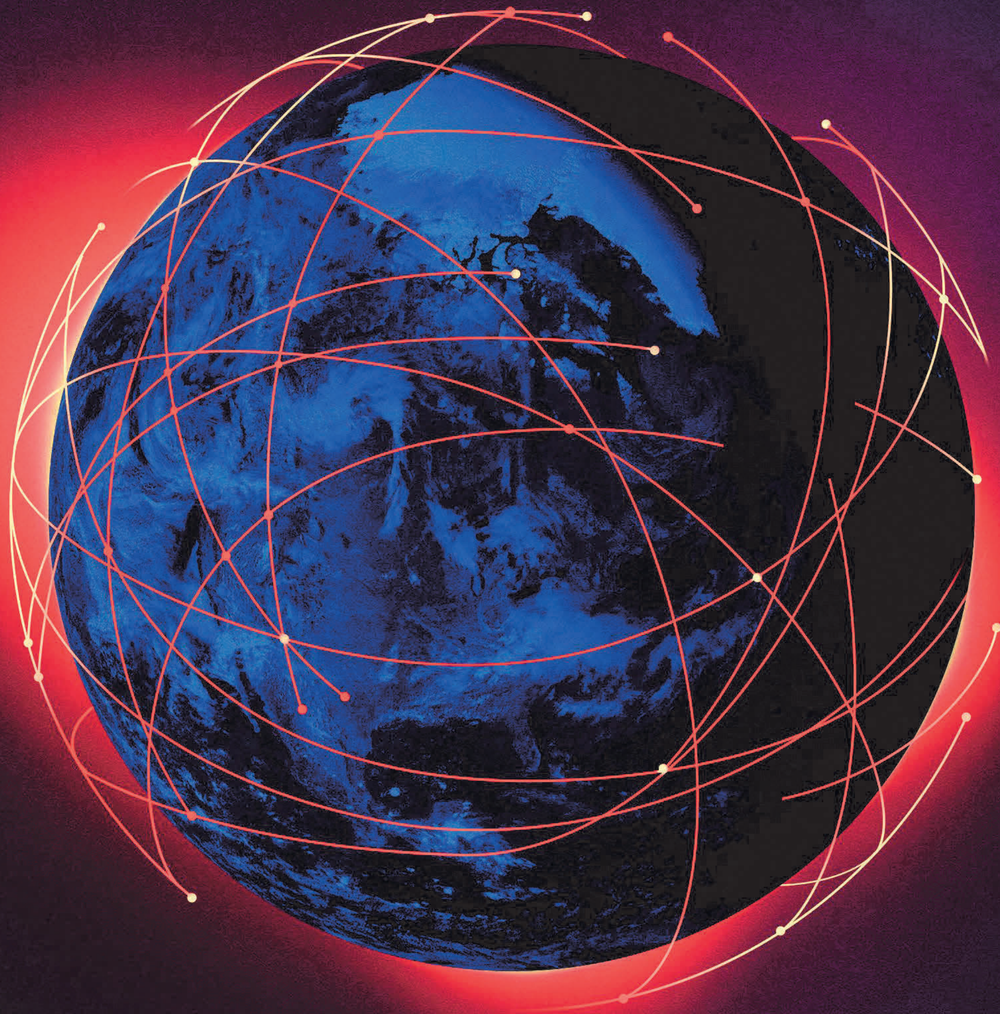
The Global Risks Report 2023

18th Edition

INSIGHT REPORT



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ISBN-13: 978-2-940631-36-0

The report and an interactive data platform are available at https://www.weforum.org/reports/global-risks-report-2023/.

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Preface

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Managing Director

Last year's *Global Risks Report* warned that a divergent economic recovery from the COVID-19 pandemic risked deepening divisions at a time when collaboration was urgently required to address looming global challenges. Yet despite hard-learned lessons around the interdependence of global risks, few would have anticipated the extent of instability that would soon unfold, this time driven by a new war in Europe.

The health and economic aftereffects of the pandemic have quickly spiraled into compounding crises. Carbon emissions have climbed, as the post-pandemic global economy fired back up. Food and energy have become weaponized by the war in Ukraine, sending inflation soaring to levels not seen in decades, globalizing a cost-of-living crisis and fueling social unrest. The resulting shift in monetary policy marks the end of an economic era defined by easy access to cheap debt and will have vast ramifications for governments, companies and individuals, widening inequality within and between countries.

As the conflict between Russia and Ukraine approaches one year, economies and societies will not easily rebound from continued shocks. In this year's Global Risks Perception Survey, more than four in five respondents anticipated consistent volatility over the next two years. The persistence of these crises is already reshaping the world that we live in, ushering in economic and technological fragmentation. A continued push for national resilience in strategic sectors will come at a cost – one that only a few economies can bear. Geopolitical dynamics are also creating significant headwinds for global cooperation, which often acts as a guardrail to these global risks.

The 18th edition of the *Global Risks Report* considers this backdrop of simmering geopolitical tensions and confluence of socioeconomic risks. It identifies the most severe perceived risks to economies and societies over the next two years. The world's collective focus is being channeled into the "survival" of today's crises: cost of living, social and political polarization, food and energy supplies, tepid growth, and geopolitical confrontation, among others.

Yet much-needed attention and resources are being diverted from newly emerging or rapidly accelerating risks to natural ecosystems, human health, security, digital rights and economic stability that could become crises and catastrophes in the next decade. A low-growth, low-investment and low-cooperation era further undermines resilience and the ability to manage future shocks. In recognition of growing complexity and uncertainty, the report also explores connections between these risks. The analysis focuses on a potential "polycrisis", relating to shortages in natural resources such as food, water, and metals and minerals, illustrating the associated socioeconomic and environmental fall-out through a set of potential futures.

The report is underpinned by our annual Global Risks Perception Survey, which brings together leading insights from over 1,200 experts across the World Economic Forum's diverse network. It draws on the collective intelligence of the world's foremost risk experts, including the Global Risks Advisory Board and the Chief Risk Officers Community, as well as thematic experts from academia, business, government, the international community and civil society. The report has also benefited greatly from the expertise of the World Economic Forum's platforms, which work daily to drive tangible, system-positive change for the long term. We are deeply grateful to our long-standing partners in the report's development: Marsh McLennan and Zurich Insurance Group.

The 2023 edition of the *Global Risks Report* highlights the multiple areas where the world is at a critical inflection point. It is a call to action, to collectively prepare for the next crisis the world may face and, in doing so, shape a pathway to a more stable, resilient world.

Overview of methodology

The **Global Risks Perception Survey (GRPS)** has underpinned the *Global Risks Report* for nearly two decades and is the World Economic Forum's premier source of original global risks data. This year's GRPS has brought together leading insights on the evolving global risks landscape from over 1,200 experts across academia, business, government, the international community and civil society. Responses for the GRPS 2022-2023 were collected from 7 September to 5 October 2022.

"Global risk" is defined as the possibility of the occurrence of an event or condition which, if it occurs, would negatively impact a significant proportion of global GDP, population or natural resources. The GRPS 2022-2023 included the following components:

- **Outlook** invited respondents to predict global volatility to provide context to the evolution of the global risks landscape.

- **Severity** assessed the perceived likely impact of global risks over a one-, two- and 10-year horizon, to illustrate the potential development of individual global risks over time.

- **Consequences** asked respondents to consider potential impacts of a risk arising, to highlight relationships between global risks and the potential for compounding crises.

- **Risk preparedness and governance** invited respondents to assess the current effectiveness of the management of global risks and reflect on which stakeholders are best placed to effectively manage them, to elicit opportunities for global action and collaboration.

- **Qualitative questions on risks** sourced expert knowledge to identify new and emerging risks.

Refer to **Appendix A: Technical Notes: Global Risks Perception Survey 2022-2023** for more detail, including relevant definitions for each of the 32 global risks.

To complement GRPS data on global risks, the report also draws on the World Economic Forum's **Executive Opinion Survey (EOS)** to identify risks that pose the most severe threat to each country over the next two years, as identified by over 12,000 business leaders in 121 economies. When considered in context with the GRPS, this data provides insight into local concerns and priorities and points to potential "hot spots" and regional manifestations of global risks. Refer to **Appendix B: Executive Opinion Survey: National Risk Perceptions** for more detail.

Finally, the report integrates the views of leading experts to generate foresight and to support analysis of the survey data. The *Global Risks Report* harnesses contributions from over 40 colleagues across the World Economic Forum's platforms. Qualitative insights were also collected from over 50 experts from across academia, business, government, the international community and civil society through community meetings, private interviews and thematic workshops conducted from July to November 2022. These include the Global Risks Advisory Board and the Chief Risks Officers Community. Refer to **Contributors** for more detail.

Executive Summary

The first years of this decade have heralded a particularly disruptive period in human history. The return to a “new normal” following the COVID-19 pandemic was quickly disrupted by the outbreak of war in Ukraine, ushering in a fresh series of crises in food and energy – triggering problems that decades of progress had sought to solve.

As 2023 begins, the world is facing a set of risks that feel both wholly new and eerily familiar. We have seen a return of “older” risks – inflation, cost-of-living crises, trade wars, capital outflows from emerging markets, widespread social unrest, geopolitical confrontation and the spectre of nuclear warfare – which few of this generation’s business leaders and public policy-makers have experienced. These are being amplified by comparatively new developments in the global risks landscape, including unsustainable levels of debt, a new era of low growth, low global investment and de-globalization, a decline in human development after decades of progress, rapid and unconstrained development of dual-use (civilian and military) technologies, and the growing pressure of climate change impacts and ambitions in an ever-shrinking window for transition to a 1.5°C world. Together, these are converging to shape a unique, uncertain and turbulent decade to come.

The *Global Risks Report 2023* presents the results of the latest Global Risks Perception Survey (GRPS). We use three time frames for understanding global risks. Chapter 1 considers the mounting impact of current crises (i.e. global risks which are already unfolding) on the most severe global risks that many expect to play out over the short term (two years). Chapter 2 considers a selection of risks that are likely to be most severe in the long term (10 years), exploring newly emerging or rapidly accelerating economic, environmental, societal, geopolitical and technological risks that could become tomorrow’s

FIGURE A

Global risks ranked by severity over the short and long term

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period"

	2 years	10 years
1	Cost-of-living crisis	Failure to mitigate climate change
2	Natural disasters and extreme weather events	Failure of climate-change adaptation
3	Geoeconomic confrontation	Natural disasters and extreme weather events
4	Failure to mitigate climate change	Biodiversity loss and ecosystem collapse
5	Erosion of social cohesion and societal polarization	Large-scale involuntary migration
6	Large-scale environmental damage incidents	Natural resource crises
7	Failure of climate change adaptation	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity	Widespread cybercrime and cyber insecurity
9	Natural resource crises	Geoeconomic confrontation
10	Large-scale involuntary migration	Large-scale environmental damage incidents

Risk categories: Economic, Environmental, Geopolitical, Societal, Technological

Source

World Economic Forum Global Risks Perception Survey 2022-2023.

crises. Chapter 3 imagines mid-term futures, exploring how connections between the emerging risks outlined in previous sections may collectively evolve into a "polycrisis" centred around natural resource shortages by 2030. The report concludes by considering perceptions of the comparative state of preparedness for these risks and highlighting enablers to charting a course to a more resilient world. Below are key findings of the report.

