

# The Global Risks Report 2020

# WEF, 2020

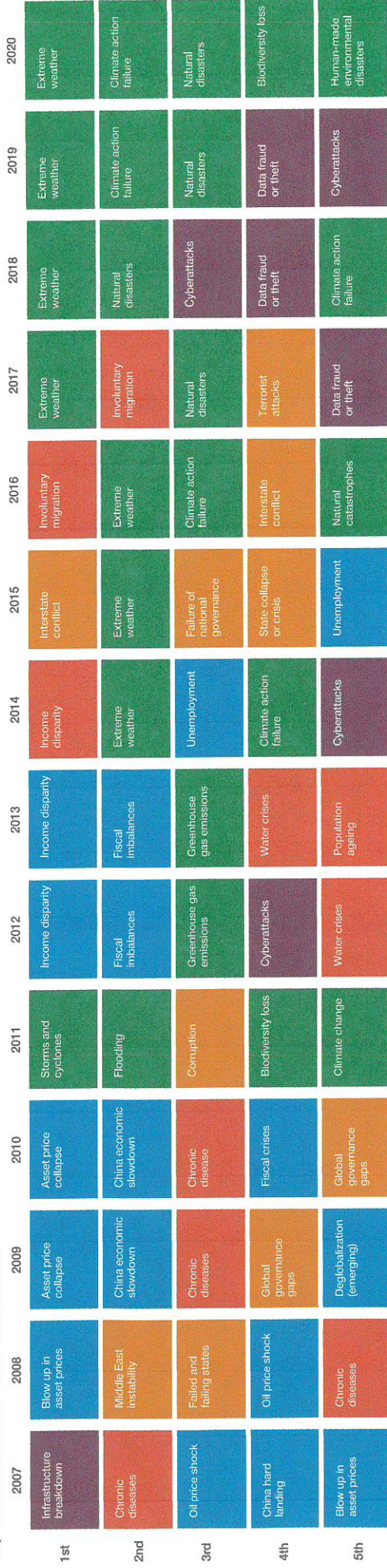
Insight Report | 15th Edition

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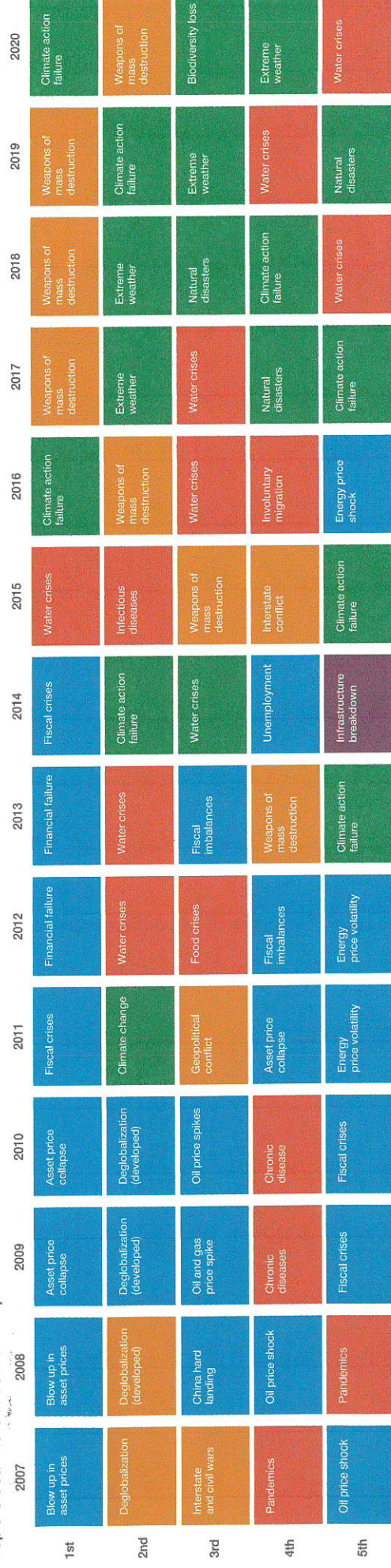


