

URN NETWORK



War & Business PT.2

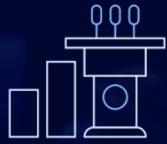
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The UBN Network membership offers

UBN Network membership is available to Ukraine Business News readers



4 LIVE EVENTS IN KYIV / YEAR

- Discussions with panellists from different sectors, with 80-100 attendees
- Macroeconomic, political, and business briefing, including best management practices
- Forum for in-person networking and live benchmarking of issues and expectations



RESEARCH REPORTS AND SURVEYS

- 4 Benchmarking Surveys focused on Budgeting, Talent Management, Channel Management, Digitization, etc...
- 4 quarterly reports on Ukraine's political, economic, and business outlook
- Monthly reports with macroeconomic forecasts for Ukraine, as well as analysis for the broader region and global markets



NETWORK AND INSIGHTS

- Ad hoc webinars and two analyst briefings for your company with our in-house Ukraine expert
- Facilitation of introductions and relationship-building in the Ukraine business community

Please do not hesitate to contact us if you have any questions

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FIRST PANEL

WAR & UKRAINE



OLHA STEFANISHYNA

Deputy Prime Minister for European and
Euro-Atlantic Integration

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MARK'S BIO

- Former Managing Director of Europe at FrontierView, specialising in CIS Markets.
- Published articles with Harvard Business Review, interviewed on tv/in print by the BBC, Bloomberg, Forbes, Wall Street Journal, MSNBC, and Intellinews.
- Taught courses on counterterrorism to CIA/FBI agents at the US Army Combating Terrorism Center
- Taught a course on Investing in Emerging Markets at the London Institute of Banking & Finance (LIBF)
- Interned for ex-US Secretary of State Madeline Albright
- Holds an MA in Eastern European & Eurasian Studies from John Hopkins SAIS; BA in History and Theology from the University of Notre Dame





War & Business PT.2

MARCH 15 · PARKOVY CONVENTION CENTER

2024-26

MACROECONOMIC OUTLOOK

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What do you do?

A friend is driving too fast and hits a pedestrian. You are a passenger in the vehicle. If you lie and say he wasn't driving too fast, he won't go to prison.

What do you do?

Agenda

- Key Take-Aways
- Survey Results
- Global Strategic Macroeconomic Outlook
- Ukraine Strategic Macro Outlook
- Ukraine Market Dynamics
- The War: Scenarios & Implications

Key Take-Aways

- Global growth continues to beat expectations, but also not reviving this year, next year, or thereafter
- Inflation has slowed, but remains elevated, weighing on demand
- Ukraine will be at a considerable disadvantage in the war for most this year, though can turn the tide in 2025
 - *No major change in the line of contact expected this year*
- Ukraine's economy remains resilient, but has moderated

Survey Results

2023 Top- and Bottom-Line Sales

Most companies successfully hit their targets in 2023

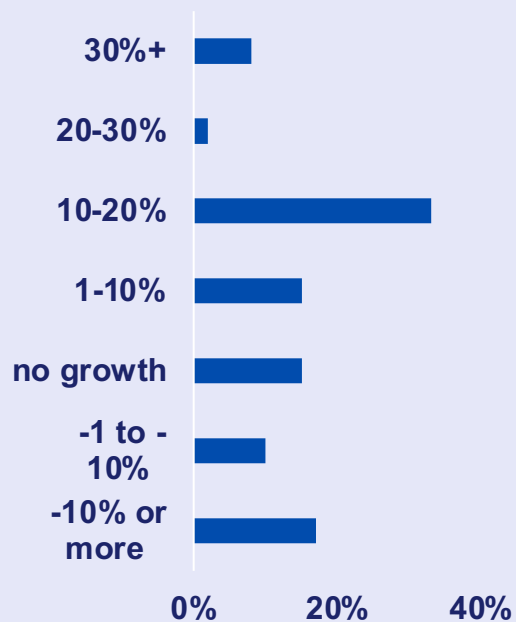


2024 Top-Line Targets

Businesses are mildly positive about sales performance this year

- ~60% of the market is expecting some level of growth (but ~40% not)
- 63% of businesses are generally confident they can hit their targets

What is your budgeted top-line target for 2024?



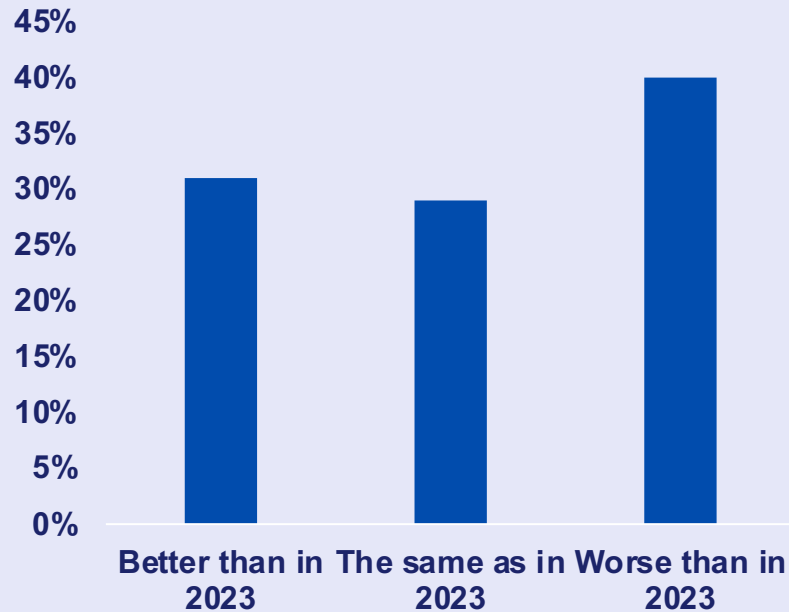
How confident are you that you will in fact achieve budgeted sales targets in 2024?