Cost of living dominates global risks in the next two years while climate action failure dominates the next decade

The next decade will be characterized by environmental and societal crises, driven by underlying geopolitical and economic trends. **"Cost-of-living crisis"** is ranked as the most severe global risk over the next two years, peaking in the short term. **"Biodiversity loss and ecosystem collapse"** is viewed as one of the fastest deteriorating global risks over the next decade, and all six environmental risks feature in the top 10 risks over the next 10 years. Nine risks are featured in the top 10 rankings over both the short and the long term, including **"Geoeconomic confrontation"** and **"Erosion of social cohesion and societal polarisation"**, alongside two new entrants to the top rankings: **"Widespread cybercrime and cyber insecurity"** and **"Large-scale involuntary migration"**.

As an economic era ends, the next will bring more risks of stagnation, divergence and distress

The economic aftereffects of COVID-19 and the war in Ukraine have ushered in skyrocketing inflation, a rapid normalization of monetary policies and started a low-growth, low-investment era.

Governments and central banks could face stubborn inflationary pressures over the next two years, not least given the potential for a prolonged war in Ukraine, continued bottlenecks from a lingering pandemic, and economic warfare spurring supply chain decoupling. Downside risks to the economic outlook also loom large. A miscalibration between monetary and fiscal policies will raise the likelihood of liquidity shocks, signaling a more prolonged economic downturn and debt distress on a global scale. Continued supply-driven inflation could lead to stagflation, the socioeconomic consequences of which could be severe, given an unprecedented interaction with historically high levels of public debt. Global economic fragmentation, geopolitical tensions and rockier restructuring could contribute to widespread debt distress in the next 10 years.

Even if some economies experience a softer-than-expected economic landing, the end of the low interest rate era will have significant ramifications for governments, businesses and individuals. The knock-on effects will be felt most acutely by the most vulnerable parts of society and already-fragile states, contributing to rising poverty, hunger, violent protests, political instability and even state collapse. Economic pressures will also erode gains made by middle-income households, spurring discontent, political polarization and calls for enhanced social protections in countries across the world. Governments will continue to face a dangerous balancing act between protecting a broad swathe of their citizens from an elongated cost-of-living crisis without embedding inflation – and meeting debt servicing costs as revenues come under pressure from an economic downturn, an increasingly urgent transition to new energy systems, and a less stable geopolitical environment. The resulting new economic era may be one of growing divergence between rich and poor countries and the first rollback in human development in decades.

Geopolitical fragmentation will drive geoeconomic warfare and heighten the risk of multi-domain conflicts

Economic warfare is becoming the norm, with increasing clashes between global powers and state intervention in markets over the next two years. Economic policies will be used defensively, to build self-sufficiency and sovereignty from rival powers, but also will increasingly be deployed offensively to constrain the rise of others. Intensive geoeconomic weaponization will highlight security vulnerabilities posed by trade, financial and technological interdependence between globally integrated economies, risking an escalating cycle of distrust and decoupling. As geopolitics trumps economics, a longer-term rise in inefficient production and rising prices becomes more likely. Geographic hotspots that are critical to the effective functioning of the global financial and economic system, in particular in the Asia-Pacific, also pose a growing concern.

Interstate confrontations are anticipated by GRPS respondents to remain largely economic in nature over the next 10 years. However, the recent uptick in military expenditure and proliferation of new technologies to a wider range of actors could drive a global arms race in emerging technologies. The longer-term global risks landscape could be defined by multi-domain conflicts and asymmetric warfare, with the targeted deployment of new-tech weaponry on a potentially more destructive scale than seen in recent decades. Transnational arms control mechanisms must quickly adapt to this new security context, to strengthen the shared moral, reputational and political costs that act as a deterrent to accidental and intentional escalation.

Technology will exacerbate inequalities while risks from cybersecurity will remain a constant concern

The technology sector will be among the central targets of stronger industrial policies and enhanced state intervention. Spurred by state aid and military expenditure, as well as private investment, research and development into emerging technologies will continue at pace over the next decade, yielding advancements in AI, quantum computing and biotechnology, among other technologies. For countries that can afford it, these technologies will provide partial solutions to a range of emerging crises, from addressing new health threats and a crunch in healthcare capacity to scaling food security and climate mitigation. For those that cannot, inequality and divergence will grow. In all economies, these technologies also bring risks, from widening misinformation and disinformation to unmanageably rapid churn in both blue- and white-collar jobs.

However, the rapid development and deployment of new technologies, which often comes with limited protocols governing their use, poses its own set of risks. The ever-increasing intertwining of technologies with the critical functioning of societies is exposing populations to direct domestic threats, including those that seek to shatter societal functioning. Alongside a rise in cybercrime, attempts to disrupt critical technology-enabled resources and services will become more common, with attacks anticipated against agriculture and water, financial systems, public security, transport, energy and domestic, space-based and undersea communication infrastructure. Technological risks are not solely limited to rogue actors. Sophisticated analysis of larger data sets will enable the misuse of personal information through legitimate legal mechanisms, weakening individual digital sovereignty and the right to privacy, even in well-regulated, democratic regimes.

Climate mitigation and climate adaptation efforts are set up for a risky trade-off, while nature collapses

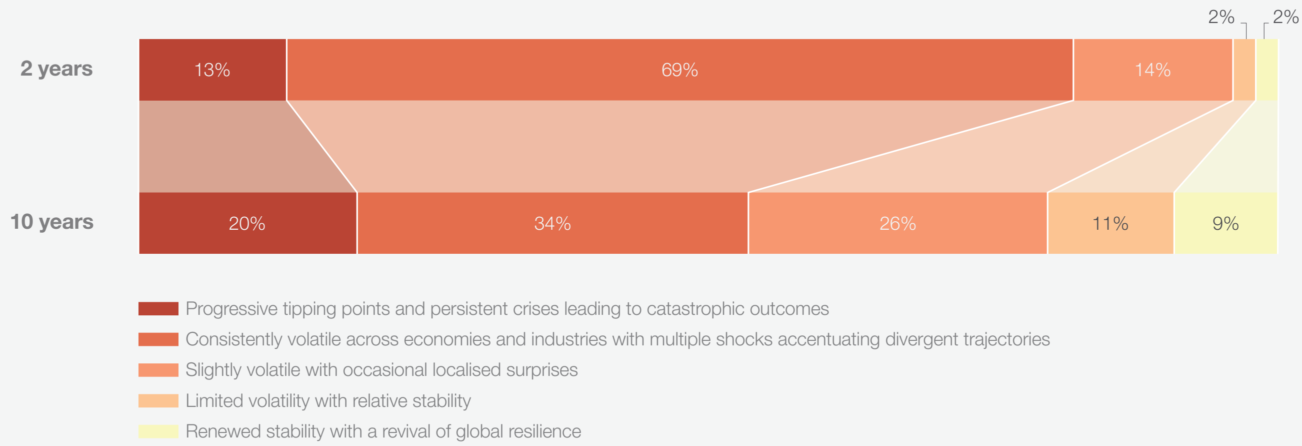
Climate and environmental risks are the core focus of global risks perceptions over the next decade – and are the risks for which we are seen to be the least prepared. The lack of deep, concerted progress on climate targets has exposed the divergence between what is scientifically necessary to achieve net zero and what is politically feasible. Growing demands on public-and private-sector resources from other crises will reduce the speed and scale of mitigation efforts over the next two years, alongside insufficient progress towards the adaptation support required for those communities and countries increasingly affected by the impacts of climate change.

As current crises diverts resources from risks arising over the medium to longer term, the burdens on natural ecosystems will grow given their still undervalued role in the global economy and overall planetary health. Nature loss and climate change are intrinsically interlinked – a failure in one sphere will cascade into the other. Without significant policy change or investment, the interplay between climate change impacts, biodiversity loss, food security and natural resource consumption will accelerate ecosystem collapse, threaten food supplies and livelihoods in climate-vulnerable economies, amplify the impacts of natural disasters, and limit further progress on climate mitigation.

FIGURE B

Short- and long-term global outlook

"Which of the following best characterizes your outlook for the world over the short-term (2 years) and longer-term (10 years)?



Source

World Economic Forum, Global Risks Perception Survey 2022-2023.

Food, fuel and cost crises exacerbate societal vulnerabilities while declining investments in human development erode future resilience

Compounding crises are widening their impact across societies, hitting the livelihoods of a far broader section of the population, and destabilizing more economies in the world, than traditionally vulnerable communities and fragile states. Building on the most severe risks expected to impact in 2023 – including **"Energy supply crisis"**, **"Rising inflation"** and **"Food supply crisis"** – a global **Cost-of-living crisis** is already being felt. Economic impacts have been cushioned by countries that can afford it, but many lower-income countries are facing multiple crises: debt, climate change and food security. Continued supply-side pressures risk turning the current cost-of-living crisis into a wider humanitarian crisis within the next two years in many import-dependent markets.

Associated social unrest and political instability will not be contained to emerging markets, as economic pressures continue to hollow out the middle-income bracket. Mounting citizen frustration at losses in human development and declining social mobility, together with a widening gap in values and equality, are posing an existential challenge to political systems around the world. The election of less centrist leaders as well as political polarization between economic superpowers over the next two years may also reduce space further for collective problem-solving, fracturing alliances and leading to a more volatile dynamic.

With a crunch in public-sector funding and competing security concerns, our capacity to absorb the next global shock is shrinking. Over the next 10 years, fewer countries will have the fiscal headroom to invest in future growth, green technologies, education, care and health systems. The slow decay of public infrastructure and services in both developing and advanced markets may be relatively subtle, but accumulating impacts will be highly corrosive to the strength of human capital and development – a critical mitigant to other global risks faced.

As volatility in multiple domains grows in parallel, the risk of polycrises accelerates

Concurrent shocks, deeply interconnected risks and eroding resilience are giving rise to the risk of polycrises – where disparate crises interact such that the overall impact far exceeds the sum of each part. Eroding geopolitical cooperation will have ripple effects across the global risks landscape over the medium term, including contributing to a potential polycrisis of interrelated environmental, geopolitical and socioeconomic risks relating to the supply of and demand for natural resources.

The report describes four potential futures centred around food, water and metals and mineral shortages, all of which could spark a humanitarian as well as an ecological crisis – from water wars and famines to continued overexploitation of ecological resources and a slowdown in climate mitigation and adaption. Given uncertain relationships between global risks, similar foresight exercises can help anticipate potential connections, directing preparedness measures towards minimizing the scale and scope of polycrises before they arise.