Figure I: The Evolving Risks Landscape, 2007–2020

### Top 5 Global Risks in Terms of Likelihood



### Top 5 Global Risks in Terms of Impact



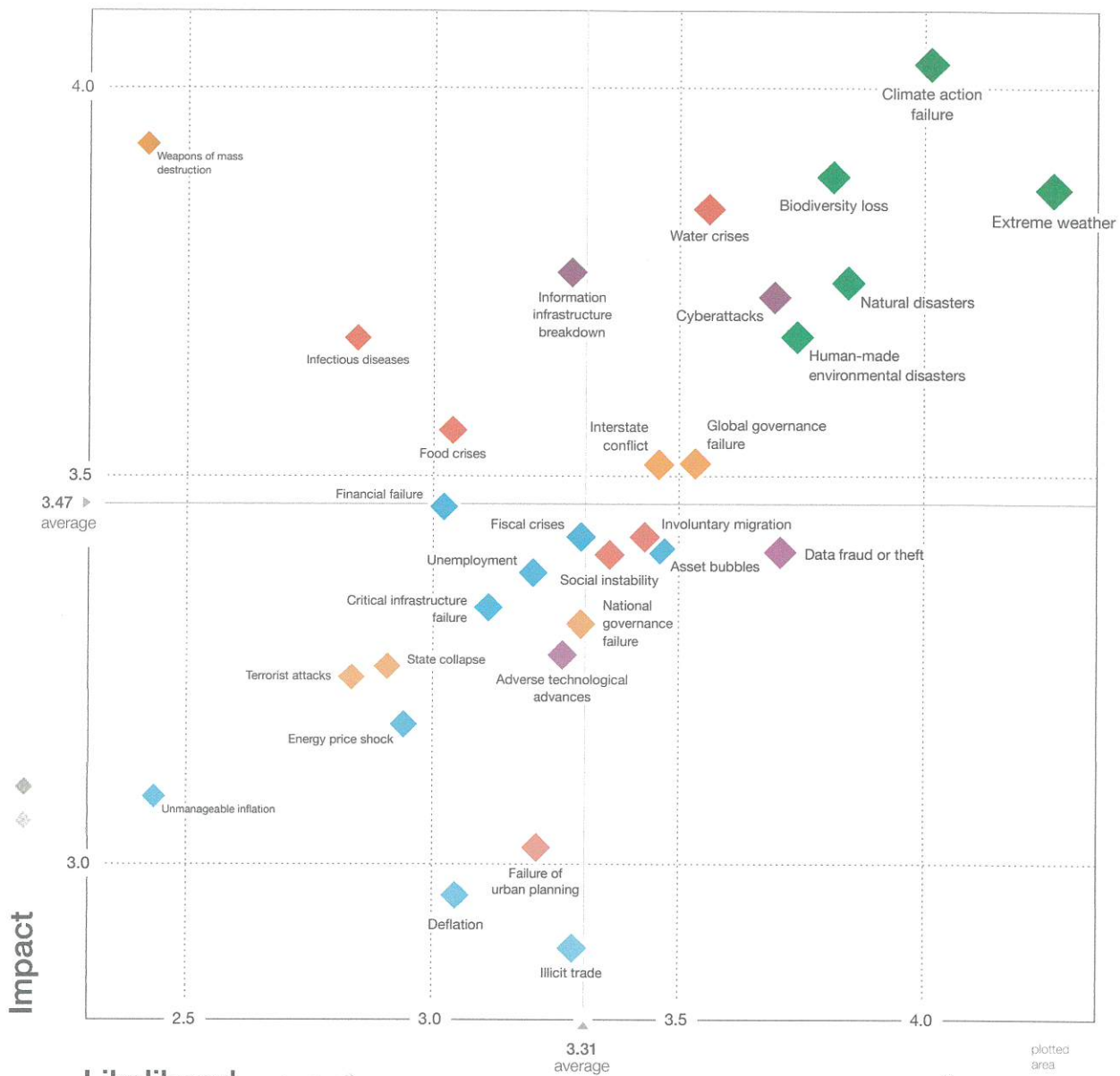
■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Source: World Economic Forum 2007–2020, Global Risks Reports.

