

RESEARCH
BOB Economics Research | Ukraine crisis

Impact of Ukraine crisis on India

SUMMARY
India Economics: Ukraine crisis

Tension between Russia and Ukraine was simmering in the last few months. The bone of contention was Russia's objection to including Ukraine in NATO. However, in an unexpected turn of events, Russia invaded Ukraine yesterday and launched a full-scale military offensive. Uncertainty over the crisis has roiled global markets.

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Daily macro indicators

Indicator	23-Feb	24-Feb	Chg (%)
US 10Y yield (%)	1.99	1.96	(3)
India 10Y yield (%)	6.74	6.76	2
USD/INR	74.57	75.65	(1.4)
Brent Crude (US\$/bbl)	96.8	99.1	2.3
Dow	33,132	33,224	0.3
Hang Seng	23,660	22,902	(3.2)
Sensex	57,232	54,530	(4.7)
India FII (US\$ mn)	22-Feb	23-Feb	Chg (\$ mn)
FII-D	(57.6)	6.6	64.2
FII-E	(328.3)	(380.4)	(52.1)

Source: Bank of Baroda Economics Research



UKRAINE CRISIS

25 February 2022

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Aditi Gupta
Economist

Economic Sanctions are the global first response

Several developed countries including US, UK and European nations have imposed sanctions on Russia to deter further increase in hostilities by Russia. These have ranged from sanctions on banks as well as individuals and also export controls.

US has been the forefront and announced sanctions on Russian banks (Sberbank-holds nearly one-third of Russia's banking sector assets and VTB Bank- holds nearly one-fifth of Russia's banking sector assets), export control measures (which will more than halve Russia's high-tech imports) as well as sanctions on wealthy Russians and their families. Further, restrictions have also been placed on new debt and equity issue of 13 critical Russian financial entities. Also, sale of all US items and any item using US technology/software/equipment to Russian military and Ministry of defense has been prohibited.

Similar restrictions have been placed by the UK. This includes: Freezing the assets of Russian bank VTB (and 5 other banks) and arms manufacturer Rostec, sanctions on 5 more oligarchs (in addition to sanctions announced on 3 billionaire businessmen earlier), banning Aeroflot from British airspace, proposal of introducing legislation to prevent Russian state and entities from raising money in London, ban on export of "dual-use" equipment that can have military applications and legislation to limit on deposits by Russians in UK bank accounts (the ceiling has yet to be determined).

European Union has also announced sanctions against the 351 members of the Russian parliament who voted in favour of recognition of the two separatist states (Donetsk and Luhansk) and also against 27 individuals and entities. Travel ban applicable to the listed persons prevents these from entering or transiting through EU territory. Further, restrictions have been imposed on economic relations with these areas including restrictions on trade and investments and prohibition to supply tourism services; and export ban for certain goods and technologies. Sanctions have also been placed on Russia's access to EU's capital and financial markets and services, including freezing of Russian assets in the bloc.



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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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