



Russia-Ukraine War

Ratings and Research March 2022

Russia's sovereign ratings downgraded; war in Ukraine sets back Germany's growth; Europe's airlines brace for more turbulence; nuclear rethink on energy, climate, security challenges.

A round-up of Scope's latest rating actions and analysis of the unfolding crisis triggered by Russia's invasion of Ukraine in February.

Sovereign ratings and research

11.03. 2022

Scope downgrades Russia's ratings to C; under review for a developing outcome

"High risk of default following the strengthening of capital controls signalling less willingness to service debt drive the downgrade."

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10.03.2022 | Dierk Brandenburg, Head of Credit and ESG Research

Russia-Ukraine war raises stagflation risk for sovereign, corporate credit quality

"Given that there seem to be no realistic prospects of diplomatic de-escalation of the conflict, there are few upside scenarios for credit..."

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01.03.2022

Scope downgrades Ukraine's sovereign ratings to CCC; ratings under review

"Russia's military invasion of Ukraine and associated severe credit implications drive the rating downgrade."

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04.03.2022 | Eiko Sievert, Director, Sovereign and Public Sector Ratings

War in Ukraine weighs down on Germany's growth prospects in 2022

"We have revised down our growth forecast for Germany this year but are still expecting solid growth of 3.5%, compared with a previous estimate of 4.4%, amid the rapid escalation of political tensions and sanctions after Russia's invasion of Ukraine."

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Financial Institutions and Sovereign research

09.03.2022 | Sam Theodore

The Wide Angle – Some European banks are still in Russia: should they be?

“Going beyond shareholders and bondholders, the banks need to relate to a broader range of stakeholders, and even more importantly to their own corporate-citizen identity in the world in which they operate. European banks should put an end to their presence in Russia altogether. Sooner rather than later.”

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28.02.2022 | Marco Troiano, Head of Financial Institutions Ratings

Conflict in the east raises risks to European bank outlook

“The conflict between Russia and Ukraine has overtaken sentiment around European banks. However, strong financial fundamentals should help the sector weather this crisis.”

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21.02.2022 | Marco Troiano, Head of Financial Institutions Ratings

European bank exposure to Ukraine manageable but second-round effects could be material

“An escalation in the Ukraine conflict would weigh on local banks’ asset quality but European bank exposure looks manageable.”

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18.02.2022 | Levon Kameryan, Senior Analyst, Sovereign Ratings

Russia: credit risk hinges on design of any tougher sanctions

“A comprehensive package of sanctions has the potential to disrupt Russian exports, further discourage foreign and domestic investment, which the country needs for sustainable economic growth, and push up government borrowing costs.”

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Corporate research

11.03.2022 | Sebastian Zank, Anne Grammatico, Corporate Ratings

Europe rethinks nuclear power as longer-term market, climate, security fix

“Europe had a double energy challenge – even before the war in Ukraine pushed energy security to the top of the policy-making agenda.”

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07.03.2022 | Rigel Patricia Scheller, Director, Corporate Ratings

Higher materials and energy prices, supply-chain disruption strain construction margins

“[Russia’s] invasion of Ukraine will exacerbate the shortage in building materials. Also, the production of many construction materials, such as steel, bitumen, and cement, is energy-intensive and will suffer if energy prices remain high. Other risks to the construction industry include a shortage of labour.”

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09.03.2022 | Georges Dieng, Director, Corporate Ratings

Europe’s auto industry faces more supply-chain disruption, rising input costs amid war in Ukraine

“While the sector’s direct exposure to Russia and Ukraine is limited and manageable, we see more risks stemming from indirect exposure related to trade/supply disruption, higher energy/input costs, rising inflation and weaker consumer confidence.”

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04.03.2022 | Marlen Shokhitbayev, Thomas Faeh, Corporate Ratings

European oil & gas: risks rise for Europe-based companies with Russia-Ukraine crisis

“The catch for the sector is the political component pushing oil prices back above USD 100 a barrel... less related to the sanctions imposed on Russia and more to pressure to ostracise the government of President Vladimir Putin because of his decision to wage war on Ukraine.”