Note: Global risks may not be strictly comparable across years, as definitions and the set of global risks have evolved with new issues emerging on the 10-year horizon. For example, cyberattacks, income disparity and unemployment entered the set of global risks in 2012. Some global risks have been reclassified: water crises and income disparity were reclassified as societal risks in the 2015 and 2014 Global Risks Reports, respectively.



Figure II: The Global Risks Landscape 2020



## Likelihood

### Top 10 risks in terms of Likelihood

- 1 Extreme weather
- 2 Climate action failure
- 3 Natural disasters
- 4 Biodiversity loss
- 5 Human-made environmental disasters
- 6 Data fraud or theft
- 7 Cyberattacks
- 8 Water crises
- 9 Global governance failure
- 10 Asset bubbles

### Top 10 risks in terms of Impact

- 1 Climate action failure
- 2 Weapons of mass destruction
- 3 Biodiversity loss
- 4 Extreme weather
- 5 Water crises
- 6 Information infrastructure breakdown
- 7 Natural disasters
- 8 Cyberattacks
- 9 Human-made environmental disasters
- 10 Infectious diseases

### Categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Source: World Economic Forum Global Risks Perception Survey 2019–2020.

Note: Survey respondents were asked to assess the likelihood of the individual global risk on a scale of 1 to 5, 1 representing a risk that is very unlikely to happen and 5 a risk that is very likely to occur. They also assessed the impact of each global risk on a scale of 1 to 5, 1 representing a minimal impact and 5 a catastrophic impact. To ensure legibility, the names of the global risks are abbreviated; see Appendix A for the full name and description.

