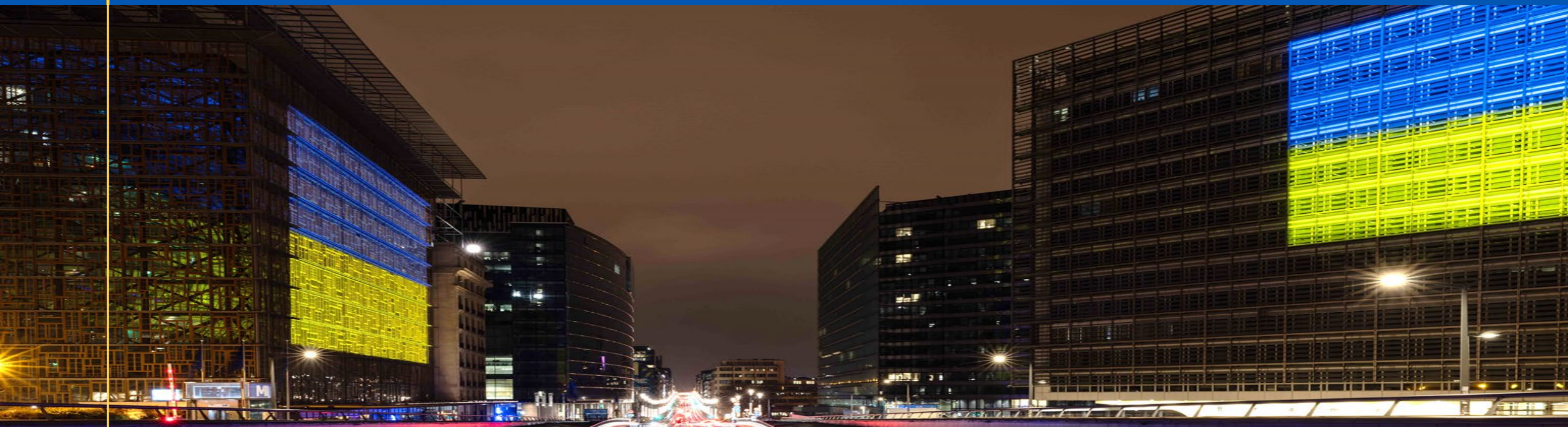




Supply Chain Resilience Bulletin in the context of Russian military aggression against Ukraine

Supply Chain Task Force – DG GROW

28 February 2023



Supply Chains: Impact on Industrial Ecosystems updates

CHEMICALS

- **About 30% of EU ammonia capacity is still offline**, in spite of many restarts over October-November 2022
- The Council adopted the Commission's proposal for a **temporary suspension of import duties on ammonia and urea from all sources except Russia and Belarus**
- **Capacity utilization in the chlor-alkali industry** (where electricity has come to account for 70%+ of variable production costs) **dropped** to 52% in December.

AGI-FOOD

- Uncontrolled grain imports from Ukraine and falling prices on international markets have put Polish agriculture in a very difficult situation, as **part of the grain imported from Ukraine through the solidarity lanes stays in the Polish market instead of being shipped.**

AGRICULTURAL MACHINERY

- **The European Agricultural Machinery Association (CEMA) latest barometer (February 2023) confirms a strong recent improvement of the business climate.** A slowdown in demand is not in sight in the short term and in addition to a strong demand side, now, finally, considerable easing is arriving on the supplier side. Bottlenecks continue to challenge the industry, but manufacturers are increasingly able to realize their orders.
- Agricultural machinery producers argue that modern machinery for farmers can not only be environment-friendly, but also significantly reduce the use of fertilisers, the shortage of which is driving up food prices



HIGH ENERGY COSTS

- High energy costs have impact over all industrial ecosystems. However, although production costs remain high, especially for energy-intensive industries, recently there has been a stabilisation of gas prices.

INFLATION

- Three consecutive months of moderating headline inflation suggest that the peak is now behind. After reaching an all-time high of 10.6% in October, inflation has decreased, with the January flash estimate down to 8.5% in the euro area. The decline was driven mainly by falling energy inflation, while core inflation has not yet peaked.

