

Eurochambres flash survey on impact of Ukraine war

The survey investigates the economic implications across Europe of the war in Ukraine. This comes one month on from the Russian invasion of Ukraine and after several rounds of sanctions adopted by the EU. The survey was conducted by Eurochambres between 23 and 25 March and included three questions covering the short- to medium-term effect of the war at both national and European level.

The high number of respondents - a total of 25 national chambers – in such a short space of time reflects the high level of concern across the European chamber network and business community as the humanitarian and economic crisis in Ukraine continues to unfold.

Broadly speaking, respondents highlighted interdependent concerns: supply chain disruptions → potential shortages in energy, commodities → late payments / increase of prices → increased inflationary pressures → lower consumption levels → decrease in purchasing power → decrease business confidence/ lower investments → destabilisation of the post pandemic economic recovery.

1. Short-term economic impact of the war at the national level:

- 92% of respondents highlighted the increase in **energy prices** and difficulties for energy-intensive companies as the main concern. The most affected activities are energy sector, tourism, pharmaceutical industry, machinery, shipbuilding, metal industry, logistic and transport, agriculture. The increasing pressure around energy dependencies from Russian gas will also hit private households.
- 84% of respondents also consider as extremely pressuring difficulties linked to **raw materials** supply (metals, agricultural fertilisers, palladium, nickel, aluminium, titanium, neon gas for semiconductor production), the need to find alternative markets and the associated increase in costs for logistics and transport. Indeed, as access to commodities is hindered, a significant plunge in **export and import** of the same from Ukraine and Russia has already been experienced by companies belonging to 64% of the chambers answering the survey.
- The already unusually high levels of **inflation** are further exacerbated by increase in natural gas and oil prices but also increase in food prices (as a result of increased fertilizer prices) and labour costs, according to 60% of respondents.
- One third of respondents also highlighted how SWIFT restrictive sanctions against Russia are causing tremendous difficulties in the day-to-day running of businesses (**payments and transfers**). Following Russia's announcement on March 23 and the intention to be paid for gas in rubles, Europe may decide to reduce/halt its energy imports, contributing to additional rise in energy prices and costs for businesses.
- Companies are also already facing enormous pressures in managing the **refugee crisis** and the need to guarantee a smooth inclusion in the labour market. In the short-term this is a primary concern for neighbour countries.
- Few countries, not directly involved in trade dependencies with Russia and Ukraine, are instead strongly affected by a massive decrease of tourists expected in spring/summer as in most countries, COVID-19 restrictions are gradually lifted. Indeed, the limitations to air movement for Russians have impacted these economies strongly reliant on **tourism** and the **fashion and luxury sectors**.

2. Long-term economic implications of the war at the national and European level:

- The already mentioned increase in **costs of energy and other commodities** is expected to last in the medium- to long-term, according to 80% of respondents. Higher costs, will jeopardize the **post pandemic economic recovery** in most economies according to 72% of surveyed chambers.
- The conflict will not only necessitate the issuance of more sovereign debt to bolster economic recovery schemes, but the resulting shrinking in EU and Eurozone GDP would also shrink the tax base, further burdening sovereign debt. Furthermore, the overall deterioration of economic conditions together with **inflation** (68% of respondents) may cause the yields on sovereign and corporate debt to increase significantly for the first time in a decade, straining the ability of both governments and corporates to raise finance through bonds. This would also eventually trickle down to the normal credit facilities extended to micro, small and medium enterprises.
- **EU trade and political relations** with Russia are at stake and half of the surveyed chambers have highlighted the need to diversify the sources of supply and try to become more self-sufficient without losing competitiveness on the international market. This is linked to the acceleration of the **EU twin transition process** (27% of respondents). In this regard, REPowerEU, the joint European initiative for more secure and sustainable energy by decreasing the overdependence of Europe from the Russian market are steps in the right direction.
- Europe should also increase its autonomy in the food sector. New financial tools to support member states are needed, while joint actions to contain **disruptions in the supply chain** are needed (64% of respondents).
- As a result of the war, governments should revise their budgetary priorities, especially towards armaments and **defence spending** (20% of respondents) in response to aggravated security threats.
- According to 24% of the surveyed Chambers, the labour market will experience structural changes as a result of the enormous flow of Ukrainian refugees to neighbouring countries. This will rise the unemployment rates unless any mitigating scheme is promptly put in place.