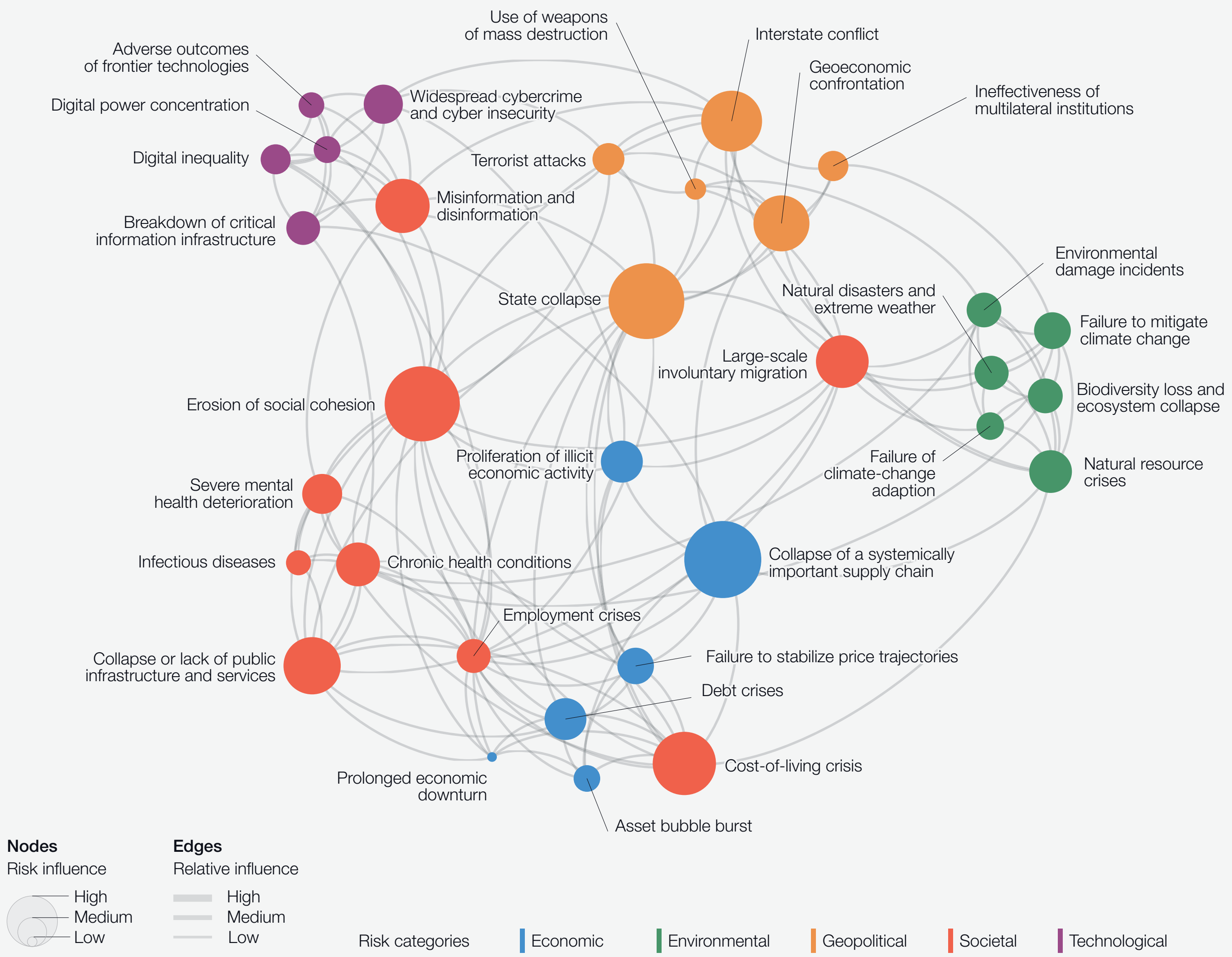
In the years to come, as continued, concurrent crises embed structural changes to the economic and geopolitical landscape, they accelerate the other risks that we face. More than four in five GRPS respondents anticipate consistent volatility over the next two years at a minimum, with multiple shocks accentuating divergent trajectories. However, respondents are generally more optimistic over the longer term. Just over one-half of respondents anticipate a negative outlook, and nearly one in five respondents predict limited volatility with relative – and potentially renewed – stability in the next 10 years.

Indeed, there is still a window to shape a more secure future through more effective preparedness. Addressing the erosion of trust in multilateral processes will enhance our collective ability to prevent and respond to emerging cross-border crises and strengthen the guardrails we have in place to address well-established risks. In addition, leveraging the interconnectivity between global risks can broaden the impact of risk mitigation activities – shoring up resilience in one area can have a multiplier effect on overall preparedness for other related risks. As a deteriorating economic outlook brings tougher trade-offs for governments facing competing social, environmental and security concerns, investment in resilience must focus on solutions that address multiple risks, such as funding of adaptation measures that come with climate mitigation co-benefits, or investment in areas that strengthen human capital and development.

Some of the risks described in this year's report are close to a tipping point. This is the moment to act collectively, decisively and with a long-term lens to shape a pathway to a more positive, inclusive and stable world.

FIGURE C

Global risks landscape: an interconnections map



Source

World Economic Forum, Global Risks Perception Survey 2022-2023.

FIGURE D

Currently manifesting risks

"Please rank the top 5 currently manifesting risks in order of how severe you believe their impact will be on a global level in 2023"

1	Energy supply crisis	Societal
2	Cost-of-living crisis	Societal
3	Rising inflation	Economic
4	Food supply crisis	Societal
5	Cyberattacks on critical infrastructure	Technological

Source

World Economic Forum Global Risks Perception Survey 2022-2023.

Risk categories: Economic, Environmental, Geopolitical, Societal, Technological

FIGURE E

Global risks ranked by severity

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period"

	Short term		Long term	
1	Cost-of-living crisis	Societal	Failure to mitigate climate change	Environmental
2	Natural disasters and extreme weather events	Environmental	Failure of climate-change adaption	Environmental
3	Geoeconomic confrontation	Geopolitical	Natural disasters and extreme weather events	Environmental
4	Failure to mitigate climate change	Environmental	Biodiversity loss and ecosystem collapse	Environmental
5	Erosion of social cohesion and societal polarization	Societal	Large-scale involuntary migration	Societal
6	Large-scale environmental damage incidents	Environmental	Natural resource crises	Environmental
7	Failure of climate-change adaption	Environmental	Erosion of social cohesion and societal polarization	Societal
8	Widespread cybercrime and cyber insecurity	Technological	Widespread cybercrime and cyber insecurity	Technological
9	Natural resource crises	Environmental	Geoeconomic confrontation	Geopolitical
10	Large-scale involuntary migration	Societal	Large-scale environmental damage incidents	Environmental
11	Debt crises	Economic	Misinformation and disinformation	Societal
12	Failure to stabilize price trajectories	Economic	Ineffectiveness of multilateral institutions and international cooperation	Geopolitical
13	Prolonged economic downturn	Economic	Interstate conflict	Geopolitical
14	Interstate conflict	Geopolitical	Debt crises	Economic
15	Ineffectiveness of multilateral institutions and international cooperation	Geopolitical	Cost-of-living crisis	Societal
16	Misinformation and disinformation	Societal	Breakdown of critical information infrastructure	Technological
17	Collapse of a systemically important industry or supply chain	Economic	Digital power concentration	Technological
18	Biodiversity loss and ecosystem collapse	Environmental	Adverse outcomes of frontier technologies	Technological
19	Employment crises	Societal	Failure to stabilize price trajectories	Economic
20	Infectious diseases	Societal	Chronic diseases and health conditions	Societal
21	Use of weapons of mass destruction	Geopolitical	Prolonged economic downturn	Economic
22	Asset bubble bursts	Economic	State collapse or severe instability	Geopolitical
23	Severe mental health deterioration	Societal	Employment crises	Societal
24	Breakdown of critical information infrastructure	Technological	Collapse of a systemically important industry or supply chain	Economic
25	State collapse or severe instability	Geopolitical	Severe mental health deterioration	Societal
26	Chronic diseases and health conditions	Societal	Collapse or lack of public infrastructure and services	Societal
27	Collapse or lack of public infrastructure and services	Societal	Infectious diseases	Societal
28	Proliferation of illicit economic activity	Economic	Use of weapons of mass destruction	Geopolitical
29	Digital power concentration	Technological	Proliferation of illicit economic activity	Economic
30	Terrorist attacks	Geopolitical	Digital inequality and lack of access to digital services	Technological
31	Digital inequality and lack of access to digital services	Technological	Asset bubble bursts	Economic
32	Adverse outcomes of frontier technologies	Technological	Terrorist attacks	Geopolitical

Source

World Economic Forum Global Risks Perception Survey 2022-2023.

Risk categories: Economic, Environmental, Geopolitical, Societal, Technological

FIGURE F | **Perceptions around preparedness and governance**

Source

World Economic Forum, Global Risks Perception Survey 2022-2023.

1

Global Risks 2023: Today's Crisis

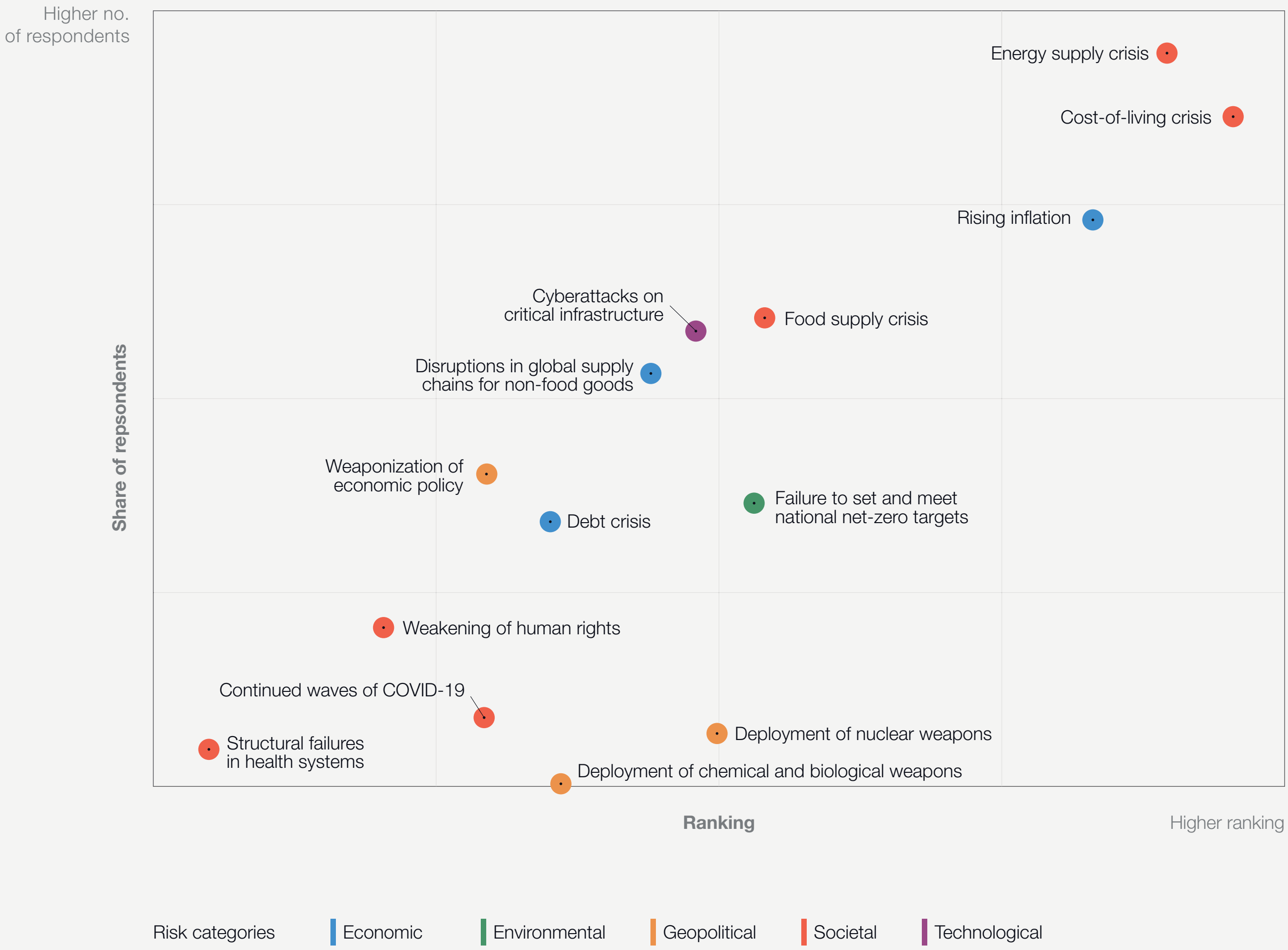
1.1 Current crises

With the global landscape dominated by manifesting risks, we introduce this year three time frames for understanding global risks: 1) current crises (i.e. global risks which are already unfolding), 2) risks that are likely to be most severe in two years, and 3) risks that are likely to be most severe in 10 years. This chapter address the outlook for the first two time frames. Most respondents to the

