



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

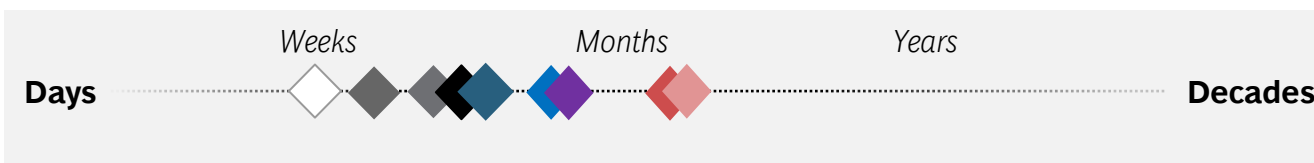
## Interrelated dimensions

### Duration

### Geographic scope & materiality

### Sectoral scope & materiality

Narrower impact Broader impact



- ◇ 03 Mar.
- ◆ 10 Mar.
- ◆ 17 Mar.
- ◆ 24 Mar.
- ◆ 31 Mar.
- ◆ 14 Apr.
- ◆ 26 Apr.
- ◆ 12 May
- ◆ 25 May

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

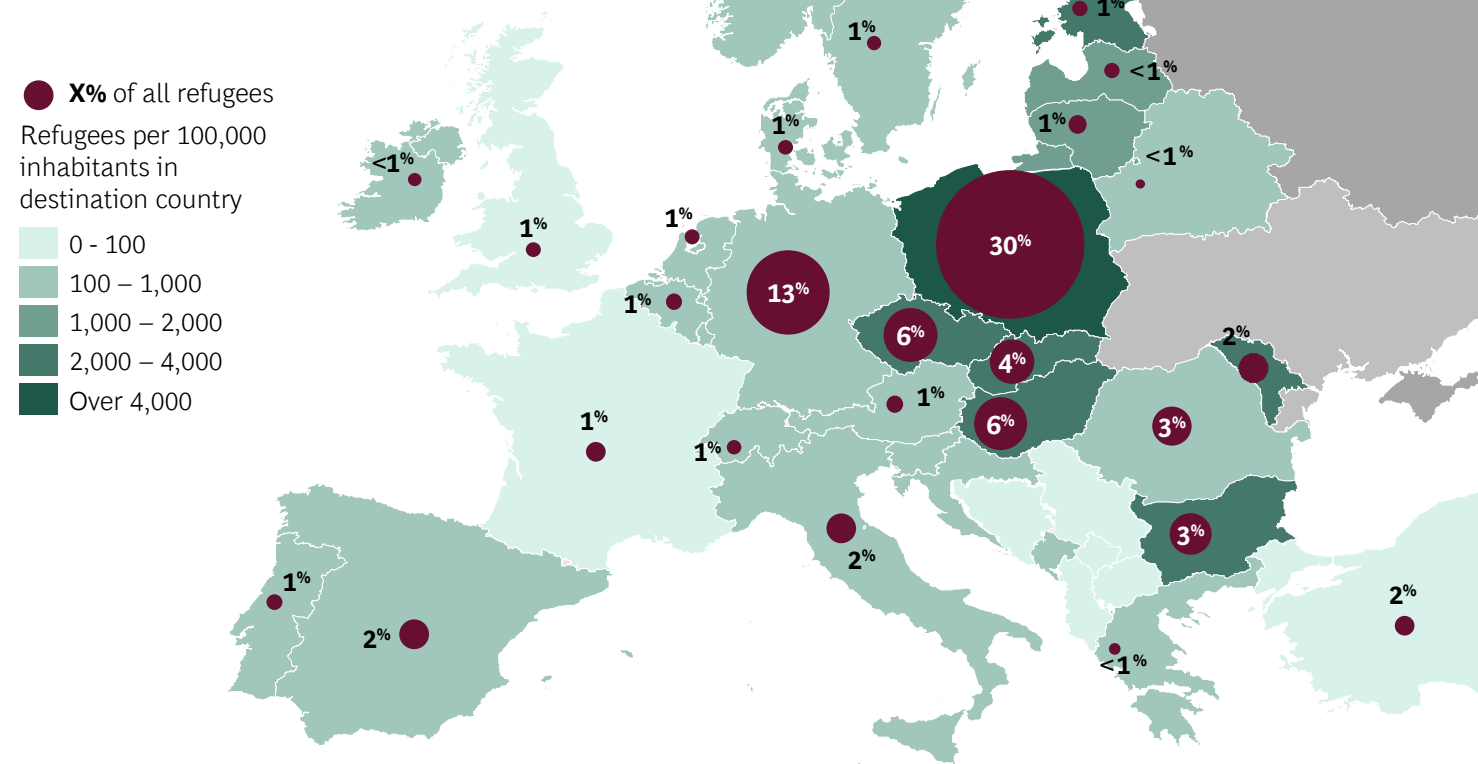
▶ Australia granted 6,000+ temporary humanitarian visas to refugees. 1,700+ have arrived