Figure III: The Global Shapers Risk Landscape 2020

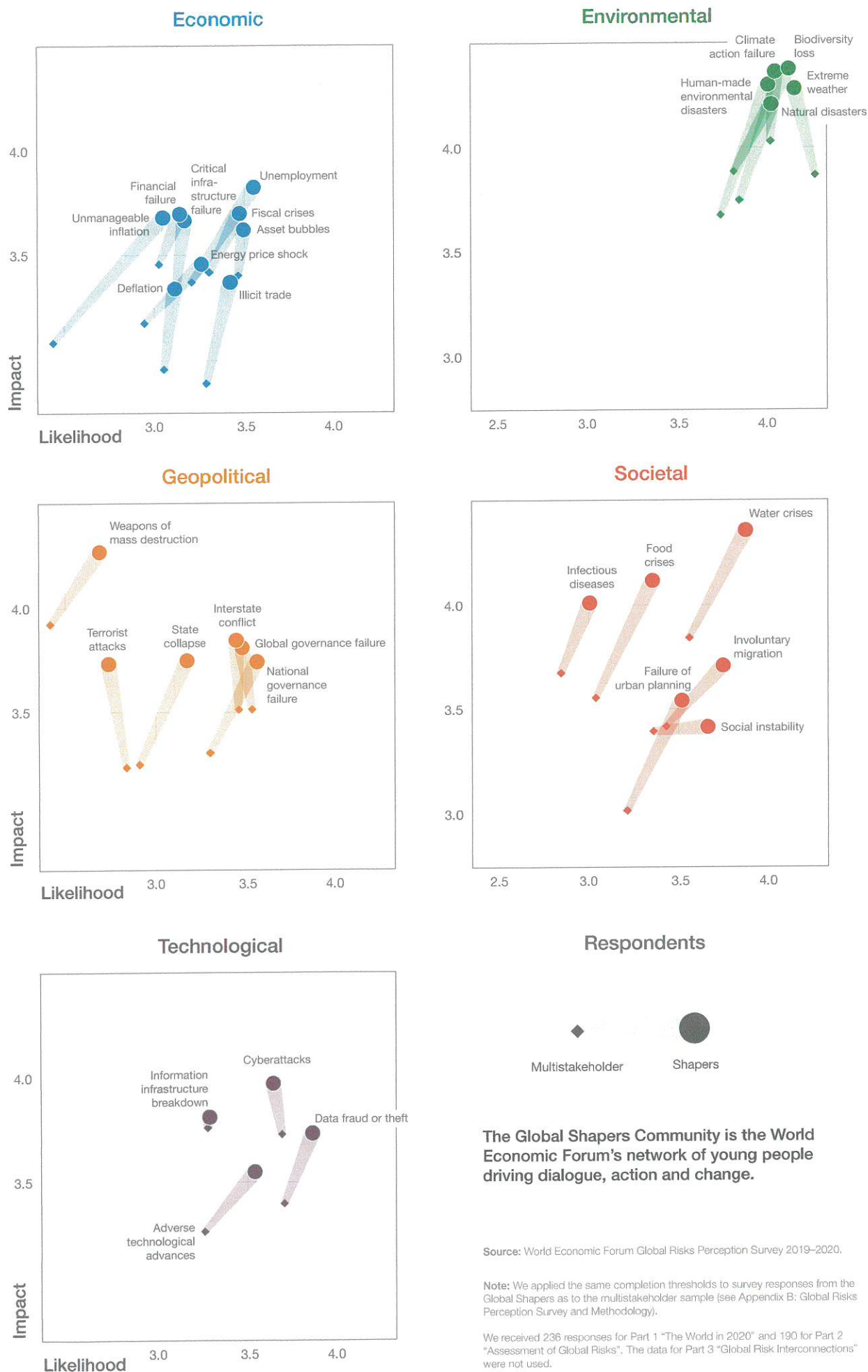
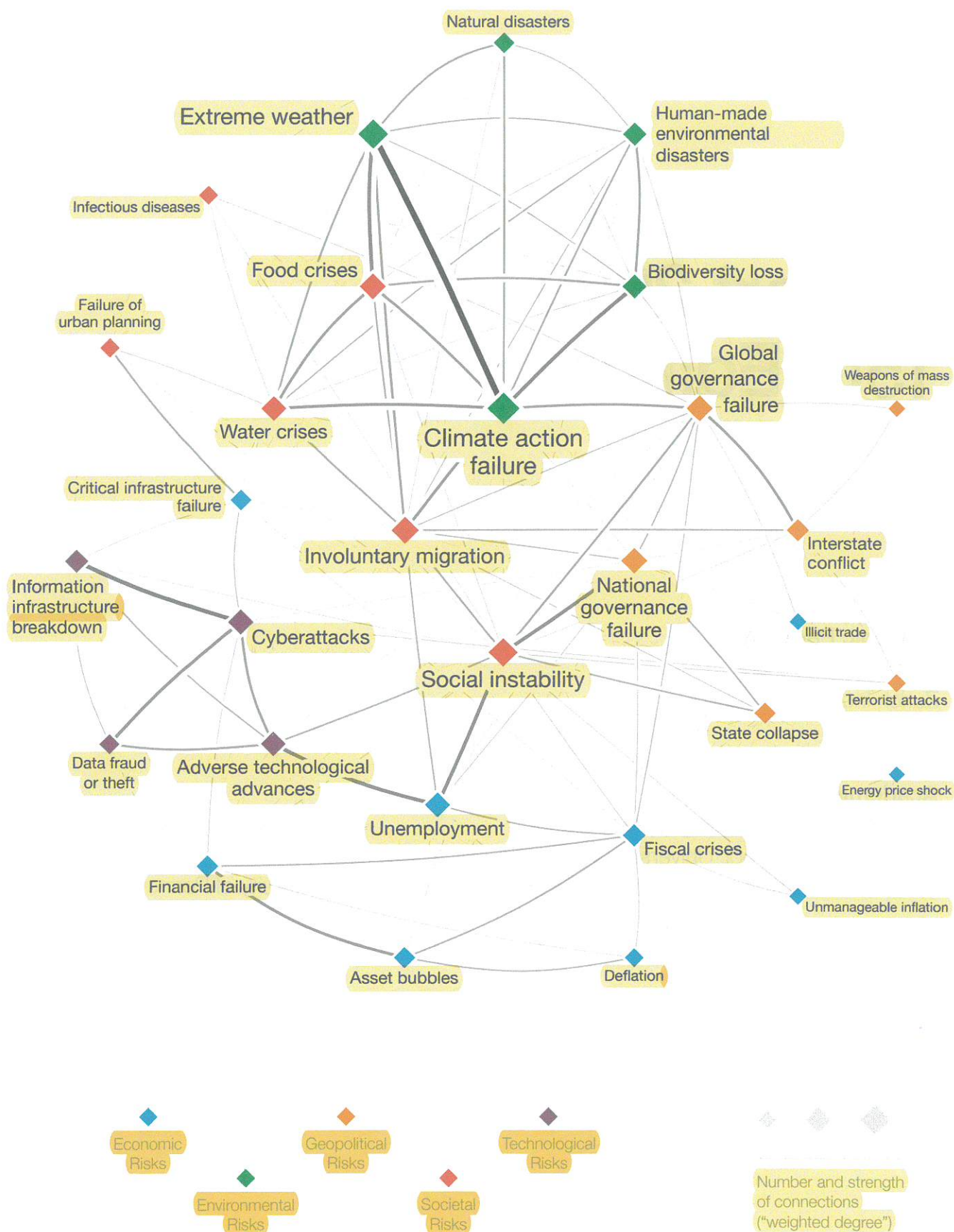