FIGURE 1.1

Currently manifesting risks

"Please rank the top 5 currently manifesting risks in order of how severe you believe their impact will be on a global level in 2023"



Source

World Economic Forum Global Risks Perception Survey 2022-2023.

2022-2023 Global Risks Perception Survey (GRPS) chose **"Energy supply crisis"**; **"Cost-of-living crisis"**; **"Rising inflation"**; **"Food supply crisis"** and **"Cyberattacks on critical infrastructure"** as among the top risks for 2023 with the greatest potential impact on a global scale (Figure 1.1). Those that are outside the top 5 for the year but remain concerns include: failure to meet net-zero targets; weaponization of economic policy; weakening of human rights; a debt crisis; and failure of non-food supply chains.

News headlines all over the world make these results largely unsurprising. Yet their implications are profound. Our global "new normal" is a return to basics – food, energy, security – problems our globalized world was thought to be on a trajectory to solve. These risks are being amplified by the persistent health and economic overhang of a global pandemic; a war in Europe and sanctions that impact a globally integrated economy; and an escalating technological arms race underpinned by industrial competition and enhanced state intervention. Longer-term structural changes to geopolitical dynamics – with the diffusion of power across countries of differing political and economic systems – are coinciding with a more rapidly changing economic landscape, ushering in a low-growth, low-investment and low-cooperation era and a potential decline in human development after decades of progress.

The result is a global risks landscape that feels both wholly new and eerily familiar. There is a return of "older" risks that are understood historically but experienced by few in the current generations of business leaders and public policy-makers. In addition, there are relatively new developments in the global risk landscape. These include widespread, historically high levels of public and in some cases private-sector debt; the ever more rapid pace of technological development and its unprecedented intertwining with the critical functioning of societies; and the growing pressure of climate change impacts and ambitions in an ever-shorter time frame for transition. Together, these are converging to shape a unique, uncertain and turbulent 2020s.

1.2 The path to 2025

The complex and rapid evolution of the global risks landscape is adding to a sense of unease. More than four in five GRPS respondents anticipated consistent volatility over the next two years at a minimum, with multiple shocks accentuating divergent trajectories (Figure 1.10).

Respondents to the GRPS see the path to 2025 dominated by social and environmental risks, driven by underlying geopolitical and economic trends (Figure 1.2).

There were some notable differences between the responses of government and business respondents, with **"Debt crises"**, **"Failure to stabilize price trajectories"**, **"Failure to mitigate climate change"** and **"Failure of climate change adaptation"** featuring more prominently for governments, and **"Widespread cybercrime and cyber insecurity"** and **"Large-scale environmental damage incidents"** featuring higher for business (Figure 1.3).

The following sections explore the most severe

FIGURE 1.2

Global risks ranked by severity over the short term (2 years)

1	Cost-of-living crisis	6	Large-scale environmental damage incidents
2	Natural disasters and extreme weather events	7	Failure of climate change adaptation
3	Geoeconomic confrontation	8	Widespread cybercrime and cyber insecurity
4	Failure to mitigate climate change	9	Natural resource crises
5	Erosion of social cohesion and societal polarization	10	Large-scale involuntary migration

Risk categories: Economic | Environmental | Geopolitical | Societal | Technological

Source

World Economic Forum Global Risks Perception Survey 2022-2023.

FIGURE 1.3

Severity by stakeholder over the short term (2 years)

	Government		Business
1	Cost-of-living crisis	1	Cost-of-living crisis
2	Natural disasters and extreme weather	2	Natural disasters and extreme weather
3	Failure to mitigate climate change	3	Geoeconomic confrontation
4	Geoeconomic confrontation	4	Widespread cybercrime and cyber insecurity
5	Failure of climate-change adaption	5	Large-scale environmental damage incidents
6	Debt crises	6	Erosion of social cohesion and societal polarization
7	Erosion of social cohesion and societal polarization	7	Failure to mitigate climate change
8	Failure to stabilize price trajectories	8	Natural resource crises
9	Widespread cybercrime and cyber insecurity	9	Debt crises
10	Prolonged economic downturn	10	Failure of climate-change adaption

Risk categories: Economic, Environmental, Geopolitical, Societal, Technological

Source

World Economic Forum Global Risks Perception Survey 2022-2023.

global risks that many expect to play out over the next two years, within the context of the mounting impacts and constraints being imposed by the numerous crises felt today. These are: cost-of-living crisis, economic downturn, geoeconomic warfare, climate action hiatus and societal polarization. We describe current trends associated with each risk, briefly cover the reasons behind them and then note their emerging implications and knock-on effects.

Cost-of-living crisis

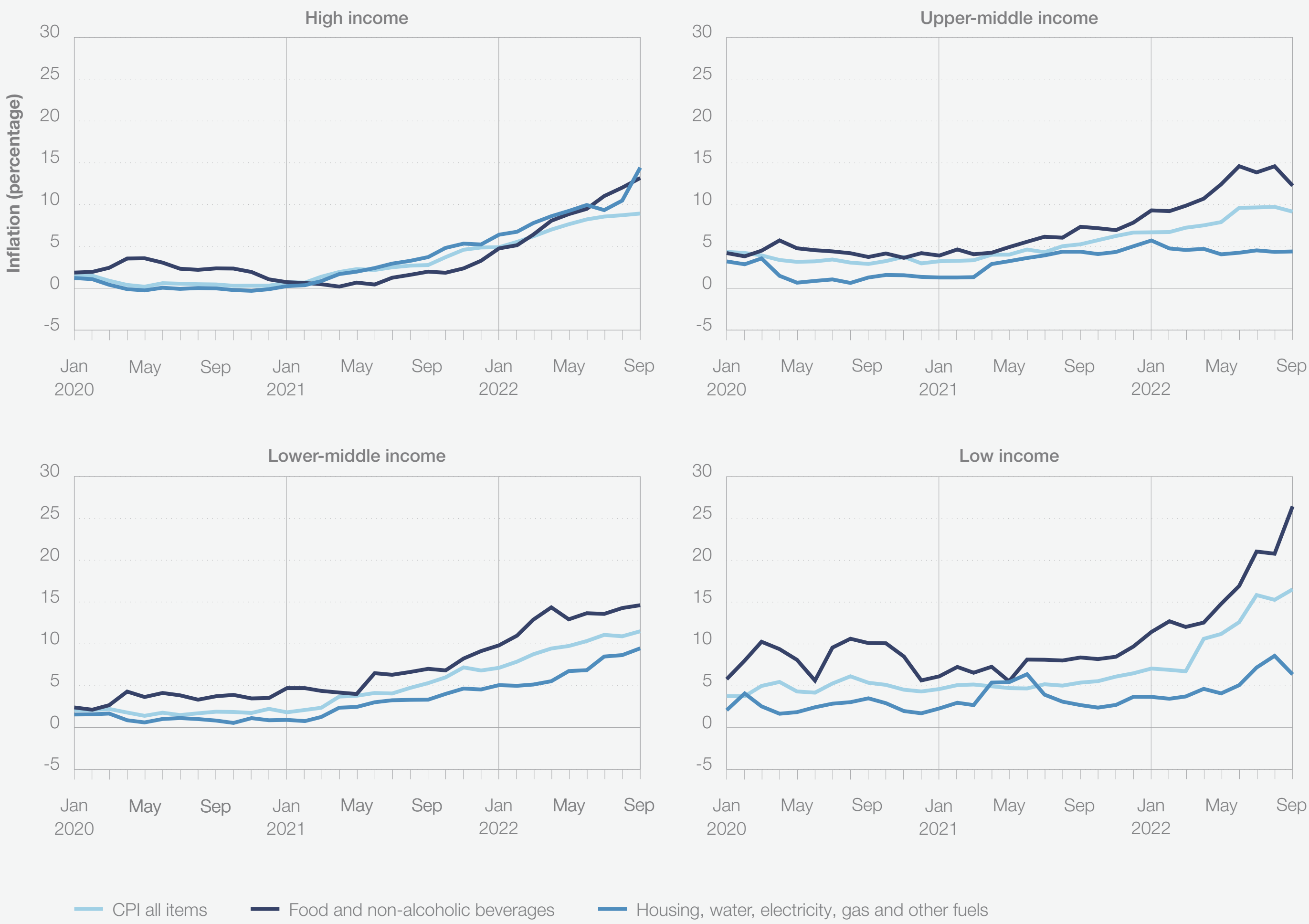
Ranked as the most severe global risk over the next two years by GRPS respondents, a global **Cost-of-living crisis** is already here, with inflationary pressures disproportionately hitting those that can least afford it. Even before the COVID-19 pandemic, the price of basic necessities – non-expendable items such as food and housing – were on the rise.[1] Costs further increased in 2022, primarily due to continued disruptions in the flows of energy and food from Russia and Ukraine. To curb domestic prices, around 30 countries introduced restrictions, including export bans, in food and energy last year, further driving up global inflation.[2] Despite the latest extension, the looming threat of Russia pulling out of the Black Sea Grain Export Deal has also led to significant volatility in the price of essential commodities.

Although global supply chains have partly adapted, with pressures significantly lower than the peak experienced in April last year,[3] price shocks to core necessities have significantly outpaced general inflation over this time (Figure 1.4). The FAO Price Index hit the highest level since its inception in 1990 in March last year.[4] Energy prices are estimated to remain 46% higher than average in 2023 relative to January 2022 projections.[5] The relaxation of China's COVID-19 policies could drive up energy and commodity prices further - and will test the resilience of global supply chains if policy changes remain unpredictable as infections soar.