Business Environment and Investment Plans

Despite some pessimism related to the business environment, firms are continuing with investments

For 2024, I think the overall business environment will be...



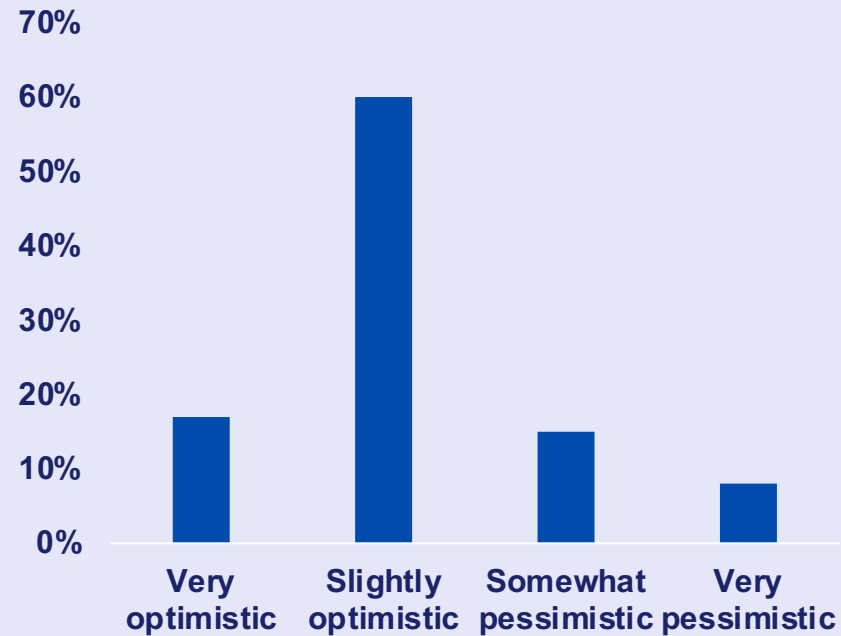
What best describes your company's position in Ukraine for 2024?



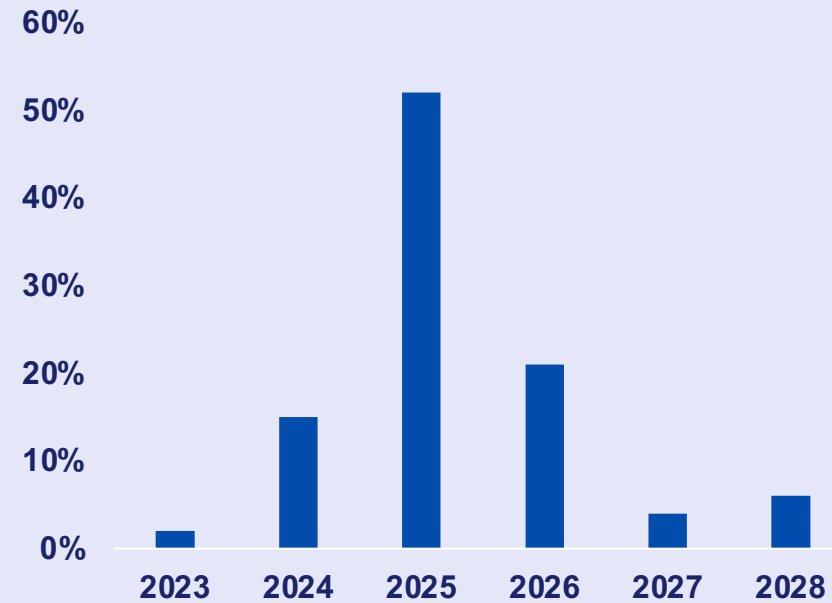
Longer-Term View of the Market

Uncertainty reigns in the market, though considerable optimism exists for the long term

My view over the medium and long term for the business is...



When do you think the war will be over?