MOBILITY

- According to the latest Economic and Market Report by the European Automobile Manufacturers' Association (ACEA), despite a reduction in supply chain pressures, a **shortage of semiconductors remained the primary limiting factor for EU passenger car production in 2022. Nevertheless, a growth was recorded in the final two quarters of 2022**, leading to an increase of 7.1% on the full year.

Updates on relevant DG GROW work

INTEGRATING UKRAINE IN THE SINGLE MARKET

The Priority Action Plan for the enhanced implementation of the EU-Ukraine Deep and Comprehensive Free Trade Agreement has been officially endorsed during the EU-Ukraine Summit. Actions include work on public procurement, standards, industrial cooperation, Technical Barriers to Trade, and an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA).

PARTNERSHIP ON RAW MATERIALS

EU and Ukrainian stakeholders provided new joint actions to be placed in the Roadmap for 2023-24. A meeting with key stakeholders was organised to finalise the content of the Roadmap for 2023-2024, which has been sent by Vice-President Maroš Šefčovič to Ukraine's Prime Minister for endorsement.

BUSINESS COOPERATION

A Webinar for the Enterprise Europe Network (EEN) and clusters on investing and doing business in Ukraine was organised on 02.02.23. A survey has been launched on 20.02 to EEN and clusters on their work done and planned on supporting Ukraine. A high-level event for European and Ukrainian companies "Clusters meet Regions" will take place in Kosice, Slovakia on 29/30 March, focusing on business cooperation.

SMP

The Association Agreement to the Single Market Programme has been signed during the College to Government meeting in Kyiv on 2 February. The preparation of 2 specific calls for Ukraine within the SMP SMEs 2023 work programme is being finalised.

Selected updates from relevant Member States



Poland

- **Poland imported a record amount of liquefied natural gas in 2022, as it diversified away from Russian energy.** It received 4.4 million tonnes, 57% more than in 2021. That made LNG the country's main source of gas, meeting one third of national demand.
- **Poland's furniture industry hit by soaring wood prices and consumer belt tightening.** Orders for Poland's furniture producers have fallen between 35% and 50% since the beginning of 2022, after Russia's invasion of Ukraine. The industry, which ended 2021 with record sales of nearly 60 billion zloty (€12.8 billion), accounts for around 2% of Poland's GDP. That is the highest figure among any EU member state



Slovakia

- **The Ministry of Finance helps Ukrainians to orientate in tax obligations in Slovakia.** It has prepared a specialized subpage on the financial administration portal, where they can find all the important information. They will learn, for example, what their tax obligations are if they started working in Slovakia, how the tax residence is assessed, but also who is entitled to the tax bonus for a dependent child.



Czech Republic

- **Sixteen Czech companies had stands at the Rebuild Ukraine trade fair in Warsaw (15-16 February) and another 60 attended the two-day event,** which included meetings with national and regional Ukrainian officials. Industry Min. Jozef Síkela, who led the Czech delegation, said that there is great interest on the part of Czech companies.



Austria

- **Russian natural gas deliveries to Austria are continuing as Gazprom is once again delivering the total contracted amounts,** while the country's government is trying to find alternative sources. Austria obtains 80% of its natural gas from Russia, a heavy dependency that the government says will take time to end now that Russia's invasion of Ukraine has made plain the need to shift away from Europe's cheapest source of gas.