▶ EU's 6<sup>th</sup> 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 23<sup>rd</sup>, 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 Forecasts<sup>1</sup>

	World Bank		Leading FIs	
	2021	2022	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 Prices<sup>4</sup>

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)<sup>2</sup>

	Pre-War (Nov '21)	Prev. Wk (5/9-5/15)	Curr. Wk (5/16-5/22)	ΔCW-PreWar
Northbound	8.9	6.1	4.9	-45%
Southbound	9.6	5.9	5.6	-42%

### Deep Sea Cargo Port Calls (Avg. #/day)<sup>2</sup>

	Pre-War (Nov '21)	Prev. Wk (5/9-5/15)	Curr. Wk (5/16-5/22)	ΔCW-PreWar
Ukraine	4.5	0.0	0.0	-100%
Russia	21.6	20.3	20.4	-6%

### Baltic Dry Index (Daily Avg)<sup>3</sup>

	Pre-War (Nov '21)	Prev. Wk (5/10-5/16)	Curr. Wk (5/17-5/23)	ΔCW-PreWar
BDI <sup>3</sup>	2780	3059	3257	17%

## 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-place<sup>5</sup> (Δ since previous)



## Corporate Actions in Russia Market

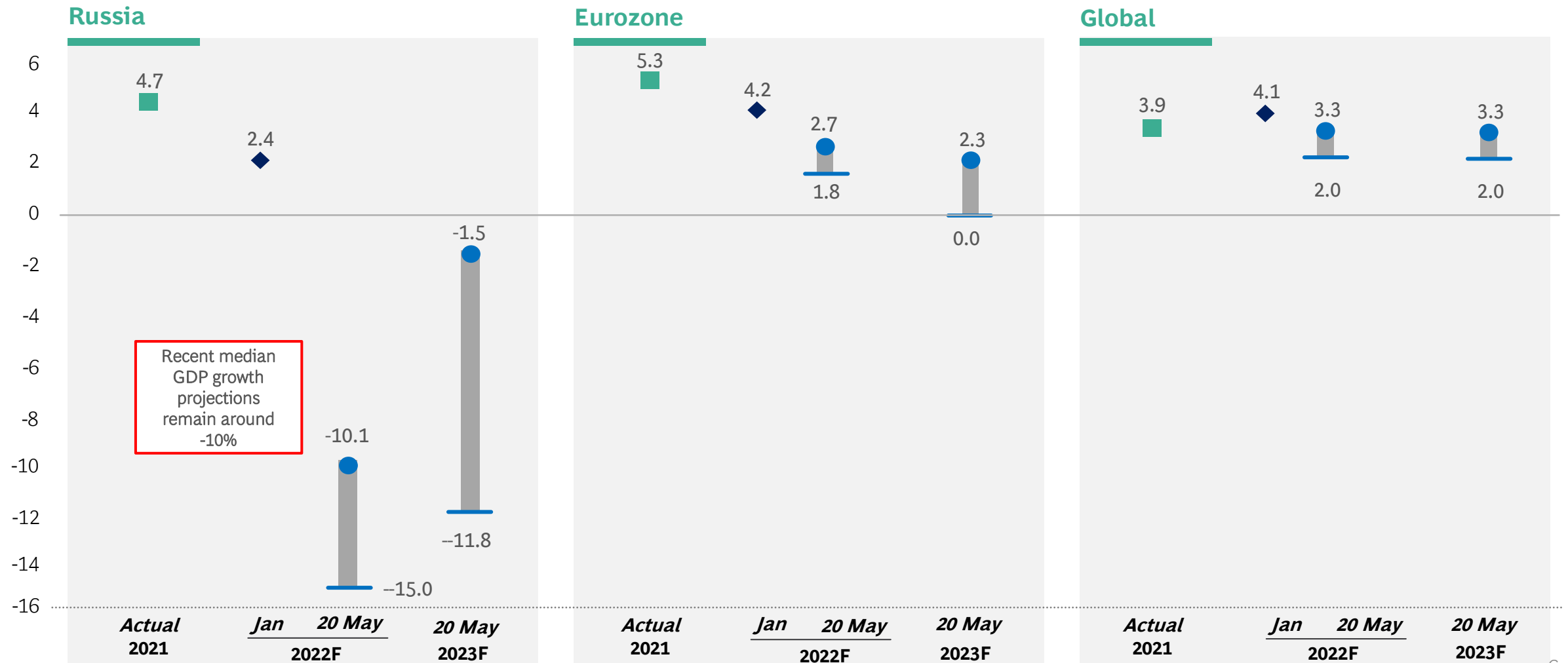
Based on sample of +850 companies<sup>6</sup>