Cost-of-living crisis was broadly perceived by GRPS respondents to be a short-term risk, at peak severity within the next two years and easing off thereafter. But the persistence of a global cost-of-living crisis could result in a growing proportion of the most vulnerable parts of society being priced out of access to basic needs, fueling unrest and political instability. Continued supply-chain disruptions could lead to sticky core inflation, particularly in food and energy. This could fuel further interest rate hikes, raising the risk of debt distress, a prolonged economic downturn and a vicious cycle for fiscal planning.

Despite some improvement during the pandemic, household debt has been on the rise in certain

FIGURE 1.4 **Price hikes in basic necessities, 2020-2022**



Source

IMF, Consumer Price Index.

Note

Median year-on-year inflation, by income group.

economies. Global mortgage rates have reached their highest level in more than a decade. Some estimates suggest that the increase in rates amounts to a 35% increase in mortgage payments for homeowners.[6] Rent inflation has also followed suit – in the United States of America, it is estimated to peak at over 8% in May this year before easing,[7] disproportionately affecting lower socioeconomic groups who are more likely to rent but least able to afford rental price hikes. Retirees will also be impacted as pensions fail to keep pace with higher inflation.[8] Higher costs of food, energy and housing, causing lower real incomes, will result in trade-offs in essential spending, worsening health and wellbeing outcomes for communities.

Economic impacts are often cushioned by expansive fiscal policy and government programmes in countries that can afford them.[9] Advanced economies continue to roll out measures, many of which have been broad-brush in approach – ranging from caps on electricity bills, fuel rebates and subsidized public transport tickets for consumers, to export controls on food, tax relief, enhanced state aid and support for affected companies. The resulting pressure on fiscal balances may exacerbate debt sustainability concerns, leaving emerging and developing countries with far less fiscal room to protect their populations in the future.

Both affordability and availability of basic necessities can stoke social and political instability. Last year, the increase in fuel prices alone led to protests in an estimated 92 countries, some of which resulted in political upheaval and fatalities, alongside strikes and industrial action.[10] The impact of insecurity will continue to be felt most acutely in already vulnerable states – including Somalia, Sudan, South Sudan and the Syrian Arab Republic – but may also exacerbate instability in countries facing simultaneous food and debt crises, such as Tunisia, Ghana, Pakistan, Egypt and Lebanon.[11]

A combination of extreme weather events and constrained supply could lead the current cost-of-living crisis into a catastrophic scenario of hunger and distress for millions in import-dependent countries or turn the energy crisis towards a humanitarian crisis in the poorest emerging markets. Energy shortages – as a result of supplier shut-offs or natural, accidental or intentional damage to pipelines and energy grids – could cause widespread blackouts and fatalities if combined with seasonal extreme weather. There is also a material possibility of a global food supply crisis occurring in 2023, with the continuation of the war in Ukraine, the lagged effect of a price spike in fertilizer last year and the impact of extreme weather conditions on food production in key regions. Estimates suggest that over 800,000 hectares of farmland were wiped out by floods in Pakistan – increasing commodity prices significantly in a country that was already grappling with record 27% inflation.[12] Predicted droughts and water shortages may cause a decline in harvests and livestock deaths across East Africa, North Africa and Southern Africa, exacerbating food insecurity.[13]

Although some regions anticipate above-average yields next year, unexpected production or transportation shocks in key exporters – including water shortages in the Netherlands and droughts and large-scale insect loss in the United States of America and Brazil[14] – or controls imposed by these countries could further destabilize global food security, explored in Chapter 3: Resource Rivalries. **"Severe commodity price shocks or volatility"** was a top-five risk over the next two years in 47 countries surveyed by the Forum's Executive Opinion Survey (EOS), while **"Severe commodity supply crises"** registered as a more localized risk, as a top-five concern across 34 countries, including in Switzerland, South Korea, Singapore, Chile and Türkiye. The catastrophic effects of famine and loss of life can also have spill-over effects further afield, as the risk of widespread violence grows and involuntary migration rises.

Economic downturn

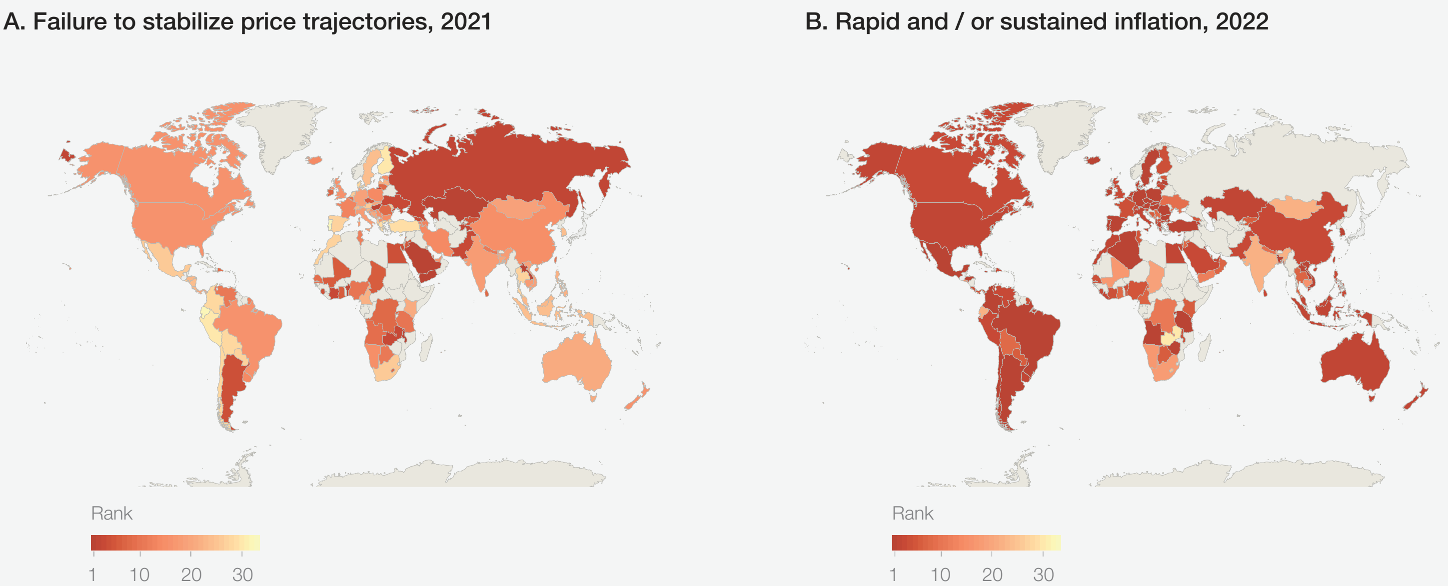
Last year's edition of the *Global Risks Report* warned that inflation, debt and interest rate rises were emerging risks. Today, governments and central banks – led by developed markets, notably the United States of America, Eurozone and the United Kingdom of Great Britain – are walking a tightrope between managing inflation without triggering a deep or prolonged recession, and protecting citizens from a cost-of-living crisis while servicing historically high debt loads. Public-sector respondents to the GRPS ranked **Debt crises** (#6), **Failure to stabilise price trajectories** (#8) and **"Prolonged economic downturn"** (#10) in the top 10 risks over the next two years (Figure 1.3).

Managing inflation is a worldwide concern. **"Rapid and / or sustained inflation"** was also highlighted as a top-five risk over the next two years in 89 of the countries surveyed in the EOS, a significant increase from 2021 (Figure 1.5). It was ranked as the top threat in a number of G20 countries – including Brazil, South Korea and Mexico – although inflationary pressures have affected both developed and developing economies. Inflation rates rose above 80% in Argentina and Türkiye, while Zimbabwe, the Bolivarian Republic of Venezuela, Lebanon, the Syrian Arab Republic and Sudan witnessed triple-digit inflation. Inflation in the United States of America peaked above 9% in June last year and hit record highs in the United Kingdom of Great Britain and the Eurozone in October, at 11.1% and 10.6%, respectively, forcing interest rates higher and inflicting more pain on emerging economies.[15]

FIGURE 1.5

National risk perceptions: inflation

"Which five risks are the most likely to pose the biggest threat to your country in the next two years?"



Source

World Economic Forum Executive Opinion Survey 2022.

The IMF's most recent projections anticipate a decline in global inflation from almost 9% in 2022 to 6.5% this year and 4.1% in 2024, with a sharper disinflation in advanced economies.[16] However, downside risks to the outlook loom large. The complexity of inflationary dynamics is creating a challenging policy environment for both the public sector and central banks, given the mix of demand and supply-side drivers, including a prolonged war in Ukraine and associated energy-supply crunch, potential for escalating sanctions, and continued bottlenecks from a lingering pandemic or new sources of supply-side controls.

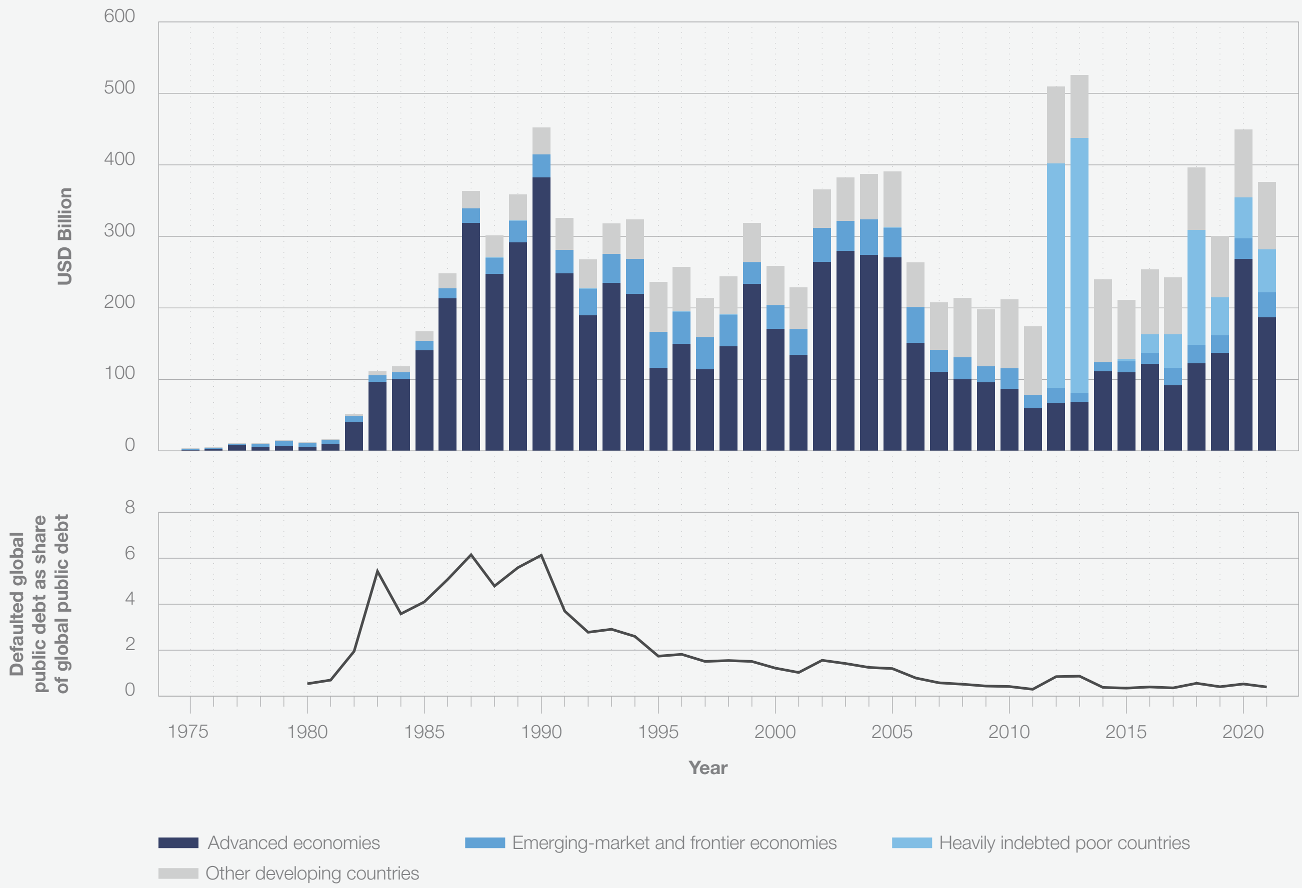
Given currently low headline unemployment in advanced economies, persistent price pressures will likely lead to higher interest rates to avoid inflation de-anchoring. Central banks have sped up the post-pandemic normalization of monetary policy. Nearly 90% (33 of 38) of central banks monitored by the Bank for International Settlements raised interest rates in 2022, a dramatic shift away from the loose financial conditions that characterized the previous decade.[17] With a rapid rise in rates, the risk of unintended consequences and policy error is high, with possible overshoot leading to a deeper and more prolonged economic downturn and potential global recession.

