

# Innovations

## Russia-Ukraine Conflict: Exposing Its Serious Effects on Global Economy

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### Abstract

*This study describes the effect of the Russia-Ukraine invasion on the global economy like major economies of the world, and major commodities like fuel, natural gas, agricultural output and precious metals. Over these economic issues, many key issues arise due to warfare. These issues include humanitarian crisis, migration, natural and infrastructural losses, food security and quality, trade and logistics, cultural losses, physical and psychological health of people disturbed, women and adult safety, educational loss, the intention of people etc. The author analyzed more than 30 research papers to understand the impact of war. The study concludes that war only causes losses, loss of people, loss of lives and many other losses.*

**Keywords:** 1. Russia, 2. Ukraine, 3. impact, 4. global, 5. warfare.

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### Introduction

The war between Russia and Ukraine has been creating large consequences on several factors across the national borders. Russia and Ukraine initiate Russia's warfare by "special military operation" on Ukraine by Feb. 2022.

The war in Ukraine causes a great humane crisis. Where a number of people lose their houses and life. The war set off global waved consequences by its multiple edges, consisting of the good market, commerce industry, monetary flows, migrants, and market trust. The neighbour and most dependent countries are suffering from big disturbances due to war. Which also impact she regional supply chain, and financial flow and making weak regional growth.

To minimize the consequences of the war on society, the earnings of people and financial growth will need wisely progressive plans. Due to war, the great mobilisation of resources will be needed for the development of Ukraine. When there the high rates for the essential commodity, it is also difficult for other global institutions to set a higher level of goals.

Prices for essential commodities that these nations were supplying to rest of the economy consisting including- energy, wheat, fertilizers and some metals are rapidly increasing. In rest growing markets and developing economies increasing fuel and food costs are causing imbalance and poverty, food insecurity, and hike that were also constructed. In financial markets have been volatile in between increased a level of precariousness and geopolitical risk. It made a loss to global relations and the global food supply chain, increasing money costs and harming other nations' economies.

Russia is the largest country in the world with a 14.34 crore (2021) population. Russia is the 3<sup>rd</sup> largest producer of coal and crude oil. After the US Russia is the largest producer and supplier of "natural gas" Russia is also a big producer and exporter of wheat, responsible for 18 % of global export, palladium 23 %, nickel (22 %), and fertilizers (14 %). whereas Ukraine is the 45<sup>th</sup> largest country in the world with 4.38 crore (2021) population. it is the 5<sup>th</sup> largest producer of wheat and the 3<sup>rd</sup> largest producer of maize. Ukraine is the largest producer and exporter of "sunflower oil" responsible for 2/5<sup>th</sup> of global production. Ukraine produces 50 % of global neon gas, which was a key product used in chip making.

The conflict between Russia and Ukraine for the area named “Donbas”. Where these two nations are showing their power and protesting Russia-Ukraine respectively. Russia has a great army over Russia an FDI of 9478.81(million) and a GDP of 1488.32(billion), Russia largest country on the earth occupying a large area. Whereas Ukraine is the 45<sup>th</sup> largest country on earth and its GDP is 156.618(billion) and with an FDI of 304(million). Ukraine’s population is 44.13205(million) have a GDP per capita of 3751.740723(million). And Russia has a population of 144.0731(million) with a GDP per capita showing a Human Capital Index scaling (0-1) is 0.7 and Ukraine is 0.6 showing the results of their human resource and growth. It also reveals their financial and economic strength in relation to each other. To facilitate the comparison between these nations table is given below:

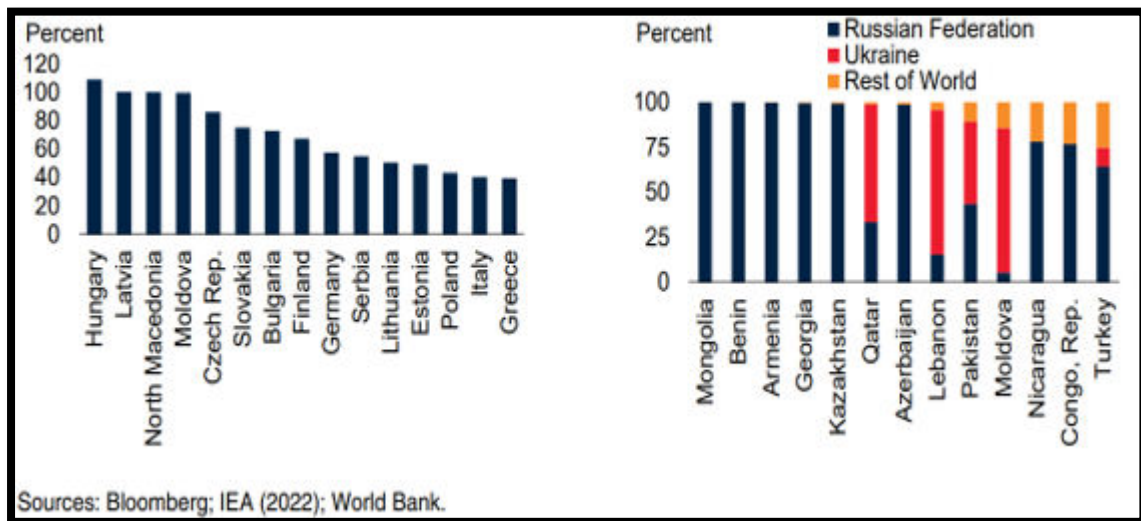
**Table 1. Economic Indicators of Russia and Ukraine**

