

GLOBAL RISKS REPORT 2018

FEBRUARY 2018 SUMMARY



The annual *Global Risks Report* is prepared by the World Economic Forum supported by five partners, including Marsh & McLennan Companies



Strategic Partner of the Global Risks Report

MARSH GUY CARPENTER MERCER OLIVER WYMAN



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IMPROVING THE STATE
OF THE WORLD

Insight Report

The Global Risks Report 2018 13th Edition



Commentary

- Thirteenth year of existence
- Rooted in a survey that tapped into ~880 experts from across the world
 - The change in risks related to 6 global issues and 30 regional issues predicted for 2018
 - 30 global risks plotted: economic, environmental, geopolitical, societal, technological
 - 13 trends identified that can amplify global risks
- Additional views of ~12,400 company executives on the leading risks to doing business in their country
- New thinking on cognitive biases / risk blind spots and the importance of a multifaceted view of resilience

Source: World Economic Forum, *Global Risks Report 2018*

Note: Survey response numbers differed for each question. The overall survey response total of 877 is taken from the total number of people who provided answers to section 2 of the survey

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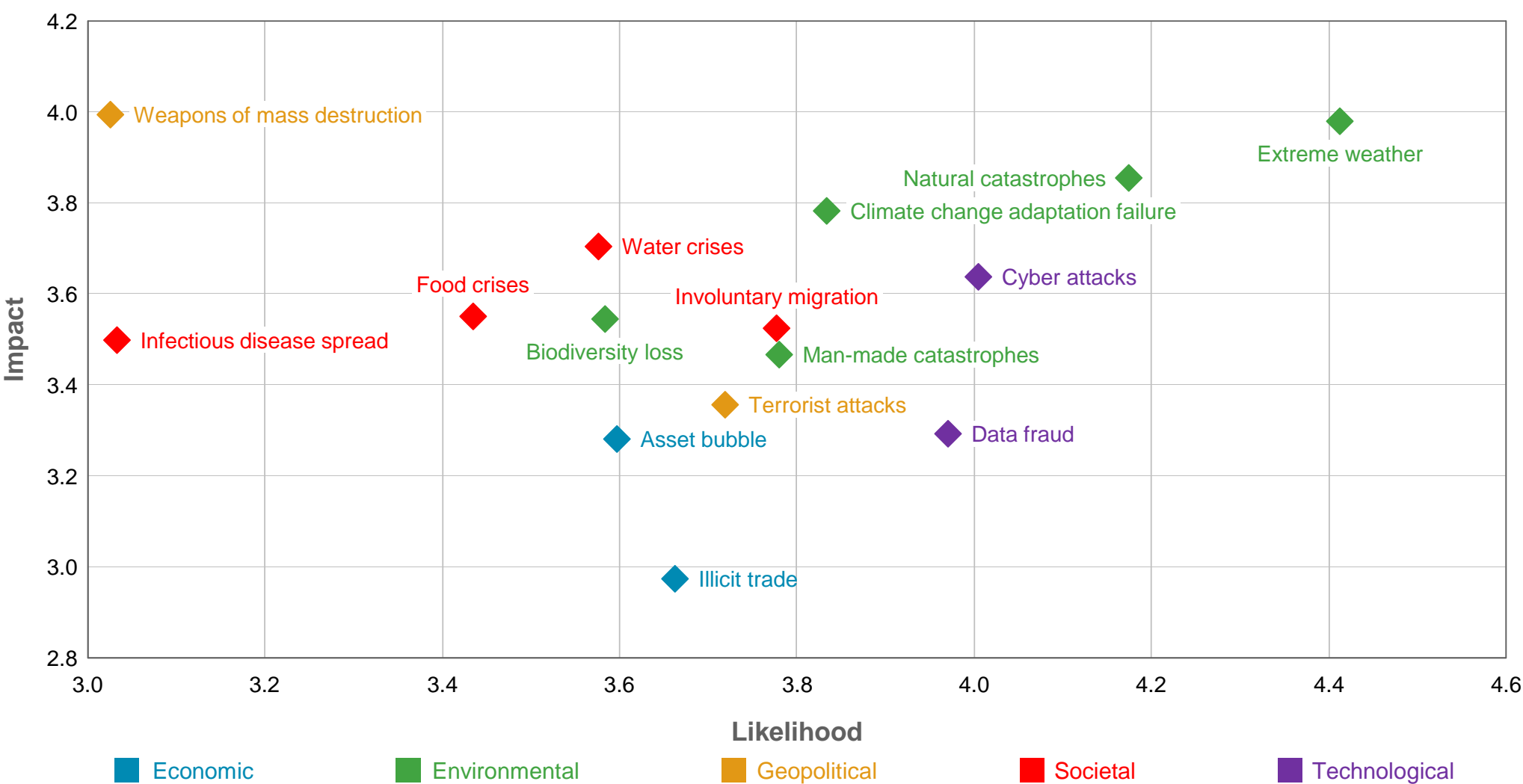
Global risks are uncertain events or conditions that could cause significant negative impact for several countries or industries within the next ten years

Global risk categories and surveyed risks

ECONOMIC	ENVIRONMENTAL	GEOPOLITICAL	SOCIETAL	TECHNOLOGICAL
<ul style="list-style-type: none"> • Asset bubble in a major economy • Deflation in a major economy • Severe energy price shock • Failure of a major financial mechanism or institution • Failure/Shortfall of critical infrastructure • Fiscal crises in key economies • High structural unemployment or underemployment • Illicit trade (e.g. illicit financial flow, tax evasion, human trafficking, organized crime, etc.) • Unmanageable inflation 	<ul style="list-style-type: none"> • Extreme weather events (e.g. floods, storms, etc.) • Climate change mitigation and adaptation failure • Major biodiversity loss and ecosystem collapse (land or ocean) • Major natural catastrophes (e.g. earthquake, tsunami, volcanic eruption, geomagnetic storms) • Man-made environmental catastrophes (e.g. oil spill, radioactive contamination, etc.) 	<ul style="list-style-type: none"> • Failure of national governance (e.g. corruption, illicit trade, organized crime, political deadlock, etc.) • Failure of regional or global governance • Inter-state conflict with regional consequences • Large-scale terrorist attacks • State collapse or crises (e.g. civil conflict, military coup, failed states, etc.) • Weapons of mass destruction 	<ul style="list-style-type: none"> • Failure of urban planning • Food crises • Large-scale involuntary migration • Profound social instability • Rapid and massive spread of infectious diseases • Water crises 	<ul style="list-style-type: none"> • Breakdown of critical information infrastructure and networks • Large-scale cyber attacks • Massive incident of data fraud/theft • Adverse consequences of technological advances