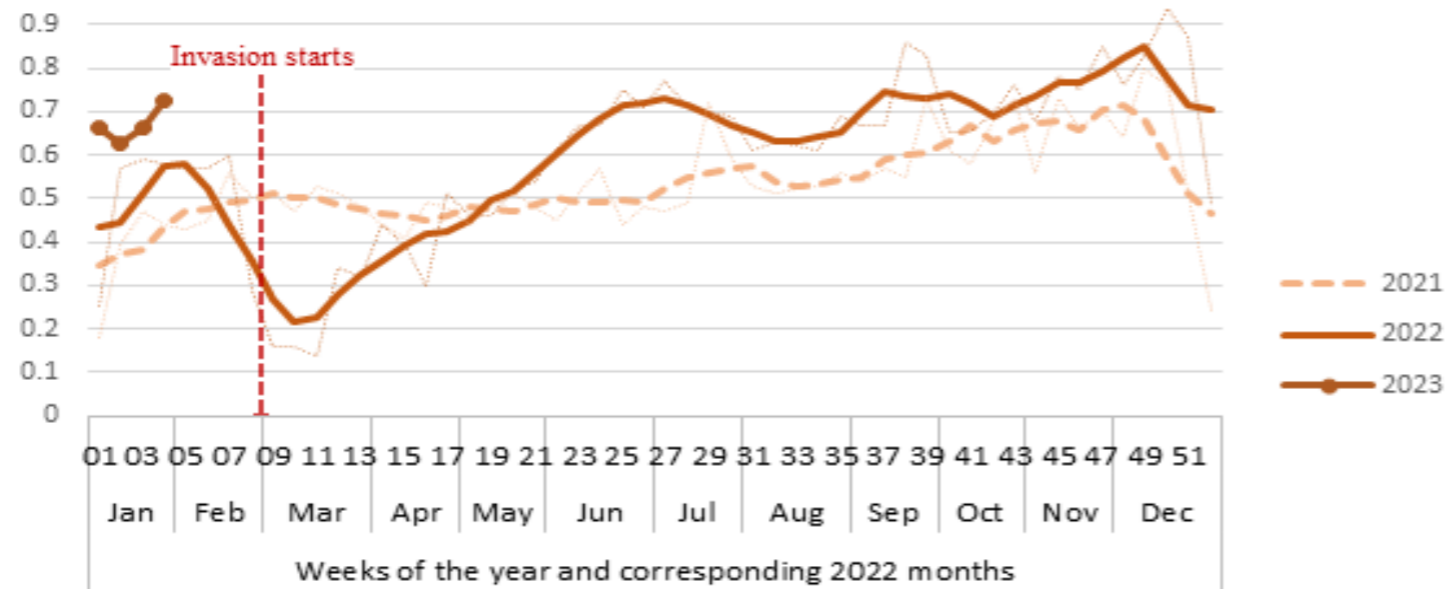


Germany

- **German steelmakers produced significantly less in 2022 as a result of increased energy and raw material costs,** following Russia's aggression against Ukraine. In 2022, the steel industry in Germany reduced its production by 8.4 percent compared to the previous year. With the exception of the Corona year 2020, this is the lowest annual value since 2009. Production volume of the second half of 2022 was even the lowest since reunification. Rising energy and raw material costs are weighing on steel companies, as are supply chain issues.

