

Insight Report

Regional Risks for Doing Business 2018



Regional Risks for Doing Business 2018

Strategic Partners

Marsh & McLennan Companies
Zurich Insurance Group

Academic Advisers

National University of Singapore
Oxford Martin School, University of Oxford
Wharton Risk Management and Decision Processes Center, University
of Pennsylvania

World Economic Forum
91-93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland
Tel.: +41 (0)22 869 1212
Fax: +41 (0)22 786 2744
Email: contact@weforum.org
www.weforum.org

© 2018 World Economic Forum. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording, or by any information storage and retrieval system.

Contents

Preface	07
Introduction	08
Regional profiles	11
Europe	
Eurasia	
Middle East & North Africa	
Sub-Saharan Africa	
South Asia	
East Asia and the Pacific	
North America	
Latin America and the Caribbean	
Results at a glance	28
Methodology	36
Acknowledgements	37

Preface



Mirek Dušek,
Deputy Head for Regional and
Geopolitical Affairs,
Member of the Executive Committee,
World Economic Forum



Aengus Collins,
Head of Global Risks and the
Geopolitical Agenda,
World Economic Forum

The World Economic Forum has been publishing *The Global Risks Report* since 2006, highlighting each year the vulnerability of our increasingly networked and interconnected world to volatility and disruption. The relevance of the risk perspective has only increased with time. Globally, we have been living through a period of unprecedented improvements in living standards, but this period is also unsettled and unsettling. We can see signs of how vulnerable many of the complex systems that make up our world are: from the environmental to the financial and the societal to the geopolitical, the signs of strain are evident.

In *The Global Risks Report 2018* we noted that this is now a multipolar and multiconceptual world – not only has global power shifted, but differences in norms and values among the world’s powers have become more important. Predictions – particularly in the West – that global systems would converge have not stood the test of time and we are moving into uncharted international waters. One consequence of the geopolitical shifts that are under way is the increasing likelihood that regional developments will impact the broader international system.

It is against this backdrop that the World Economic Forum this year publishes *Regional Risks for Doing Business*, to offer regional perspectives on the impact of risks. As the title of this new publication suggests, we are looking at regional risk through the prism of the private sector (whereas the annual *Global Risks Report* takes a broader perspective). Our starting point here: the risk-related findings of the Forum’s *Executive Opinion Survey*, which each year polls approximately 12,000 private-sector decision-makers drawn from around 130 economies. This community can offer important insights into shocks that may disrupt industries,

and that may also reverberate across societies and the world at large.

Nation states acting alone cannot manage, let alone resolve, the global challenges facing the world. At present, however, coordinating at the global level appears increasingly fraught with potential tensions, such as differences of political values between some countries or the challenges of maintaining political legitimacy within others. Some of these tensions are less pronounced at the regional level, and we expect regions to play an increasingly active and important role in the world in the years ahead. For this reason, understanding the risks each region faces is essential if we are to better understand the forces shaping the global landscape.

This new report has been a collaborative effort, and we would like to thank all those across the Forum who have contributed to it—in particular, our colleagues in the Centre for Regional and Government Affairs and the Centre for the New Economy and Society. We would also like to thank Marsh & McLennan Companies (MCC) and Zurich Insurance Group, our long-standing strategic partners on *The Global Risks Report*.



People waiting to fill out employment applications in São Paulo, Brazil. (REUTERS/Paulo Whitaker)

Introduction

At a time of heightened uncertainty across the international system, understanding the regional risks landscape is more important than ever.

Each year in *The Global Risks Report*, we emphasize the importance of assessing risk from a global perspective. The world of risk is shot through with systemic interconnections requiring responses that look beyond the local. This fact has become more intuitively apparent over the past decade as the world has struggled to keep pace with truly global crises and transformations across multiple fields: economic, technological, environmental, societal and geopolitical.

To say that a rich understanding of how risks are evolving requires a global and systemic perspective is not to suggest that they are homogeneous

or uniform. Even the most global of risks crystallize locally and are experienced differently. If global risks demand our attention, it is ultimately because they entail harm to the lives and livelihoods of particular people in particular places. These particularities cut across numerous dimensions, from wealth and nationality to gender and profession.

In this report, we are seeking to shed some light on one of these dimensions: the regional. Using the results of the large-scale *Executive Opinion Survey* that we carry out each year for our *Global Competitiveness Report*, we can see how worries about global risks differ across

regions and countries. The fact that the survey’s sample is drawn solely from the private sector means that the risk perceptions captured here differ in important respects from those covered in *The Global Risks Report* (see box on page 10), but the findings allow us to complement our usual global perspective with a greater focus on local variation.

Economic and political strains

While the analysis in the sections that follow is regional, important global patterns emerge from our survey findings. As the table on page 9 indicates, the top-ranked risk across

Top ten risks of highest concern globally

1	Unemployment or underemployment
2	Failure of national governance
3	Energy price shock
4	Fiscal crises
5	Cyber-attacks
6	Profound social instability
7	Failure of financial mechanism or institution
8	Failure of critical infrastructure
9	Failure of regional and global governance
10	Terrorist attacks

the world in 2018 was “unemployment or underemployment”, with “failure of national governance” in second position. The unemployment risk, in particular, needs to be cautiously interpreted, as it may reflect quite different challenges across countries and regions, such as weak growth, talent shortages or labour-market disruptions caused by automation. But regardless of these interpretative details, the fact that unemployment and governance failures top the list of global business risks should ring alarm bells about the strains on our basic political and economic systems.

Another prominent finding of this year’s survey is a jump for cyber-attacks, from eighth position according to last year’s data to fifth position this year. This is no surprise. A number of massive cyber-attacks took place in 2017 – notably WannaCry, Petya and NotPetya – causing extensive operational disruption and financial losses for organizations around the world. We will look back at 2017 as the year that the world began to take seriously the potential extent of our vulnerability to cyber-attack disruptions. In our survey, “cyber-attacks” tended to be flagged as a concern in the world’s more advanced economies. Of the

19 countries that ranked it number one, 14 were from Europe and North America (the others were India, Indonesia, Japan, Singapore and the United Arab Emirates). By contrast, of the 34 countries that ranked “unemployment or underemployment” first, 22 were from sub-Saharan Africa.

What of the other main risk categories? Ten years on from the start of the global crisis, financial risks slipped in the global rankings. “Fiscal crises” dipped from second place in last year’s *Executive Opinion Survey* to fourth place this year, and “failure of financial mechanism or institution” dropped from sixth to seventh. There were regional exceptions to this trend, such as “asset bubbles” jumping to second place in Europe, but overall the results of this survey do little to counter worries about economic and financial complacency that we voiced earlier this year in *The Global Risks Report 2018*.

Geopolitical concerns were relatively muted, with “failure of regional and global governance” and “terrorist attacks” in ninth and tenth place globally, respectively. The starkest of geopolitical risks, “interstate conflict”, was ranked in the top three risks in 17 countries. Most of these countries

were in Eastern Europe and Eurasia, a pattern that reflects the increasing importance of that part of the world as global geopolitical balances are recalibrated. Environmental concerns did not make it into respondents’ global top ten risks, in sharp contrast to recent editions of *The Global Risks Report*, where environmental risks have been increasingly predominant. This reflects the specifically business-focused framing of the risk-related question in the *Executive Opinion Survey* and also highlights the need for a diverse range of perspectives on which global risks are most pressing.