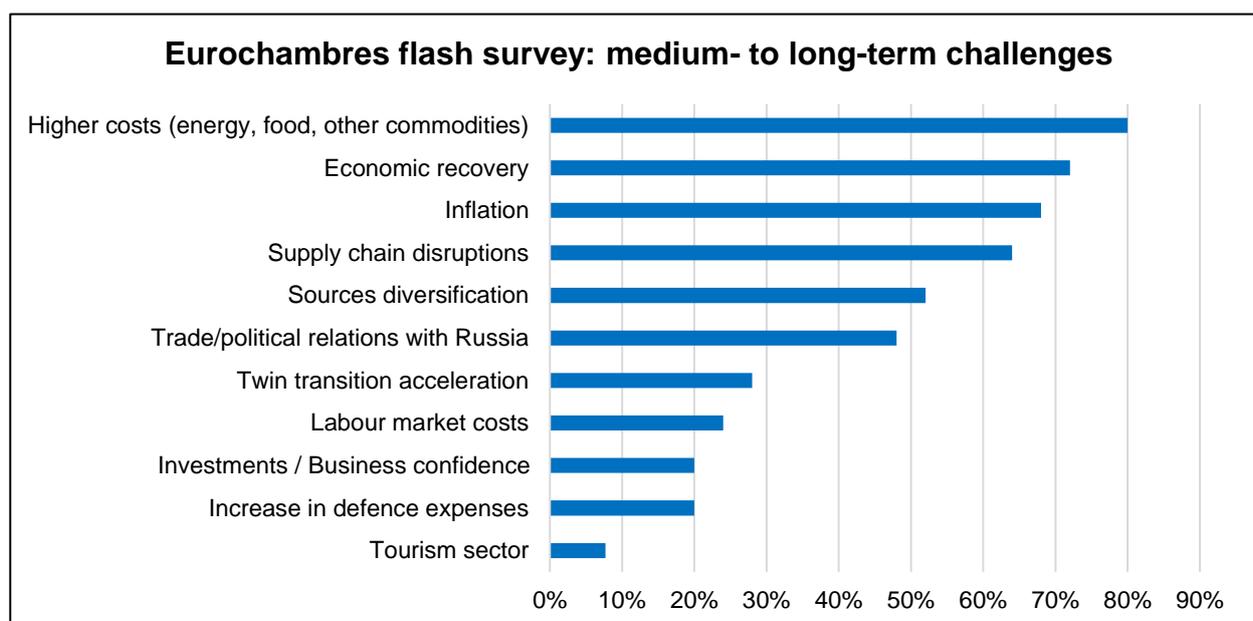
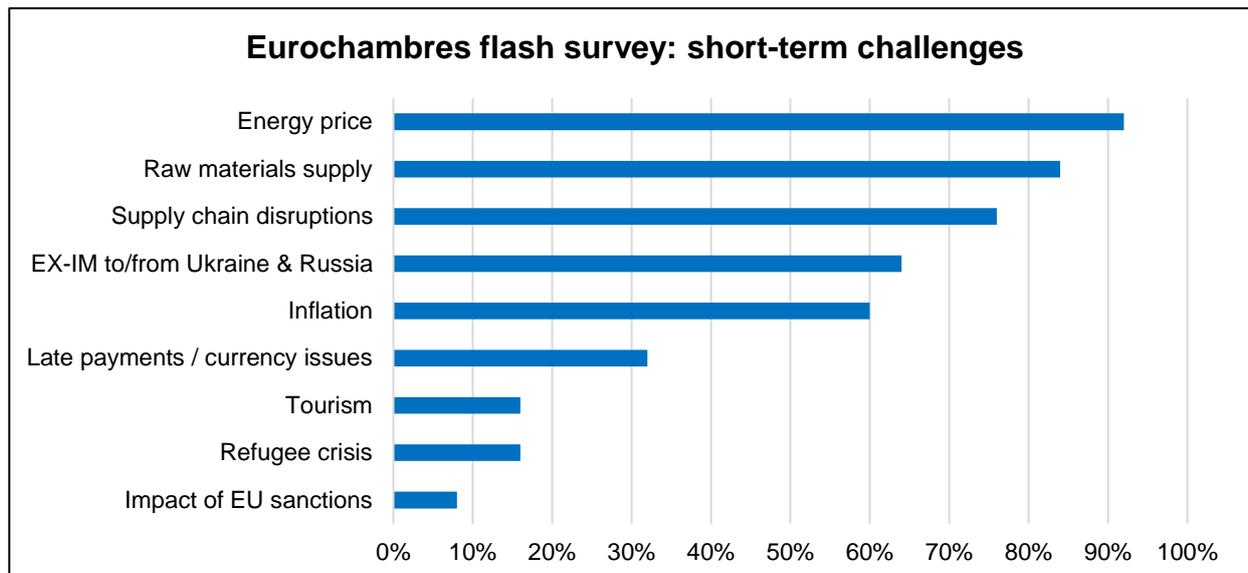
3. Chambers' activities and initiatives in response to the war:

- Many chambers have set up pages and helpdesks, offering support to companies with questions on their business dealings with Russia and Ukraine (impact of sanctions, payments, etc.). Working groups and new dialogue streams across business sections and economic groups were also established.
- A large number of chambers is promoting donations platforms and initiatives such as the Bulgarian Chamber of Commerce and Industry, the Cyprus Chamber of Commerce and Industry, the Czech Chamber of Commerce, the BKIK (Budapest CCI), the Estonian Chamber of Commerce and Industry and CCI France. The Polish Chamber of Commerce, together with Polish-Ukrainian Chamber of Commerce, created a dedicated Ukraine Support Fund.
- The Bulgarian Chamber of Commerce and Industry, as a part of The Association of the Organizations of Bulgarian Employers (AOBE), has sent a letter to the Prime Minister, the Minister of Finance, the Minister of Economy and Industry, the Minister of Labor and Social Policy and the Minister of Energy with proposals for emergency measures in connection with the crisis in Ukraine link in Bulgarian.

- Many chambers have expressed their interest in promoting projects to facilitate the inclusion of refugees in national companies.
 - **Austria:** WKO's Tourism Section offers free accommodation for Ukrainian refugees in hotels and holiday flats, and placement of vacant jobs. Young refugees get immediate access to apprenticeships and trainings in enterprises.
 - **Bulgaria:** at the regional level, the Chamber of Commerce and Industry of Stara Zagora, Varna, Russe, Vidin etc. together with local NGOs, branch organizations and companies have joined forces to provide financial assistance, housing and adaptation of the refugees, coming from Ukraine.
 - **Georgia:** the Georgian Chamber of Commerce and Industry connects Ukrainian refugees and the Georgian businesses willing to help them with the humanitarian aid and job proposals. Besides, the GCCI is working on the establishing for the Ukrainian people, displaced by war co-working spaces at least in two cities of Georgia – Tbilisi and Kutaisi.
 - **Germany:** the Association of German Chambers of Industry and Commerce (DIHK) has bundled all information about aid transports, donations, transfers of people from the war zone, business-related impacts of the war and labour market integration of refugees together with the BDI, BDA and ZDH on a special portal.
 - The DIHK initiative “NETZWERK Unternehmen integrieren Flüchtlinge“ brings together companies that support integration of refugees into the labour market. The network now provides know-how in dealing with bureaucratic or linguistic barriers and information about various topics such as legal framework and financial support for companies and refugees.
 - **Hungary:** BKIK (Budapest CCI) helped to find accommodation for refugees. Regional chambers have already indicated that they helped approx. 300 Ukrainian workers to find jobs. Launched a new "news section" on the HCCI website with the label “Russian-Ukrainian crisis”, where they publish economic news of public interest.