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, containerships 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 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

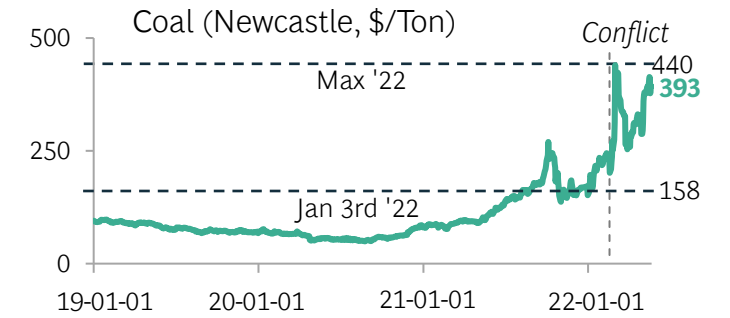
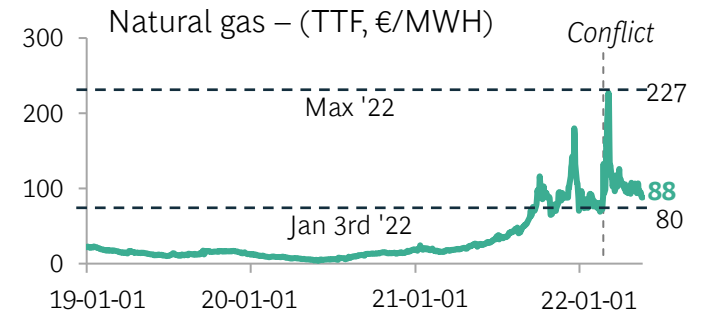
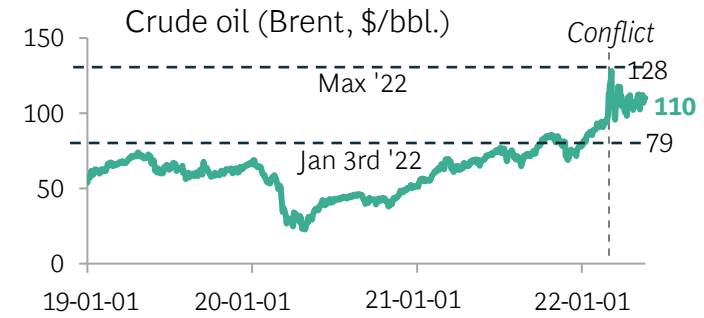