Environmental threats feature strongly among the most likely and the most damaging risks, followed by technological and societal

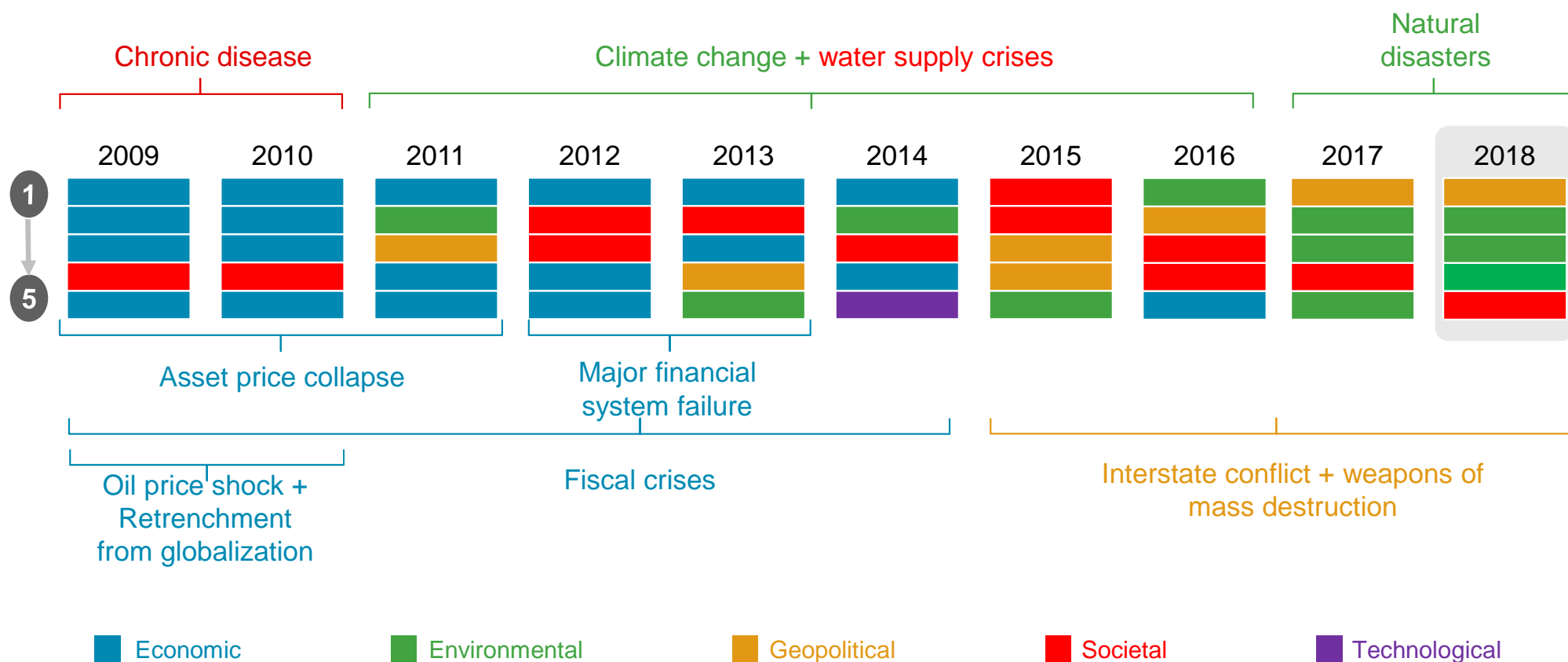
Global Risk Landscape 2018 – Top risks in terms of likelihood and impact



Note: Global Risk Perceptions Survey (877 responses worldwide): Respondents were asked to rate each risk based on its likelihood and impact on a scale from 1 to 5
Source: World Economic Forum, *Global Risks Report 2018*
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In recent years, environmental, societal and geopolitical threats have come to supplant economic risks as issues of greatest concern

Top 5 risks in terms of potential impact 2009–2018



Note: Over the ten years, the report has adjusted the list of global risks and moved risks between categories. The depiction here assigns a consistent category for risks.

Source: World Economic Forum, *Global Risks Report 2018*

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Evolving risk landscape (2009–2018)

■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Top 5 Global Risks in terms of likelihood

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1 st	Asset price collapse	Asset price collapse	Storms and cyclones	Income disparity	Income disparity	Income disparity	Interstate conflict	Involuntary migration	Extreme weather	Extreme weather
2 nd	Slowing Chinese economy	Slowing Chinese economy	Flooding	Fiscal imbalances	Fiscal imbalances	Extreme weather	Extreme weather	Extreme weather	Involuntary migration	Natural catastrophes
3 rd	Chronic disease	Chronic disease	Corruption	Greenhouse gas emissions	Greenhouse gas emissions	Unemployment or underemployment	Nat. governance failures	Weak climate change response	Natural catastrophes	Cyber attack
4 th	Global governance gaps	Fiscal crises	Biodiversity loss	Cyber attacks	Water supply crises	Climate change	State collapse	Interstate conflict	Terrorist attack	Data fraud
5 th	Retrenchment from globalisation	Global governance gaps	Climate change	Water supply crises	Ageing population	Cyber attacks	High unemployment	Natural catastrophes	Data fraud	Climate change adaptation failure