Figure IV: The Global Risks Interconnections Map 2020



Source: World Economic Forum Global Risks Perception Survey 2019–2020.

Note: Survey respondents were asked to select up to six pairs of global risks they believe to be most interconnected. See Appendix B of the full report for more details. To ensure legibility, the names of the global risks are abbreviated; see Appendix A for the full name and description.

# The Global Risks Report 2020 15th Edition

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## **Strategic Partners**

Marsh & McLennan

Zurich Insurance Group

## **Academic Advisers**

National University of Singapore

Oxford Martin School, University of Oxford

Wharton Risk Management and Decision Processes Center, University of Pennsylvania



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## Preface

The 15<sup>th</sup> edition of the World Economic Forum's *Global Risks Report* comes as long-mounting, interconnected risks are being felt. The global economy is faced with a “synchronized slowdown”, the past five years have been the warmest on record, and cyberattacks are expected to increase this year—all while citizens protest the political and economic conditions in their countries and voice concerns about systems that exacerbate inequality. Indeed, the growing palpability of shared economic, environmental and societal risks signals that the horizon has shortened for preventing—or even mitigating—some of the direst consequences of global risks. It is sobering that in the face of this development, when the challenges before us demand immediate collective action, fractures within the global community appear to only be widening.

Global commerce has historically been a pillar and engine of growth—and a key tool for lifting economies out of downturns—but as we warn, significant restrictions were placed on global trade last year. This comes as G20

economies hold record high levels of debt and exhibit relatively low levels of growth. Ammunition to fight a potential recession is lacking, and there is a possibility of an extended low-growth period, akin to the 1970s, if lack of coordinated action continues. In addition, a potential decoupling of the world's largest economies, the United States and China, is cause for further concern. The question for stakeholders—one that cannot be answered in the affirmative—is whether in the face of a prolonged global slowdown we are positioned in a way that will foster resiliency and prosperity.