Recent median GDP growth projections remain around -10%

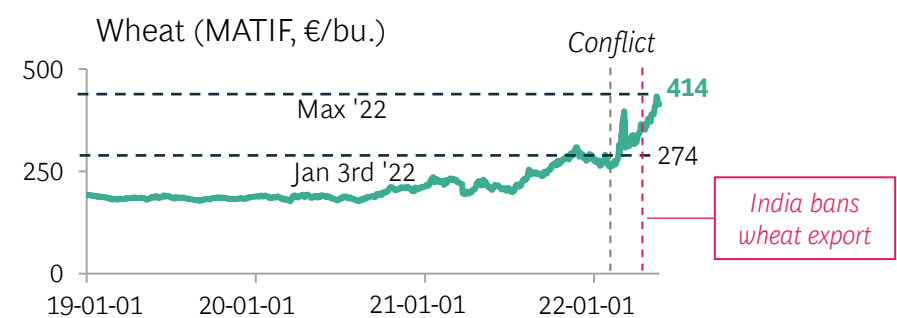
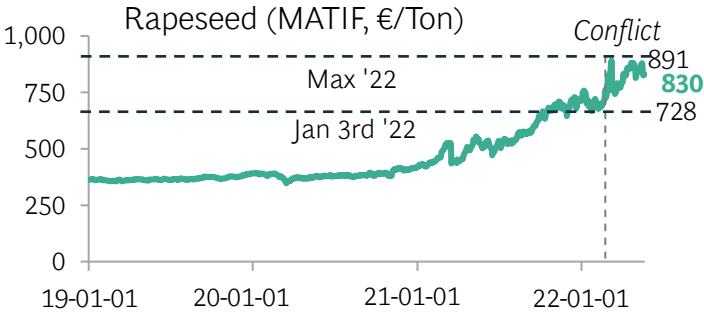
Note: 12 May - 20 May forecast of 13 FIs for Russia, 60 FIs for Eurozone, 34 FIs for Global  
Sources: World Bank; Bloomberg; BCG Analysis

# Evolution of key commodity prices, wheat prices at new high

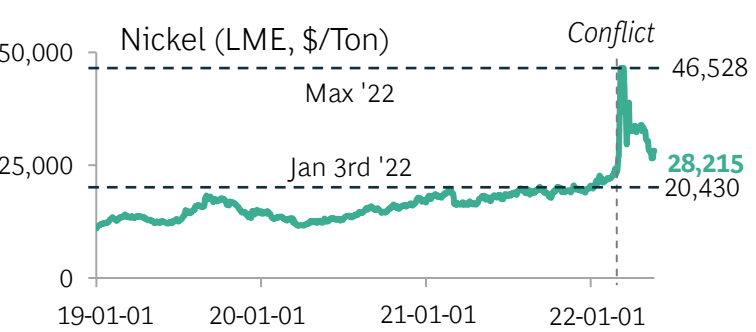
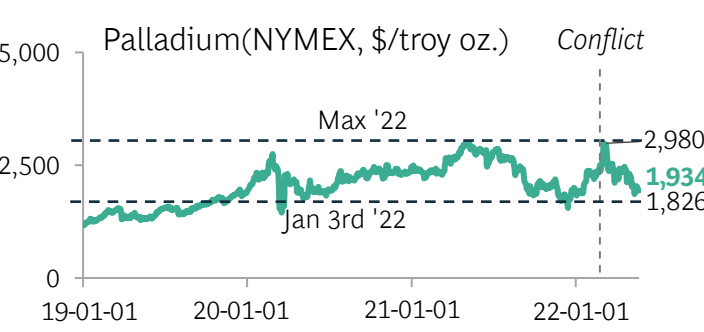
## Hydrocarbons



## Food



## Metals



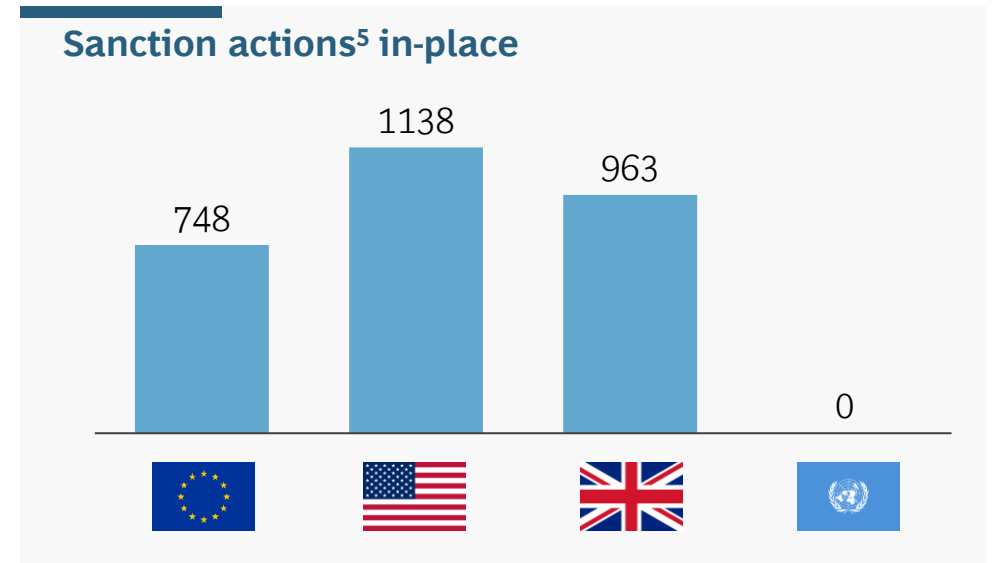
Source: S&P Capital IQ, 23 May 22; BCG Analysis