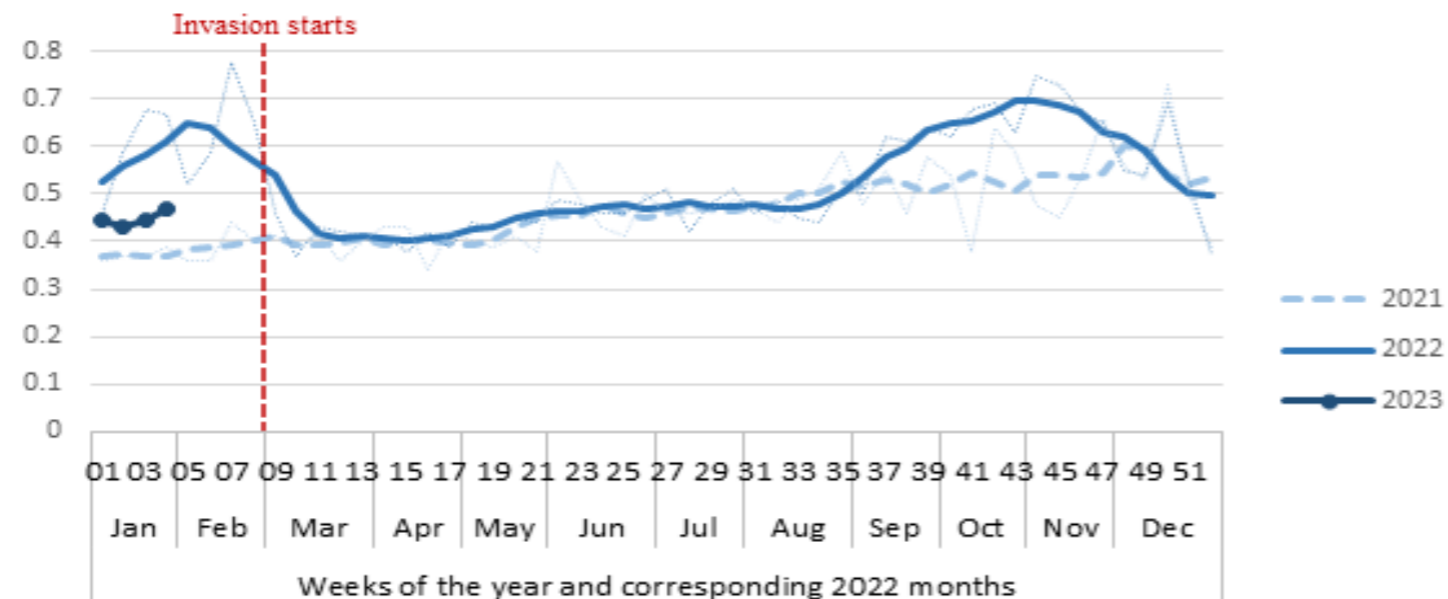
Trade with Ukraine *(as of 15/01/2023)*

Export to Ukraine (€bn, 5-week moving average)



- Exports in goods to Ukraine bounced back after a sudden fall following the Russian invasion. Now they are considerably higher than in the same period in 2021 and 2022;

Import from Ukraine (€bn, 5-week moving average)



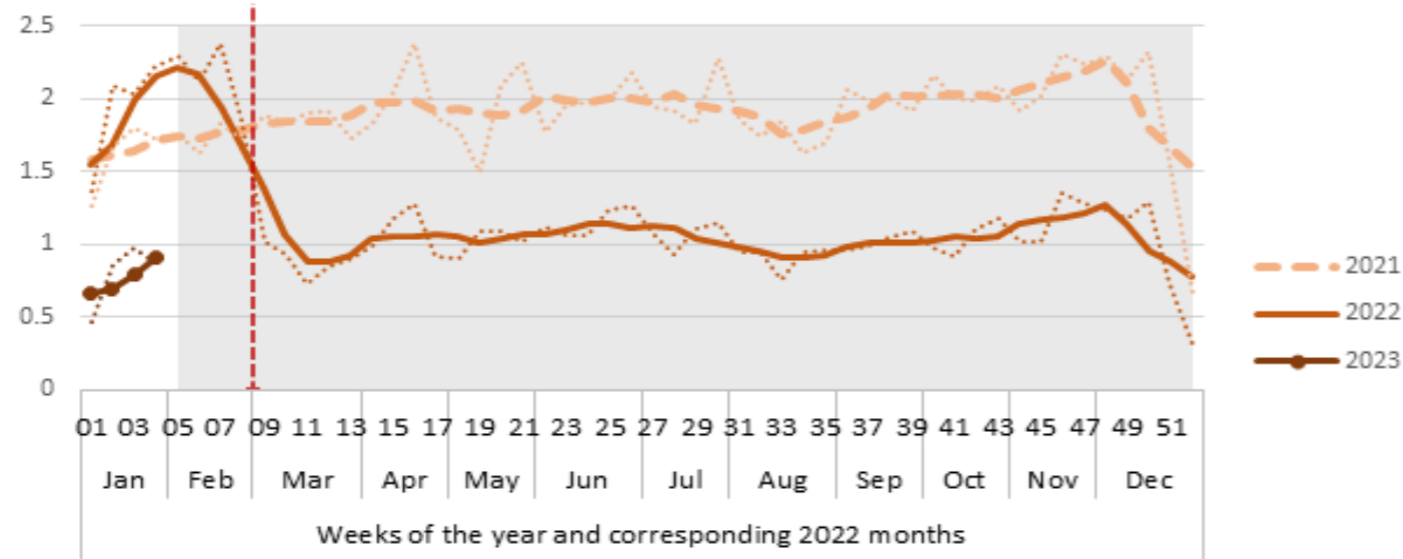
- Imports from Ukraine remain close to 2021 levels in the same period, below the levels of the first weeks of 2022.

