

# How Might A War In Ukraine Impact Global Economic Outlook?

## Three Possible Paths Forward, Dictated Mostly By Energy

The Russian economy is the “crater of most direct economic impact” from the military conflict in Ukraine; Russian currency has plummeted, its central bank hiked its key policy interest rate to 20% on Monday, air traffic and many of its supply chains are at an effective standstill. The second ring of the impact crater is expected to be the Euro Area, with the U.S. experiencing mild-to-moderate aftershocks.

	1. Energy Markets Stabilize	2. Energy Supply Disrupted	3. Russia Halts Supply To Europe
How Severe Are Sanctions?	Broad sanctions, currency curbs, limited access to tech hardware.	Universal sanctions, carveouts limited to Energy firms.	Maximal sanctions, no carveouts.
Economic Impact on Russia	Sanctions hit trade, economy enters recession, currency plummets.	Sanctions impact more severe, recession deeper than in #1.	Severe crisis, energy sector drags economy into severe, enduring recession.
Economic Impact on Euro Area	Energy prices higher for longer, but ECB need not change policy course.	Euro Area economy idles or enters a mild recession. ECB postpones tightening.	Hit to trade, energy shortages and elevated uncertainty result in a material recession.
Economic Impact on the U.S.	Headline inflation may hit 8-9% in March, but conflict is seen as temporary. Fed only slightly more dovish.	Passing – but material – slowdown in economic growth delays hikes in second part of 2022.	Despite significant slowdown in growth Fed has to tighten due to volatile inflation expectations.