Variable	Russia [YR2020]	Ukraine [YR2020]
FDI	9478.81(million)	304(million)
GDP	1488.32(billion)	156.618(billion)
GDP per Capita	10161.98242(million)	3751.740723(million).
Total debt	97.61423(billion)	17.87108(billion)
Area	17.1(million km. sq.)	6.03(million km. sq.)
Population	144.0731(million)	44.13205(million)
Human capital index (0-1)	0.7	0.6

**SOURCE:WDI (World Development Index)**

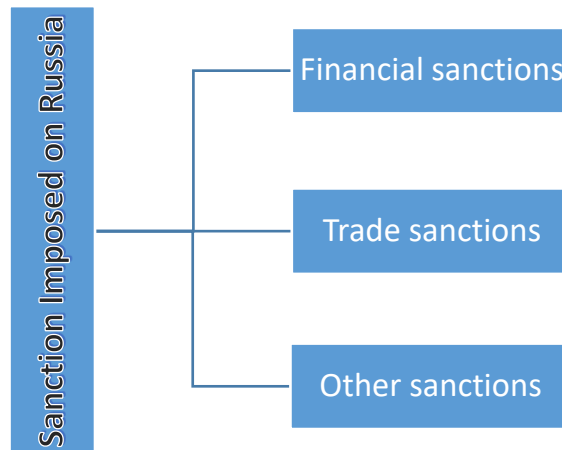
From the above data and highlights, it is to be seen easily that Russia and Ukraine play a significant role in global trade. These nations have a major part of global export and import. The trade share is mentioned in figure 01 with help of a graph. Data is showing in the graph is provide a clear image that Russia and Ukraine have a major part of world exports.

Figure 01.



**Showing: The possession of the rest of World consumers on Russia(2020. F.Y.)**

During when, Russia-Ukraine conflict and regressive actions, a number of nations have imposed financial, trade, and other penalties, which are shown below-



**Figure 02: Various Sanction Imposed on Russia**

- (1) Financial Penalties:** The US, the European Union (EU), and other nations have imposed walling penalties on the Central Bank of the Russian Federation (CBR). These prevent the Russian authorities from acquiring for-ex in the custody of authorities in sanctioning nations, or the liquidation of which would need access to financial systems in sanctioning nations. This amounts to blocking about ½ portion of Russia’s forex. Transactions with the Russian Ministry of Finance have similarly been blocked. Seven Russian banking institutions—including VTB, the country’s second-largest—have been cut off from the SWIFT financial system. Other prominent banks—including SBER-bank, Russia’s largest—are subject to direct penalties lying from restricted access to correspondent financial houses networks to outright blocking of all transactions with business houses in sanctioning nations. The US and UK have also implemented a ban on new investment in Russia, stretching bans on investing in Russian energy and some other sectors.
- (2) Trade Penalties:** The US, EU, and other nations have enacted a developing list of export bans, import bans, and other trade penalties. Prohibitions on exports to Russia have aimed on “double-use” technologies, including semiconductors, goods and services related to aviation, aerospace and oil and gas production, and costly goods. Measures to curtail imports from Russia include plans to reduce energy purchases, along with a wide array of tariffs, 7 import restrictions and restrictions on other Russian goods. In the context of energy, the US has stopped all imports of Russian fuels, the UK is phasing out Russian coal and oil imports, and the EU and Japan are phasing out Russian coal imports. The EU is also actively considering penalties on Russian oil. The US, EU, and UK have stopped their airspace to Russian aeroplanes . In response, Russia has demanded consideration for energy in rubles and launched export licensing restrictions, within the Eurasian Economic Union, in an effort to secure domestic food supplies [World Bank 2022]
- (3) Other Penalties:** The huge asset blocked and travel bans have been introduced aiming at the personal cash assets and work of main Russian officials, politicians, and businesspeople.