On the environment, we note with grave concern the consequences of continued environmental degradation, including the record pace of species decline. Respondents to our Global Risks Perception Survey are also sounding the alarm, ranking climate change and related environmental issues as the top five risks in terms of likelihood—the first time in the survey's history that one category has occupied all five of the top spots. But despite the need to

be more ambitious when it comes to climate action, the UN has warned that countries have veered off course when it comes to meeting their commitments under the Paris Agreement on climate change.

And on global health and technology, we caution that international systems have not kept up to date with the challenges of these domains. The global community is ill-positioned to address vulnerabilities that have come alongside the advancements of the 20<sup>th</sup> century, whether they be the widening application of artificial intelligence or the widespread use of antibiotics.

Today's risk landscape is being shaped in significant measure by an unsettled geopolitical environment—one in which new centres of power and influence are forming—as old alliance structures and global institutions are being tested. While these changes can create openings for new partnership structures, in the immediate term, they are putting stress on systems of coordination and challenging norms around shared responsibility. Unless stakeholders adapt multilateral mechanisms for this turbulent period, the risks that were once on the horizon will continue to arrive.

The good news is that the window for action is still open, if not for much longer. And, despite global divisions, we continue to see members of the business community signal their commitment to looking beyond their balance sheets and towards the urgent priorities ahead.

## The Global Risks Initiative

It is fitting that this year's report, which makes clear the need for a multistakeholder approach to mitigating risk, coincides with the Forum's 50<sup>th</sup> anniversary. As the international organization for public-private cooperation, the Forum brings together leaders from the business, government and non-profit communities for action-oriented deliberations and uses the conclusions of this report to inform its multistakeholder initiatives throughout the year.

Indeed, the *Global Risks Report* is itself the result of a multistakeholder process. I am grateful for the long-standing relationship with our strategic partners, Marsh &

McLennan and Zurich Insurance Group, who offered invaluable input to produce this publication. I am also grateful to our academic partners: the National University of Singapore, the Oxford Martin School of the University of Oxford, and the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania. Over the course of developing the report, the Forum benefited from a committed Advisory Board, who shaped the direction of early drafts and provided beneficial comments and insight throughout the writing process. The Forum also hosted a range of representatives from the public and private sectors in September and October for discussions in Geneva, New York and Washington, DC, insights from which can be found in these pages.

The foundation of the report is our annual Global Risks Perception Survey, completed by approximately 800 members of the Forum's diverse communities. I am particularly proud that for the first time we are also featuring the results from more than 200 members of our Global Shapers Community—a generation of emerging global social entrepreneurs and leaders. This younger generation is increasingly using its digital savviness—and its feet—to spotlight issues, particularly relating to climate change, that it sees as existential risks not only to its generation but to the wider global community.

The *Global Risks Report* is part of an expanded Global Risks Initiative launched by the Forum this past year that includes sustained analysis at the global, regional and industry levels. It is this qualitative and quantitative study of global risks, conducted in partnership with members of the business, academic and public-sector communities, that we hope will help bring stakeholders together in developing sustainable, integrated solutions to the world's most pressing challenges.



**Børge Brende**  
President, World Economic Forum



# Executive Summary

The world cannot wait for the fog of geopolitical and geo-economic uncertainty to lift. Opting to ride out the current period in the hope that the global system will “snap back” runs the risk of missing crucial windows to address pressing challenges. On key issues such as the economy, the environment, technology and public health, stakeholders must find ways to act quickly and with purpose within an unsettled global landscape. This is the context in which the World Economic Forum publishes the 15<sup>th</sup> edition of the *Global Risks Report*.

## An unsettled world

Powerful economic, demographic and technological forces are shaping a new balance of power. The result is an unsettled geopolitical landscape—one in which states are increasingly viewing opportunities and challenges through unilateral lenses. What were once givens regarding alliance structures and multilateral systems no longer hold as states question the value of long-standing frameworks, adopt more nationalist postures in pursuit of individual agendas and weigh the potential geopolitical consequences of economic decoupling.

Beyond the risk of conflict, if stakeholders concentrate on immediate geostrategic advantage and fail to reimagine or adapt mechanisms for coordination during this unsettled period, opportunities for action on key priorities may slip away.