Top 5 Global Risks in terms of impact

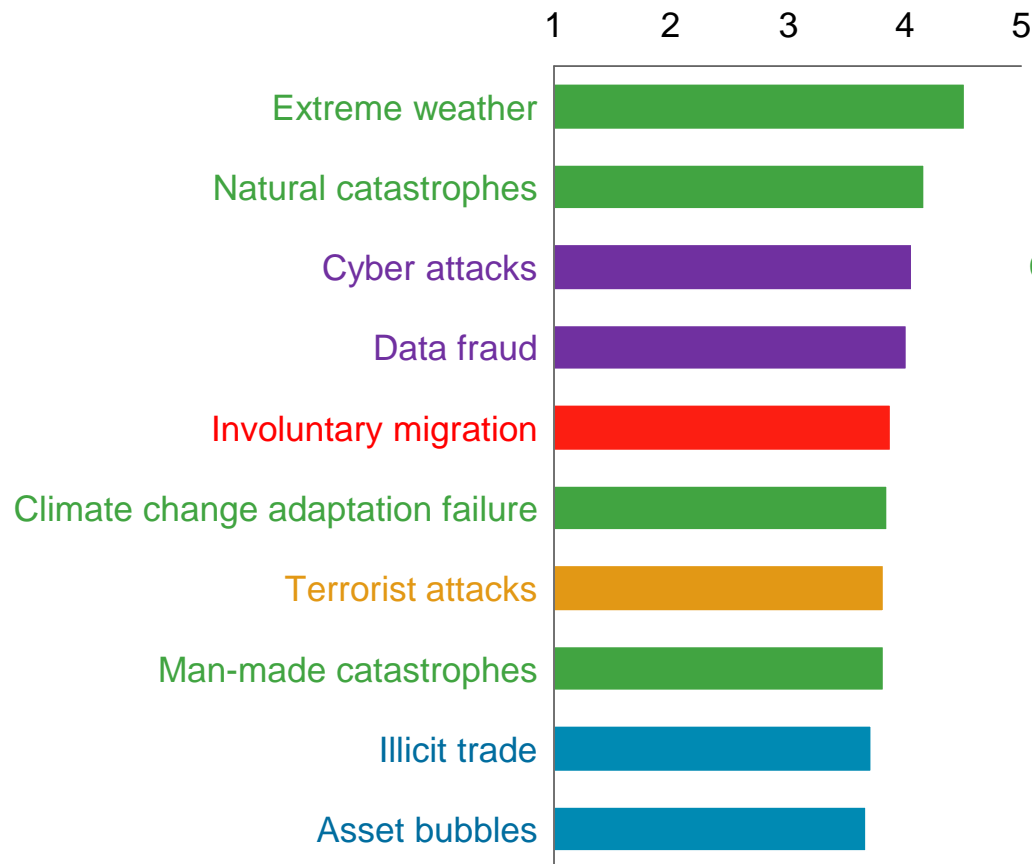
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1 st	Asset price collapse	Asset price collapse	Fiscal crises	Systemic financial failure	Systemic financial failure	Fiscal crises	Water crises	Weak climate change response	WMDs	WMDs
2 nd	Retrenchment from globalisation	Retrenchment from globalisation	Climate change	Water supply crises	Water supply crises	Climate change	Infectious diseases	WMDs	Extreme weather	Extreme weather
3 rd	Oil and gas price spike	Oil price spike	Geopolitical conflict	Food crises	Fiscal imbalances	Water crises	WMDs	Water crises	Natural catastrophes	Natural catastrophes
4 th	Chronic disease	Chronic disease	Asset price collapse	Fiscal imbalances	WMDs	Unemployment or underemployment	Interstate conflict	Involuntary migration	Water crises	Climate change adaptation failure
5 th	Fiscal crises	Fiscal crises	Extreme energy price volatility	Volatility in energy and agricultural prices	Weak climate change response	Critical ICT systems breakdown	Weak climate change response	Energy price shock	Weak climate change response	Water crises

Source: World Economic Forum, *Global Risks Report 2018*

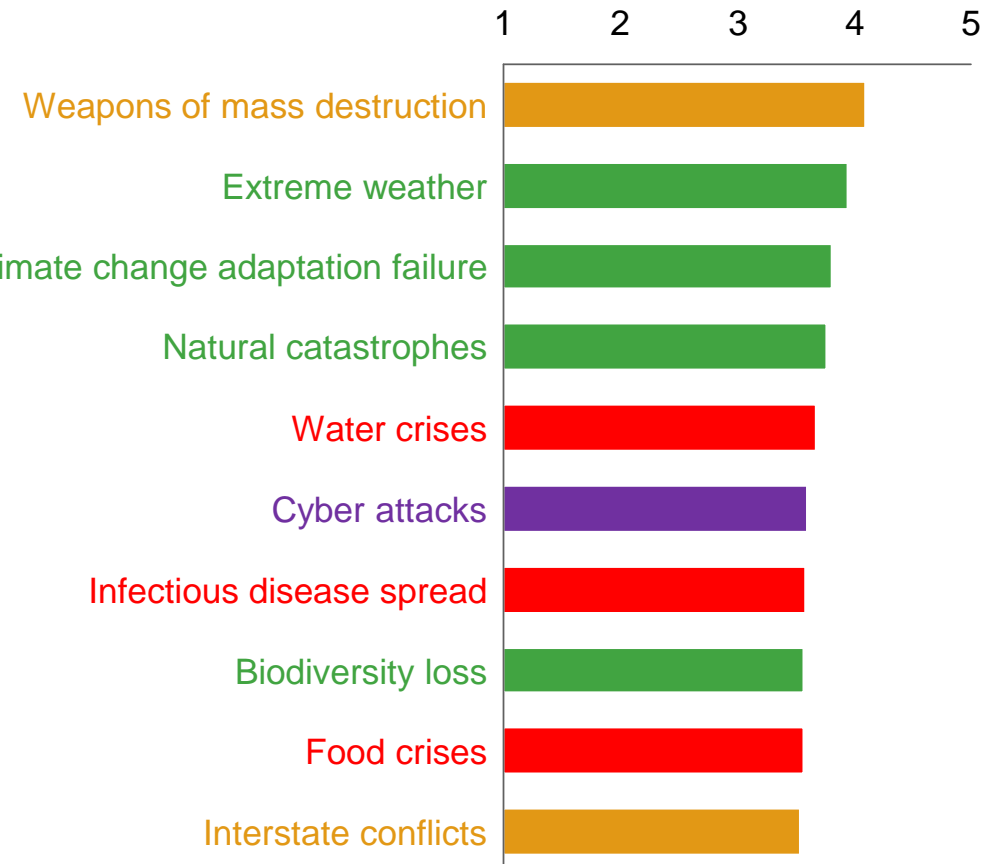
In Europe, concerns largely echo global views, but the predicted impact of top risks over the next 10 years are overall greater

