

The Global Risks Report 2022

17th Edition

INSIGHT REPORT



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The Global Risks Report 2022 17th Edition

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Preface

Saadia Zahidi, Managing Director

A divergent economic recovery from the crisis created by the pandemic risks deepening global divisions at a time when societies and the international community urgently need to collaborate to check COVID-19, heal its scars and address compounding global risks.

In some societies, rapid progress on vaccination, leaps forward on digitalization and a return to pre-pandemic growth rates herald better prospects for 2022 and beyond. Others could be weighed down for years by struggles to apply even initial vaccine doses, combat digital divides and find new sources of economic growth. Widening disparities within and between countries will not only make it more difficult to control COVID-19 and its variants, but will also risk stalling, if not reversing, joint action against shared threats that the world cannot afford to overlook.

Last year's edition of the *Global Risks Report* warned of potential knock-on economic risks that are now clear and present dangers. Supply chain disruptions, inflation, debt, labour market gaps, protectionism and educational disparities are moving the world economy into choppy waters that both rapidly and slowly recovering countries alike will need to navigate to restore social cohesion, boost employment and thrive. These difficulties are impeding the visibility of emerging challenges, which include climate transition disorder, increased cyber vulnerabilities, greater barriers to international mobility, and crowding and competition in space.

Restoring trust and fostering cooperation within and between countries will be crucial to addressing these challenges and preventing the world from drifting further apart.

The 17th edition of the *Global Risks Report* identifies tensions that will result from diverging trajectories

and approaches within and between countries and then examines the risks that could arise from such tensions. This year's report also highlights the implications of these risks for individuals, governments and businesses.

The Global Risks Perception Survey (GRPS), which has underpinned the report since 2006, was refreshed this year to gather new and broader insights from nearly 1,000 global experts and leaders who responded. The 2021-2022 GRPS includes the following sections:

- **COVID-19 Hindsight** invites respondents to opine on the reverberations of the crisis, allowing comparability with the results from the previous year.
- **Future Outlook** captures respondent sentiment, informing our analysis of how individual contexts may influence global risk perceptions and affect mitigation.
- **Horizon** captures respondents' perceived trajectory and sense of urgency of global risks, informing our analysis of choices and trade-offs that decision-makers may face.
- **Severity** ranks potential damage while **Effects** asks respondents to consider cascading impacts in conjunction with the severity of the risk itself.
- **International Mitigation** asks respondents to assess international efforts in 15 global governance areas to identify achievements and areas of opportunity for global action and cooperation.
- **Open questions on risks, trends and warning signs** source expert knowledge.

This year the *Global Risks Report* also draws on the views of over 12,000 country-level leaders who identified critical short-term risks to their 124 countries, gathered through the World Economic Forum's Executive Opinion Survey. The areas highlighted in these responses are likely to inform national decision-making and provide a perspective on how short-term risk national priorities may compare with global risks and perspectives.

We are ever grateful to our partners in the report's development: Marsh McLennan, SK Group and Zurich Insurance Group. We also thank our academic partners: the National University of Singapore, the Oxford Martin School at the University of Oxford and the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania.

This report continues to leverage the collective intelligence of an expanding community of the world's foremost risk experts, convened by the World Economic Forum's Global Risks Practice: the Global Risks Report Advisory Board, the Chief Risk Officers Community and the Global Future Council on Frontier Risks, as well as a series of consultations with regional and thematic experts from the public and private sectors.

The report also draws from and supports the World Economic Forum's platforms dedicated to catalysing a new economy and society, accelerating climate action for people and planet, leveraging Fourth Industrial Revolution technologies, stewarding industry transformations and enhancing global and regional cooperation. These platforms and their stakeholders use the insights from this report to shape their agendas for tackling the world's greatest challenges and embedding greater resilience and cooperation.

Executive Summary

As 2022 begins, COVID-19 and its economic and societal consequences continue to pose a critical threat to the world. Vaccine inequality and a resultant uneven economic recovery risk compounding social fractures and geopolitical tensions. In the poorest 52 countries—home to 20% of the world’s people—only 6% of the population had been vaccinated at the time of writing. By 2024, developing economies (excluding China) will have fallen 5.5% below their pre-pandemic expected GDP growth, while advanced economies will have surpassed it by 0.9%—widening the global income gap.