Regional futures

We are living in geopolitically volatile times, and the international system is under profound strain from multiple directions. Institutions, assumptions and patterns of action that have previously been taken for granted are now being called into question by many around the world. There will be a temptation in some quarters to hope for a return to the international *status quo ante*, but one lesson from the science of complexity is that resolving a systemic disruption may require the establishment of a

new equilibrium rather than a return to an old one. The world now faces a period of collective reimagination and renewal, in which core norms, values and priorities may be more openly contested than before. It is already clear that regions will be a central part of this story, and it is also evident that new distributions of risk are emerging around the world. In the sections that follow, we begin to sketch out the contours of the evolving regional risks landscape.

How *Regional Risks for Doing Business* and *The Global Risks Report* compare

The scope of this report differs from our flagship *Global Risks Report*. *The Global Risks Report* presents a holistic assessment of the dangers facing the world, considering risk across multiple dimensions, including potential harms to countries, companies and individuals. By contrast, the analysis in this report relies on data from our annual *Executive Opinion Survey*, which informs our annual *Global Competitiveness Report*. We have included a risk-related question in this survey, to gauge businesses’ perceptions of the global risks they expect to present an operational challenge in the next ten years. Specifically, respondents were presented with our core list of 30 global risks and asked to select “the five global risks that you believe to be of most concern for doing business in your country within the next ten years”.

Specifically, respondents were presented with our core list of 30 global risks and asked to select “the five global risks that you believe to be of most concern for doing business in your country within the next ten years”. This narrower focus leads to different issues rising to prominence. For example, while environmental risks have become increasingly predominant in *The Global Risks Report*, they are absent from the top ten risks globally according to the *Executive Opinion Survey*. This is not to suggest that environmental risks have become less important overall, but that businesses do not expect environmental issues to be among the main operational risks they face over a ten-year time frame.

Regional Profiles

Fifth globally, cyber-attacks are seen as the top risk in three regions. (REUTERS/Alessandro Bianchi)

Europe

Top ten risks in Europe

1	Cyber-attacks
2	Asset bubble
3	Failure of national governance
4	Failure of financial mechanism or institution
5	Unemployment or underemployment
6	Fiscal crises
7	Failure of urban planning
8	Interstate conflict
9	Large-scale involuntary migration
10	Data fraud or theft

Note: See Methodology section for details of the survey’s coverage in this region.



The European Central Bank headquarters in Frankfurt, Germany. (REUTERS/Kai Pfaffenbach)

Cyber-attacks are seen as the biggest threat to doing business across Europe, but economic and financial risks remain a concern.

Europe is a large and diverse region, comprising 37 countries in our categorization – the 28 current members of the European Union plus nine other countries including Turkey and most of the Western Balkan states. Across the region, “cyber-attacks” emerged as the leading risk to doing business, largely as a result of its prominence in many of the region’s most advanced economies. In total, this risk ranked number one in 12 countries. Europe was affected by the series of major attacks that took place in 2017 – for example, the WannaCry ransomware attack badly disrupted the UK’s health system and Germany’s rail system – and estimates suggest that the number of cyber-attacks across the region increased by around a third in the first quarter of 2018, compared to the same period last year.

The “cyber-attacks” risk was not as clear a front runner for our European respondents as it was for their counterparts in either North America or East Asia and the Pacific. One manifestation of this is in the variety of risks that topped respondents’ lists of concerns in Europe’s four largest countries. “Cyber-attacks” came first in both Germany and the UK, but in France and Italy, domestic economic and financial conditions were of greater concern. French respondents cited “unemployment and underemployment” as the number one risk to doing business in the country, highlighting long-running structural problems in the labour market that successive governments have struggled to deal with. In Italy, the number one risk was “failure of financial mechanism or institution”. There have been particular fragilities in the Italian financial

sector, but in total “failure of financial mechanism or institution” ranked as a top-five risk for businesses in 18 of the region’s countries, suggesting significant residual post-crisis nervousness about the health of the financial sector.

Another sign of post-crisis unease in Europe is the fact that “asset bubbles” were ranked as the second-biggest risk to doing business across the region, albeit only narrowly ahead of the risks in third and fourth place. This risk emerges as a particular concern in Central Europe, ranking first in the Czech Republic, Hungary and the Slovak Republic. It came second in a further 12 countries, stretching across the region from Ireland to Cyprus. The underlying driver of this widespread nervousness is likely to be found in the role played in Europe’s post-crisis recovery by expansionary monetary policy,

particularly in the Eurozone, where the decision of the European Central Bank to begin large-scale asset purchases in 2015 marked a pivotal moment for the bloc. The potential worry is that central bank bond purchases may have artificially inflated the value of assets across many classes, raising the prospect of disruptive corrections when, in time, monetary policy begins to tighten. Take the housing market as an example. Between the first quarters of 2008 and 2015, house prices across the EU dropped by 4.5%; in the subsequent three years, they increased by 13.7%, with much higher rates of increase being recorded in some countries during that time, such as Hungary (39.5%), Latvia (33.1%), Ireland (32.1%) and Portugal (29.5%).¹

Given the relative level of development of most of the countries in Europe, it is striking that “failure of national governance” ranks as the third-highest

risk to doing business in the region. It ranks top in four countries (Bosnia and Herzegovina, Croatia, Greece and Lithuania), and in second position in a further four (Malta, Portugal, Serbia and the UK). The result in the UK is particularly dramatic – a year ago, respondents assessed this risk as only their seventh most significant concern. Its jump in the ranking now appears to align with widespread reports of the growing strains that the process of exiting the EU is placing on the UK’s political and governmental institutions.

Although Brexit represents a particularly momentous challenge, the UK is far from alone in experiencing political disruption. Numerous countries across the region now find themselves having to adapt long-standing patterns of government and governance to a new electoral environment characterized by increasing political fragmentation, polarization and populism. Migration has

been an important factor in this trend, and is likely to remain a source of strain within and among the region’s countries in the years ahead. Migration ranked only ninth across the region as a whole, but respondents in certain countries placed it much higher: it ranked second in Finland, Macedonia and Romania, and third in Austria, the Czech Republic, Latvia, Norway, Sweden and Switzerland.

¹ Eurostat, *House Price Index*, https://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_price_statistics_-_house_price_index (link as of 1/10/18).

Eurasia

Top ten risks in Eurasia

1	Energy price shock
2	Interstate conflict
3	Fiscal crises
4	Unemployment or underemployment
5	Profound social instability
6	Large-scale involuntary migration
7	Unmanageable inflation
8	Failure of financial mechanism or institution
9	Natural catastrophes
10	Failure of national governance

Note: See Methodology section for details of the survey’s coverage in this region.



“Fiscal budgets of both exporters and importers are vulnerable to sharp swings in energy prices.”

Oil tanks at a processing plant in Kazakhstan. (REUTERS/Shamil Zhumatov)

Vulnerability to energy price shock is ranked as the top risk to doing business in Eurasia, but only narrowly ahead of interstate conflict.

