Covid-19 And Crisis in Ukraine

Where are we now?

Trends in 2021 and Outlook for 2022

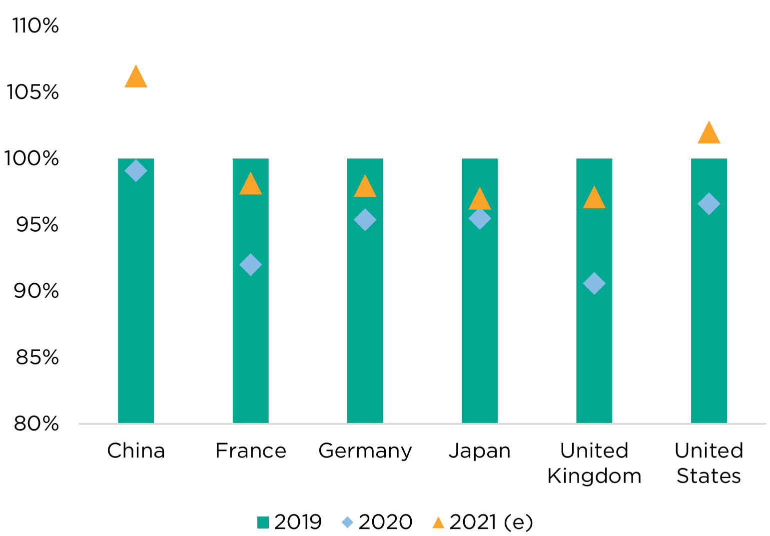
March, 21st 2022

INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

An uneven recovery marked by unexpected high inflation...

China and the US returned to their pre-pandemic real GDP in 2021, while others only partly rebounded

Real GDP levels, % of 2019 level



Source: ICC's calculations based on IMF data, WEO January 2022
(e)= estimate

A pent-up demand, soaring commodity prices, supply-chain disruptions and tight labour markets fuelled inflation

Consumer prices in 2021

+3.1% in advanced economies

+5.7% in emerging and developing economies

Prices increases between between January 2020-2021

+ 17% for oil
+ 100% for coal
+560% for natural gas

+27% for agricultural prices (especially maize and soybeans)

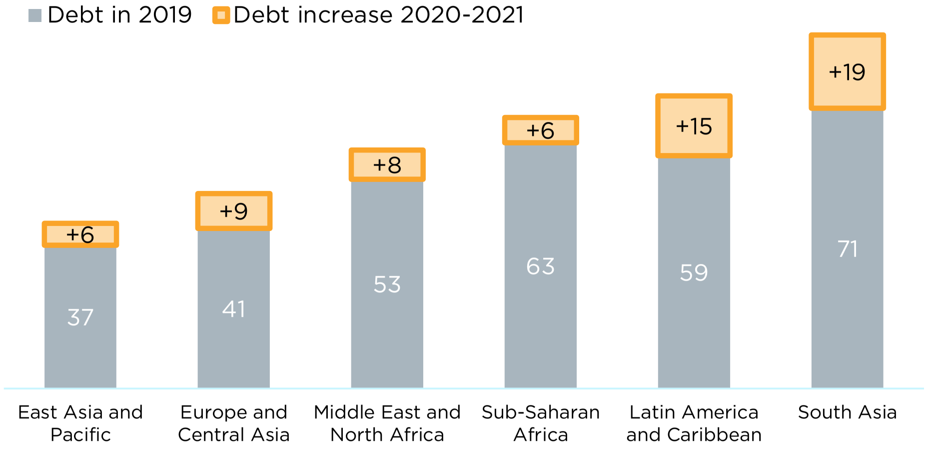
+35% for industrial inputs

Source: ICC's calculations based on IMF data, WEO January 2022

...as well as fiscal imbalances and uneven access to vaccines, especially for developing countries

Increasing debt burden and risk of debt distress, especially for low-income countries