Data cut-off date: 15 January 2023. Source: European Commission services, based on customs data.



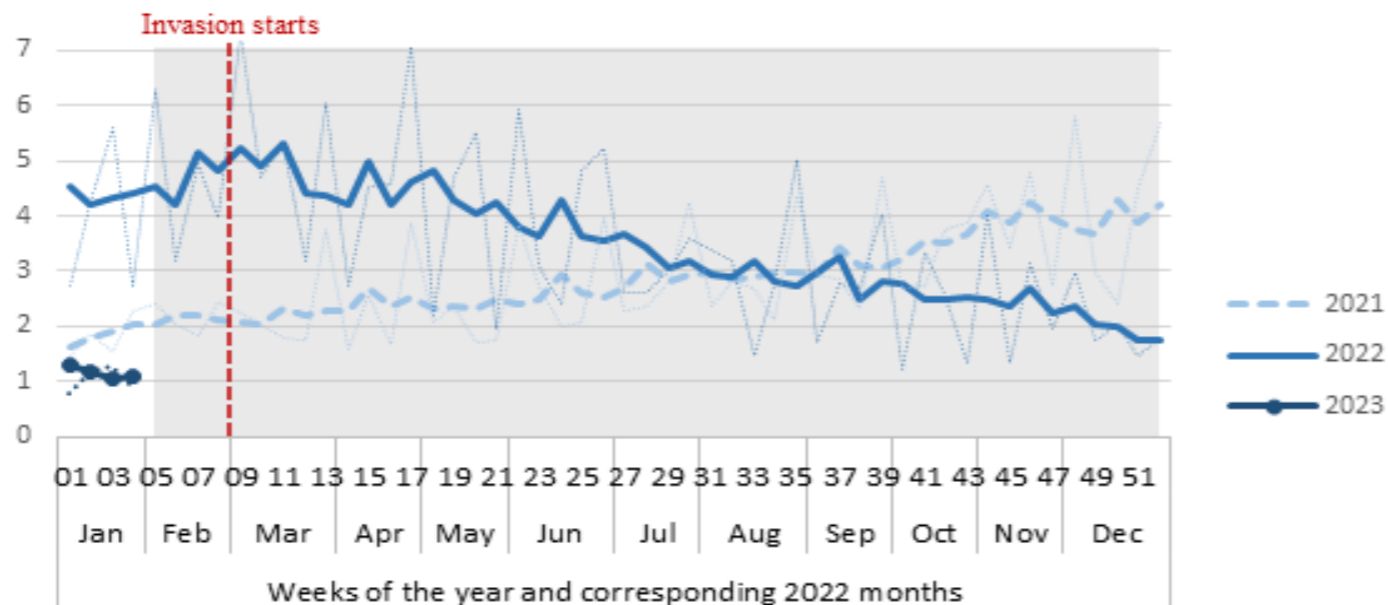
Trade with Russia *(as of 15/01/2023)*

EU export to Russia (€bn, 5-week moving average)



- Exports: After a sudden decrease after the introduction of sanctions (week 8), export in goods to Russia stabilized at around 50% of the level of the same weeks in the previous year;

