



GLOBAL FINANCIAL STABILITY REPORT

Implications of the War in Ukraine

2022
APR

Global financial conditions have tightened and downside risks to the economic outlook increased, though no material systemic event affecting financial institutions or markets has materialized so far.

Transmission Channels of the War in Ukraine

Direct and indirect exposures

Commodity price shock and near-term inflation concerns

Funding and liquidity stress

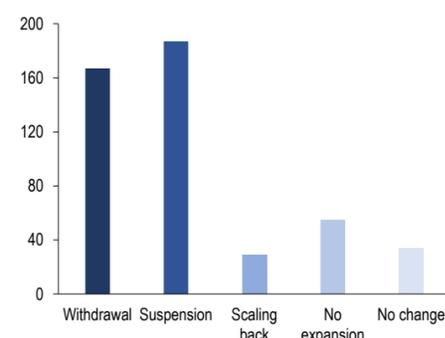
Financial conditions tightening and spillovers to emerging markets

Energy security vs energy transition

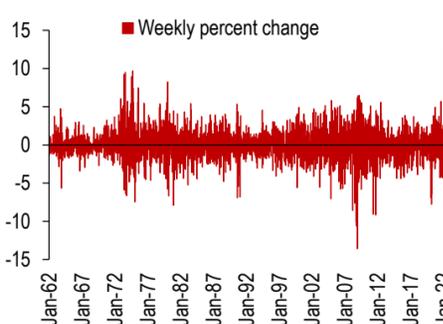
Foreign Banks and NBFIs' Gross Claims on Russia and Ukraine
(Billions of US dollars)



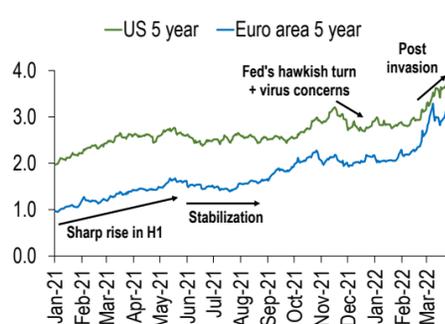
Corporate Exodus from Russia
(Number of large firms, by type of exit)



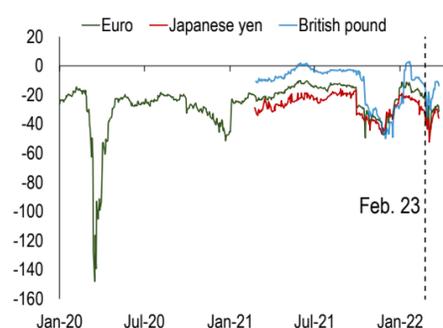
Commodity Price Volatility Surging
(Percent)



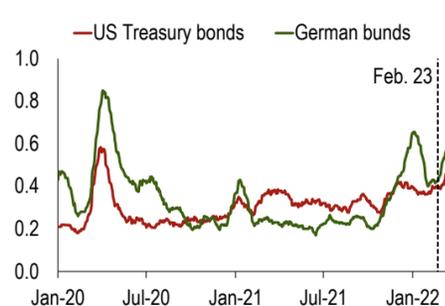
Inflation Expectations Increasing
(Inflation breakeven, percent)



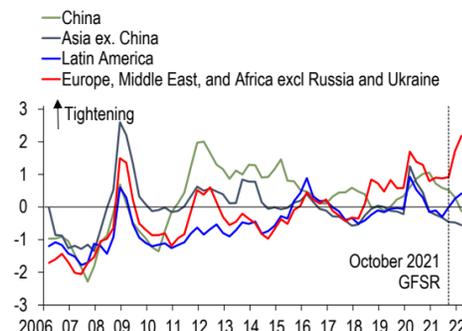
Cross-Currency Basis Spreads Showing Some Strains
(Three month, basis points)



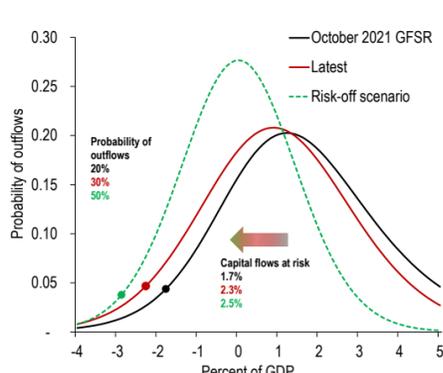
Bid-Ask Spreads of High-Quality Government Bonds the Widest since the Peak of the COVID-19 Crisis
(Basis points)



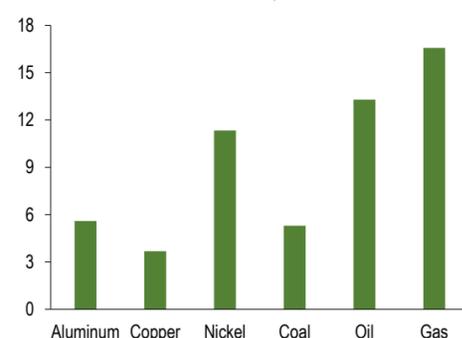
Financial Conditions Tightening, notably in Europe, the Middle East, and Asia (Standard deviations from the mean)



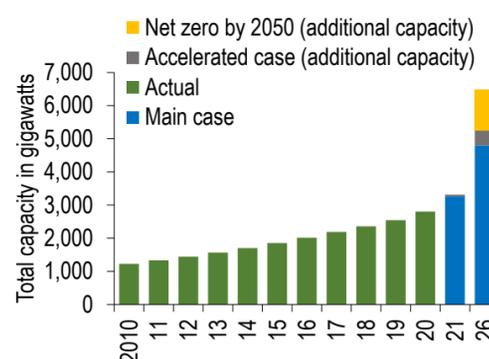
Capital Outflows Increasing, with Risks to the Downside



Russia's Share in Global Production
(Percent)



Limited Investment in Renewable Energy May Put the Transition at Risk



Sources: Bank for International Settlements; Bloomberg Finance L.P.; BP, *Statistical Review of World Energy*, July 2021; Haver Analytics; JPMorgan Chase & Co.; Morningstar; UN Comtrade; US Geological Survey; and IMF staff calculations.

Note: GFSR = Global Financial Stability Report; NBFIs = Nonbank financial intermediaries.

Challenging Trade-Offs amid Uncertain Geopolitics

- Central banks should act decisively to prevent inflation pressure from becoming entrenched and avoid an unmooring of inflation expectations, while avoiding a disorderly tightening of financial conditions that would jeopardize the post-pandemic economic recovery.
- Policy normalization in emerging markets should continue based on country-specific assessments of inflation, economic outlook.
- Regulators should assess the implications of the elevated volatility in commodity markets on market functioning and risk management.
- Policymakers should intensify their efforts to implement the 2021 United Nations Climate Change Conference (COP26) road map while taking appropriate steps to address energy security concerns.