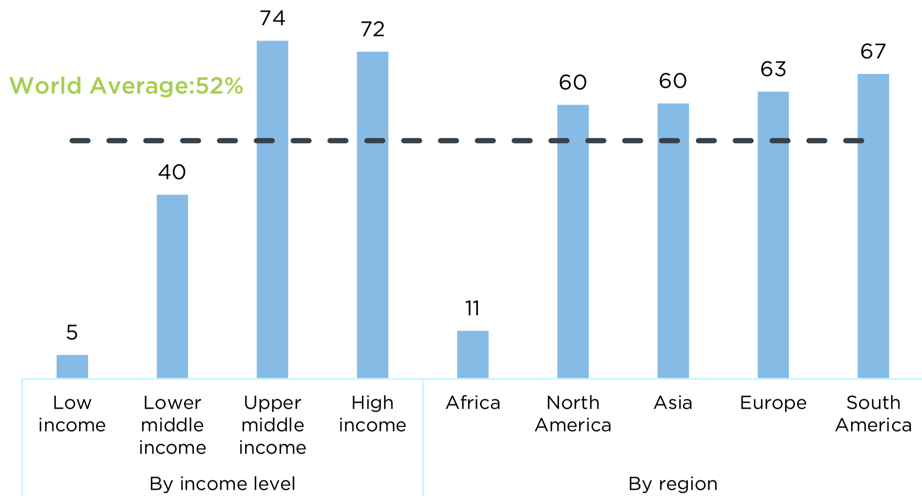
Government debt, % GDP



Source: ICC's calculations based on World bank data, Global Economic Prospect, January 2022

Sharp contrast in access to vaccine have resulted to a two-speed recovery

Share of fully vaccinated people, %

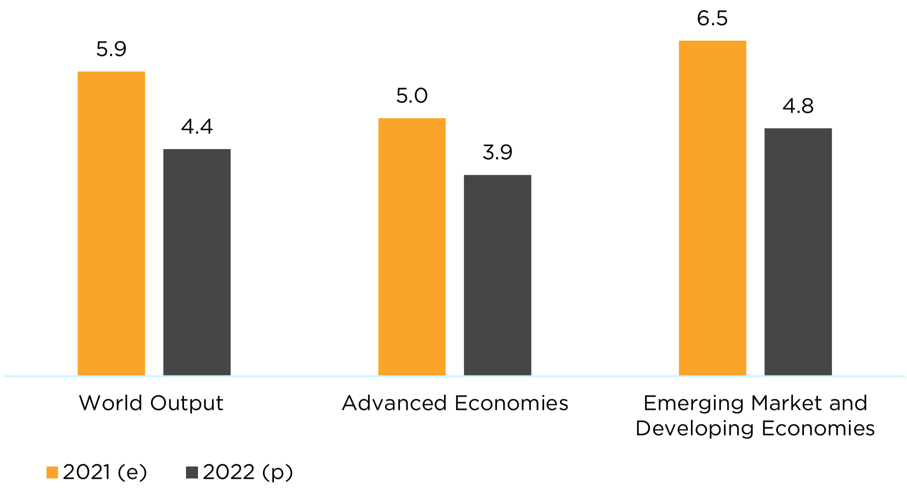


Source: Ourworld in data, end of January 2022

Prior to the conflict, global economic recovery was expected to slow down in 2022 and inflation to linger...

