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GLOBAL ECONOMIC CONSEQUENCES OF THE MILITARY-POLITICAL CRISIS IN UKRAINE

Introduction. Economic growth will slow down significantly. The global industrial sector will be affected by worsening economic forecasts and sharp changes in energy prices. However, global supply chain issues are expected to ease, helping to ease the global manufacturing sector.

Problem. Companies will face a volatile and challenging business environment given the various economic challenges. High inflation and economic instability will hold back consumer spending.

The aim of the article is to install the impact of the global economic environment on economies, cities, businesses, and consumers.

Methods. The methodological basis is general and special methods, including systematic approach, statistical and economic-logical methods.

Results. In 2022, the world economy experienced another serious shock – Russia's large-scale invasion

ГЛОБАЛЬНІ ЕКОНОМІЧНІ НАСЛІДКИ ВОЄННО-ПОЛІТИЧНОЇ КРИЗИ В УКРАЇНІ

Вступ. Економічне зростання значно сповільниться. Світовий промисловий сектор постраждає від погіршення економічних прогнозів і різких змін цін на енергоносії. Очікується, що проблеми з глобальним ланцюгом поставок зменшаться, що сприятиме розслабленню глобального виробничого сектору.

Проблема. Компанії зіткнуться з нестабільним і складним бізнес-середовищем через різні економічні труднощі. Висока інфляція та економічна нестабільність стримують споживчі витрати.

Метою статті є встановлення впливу глобального економічного середовища на економіку, міста, підприємства та споживачів.

Методи. Методологічною основою є загальні та спеціальні методи: системний підхід, статистичні та економіко-логічні методи.

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of Ukraine. In addition to the global impact of the COVID-19 pandemic, the war has led to severe disruptions in energy and food supplies, causing a global spike in inflation. This has led not only to a worsening of the outlook, with global real GDP growth expected to slow, but also to an entirely new economic reality that businesses and consumers will face, characterized by a host of challenges, risks, and crises that will lead to uncertainty.

Conclusions. The war in Ukraine and broader geopolitical tensions pose a key risk to economic growth in 2023. The world economy is facing a new reality amid conflict, high inflation, and rising interest rates; the labor market remains tight; pressure on commodity prices will ease, but risks of increased volatility and supply disruptions remain; global supply chains are expected to recover in 2023 despite existing risks.

Keywords: economy, business, consumers, world, global economic environment.

Результати. У 2022 р. світова економіка пережила ще один серйозний шок – широкомасштабне вторгнення росії в Україну. Крім впливу пандемії COVID-19 у всьому світі, війна призвела до серйозних збоїв у постачанні енергоносіїв і продовольчих товарів, що спричинило глобальний сплеск інфляції. Це не лише погіршило прогнози, коли глобальне зростання реального ВВП, як очікується, уповільниться, але й зумовило нову економічну реальність з безліччю проблем, ризиків і криз, що призведуть до невизначеності.

Висновки. Війна в Україні та геополітична напруженість у ширшому плані становлять ключовий ризик для економічного зростання у 2023 р. Світова економіка стикається з новою реальністю на тлі конфлікту, високої інфляції та зростання процентних ставок; ринок праці залишається напруженим; тиск на ціни на сировинні товари зменшиться, але ризики підвищення волатильності та перебоїв у постачанні залишаються; очікується, що глобальні ланцюжки поставок відновляться у 2023 р., попри наявні ризики.

Ключові слова: економіка, бізнес, споживачі, світ, глобальне економічне середовище.

JEL Classification: F51, H83.

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Introduction. Economic growth will slow significantly in 2023. Companies will face a volatile and challenging business environment given the various economic challenges. High inflation and economic instability will hold back consumer spending. According to forecasts, the global industrial sector will be affected by worsening economic forecasts and sharp changes in energy prices, and the growth of energy-intensive industries will slow down. However, global supply chain issues are expected to ease, easing the global manufacturing sector.

Problem. Global economic growth will slow down significantly in 2023, though emerging markets will provide some relatively bright spots. Inflation is expected to moderate, but will remain high. Coupled with tightening financial conditions, these factors are set to undermine business and consumer confidence. Companies will face a volatile and challenging business environment in 2023, given the various economic headwinds. After a record low level in 2022, the unemployment rate is expected to rise again in advanced economies in 2023, owing to economic slowdown. Labour markets will remain tight, as structural changes will continue to drive labour and skills shortages. High inflation and economic instability

will curb urban consumer spending in 2023, as people will continue directing more of their incomes to cover necessities, such as food and utilities. This will challenge those cities where the local economy heavily depends on leisure, recreation and accommodation services. Prices of most commodities are forecast to continue retreating from the highs reached in the aftermath of the post-pandemic demand spike and Russia's invasion of Ukraine. However, these forecasts are subject to numerous risks, including an escalation of the war in Ukraine, supply and demand imbalances, adverse weather conditions and potential energy price shocks. A worsened economic outlook and energy price shocks are forecast to weigh on the global industrial sector in 2023, with energy-intensive industries witnessing slower growth. However, global supply chain problems are expected to ease in 2023, providing relief to the global manufacturing sector.