## Risks to economic stability and social cohesion

Recent editions of the *Global Risks Report* warned of downward pressure on the global economy from macroeconomic fragilities and financial inequality. These pressures continued to intensify in 2019,

increasing the risk of economic stagnation. Low trade barriers, fiscal prudence and strong global investment—once seen as fundamentals for economic growth—are fraying as leaders advance nationalist policies. The margins for monetary and fiscal stimuli are also narrower than before the 2008–2009 financial crisis, creating uncertainty about how well countercyclical policies will work. A challenging economic climate may persist this year: according to the Global Risks Perception Survey, members of the multistakeholder community see “economic confrontations” and “domestic political polarization” as the top risks in 2020.

Amid this darkening economic outlook, citizens’ discontent has hardened with systems that have failed to promote advancement. Disapproval of how governments are addressing profound economic and social issues has sparked protests throughout the world, potentially weakening the ability of governments to take decisive action should a downturn occur. Without economic and social stability, countries could lack the financial resources, fiscal margin, political capital or social support needed to confront key global risks.

## Climate threats and accelerated biodiversity loss

Climate change is striking harder and more rapidly than many expected. The last five years are on track to be the warmest on record, natural disasters are becoming more intense and more frequent, and last year witnessed unprecedented extreme weather throughout the world. Alarmingly, global temperatures are on track to increase by at least 3°C towards the end of the century—twice what climate experts have warned is the limit to avoid the most severe economic, social and

environmental consequences. The near-term impacts of climate change add up to a planetary emergency that will include loss of life, social and geopolitical tensions and negative economic impacts.

For the first time in the history of the Global Risks Perception Survey, environmental concerns dominate the top long-term risks by likelihood among members of the World Economic Forum's multistakeholder community; three of the top five risks by impact are also environmental (see Figure I, The Evolving Risks Landscape 2007–2020). "Failure of climate change mitigation and adaption" is the number one risk by impact and number two by likelihood over the next 10 years, according to our survey. Members of the Global Shapers Community—the Forum's younger constituents—show even more concern, ranking environmental issues as the top risks in both the short and long terms.

The Forum's multistakeholder network rate "biodiversity loss" as the second most impactful and third most likely risk for the next decade. The current rate of extinction is tens to hundreds of times higher than the average over the past 10 million years—and it is accelerating. Biodiversity loss has critical implications for humanity, from the collapse of food and health systems to the disruption of entire supply chains.

## Consequences of digital fragmentation

More than 50% of the world's population is now online, approximately one million people go online for their first time each day, and two-thirds of the global population own a mobile device. While digital technology is bringing tremendous economic and societal benefits to much of the global population, issues such as unequal access to the internet, the lack of a global