Global economy was projected to continue growing, albeit at a lower rate

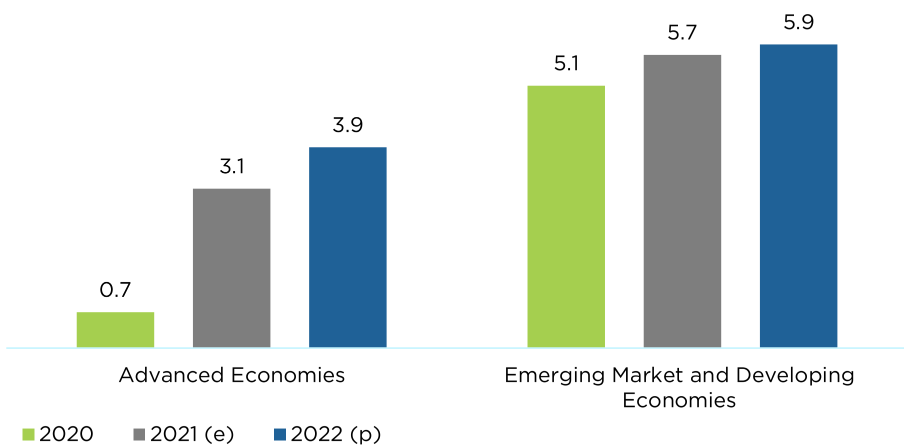
GDP growth, yoy % change



Source: IMF, WEO January 2022
(e)= estimate, (p)= projections

Inflation was expected to remain elevated in a context of prolonged supply-chain disruptions and high energy prices

Consumer prices, yoy % change



Source: IMF, WEO January 2022
(e)= estimate, (p)= projections

But Russia’s war in Ukraine could hamper global recovery and fuel further inflation

Trade	Inflation	Liquidity and fiscal risks
Supply-chains disruptions	Agricultural	Currency depreciations
Possible ban on fuel exports	Energy	Increasing financing costs, fiscal vulnerability
Lower consumer and business confidence	Manufacturing and shipping	Country-risk premium

Increasing disruptions in supply-chains (already tense) will weaken trade growth

Russia and Ukraine are top exporters of raw materials

Share of global exports in 2019, %

Sunflower seed/oil: 70%
Rapeseed: 17%
Wheat: 25%
Corn: 14%
Barley: 20%

Crude petroleum: 13%
Coal tar oil: 17%
Natural gas in gaseous state: 16%

Aluminium: 10%
Palladium: 20%
Semi-finished iron: 40%
Nickel: 30%
Nitrogenous fertilizers: 13%
Iron:30%

Source: Observatory of Economic Complexity

The war is hampering transport routes and infrastructures

SEA
Black Sea and the Sea of Azov
➔ Impact on grain shipment

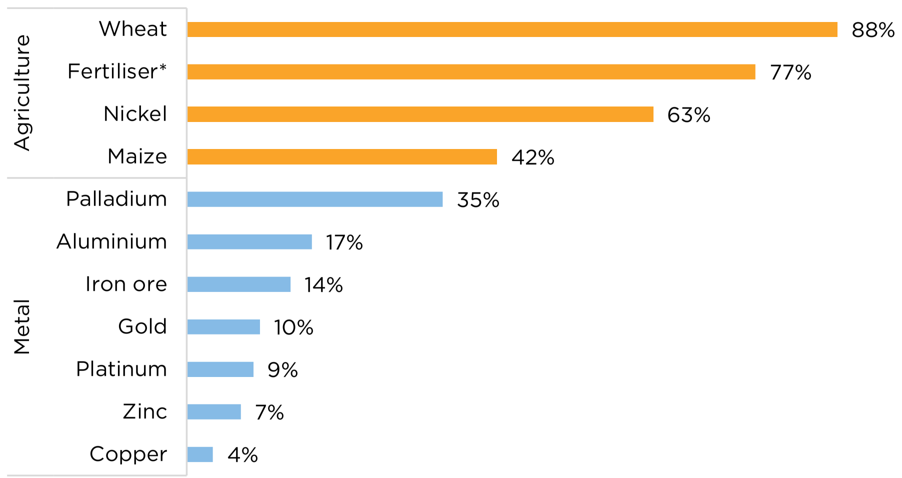
LAND
Commerce between Europe and Asia.

