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

Commodity Price Volatility Surging

Inflation Expectations Increasing

(Basis points)

Cross-Currency Basis Spreads Showing Some Strains

(Three-month, basis points)

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

Russia’s Share in Global Production

(Percents)


Note: GFSR = Global Financial Stability Report; IPI = Industrial Production Index.

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) roadmap while taking appropriate steps to address energy security concerns.