Global Strategic Macro Outlook

Strategic Considerations

- Don't underestimate this historical moment: most important global event in 30+ years
 - War in Europe, protracted high inflation, political instability, China's rise
 - Transition to new multi-polar world will be unpredictable and worrying in defining new red lines
 - Witnessing the real collapse of the Soviet Union, which was a process (not a moment)
 - Need a transformation of Russia's political culture and politics
 - This is de-colonization, like empires of the past
 - Putin/Putinism to endure for some time
 - Elites more worried of state collapse from Putin's exit than from his continued rule
 - Putin successors faced with decision: become partner of the West or slave of China
 - China gradually taking a global leadership role?
 - Global Divergence: Democratic world vs. Authoritarian world?
 - Energy market transformation
-

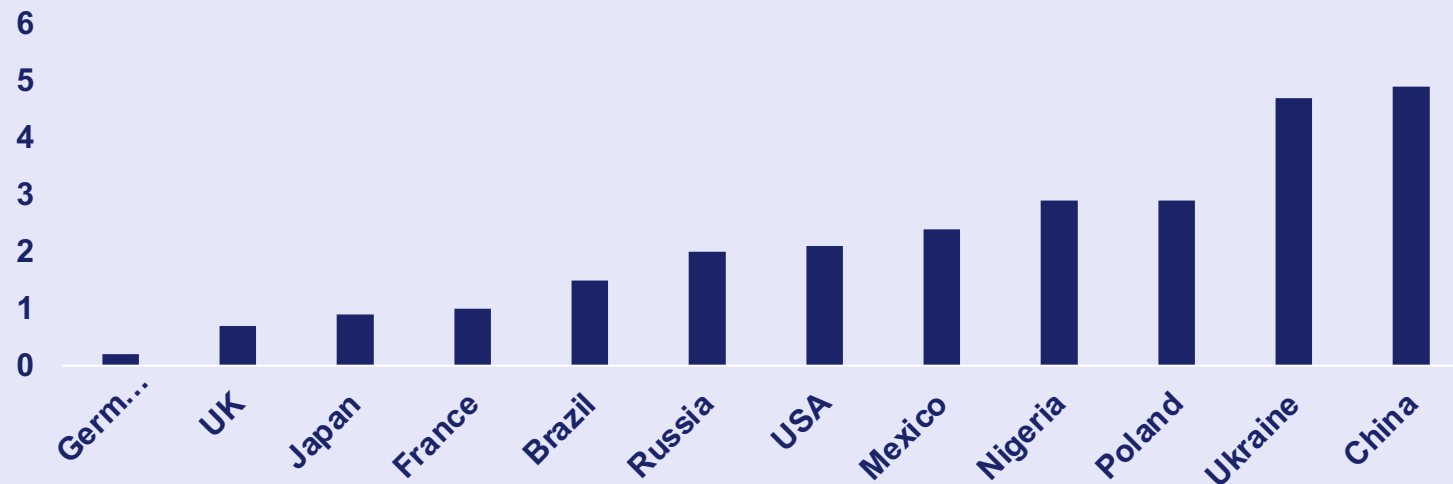
Growth in 2024-2026 will remain relatively flat compared with 2023

Global growth, % YOY

2021	2022	2023	2024f	2025f	2026f
6.0	3.3	3.0	2.9	3.1	2.8

Lingering effects of inflation and high interest rates will weigh on growth this year

2024 Real GDP Growth Forecasts

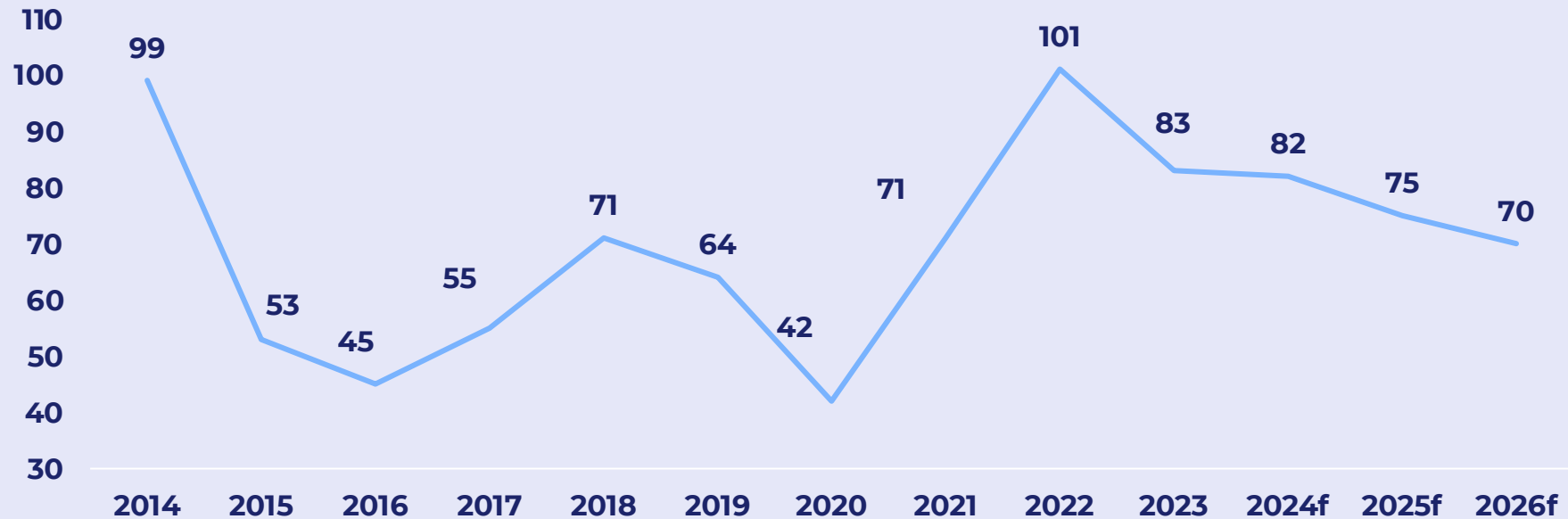


Why should Ukraine care?

