

**Does Europe's recent
military spending
positively or negatively
impact international
business?**

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Background

Military spending worldwide rose **3.7** percent in 2022 to a record **\$2.24 trillion USD**, with Central and Western Europe experiencing the **largest year-on-year increase since the Cold War**

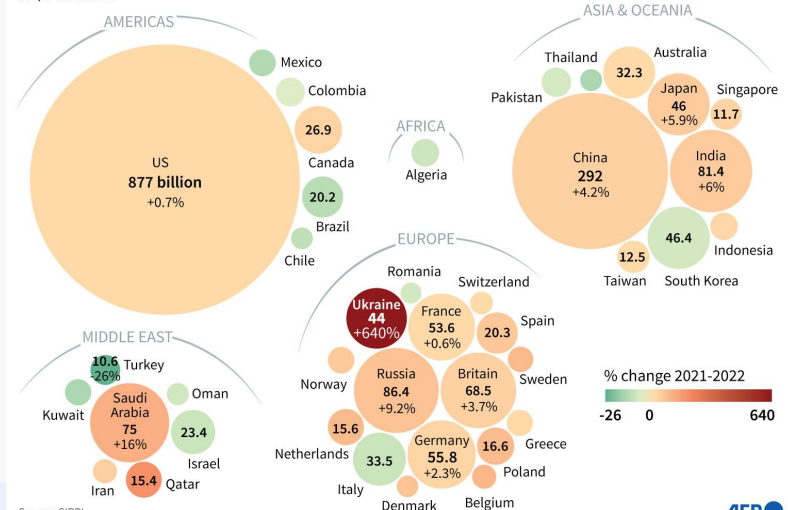
Western and Central European states spent some **\$345 billion (€313 billion)** on their military forces last year combined.

What Do These Numbers Mean?

- Nations are predicting long term international instability
- Prioritizing securing domestic interests
- Observing higher volatility in transactions with non-friendly states

40 countries with highest military expenditure in 2022

In \$US billions



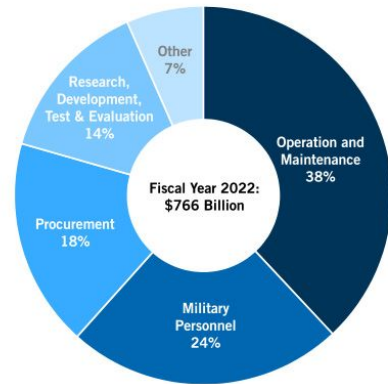
Source: SIPRI

Economic Benefits to Increased Spending

- Create/improve relationships with other nations
- More affordable to trade with other nations.
- More energy+money spent on defense tools=faster time for innovation
- Nations more prepared for future wars



Defense spending covers a wide range of activities



SOURCE: Office of Management and Budget, Public Budget Database, Budget of the United States Government: Fiscal Year 2024, March 2023.
NOTES: Numbers may not sum to 100 percent due to rounding. The data presented above are for mandatory and discretionary defense spending. All Other Defense Spending includes military construction, family housing, atomic energy defense activities, defense-related activities, and other smaller miscellaneous outlays.

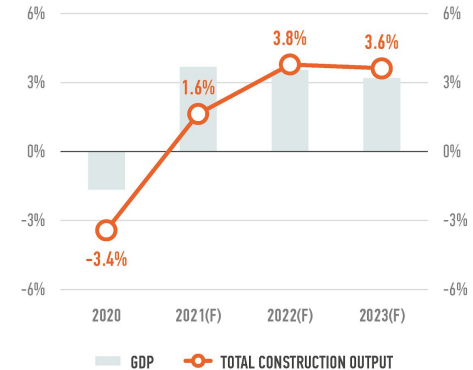
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GDP AND CONSTRUCTION OUTPUT FORECAST

RUSSIA, TURKEY, UKRAINE

ANNUAL GROWTH AT CONSTANT PRICE, %



SOURCES OF DATA: GDP - EUROPEAN COMMISSION, IMF WEO, RUSSIA MINISTRY OF ECONOMIC DEVELOPMENT, MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE OF UKRAINE
CONSTRUCTION OUTPUT - EECFA 2021 SUMMER REPORTS

Negatives to Increased Spending

- Prevention of economic growth
- Social Welfare expenditures
- Raises cost to do business
- Inflation → resource allocation shifts, ex: Gas prices rise



Our Position

Europe's recent increase in military spending presents many challenges for businesses operating internationally to overcome, we see both risk and opportunity when such a situation may arise.

Negatives > Positives

Too much risk is involved for a firm engaging in transactions in a destabilized region.

How Should Managers Consider This?

Clear Stance

Managers need to take a clear stance so that employees and shareholders can identify with their leaders in these times of crisis.

Commitment to Peace

Long-term effects of peace (economic growth & prosperity) can be a guiding principle in response to conflict for overall societal gain.

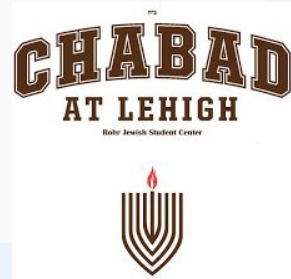


Watch Trends

Evaluate consumer and market trends in spending based on war-time conditions.

Give Support

Support charitable organizations helping impacted populations avoid hardship.



**Discuss with your
neighbor your
thoughts.**

Future Conversation

- How individuals and companies stand against or for the war and military spending will determine the future of conflict?
- How long will pro-war supporters last in their beliefs? How much human cost would it take to change pro-war supporters' minds?
- Where do our leaders (globally, locally) policies lie on the ongoing conflicts in Europe/Middle East?
- Is it ethical to invest in pro-war stocks/industries while lives are being lost?

Thank you!

Appendix

<https://www.euronews.com/2023/04/24/europes-military-spending-soars-fuelled-by-ukraine-war>
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