Analysis of recent research and publications. Theoretical and practical problems of trends in the global economy are revealed in the works of many researchers. N. Buryennikova [1] researches the economy of the enterprise, benchmarking in the context of activity performance modeling and multidimensional ranking. I. Panova, V. Stepanenko [2] research the creative economy. Kh. Patytska [3] explores the economy of care. R. Skrynkovskyy, Yu. Tyrkalo [4] claim that the effective use of labor resources affects the economic state of the state and the well-being of society in general. N. Chechetova, N. Kondratenko, N. Lelyuk [5] consider the prospects for the development of the economy through the involvement of representatives of the silver generation in the business, taking into account their extensive practical experience and qualifications, with the aim of revitalizing and, in a certain period, restoring the economy of the regions. Ye. Savelyev, V. Kurylyak [6] claim that in modern conditions, no country is able to ensure sustainable economic development without expanding its participation in international processes of the division of labor and cooperation. K. Fokina-Mezentseva, A. Sayun [7] study the modern world economic system, which is characterized by the global influence of information technologies, the electronic and digital economy. A. Tymkiv [8] examines the digital economy and touchless economy through new opportunities for an inclusive society. N. Horbal, Y. Lomaha [9] claim that rethinking the linear system of production and consumption, cross-industry integration, state support for circular initiatives, reducing harmful emissions into the environment, investing in circular projects, and implementing recycling and reuse systems – all these measures should be implemented, which will improve the ecological state of the environment, encouraging social initiatives and raising the standard of living. I. Dobroskok, V. Penkovskiy, Ya. Yatsenko [10] research behavioral economics and claim that globalization of business, increased competition, and the increased role of the consumer in the formation of demand for services impose new requirements on the management system of enterprises

and the use of strategic management and marketing tools to achieve competitive advantages and long-term success.

The aim of the article is to install the impact of the global economic environment on economies, cities, businesses, and consumers.

Methods. The information basis is included official information and periodicals. The methodological basis is general and special methods, including systematic approach, statistical and economic-logical methods.

Results. Businesses and consumers will face a challenging economic setting in 2023. Sharply reduced purchasing power and a rapidly changing interest rate environment will further dampen confidence amidst a global economic slowdown. Although bright spots exist, the outlook is highly uncertain. This is due to rising geopolitical tensions that could result in immediate economic shocks, while also raising the potential of broader shifts in global trade.

2023 year is predicted to be year of overcoming difficulties. According to Euromonitor investigation [11] 79 % of 1 209 cities across the world are forecast to record slower real disposable income growth year-on-year in 2023 (*Figure 1*).

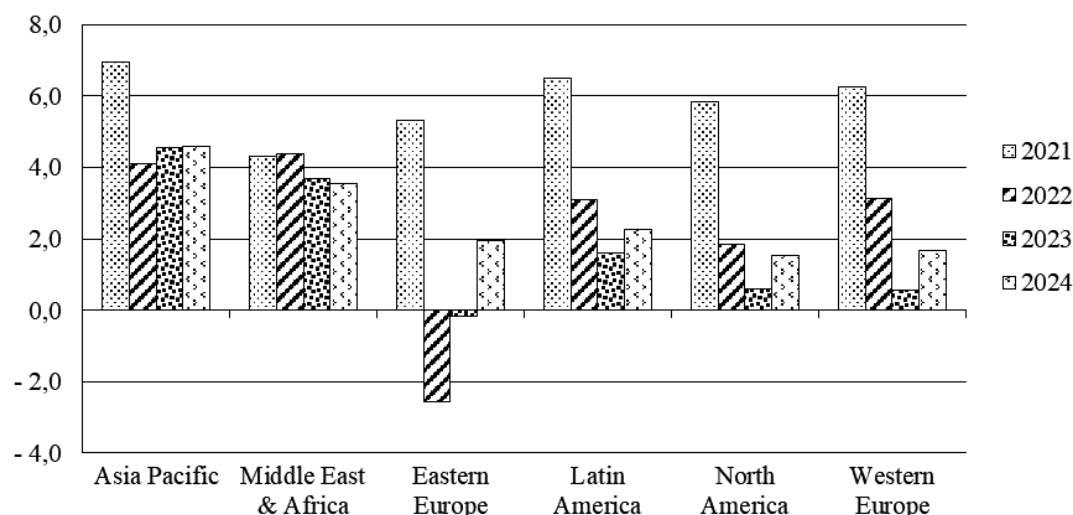


Figure 1. Real GDP Growth by Region, 2021–2024 [11]