- Ukraine's growth rate is more appealing than most markets
- Weaker China and lower commodity prices hurt investment in emerging markets

Elevated commodity prices slowing after 2024

Oil prices will gradually return towards ~\$60/bbl in the coming years



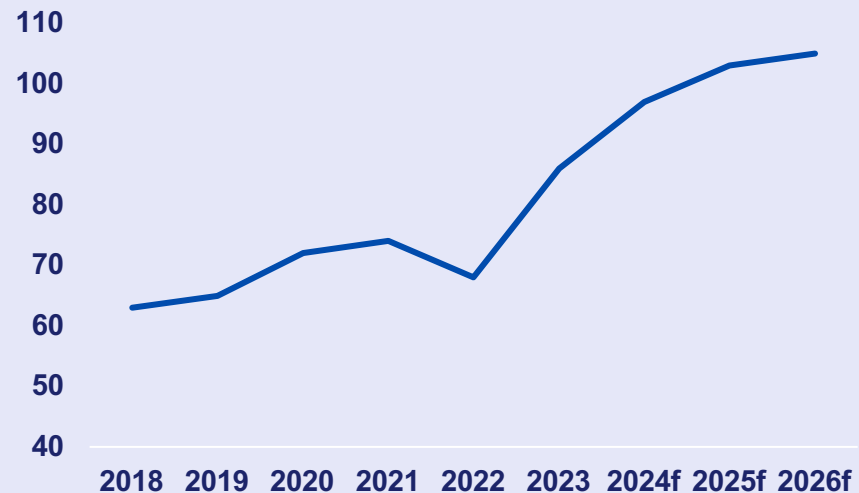
Why should Ukraine care?

- Falling oil (and food) prices limit costs, which is critical as labor costs rise
- Russia's financing for the war is limited, as Western support picks up

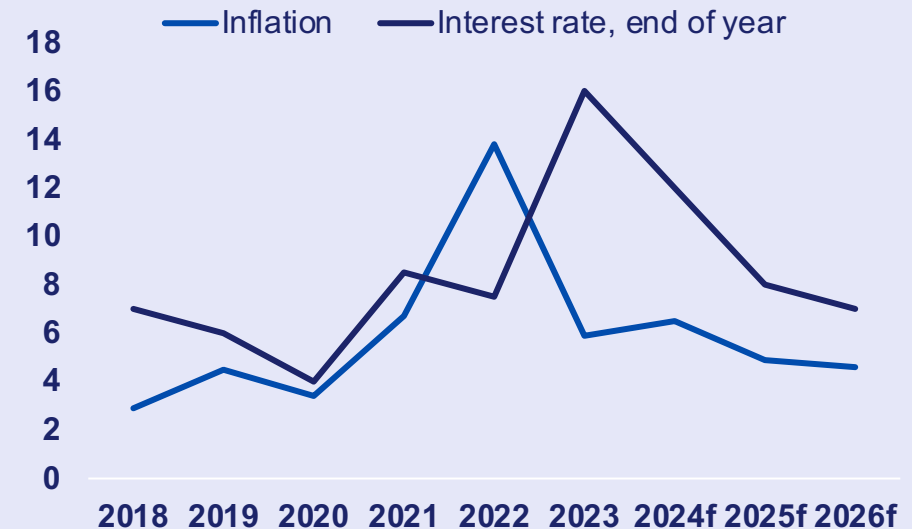
Russia: Long-term deterioration setting in

- Russia's short-term resilience is over, permanent decay of economy begins
 - 2024-2027: Average 1% growth, ruble 100+ to the US\$, elevated inflation, high interest rates
- Financial sanctions from December having an impact

Further ruble weakness is inevitable in the coming years
USD:RUB



Rising inflation and higher interest rates will weigh on lending, investment, and demand



Why should Ukraine care?

