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## Cross-sectoral trends and outlook

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**Russia-Ukraine face-off: Elevated inflation  
levels threaten global GDP growth, as  
anti-inflationary measures escalate**

**JUNE 2022**

*Developed and developing economies struggle to control commodity prices despite multiple anti-inflationary measures*

*GDP projections have been lowered across large economies. India remains vulnerable too*

- Countries continue to put sanctions on Russia/Belarus as war continues. Economic, trade, individual, financial and other sanctions overload Russian economy, led by Europe, who also planned phasing out Russian oil imports by end of this year.
- Commodity inflation continues to surge with sanction restrictions. Energy, along with non-energy components like food, metals, fertilizers, continue to rise steeply.
- Most of the developing and developed economies face the highest inflation in the past decade. Economies are being forced to revise their GDP projections for 2023.
- Most of the economies take support from anti-inflationary measures, to combat rising food, oil and gas prices and rising input costs.
- India's anti-inflationary measures echo the steps taken by other countries in controlling prices for basic necessities.
- However, the anti inflationary measures adopted by the global economies could be insufficient if the sanctions on Russia continue, challenging the GDP growth projections (which have been revised downwards recently). Some of the developed economies are expected to move into recession by CY2023.
- India's growth projections remain under threat too on high inflation (ICRA had recently downgraded FY23 GDP estimates to 7.2%). Recent anti-inflationary measures could prove inadequate if oil prices continue to surge.

# Sanctions overload for Russia/Belarus as war continues

## Russia/Belarus faces following restrictions in countries which have imposed sanctions on them

Economic/trade Sanctions	Individual Sanctions	Financial Sanctions	Other Sanctions
Suspending/banning exports on luxury goods, items with military purpose	Freezing of assets / travel restrictions for Russian individuals in sanctioning country*	Freezing of assets for Russian banks and entities in sanctioning country	Banning tourism services
Banning / phasing out of oil / liquefied natural gas and coal imports	Russian Individuals banned from undertaking any transactions with sanctioning countries	Barring Russia's banks from the SWIFT international payments system	Suspending summits
Banning / increase in import duty for some of the imports from Russia/Belarus	Assets frozen for Russian individuals	Ban on all new investment in Russia	Banning Russia's airline from landing / Ports will not operate Russian vessels
Revocation of Russia's PNTR# status, also referred to as MFN# status. Revoking this will allow the country to increase, and impose new, tariffs on all Russian imports	Travel restrictions on sanctioned individuals	No new investment in Russia	Banning Russian television network
		Banning banks and individuals from trading Russian sovereign debt	
		Limiting access to primary and secondary capital markets	
		Prohibiting forms of financial assistance and brokering towards Russian financial institutions	

- South Korea is promoting the additional release of strategic oil reserves for stabilisation of the international energy market
- Japan confirmed that it would revise its foreign exchange laws to prevent Russia from evading sanctions through the use of cryptocurrencies
- Germany has put the operating licence for Nord Stream 2 pipeline on hold. This 1200-km pipeline between Russia and Germany was completed last September but is not yet operational

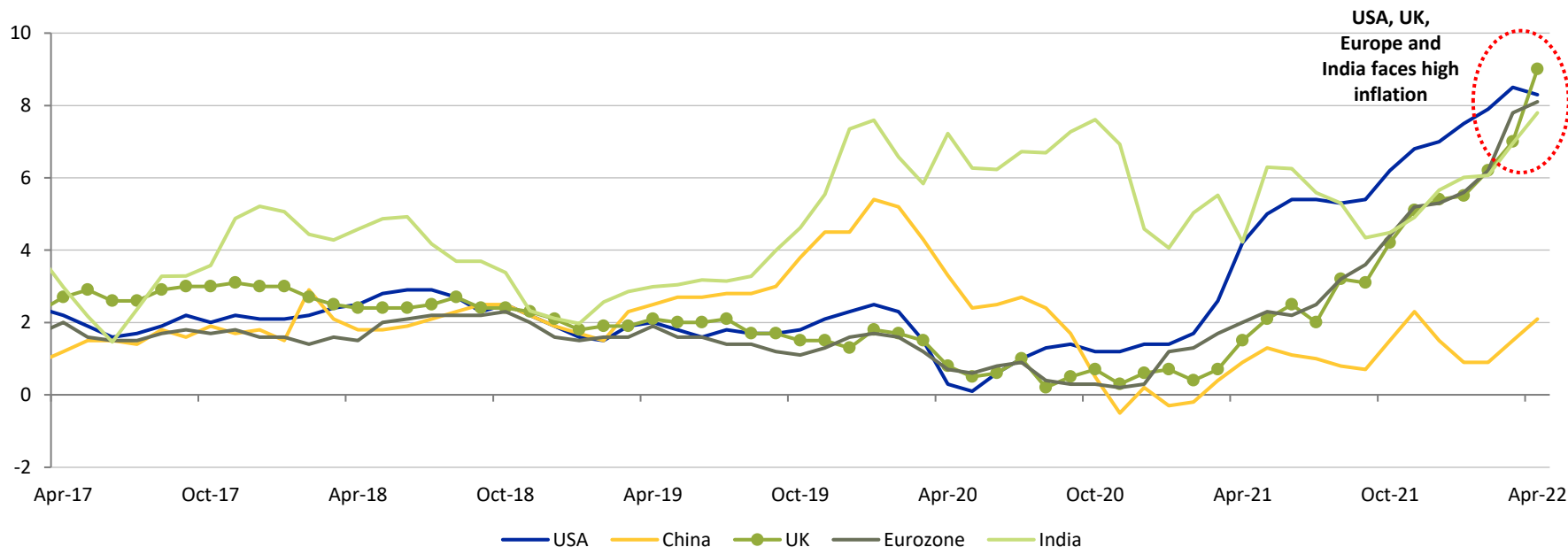
Source: ICRA Research, Government websites of countries, Industry

Note: \* Sanctioning country means the country which has put sanctions, # PNTR - Permanent Normal Trade Relations, MFN – Most Favoured Nation, For detailed sanctions refer Annexure

[www.icra.in](http://www.icra.in)

# Inflation on the rise for most developing and developed economies

## Inflation (%)



- Post the outbreak of the Russia-Ukraine conflict, inflation has been rising for developed as well as developing nations
- Many countries are taking anti-inflationary measures to control energy and food prices

Source: ICRA Research, Bloomberg, Industry



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