

Ukraine: A Year of War

This week marks a year since Russia's President Vladimir Putin invaded Ukraine, an event that pushed the global economy into a series of geopolitical and economic shocks, the consequences of which will have long lasting effects. Due to either triggering a sharp increase in global energy and food prices, potentially fueling deglobalization, or encouraging a marked expansion in Europe's defence budgets, Russia's war against Ukraine is not likely to be remembered as the end of an era but rather the beginning of a new one.

By demonstrating a level of determination and unity, the West has succeeded in defying all doomsayers in ways that few would have expected. Although being particularly costly for Europe, the package of sanctions that Western countries have implemented against Russia has been unprecedented and has clearly undermined the country's long-term growth prospects. Its national industrial capacity is enduring a severe hit from the disruption of its supply chains and the replacement of key equipment for technologically less advanced alternatives. However, the war has also unveiled the need to address structural weaknesses among Western alliances. This is even more the case as Russia is strengthening its relations with the East and redefining global partnerships.

A significant amount of capital will need to be invested to fund the numerous challenges that lie ahead, especially those related to energy security and supply chain resiliency. On the positive side, this should trigger a new investment super cycle and confront the secular stagnation argument that has gained steam in the last decade. However, with developed economies experiencing an economic slowdown, policymakers should not waste the political impetus created by the war to take the necessary decisions to prepare their economies for the challenges of this new era.

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