Insurance
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Ukraine war, Chinese lockdowns, hitting trade worldwide

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Ukraine's economic output was likely to contract by about 45% this year as a result of the Russian invasion on February 24th, according to the World Bank. Its exports have been shattered as a result of the northern Black Sea effectively closing. That has left only land routes west as a possible route for exported commodities. The closure of Black Sea shipping from Ukraine has cut off some 90% of the country's grain exports and half of its total exports.

Speaking on Sunday, the World Bank also forecast that Russia would see its GDP in 2022 fall by 11.2%, mainly the result of financial sanctions imposed by the US, Europe and some others.

A World Bank's "War in the Region" economic update said that the Eastern Europe region, comprising Ukraine, Belarus and Moldova, was forecast to show a GDP contraction of 30.7% this year, due to shocks from the war and disruption of trade. Forecast growth in 2022 in the Central Europe region, comprising Bulgaria, Croatia, Hungary, Poland and Romania, was cut to 3.5%, from 4.7%, due to an influx of refugees, higher commodity prices and deteriorating confidence.

The World Bank also said that the war was disrupting agricultural planting and harvest operations, meaning that next year's exports from Ukraine were already under threat.

Infrastructure damage was estimated by early March to have risen above $100bn – about two-thirds of Ukraine's 2019 GDP, but that number is by now well out of date and will be considerably higher.

The World Bank said the magnitude of Ukraine's contraction is "subject to a high degree of uncertainty" over the war's duration and intensity.

A downside scenario in the report, reflecting further commodity price shocks and a loss of financial market confidence triggered by an escalation of the war, could result in a 75% contraction in Ukraine's GDP and a 20% contraction in Russia's output.

This scenario would lead to a 9% contraction in the World Bank's Europe and Central Asia region of emerging market and developing economies – more than double the drop in the baseline forecast.

Global trade too was suffering, according to research from German research organization Kiel Institute for the World Economy. It reported that the value of global trade declined by an estimated 2.8% between February and March.
The latest data update of the Kiel Trade Indicator – which uses traffic data at 500 ports to estimate the trade flows of 75 countries – showed that the conflict was affecting almost all economies and global trade overall.

Imports into Russia have declined by 9.7%, while exports have fallen by 5%. There has been a huge decline in the number of container ships arriving and departing from its ports. The Kiel Trade Indicator found that container freight traffic in Russia's three largest ports of St Petersburg, Vladivostok and Novorossiysk had fallen by a half.

Vincent Stamer, head of Kiel Trade Indicator, said that European companies and shipping lines were obviously restricting transport by sea, and that the same fate was likely to impact trade via the, for Russia, more important road transport.
In Ukraine, no large container ship has called at the country's most important port, Odesa, since the outbreak of war.

The EU and the US have also experienced substantial decline in trade. For the EU, exports have declined by 5.6% and imports by 3.4%. Over the same period the US recorded a 3.4% decline in exports and a 0.6% fall in imports.

Exports from China have declined by 0.9% while imports were up by 0.9%.
Meanwhile the number of shipping containers in congestion globally has begun to increase again because of pandemic-related lockdowns in China. Kiel's indicator showed that about 12% of all goods shipped worldwide in containers were currently stuck.

Stamer said that "future disruptions in China's trade are by no means off the table, partly because the Omicron variant of the Covid-19 virus is still rampant. Of concern is the significant increase in global container ship congestion, which can also be attributed to lockdowns in China."

Since Shanghai started a city-wide lockdown at the end of March, congestion at the port has expanded to nearby Ningbo-Zhoushan. Shipowners are diverting ships to other ports in the country to avoid the shortages of onward transportation facilities and local warehouse closures.

There were 222 bulkers waiting off Shanghai as of April 11th, 15% higher than a month earlier, according to Bloomberg shipping data. At Ningbo-Zhoushan there were 134 carriers, 0.8% higher than last month. Further to the north, the combined ports of Rizhao, Dongjiakou and Qingdao saw a 33% increase to 121 vessels.

There were also 197 container ships either loading or waiting to load in Shanghai's combined anchorage with Ningbo, a 17% increase from a month ago, *Bloomberg* reported.