Even if the economic fallout remains comparatively contained, global growth is forecast to slow to 2.7% in 2023, with around one-third of the world's economy facing a technical recession – the third-weakest growth profile in over 20 years.[18] This downturn will be led by advanced markets, with projected growth falling to 1.1% in 2023, while the largest economies – the EU, China and the United States of America – face continued challenges to growth. However, for developing economies, there is a risk of further economic distress and tougher trade-offs. Stubbornly high inflation and more disorderly containment will raise the likelihood of stagnant economic growth, liquidity shocks and debt distress on a global scale. Energy importers in particular will bear the brunt of higher energy prices stemming from a strengthened US dollar, but its continued strength is importing inflation worldwide.

Globalized capital flows over recent decades have increased exposure of emerging and developing markets to rising interest rates, especially those with a high proportion of USD-denominated debt, such as Argentina, Colombia and Indonesia.[19] Early tightening of monetary policy in many markets – including Brazil, Mexico, Chile, Peru and Colombia – minimized initial exposure. But while some countries have resorted to foreign-exchange interventions

FIGURE 1.6

Sovereign debt in default



Source

Bank of Canada and Bank of England, 2022.[20]

to limit currency depreciation and debt-servicing loads, heightened volatility continues to drive demand for US assets. This has led to record capital outflows from markets with weaker macroeconomic fundamentals, with investors already withdrawing $70 billion from emerging market bond funds by October last year.[21]

Growth agendas, including the critical pivot to greener economies, have been based on the availability of cheap debt. The extent to which countries can continue to finance development will be dependent on domestic political and debt dynamics. Sri Lanka's recent crisis provides a very real example of the spiraling risks to human security and health that can arise from economic distress, where a debt default and shortage in foreign currency limited imports; disrupted access to food, fuel, healthcare and electricity; and led to violent protests and the resignation of the President.

The scale of sovereign debt defaults could significantly rise in weaker emerging markets over the next two years, in terms of both the percentage value of total global debt and number of states in default (Figure 1.6). Although unlikely under the current trajectory to reach globally destabilizing levels, the proportion of countries in or at high risk of debt distress has already doubled from 2015 levels.[22] This will increase the global influence of creditor nations and heighten state fragility as the capacity to address simultaneous crises in food and energy will be limited.[23] Some countries will be unable to contain future shocks, invest in future growth and green technologies or build future resilience in education, healthcare and ecological systems, with impacts exacerbated by the most powerful and disproportionately borne by the most vulnerable, as explored in **Chapter 2.6: Economic stability**.

Geoeconomic warfare

"Geoeconomic confrontation" was ranked the third-most severe risk over the next two years by GRPS respondents. Interstate confrontations were anticipated by both GRPS and EOS respondents to remain largely economic in nature over the short term. **Geoeconomic confrontation** – including sanctions, trade wars and investment screening – was considered a top-five threat over the next two years among 42 countries surveyed by the EOS and featured as the top risk in many East and South-East Asian countries, among others. In comparison, **"Interstate conflict"** was ranked as a top-five risk in 28 countries surveyed by the EOS (Figure 1.7).

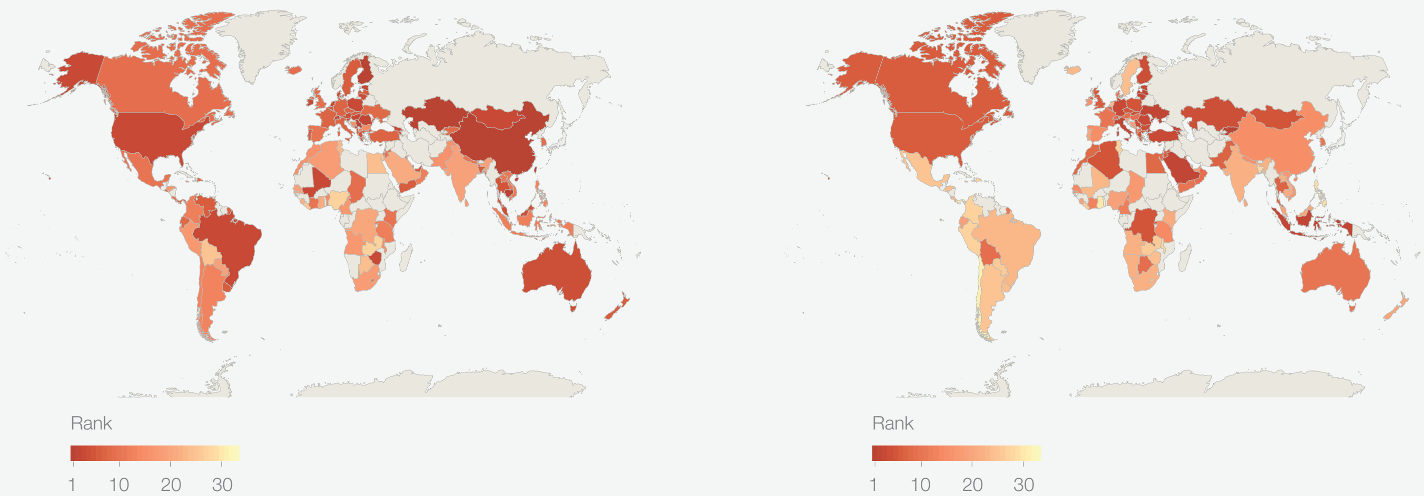
The weaponization of economic policy between globally integrated powers has highlighted vulnerabilities posed by trade, financial and technological interdependence - for the public and private sector alike. The Ukraine conflict triggered the imposition of sanctions, nationalization of key players, and government appropriation of assets, such as Germany's seizure of Russian energy companies' stakes in local refineries last year.[24] Reputational and legal risks for multinational company operations in certain markets also grew:

FIGURE 1.7

National risk perceptions: interstate confrontation

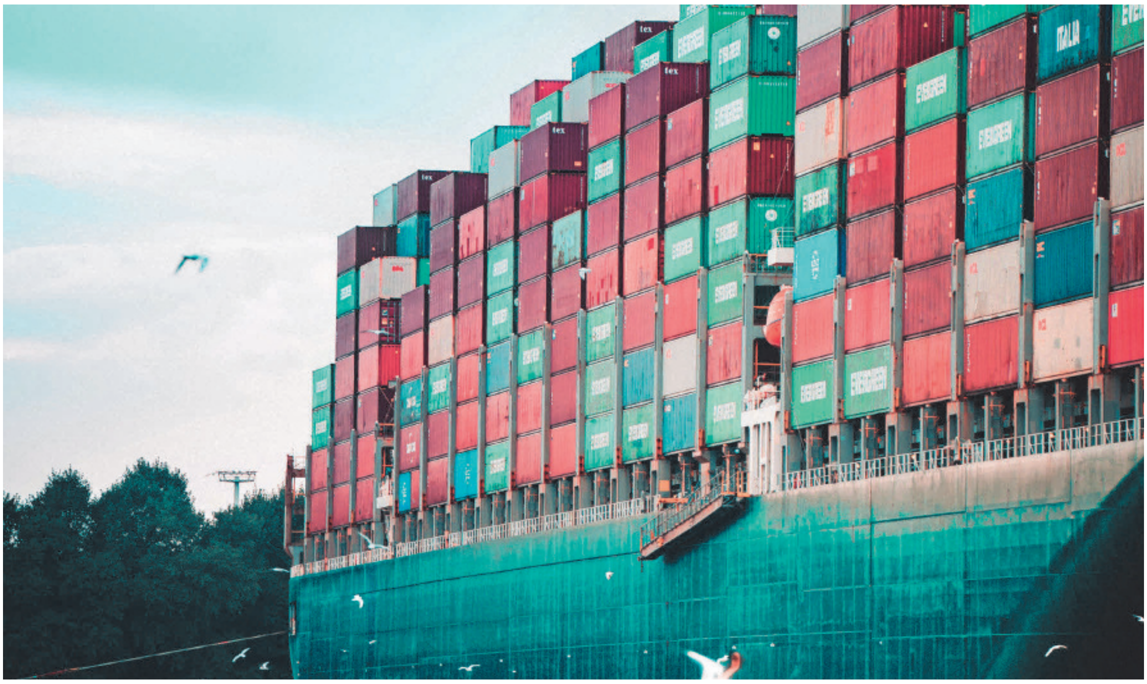
"Which five risks are the most likely to pose the biggest threat to your country in the next two years?"

A. Geoeconomic confrontation **B. Interstate conflict**



Source

World Economic Forum Executive Opinion Survey 2022.



consumer good companies faced boycotts after continuing to provide basic necessities to Russia, and a European energy company was accused of "complicity in war crimes" due to linkages to a Russian gas field.[25]

In the face of vulnerabilities highlighted by the pandemic and then war, economic policy, particularly in advanced economies, is increasingly directed towards geopolitical goals. Countries are seeking to build "self-sufficiency", underpinned by state aid, and achieve "sovereignty" from rival powers, through onshoring and "friend-shoring" global supply chains. Defensive measures to boost local production and minimize foreign interference in critical industries include subsidies, tighter investment screening, data localization policies, visa bans and exclusion of companies from key markets.