Data of the chart means that 2023 will be difficult for economies for regions that have any connection to Ukraine and regions that suffers the most because of war in Ukraine. In the same way, 2024 is predicted to be the year of recovery. In 2022, the global economy saw yet another major shock, with Russia's large-scale invasion of Ukraine. In addition to the waning but still ongoing impact of the *COVID-19* pandemic globally, the war has led to severe supply disruptions in energy and food commodities, thereby sparking a global inflation surge. This has not only led to a deteriorating outlook, with global real GDP growth expected to slow to 2.3 % in 2023, but to a whole new economic reality that businesses and consumers

will face, characterised by a multitude of challenges, risks and crises that result in unusually high uncertainty. Hence, we can predict high inflation for these regions that suffers more (*Figure 2*).

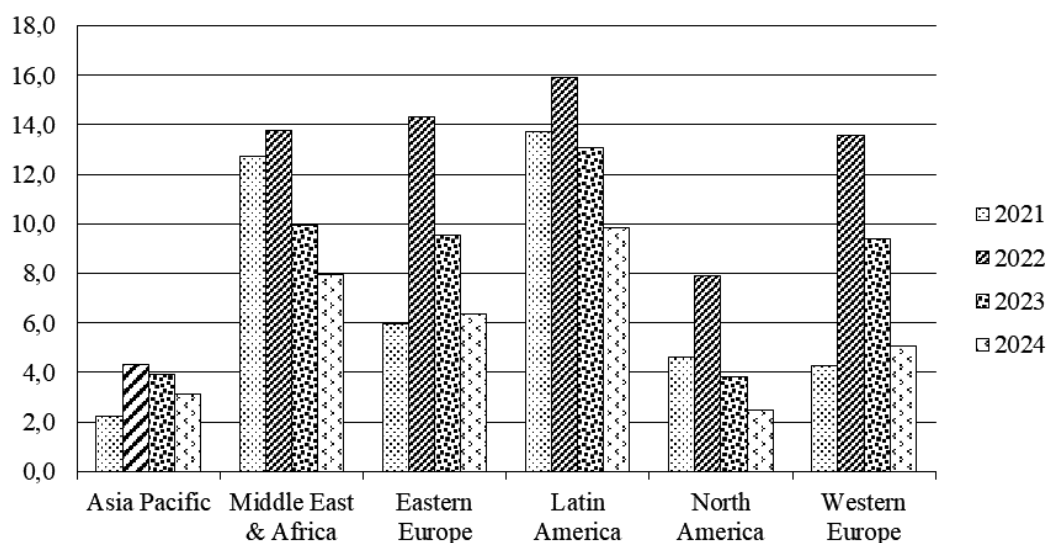


Figure 2. Consumer Price Inflation by Region, 2021–2024, % [11]

Advanced economies are forecast to grow by 0.7 % in 2023. Recession risks in the US and Europe will be driven by persistent inflation and rapidly changing interest rate environments, as central banks tighten their monetary policies to tame price rises. Emerging and developing economies are expected to record a stronger performance in 2023, with 3.7 % growth. India's economy will stand out in particular, forecast to surge by 6 %, backed by rising domestic demand. Although China will see an increase of 4.7 %, uncertainties remain around its zero-COVID policy and rising structural weaknesses in its economy.

High inflation and economic instability will curb urban consumer spending in 2023, as people will continue directing more of their incomes to cover necessities such as food and utilities. This will challenge those cities where the local economy heavily depends on leisure, recreation and accommodation services, with tourism-focused cities such as Athens and Bangkok feeling the pressure of reduced inbound consumer spending.

Investigating the industries that will be base of business recovery, pharmaceuticals is forecast to be the fastest growing industry in 2023, with 2.4 % real growth (*Figure 3*). Food and beverages is forecast to remain the largest manufacturing industry, with global production value reaching USD 8.2 trillion in 2023. Energy-intensive sectors (chemicals, metals, mineral products) forecast to show <1 % real growth in 2023. 50 % of companies plan to increase investment in IoT and production automation tools. Asia Pacific forecast to drive manufacturing sector growth in 2023; production value is forecast to expand by 3.4 % in real terms, to USD 29 trillion.