Europe

Top risks in terms of likelihood
1 = very unlikely, 5 = very likely



Top risks in terms of impact
1 = minimal, 5 = catastrophic



■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

Note: Global Risk Perceptions Survey (322 responses across the region, 877 responses worldwide): Respondents were asked to rate each risk based on its likelihood and impact on a scale from 1 to 5

Source: World Economic Forum, *Global Risks Report 2018*

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Environmental concerns have continued to rise

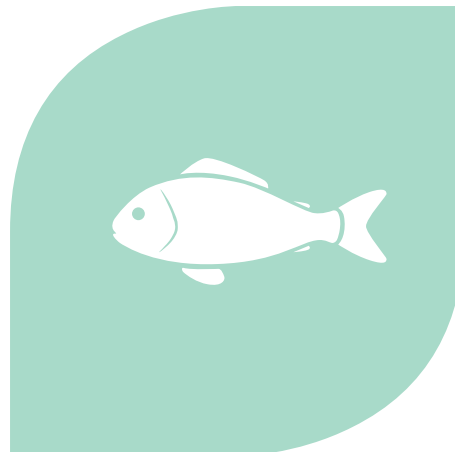
Extreme weather

- Extreme weather events more prominent than ever, highlighted by the 2017 Atlantic storms
- Rising temperatures and more frequent heatwaves – many social and economic reverberations



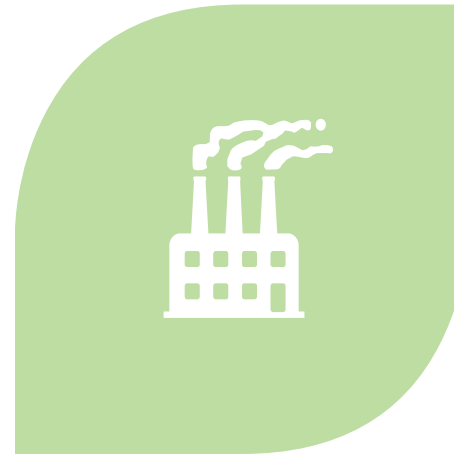
Biodiversity loss

- Occurring at mass extinction rates
- Primary driver is human destruction of habitats – directly from farming, deforestation etc.
- Biodiversity also indirectly affected by climate change



Pollution

- Dangerous levels of air pollution, particularly in emerging economies
- Water pollution showing no signs of improvement – microfibers found in over 80% of the world's tap water














Low-carbon transition

- Policy imperatives and regulations affecting traditional industries, business models, valuations, and energy systems with broader consequences



There is widespread expectation that technology-based and geopolitical risks will increase the most significantly over the next year

Top 5 risks most likely to significantly increase in 2018, by region

	North America 	Europe 	South Asia, East Asia, the Pacific 	Sub-Saharan Africa 	MENA, Central Asia, Russia 	Latin America 
Rank						
#1	Cyberattacks: theft of data/money	Cyberattacks: theft of data/money	Cyberattacks: theft of data/money	Media echo chambers and "fake news"	Cyberattacks: theft of data/money	Media echo chambers and "fake news"
#2	Cyberattacks: disruption of operations and infrastructure	Cyberattacks: disruption of operations and infrastructure	Media echo chambers and "fake news"	Water crises	Media echo chambers and "fake news"	Destruction of natural ecosystems
#3	Populist and nativist agendas	Loss of privacy (to companies)	Cyberattacks: disruption of operations and infrastructure	Cyberattacks: theft of data/money	Loss of privacy (to governments)	Water crises
#4	Loss of privacy (to companies)	Media echo chambers and "fake news"	Loss of privacy (to companies)	Populist and nativist agendas	Loss of privacy (to companies)	Loss of privacy (to governments)
#5	Protectionism against foreign workers	Protectionism against foreign workers	Loss of privacy (to governments)	Cyberattacks: disruption of operations and infrastructure	Populist and nativist agendas	Corrupt ties between businesses and government
	 Economic	 Environmental	 Geopolitical	 Societal	 Technological	

Note: Global Risk Perceptions Survey (756 worldwide responses with region provided). Respondents were asked to predict how risks would change in 2018, in relation to 30 key issues

Source: World Economic Forum, *Global Risks Report 2018*

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Cyber threats have risen most among executive concerns, against a backdrop of persistent economic fragility and high political uncertainty

Top 10 global risks for doing business

Rank	Risks	Change vs. 2016
1	High unemployment	0
2	Fiscal crises	1
3	National governance failure	1
4	Energy price shock	2
5	Social instability	0
6	Financial institution failure	0
7	Critical infra. shortfall	0
8	Large cyber attacks	3
9	Interstate/regional conflict	1
10	Terrorist attacks	2

Economic

Environmental

Geopolitical

Societal

Technological

Note: WEF Executive Opinion Survey (~12,400 responses worldwide). Respondents could choose up to five risks which they viewed as being most important for doing business in their country. Aggregation methodology changes may result in minor differences for EOS 2016 comparisons, compared with materials used last year.

