



## One Year of the Russian Ukraine War **WHERE GLOBAL ECONOMY STANDS NOW?**

### SHURAT RANA RUSHMI

One year after Russia's invasion of Ukraine on February 24, 2022, and the resulting widespread suffering, the world economy is still enduring the consequences, including tight supplies of grain, fertilizer, and energy, as well as more inflation and economic uncertainty in a world that was already grappling with too much of both. After the invasion, and with the Covid-19 pandemic still raging in the backdrop, the world economy went chaotic, negatively impacting economies from Asia to Europe, from developing country like Bangladesh to the mighty United States.

The conflict triggered a significant shock to the global economy, and the economy is still reeling from the war's effects, such as major trade disruptions, food price shocks, and fuel price shocks, which are all contributing to high inflation and a subsequent tightening of global financial conditions. But, the invasion's most severe repercussions are soaring energy prices and significant losses in Russian energy supply. While worldwide prices for oil, gas, and coal have been on the rise since early 2021, they surged with Russia's invasion of Ukraine, pushing inflation in the region to levels not seen in decades. Existing food shortages were further aggravated by the ongoing conflict

in Ukraine. According to the update of the Global Report on Food Crises (GRFC) produced by the Food and Agriculture Organization (FAO), by the middle of 2022, the population facing the three highest phases of acute food insecurity was greater than at any point in the Report's six-year history; up to 205 million people in 45 countries were facing acute food insecurity, as those countries required urgent external assistance for food. This unusual crisis has consequences for both consumers and governments, reducing budgetary affordability, firm productivity, and family well-being.

The euro area has been more susceptible to the economic implications of Russia's invasion of Ukraine, compared to other economic zones. This is mostly due to the fact that the euro area is highly dependent on energy imports, particularly from Russia, which accounted for more than half of the euro area's energy consumption in 2020. In general, the euro area has a relatively open economy, making it susceptible to disruptions in global markets and supply networks. The crisis is having ramifications for developed economies, particularly Europe, which has been confronted with soaring energy prices, challenges to its energy security, and an influx of Ukrainian refugees.

The economic upheaval in the

economies of South Asia has been worsened by the Ukraine crisis. Sri Lanka's economic collapse demonstrates how weaker nations bear the brunt of Western sanctions against Russia in response to its invasion of Ukraine. Pakistan faces economic challenges, including enormous external loans, electricity shortages, and excessive inflation. Myanmar, following a coup, has a shutdown of firms and a large increase in unemployment, while Nepal experiences a widening trade imbalance and a decline in foreign exchange reserves. Undoubtedly, the Ukraine-Russia conflict has precipitated a crisis in the energy markets of several countries in the Global South. Since both countries exported more than one-third of the world's wheat and barley and around 70 percent of the world's sunflower oil, governments around the world were badly impacted when the war halted the shipment of over 20 million tons of Ukrainian grain. Each month, around 6 million tons of agricultural products were sent to Asia, Africa, and the Middle East. This figure had diminished to a quarter of its original value by June 2022. Examining the data on energy imports reveals that all BIMSTEC nations, particularly India, Myanmar, and Bhutan, rely heavily on imported energy. The region is extremely susceptible to exogenous macroeconomic shocks as a result of its reliance on the gasoline trade. Bangladesh, in particular, has been

placed in a difficult position in terms of energy security due to its inability to initiate the transition to renewable energy and its massive reliance on petroleum imports. Conflict between Russia and Ukraine has added fuel to this flames. Due to rising energy prices and subsidy costs, Bangladesh's fiscal balances and current account deficits have been a source of concern for the economy. The war has made it hard for Ukraine and Russia to send wheat, barley, and cooking oil to Africa, the Middle East, and parts of Asia, where many people struggle to get enough food. In certain areas, bread costs have doubled due to wheat shortages. All of this points to a worldwide economic slowdown.

The Russian invasion of Ukraine in February 2022 stunned the entire globe. The lives lost and the humanitarian disaster caused by the vast number of besieged and displaced people are the most serious results of the war between Russia and Ukraine. Russia's

commitment to keep invading for at least another year means that the globe will likely become more politicized and protectionist, with emerging and least developed economies bearing the brunt of the consequences.

Policymakers need to focus on establishing macroeconomic policy buffers and institutions to increase stability, and promote an inclusive and more equal recovery by

protecting the most vulnerable, including refugees. Notwithstanding the devastating results of the war, there is some cause for optimism: things could have been much worse. So far, developed-world businesses and economies have proven remarkably robust, avoiding a devastating recession. Nonetheless, the suffering has been particularly severe in rising economies.

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**Shurat Rana Rushmi**  
Research Assistant  
Centre for Governance Studies