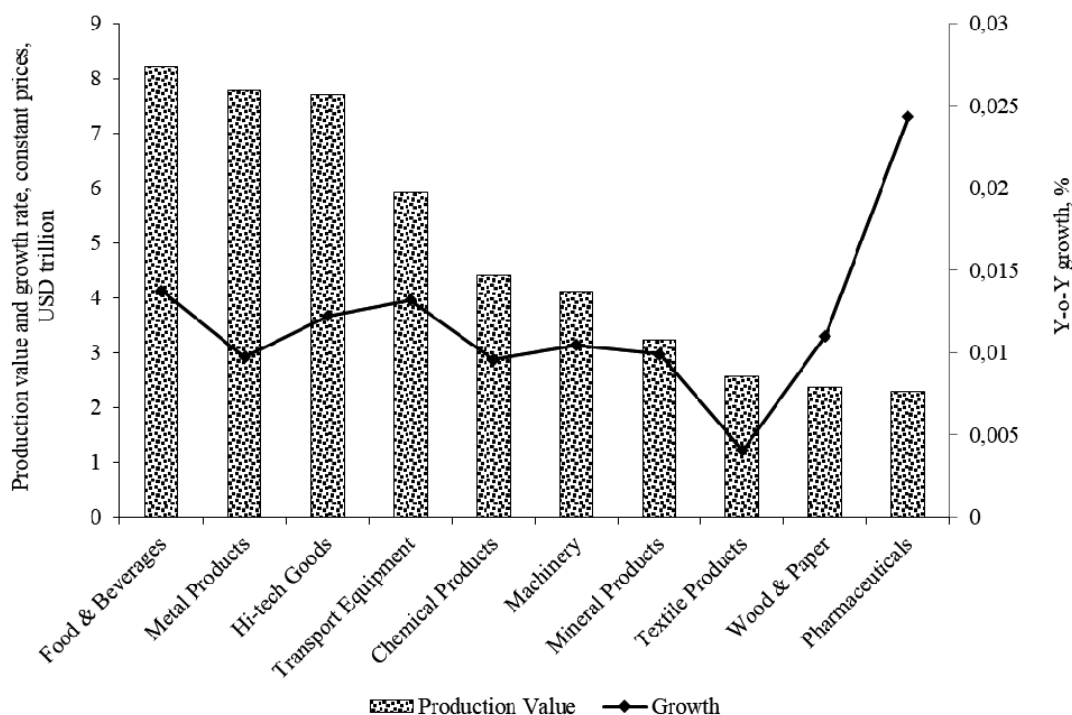


Figure 3. Largest Manufacturing Industries Globally in 2023 [11]

Energy price growth is projected to ease in 2023, amid softening global energy demand, but scarcity of natural gas supplies, owing to the war in Ukraine, is set to keep gas prices elevated, hitting Europe particularly hard. Insufficient gas supply and energy insecurity are also set to drive demand for coal in the short term, translating into higher coal prices. Meanwhile, the Russian oil price cap and ban, and the OPEC+ decision to cut oil output may lead to reduced global oil supply, pushing up oil prices.

In 2023, high costs, economic slowdown and geopolitical instability are set to take a toll on capital spending by businesses and governments, translating into weaker metal demand, thus limiting price growth. Potential supply disruptions, the ramifications of the war in Ukraine and China's reopening could increase volatility in the metal market and in prices. In addition, high energy prices and limited energy availability could drive up metal production costs and lead to global metal output cuts.

Food price inflation is set to remain on a downward slope; however, poor weather conditions due to the persisting La Niña pattern and climate change effects, as well as high input costs, agrifood export protectionism and war-related supply disruptions are major risks that could undermine global food supplies and push up prices in 2023. Potential price spikes and shortages of energy could also lead to lower output of energy-intensive fertilisers, translating into higher prices and potential shortfalls of agrifood products.

The global business environment will remain challenging in 2023 for business dynamics. Higher interest rates will undermine companies' access to finance. Geopolitical risks continue to confront multinationals' global

strategies. Unemployment rates may rise again, but the labour market will stay relatively tight. Opportunities will arise for digitalisation, supply chain diversification and adaptive work cultures that foster productivity and attract talent (*Figure 4*).