While initially driven by tensions between the United States of America and China, many policies are extra-territorial in nature or have been similarly adopted by other markets, with spill-over effects across a broad range of industries. For example, Switzerland is considering the introduction of a general cross-sectoral foreign direct investment screening regime for the first time. Expanded state aid to support self-sufficiency in "strategically important products", including climate mitigation and adaptation, has also heightened competition within global blocs. The EU has already raised concerns about the USA's Inflation Reduction Act, which includes significant tax credits and subsidies for local green technologies.[26]

Economic levers are also being used to proactively constrain the rise of rivals. This includes delisting of foreign companies, extensive use of the foreign direct product rule and export controls on key technologies and intellectual property as well as broad constraints on citizens and entities working with designated foreign companies. The introduction of an outbound investment screening regime has also been contemplated by the United States of America.[27]

Together, these trends towards geoeconomic warfare risk creating widespread spillovers. More extensive deployment of economic levers to meet geopolitical goals risks a vicious and escalating cycle of distrust. Financial and technological ramifications may highlight further vulnerabilities, leading states to proactively wind back other interdependencies in the name of national security and resilience over the next two years. This may spur contrary outcomes to the intended objective, driving resilience and productivity growth lower and marking the end of an economic era characterized by cheaper and globalized capital, labour, commodities and goods.

This will likely continue to weaken existing alliances as nations turn inwards, with enhanced state intervention perceived to drive a "race to the bottom". Further pressure will be placed on multilateral governance mechanisms that act as mitigants to these risks, potentially mirroring the politicization of the World Health Organization (WHO) during the COVID-19 pandemic and the near paralysis of trade enforcement on more contentious issues by the World Trade Organization (WTO) in recent years.[28] It will also likely embed the importance of broader geopolitical spheres of influence in "dependent" markets, with global powers extensively exercising trade, debt and technological power. Although some developing and emerging markets may wield critical resources as leverage, considered in Chapter 3: Resource Rivalries, anticipated controls on capital, labour, knowledge and technological flows risk widening the developmental divide.

In addition, spheres of influence will not be purely contained to global powers, nor "dependent" developing and emerging markets. The influence and alignment of the Middle East in regional and global politics will shift. Although the challenge of longer-term economic diversification remains a significant distraction domestically, the current energy crisis will raise economic, military and political capital of numerous countries over the next two years. Comparative ties of the United States of America and China will have significant ramifications for the balance of power in the region, as well as global military dynamics, considered further in **Chapter 2.4: Human security**.[29]

Strategies to enhance security may also come at a wider economic cost. Intensified geopolitical tensions risk weakening the economic landscape even further, resulting in lingering inflation or depressed growth even if current pressures subside. If on- and friend-shoring continue to be prioritized – particularly in strategic industries such as technology, telecommunications, financial systems, agriculture, mining, healthcare and pharmaceuticals – consumers will potentially face rising costs well into the future. As costs of compliance with divergent political and economic systems climb, multinational companies may pragmatically pick a side, speeding up divergence between various market models.

While intended to lower risks associated with geopolitical and economic disruption, shortened supply chains may also unintentionally heighten exposure to geographically concentrated risks, including labour shortages, civil unrest, pandemics and natural weather events. Geopolitical risks posed by geographic hotspots that are critical to the effective functioning of the global financial and economic system, in particular in the Asia-Pacific, also pose a growing concern.

Climate action hiatus

Despite 30 years of global climate advocacy and diplomacy, the international system has struggled to make the required progress on climate change. The potential failure to address this existential global risk first entered the top rankings of the *Global Risks Report* over a decade ago, in 2011. Today, atmospheric levels of carbon dioxide, methane and nitrous oxide have all reached record highs. Emission trajectories make it very unlikely that global ambitions to limit warming to 1.5°C will be achieved.[30]

A **Failure to mitigate climate change** is ranked as one of the most severe threats in the short term but is the global risk we are seen to be the least prepared for, with 70% of GRPS respondents rating existing measures to prevent or prepare for climate change as **"ineffective"** or **"highly ineffective"** (Figure 4.1). According to the Intergovernmental Panel on Climate Change (IPCC), the chance of breaching the 1.5°C target by as early as 2030 stands at 50%. Current commitments made by the G7 private sector suggest an increase of 2.7°C by mid-century, way above the goals outlined in the Paris Agreement.[31]

Recent events have exposed a divergence between

what is scientifically necessary and what is politically expedient. Current pressures should result in a turning point, encouraging energy-importing countries to invest in "secure", cleaner and cheaper renewable energy sources.[32] Yet geopolitical tensions and economic pressures have already limited – and in some cases reversed – progress on climate change mitigation, at least over the short term. For example, the EU spent at least EUR50 billion on new and expanded fossil-fuel infrastructure and supplies, and some countries restarted coal power stations.[33]

Despite some longer-term government action on the energy transition, such as the USA's Inflation Reduction Act and the EU's REPowerEU plan, overall momentum for climate mitigation is unlikely to rapidly accelerate in the next two years. Negotiations at the Conference of the Parties of the UNFCCC (COP27) failed to reach a much-needed agreement to phase out all fossil fuels, laying bare the difficulty of balancing short-term needs with longer-term ambitions. Policy-makers are increasingly confronted by perceived trade-offs between energy security, affordability and sustainability. The stark reality of 600 million people in Africa without access to electricity illustrates the failure to deliver change to those who need it and the continued attraction of quick fossil-fuel powered solutions – despite the risks of stranded assets, energy security challenges of exported fossil fuel commodities and lifetime carbon emissions that exceed the 1.5°C limit.

There is also growing recognition that not only the pace of the transition but also effectiveness and integrity matter: climate litigation is increasing and concerns about emissions under-reporting and greenwashing have triggered calls for new regulatory oversight for the transition to net zero.[34] While some countries have made disclosure mandatory, much of the corporate world have not yet assessed or started to manage their climate risks. In the absence of clearer policy signals and consistent regulation and enforcement, mitigation efforts will be shaped by increasingly disruptive climate activism, raising the likelihood of stranded assets – as well as people. A just transition that supports those set to lose from decarbonization is increasingly invoked by countries heavily dependent on fossil-fuel industries as a reason to slow down efforts. These challenges, against the backdrop of a deteriorating economic landscape and inflated input costs, may postpone investments in greener production methods – particularly in heavier, "dirtier" industries.[35]

All of this implies that the risks of a slower and more disorderly transition (extensively covered in last year's Global Risks Report) have now turned into reality, potentially leading to dire planetary and societal consequences. Any rollback of government and private action will continue to amplify risks to human health (explored in Chapter 2.3: Human health) and spur the deterioration of natural capital, as discussed in Chapter 2.2: Natural ecosystems. Climate change will also increasingly become a key migration driver and there are indications that it has already contributed to the emergence of terrorist groups and conflicts in Asia, the Middle East and Africa.[36]

Indeed, with 1.2°C of warming already in the system, the compounding effect of a changing climate is already being felt, magnifying humanitarian challenges such as food insecurity, and adding another hefty bill to already stretched fiscal balances.[37] In the GRPS results, **"Natural disasters and extreme weather events"** was considered the second-most severe risk over the next two years. As with many of the global risks featured in this year's report, the impact of these events disproportionately affects low- and middle-income countries. It registered as a top-five risk in 25 countries surveyed by the EOS, in particular in developing coastal states across Latin America, Africa and South-East Asia.

As floods, heatwaves, droughts and other extreme weather events become more severe and frequent, a wider set of populations will be affected. In parallel, a consolidation of public- and private-sector resources may set up emerging and pressing trade-offs between disaster recovery, loss and damage, adaptation and mitigation. Although climate mitigation has been overwhelmingly favoured over adaptation in terms of financing to date, particularly in the private sector,[38] EOS results indicate that climate adaptation may now be seen as a more immediate concern in the short term by business leaders. **Failure of climate change mitigation** only featured in the top five risks over the next two years in one economy, Zambia, whereas the **Failure of climate-change adaptation** was a top-five risk in 16 countries, such as the Netherlands, where it ranked first (Figure 1.8). The diversion of attention and resources towards adaptation may further slow progress on global-warming targets in the economies that remain the biggest contributors to greenhouse gas (GHG) emissions.[39]

Despite plans for a global goal on adaptation to be agreed at COP28, there has also been insufficient progress towards the support required for infrastructure and populations already affected by the fallout from climate change. Adaptation has not been adequately funded, with 34% of climate finance currently allocated to adaptation worldwide.[40]

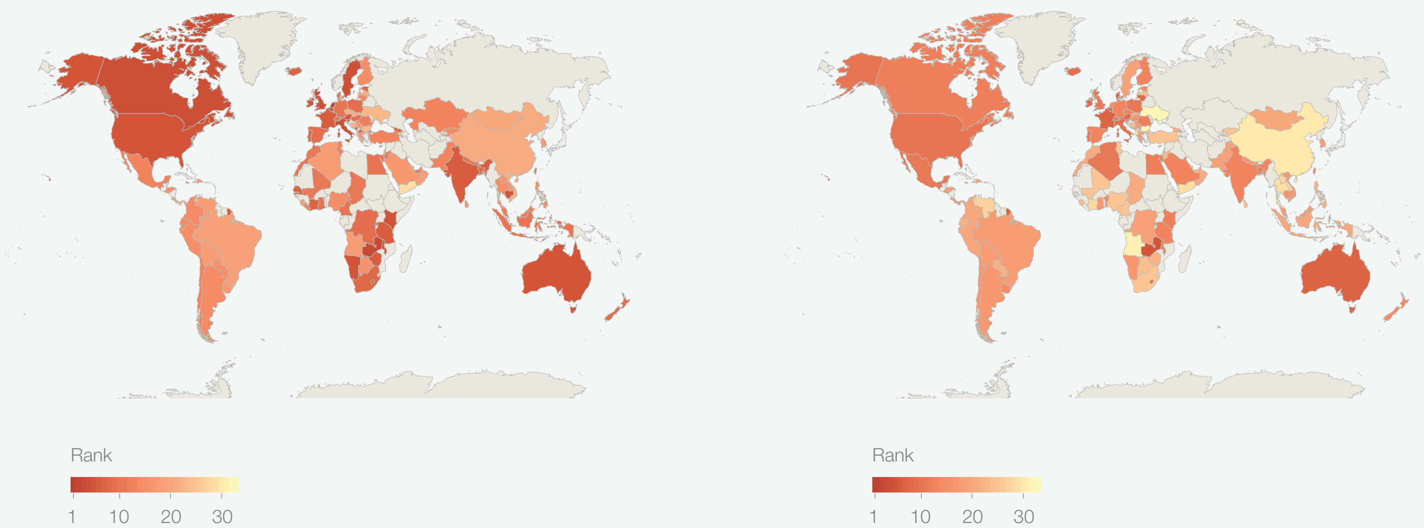
FIGURE 1.8

National risk perceptions: climate action

"Which five risks are the most likely to pose the biggest threat to your country in the next two years?"

A. Failure of climate-change adaptation

B. Failure of climate-change mitigation



Source

World Economic Forum Executive Opinion Survey 2022.

Nor do new investments in infrastructure or capital allocation decisions adequately consider current and future risks. Investors and policy-makers are locking themselves into costly futures, likely to be borne by the most vulnerable. Disagreements on what constitutes adaptation, and the lack of shared goals and best practices, robust regulatory frameworks and metrics, add to a high risk of overshooting and undershooting adaptation efforts.