The resulting global divergence will create tensions—within and across borders—that risk worsening the pandemic’s cascading impacts and complicating the coordination needed to tackle common challenges including strengthening climate action, enhancing digital safety, restoring livelihoods and societal cohesion and managing competition in space.

The *Global Risks Report 2022* presents the results of the latest Global Risks Perception Survey (GRPS), followed by an analysis of key risks emanating from current economic, societal, environmental and technological tensions. The report concludes with reflections on enhancing resilience, drawing from the lessons of the last two years of the COVID-19 pandemic. The key findings of the survey and the analysis are summarized below.

Global risks perceptions highlight societal and environmental concerns

Asked to take a view of the past two years, respondents to the GRPS perceive societal risks—in the form of “social cohesion erosion”, “livelihood crises” and “mental health deterioration”—as those that have worsened the most since the pandemic began. Only 16% of respondents feel positive and optimistic about

the outlook for the world, and just 11% believe the global recovery will accelerate. Most respondents instead expect the next three years to be characterized by either consistent volatility and multiple surprises or fractured trajectories that will separate relative winners and losers.

For the next five years, respondents again signal societal and environmental risks as the most concerning. However, over a 10-year horizon, the health of the planet dominates concerns: environmental risks are perceived to be the five most critical long-term threats to the world as well as the most potentially damaging to people and planet, with “climate action failure”, “extreme weather”, and “biodiversity loss” ranking as the top three most severe risks. Respondents also signalled “debt crises” and “geoeconomic confrontations” as among the most severe risks over the next 10 years.

Technological risks—such as “digital inequality” and “cybersecurity failure”—are other critical short- and medium-term threats to the world according to GRPS respondents, but these fall back in the rankings towards the long term and none appear among the most potentially severe, signalling a possible blind spot in risk perceptions.

The 2021-2022 GRPS included a question on international risk mitigation efforts. “Artificial intelligence”, “space exploitation”, “cross-border cyberattacks and misinformation” and “migration and refugees” are the areas where most respondents believe the current state of risk mitigation efforts fall short of the challenge—that is, efforts are “not started” or in “early development”. Meanwhile, for “trade facilitation”, “international crime” and “weapons of mass destruction”, large majorities perceived risk mitigation efforts to be “established” or “effective”.



REUTERS/HEO RAN

A divergent economic recovery threatens collaboration on global challenges

Economic challenges flowing from the pandemic persist. The outlook remains weak: at the time of writing, the global economy was expected to be 2.3% smaller by 2024 than it would have been without the pandemic. Rising commodity prices, inflation and debt are emerging risks. Moreover, with another spike in COVID-19 cases towards the end of 2021, the pandemic continues to stifle countries' ability to facilitate a sustained recovery.

The economic fallout from the pandemic is compounding with labour market imbalances, protectionism, and widening digital, education and skills gaps that risk splitting the world into divergent trajectories. In some countries, rapid vaccine rollout, successful digital transformations and new growth opportunities could mean a return to pre-pandemic trends in the short term and the possibility of a more resilient outlook over a longer horizon. Yet many other countries will be held back by low rates of vaccination, continued acute stress on health systems, digital divides and stagnant job markets. These divergences will complicate the international collaboration needed to address the worsening impacts of climate change, manage migration flows and combat dangerous cyber-risks.

Short-term domestic pressures will make it harder for governments to focus on long-term priorities and will limit the political capital allocated to global concerns. "Social cohesion erosion" is a top short-term threat in 31 countries—including Argentina, France, Germany, Mexico and South Africa from the G20. Disparities that were already challenging societies are now expected to widen—51 million more people are projected to live in extreme poverty compared to the pre-pandemic trend—at the risk of increasing polarization and resentment within societies. At the same time, domestic pressures risk stronger national interest postures and worsening fractures in the global economy that will come at the expense of foreign aid and cooperation.

A disorderly climate transition will exacerbate inequalities

Respondents to the GRPS rank "climate action failure" as the number one long-term threat to the world and the risk with potentially the most severe impacts over the next decade. Climate change is already manifesting rapidly in the form of droughts, fires, floods, resource scarcity and species loss, among other impacts. In 2020, multiple cities around the world experienced extreme temperatures not seen for years—such as a record high of 42.7°C in Madrid and a 72-year low of -19°C in Dallas, and regions like the Arctic Circle have averaged summer temperatures 10°C higher

than in prior years. Governments, businesses and societies are facing increasing pressure to thwart the worst consequences. Yet a disorderly climate transition characterized by divergent trajectories worldwide and across sectors will further drive apart countries and bifurcate societies, creating barriers to cooperation.

Given the complexities of technological, economic and societal change at this scale, and the insufficient nature of current commitments, it is likely that any transition that achieves the net zero goal by 2050 will be disorderly. While COVID-19 lockdowns saw a global dip in greenhouse gas (GHG) emissions, upward trajectories soon resumed: the GHG emission rate rose faster in 2020 than the average over the last decade. Countries continuing down the path of reliance on carbon-intensive sectors risk losing competitive advantage through a higher cost of carbon, reduced resilience, failure to keep up with technological innovation and limited leverage in trade agreements. Yet shifting away from carbon-intense industries, which currently employ millions of workers, will trigger economic volatility, deepen unemployment and increase societal and geopolitical tensions. Adopting hasty environmental policies will also have unintended consequences for nature—there are still many unknown risks from deploying untested biotechnical and geoengineering technologies—while lack of public support for land use transitions or new pricing schemes will create political complications that further slow action. A transition that fails to account for societal implications will exacerbate inequalities within and between countries, heightening geopolitical frictions.

Growing digital dependency will intensify cyberthreats

Growing dependency on digital systems—intensified by COVID-19—has altered societies. Over the last 18 months, industries have undergone rapid digitalization, workers have shifted to remote working where possible, and platforms and devices facilitating this change have proliferated. At the same time, cybersecurity threats are growing—in 2020, malware and ransomware attacks increased by 358% and 435% respectively—and are outpacing societies' ability to effectively prevent or respond to them. Lower barriers to entry for cyberthreat actors, more aggressive attack methods, a dearth of cybersecurity professionals and patchwork governance mechanisms are all aggravating the risk.

Attacks on large and strategic systems will carry cascading physical consequences across societies, while prevention will inevitably entail higher costs. Intangible risks—such as disinformation, fraud and lack of digital safety—will also impact public trust in

digital systems. Greater cyberthreats will also hamper cooperation between states if governments continue to follow unilateral paths to control risks. As attacks become more severe and broadly impactful, already-sharp tensions between governments impacted by cybercrime and governments complicit in their commission will rise as cybersecurity becomes another wedge for divergence—rather than cooperation—among nation-states.

Barriers to mobility risk compounding global insecurity

Growing insecurity resulting from economic hardship, intensifying impacts of climate change and political instability are already forcing millions to leave their homes in search of a better future abroad. “Involuntary migration” is a top long-term concern for GRPS respondents, while 60% of them see “migration and refugees” as an area where international mitigation efforts have “not started” or are in “early development”. In 2020, there were over 34 million people displaced abroad globally from conflict alone—a historical high. However, in many countries, the lingering effects of the pandemic, increased economic protectionism and new labour market dynamics are resulting in higher barriers to entry for migrants who might seek opportunity or refuge.

These higher barriers to migration, and their spill-over effect on remittances—a critical lifeline for some developing countries—risk precluding a potential pathway to restoring livelihoods, maintaining political stability and closing income and labour gaps. At the time of writing, the United States faced over 11 million unfilled jobs in general and the European Union had a deficit of 400,000 drivers just in the trucking industry. In the most extreme cases, humanitarian crises will worsen since vulnerable groups have no choice but to embark on more dangerous journeys. Migration pressures will also exacerbate international tensions as it is increasingly used as a geopolitical instrument. Destination-country governments will have to manage diplomatic relationships and immigrant skepticism among their populations.

Opportunities in space could be constrained by frictions

While humans have been exploring space for decades, recent years have witnessed increased activity, not only creating new opportunities but also signalling an emerging realm of risk, particularly with growing militarization and weaponization in the arena. New

commercial satellite market entrants are disrupting incumbents' traditional influence over the global space commons in delivering satellite services, notably internet-related communications. A greater number and range of actors operating in space could generate frictions if space exploration and exploitation are not responsibly managed. With limited and outdated global governance in place to regulate space alongside diverging national-level policies, risks are intensifying.

One consequence of accelerated space activity is a higher risk of collisions that could lead to a proliferation of space debris and impact the orbits that host infrastructure for key systems on Earth, damage valuable space equipment or spark international tensions. Limited governance tools increase the likelihood of space activity escalating geopolitical tensions, and recent weapons tests in space underscore such risks. Increased space activity could also lead to unknown environmental impacts or raise costs for public goods such as weather monitoring or climate change surveillance.

Year two of the pandemic yields insights on resilience

In 2021, countries deployed new mechanisms to respond to a public health crisis with shifting characteristics, leading to both successes and

failures. Two interlinked factors were critical for effective management of the pandemic: first, the readiness of governments to adjust and modify response strategies according to changing circumstances; and second, their ability to maintain societal trust through principled decisions and effective communication.

Reflecting on the distinct resilience goals of governments, businesses and communities will help ensure that agendas are aligned in achieving a whole-of-society approach to tackling critical risks of any nature. For governments, balancing costs, regulating for resilience and adjusting data-sharing arrangements to ensure sharper crisis management are key to galvanizing stronger interaction between public and private sectors. Businesses—recognizing that better national-level preparedness is critical for planning, investing and executing their strategies—can leverage opportunities in areas such as supply chains, codes of conduct within their industry and inclusion of a resilience dimension into workforce benefit offerings. Communities can help local governments to join up with national efforts, improve communication and support grassroots resilience efforts. At an organizational level, strategies such as grounding resilience analyses in key delivery requirements, appreciating systemic vulnerabilities and embracing a diversity of approaches can help leaders build better resilience as well.



CHAPTER 1

Global Risks 2022: Worlds Apart

6%

vaccination rate in poorest 52 countries

97%

public debt-to-GDP in 2020

51 million

increase in extreme poverty projections

197

countries aligned on the Glasgow Climate Pact

84%

of experts are worried or concerned about
the world

A divergent recovery

At the start of 2022, the COVID-19 crisis is still ongoing and its economic ructions continue to be felt. Disparities in progress on vaccination are creating a divergent economic recovery that risks compounding pre-existing social cleavages and geopolitical tensions. These tensions and the economic overhang of the pandemic will make it difficult to ensure a coordinated and sufficiently rapid approach to global challenges—most notably climate change.

Vaccination and accelerated digitalization have enabled some countries to recover rapidly from the economic crisis created by the COVID-19 pandemic, but many others are still struggling to avoid the worst consequences. At the time of writing, half of the world’s population was still unvaccinated,¹ 40% remained offline,² and only 35% of the world’s students lived in countries where schools are fully open.³ Some 37% of respondents to this

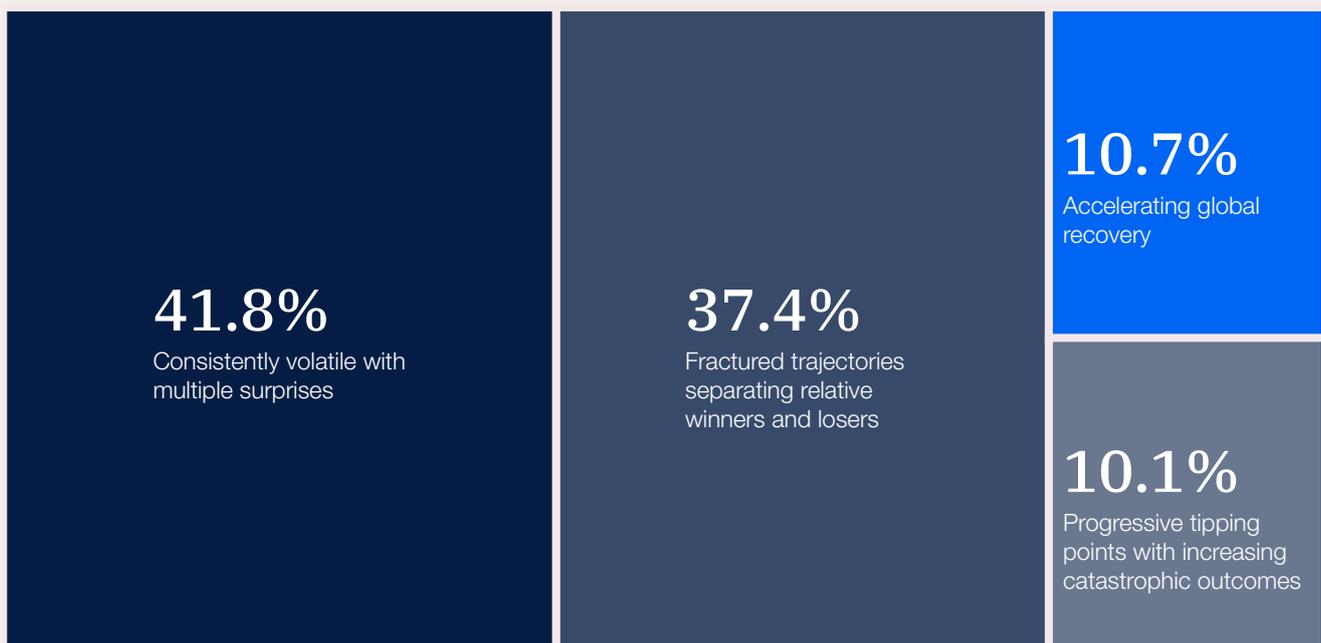
year’s Global Risks Perceptions Survey (GRPS) believe the world will follow a fractured trajectory in the medium term, increasingly separating relative “winners” from “losers” of the COVID-19 crisis (see Figure 1.1). By the time the GRPS was conducted (see the Technical Notes in Appendix C), only 11% believed the global recovery would accelerate over the next three years.

Economic, geopolitical, public health and societal fractures—which increase after pandemics⁴—risk leading to divergent and delayed approaches to critical challenges facing people and planet: accelerating the green transition in response to climate change (see Chapter 2), coordinating against heightened digital vulnerabilities (see Chapter 3), managing mobility and migration (see Chapter 4) and safeguarding the next global commons: space (see Chapter 5).

FIGURE 1.1

“What is your outlook for the world over the next three years?”

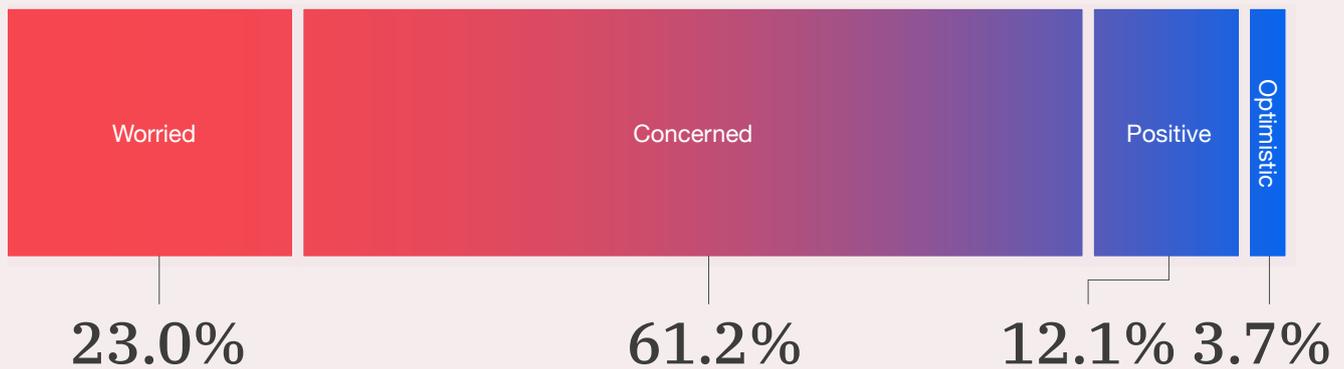
■ Negative scenarios ■ Positive scenario



Source: World Economic Forum Global Risks Perception Survey 2021-2022

FIGURE 1.2

“How do you feel about the outlook for the world?”



Source: World Economic Forum Global Risks Perception Survey 2021-2022

Effective domestic and international action on these challenges depends on restoring trust within societies, galvanizing national and global leaders and finding new opportunities for collaboration (see Chapter 6). Fully 84%

of GRPS respondents were either concerned or worried about the outlook for the world (see Figure 1.2); lack of optimism could create a vicious cycle of disillusionment and social unrest.

A turbulent global context

The pandemic persists

The world continues to grapple with the effects of COVID-19 on public health. At the start of 2022, 5.4 million deaths from COVID-19 had been reported globally, out of 282 million confirmed cases.⁵ Moreover, a significant proportion of those infected by COVID-19 have long-lasting symptoms—some 10% show persistent ill health 12 weeks after having the disease.⁶ COVID-19 vaccination has progressed steadily but unevenly around the world. At the time of writing, 50 countries had vaccinated more than 70% of their population,⁷ with some now starting to receive booster shots, while the vaccination rate in the poorest 52 countries—home to 20% of the world’s population—was still only 6%.⁸ Potentially more infectious variants of the virus—notably the new Omicron variant—along with waning immunity among the vaccinated and a continued high proportion of people who are unvaccinated meant that the number of new cases increased again

towards the end of 2021.⁹ Unsurprisingly, “infectious diseases” are still considered a critical short-term threat to the world in the GRPS.

The COVID-19 crisis has also had extensive collateral health impacts, partly because other diseases were deprioritized. The pandemic led to an additional 53 million cases of major depression globally.¹⁰ “Mental health deterioration” was one of the top five risks that GRPS respondents saw as having deteriorated the most during COVID-19. The incidence of non-communicable diseases—which cause 41 million deaths every year, mostly in low- and middle-income countries—has also worsened worldwide due to treatment delays caused by COVID-19.¹¹ Antimicrobial resistance caused nearly 2 million deaths in 2020 and this number may increase—particularly for malaria and tuberculosis—because of the inappropriate use of antibiotics to treat COVID-19.¹² The pandemic and its collateral health impacts

will continue to put pressure on health systems across the globe, widen health inequalities between and within countries, create social frictions and weigh down long-term economic growth potential.

Risks to economic recovery

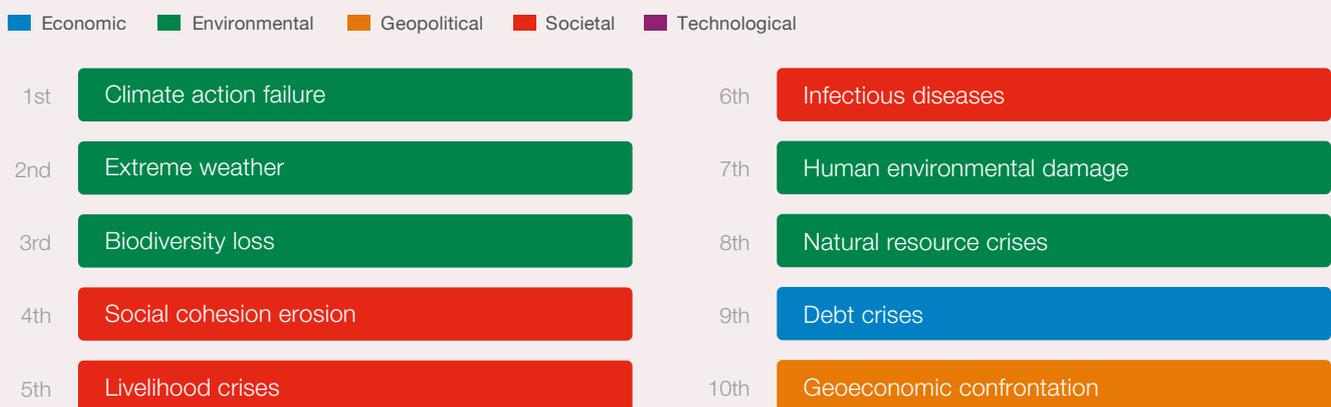
The global economic recovery from the recession caused by responses to the COVID-19 pandemic continues but is slowing. After a contraction of 3.1% in 2020, global economic growth is expected to reach 5.9% in 2021 and slow to 4.9% in 2022.¹³ By 2024, the global economy is projected to be 2.3% smaller than it would have been without the pandemic.¹⁴ Risks to economic growth are considerable, including risks from a potential resurgence of COVID-19 as new variants emerge. The previous edition of the GRPS identified “commodity shocks”, “price instability” and “debt crises” as critical medium-term concerns. These are already emerging to some extent. At the time of writing, commodity prices had increased nearly 30% since end of 2020;¹⁵ they could remain volatile because of growing tensions between Europe and Russia, China’s energy shortage,¹⁶ continued supply chain disruptions and transition challenges from disinvestment in fossil fuel reserves. Inflation has accelerated in many countries as a

result of pandemic-related disruptions to supply chains combined with resurgent consumer demand and higher commodity prices. This will dampen consumer sentiment—which has been fundamental for recovery—and will increase risks from central bank interest rate rises.¹⁷ In advanced and developing economies alike, higher prices and more expensive debt would impact lower-income households especially hard, while small and medium-sized enterprises (SMEs) that are still trying to avoid bankruptcy would suffer from weakening consumption.

Moreover, sovereign debt has spiked because of the pandemic. Government debt globally increased by 13 percentage points, to 97% of GDP, in 2020.¹⁸ Already-strained public finances in developing countries are at heightened risk from debt deleveraging¹⁹ and an appreciation of the US dollar—the US Dollar Index had risen 7% since the start of 2021.²⁰ GRPS respondents identified “debt crises” as a critical short- and medium-term threat to the world, and one of the most potentially severe risks over the next decade (see Figure 1.3). Debt overhangs will make it more difficult for countries to deal with the economic impacts of COVID-19 and finance a socially just, net zero transition.

FIGURE 1.3

“Identify the most severe risks on a global scale over the next 10 years”



Source: World Economic Forum Global Risks Perception Survey 2021-2022



GETTY/LIU JIN

Economic divergence

COVID-19 prompted a global recession, but stark differences in vaccination rates between countries now risk leading to even greater economic divergence than they experienced before the pandemic. A greater prevalence of COVID-19 in low-vaccination countries than in high-vaccination ones will weigh on worker availability and productivity, disrupt supply chains and weaken consumption. Moreover, a lower post-pandemic risk appetite in the vaccinated world—comprised mostly of advanced economies—could weaken their investment in the non-vaccinated world. The economic disruption from the pandemic has also created stronger incentives in the vaccinated world to prioritize resilience over cost minimization. Governments and industries may now drive regional convergence at the expense of global integration as they seek to minimize supply chain disruptions.

Polarized connectivity, education and income trajectories risk further fragmenting the global economy, and divergence is likely to be aggravated by slowing and disparate growth. Advanced economies are

expected to surpass their pre-pandemic growth path by 0.9% by 2024, but developing economies (excluding China) will be 5.5% below it—with Latin America and Sub-Saharan Africa trailing even further behind.²¹ Economic decoupling risks further hindering already-limited means to restore growth in developing economies. Such decoupling will make it harder for emerging economies to leverage young workforces, large consumer markets and competitive costs. They also risk having less access to financing and technology to face global challenges, including climate change.

Although employment is approaching pre-pandemic levels in many advanced economies, globally the jobs recovery from the COVID-19 crisis is lagging the economic recovery—global employment remains lower than it was before the pandemic and the Great Resignation in advanced economies has caused labour market

Income disparities risk increasing polarization and resentment within societies