

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.

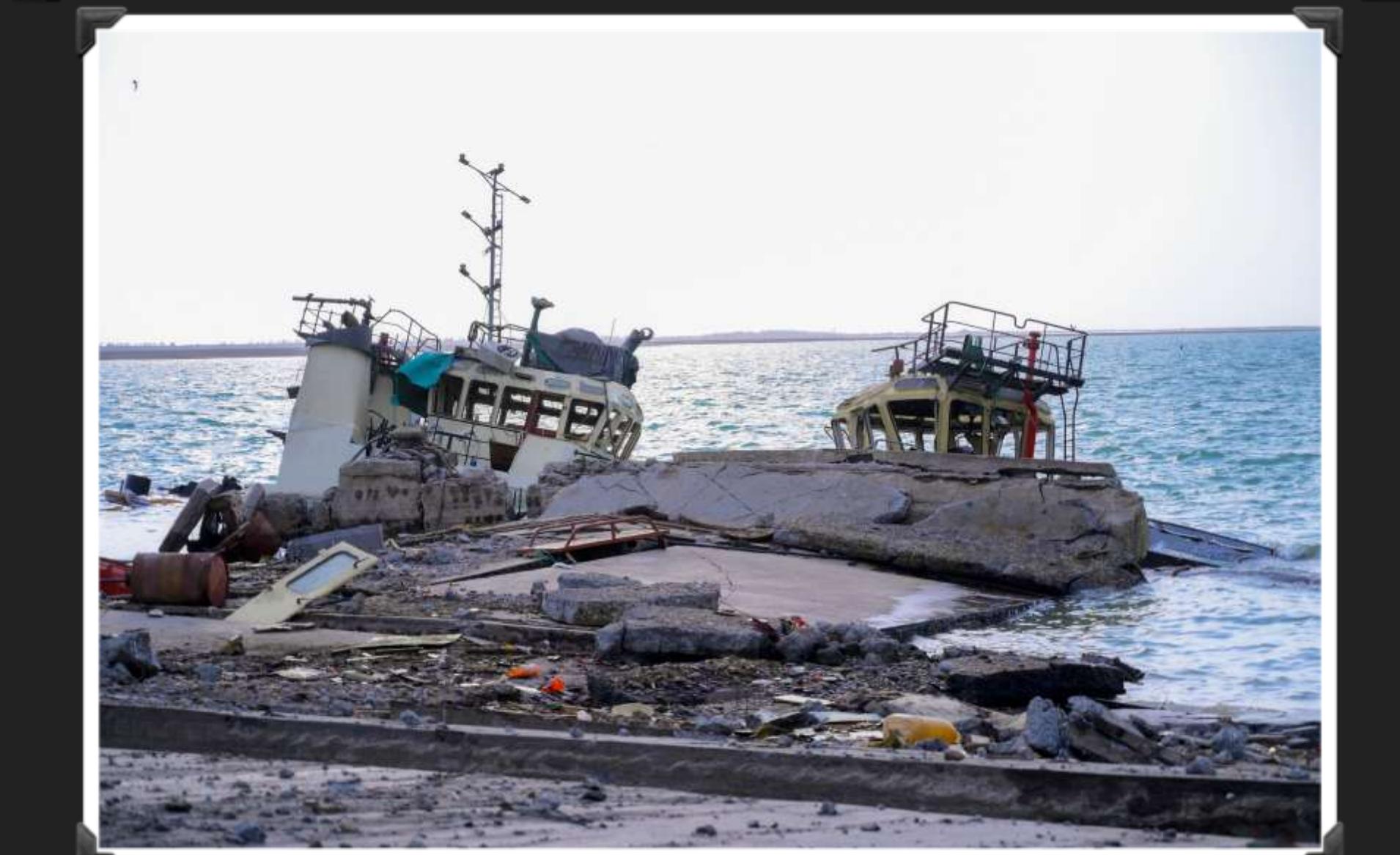
INVESTMENT UNCERTAINTY: CAPITAL FLEES FROM INSTABILITY, STALLING PROJECTS AND GROWTH

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.

CAPITAL IS A COWARD: INSTABILITY SCARES AWAY INVESTMENT

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## 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