The Eurasia region is increasingly enmeshed in the complicated evolution of the world’s geopolitical and geo-economic affairs. According to business leaders across the region, “energy price shock” is, by a small margin, the biggest risk to doing business. This reflects the huge importance of the energy sector across the region – it accounts for up to 35% of GDP in some oil-producing countries, and the fiscal budgets of both exporters (such as Azerbaijan, Kazakhstan, the Russian Federation and Turkmenistan) and importers (Armenia, Ukraine, Georgia and the Kyrgyz Republic) are vulnerable to sharp swings in prices. “Energy price shock” ranks as the most serious risk in two countries, Ukraine and Kazakhstan, and is a top-five risk in a further six, including Russia. This relatively low ranking in Russia is

interesting given the country’s recent experience of acute vulnerability to energy-price volatility – the sharp decline of energy prices in 2014 was extremely disruptive – but it is worth noting that the related risk of “fiscal crises” was ranked as the most pressing concern by respondents in Russia.

Geopolitical tensions are another worry for Eurasia’s businesses, according to our survey. The fact that “interstate conflict” ranked second across the region is something of an outlier – no other region placed this risk in the top five. It was seen as the most serious risk in two of the region’s countries (Azerbaijan and Georgia) and was ranked second in another two (Armenia and Russia). The emphasis placed on this risk by businesses in Russia comes against the backdrop

of increasingly fractious regional and global geopolitical affairs: although Russia-Ukraine tensions are largely frozen, they remain a source of risk and are one of the factors that have contributed to a sharp deterioration in relations between Russia and many Western countries in recent years. Elsewhere, a flare-up of conflict remains possible in Nagorno-Karabakh, the contested territory at the heart of a decades-long dispute between Azerbaijan and Armenia. The election in May 2018 of a new government in Armenia may spur new efforts to unblock the impasse and, in August, Angela Merkel said Germany would be willing to help find a diplomatic resolution. The fact that Georgia’s businesses placed “interstate conflict” at the top of their list of risks reflects the continuing potential for instability around the

disputed territories of South Ossetia and Abkhazia, which were recognized as independent entities by Russia in 2008, leading to a breakdown in diplomatic relations between Georgia and Russia.

In addition to “energy price shock”, other economic risks cited prominently by our respondents were “fiscal crises” and “unemployment and underemployment”. As noted above, fiscal concerns were ranked as the most pressing risk in Russia. In addition to energy-price vulnerabilities, other potential contributors to fiscal strain in Russia and across the region include the comparatively high level of economic activity that takes place in untaxed parts of the economy.² This creates potential knock-on financial risks for well-established businesses, which can be left to pick up a disproportionate amount of any gaps in overall tax revenues, as their shadow-

economy peers are outside the reach of the fiscal authorities.

Respondents ranked unemployment fourth overall across the region. It ranks as the second-highest risk in Kyrgyzstan and Tajikistan and the third-highest in Armenia and Georgia. Caution is needed in interpreting these unemployment results at the regional level as conditions differ widely among countries. For example, according to the latest available data, unemployment across the region ranges from 18% in Armenia to 2.3% in Tajikistan, suggesting that businesses in these two countries are facing quite different labour-market challenges.

According to our survey respondents, “profound social instability” is the fifth most important risk to doing business in Eurasia. This is unusually high – the only other region in which

respondents included this risk among their top ten was Latin America, which ranked it second against a backdrop of deep societal fissures in numerous countries. In Eurasia, concerns about social instability can be linked to issues including corruption, income inequality and economic security. These tendencies have manifested themselves in a number of ways: there have been changes of government in Armenia, Georgia and the Kyrgyz Republic, and ongoing anti-government protests in a number of other countries.

²Tamkin, Emily. “Russia’s Informal Sector Hits Its Highest Level in Over a Decade.” *Foreign Policy*, 18 April 2017.

Middle East and North Africa

Top ten risks in MENA

1	Energy price shock
2	Unemployment or underemployment
3	Terrorist attacks
4	Failure of regional and global governance
5	Fiscal crises
6	Cyber-attacks
7	Unmanageable inflation
8	Water crises
9	Illicit trade
10	Failure of financial mechanism or institution

Note: See Methodology section for details of the survey's coverage in this region.



“Deep fissures within and between the region’s countries are evident in the survey.”

A view of the old quarter of Sanaa, Yemen. (REUTERS/Khaled Abdullah)

Geopolitical and economic risks predominate in much of the region, but cyber-attacks are a growing concern as the regional economy becomes more sophisticated.

Although the top two risks across the Middle East and North Africa (MENA) region are economic in character (“energy price shock” and “unemployment or underemployment”), the deep fissures within and among many of the region’s countries are evident in the responses to our survey. This is perhaps clearest in Lebanon, where the most cited risk to doing business was “state collapse or crisis”, with “terrorist attacks” second and “failure of national governance” in third position. Lebanon has not been able to form a government since elections in May 2018, in part because of the strains caused by increasingly complex geopolitical rivalries across the region. Although the country has endured long periods without a government before, Lebanon now

faces serious economic challenges and is in dire need of reforms.³

Other countries attaching high prominence to domestic and regional fractures in the survey were Tunisia, with “profound social instability” ranked first, and Algeria, where respondents ranked “failure of regional and global governance” first. In both Israel and Jordan, “terrorist attacks” topped businesses’ lists of concerns. In Yemen – where a profound humanitarian crisis has resulted from a protracted civil conflict that is deeply entangled in the aforementioned regional rivalries – the gravity of conditions in the country is illustrated by the spread of concerns that respondents prioritized from our list of 30 global risks, including: “failure of national

governance”, “failure of regional and global governance”, “failure of financial mechanism or institution”, “failure of critical infrastructure” and “spread of infectious diseases”.

Although “energy price shock” has risen from second place last year to become the top-ranked risk across the region, this development needs to be balanced with the fact that “fiscal crises” dropped sharply in the survey rankings, from first position last year to fifth in 2018. Oil prices increased substantially between our 2017 and 2018 surveys, from around \$50 to \$75. This represents a significant fillip for the fiscal position of the region’s oil producers, with the IMF estimating that each \$10 increase in oil prices should feed through to an improvement on the fiscal balance of three percentage points of GDP.

However, vulnerabilities to swings in oil prices have not disappeared, and are particularly pronounced in countries where government spending is rising. This group includes Saudi Arabia, which the IMF estimated in May 2018 had seen its fiscal breakeven price for oil – that is, the price required to balance the national budget – rise to \$88, 26% above the IMF’s October 2017 estimate, and also higher than the country’s medium-term oil-price target of \$70–\$80. It is no surprise, then, that Saudi Arabia remains one of five countries in the region that rank “energy price shock” as the top risk to doing business in our survey, along with Bahrain, Kuwait, Oman and Qatar.

Although “unemployment and underemployment” is ranked second across the region as a whole, this reflects a consistent level of lower placings across all of the region’s countries (it is in the top ten in 12 of

the region’s 15 countries), rather than great prominence in many of them. At a national level, this risk ranks in the top three for five countries: Bahrain, Egypt, Morocco, Oman and Tunisia. Nevertheless, unemployment is a pressing issue in the region, particularly for the rapidly expanding young population: youth unemployment averages around 25% and is close to 50% in Oman.

The United Arab Emirates is something of a regional outlier in the survey – respondents focused on technology-related risks in a very similar way to their counterparts in Europe and North America, with “cyber-attacks” ranked first, “misuse of technology” in third place and “data fraud” in fourth. However, although the UAE’s focus on technological risks is unusually pronounced, it is not unique. The combination of increasing sophistication in the

regional economy and a global trend towards increased corporate focus on cyber risks in particular is evident in a number of other MENA countries. For example, “cyber-attacks” was ranked as the second most important risk in three countries other than the UAE: Israel, Qatar and Saudi Arabia.