Source: World Economic Forum, *Global Risks Report 2018*, MMC analysis

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Economic challenges

- High unemployment continues to be the top risk for businesses worldwide, with global unemployment levels predicted to remain high in the short term
- Among other economic risks, asset bubble has dropped from the top 10 concerns

Technological challenges

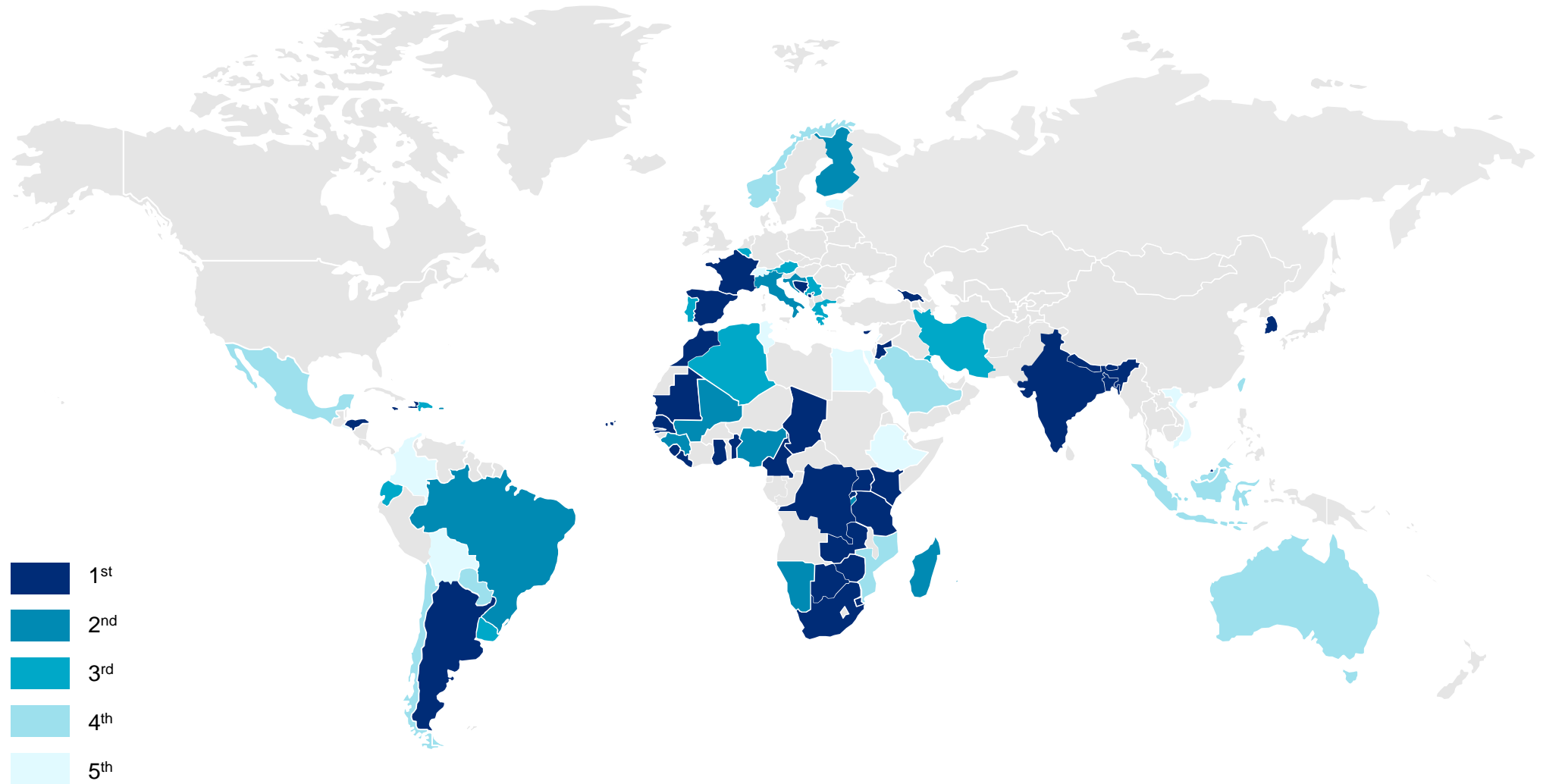
- Threat of cyber attacks saw a leap in importance globally, to become one of the top 10 risks
- Cyber security concerns are particularly high for executives in advanced economies in North America, Europe, and East Asia & the Pacific, where the threat of cyber attacks has become the top risk

Geopolitical / Societal challenges

- National governance failure has risen slightly, reflecting the continuing uncertainties coming from a turbulent global political scene
- Persistence of social instability reflects some of the political and economic uncertainty