# Key sanctions and policy actions currently in place

## Current sanctions & policy actions (Key examples)

"Western" Allies		<ul style="list-style-type: none"> <li>• Coordinated policy/sanctions programs                             <ul style="list-style-type: none"> <li>– Limiting SWIFT access, removing "MFN" status, sanctioning gold<sup>1</sup></li> <li>– Enforcing sanctions and export controls via global task force</li> <li>– Expelling diplomats, closing embassies/consulates, sanctioning govt officials</li> <li>– Limiting or banning energy/coal, key parts, alcohol, luxury goods, steel, etc.</li> <li>– Closing EU border crossings and ports</li> </ul> </li> <li>• US &amp; UK ban professional services exports, some media outlets</li> <li>! UK sanctions Putin's close family and friends</li> <li>! UK prohibits Russian airlines from selling UK airports landing slots</li> <li>! CA sanctions more oligarchs, bans import/export of luxury goods</li> <li>! NZ sanctions 27 Belarusian leaders including President Lukashenko</li> </ul>
Russia		<ul style="list-style-type: none"> <li>• Bans "unfriendly" officials, Facebook and Instagram</li> <li>• Seeks new buyers for oil and gas, demands payment in rubles rather than USD</li> <li>• Seizes assets and luxury items, declares bankruptcy moratorium</li> <li>• Breaks trademark compliance rules on imports</li> <li>• Cuts gas supplies to Poland &amp; Bulgaria</li> <li>! Cuts gas supply to Finland, prohibits business with 31 companies</li> </ul>
Large EMs		<ul style="list-style-type: none"> <li>• China to maintain normal economic and trade relations with RU</li> <li>• China (&amp; RU) voted against order to halt the invasion at ICJ<sup>2</sup> in The Hague</li> <li>• China &amp; India abstained at 25 Feb UN Security Council vote against invasion</li> <li>• Indonesia in difficult position, as 2022 G20 host</li> </ul>

## Current sanction actions by country and target



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.

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"<sup>1</sup>
- The G-7 financial leaders agreed to **provide \$18.4B aid package** to help Ukraine make intl' payments<sup>2</sup>
- EU developing proposals to **confiscate frozen Russian assets** to pay for the **reconstruction** of Ukraine<sup>3</sup>
- EU announced an **action plan to speed up the transition to renewable energy** and reduce dependence on Russian gas and coal<sup>4</sup>
- US re-opens **embassy in Kyiv**<sup>5</sup>
- President Biden: **US to respond 'militarily' to potential China military actions**<sup>6</sup>

## Russia



- Russian Ministry of Foreign Affairs has proposed Parliament to discuss the **potential withdrawal of Russia from WTO and WHO**<sup>7</sup>
- Russia **condemns the West for triggering a global food crisis** by imposing severest sanctions in modern history on Russia<sup>8</sup>
- Russia president **Putin sacks eight generals** in anger at slow progress in Ukraine invasion<sup>9</sup>
- After a long siege, **Russia takes control of remaining areas of Mariupol**; continues slow **advance in the east of Ukraine**<sup>10</sup>