The ongoing need for regional action to mitigate environmental concerns was reflected in the fact that “water crises” ranked eighth across the region. In Egypt and Iran, respondents viewed “water crises” as the top risk to doing business. The potential severity of water-related risks has been highlighted in recent months by a scandal in Iraq that has led to a reported 17,000 people being poisoned by polluted drinking water.

³ “Lebanon’s Economy Has Long Been Sluggish. Now a Crisis Looms.” *The Economist*, 30 August 2018.
⁴ International Monetary Fund, *Regional Economic Outlook: Middle East and Central Asia Statistical Appendix*, May 2018, p.7.

Sub-Saharan Africa

Top ten risks in sub-Saharan Africa

1	Unemployment or underemployment
2	Failure of national governance
3	Energy price shock
4	Failure of critical infrastructure
5	Fiscal crises
6	Failure of financial mechanism or institution
7	Failure of regional and global governance
8	Water crises
9	Food crises
10	Unmanageable inflation

Note: See Methodology section for details of the survey's coverage in this region.



Traders at a night market in Nairobi, Kenya. (REUTERS/Thomas Mukoya)

Economic risks continue to weigh on businesses across the region, as do concerns about governance and the condition of critical infrastructure.

Of the 34 countries in sub-Saharan Africa that we surveyed, “unemployment and underemployment” was identified as the most pressing concern for businesses in 22 of them. No other region recorded anything like this level of consensus among respondents, highlighting the profound challenges that the region faces on this issue, particularly in light of the demographic changes that lie ahead. The UN projects that the working-age population of Africa will more than double to 1.6 billion by 2050, a trend that could open new economic opportunities for the continent, but only if jobs can be created in huge quantities.

According to World Bank data, Africa’s official unemployment rate is just 7.3%. However, this figure

masks deep-seated problems. More than 70% of the region’s workers are in vulnerable employment – compared to a global average of 46% – and 37% are in extreme working poverty, which is defined by the International Labour Organization as income of less than \$1.90 per day.⁵ People in sub-Saharan Africa are still disproportionately likely to enter the labour market at a young age, and the region has the world’s lowest levels of access to higher education – this combination is likely to perpetuate a cycle of low skills and working poverty.

Economic vulnerabilities are also reflected in a number of other risks cited by businesses. “Fiscal crises” ranked number five across the region, and was in the top three for four countries (Burundi, Chad,

Eswatini, and Namibia). The region’s debt-to-GDP ratio has increased significantly over the past decade (from 23% in 2008 to 46% in 2017), and the high proportion of public borrowing accounted for by foreign-currency debt (60%) is a particular concern against a backdrop of rising US interest rates. As well as creating the conditions for potential future debt crises, rising levels of indebtedness also limit policy-makers’ short-term flexibility: the IMF and the African Development Bank (AfDB) have already noted that rising debt-servicing costs are diverting public spending from investment. And the pressing need for investment is highlighted in the fact that respondents ranked “failure of critical infrastructure” fourth across the region.

The second-highest risk cited by businesses across sub-Saharan Africa is “failure of national governance”. Although this risk came top in only two countries (Ethiopia and Mozambique), it ranked in the top five for a further 18 countries, including the region’s largest economies (Nigeria and South Africa). There were interesting political developments during the second half of 2017, with a number of regional leaders stepping down, allowing more reform-minded successors to take their place. However, several countries in the region are ruled by ageing leaders or family dynasties that perpetuate their rule through constitutional amendments or postponement of elections. In the Democratic Republic of the Congo (DRC), for example, elections have been postponed twice since November 2017, and are now scheduled to take place in December 2018.

Vulnerability to energy price shock remains a factor in the region, although business concerns on this front have eased somewhat since last year according to our survey results. Looking at the region’s most significant oil exporters, this risk ranked fourth this year in Nigeria (down from third last year), while it did not feature in the top ten in Angola. The sharp drop in oil prices in 2014 caused fiscal and balance-of-payments problems for numerous African oil producers, highlighting the need for structural adjustments to boost resilience. However, in its 2018 economic outlook, the AfDB noted that these adjustments are being implemented at a very slow pace.

Water and food crises ranked eighth and ninth respectively across the region, highlighting the continuing challenge of meeting basic needs against a backdrop of – among other

“Over 70 percent of workers are in vulnerable employment —compared to a global average of 46 percent.”

⁵ International Labour Organization. *World Employment and Social Outlook*, 2018.
⁶ Food Security Information Network. *Global Report on Food Crises*, 2018.

South Asia

Top ten risks in South Asia

1	Failure of national governance
2	Unmanageable inflation
3	Unemployment or underemployment
4	Failure of regional and global governance
5	Cyber-attacks
6	Failure of critical infrastructure
7	Energy price shock
8	Failure of financial mechanism or institution
9	Water crises
10	Large-scale involuntary migration

Note: See Methodology section for details of the survey's coverage in this region.



“Rising energy prices and expansionary monetary and fiscal stances point to inflationary risks.”

A currency exchange in Colombo, Sri Lanka. (REUTERS/Dinuka Liyanawatte)

Political and economic concerns predominate among businesses in South Asia, with cyber-attacks also viewed as a concern.

“Failure of national governance” was ranked as the leading risk to doing business by our respondents in South Asia. This sentiment corresponds with a particularly busy political period in the region: there have been national elections in the past year – in Pakistan in July 2018 and in Nepal in November and December 2017 – and another three are expected by the end of the year – in Bangladesh, Bhutan and Maldives. The election process is often viewed with anxiety in South Asia as it can be accompanied by violence, blockades and other forms of political tension. Elections can also be followed by periods of uncertainty. In Nepal, a new constitution was adopted three years ago that divided the country into seven new federal provinces, but it is still to be seen how the provinces will be governed and how the separation of power will work.

Respondents also pointed to governance issues above the nation-state level, with “failure of regional and global governance” ranking fourth across the region, and featuring most prominently in Nepal and Bangladesh. Refugee and migration issues may be one driver of this, with approximately 700,000 people – mostly Rohingya – having fled from Myanmar to Bangladesh over the past year. In addition, India-Pakistan tensions remained ongoing in 2017, and there have been no bilateral talks between the two countries since 2015.

“Cyber-attacks” ranked as the number five risk across the region, but it topped the concerns of respondents in India, by far the region’s largest country. According to Symantec, India ranks third in the world, after the USA and China, for the volume of cyber threats

detected, and second for targeted phishing attacks. Furthermore, there has been concern in India about the protection of citizens’ personal data in the Aadhaar system (the country’s biometric ID database) following a breach across four government agencies in May 2018 that exposed approximately 130 million accounts. Elsewhere in the region, Pakistan, Nepal and Bangladesh all rank high among countries with computers running Microsoft products that report malware encounters.⁷ Furthermore, Bangladesh is still recovering from a cyber-attack carried out on its central bank in 2016 that stole \$81 million.