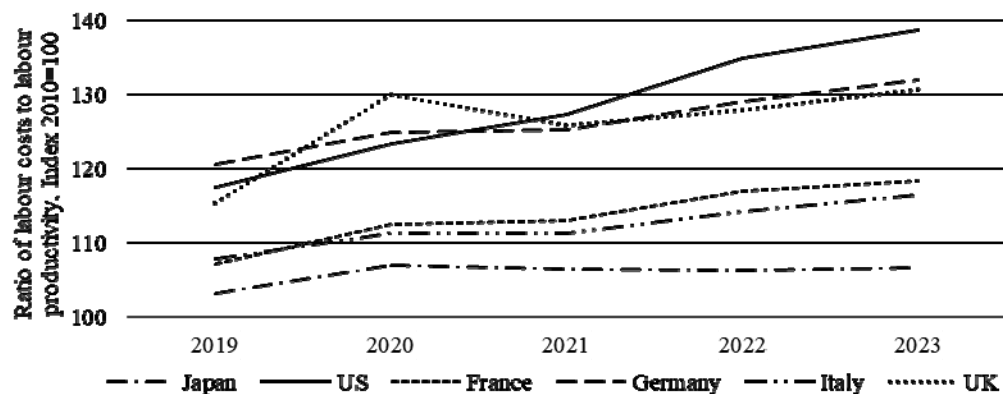


Figure 4. Unit Labour Cost in Selected Advanced Economies 2019–2023 [11]

Investments in digital and production automation tools require financial, time and managerial resources, although final return on investment is difficult to measure. By implementing smaller-scale projects, companies can reduce the uncertainty, test new tools with minimal risks and later implement successful ideas on a broader scale. Digital tools can help to improve internal communication and information exchange within a company and its clients. Improved internal communications enable better collaboration between employees and faster information flows which is crucial during times of emergencies [12].

Labour shortages in a wide range of skilled and unskilled occupations have been an issue for businesses and global supply chains, following the outbreak of the *COVID-19* pandemic. The number of job vacancies has surged in many advanced economies since 2021, most notably in the US and the UK, while companies face difficulties filling them. Many factors have contributed to this, including workers' health concerns that kept them out of the labour force, a decline in immigration and workers' changing preferences, which caused a «Great Resignation» trend.

Entering 2023, the impact of these near-term pandemic-related factors will ease and economic slowdown could slow demand for workers; however, several existing structural changes are expected to keep the global labour market tight. Among the main issues are the rapid ageing of workforces in advanced and some large emerging markets, as well as political and other risks to labour force migration, thus restricting overall labour supply.

Tight labour market will continue to push up nominal wage growth, particularly in advanced markets, adding to inflation risks and pressures on companies' operating costs. Growth in wages in low-pay sectors that is linked to labour market tightness will have a positive impact, however, as it

can help reduce income inequality in some countries. Overall, businesses in 2023 will continue to face the challenges of attracting and retaining workers, prompting the need for more investment in human capital, organisational adjustment and productivity enhancement.

After two years of turmoil caused by the global pandemic, supply chain pressures are forecast to finally ease in 2023. A number of risks, including China's zero-COVID policy, rising energy prices and increased geopolitical risks, continue to cloud the swift recovery of global supply chains. Nevertheless, improved production capacity, restored inventory levels, increased transportation capacity and generally weaker demand growth, due to a slower economic performance in 2023, are all predicted to help rebalance demand and supply, and ease supply chain problems.

The Logistics Managers Index, which tracks transportation, warehousing capacity and inventories, continued to improve in Q3 2022, indicating easing pressures across the global supply chains.

Additional shipping capacity is also expected to help reduce transportation costs in 2023 and ease supply chain problems. According to BIMCO, an association of ship owners and shipping agents, around 2.1 million TEUs will be added to global shipping capacity in 2023. This, in turn, will help to cap prices of water transport services and ease global trade.

Conclusions. The global economy faces a new reality amid conflict, high inflation and rising interest rates. The war in Ukraine and geopolitical tensions more broadly represent the key risk to economic growth in 2023. This is due to the potential for additional supply shocks, which could prolong the period of high inflation and further increase the likelihood of a global stagflation scenario. Escalating tensions could set in motion an accelerated restructuring of global trade flows, or a globalisation reset.

For today perspective we predict such trends in global economy for 2023 that suffers of war in Ukraine: the global economy faces a new reality amid conflict, high inflation and rising interest rates; labour market remains tight, keeping pressure on wages, supply chain and inflation; high inflation to subdue urban spending in 2023, despite resilience in emerging markets; commodity price pressure to ease, yet risks of higher volatility and supply disruptions persist; global supply chains expected to recover in 2023 despite the existing risks.

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