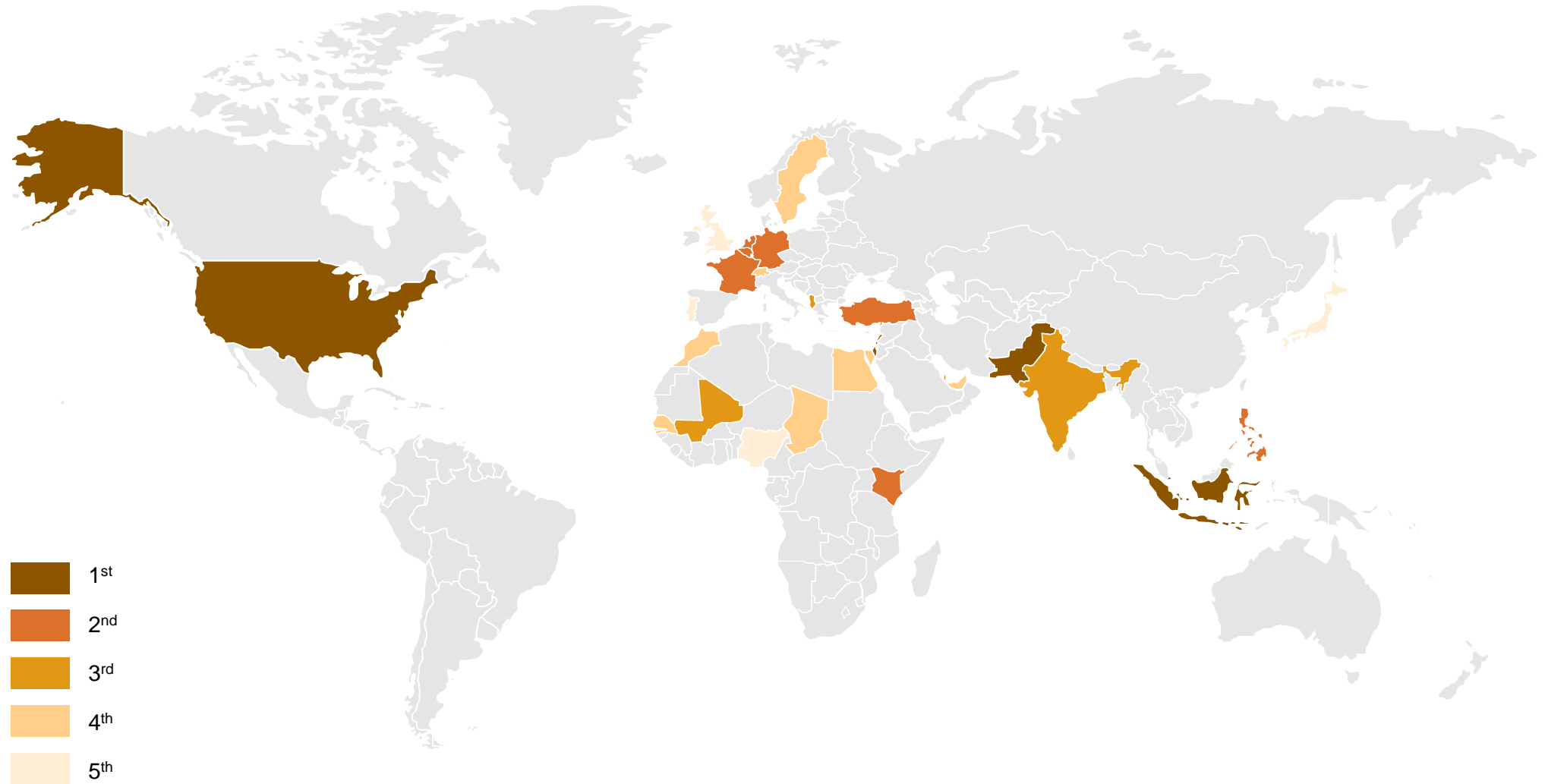
Concern over high unemployment lessened in North America and East Asia, but has become increasingly acute in Sub-Saharan Africa and Latin America

Unemployment: locations of greatest concern



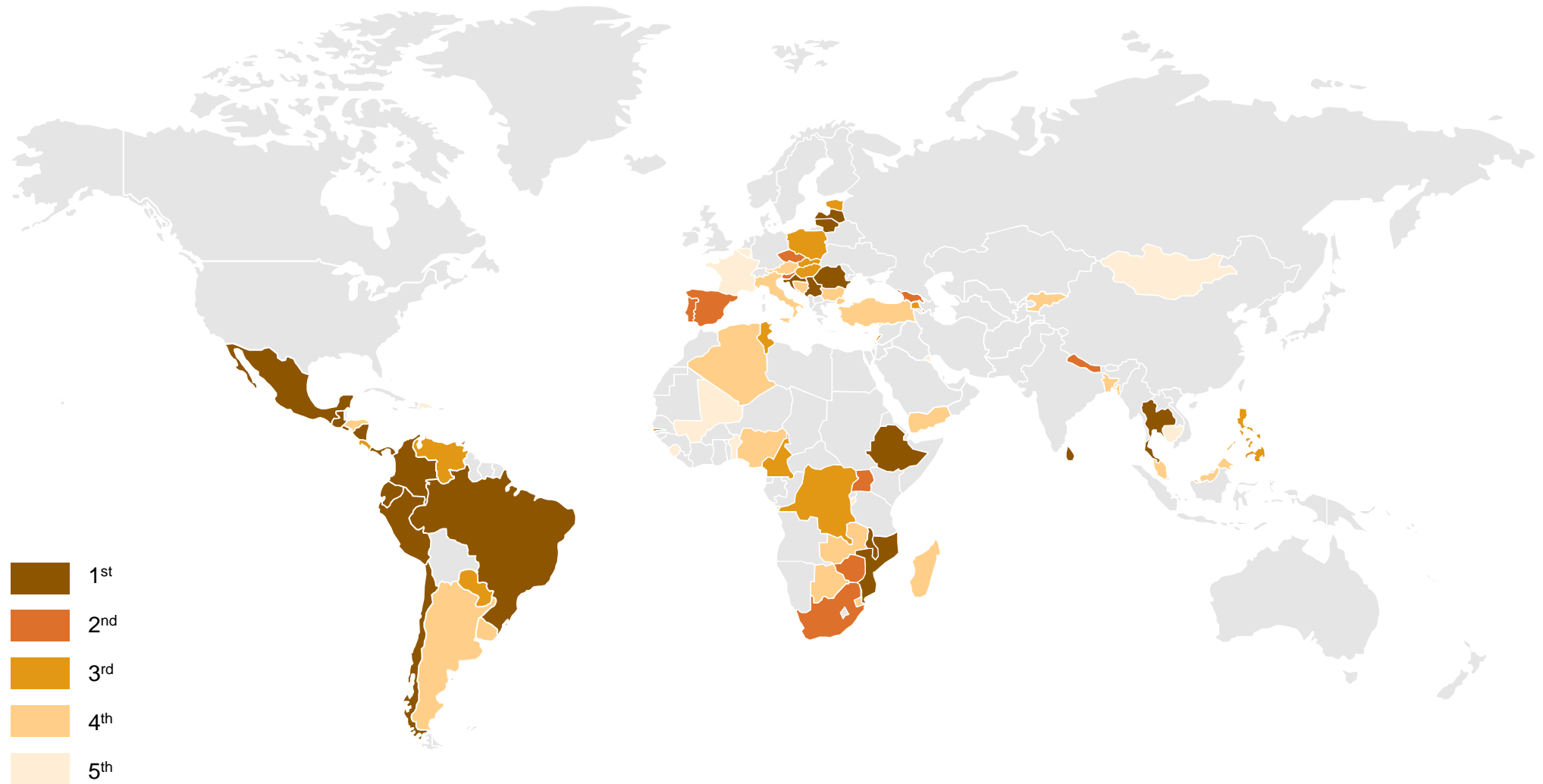
Concern over terrorist attacks has expanded from the Middle East and North Africa, to Europe, North America, and Asia-Pacific