- Russia will have to manage an economic crisis in the coming months



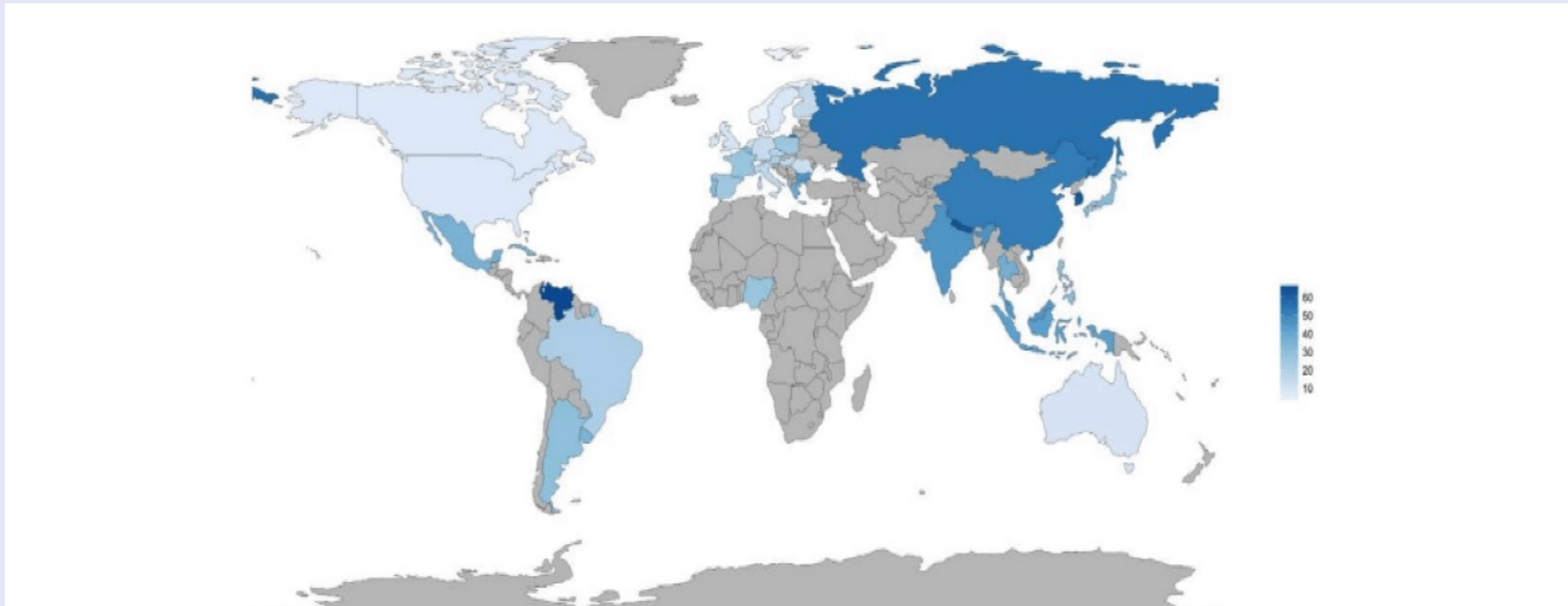
Ukraine Strategic Macro Outlook

What do you do?

A friend is driving too fast and hits a pedestrian. You are a passenger in the vehicle. If you lie and say he wasn't driving too fast, he won't go to prison.

What do you do?

Passenger's Dilemma



Darker shades lie for (i. e., help) their friends (% of people)

Long-term Outlook: Corruption & Reforms

- **Corruption and Business Environment**
 - Bribery vs. Corruption
 - **Question: Is the bribery environment better now than 10 years ago?**
 - Oligarchs are networks/systems, not people
 - Comprehensive reforms across all institutions required
 - *Additional problem of lack of resources*
 - In the end, corruption becomes formalized, standardized, institutionalized

- **Question: Will the corruption environment will be better in next 3 years?**

- **Joining EU/NATO**
 - Yes, but journey is more important than the end result

Long-term Economic Outlook

For most robust reconstruction, Ukraine needs:

- **Security guarantees**
 - Investment guarantees
- **Russia's FX reserves as a foundation for public/private financing**
 - Ukraine will require roughly around US\$ 1 trillion for reconstruction through 2030
- **Removal of capital controls**
- **Improvement in rule of law**
- **Return of refugees**

Ukraine Forecast Summary

GDP consensus forecasts average 5% growth through 2027

- Slowing of inflation, reduction in interest rates
- Mild hryvnia depreciation
- Potential for massive rise in investment and consumer spending, dependent on the war

	2021	2022	2023	2024f	2025f	2026f
GDP, %YOY	3.4	-29.1	5.0	4.7	6.0	5.8
USD:UAH (avg)	27.29	32.70	36.80	39.00	41.00	42.00
Inflation, %YOY	9.4	20.6	13.4	7.5	7.5	5.6
Consumer Spending, %YOY	7.6	-16.9	6.0	6.5	6.0	5.1
Investment, %YOY	74.4	-34.0	5.0	10.0	16.0	5.5

Ukraine Market Dynamics

What businesses are saying...

Logistical issues
at the border

Talent
shortages from
mobilization

Demand
moderating,
war weighs on
sentiment

Lack of direction from
the government on
reconstruction

“Headquarters remains
very understanding and
optimistic about the
future”

“We’re staying profitable
by cost cutting, not raising
prices”

“The best talent
recruitment strategy
is a good retention
strategy”