Economic risks are a prominent concern across the region. In India, the most prominent risk in this category was “failure of financial mechanism or institution”, which was ranked third by

respondents. This reflects region-wide problems: many financial institutions are poorly managed and subject to weak regulatory oversight, and there has been a surge in the volume of non-performing loans over recent years. “Unmanageable inflation” was ranked as the second-highest risk across the region. South Asia benefited from low global oil prices in the 2014–16 period, but a combination of rising energy prices and expansionary monetary and fiscal stances point to inflationary risks. There are already indications of mounting price pressures in some countries: inflation in India increased from 1.5% in June 2017 to 5.1% in January 2018, while, in July this year, Pakistan’s inflation rate reached a four-year high. “Unemployment or underemployment” was ranked as the third leading risk in the region. While projections from the World Bank suggest South Asia is set to remain the fastest-growing region

in the world – with 7.1% economic growth on average in 2019 – there are concerns that the region will struggle to deliver sufficient job creation to meet the needs of a rapidly expanding population.⁸

⁷ Microsoft. *Microsoft Security Intelligence Report Volume, v23*, p.42.
⁸ World Bank. *South Asia Economic Focus: Jobless Growth?*, 2018.

East Asia and the Pacific

Top ten risks in East Asia and the Pacific

1	Cyber-attacks
2	Unemployment or underemployment
3	Asset bubble
4	Energy price shock
5	Data fraud or theft
6	Failure of national governance
7	Failure of regional and global governance
8	Fiscal crises
9	Failure of critical infrastructure
10	Manmade environmental catastrophes

Note: See Methodology section for details of the survey’s coverage in this region.



A model of the LP6 residential development in Hong Kong SAR. (REUTERS/Bobby Yip)

Cyber-attacks ranked as the number one risk across East Asia and the Pacific, with worries about unemployment in second place.

“Cyber-attacks” are the leading risk to doing business across East Asia and the Pacific, according to our survey. They topped the list for respondents in Indonesia, Japan and Singapore. The prominence of cyber-attacks as a concern among the region’s businesses reflects the rapid pace of digitization and the increasing sophistication of the region’s economies. South-East Asia in particular is the fastest-growing region in the world in terms of connections to the internet, with a projected 3.8 million new users each month, and estimates that its online economy will reach \$200 billion by 2025. These trends make the region a target for criminal and terrorist hackers, and in mid-2018, the prime minister of Singapore, Lee Hsien Loong, warned of cyber-attacks by terrorist groups, such as ISIS. In June, during the summit between US

President Donald Trump and North Korean leader Kim Jong-un, Singapore was reported to be the number one target of cyber-attacks in the world.

“Cyber-attacks” ranked fifth in China, but the related risk of “data fraud or theft” was the third-highest risk there according to our survey. “Data fraud or theft” was ranked as the leading risk by respondents in Malaysia, a result that may reflect the impact of a case in 2017 involving the attempted sale of more than 46 million mobile phone subscribers’ data. This was among the largest breaches of consumer information ever recorded in Asia. Given that Malaysia’s population is 31 million, it is likely to have affected the entire country. Across the region as a whole, the increasing prevalence of e-commerce and the growing popularity of new payment methods

have resulted in rising credit-card fraud rates, necessitating increased protection measures by the region’s banks.

“Unemployment and underemployment” was ranked as the second most-pressing risk across the region. This is likely to reflect a combination of factors. Population growth is creating the need for robust rates of job creation – 11,000 people are joining the workforce across the Association of Southeast Asian Nations (ASEAN) every day, for example – while rapid technological advances are disrupting established economic models and labour-market patterns. Low-wage manufacturing sectors in many of the region’s countries are at greater risk of being disrupted compared to knowledge-based industries in Europe and the USA.

However, concerns about the labour-market impact of new technologies are not restricted to the region’s lower-income countries. In Australia, for example, estimates suggest that almost 40% of current jobs will disappear in the next 15 years, and the country’s banks were among a number of sectors to announce downsizing measures, for technological reasons, during 2018.⁹

The highest-ranked risk in Australia was “energy price shock” (compared to a region-wide fourth-place ranking). The country is among the leading global energy exporters, but policy failures under successive governments have seen Australia’s energy infrastructure fall into disrepair. A badly managed transition from ageing coal-fired power generation to renewables has led to supply shortages and rapid price increases.¹⁰ This in turn is likely to explain the sensitivity of Australian

businesses to the possibility of further price shocks.

The “asset bubble” risk ranked as the third-highest regionally, and as the number one risk in Cambodia and Hong Kong SAR. In Cambodia, years of rapid construction of condominiums and gated communities in the capital, Phnom Penh, have created concerns about an oversupply, while in Hong Kong, real-estate prices have been a source of unease for a decade. In July 2018, residential property prices were up by 16.6% year on year, an increase of 185% since the start of the decade.

⁹ “EDA’s Major Research Report for 2015, Australia’s Future Workforce?” CEDA, June 2015: <https://www.ceda.com.au/Research-and-policy/All-CEDA-research/Research-catalogue/Australia-s-future-workforce> (link as of 1/10/18).
¹⁰ Williams, Perry. “Why Energy-Rich Australia Suffers the World’s Priciest Power.” *Bloomberg*, 5 October 2017.

North America

Top ten risks in North America

1	Cyber-attacks
2	Data fraud or theft
3	Extreme weather events
4	Fiscal crises
5	Energy price shock
6	Asset bubble
7	Failure of critical infrastructure
8	Failure of urban planning
9	Terrorist attacks
10	Failure of climate-change adaptation

Note: See Methodology section for details of the survey's coverage in this region.



“Extreme weather has plagued the region and inflicted significant costs in the last 18 months.”

Sunset over hills burned in the Carr fire in California. (REUTERS/Bob Strong)

After a year of costly and high-profile breaches, cyber and data risks top the concerns of businesses in North America.

For business executives in Canada and the United States, cyber-attacks are now the number one risk to doing business. This mirrors the pattern in other economically advanced regions, highlighting the growing reliance of global commerce on digital networks that are the target of increasingly sophisticated and prolific attacks. In this regard, 2017 is likely to mark a watershed, with a series of massive cyber-attacks highlighting the mounting dangers from hackers and the need to bolster public and corporate defences. The WannaCry ransomware attack affected 300,000 machines across 150 countries, while the NotPetya malware attack caused huge corporate losses. For example, Merck, FedEx and Maersk each reported losses of around \$300 million in the third quarter of 2017 alone. Moreover, the pace and scale of cyber-attacks are increasing rapidly. In

Canada, 87% of businesses reported being the victim of a successful breach in 2017.¹¹ In early 2018, the US Director of National Intelligence cited cyber vulnerability as a top risk for government and businesses alike in a hearing before the Senate Select Committee on Intelligence.

Unsurprisingly, the closely related risk of “data fraud or theft” is also a concern in the region, ranking third in the United States and seventh in Canada. Of the Canadian companies that experienced a cyber-attack in 2017, almost half lost sensitive data. In 20% of cases, sensitive customer or employee data was exposed. Recently passed Canadian legislation will require companies covered under federal law to report data breaches to customers, affected third parties and the federal privacy commissioner.

In the USA, a majority of the population (65%) has already experienced a personal data breach according to the Pew Research Center. The costliest data breach to date occurred during 2017 at Equifax, with sensitive personal information of 143 million US consumers being breached at a cost of up to \$600 million. Concerns about data-related risks in the USA may also have been heightened by widespread reporting about the exploitation of social media networks for political purposes. For example, our survey was in the field when the Cambridge Analytica scandal broke, in which the personally identifiable information of 87 million Facebook users was collected then reportedly used in political campaigning.

Physical security also remains a major concern among US businesses. Although cyber-attacks replaced them

at the top of the country’s list of risks this year, “terrorist attacks” still ranks second. In October 2017, eight people were killed in a vehicular attack in New York City, the largest loss of life from a terrorist attack in the city since 9/11. This risk category could also be capturing wider concerns about the prevalence of mass shootings in the USA. Geopolitical security risks are also a concern for US businesses this year, with “weapons of mass destruction” (WMDs) ranking fifth against a backdrop of heightened insecurity regarding North Korea’s nuclear capabilities and intentions. Neither terrorism nor WMDs ranked in the top ten in Canada.

“Extreme weather events” ranked third across the region, largely driven by concerns among Canadian businesses, which also included “failure of climate-change adaptation” in their top ten. Extreme weather has plagued the

region and inflicted significant costs on businesses in the past 18 months. In Canada, wildfires raged through British Columbia in the summer of 2017, while temperatures plummeted to all-time lows in Alberta and Saskatchewan in early 2018. Most recently, record-breaking heatwaves in the central and eastern parts of the country led to the deaths of more than 50 people. In the USA, last year’s most costly disaster was Hurricane Harvey, which inflicted over \$125 billion in damage in August 2017, primarily due to catastrophic rainfall-triggered flooding in the Houston metropolitan area. Harvey was followed by Hurricanes Irma and Maria in September and October of 2017 respectively, which ravaged Puerto Rico and the US Virgin Islands. In California, wildfires have affected much of the population in the past two years, causing both human and environmental devastation.

“Fiscal crises” and “energy price shocks” round out the top five risks identified by business executives in North America. Concerns about high fiscal deficits and public debt-to-GDP ratios are nothing new in the USA, but business concerns appear to have increased in the wake of a tax-cutting budget announced in February 2018: last year, “fiscal crises” did not rank in the top ten among US businesses, whereas this year it ranked fourth.

¹¹ World Economic Forum, *Global Risks Report 2018*, p15.

¹² Greenwood, Max. “Almost 9 out of 10 Canadian Companies Were Breached by Cyber-Attacks Last Year.” *Tech Vibes*, 9 February 2018.

Latin America and the Caribbean

Top ten risks in Latin America and the Caribbean

1	Failure of national governance
2	Profound social instability
3	Unemployment or underemployment
4	Fiscal crises
5	State collapse or crisis
6	Energy price shock
7	Illicit trade
8	Failure of critical infrastructure
9	Natural catastrophes
10	Failure of urban planning

Note: See Methodology section for details of the survey's coverage in this region.



An opposition rally in Caracas, Venezuela. (REUTERS/Carlos Barria)

Weak governance and sociopolitical instability weigh on businesses across the region, as do concerns about unemployment.

In a clear reflection of continuing political strains across much of the region, our survey respondents in Latin America and the Caribbean cited “failure of national governance” as the most serious risk to doing business for the second year in a row. Moreover, the risk of “profound social instability” edged up from third position in last year’s survey to second position in 2018, reflecting deepening social tensions in parts of the region. The past two years have involved an intense electoral cycle across Latin America, which, combined with the emergence of successive corruption scandals at the centre of public debate, has reaffirmed electorates’ long-standing mistrust of institutions and reinforced political polarization.

Respondents ranked “failure of national governance” as the number one risk

to doing business in five countries across the region (Bolivia, Brazil, Ecuador, Guatemala and Panama) and it was ranked second in a further four (Mexico, Nicaragua, Peru and Trinidad and Tobago). Meanwhile, profound social instability ranked as the number one risk in Honduras and Mexico, and was the second-highest risk in a further three countries (Bolivia, Panama and El Salvador). A combination of societal fissures including poverty, inequality, security challenges, health risks, unemployment (and high levels of informal employment), and insufficient social safety nets and retirement provisions constitute a tinderbox in numerous countries.

Venezuela is already in an unprecedentedly critical situation, and the extent of the collapse of its economy and political institutions is

reflected in the risks prioritized by survey respondents: “unmanageable inflation”, “state collapse or crisis”, “profound social instability”, “food crisis” and “failure of national governance”. Among other things, Venezuela’s crisis has led to mass migration to nearby countries, including Colombia, Peru, Ecuador, Brazil and Chile. In our survey, Colombia and Chile ranked the risk of “large-scale involuntary migration” in first and second place, respectively. These developments may also help explain why Colombia and Venezuela are the only countries in the region in which interstate conflict was cited among the top ten risks. The survey also captures the early stages of Nicaragua’s political crisis, which started in April 2018 and has since evolved into violent clashes between, on the one hand, the government and its supporters, and,

on the other, opponents largely drawn from the private sector, students and the church. Respondents in Nicaragua ranked “failure of national governance” as the second most-pressing risk.

Economic concerns are also prominent across the region, with “unemployment and underemployment” and “fiscal crises” ranking third and fourth. Unemployment has risen in Latin America in the past three years, reaching 8.4%, affecting over 26 million people, according to the International Labour Organization. The risk of fiscal crises topped respondents’ list of concerns in four countries, including Argentina, where it tied as the number one risk with “unmanageable inflation”. The timing of the survey means it will not have captured some of the subsequent deterioration of Argentina’s economic and financial situation: for example, as of September 2018, the country’s currency had lost 50% of its value against the US dollar since the start of the year. “Unmanageable inflation” also ranks among the top three risks in Venezuela and Haiti.

The Latin American region’s economy continues to be highly dependent on commodities production, thus energy and oil price volatility has had a profound impact over the years. The “energy price shock” risk was ranked sixth overall across the region, but it was cited as one of the top three concerns for doing business in four countries (Dominican Republic, Honduras, Nicaragua and Trinidad and Tobago). However, there are signs that an uptick in international commodity prices is helping the region to return to positive economic growth, despite the many headwinds it faces.

One or both of “extreme weather events” and “natural catastrophes” rank in the top five risks for eight countries in this region. Extreme weather was cited as the top risk by respondents in Jamaica, where “natural catastrophes” was the top concern in Chile. Across the region, countries repeatedly suffer extensive human, physical and economic damage as a result of hurricanes, flooding, fires, drought and earthquakes. For example,

earthquakes in central Mexico left over 400 people dead and caused enormous economic losses for the country in 2017, and natural disasters have also caused significant suffering and damage in Chile, Colombia, Peru, Brazil and the Caribbean.

Results at a glance

The table below presents the key risk-related findings from the *Executive Opinion Survey* for 140 economies. In each instance the table lists the top five risks for each economy—as cited by respondents in that economy—with “Risk 1” indicating the most frequently cited risk.

Where there is a tie, the tied risks are presented in the same cell, separated by a dotted line, and the next cell in the row contains an ellipsis (“...”). For example, in Angola two risks are tied for first place (“unemployment and underemployment” and “failure of a financial mechanism or institution”) and there is therefore no risk in second place.

An asterisk beside the name of an economy indicates that the most recent available survey data are from 2017. A double asterisk indicates that the most recent data are from 2016.

