



Effect of Russia Ukraine War on Indian Economy

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ABSTRACT:

This paper examines the potential impact of the ongoing Russia-Ukraine conflict on the Indian economy. The war has unleashed turmoil in global markets, further complicating the post-pandemic recovery. Nomura's report suggests that India could be one of the hardest-hit economies in Asia due to its vulnerability to rising oil prices. As a net oil importer, India faces a negative terms of trade shock which can negatively impact consumers, businesses, and GDP growth. Additionally, the conflict could disrupt imports of natural gas, precious metals, edible oils, and fertilizers, leading to potential spikes in inflation, a widening current account deficit, and a depreciating rupee. Therefore, this paper will delve into the specific challenges the Indian economy faces due to the war and propose potential solutions to navigate this economic crisis.

Keywords: Indian Economy, GDP Growth, Current account deficit, Crude oil

Introduction

India's economy braces for a potential triple whammy as global crude oil prices soar to \$105 per barrel. Chief economist Devendra Pant warns of the looming impact on inflation, a widening current account deficit, and a depreciating rupee. A mere \$5 increase in crude price is projected to widen the trade deficit by a staggering \$6.6 billion, further straining India's external position. This rising import bill puts immense pressure on the rupee, contributing to its recent 1.5% decline against the dollar. These interconnected challenges threaten to dampen economic growth and necessitate critical policy interventions to navigate this turbulent phase. **The Russia Ukraine war crisis** has stocked uncertainty in global trade and will impact oil and other commodities according to Sunil Sinha, research director and principal economist at India's ratings India may not have a significant merchandise trade with Russia nevertheless it stands to lose economically due to supply disruptions caused by western sanctions.

Objectives-

- 1. To study impact of Indian economy due to Russia Ukraine war.**
- 2. Suggest some remedies to overcome economic crisis in India due to Russia Ukraine war.**

Methodology

For this research paper data has been collected from secondary sources it includes online websites, daily newspapers Wikipedia journals and articles online published also electronic media from relevant literature

Where is India on Russia-Ukraine dispute?

India has till now maintained a neutral stand on Russia Ukraine war and has also appealed to both countries to exercise resistance. However, PM Modi in a telephonic conversation with Putin on February 24 appealed to stop violence in Ukraine and also asked to identify a diplomatic and peaceful path to find the solution to Russia's conflict with NATO.

Impact of Indian Economy Due To War

One of the major impacts of the war was a slowdown in pace of economic growth, at a time when they were gradually looking to rise above the pandemic distress. Disruption to 2 major trade routes, Russia and Ukraine, along with subsequent sanctions imposed on Russia by different economies, had a major

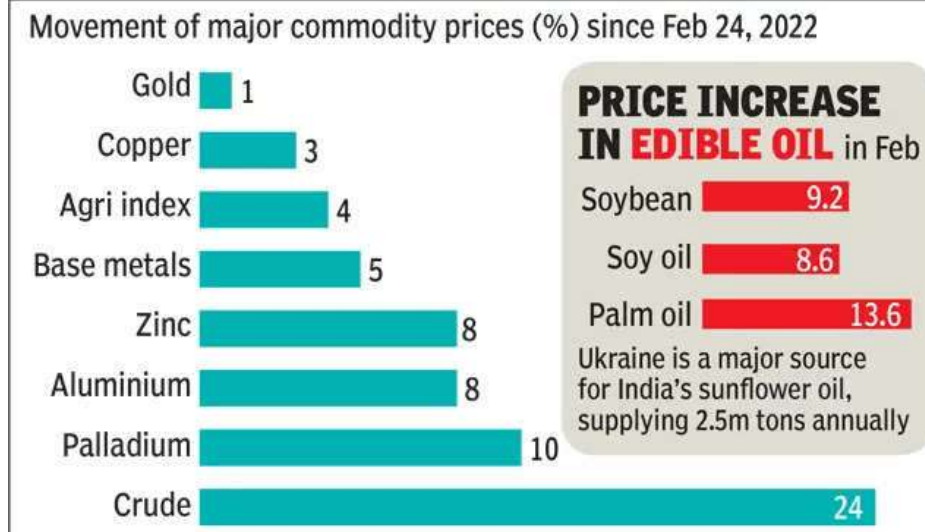
impact on global supply chains. As a result, oil prices surged to record highs, which in turn pushed up inflation. However, the Indian economy showed extreme resilience to such external factors and expanded by 13.5% in the first quarter of the financial year 2022-23 (April-June 2022). For the next quarter, that is, July-September 2022 GDP growth came in at 6.3%. So, India is in a better position as compared to other global economies. Both World Bank and International Monetary Fund (IMF) have termed it to be a relatively "bright spot".



