

GROUP 2

AN ANALYSIS OF ECONOMIC CONSEQUENCES IN AN  
INTERCONNECTED WORLD

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EFFECT ON GLOBAL  
ECONOMY DUE TO RISE IN  
GLOBAL CONFLICTS.

MORE THAN JUST HEADLINES: CONFLICTS HAVE REAL ECONOMIC COSTS.

# INTRODUCTION

- ▶ Recent years have seen a significant increase in geopolitical instability and armed conflicts.
- ▶ In a globalized world, the economic effects are no longer contained within conflict zones.
- ▶ This presentation will explore the primary channels through which conflicts impact the global economy.





HOW CONFLICT DISRUPTS THE GLOBAL ECONOMIC ENGINE

# THE PRIMARY CHANNELS OF ECONOMIC DISRUPTION

**SUPPLY CHAIN  
DISRUPTIONS:  
PRODUCTION HALTS  
AND TRADE ROUTES  
ARE SEVERED.**

**ENERGY &  
COMMODITY SHOCKS:  
PRICES FOR OIL, GAS,  
GRAIN, AND METALS  
BECOME VOLATILE.**

**INVESTMENT  
UNCERTAINTY: CAPITAL  
FLEES FROM  
INSTABILITY, STALLING  
PROJECTS AND  
GROWTH**



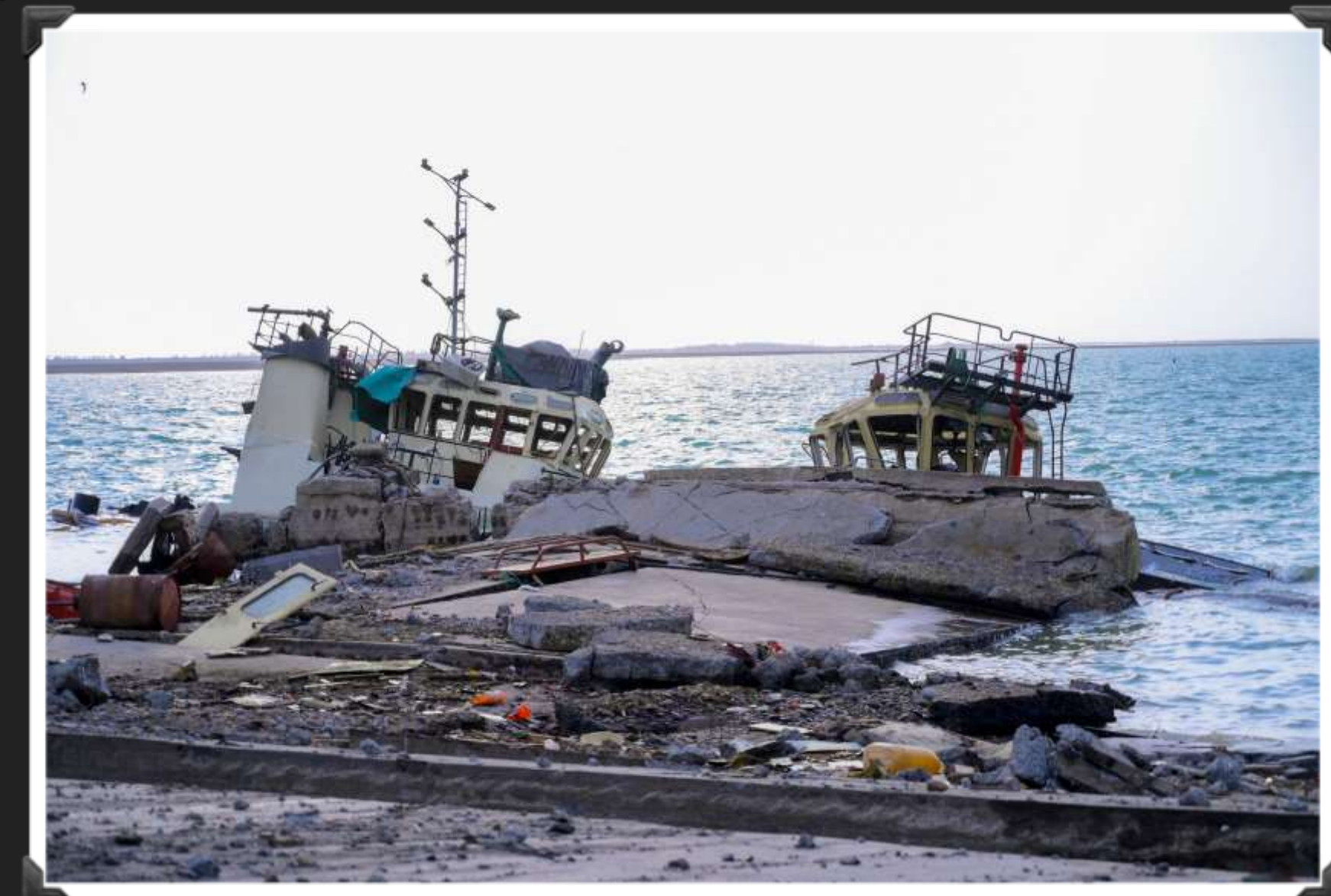
**INFLATIONARY  
PRESSURES: SUPPLY  
SHOCKS AND  
UNCERTAINTY DRIVE  
UP PRICES GLOBALLY.**