AIR
closure of air space

Soaring commodity prices will exacerbate inflation

Agricultural and metal have risen sharply

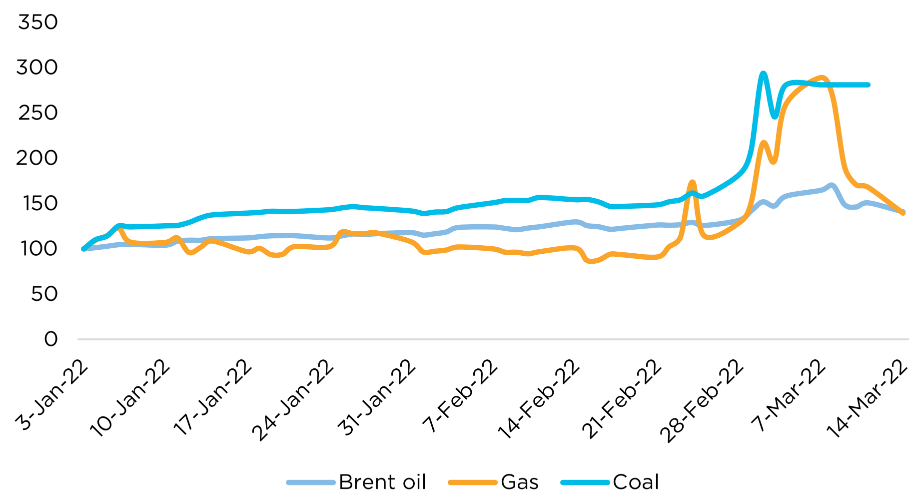
% change from January 2022 average



Source: OECD Economic Outlook, Interim Report March 2022

Energy prices are reaching record levels

Index, January 3, 2022=100



Source: ICC based on OECD Economic Outlook, Interim Report March 2022

Liquidity and fiscal risks due to sanctions as well as high financial volatility and uncertainty

The rouble has plummeted by 30% as sanctions bites

Exchange rate to USD

Source: OECD Economic Outlook, Interim Report March 2022

Advanced economies

- Exposure of European banks to Russia made them more vulnerable to SWIFT cut-off (Italy, France, Austria)
- High volatility and uncertainty will erode confidence and delay investment decisions

Emerging markets

- Tightening global liquidity, increasing borrowing costs➔ risk of currency depreciations and increased fiscal vulnerability
- Surge country-risk premium

The impact of this shock will differ across sectors and regions

Metal manufacturing

Transport and storage

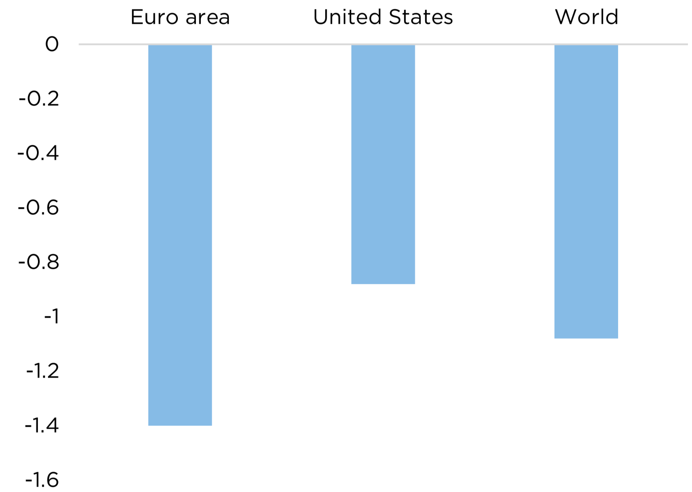
Carmakers

Agribusiness

- Middle East countries: highly exposed and vulnerable to agricultural shortages and price variations (especially Egypt).
- America region: **US, Canada, Mexico and Brazil** (especially for cars, fertilizers)
- Mixed impact of commodity prices depending if country is net importer/exporter

European countries will be the hardest hit, especially in eastern Europe

Impact on GDP for 2022, percentage points



Source: OECD Economic Outlook, Interim Report March 2022

- The war will have long-term consequences on Ukraine's economy
- Russia's economy is expected to contract by 6% in 2022 and will become more isolated

Medium-term outlook

Accelerate move towards greener energy to diversify away for Russia and fossil fuel

Additional supply-chains disruptions may increase the pressure for re-shoring/on-shoring

Global monetary order (payments and settlements): seek for alternatives sytems to reduce dependency on US dollar (multiple central bank digital currencies)

Regionalisation of internet (splinternet) with two types of governance: open, decentralised, industry-led vs. closed, centralised, country-led