Terrorist attacks: locations of greatest concern



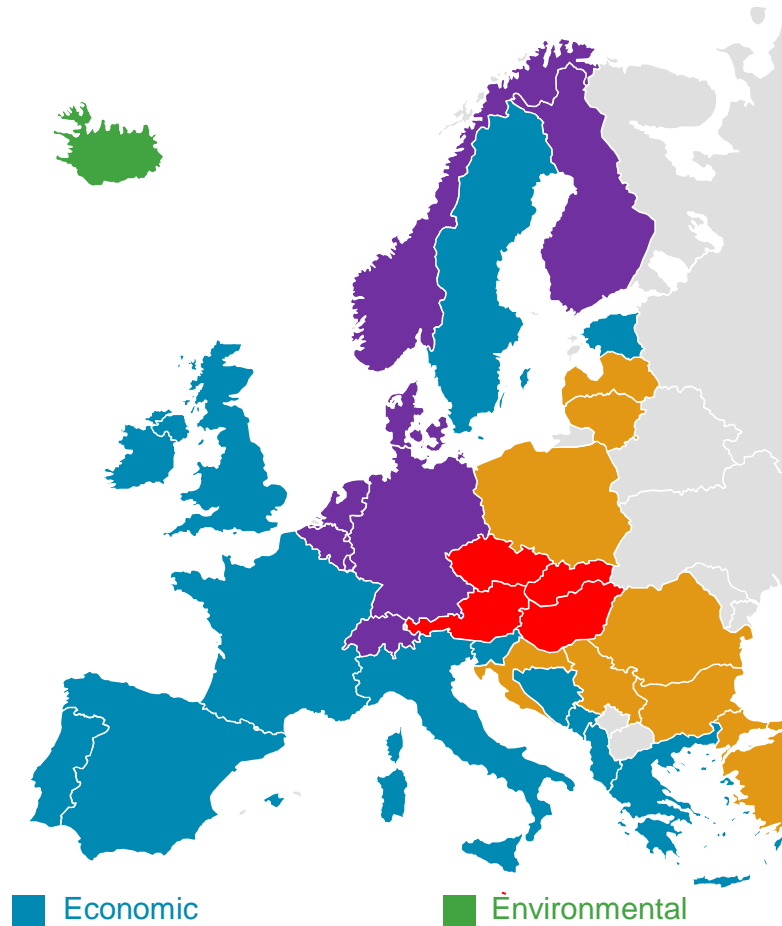
Concerns over national governance failure are the greatest in Latin America, Sub-Saharan Africa, and South/Eastern Europe

National governance failure: locations of greatest concern



Concerns about national governance failures and cyber threats are on the rise amid concerns about fragile economic growth

Top risks for doing business by country



Top 5 risks for Europe

- 1 High unemployment
- 2 National governance failure
- 3 Fiscal crises
- 4 Financial institution failure
- 5 Large cyber attacks