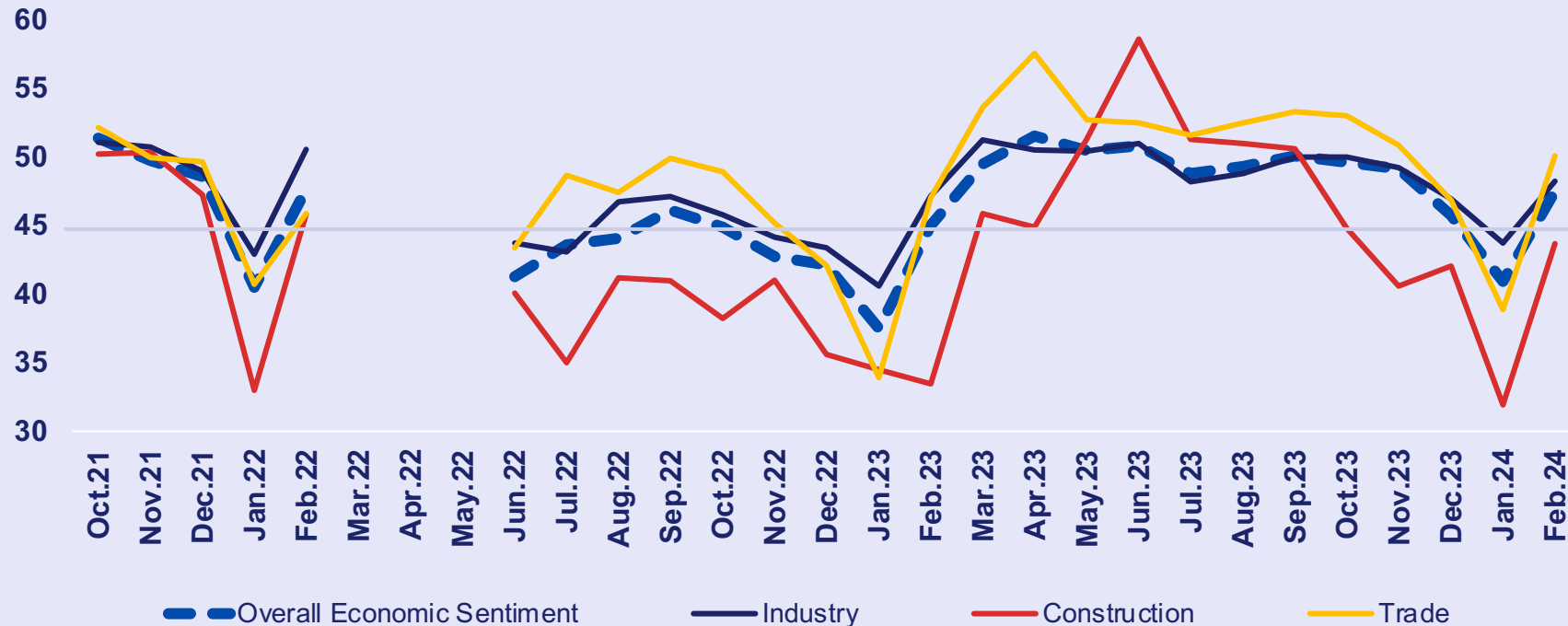
Business sentiment should pick up modestly

Economic activity moderated over the winter

- The failure of the counteroffensive, lack of Western aid has weighed on moods
- Consumers continue to drive the economy, though some weakness evident

Business sentiment also negatively influenced by seasonal factors

Business Activity Expectations Index, above 50 indicates optimism





WAR IN UKRAINE

Scenarios and Implications

US Funding Drives the Scenarios

Failure to provide aid starts the end of the US-led order

Quotes:

- “I would tell Putin: If you don’t make a deal, we’re going to give Ukraine a lot. We’re going to give them more than they ever got, if we have to”
- “Do it this way – Loan Ukraine the money”

Strong Ukraine support:

- Within the US population
- Among both Democrats and Republicans
- Heads of congressional committees

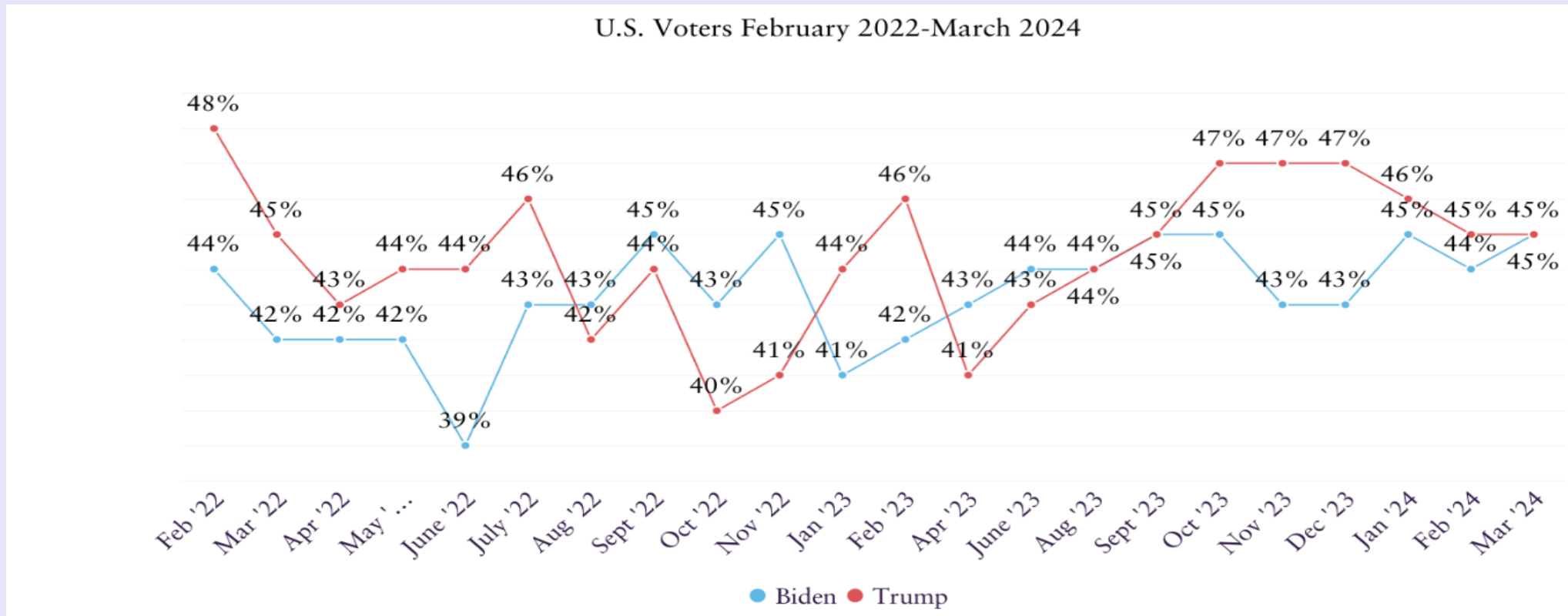
Why should Ukraine care?