**Review of Literature**

**Umar and Polat (2022)** examined the effects of geopolitical risks created by the Russia-Ukraine invasion. It disturb the relation and connection of financial markets at global stages. By using the TVP-VAR approach they analyse the financial market connectedness. War causes GPR (Geo-Political Risk) among the NATIONS. which results in such a manner that relations among US, Russia, European NATIONS and Asian nations which are major commodity markets get impacted. It also shows a significant impact on trade among them. **Jagtap and Trollman (2022)** examined the consequences of war on the global food supply chain due to which availability and its effectiveness is get impacted. Both the nation were good producer of Wheat and Eatable Oils. Its impact can be measured through elements such as food transportation, production, area of exchange, user dependency on these nations, and food quality and

services that are imbalanced. By using the Delphi method, it analyses the impacts of warfare. The study along with providing measures for – “North America, South America, the Middle East, Australasia, and some regions of Asia and Africa” affected part. **Fang and Shao (2022)** have analysed the effect of the Russia-Ukraine conflict on volatility risk to global commodity markets. By using a special purpose index to measure the depth of warfare consequences on measuring commodity markets. Russia and Ukraine play a significant role in the global commodity market. It is to be found that warfare causes more volatility in the market which includes agriculture, energy and metals key area for the transaction.

**Singh and Patel (2022)** find that due to launch of the “Special Armed Programme” converted into an invasion which impact the G20 market with another market kit. With the help of CAAR (cumulative abnormal returns analysis) pre- and post-war conditions of financial markets were analysed. There has negative results are to see in European and Asian nations. This study helps investors to invest in the non-war area except in European and Asian nations which are less or unaffected in mid of war.

**Kurapov et al. (2022)** examined the impact of the invasion on the mental and psychological health of local civilians, university students and personnel of Russia and Ukraine. With the help of various statistical tools and techniques, the data were analysed and results for qualitative terms are withdrawn such as Fear-Related responsiveness (FSW-U) was 35.1, Burn-Out mean score was 28.9 (SD $\frac{1}{4}$ 7.1), were measured. It shows impacts such as fear, unfitness, alone, and mental disturbance. Many people lose their jobs and birth places. **Cottiero et al. (2015)** examined Russian state television’s efficiency in the management of rescue operations between Ukraine and Euro maidan protestors. Along this study shows an impact on Russian internet users. By using an analysis of a show named “news of the week” a television programme. This show manages a significant role in creating the image of the war in the mind of people. This show made an impact on internet users in Russia psychologically.

**Alam et al. (2022)** examined the negative result of the war on the global commodity market and their connectedness. The flow and value of considerable goods like oil, gas, fuel, energy, food, and metals are get affected. G7 and BRIC (Brazil, Russia, India and China) investment areas which is impacted during the war. Which can be analysed by an investor with help of this study. The study gives a review of the pre and post-war conditions with help of the TVP-VAR method for time variation and Diebold and Yilmaz approach to review essential commodity market. And the data were collected from the Bloomberg database, by applying the formula- daily return was calculated. The great findings of the study reveal high volatility and big leg-back in G7 and BRIC markets.

**Mbah and Wasum (2022)** examined the impact of struggle on some major economies specifically, those that have more intensive financial penalties on Russia by, the UK, and the EU the USA, Canada. The study used some basic aspects to find out the economic impacts of invasion. Many sanctions imposed on Russia by major economic players around the globe such as the UK, and the EU the USA, Canada. The conclusion of the study says that war causes a fall in household consumption and creates inflation across the globe. Due to this money flow, international negotiations, and commodity flow is disturbed. Which also impact social and political relations in these economies for the near future years.

**Liadze et al. (2022)** give a review of the economic cost of the Russia-Ukraine conflict with the help of a global econometric model. War reduces the growth of global GDP by 1 % by 2023, which is about \$1 trillion off global GDP and adds up to 3 % to inflation in 2022 and about 2 percentage points in 2023 across the global level. Penalties imposed on Russia are causes high prices for natural gas and fuel export. The Russian economy is estimated to shrink by 1.5 % by 2022 and 2.5 % by the last of 2023. It shows a high volatility inflow of money and goods with other nations, which also effects their economy such as inflation, deflation, and changes in monetary and fiscal policy due to connectivity with these nations.

**Pereira et al. (2022)** give a review of the effect of conflict on (1) Bio-physical SDGs (Sustainable Developmental Goals) like impact on infrastructure marine life, wildlife, drinkable water, natural habitats, forest fires and ecological degradation etc., (2) Economic SDGs like global GDP and infrastructure rate growth etc., (3) social SDGs like poverty removing goal, death and birth rate, employment rate and social

equality goals. This study finds the impact of war and provides suggestions for the future to prepare the SDGs.