## Large emerging markets

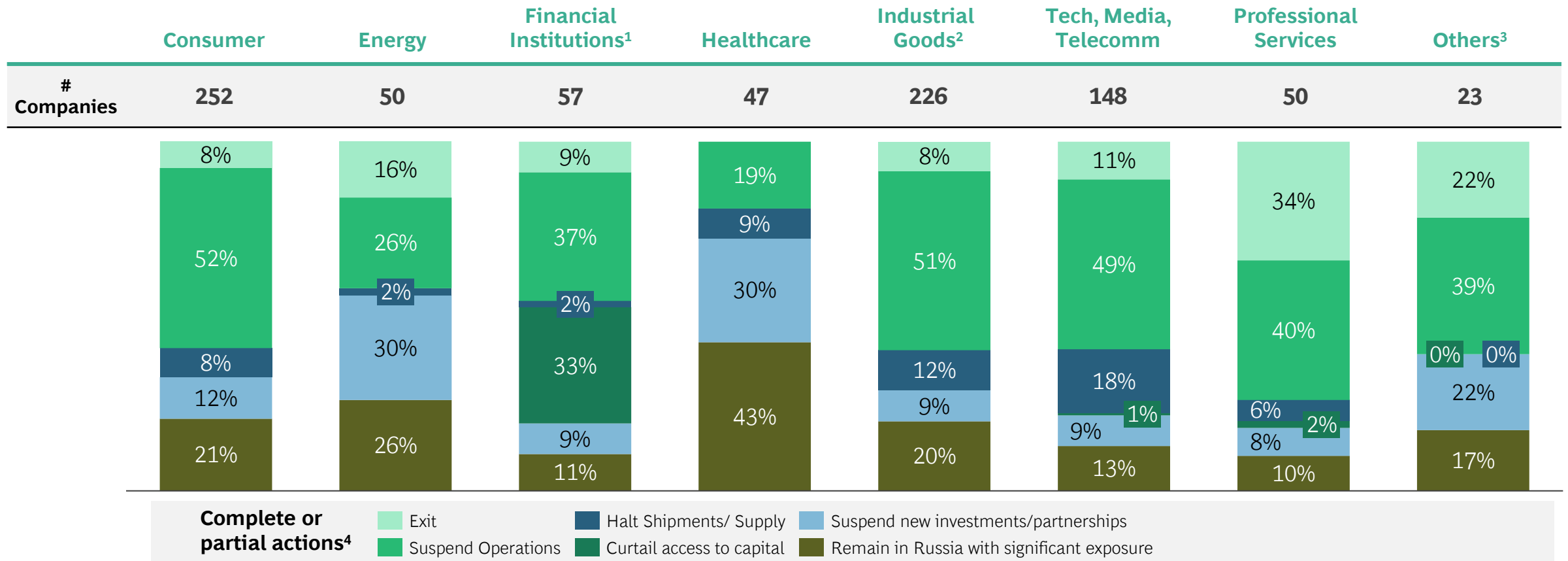


- India, **second-largest global wheat producer, banned wheat exports** as heat waves have damaged crops and the Ukraine conflict exacerbated global food shortages<sup>11</sup>
- India is in **talks with Russia over a deal to buy oil at discounted rates**<sup>12</sup>
- China is **ramping up purchases of oil from Russia at low prices**, filling the vacuum left by Western buyers<sup>13</sup>

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.

# Disclaimer

The services and materials provided by Boston Consulting Group (BCG) are subject to BCG's Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. BCG does not provide legal, accounting, or tax advice. The Client is responsible for obtaining independent advice concerning these matters. This advice may affect the guidance given by BCG. Further, BCG has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate.

The materials contained in this presentation are designed for the sole use by the board of directors or senior management of the Client and solely for the limited purposes described in the presentation. The materials shall not be copied or given to any person or entity other than the Client ("Third Party") without the prior written consent of BCG. These materials serve only as the focus for discussion; they are incomplete without the accompanying oral commentary and may not be relied on as a stand-alone document. Further, Third Parties may not, and it is unreasonable for any Third Party to, rely on these materials for any purpose whatsoever. To the fullest extent permitted by law (and except to the extent otherwise agreed in a signed writing by BCG), BCG shall have no liability whatsoever to any Third Party, and any Third Party hereby waives any rights and claims it may have at any time against BCG with regard to the services, this presentation, or other materials, including the accuracy or completeness thereof. Receipt and review of this document shall be deemed agreement with and consideration for the foregoing.

BCG does not provide fairness opinions or valuations of market transactions, and these materials should not be relied on or construed as such. Further, the financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard valuation methodologies, are not definitive forecasts, and are not guaranteed by BCG. BCG has used public and/or confidential data and assumptions provided to BCG by the Client. BCG has not independently verified the data and assumptions used in these analyses. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions.