

NEWS RELEASE

Global Risk Report 2016: A World at Risk

- Evidence is mounting that inter-connections between risks are becoming stronger – for example, climate change and involuntary migration or international security – often with major and unpredictable impacts.
- Failure of climate-change mitigation and adaptation is the number one global risk in terms of impact.
- Large-scale involuntary migration tops the list of risks in terms of likelihood and is the fastest rising in terms of both impact and likelihood.
- Cyberattacks are now considered the greatest risk to doing business in North America.
- Read the full report at <http://riskcenter.wharton.upenn.edu/>

Philadelphia, PA, 14 January 2016 – An increased likelihood of all risks – environmental, geopolitical, societal, economic, and technological, looks set to shape the global agenda in the coming year.

The World Economic Forum's *Global Risks Report 2016*, undertaken in conjunction with the Wharton Risk Management and Decision Processes Center of the University of Pennsylvania for the past 11 years, reports opinions of 750 experts who assessed 29 global risks for both impact and likelihood over a 10-year time horizon and is being released today in advance of the Forum's annual meeting taking place next week in Davos. The report has been developed with the support of Marsh & McLennan Companies and Zurich Insurance Group, other academic advisers (Oxford University's Martin School and the National University of Singapore) and the advisory board of the *Global Risks Report 2016*.

The risk with the greatest potential impact in the 2016 ranking was found to be a **failure of climate change mitigation and adaptation**. This is the first time since the report was published in 2006 that an environmental risk has topped the ranking. This year, it was considered to have greater damage potential than **weapons of mass destruction** (2nd), **water crises** (3rd), **large-scale involuntary migration** (4th) and **severe energy price shock** (5th).

The number one risk in terms of likelihood is **large-scale involuntary migration**, followed by **extreme weather events** (2nd), **failure of climate change mitigation and adaptation** (3rd), **interstate conflict with regional consequences** (4th) and **major natural catastrophes** (5th).

Such a broad risk landscape is unprecedented in the 11 years the report has been measuring global risks. For the first time, four out of five categories – environmental, geopolitical, societal and economic – feature among the top five most impactful risks. Decision makers need to adopt a much more integrated approach to global risk management than before; one cannot focus on just one category. Moreover, the data appears to support the increased likelihood of risks across the board, with all 24 of the risks continuously measured since 2014 having increased their likelihood scores in the past three years. The *Global Risks Report 2016* also examines the interconnections among risks. Here, data suggests a convergence may be occurring, with a small number of key risks wielding great influence.

Knowledge of such interconnections is important in helping leaders prioritize areas for action, as well as plan for contingencies. "We know climate change is exacerbating other risks such as migration and security, but these are by no means the only interconnections that are rapidly evolving to impact societies, often in unpredictable ways. Mitigation measures against such risks are important, but adaptation is vital," said **Margareta Drzeniek-Hanouz**, Head of the Global Competitiveness and Risks, World Economic Forum.

The report also devotes more emphasis on not just risks, but on possible solutions and examples of successful initiatives in the private, public and non-governmental sectors around the world. The business community, working with the public sector, has a critical role to play to improve global risk management.

Erwann Michel-Kerjan, executive director of the Wharton Risk Management Center and member of the advisory board of the World Economic Forum *Global Risks* initiative notes, "We are getting better at anticipating future shocks. Our next task is to quickly build much more effective resilience capability. I believe that if designed and executed well, restructuring some of the \$300 trillion global financial assets towards this new resilience investment agenda can be a game changer. Let's join forces to do that."

Environmental risks have come to prominence in the global risks landscape in 2016, despite the presence on the horizon of a large number of other, highly visible risks. Income disparity, which was highlighted by the report in 2014, is this year reflected in the growing interconnections involving profound social instability and both structural unemployment and underemployment and adverse consequences of technological advances.

In this regard **Howard Kunreuther**, co-director of the Wharton Management Risk Center and an academic advisor for GRR 2016, points out that “this year’s *Global Risks Report* highlights the importance of the Paris Agreement on climate change as an historic turning point with the need for constructing implementable plans to significantly reduce carbon emissions. To encourage developing countries to invest in energy efficient technologies, low- or no-interest long-term loans could be provided through international organizations. Energy efficient technologies such as wind and solar are now cost-efficient relative to standard technologies so they are likely to be utilized by businesses and households.”

International security in the spotlight

The *Global Risks Report 2016* takes an in-depth look at the how the global security landscape could evolve in the future. The report features the outcomes of a year-long study to examine current trends and possible driving forces for the future of international security. Geopolitical risks, one of which – interstate conflict with regional consequences – was 2015’s most likely risk, are also present: while interstate conflict has dropped to fourth in terms of likelihood, weapons of mass destruction ranks as the second most impactful risk, one place higher than last year and its highest ranking ever in our report.

Technological crises have yet to impact economies or securities in a systemic way, but the risk still remains high, something that potentially may not have been fully priced by experts. While cyberattacks rises slightly in terms of likelihood and impact in 2016, others, including failure of critical information infrastructure, appear to be declining as a risk in the eyes of experts. This would appear to be the view of a growing number of business leaders, as our separate survey of business leaders assessing risks for doing business finds cyberattacks to be the top risk in no fewer than eight countries, including the USA, Japan, Germany, Switzerland and Singapore. Cyberattacks feature among the top five risks in 27 economies, indicating the extent to which businesses in many countries have been impacted already by this rising threat.

Through its analysis of the interconnections between risks, the 2016 report explores three areas where global risks have the potential to impact society. These are the concept of the (dis)empowered citizen, the impact of climate change on food security, and the potential of pandemics to threaten social cohesion.

Country-level data

For the second year, the *Global Risks Report* also provides country-level data on how businesses perceive global risks in their countries. Unemployment and under-employment appears as the risk of highest concern in more than a quarter of the 140 economies covered, and is especially featured as the top risk in two regions, sub-Saharan Africa and the Middle East and North Africa. Energy price shock is the next most widespread risk, featuring as a top five risk for doing business in 93 economies.

For more information on the *Global Risks Report 2016*:

- Read the **Executive Summary** at <http://reports.weforum.org/global-risks-2016/executive-summary/>
- Watch the **report launch press conference** at <http://wef.ch/live>
- Watch the **Global Risks 2016 introductory video** at <http://wef.ch/risks2016>
- Find out more about the **Annual Meeting 2016** at <http://wef.ch/davos16>

Contact::

- Peter Winicov, Director of Media Relations, Wharton School, University of Pennsylvania, 215-746-6471, winicov@wharton.upenn.edu
- Maria Puciata, Administrative Assistant, Wharton Risk Center, University of Pennsylvania 215-573-1188, mpuciata@wharton.upenn.edu

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The Risk Management and Decision Processes Center at the Wharton School has for three decades been at the forefront of basic and applied research to promote effective corporate and public policies for low probability events with potentially catastrophic consequences. The Center includes 70 faculty, research fellows, and visiting scholars from all over the world undertaking large-scale initiatives. Providing expertise and a neutral environment for discussion, the Center team promotes a dialogue among industry, governments, interest groups and academics through its research, policy publications, and forums. Research and more at <http://riskcenter.wharton.upenn.edu>.

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