Limits to adaptation are also increasingly evident. This has been highlighted by the Loss and Damage agenda which, after decades on the sidelines of the climate discourse, has now reached the mainstream. A new financing mechanism was tentatively agreed at COP27, although the contribution to this fund by high-emitting economies remains unclear. Even as more funding is unlocked, there is a risk of ignoring or avoiding climate-proofing against future disasters, as governments scramble to provide relief and support in disaster-hit areas. Market-based mechanisms for managing financial shocks are inadequate and may diminish further within the next two years. There is a risk of retreat by insurers from some areas of natural catastrophe coverage, with the gap in insurance estimated to have grown from $117 billion in 2020 to $161 billion in 2021.[41] Only 7% of economic losses from flood events in emerging markets – and 31% in advanced economies – have been covered by insurance in the last 20 years.[42]

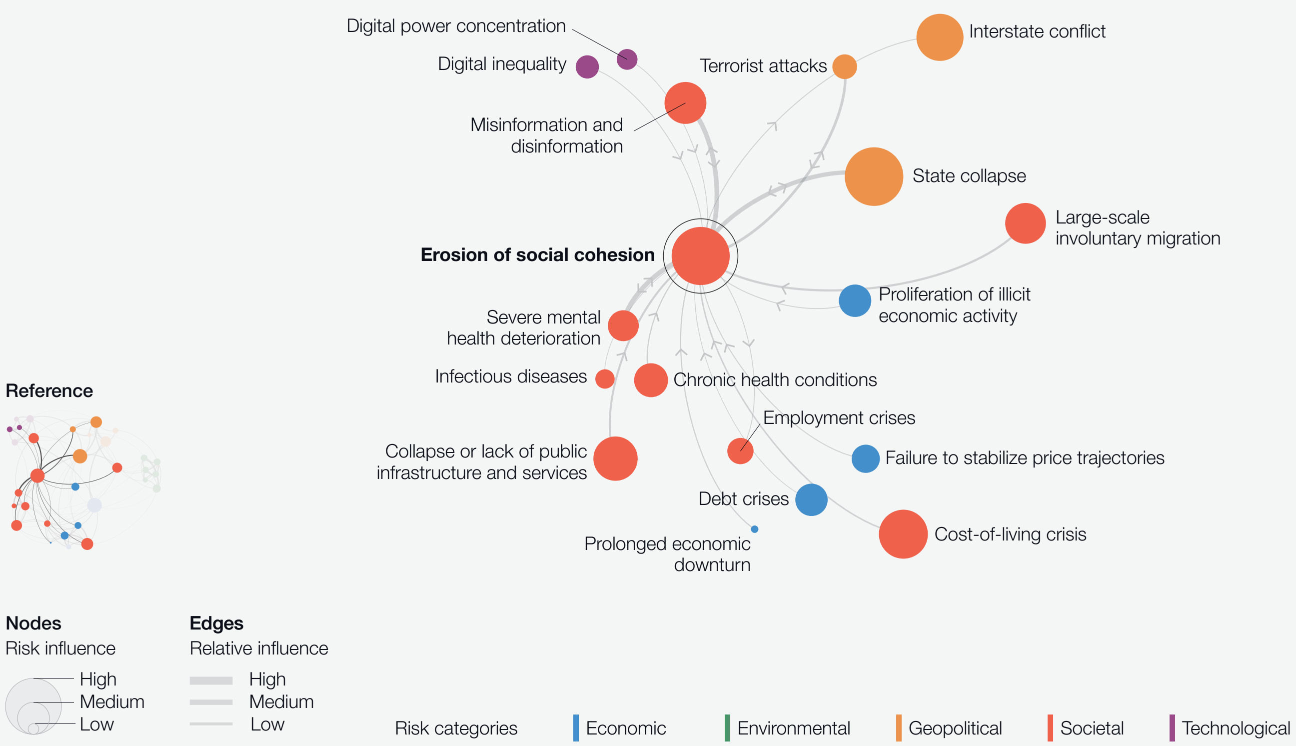
Societal polarization

"Erosion of social cohesion and societal polarisation" has been climbing in the ranks of perceived severity in recent years.[43] Defined as the loss of social capital and fracturing of communities leading to declining social stability, individual and collective wellbeing and economic productivity, it ranked as the fifth-most severe global risk faced in the short term by GRPS respondents. It was also seen as one of the most strongly influenced risks in the global network, triggered by many other short- and longer-term potential risks – including debt crises and state instability, cost-of-living crises and inflation, a prolonged economic downturn and climate migration (Figure 1.9).

A widening gap in values and equality is posing an existential challenge to both autocratic and democratic systems, as economic and social divides are translated into political ones. Polarization on issues such as immigration, gender, reproductive rights, ethnicity, religion, climate and even secession and anarchism[44] have characterized recent elections, referendums and protests around the world – from the United States of America and China to the Islamic Republic of Iran. Mounting citizen frustration at perceived gaps in direct governmental action, human development and social mobility manifested

FIGURE 1.9

Risk interconnections: the erosion of social cohesion



Source

World Economic Forum, Global Risks Perception Survey 2022-2023.

in frequently divisive and unruly civil protests last year. More protests were observed between January and October than in all of 2021.[45]

Consequences of societal polarization are vast, ranging from a drag on growth to civil unrest and deepening political fissures. And there are indications that increasing polarization is contributing to the decline of democracies and accompanying rise in hybrid regimes, with the share of the world's population living in autocratizing countries rising from 5% in 2011, to 36% in 2021. Only 13% of the world's population are currently living under a liberal democracy, compared to 44% living under an electoral autocracy.[46]

The erosion of the social and political centre risks becoming self-perpetuating. Divisions incentivize the adoption of short-term, more extreme policy platforms to galvanize one side of the population and perpetuate populist beliefs. Notably, the contest between two, non-centrist candidates or positions is often close.[47] Although heralded as a resurgence of leftist movements, the Brazilian presidential election of 2022 was won by President Lula by 1.8 points – the slimmest margin recorded since it became a democratic nation.[48] As such, a large proportion of the population can feel alienated and angered by leadership in the following term, acting as a multiplier to existing societal concerns and civil unrest. This is further amplified by social media, which increases polarization and distrust in institutions alongside political engagement.[49]

"Misinformation and disinformation" are, together, a potential accelerant to the erosion of social cohesion as well as a consequence. With the potential to destabilize trust in information and political processes,[50] it has become a prominent tool for geopolitical agents to propagate extremist beliefs and sway elections through social media echo chambers. It was perceived as a moderately severe risk by GRPS respondents, ranking 16th over the short term. Regulatory constraints and educational efforts will likely fail to keep pace, and its impact will expand with the more widespread usage of automation and machine-learning technologies, from bots that imitate human-written text to deepfakes of politicians.[51]

Polarization undermines social trust and, in some cases, has reflected power struggles within a political elite more than underlying divisions in ideologies.[52] Often, hardened polarization on key issues lead to government gridlocks. "Swings" between parties each electoral cycle may stymie the adoption of a longer-term policy outlook, causing greater strife, especially when navigating the difficult and uncertain economic outlook of the coming years. Additionally, although less likely in more democratically robust states, an increasing presence of anocracies (those forms of government that are part democracy, part autocracy, referred to in Chapter 2.5: Digital rights) and factionalism may radicalize polarization. This could lead to increased incidences of threat campaigns and political violence, hate crimes, violent protests and even civil war.[53]

Social and political polarization may also further reduce the space for collective problem-solving to address global risks. The far right has been elected in Italy and are now the second largest party in Sweden, while the left has resurged in Latin America. National elections will take place in several G20 countries within the next two years, including the United States of America, South Africa, Türkiye, Argentina, Mexico and Indonesia. The election of less-centrist leaders and adoption of more "extreme" policies in economic superpowers may fracture alliances, limit global collaboration and lead to a more volatile dynamic.

1.3

Looking ahead

The way risks play out over the next two years has ramifications for the decade to come. Nearly one in five respondents to the GRPS felt optimistic about the outlook for the world in the longer term, predicting limited volatility with relative – and potentially renewed – stability over the next 10 years (Figure 1.10). Yet, over half anticipated progressive tipping points and persistent crises leading to catastrophic outcomes over the next 10 years, or consistent volatility and divergent trajectories. Notably, younger age groups were more hopeful for the future: one in three respondents under the age of 40 shifted to a neutral or positive stance over the longer time frame.

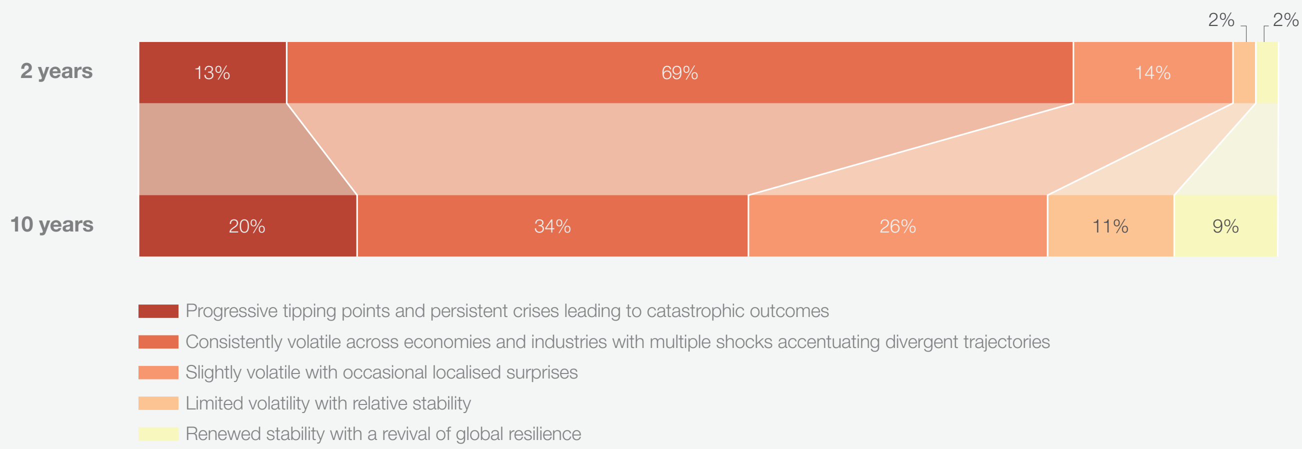
Shocks of recent years – most notably, the war in Ukraine and COVID-19 pandemic – have reflected and accelerated an epochal change to the global order. Risks that are more severe in the short term are embedding structural changes to the economic and geopolitical landscape that will accelerate other global threats faced over the next 10 years. And as the confluence of current crises distracts focus and resources from risks arising over the medium to longer-term horizon, we may face increasing burdens on natural and human ecosystems. Some of these risks are close to a tipping point, but there is a window to shaping a more secure future. Understanding them is vital.

The next chapter considers the potential global shocks we are heading towards over the next decade, highlighting worrying developments emerging from the crises of today that are eroding the resilience and stability of the global system. It highlights a series of such emergent risks – the shocks of tomorrow – that can be reduced through collective attention and action today.

FIGURE 1.10

Short- and long-term global outlook

"Which of the following best characterizes your outlook for the world over the short-term (2 years) and longer-term (10 years)?



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