- US aid is coming; but how much, when, and what sacrifice to Ukraine



Trump or Biden???

- **Too early to tell...**
 - Social issues, criminal charges, black swan events
 - 3rd party candidate spoiler?



Ukraine Reconstituting Forces in 2024

Set itself up for victory in 2025+

- *Mobilization*
- *Fortifying a Strong Defensive Line*
- *Offensive actions in Crimea/Occupied East & Russia*
- *Aid from West*

Potential to gain permanent advantages in 2025

Russia-Ukraine war scenarios thru 2025/2026

End point	Scenario 1: Russian 'victory' (Collapse of Western order)			
Likelihood	15%			
Likely timeline	Late 2024/Early 2025			
What it looks like	<ul style="list-style-type: none">• Western support cut off, likely due to a Trump presidency in the US.• Ukrainian government effectively forced to negotiate for a bad peace.• Russia seizes more territory; Ukraine turns war into an insurgency.			

Russia-Ukraine war scenarios thru 2025/2026

End point	Scenario 1: Russian 'victory' (Collapse of Western order)	Scenario 2: Ukraine 'wins', land-for-peace deal		
Likelihood	15%	50%		
Likely timeline	Late 2024/Early 2025	H1 2025 at earliest		
What it looks like	<ul style="list-style-type: none"> • Western support cut off, likely due to a Trump presidency in the US. • Ukrainian government effectively forced to negotiate for a bad peace. • Russia seizes more territory; Ukraine turns war into an insurgency. 	<ul style="list-style-type: none"> • Russia fails to capitalize on its advantages in 2024 to win the war on its terms • Ukraine seizes the initiative in 2025 permanently • Neither side can shift the line of contact decisively • Russia is forced to end the war • West provides Ukraine some form of security guarantees 		

Russia-Ukraine war scenarios thru 2025/2026

End point	Scenario 1: Russian 'victory' (Collapse of Western order)	Scenario 2: Ukraine 'wins', land-for-peace deal	Scenario 3: Frozen conflict, fighting persists at lower level
Likelihood	15%	50%	25%
Likely timeline	Late 2024/Early 2025	H1 2025 at earliest	Possible by late-2024
What it looks like	<ul style="list-style-type: none"> • Western support cut off, likely due to a Trump presidency in the US • Ukrainian government effectively forced to negotiate for a bad peace • Russia seizes more territory; Ukraine turns war into an insurgency 	<ul style="list-style-type: none"> • Russia fails to capitalize on its advantages in 2024 to win the war on its terms • Ukraine seizes the initiative in 2025 permanently • Neither side can shift the line of contact decisively • Russia is forced to end the war • West provides Ukraine some form of security guarantees 	<ul style="list-style-type: none"> • Neither side can strategically shift the war in its favor • Western aid to Ukraine wanes, Western demands for negotiations grows • Kyiv becomes willing to negotiate, while Moscow can declare a "victory" • The two sides get stuck in extended negotiations • No Western security guarantees

Russia-Ukraine war scenarios thru 2025/2026

	<i>Korea scenario</i>		<i>Israel scenario</i>	
End point	Scenario 1: Russian 'victory' (Collapse of Western order)	Scenario 2: Ukraine 'wins', land-for-peace deal	Scenario 3: Frozen conflict, fighting persists at lower level	Scenario 4: Direct Russia- NATO confrontation
Likelihood	15%	50%	25%	10%
Likely timeline	Late 2024/Early 2025	H1 2025 at earliest	Possible by mid-2024	Through 2024 and beyond
What it looks like	<ul style="list-style-type: none"> • Western support cut off, likely due to a Trump presidency in the US. • Ukrainian government effectively forced to negotiate for a bad peace. • Russia seizes more territory; Ukraine turns war into an insurgency. 	<ul style="list-style-type: none"> • Russia fails to capitalize on its advantages in 2024 to win the war on its terms • Western support allows Ukraine to seize the initiative in 2025 permanently • Neither side can shift the line of contact decisively • Russia is forced to end the war • West provides Ukraine some form of security guarantees 	<ul style="list-style-type: none"> • Neither side can strategically shift the war in its favor • Western aid to Ukraine wanes, Western demands for negotiations grows • Kyiv becomes willing to negotiate, while Moscow can declare a "victory" • The two sides get stuck in extended negotiations • No Western security guarantees 	<ul style="list-style-type: none"> • NATO and Russia are directly involved in a military confrontation, instigated by a Russian attack on a NATO country or tactical nuclear strike in Ukraine. • The West responds with an overwhelming conventional response. • Potential for a Russian nuclear retaliation in the West.

