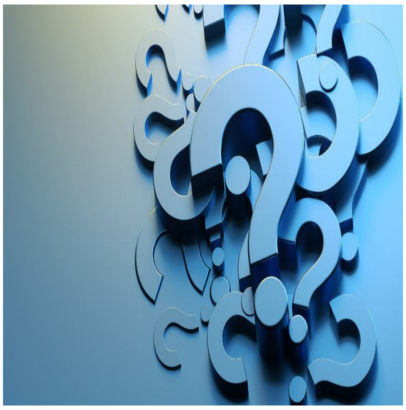

Will Russian Sanctions Impact Canadians?

Description

When Russia invaded Ukraine, Canada and other nations responded with a series of sanctions. Those sanctions are clearly targeted at Russia's economy. Whether or not the Russian sanctions will have the desired effect remains to be seen. What is certain, however, is that those efforts will spill over to some Canadian companies and Canadians' wallets.

Russian export permits: Cancelled

New sanctions against Russia were announced at a press conference yesterday. Foreign Affairs Minister Melanie Joly noted that hundreds of existing export permits to Russia are cancelled. Additionally, any new permits to export goods from Canada to Russia will be rejected.

Joly reiterated the extent of the sanctions, noting that "No aerospace technology or mineral goods will be sent to Russia."

To put that into context, last year, Canada exported $656 million worth of goods to Russia. The strong statement was made alongside both PM Justin Trudeau and Deputy PM Chrystia Freeland.

More importantly, the staggered approach to imposing these Russian sanctions could spell further updates in the days ahead. This is especially true if hostilities continue to escalate further.

This leaves us with the question of who will feel the pain of those Russian sanctions here in Canada?

Aerospace exports

Among the companies that may feel the pinch of those cancellations is **Bombardier** (TSX:BBD.B). Let's put some numbers behind that impact. Approximately 5-6% of Bombardier's revenue of US$6.1 billion stems from sales in the region.

Following years of asset sales, ballooning debt and restructuring, Bombardier is now a pure-play manufacturer of business jets. The company's flagship Global Express and smaller Challenger lines remain highly popular following recent upgrades.

In fact, the larger Global Express jet holds several records for speed and distance. This makes it the preferred option for those that can afford to travel by or even own a private jet. That exclusive list of clients would match some of the individuals targeted by this latest round of Russian sanctions.

What about minerals?

The Russian sanctions also included mention of minerals. Seasoned investors may have immediately thought of **Kinross Gold** (TSX:K)(NYSE:KGC), as was the case in 2014.

For those unfamiliar with the company, Kinross is a gold miner with active operations in Russia. Kinross has maintained a presence in Russia for over two decades. Gold production from Russia this year is expected to come in near 13%, or 350,000 ounces of Kinross's entire 2022 production.

By way of comparison, in 2021, Kinross's Russian operation produced 481,108 ounces of gold.

Fortunately, Kinross's operations in Russia are situated far away from the conflict. Kinross has its operations based 7,000 kilometres from the Ukrainian theatre in the Russian Far East region of Chukotka.

In other words, Kinross is unlikely to take a hit from the Russian sanctions, at least for now.

Where will Russian sanctions hit Canadian consumers?

There are two key areas that could ultimately hit Canadians in the wallet. As expected, it will hit us at the pump and in the grocery store.

The global pinch on Russia's access to capital markets will cause oil exports from Russia will dry up. This is because there will be no way to pay for them once those markets close. We've already watched oil prices surge to US$100 per barrel this week. Oil prices could surge higher still. The primary driver of that bump could be if Russia is barred from the global SWIFT system, as is expected.

The latest spike in oil prices did have a positive effect on energy stocks.

The same applies to some groceries. Ironically, Canada, Russia, and Ukraine are some of the largest exporters of wheat on the planet. Cut-off access to those markets won't hurt Canada directly. Instead, other countries turning to Canada to buy wheat will drive up prices here.

What should investors do?

As with any correction, the solution is not to panic. Markets may get shocked, markets may correct, but those shifts are always temporary. Seasoned investors saw a similar market scare back in 2014 during the last incursion into Ukraine. Investors can expect a similar recovery this time as well.

In other words, let the market steady itself. In the interim, there are still plenty of great areas of the market to invest in.

CATEGORY

1. Investing

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3. TSX:K (Kinross Gold Corporation)

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dafxentiou