

FINDING WAYS TO SUPPORT UKRAINE & END WAR IN EUROPE

Daily Brief - 3/2/2022

This Daily Brief is produced by a group of economists and experts on the platform of the Centre for Economic Recovery. We would like to (1) raise world awareness of events in Ukraine; (2) deliver to the world the real effect and cost of war; and (3) present possible recommendations to the international community.

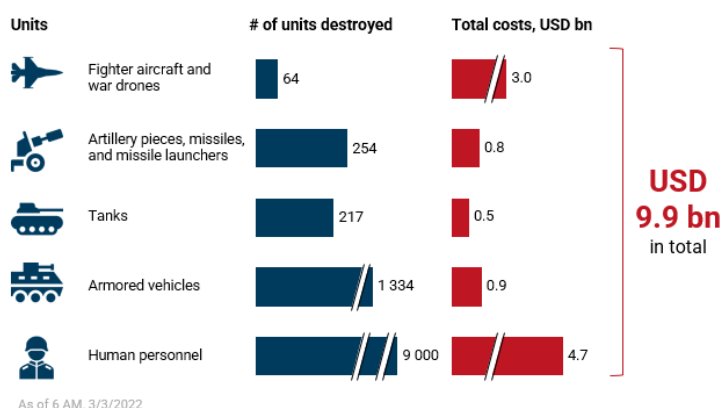
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1. Direct War Costs for Russia

The first 7 days of the full-scale invasion cost the Russian Federation at least USD 9.9 bn from military actions (+ USD 300 mn compared to the [previous publication](#)). The cost of destroyed machinery is estimated at ~USD 5.2 bn. The rest of the sum is the loss of potential GDP in next ~40 years (based on losses of human personnel): around 9 000 Russian soldiers were lost for the first 7 days of the invasion. The number of surrendering Russian soldier increases each day. These estimates are quite conservative, as they do not include some of the destroyed machinery, evacuation and treatment of wounded soldiers, lost, defunct and destroyed firearms, ammunition, fuel, spare parts, etc.

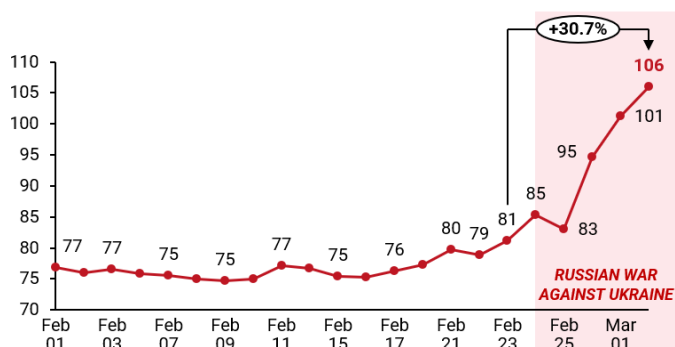
DIRECT MONETARY COSTS OF RUSSIAN INVASION IN UKRAINE



2. War costs for Russia

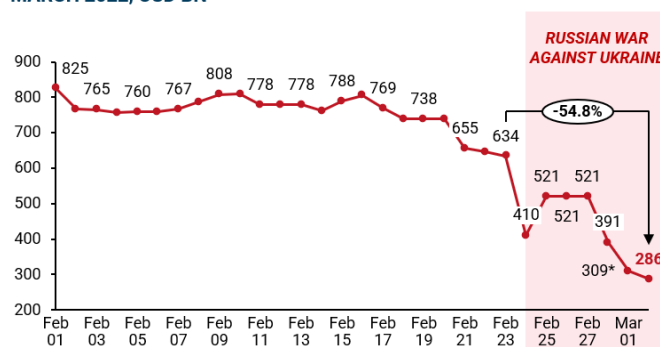
After the start of the invasion, the economy of the Russian Federation faces enormous challenges as a result of imposed sanctions and loss of trust from investors. Russian stock market keeps declining. Compared to the pre-invasion data, the total market capitalization of Russian companies dropped by almost 55% (compared to 3/1/2022 it decreased by USD 23 bn). The USD/RUB currency exchange rate also declined, losing almost 31% of its value and reaching RUB 106 per 1 USD as of 3/2/2022 (with a peak value of 109.6). This directly leads to depreciation of real incomes of general Russian citizens in USD equivalent. Also, in some Russian banks, the currency exchange rate for population varies from 120 to 180 RUB per 1 USD. The Central Bank of Russia also limited the withdrawal of currency abroad to fight against the pressure.