Longer-term War Outlook



- **Death of Russian Empire**

- Ukraine marks the real fall of the Soviet Union
- Last European empire to collapse since the 20th century

- **Wars of Attrition won by:**

- Higher morale
- Supply chain/logistics
- Resources???

- **What about China?**

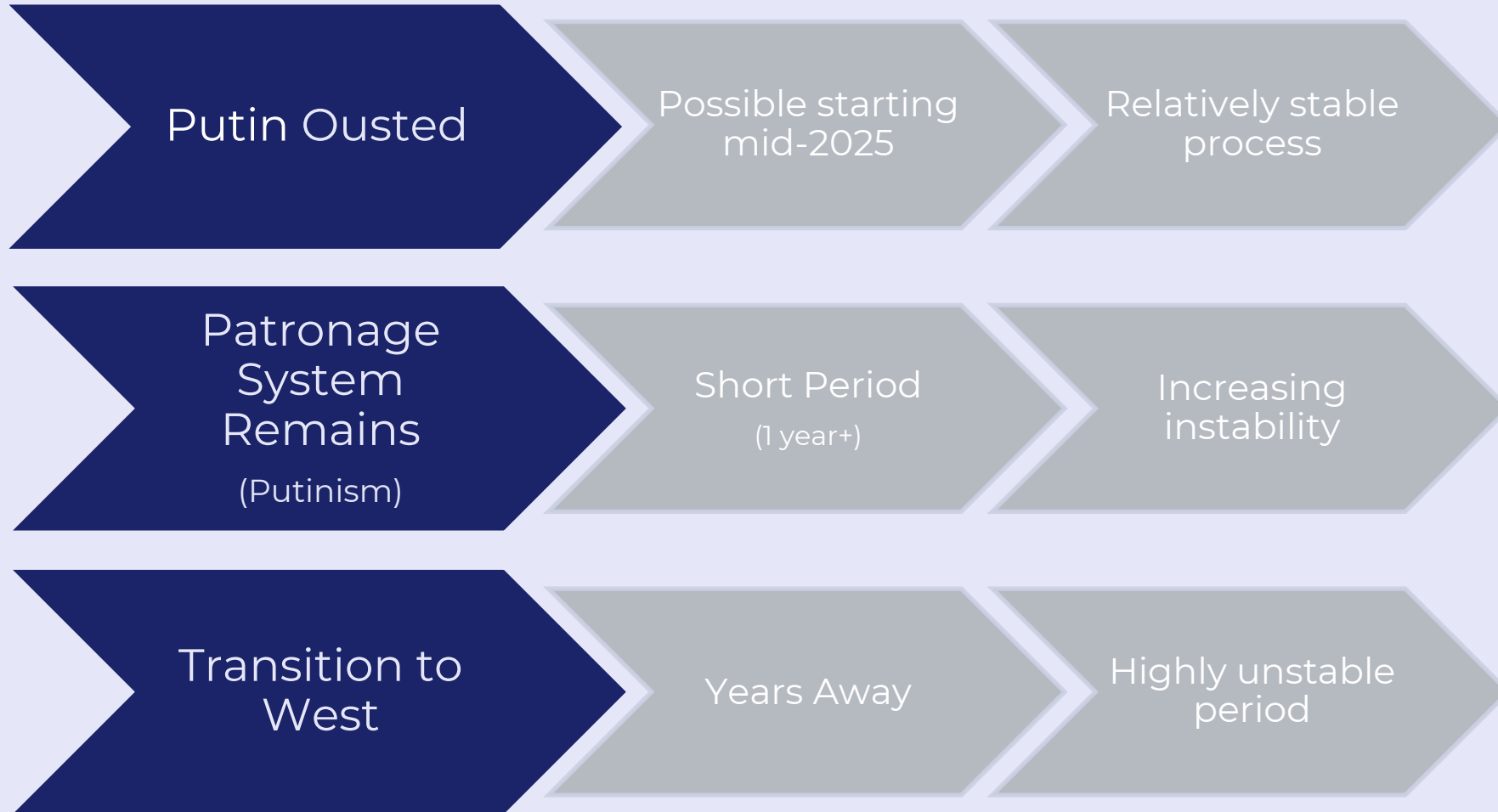
- **Question: Will Ukraine accept a Land-for-Peace deal (with security guarantees)?**

- Zelenskiy will have political difficulties in ending the fighting



Post-Putin Political Evolution Under Base Case Scenario

War only ends when the Kremlin decides to end it



Russia's Future Foreign Policy

- After failed foreign policy ventures/overextension, Russia reforms internally





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FIRST PANEL

WAR & UKRAINE



OLEKSII REZNIKOV

Former Minister of Defence of Ukraine



PAVLO NAROZHNYI

Founder of the Reactive Post (Non-Governmental Organization)

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CHYZHYKOV

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Ukrainian Chamber
of Commerce and
Industry



SERGII RUD

HR and Organizational
Development Director,
Member of the
Management Board,
Winner Group



VOLODYMYR
MONASTYRSKYY

Partner at Dentons
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