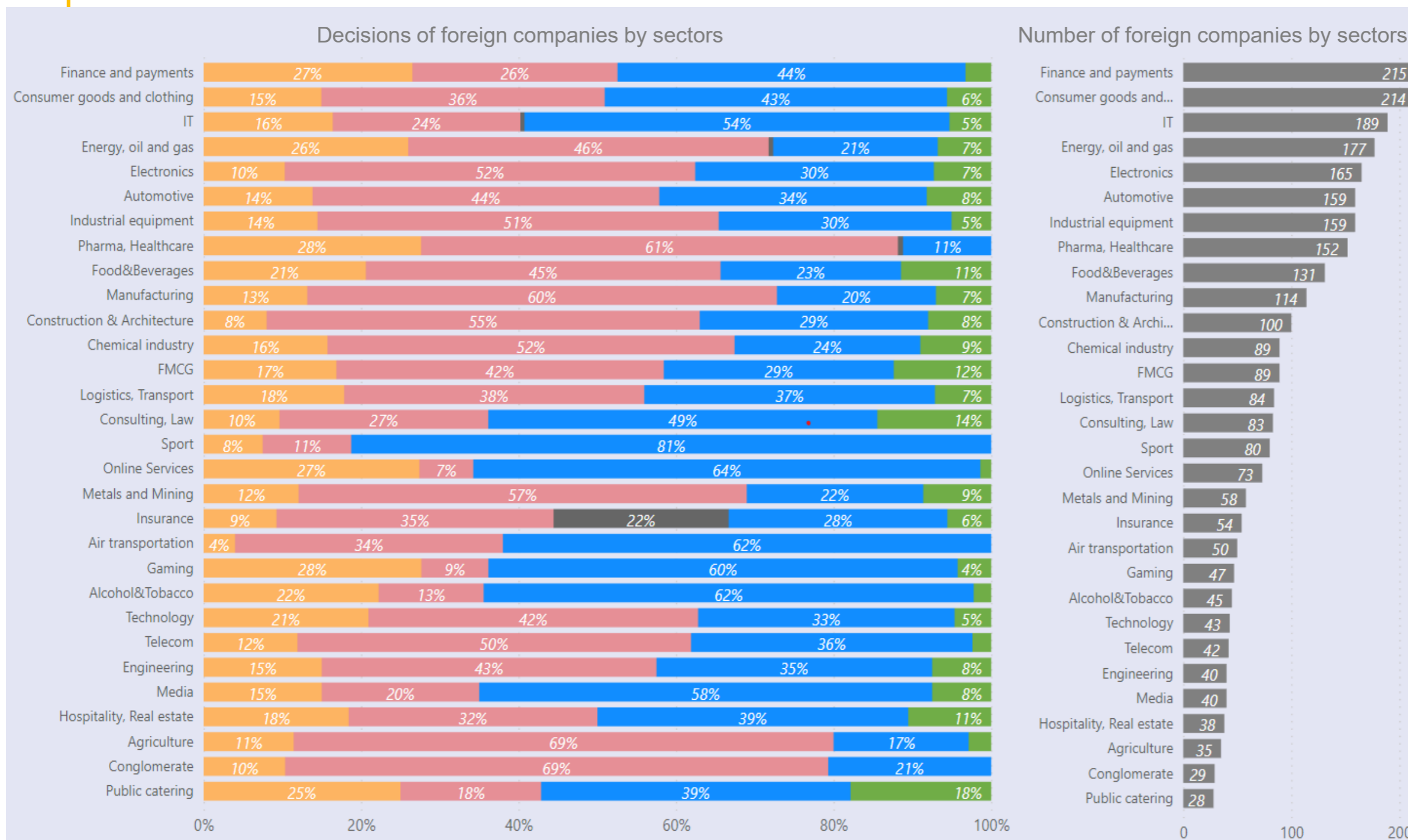
EU import from Russia (€bn, 5-week moving average)



- Imports from Russia have been gradually decreasing since the invasion and they are now significantly below 2022 levels in the same period. They are also below 2021 levels in the same period, when the import was still significantly reduced due to the COVID crisis.

Data cut-off date: 15 January 2023. Source: European Commission services, based on customs data.

Divestment from Russia by sector



Completed withdrawal from Russia

Curtailed operations in Russia

Reduced operations in Russia and hold off new investments

Continue operations in Russia

Source: Kyiv School of Economics (KSE) (update 19 February 2023). Assessment done by KSE Institute experts, using official company statements, news agencies, international media publishers. Yale's School of Management database used to partially fulfill the KSE database.

[#LeaveRussia: The List of Companies that Stopped or Still Working in Russia \(leave-russia.org\)](https://www.leave-russia.org/)

