

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

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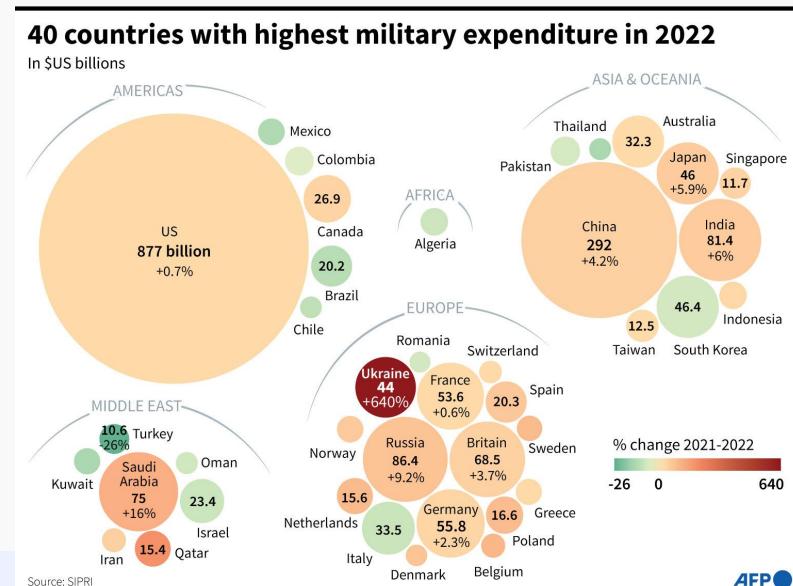
# Background

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

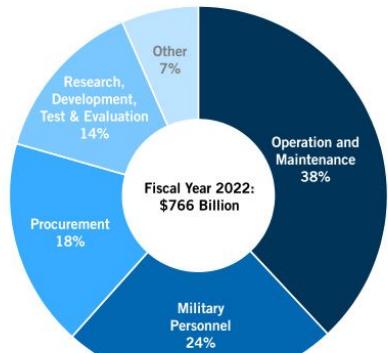


# Economic Benefits to Increased Spending

- 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.

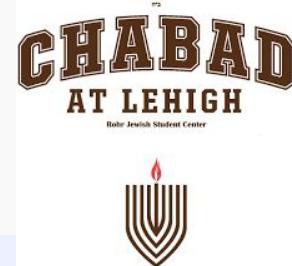


## Watch Trends

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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