CURRENCY EXCHANGE RATE, FEBRUARY - MARCH 2022, USD TO RUB



Source: Investing.com

MARKET CAP OF RUSSIAN PUBLICLY LISTED COMPANIES, FEBRUARY - MARCH 2022, USD BN



Source: S&P Capital IQ

* Updated data

3. Newly introduced measures to help Ukraine stand against Russia

Since the [latest publication](#), the new sanctions against the Russian Federation and support measures for Ukraine have been announced by governments of different countries, international organizations and private entities, for instance:

1. Economic sanctions against Russia
 - a. The EU disconnected seven Russian banks from SWIFT [\[1\]](#)
 - b. The EU bans sale, supply transfer and exports of euro banknotes to Russia from March 12 [\[2\]](#)
2. Cultural sanctions against Russia
 - a. The EU stopped the broadcasting activities in the EU of the Russian state-owned outlets Sputnik and Russia Today [\[3\]](#)
3. Financial support to Ukraine
 - a. Snap (the parent company of Snapchat) has provided USD 15 million humanitarian aid to support organizations providing direct relief to the people of Ukraine [\[4\]](#)
 - b. UEFA foundation pledges EUR 1 million to aid Ukrainian children as well as child refugees in neighboring countries [\[5\]](#)
 - c. Bolt will donate EUR 5 million to charities supporting Ukraine and will shut operations in Belarus and remove Russian products from its grocery delivery service [\[6\]](#)
4. Sanctions by private companies
 - a. Multinational car manufacturers (Renault, Volkswagen, Porsche, Mercedes, Chevrolet, Volvo, Scania, Jaguar) joined a growing list of companies that exited Russia [\[7, 8, others\]](#).
 - b. Three main digital wallet services (Apple Pay, Google Pay, Samsung Pay) are blocked in Russia [\[9\]](#).
 - c. HP, Nokia, General Motors, Harley Davidson stop exporting to Russia, Dell and Lenovo exit Russian market [\[10, 11, others\]](#).

4. Calls to actions - what else the world can do

Even though sanctions and support measures contribute significantly to putting pressure on Russia and strengthening Ukraine, the war is still in place, and millions of Ukrainian people suffer from it. We believe that taking additional measures will help to accelerate the resolution of the conflict:

1. **Imposing a full-scale embargo on Russian oil and gas.** Europe is less dependent on importing Russian energy than Russia is dependent on its exports. Introducing embargo may cost Russia up-to USD 142.8 of losses in revenue.
2. **Implementing a full-scale disconnect of the Russian financial system from SWIFT.** Even though the EU has already disconnected few major banks from SWIFT, imposing a full-scale design of this sanction will increase the pressure on Russian economy, affecting ~USD 100 bn of Russian exports, increasing inflation and unemployment rate.
3. **Imposing sanctions on entities buying Russian international reserves.** Even though the majority of the Russian international reserves are frozen, Russia can still use some of them (mainly gold and yuan). A clear statement should be made that those who buy Russian assets will be also punished.
4. **Freezing the international assets from the Stabilization Fund of the Russian Federation.** Russia still has over RUB 13 tn in its Stabilization Fund, which also include assets denominated in USD and EUR. It is speculated that the Russian government may use those funds to support its financial market. To avoid so, limitations on this Fund should be imposed (similar to the Russian international reserves).
5. **Excluding Russia from foreign capital markets.** As of now, ~30% of market cap is attributed to foreign stock exchanges, mainly to the LSE. Their delisting will increase the financial pressure on the country's economy.
6. **Keep and expand blocking access to air, maritime logistics.** It will significantly affect the export capacity of the country.
7. **Supporting private sector efforts to diversify away from Russian counterparts.** Real changes should be made not only by governments, but also by all non-indifferent people.
8. **Accept Ukraine to the EU.** For the last 6 days Ukrainians proven their dignity and readiness to fight for European values. Accepting Ukraine to the EU will not only help the country, it will also strengthen the Union itself.

5. Photos of war crimes committed by Russia



Irpen city, Kyiv region. The town has been hit with multiple rocket launchers which seriously damaged several residential townhouses in the nearby area



The town of Borodyanka, Kyiv oblast. The bombardment has cut the residential building in half.



Damaged kindergarten in the city of Severodonetsk, Luhansk region



Kharkiv district: a shell hit through the wall of a public school in the district of Saltyvka, Kharkiv. Multiple shells also hit the office buildings near the local state administration, damaging multiple residential houses nearby.