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STRICTLY EMBARGOED UNTIL 09.30 GMT, 16 JANUARY 2014

Worsening Wealth Gap Seen as Biggest Risk Facing the World in 2014

- The World Economic Forum's *Global Risks 2014* report finds income disparity the most likely risk to cause an impact on a global scale in the next decade
- Other risks of significant concern include extreme weather events, unemployment and fiscal crises
- The report analyses 31 global risks and includes special in-depth investigations into youth unemployment, digital disintegration and geopolitical risks
- The report can be read in full at <http://reports.weforum.org/global-risks-2014>
- The introductory video can be viewed at <http://wef.ch/GRR2014video>

London, United Kingdom, 16 January 2014 – The chronic gap between the incomes of the richest and poorest citizens is seen as the risk that is most likely to cause serious damage globally in the coming decade, according to over 700 global experts that contributed to the World Economic Forum's *Global Risks 2014* report, released today.

Taking a 10-year outlook, the report assesses 31 risks that are global in nature and have the potential to cause significant negative impact across entire countries and industries if they take place. The risks are grouped under five classifications – economic, environmental, geopolitical, societal and technological – and measured in terms of their likelihood and potential impact.

Most likely global risks: After income disparity, experts see extreme weather events as the global risk next most likely to cause systemic shock on a global scale. This is followed by unemployment and underemployment, climate change and cyberattacks.

Most potentially impactful global risks: Fiscal crises feature as the global risk that experts believe has the potential to have the biggest impact on systems and countries over the course of the next 10 years. This economic risk is followed by two environmental risks – climate change and water crises – then unemployment and underemployment, and fifth critical information infrastructure breakdown, a technological risk.

"Each risk considered in this report holds the potential for failure on a global scale; however, it is their interconnected nature that makes their negative implications so pronounced as together they can have an augmented effect," said **Jennifer Blanke**, Chief Economist at the World Economic Forum. "It is vitally important that stakeholders work together to address and adapt to the presence of global risks in our world today."

In addition to measuring the seriousness, likelihood and potential impact of these 31 global risks, *Global Risks 2014* includes special investigations into three specific cases: the increasing risk of "cybergeddon" in the online world; the increasing complexity of geopolitical risk as the world moves to a multipolar distribution of power and influence; and youth unemployment and underemployment.

In particular, the report considers the twin challenges facing those coming of age in the current decade of reduced employment opportunity and the rising cost of education, and considers the impact on political and social stability as well as economic development. With over 50% of young people in some developed markets currently looking for work and rising informal employment in developing regions where 90% of the world's youth live, the report offers insight into how technological and other measures can be deployed to mitigate some of this risk.

David Cole, Group Chief Risk Officer of Swiss Re, said: "Many young people today face an uphill battle. As a result of the financial crisis and globalisation, the younger generation in the mature markets struggle with ever fewer job opportunities and the need to support an ageing population. While in the emerging markets there are more jobs to be had, the workforce does not yet possess the broad based skill-sets necessary to satisfy demand. It's vital we sit down with young people now and begin planning solutions aimed at creating fit-for-purpose educational systems, functional job-markets, efficient skills exchanges and the sustainable future we all depend on!"

Most likely risks
Income disparity (societal risk)
Extreme weather events (environmental risk)
Unemployment and underemployment (economic risk)
Climate change (environmental risk)
Cyberattacks (technological risk)
Most potentially impactful risks
Fiscal crises (economic risk)
Climate change (environmental risk)
Water crises (environmental risk)
Unemployment and underemployment (economic risk)
Critical information infrastructure breakdown (technological risk)

The deepening reliance on the Internet to carry out essential tasks and the massive expansion of devices that are connected to it, make the risk of systemic failure – on a scale capable of breaking systems or even societies – greater than ever in 2014, according to the report. Recent revelations on government surveillance have reduced the international community's willingness to work together to build governance models to address this weakness. The effect could be a balkanization of the Internet, or so-called "cybergeddon", where hackers enjoy overwhelming superiority and massive disruption is commonplace.

"Trust in the Internet is declining as a result of data misuse, hacking and privacy intrusion," said **Axel P. Lehmann**, Chief Risk Officer at Zurich Insurance Group. "A fragmentation of the Internet itself is the wrong way to solve this issue, as it would destroy the benefits the Web provides to all of us. Rather than building walled gardens, it is time to act by setting up security standards and regaining trust."

Today's multipolar world presents four key threats that could each impact global stability in the next five to ten years:

1. *Emerging market uncertainties*, whereby the world's major emerging markets become unstable as a result of social, political or economic pressure
2. *Commercial and political frictions between countries*, where trade and investment become increasingly used as a proxy for geopolitical power, with increased flashpoints as a result
3. *Proliferation of low-level conflict*, caused by technological change and reluctance of major powers to intervene, which could easily spill over into full-scale warfare
4. *Slow progress on global challenges*, where persisting deadlock in global governance institutions leads to failure to adequately address environmental and developmental challenges that are truly global in nature

"A more fractured geopolitical environment threatens to impede progress in industries which are critical to global development, such as financial services, healthcare and energy," noted **John Drzik**, President of Global Risk and Specialties at Marsh. "The world needs more coordinated governance to prevent slow-burning, systemic risks from developing into full-blown crises."

Global Risk 2014 has been developed with expert contributions from Marsh & McLennan Companies, Swiss Re, Zurich Insurance Group, the Oxford Martin School (University of Oxford), the National University of Singapore and the Wharton Risk Management and Decision Processes Center (University of Pennsylvania).

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For more information on *Global Risks 2014*:

- Watch the **report launch press conference** at <http://livestream.com/worldeconomicforum>
- Watch the **Global Risks 2014 introductory video** at <http://wef.ch/GRR2014video>
- Read the **Forum:Blog** at <http://wef.ch/blog>
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