Management tracking (24 May 2022)



1. Incl. Banks, Insurance & Investment companies; 2. Incl. IG, Infrastructure, Manufacturing; 3. Incl. Private Equity & Principal Investors, Insurance, Public Sector, and others. 4. Definitions: Exit (Includes Complete / Partial: Cease operations, divestment, discontinue, leave and withdraw business from Russia). Suspend Operations (Includes Complete / Partial: Suspension: Activities, JV, sale points, manufacture in Russia). Halt Shipments/Supply (Temporarily stop / freeze sales and transportation of goods/ services in, to and from Russia). Curtail access to capital (Financial Institutions(FI) restrict, reduce, cut, suspend, Russian access to capital provided by FIs). Suspend New Investments or Partnerships (Stop any new investments in Russia and suspend current sponsorships for Russian Athletes). Source: Yale School of Management; Press search; BCG analysis.

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