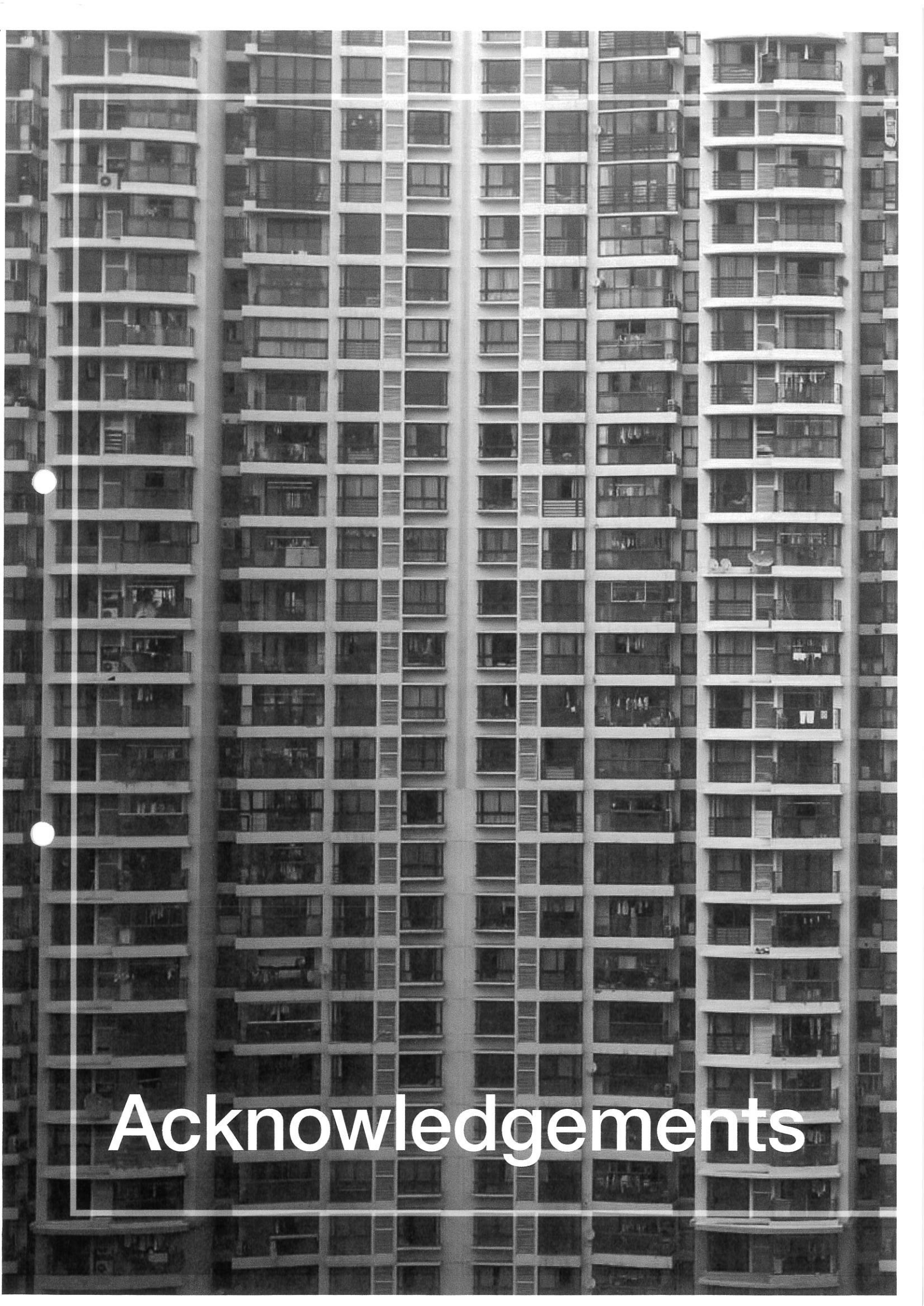
technology governance framework and cyber insecurity all pose significant risk. Geopolitical and geo-economic uncertainty—including the possibility of fragmented cyberspace—also threaten to prevent the full potential of next generation technologies from being realized. Respondents to our survey rated "information infrastructure breakdown" as the sixth most impactful risk in the years until 2030.

## Health systems under new pressures

Health systems around the world are at risk of becoming unfit for purpose. New vulnerabilities resulting from changing societal, environmental, demographic and technological patterns threaten to undo the dramatic gains in wellness and prosperity that health systems have supported over the last century. Non-communicable diseases—such as cardiovascular diseases and mental illness—have replaced infectious diseases as the leading cause of death, while increases in longevity and the economic and societal costs of managing chronic diseases have put healthcare systems in many countries under stress. Progress against pandemics is also being undermined by vaccine hesitancy and drug resistance, making it increasingly difficult to land the final blow against some of humanity's biggest killers. As existing health risks resurge and new ones emerge, humanity's past successes in overcoming health challenges are no guarantee of future results.

There is still scope for stakeholders to address these risks, but the window of opportunity is closing. Coordinated, multistakeholder action is needed quickly to mitigate against the worst outcomes and build resiliency across communities and businesses.





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