**Nashwan et al. (2022)** studied the implication of war on SDG for the world and the inverse force on these goals which has dynamic characteristics. Warfare causes poverty, hunger, social inequality, cultural differences, gender inequality, declining health and education rate, fall in infrastructure and GDP growth rate, food availability etc. which impact goals of the future or agenda for 2030 “leave no one behind” a global commitment. The conclusion of the study is guiding to enforcing sustainable food development and peace.

**Baumann and Kelly (2022)** concluded about the Ukrainian women refugees and forcibly displaced persons (FDPs) lifespan during the Russian conflict and their financial condition. The great migration before war is founded from which women are the maximum migrant. It effects the population ratio and its multidimensional effects in considering a nation. The study mainly reveals women’s development and growth in future.

**Kalogiannidis et al. (2022)** examine the consequences on the EU fuel market. The aggression of Russia and various penalties imposed on Russia hardly impact the EU fuel market. Due to rises food production costs and transportation costs, the supply chain is distracted, increase in short and mid-run production costs for several industries. Which causes inflation in related nation economies.

**Tiwari et al. (2022)** studied the impact of conflict in relation to returns of the banking sector in India. It affects monetary and fiscal policy. Data of NIFTY Bank and NIFTY-50 is the reviewed with help of a T-Test and results are analysed. The Indian banking sector already suffering from covid-19 pandemic over it war gives a great shock, due to deposit growth, the asset of the banking sector was getting affected. There is a difference is to be found between the pre- and post-war days. A decline is observed in NIFTY Bank and NIFTY-50. The study is helpful for future investors and Indian policymakers.

**Shah et al. (2022)** concluded the consequences of invasion on South Asian nations, mainly Pakistan, Sri-Lanka, and Afghanistan. It shows the noun results for these nations’ economies and several effects. Due to the number of penalties defined on Russia by the western section. Study shows the results of the conflict in form of inflation and cut in the GDP of these nations. The GDP growth rate is estimated for 2023 is 6.3% where as it is 6.6% for 2022. Where a major role is played by conflict over their own reasons.

**Junaedi (2022)** studied the impacts of warfare on the Indonesian economy (the 14<sup>th</sup> largest country area-wise) because it’s trading with these nations. As the economic impact, a decline in the currency of Indonesia (Rupiah) decline in the forex market, a decline in export and a raise in external debt. Cost of domestic production increases in the short run because of a sharp cut in the supply of natural gas and food. Due to that spike in prices.

**Hutter and Weber (2022)** examine the effects of a cut in the supply of natural gas and fuel due to a fall in short-run production and a decrease in labour demand in Germany a major economy in European nations. The consequences of warfare had measured in the sectoral panel. Reduce in production is 1% and labour demand declined by 8% in pre-war days.

**Balli et al. (2022)** concluded that a great fall in the hospitality equity market of given 26 nations like Lithuania, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland and others. Because these countries were largely dependent on tourism income. Data is measured for pre-war days and post-war days. Where equity sectoral prices were measured for a given nation. Studies show the various impacts in these nations due to a decline in their national income.

**Tiwari et al. (2022)** examined the fluctuation in the exchange rate and making adverse pressure on the Indian currency (RUPEE). Resulting fall in the value of the currency in relation to the US (%) due to the Russia - Ukraine invasion. India's current account deficit (CAD) is estimated at \$105 billion for the 2022 fiscal year. India has a good geo-political relationship with Russia. But also, India is highly dependent on Russia for crude oil, eatable oils, defence equipment and fertilisers.

**Sun, M., & Zhang, C. (2022)** making a comprehensive overview of global security and exchange market and their abnormal return because of warfare. It is observed through the listed firms in the EU and other higher trading share nations with this country. Data from January 2021 to March 2022 is inspected, event-study is conducted and make use of cross-sectional analysis. Various other factors are also analysed



such as geo-political risk, the sanction imposed and other announcements. Study reveals a great economic consequence of the invasion.

### Conclusion and Suggestion

This study describes the effect of the Russia-Ukraine invasion on the global economy like major economies of the world, and major commodities like fuel, natural gas, agricultural output and precious metals. Over these economic issues, many key issues arise due to warfare. These issues include humanitarian crisis, migration, natural and infrastructural losses, food security and quality, trade and logistics, cultural losses, physical and psychological health of people disturbed, women and adult safety, educational loss, the intention of people etc. The author analyzed more than 30 research papers to understand the impact of war. The study concludes that war only causes losses, loss of people, loss of lives and many other losses. This paper has analyzed all the possible causes due to war and provides an overview of these causes with the help of a deep analysis of previous papers and data. As we find during our study that conflict make several causes and these causes create a lot of imbalances across the globe. To mitigate the impacts of war the study give suggestion to maintain peace for the sustainable and good growth of the global economy.

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