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Corporate research

03.03.2022 | Tommy Träsk, Director, Corporate Ratings

Ukraine crisis underpins metal price rally, energy costs pressure downstream sector

“Although no sanctions have yet been imposed on Russian metal exports, both mining operations in Russia and the transport of metals to export markets will become difficult with shipping lines, insurance companies and ports potentially suspending business with Russian counterparts.”

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02.03.2022 | Adrien Guerin, Senior Analyst, Corporate Ratings

Europe’s retailers: Auchan, Metro among few directly exposed to sanctions-hit Russian economy

“The speed and scale of international economic sanctions imposed on Russia suggests a sharp rise in various risks for foreign and domestic retailers operating in Russia.”

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01.03.2022 | Azza Chammem, Senior Analyst, Corporate Ratings

Europe’s airlines brace for yet more pain on rising fuel prices, no-fly zones amid war in Ukraine

“Europe’s airlines face yet another squeeze on profits as Russia’s invasion of Ukraine leads to higher jet-fuel prices and disruption of flight paths just as passenger traffic was set to rebound with the ending of pandemic-related travel restrictions.”

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25.02.2022 | Sebastian Zank, Deputy Head of Corporate Ratings

European energy price crunch aggravated by Russia-Ukraine conflict

“Russia supplies between 30% and 40% of Europe’s gas, and about one third of Russian gas exports to Europe flow through Ukraine, so sanctions impacting Russian gas supplies will push already-high European energy prices higher.”

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Project Finance, Public Sector and Fund research

10.03.2022 | Marton Zemleni, Senior Representative, Project Finance Ratings

War in Ukraine will impact long-term EU energy policy

“We expect a review of relevant regulations to strengthen security of supply and reduce Russian reliance, but this will require significant investments across the natural gas value chain, and it will come at a cost...”

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02.03.2022 | Alwise Lennkh, Deputy Head, Sovereign & Public Sector

EBRD faces limited credit risk from reduced exposure to Russia, Ukraine as crisis worsens

“The escalating armed conflict between Russia and Ukraine will have important consequences on corporate and public-sector borrowers in both countries, leading to a rapidly deteriorating outlook for asset quality and equity valuations.”

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04.03.2022 | Christian Vogel, Associate Director, Project Finance

Outlook for airlines negative; pressure on aircraft values

“Although it seems hardly conceivable that such a large number of aircraft can be taken out of Russia within the short timeframe, each plane that is repossessed increases the pressure on aircraft market values and lease rates, still struggling with pandemic-related overcapacity.”

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01.03.2022 | Barbara Claus, Head of Mutual Funds, Scope Fund Analysis

Investing in Eastern Europe without Russia

“For Western democracies, Putin's declaration of war on Ukraine was a shock. Many investors now want to draw conclusions from this and avoid Russian shares.”

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Russia-Ukraine in the news

Scope's analysts in selected media

Financial Times: [Airlines braced for turbulence from second crisis in 2 years](#)

Reuters: [Rating agency Scope slashes German growth forecast on impact of Ukraine invasion](#)

Handelsblatt: [Scope senkt seine Wachstumsprognose für Deutschland](#)

Europa Press: [Scope Ratings rebaja la calificación de Rusia a 'BB+'](#)

CNBC: [Conflitto in Ucraina, i rischi per le banche Ue](#)

Reuters: [Credit rating agency Scope downgrades Russia's sovereign debt rating to 'BB+'](#)

Financial Times: [ECB says Sberbank's European subsidiaries face failure because of Russia sanctions](#)

Flight Global: [Russian draft transport legislation could complicate return of leased fleet](#)

All Scope Group's latest rating actions, commentary and analysis are available at www.scooperatings.com and www.scopeanalysis.com.