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Albania	Fiscal crises	Illicit trade	Failure of financial mechanism or institution	Interstate conflict	Natural catastrophes Cyberattacks
Algeria	Failure of regional and global governance	Energy price shock	Failure of financial mechanism or institution	Terrorist attacks	Food crises
Angola	Unemployment or underemployment Failure of financial mechanism or institution	...	Failure of national governance	Terrorist attacks	Failure of urban planning
Argentina	Fiscal crises Unmanageable inflation	...	Failure of national governance Profound social instability	...	State collapse or crisis
Armenia	Large-scale involuntary migration	Interstate conflict	Unemployment or underemployment	Profound social instability	Natural catastrophes
Australia	Energy price shock	Cyber-attacks	Asset bubble	Failure of regional and global governance	Fiscal crises Failure of critical infrastructure
Austria	Cyber-attacks	Asset bubble	Large-scale involuntary migration	Profound social instability	Unemployment or underemployment
Azerbaijan*	Fiscal crises Interstate conflict	...	Natural catastrophes	Large-scale involuntary migration Energy price shock Illicit trade	...
Bahrain**	Energy price shock	Fiscal crises	Unemployment or underemployment	Interstate conflict	Profound social instability
Bangladesh	Energy price shock	Failure of national governance	Cyber-attacks	Failure of regional and global governance	Unemployment or underemployment
Belgium	Cyber-attacks	Failure of urban planning Failure of regional and global governance Fiscal crises	...	...	Unemployment or underemployment

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Benin	Unemployment or underemployment	Energy price shock	Illicit trade	Profound social instability	Fiscal crises Failure of critical infrastructure Failure of national governance
Bolivia	Failure of national governance	Profound social instability	Illicit trade	State collapse or crisis	Unemployment or underemployment
Bosnia and Herzegovina	Failure of national governance	Profound social instability	Unemployment or underemployment	Failure of urban planning	Failure of financial mechanism or institution
Botswana	Unemployment or underemployment	Water crises	Failure of regional and global governance Cyber-attacks	...	Failure of critical infrastructure
Brazil	Failure of national governance	Natural catastrophes	Failure of regional and global governance	Spread of infectious diseases	Terrorist attacks
Brunei Darussalam	Unemployment or underemployment	Energy price shock	Failure of national governance	Fiscal crises Data fraud or theft	...
Bulgaria	Illicit trade	Energy price shock	Data fraud or theft	Profound social instability	State collapse or crisis
Burkina Faso	Terrorist attacks	Unemployment or underemployment	Energy price shock	Profound social instability	Failure of national governance
Burundi*	Fiscal crises	Unemployment or underemployment	Unmanageable inflation	Food crises	Failure of national governance Energy price shock
Cambodia	Asset bubble	Failure of national governance	Illicit trade Natural catastrophes	...	Data fraud or theft Biodiversity loss and ecosystem collapse
Cameroon	Unemployment or underemployment	Failure of critical infrastructure	Terrorist attacks	Illicit trade	Failure of national governance
Canada	Cyber-attacks	Asset bubble	Extreme weather events	Energy price shock	Failure of critical infrastructure
Cape Verde	Energy price shock Terrorist attacks	...	Failure of national governance	Failure of regional and global governance	Unemployment or underemployment
Chad	Unemployment or underemployment	Failure of national governance	Fiscal crises	Energy price shock Failure of critical infrastructure	...
Chile	Natural catastrophes	Large-scale involuntary migration	Profound social instability	Water crises Failure of climate-change adaptation	...
China*	Natural catastrophes	Deflation	Data fraud or theft	Illicit trade	Cyber-attacks
Colombia	Large-scale involuntary migration	Fiscal crises	Unemployment or underemployment	Illicit trade	Interstate conflict Profound social instability
Congo, Dem. Rep.	Unemployment or underemployment	Failure of national governance	Profound social instability	Failure of critical infrastructure	Unmanageable inflation
Costa Rica	Fiscal crises	Failure of critical infrastructure	Unemployment or underemployment	Energy price shock	Failure of national governance
Cote d'Ivoire	Profound social instability	Unemployment or underemployment	Energy price shock	Failure of national governance	Failure of critical infrastructure
Croatia	Failure of national governance	Interstate conflict	Natural catastrophes	Terrorist attacks	Failure of financial mechanism or institution Water crises

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Cyprus	Failure of financial mechanism or institution	Asset bubble	Water crises Fiscal crises	...	Interstate conflict
Czech Republic	Asset bubble	Interstate conflict	Cyber-attacks Large-scale involuntary migration	...	Unemployment or underemployment
Denmark	Cyber-attacks	Data fraud or theft	Fiscal crises	Critical information infrastructure breakdown	Manmade environmental catastrophes
Dominican Republic	Fiscal crises	Large-scale involuntary migration	Energy price shock	Natural catastrophes	Illicit trade Profound social instability Extreme weather events
Ecuador	Failure of national governance	Fiscal crises	Unemployment or underemployment	State collapse or crisis	Illicit trade
Egypt	Water crises	Unemployment or underemployment	Energy price shock	Terrorist attacks	Unmanageable inflation
El Salvador	Unemployment or underemployment	Profound social instability	Failure of national governance	Fiscal crises	Water crises Large-scale involuntary migration
Estonia	Cyber-attacks	Asset bubble	Failure of national governance	Failure of financial mechanism or institution	Unemployment or underemployment
Eswatini	Unemployment or underemployment	Energy price shock	Fiscal crises	Failure of national governance	Food crises Water crises
Ethiopia*	Failure of national governance	Cyber-attacks	Food crises Failure of critical infrastructure	...	Unemployment or underemployment
Finland	Cyber-attacks	Large-scale involuntary migration	Unemployment or underemployment	Fiscal crises Failure of urban planning	...
France	Unemployment or underemployment	Terrorist attacks	Cyber-attacks	Interstate conflict Asset bubble	...
Gambia, The	Energy price shock	Unemployment or underemployment	Failure of financial mechanism or institution Data fraud or theft	...	Misuse of technologies Failure of climate-change adaptation
Georgia	Interstate conflict	Failure of national governance	Failure of regional and global governance Unemployment or underemployment	...	Fiscal crises Energy price shock Unmanageable inflation
Germany	Cyber-attacks	Data fraud or theft	Interstate conflict	Asset bubble	Extreme weather events Terrorist attacks
Ghana	Unemployment or underemployment	Energy price shock	Failure of regional and global governance	Cyber-attacks	Failure of financial mechanism or institution
Greece	Failure of national governance	Unemployment or underemployment	Fiscal crises	Failure of financial mechanism or institution	Large-scale involuntary migration
Guatemala	Failure of national governance	State collapse or crisis	Failure of critical infrastructure	Profound social instability	Illicit trade
Guinea*	Illicit trade	Unemployment or underemployment	Large-scale involuntary migration	Fiscal crises	Water crises
Haiti	Unemployment or underemployment	Fiscal crises	Unmanageable inflation Food crises Natural catastrophes	...	...
Honduras	Profound social instability Unemployment or underemployment	...	Energy price shock	Failure of national governance	State collapse or crisis