Other initiatives:

- **Croatia:** The Croatian Chamber has proposed a range of measures to the government to to mitigate the consequences and impact on the Croatian economy. These include compensation measures like state aid for gas, income tax exemptions for those companies whose energy costs have risen more than 30%, tax support for investments in renewable energy sources, reallocate additional funds to digital and green transition companies in the NRRP audit, support in opening new export markets and growing in existing markets, and assistance in the substitution of certain raw materials / semi-finished products from domestic sources or from other markets.
- **Poland:** The Polish Chamber (KIG) is actively involved in actions to help Ukraine taken by Entrepreneurship Council together with other Polish business organisations.
 - Targova Creativity Center (office space administered by KIG) granted a free working space for entrepreneurs from Ukraine. Rooms are fitted with internet, printers, kitchen, social room and an access to conference room.
 - KIG joined the initiative of Central European Startups to support Ukraine.



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ANNEX: Question 1 - What is the economic impact of the war in your country so far?

	Energy price	Raw materials supply	Supply chain disruptions	EX-IM to/from Ukraine & Russia	Inflation	Late payments / currency issues	Refugee crisis	Tourism	Impact of EU sanctions
Andorra	X	X			X				
Austria	X	X	X	X		X			
Belgium	X	X	X		X				
Bulgaria	X	X	X	X	X	X			
Croatia	X	X	X	X	X	X			
Cyprus	X	X	X			X		X	
Czech Republic	X	X	X	X	X	X	X		
Estonia	X	X	X	X	X				
Finland	X	X	X	X	X				
France	X	X	X	X	X				
Georgia	X	X	X	X	X			X	
Germany	X	X	X	X					
Hungary	X		X	X		X			
Ireland	X				X				
Italy	X	X	X	X	X			X	
Lithuania	X	X		X					
Luxembourg	X	X	X	X	X	X	X		X
Malta	X	X			X				X
Poland	X	X					X		
Portugal	X	X	X						
Serbia	X	X	X	X	X	X			
Slovakia		X	X	X			X		
Spain	X	X	X		X				
Sweden									
Turkey	X		X	X				X	
TOTAL	23	21	19	16	15	8	4	4	2
PERCENTAGE	92	84	76	64	60	32	16	16	8

ANNEX: Question 2 - What do you expect to be the long-term economic implications of the war at the national and European level?

	Higher costs	Economic recovery	Inflation	Supply chain disruptions	Sources diversification	Trade/political relations with Russia	Twin transition	Labour market costs	Increase in defence expenses	Investment / Business confidence	Tourism
Andorra	X	X	X								X
Austria	X	X		X	X						
Belgium	X		X		X		X		X		
Bulgaria	X	X	X	X		X				X	X
Croatia	X		X	X	X						
Cyprus	X	X	X	X	X	X	X			X	
Czech Republic	X	X	X					X	X		
Estonia	X	X	X					X			
Finland		X		X	X	X	X			X	
France	X	X	X	X	X		X				
Georgia	X	X	X	X		X		X	X	X	
Germany		X				X					
Hungary	X	X	X					X			
Ireland	X			X	X		X				
Italy	X	X	X	X	X	X	X				
Lithuania		X				X					
Luxembourg	X	X	X	X		X		X	X		
Malta	X	X	X	X							
Poland	X		X	X	X	X					
Portugal	X		X							X	
Serbia	X	X	X	X	X	X					
Slovakia				X	X	X		X			
Spain	X	X	X	X	X	X					
Sweden		X									
Turkey	X			X	X		X		X		
TOTAL	20	18	17	16	13	12	7	6	5	5	2
PERCENTAGE	80	72	68	64	52	48	28	24	20	20	8