# DEEP DIVE: SUPPLY CHAIN DISRUPTIONS

- ▶ **Physical Destruction:** Damage to ports, roads, and factories (e.g., infrastructure in Ukraine).
- ▶ **Blocked Trade Routes:** Vital shipping lanes become high-risk or impassable (e.g., the Red Sea and the Suez Canal).
- ▶ **Sanctions & Embargoes:** Political tools that sever economic ties and create supply bottlenecks.
  - ▶ **Result:** Delays, increased shipping costs, and shortages of





FUELING VOLATILITY AND UNCERTAINTY

# DEEP DIVE: ENERGY & COMMODITY PRICE SHOCKS

Conflicts often occur in regions rich in natural resources.

Case Study:

Russia-Ukraine War:

Russia is a major exporter of oil and natural gas.

Ukraine is a "breadbasket," exporting massive amounts of wheat, corn, and sunflower oil.

Impact:

European energy crisis and a global search for alternative suppliers.

Spikes in global food prices, threatening food security in developing nations.



## THE INFLATIONARY SPIRAL

- ▶ Higher energy costs increase prices for everything (transport, manufacturing, heating).
- ▶ Higher food costs directly impact household budgets.
- ▶ Supply chain issues mean fewer goods are available, pushing prices up (basic supply and demand).
- ▶ Central banks respond by raising interest rates, which can slow down economic growth.



## ERODING CONFIDENCE: INVESTMENT & FINANCIAL MARKETS

- ▶ **Capital Flight:** Investors pull money out of conflict regions and neighboring countries.
- ▶ **Delayed Foreign Direct Investment (FDI):** Companies postpone plans to build new factories or enter new markets.
- ▶ **Stock Market Volatility:** Global indices react negatively to news of new or escalating conflicts.
- ▶ **Increased Defense Spending:** Governments divert funds from productive sectors (education, infrastructure, healthcare) to the military.

# THE HUMAN FACTOR: REFUGEES AND BRAIN DRAIN

- ▶ Conflicts create massive refugee crises, placing economic strain on host nations (housing, food, healthcare).
- ▶ Loss of skilled labor and "brain drain" from the conflict-affected country cripples its potential for future recovery.
- ▶ Disruption of education and health services has long-term negative economic consequences for generations.



# CONCLUSION - THE PATH FORWARD

- ▶ The economic impacts of global conflicts are profound, interconnected, and felt globally.
- ▶ They fuel inflation, disrupt trade, and hinder long-term investment and growth.
- ▶ There is a clear economic incentive—in addition to the moral and human imperative—for diplomacy, de-escalation, and international cooperation.

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THANK YOU.  
QUESTIONS  
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