(Source: <https://www.indiatoday.in/world/russia-ukraine-war/story/russia-ukraine-crisis-indian-economy-to-face-turbulence-in-days-to-come-say-experts-1920320-2022-03-04>)

- **India defense supplies**-it is believed that multiple abstentions from a vote in the united nations from India since Ukraine invasion were driven by country's need to secure its supply of defense equipment, most of which come from Russia. **Between 2016 to 2020** India accounted for nearly 25% of Russia total arms exports according to trends by a defense think tank Stockholm international peace research institute, this explains that the share of defense expenditure in India budget every year is not little.
- **Crude oil Prices Russia is the one of the largest crude oil producers in world and due to sanctions imposed by US** on Russia, crude oil prices are expected to rise further due to ongoing tensions. And it has already crossed the \$100 per barrel (\$108 as on 5 th may,2022) which is highest since 14 years & in the first 6 months of 2021 .but there shall be a negligible impact on India as of India impact on India as of now as India imports most of oil needs, but majority of its comes from middle east as logistics & due to geographical positions of countries .
- **Change in Global Politics** - India in particular will be between the Devil and the Deep Sea. This is the time to actually draw clear lines. US will demand that India strongly condemn Russia and break away all the deals signed with Russia including the \$ 4.6 Billion Advance that we have paid for over \$ 46 Billion worth of Defence Deals with Russia over the next few years (Part of the \$ 26 Billion advance paid for the \$ 260 Billion of deals over the next 10 years that we have signed since 2016) or they may also sanction India. So India has a very tough choice to make. If they join US and Sanction Putin - you can bet Vlad will line up Choice Russian Troops to march with the Pakistanis and Chinese and take up Kashmir and Arunachal in a matter of weeks (Remember - Imran Khan got a Honorary Parade in Russia. An Guard of Honor. And specifically summoned from the Kremlin!!!!)
- **US Hegemony and its Position** - US lost a lot of prestige when they were removed from Afghanistan. If they don't regain their face against Putin - this would be the end of US Hegemony and the beginning of something new.
- **Energy Crisis** - A Global Energy Crisis will envelope the world. It will hit Europe and Baltic States badly and the UK. Hit by an Energy Crisis - EU will be forced to subsidize huge energy deals with countries at far higher prices which would certainly cripple their future plans for Infrastructure investments not to mention infuriate the citizens who would prefer Putin to roll and obliterate Ukraine than having their Heating Bills rise up by 40%.
- **Share market volatility** as global supply chains are disrupted to crude oil price hikes, share market investment can see a decline as evident in the recent volatile state of the stock index. We believe that improved interest rates on bank deposits may also drive investors towards such financial instruments away from volatile stock market.

IMPACT OF WAR ON MAJOR COMMODITY PRICES



(Source: <https://energy.economictimes.indiatimes.com/news/oil-and-gas/russia-ukraine-conflict-what-is-at-stake-for-india/90041338>)

Positive Impact of Indian Rural Economy Due To War the ongoing war between Russia and Ukraine is all set to positively impact the country's rural economy. The Mumbai based brokerage firm Prabhuda Lilladher said in a report authored Amnish Aggrwal, director of research "while Russia Ukraine war has spiked commodity prices, there could be silver lining for India with upsurge in rural sentiments and demand in coming months.

- Ukraine is amongst largest global exporters of wheat, sunflower, barley, and maize with share of 10 %, 47%, 17% and 20% of global exports. Russia also strong presence with exports of 25% in sunflower wheat and barley. We note that wheat, mustard, barley, cotton and soybean are 14 percent. We believe Rubi crops like wheat will give an incremental profit of Rs 30,200 crore and major crops Rs 57800 crore an increase of 32% year-on-year the Mumbai based brokerage said.
- Rural experts opined that post harvesting of crop and clarity on monsoon rural demand is expected to bounce back strongly which will kick start another growth cycle in economy. The brokerage firm added that the employment and wages in rural areas is set to pick up owing to various infra initiatives of the government will increase employment opportunities.

Conclusion

Despite global concerns, India's export boom is expected to continue in 2022, fueled by factors like limited reliance on Russian oil and gas. However, the ongoing Russia-Ukraine conflict presents some complex challenges for Indian policymakers underlying tensions: Deep-seated differences between Moscow and New Delhi are unlikely to disappear quickly. Conflicting interests: India's interests clash with Russia's goals of bolstering China and weakening the US Managing risks: New Delhi must carefully navigate the potential risks associated with this volatile situation. India's approach should be pragmatic, focusing on what the US is actually capable of doing, rather than clinging to unrealistic expectations of complete withdrawal. Accepting the reality of the multipolar world is crucial for crafting an effective strategy in this shifting geopolitical landscape. This revised version condenses the original text while preserving the key points: India's export advantage, the challenges posed by the conflict, and the need for a realistic approach towards the US. It also clarifies the nature of the tensions between India and Russia.

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