

News in Review

9 March 2022

'The situation remains highly fluid and the outlook is subject to extraordinary uncertainty'



Last week, as the invasion of Ukraine entered a second week, the President of the World Bank declared the situation *"a catastrophe"* for the world. Although David Malpass stressed his biggest concern is *"about the pure human loss of lives"* he also highlighted the economic impact of the war, which, although devastating for Ukraine, also stretches beyond the invaded country's borders. The Bank has approved \$723m in grants and loans for Ukraine.

On Saturday, the International Monetary Fund (IMF) issued a statement on the economic impact of the war, which highlighted that the already *'serious'* global economic impacts would be *'all the more devastating'* should the conflict escalate.

The statement outlined, *'The war in Ukraine is resulting in tragic loss of life and human suffering, as well as causing massive damage to Ukraine's physical infrastructure... Unprecedented sanctions have been announced on Russia. While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already very serious. Energy and commodity prices—including wheat and other grains—have surged, adding to inflationary pressures from supply chain disruptions and the rebound from the COVID-19 pandemic. Price shocks will have an impact worldwide, especially on poor households for whom food and fuel are a higher proportion of expenses. Should the conflict escalate, the economic damage would be all the more devastating. The sanctions on Russia will also have a substantial impact on the global economy and financial markets, with significant spill overs to other countries.'*

Boris Johnson met with Canadian Prime Minister Trudeau and Dutch Prime Minister Mark Rutte on Monday, kicking off a week of engagements with global leaders, to *'mobilise the outcry at the atrocities of Russian aggression into support for Ukraine.'*

On Tuesday, the House of Commons was packed for an unprecedented address to MPs by President Zelensky. He referenced Winston Churchill's famous speech, saying *"We will not give up and we will not lose ... we will fight in the forests, in the fields, on the shores, in the streets."*

Also on Tuesday, Business Secretary Kwasi Kwarteng announced that the UK will phase out the import of Russian oil over the course of the year. This followed President Biden's announcement of a ban on Russian oil and gas imports after *"close consultation with our allies, especially in Europe."*

UK growth estimates moderate

Last week, the British Chambers of Commerce (BCC) downgraded its expectations for GDP growth in the UK this year from a previous estimate of 4.2% to 3.6%. This downgrade is reflective of a weaker rebound in business investment and a deteriorating outlook for consumer spending. It is projected that inflation will outpace wage growth until Q2 2024.

Head of Economics at the BCC Suren Thiru commented on the forecast, *"Our latest forecast signals a significant deterioration in UK's economic outlook. The UK economy is forecast to run out of steam in the coming months as the suffocating effect of rising inflation, supply chain disruption and higher taxes weaken key drivers of UK output, including consumer spending and business investment."*

Growing list of firms withdraw from Russia

More global anti-war protests took place on Saturday in solidarity with the Ukrainian people, in cities including London, Hamburg and Paris. Following previous announcements from global giants including BP, which hived off its stake in Russian energy giant Rosneft, plus pledges from Shell, ExxonMobil and Equinor to cut their Russian investments, the flood of announcements from firms stepping back from Russia continues. The most recent firms pausing activities in Russia include Apple, Jaguar Land Rover, H&M, PayPal, Prada, Mastercard, Visa, McDonalds and Coca-Cola.

Markets

Global markets have continued to count losses in the wake of the invasion. Many stocks entered the red at the end of last week following reports of a Russian attack on a nuclear power station in Ukraine, heightening investor fears about the escalating conflict and sending oil prices higher. Oil prices spiked to their highest levels in over a decade, with the price of Brent crude reaching \$139 per barrel, while the price of gold broke through \$2,000 an ounce on Monday as London's market suspended the sale of Russian bars.

Here to help

It is essential that investors focus on longer-term timescales instead of focusing too intently on short-term volatility. Rest assured we will continue to monitor events closely. Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.