



Russia-Ukraine crisis – Impact on India

Description

Theme:

- Russia’s invasion of Ukraine took many lives of innocent people. It is also affecting the economies of many countries including India because the present world is interconnected.

Russia-Ukraine crisis – Impact on India:

- Crude oil prices were already rising even before the Russia-Ukraine war. After Russia’s invasion of Ukraine, several countries imposed tough sanctions on Russia. So, several countries which were importing oil from Russia are now making deals with other oil-rich countries. Since Russia is the world’s third-largest oil producer after the US and Saudi Arabia, this resulted in a price rise of crude oil because of less supply and the same demand.
- India is exporting several goods such as pharmaceuticals, tea, electronics etc. to Russia and Ukraine. So, the Ukraine crisis will impact the exporters in these industries.
- A rise in crude oil prices means petrol and diesel prices may increase, which can result in price rise of everyday commodities such as grains and vegetables because of the rise in the cost of transporting these commodities. This can increase inflation, which is already on the rise even before the Ukraine crisis due to the covid pandemic. So, a further increase in inflation can affect the Indian economy negatively.
- Moreover, we depend on Ukraine and Russia for several commodities and raw goods such as sunflower oil, weapons, coal, palladium, neon gas etc. This results in a severe shortage of these goods and a rise in their prices. This too causes a rise in inflation.
- At present, India is depending on Russia for weapons. So, till India finds some alternative source, it will be difficult for the defence sector.
- Russia’s Palladium and Ukraine’s neon gas are critical for semiconductor manufacturing. Global semiconductor supply is already under stress due to increasing demand for consumer products that contain chips and also because of disruption in production during pandemics. Russia-Ukraine war will further impact the semiconductor



supply. This will put pressure on the supply of many products such as smartphones, laptops, automobiles etc. So, this will affect the related industries such as the automobile industry, electronics industry etc.

- As the prices of several essential commodities are going up, common people's purchasing power parity reduces. They buy only the essential goods for survival. So, this affects the sales of many industries, which in turn affects the country's economy. Moreover, this is not just a situation of India but of the entire world. So, low demand for goods means, exports will also reduce.
- As many industries will be affected negatively, they may not be in a position to repay their loans in time. So, this puts pressure on banks in India. Delay in repayment of loans will result in lesser cash at banks and will affect the issuance of new loans.
- War and sanctions resulted in pressure on many currencies including the Rupee.
- As Ukraine and Russia contribute to 25% of the world's exports of wheat, India is trying to fill the gap created by the Russia-Ukraine crisis. India is in talks with Egypt, Turkey to export wheat. So, this year India's wheat exports will rise.
- Rating agency Moody's Investors Service lowered India's economic growth forecast to 9.1% from 9.5% for 2022 because India is vulnerable to high oil prices.

Conclusion:

Russia-Ukraine war is impacting the global economy negatively. Many countries including India are affected. It is expected that inflation will further worsen and will result in the reduced purchasing power parity of common people.

Your Turn!

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