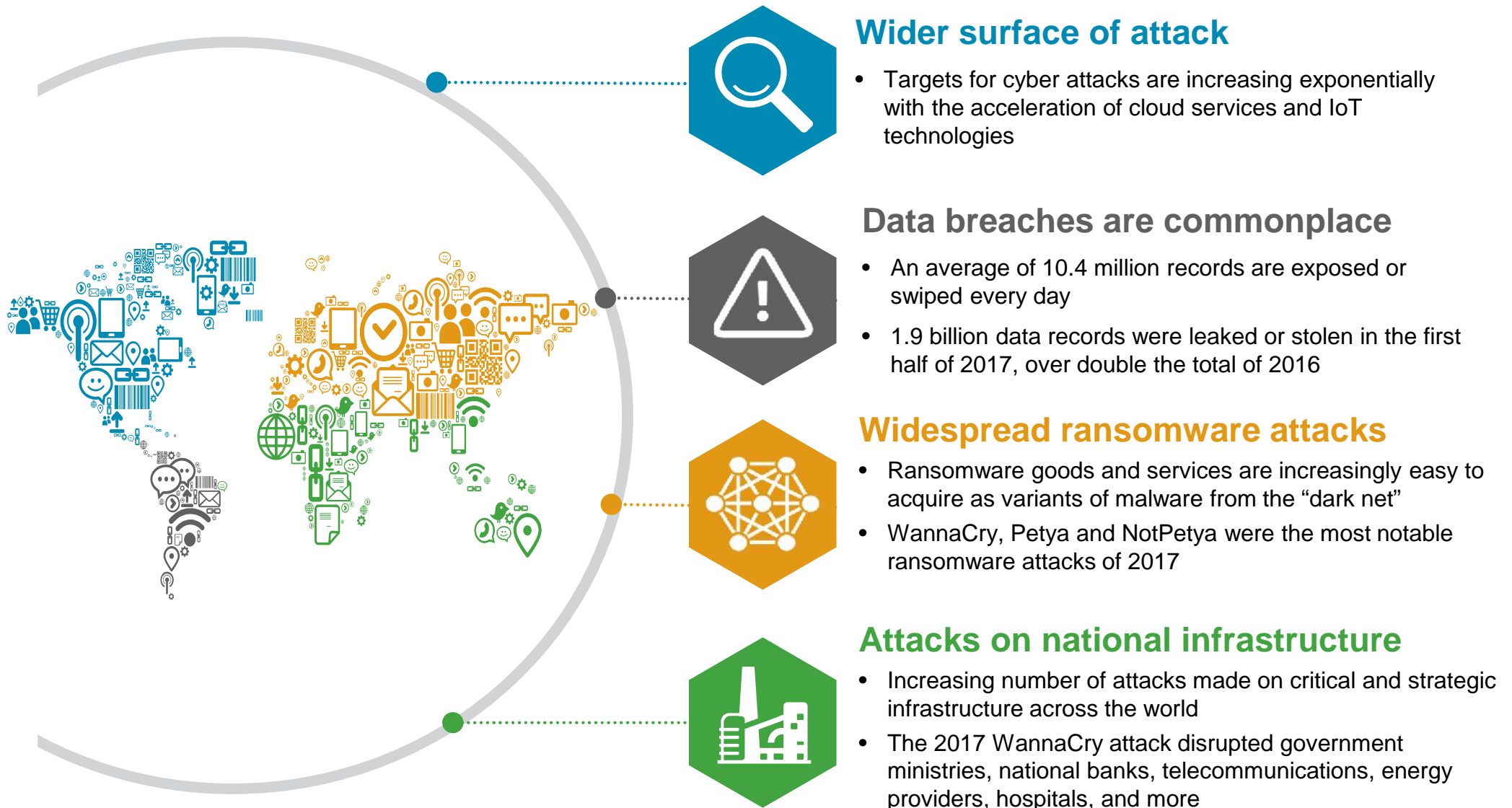
Top 5 risks for United Kingdom

- 1 Asset Bubble
- 2 Financial Crises
- 3 Cyber Attacks
- 4 Financial Institution Failure
- 5 Terrorist Attacks

Note: WEF Executive Opinion Survey (~12,400 responses worldwide). Results are based on 3,048 responses across the region. Respondents could choose up to five risks which they viewed as being most important for doing business in their country. Top regional risks are calculated as the average across all countries of the proportion of respondents in each country identifying each risk as one of their five choices

Source: World Economic Forum, *Global Risks Report 2018*, MMC analysis

In the virtual commons, cyber risks are intensifying, with both the prevalence and disruptive potential of attacks rapidly rising



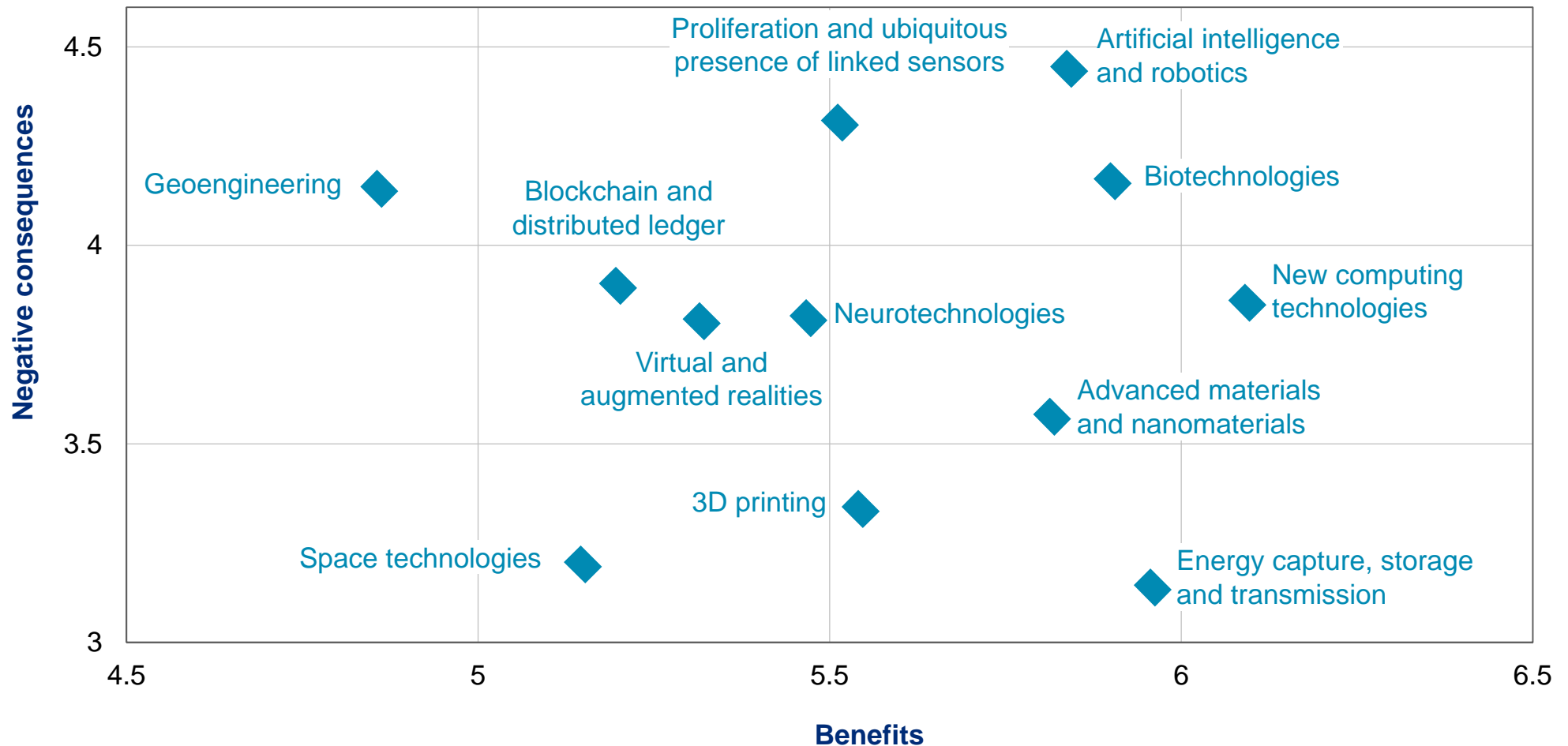
GLOBAL RISKS AND YOUR RISK MANAGEMENT STRATEGY

PRIVACY RISK

- **Businesses have an economic incentive to collect vast amounts of customer data, which means privacy risk remains critical.**
- **EU General Data Protection Regulation will take effect May 25, 2018.**
 - Gives individuals more rights concerning their data.
 - Requires that business processes are compliant with the new rules.
 - Companies also must ensure their subcontractors comply with the new regulations.
 - Companies will need to provide evidence that their processes are complaint.
- **Other stringent privacy regulations are expected going forward.**

GLOBAL RISKS AND YOUR RISK MANAGEMENT STRATEGY

DIGITIZATION AND RISK MANAGEMENT



Source: Global Risks Report 2017



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