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Hong Kong SAR	Asset bubble	Cyber-attacks	Profound social instability	Failure of regional and global governance	Misuse of technologies
Hungary	Asset bubble	Unemployment or underemployment Interstate conflict	...	Large-scale involuntary migration Failure of financial mechanism or institution	...
Iceland	Natural catastrophes	Asset bubble	Cyber-attacks Fiscal crises	...	Failure of financial mechanism or institution
India	Cyber-attacks	Terrorist attacks	Failure of financial mechanism or institution	Unemployment or underemployment Water crises	...
Indonesia	Cyber-attacks	Terrorist attacks	Food crises Data fraud or theft	...	Misuse of technologies
Iran, Islamic Rep.	Water crises	Unmanageable inflation	Interstate conflict	Fiscal crises	Failure of financial mechanism or institution Unemployment or underemployment
Ireland	Failure of regional and global governance	Asset bubble	Energy price shock Cyber-attacks Failure of financial mechanism or institution	...	...
Israel	Terrorist attacks	Cyber-attacks	Interstate conflict	Weapons of mass destruction	Failure of critical infrastructure Asset bubble Failure of national governance
Italy	Failure of financial mechanism or institution	Natural catastrophes	Failure of national governance	Asset bubble	Terrorist attacks
Jamaica	Extreme weather events Unemployment or underemployment	...	Data fraud or theft	Natural catastrophes Failure of regional and global governance	...
Japan	Cyber-attacks	Failure of regional and global governance Misuse of technologies	...	Illicit trade	Natural catastrophes
Jordan	Terrorist attacks	Energy price shock	Failure of regional and global governance	Unemployment or underemployment	Unmanageable inflation
Kazakhstan	Energy price shock	Failure of financial mechanism or institution	Unmanageable inflation Fiscal crises	...	Unemployment or underemployment Profound social instability
Kenya	Unemployment or underemployment	Terrorist attacks	Cyber-attacks	Failure of regional and global governance	Food crises
Korea, Rep.	Unemployment or underemployment	Interstate conflict	Cyber-attacks	Asset bubble	Fiscal crises
Kuwait	Energy price shock	Terrorist attacks Failure of urban planning	...	Failure of regional and global governance Extreme weather events	...
Kyrgyz Republic	Fiscal crises	Unemployment or underemployment	Energy price shock	Unmanageable inflation	Profound social instability
Lao PDR	Energy price shock	Manmade environmental catastrophes Biodiversity loss and ecosystem collapse	...	Deflation	Natural catastrophes

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Latvia	Cyber-attacks	...	Large-scale involuntary migration	...	Failure of national governance
	Fiscal crises		Interstate conflict		
Lebanon	State collapse or crisis	Terrorist attacks	Failure of national governance	Failure of critical infrastructure	...
				Unmanageable inflation	
				Failure of urban planning	
Lesotho*	Failure of financial mechanism or institution	Failure of critical infrastructure	Water crises	Energy price shock	...
				Failure of climate-change adaptation	
Liberia	Unemployment or underemployment	Failure of climate-change adaptation	Energy price shock	Failure of regional and global governance	...
				Misuse of technologies	
Lithuania	Failure of national governance	Asset bubble	Interstate conflict	Failure of urban planning	Profound social instability and cyber-attacks
Luxembourg	Cyber-attacks	Asset bubble	Data fraud or theft	Failure of regional and global governance	Failure of critical infrastructure and failure of financial mechanism or institution
Macedonia, FYR	Unemployment or underemployment	Large-scale involuntary migration	Failure of regional and global governance	...	Failure of urban planning
			Interstate conflict		
Malawi	Unemployment or underemployment	Energy price shock	Failure of critical infrastructure	Failure of national governance	Failure of regional and global governance
					Failure of climate-change adaptation
					Extreme weather events
Malaysia	Data fraud or theft	Cyber-attacks	Unemployment or underemployment	Failure of national governance	...
				Misuse of technologies	
Mali	Terrorist attacks	Unemployment or underemployment	...	Illicit trade	Energy price shock
		Failure of national governance			Fiscal crises
Malta	Failure of regional and global governance	Failure of national governance	...	Failure of financial mechanism or institution	Cyber-attacks
		Asset bubble			
Mauritania	Unemployment or underemployment	Failure of national governance	Deflation	Spread of infectious diseases	Fiscal crises
Mauritius	Natural catastrophes	Extreme weather events	Failure of critical infrastructure	...	Failure of regional and global governance
			Failure of national governance		
Mexico	Profound social instability	Failure of national governance	Illicit trade	Water crises	Unemployment or underemployment
Moldova	Large-scale involuntary migration	Profound social instability	Failure of national governance	Energy price shock	Unemployment or underemployment and interstate conflict
Mongolia	State collapse or crisis	Fiscal crises	Failure of regional and global governance	Unmanageable inflation	Unemployment or underemployment
Montenegro	Unemployment or underemployment	Energy price shock	Natural catastrophes	...	Extreme weather events
			Failure of financial mechanism or institution		Fiscal crises
					Large-scale involuntary migration

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Morocco	Unemployment or underemployment	Failure of national governance	Profound social instability	...	...
			Energy price shock		
			Water crises		
Mozambique	Failure of national governance	Unemployment or underemployment	Water crises	Profound social instability	Unmanageable inflation
Namibia	Water crises	...	Fiscal crises	Failure of critical infrastructure	Failure of regional and global governance
	Unemployment or underemployment				
Nepal	Unemployment or underemployment	Failure of national governance	Failure of regional and global governance	Unmanageable inflation	Cyber-attacks and interstate conflict
Netherlands	Cyber-attacks	Data fraud or theft	Failure of climate-change adaptation	Asset bubble	Extreme weather events
New Zealand	Extreme weather events	Cyber-attacks	Failure of regional and global governance	Failure of critical infrastructure	Failure of climate-change adaptation
Nicaragua	Energy price shock	Failure of national governance	Natural catastrophes	...	Profound social instability
			State collapse or crisis		
Nigeria	Unemployment or underemployment	Failure of national governance	Failure of critical infrastructure	Energy price shock	Terrorist attacks
Norway	Extreme weather events	Data fraud or theft	Large-scale involuntary migration	Failure of financial mechanism or institution	...
				Cyber-attacks	
				Energy price shock	
				Critical information infrastructure breakdown	
Oman	Energy price shock	Unemployment or underemployment	Fiscal crises	Cyber-attacks	Asset bubble
Pakistan	Water crises	Unmanageable inflation	Terrorist attacks	Failure of urban planning	Failure of critical infrastructure
Panama	Failure of national governance	Profound social instability	Unemployment or underemployment	Water crises	Failure of regional and global governance
					Failure of urban planning
Paraguay	Illicit trade	Failure of critical infrastructure	...	Profound social instability	Unemployment or underemployment
		Failure of regional and global governance			Failure of national governance
Peru	State collapse or crisis	Failure of national governance	Profound social instability	Natural catastrophes	Unemployment or underemployment
Philippines	Failure of critical infrastructure	Failure of national governance	Unmanageable inflation	Failure of climate-change adaptation	Failure of regional and global governance
Poland	Interstate conflict	Cyber-attacks	Failure of national governance	Fiscal crises	State collapse or crisis
Portugal	Failure of financial mechanism or institution	Failure of national governance	Asset bubble	Extreme weather events	Energy price shock
Qatar	Energy price shock	Cyber-attacks	Asset bubble	Unemployment or underemployment	Water crises
Romania	Failure of regional and global governance	Large-scale involuntary migration	Natural catastrophes	Weapons of mass destruction	Interstate conflict
Russian Federation	Fiscal crises	Interstate conflict	Unmanageable inflation	Failure of financial mechanism or institution	Energy price shock
Rwanda	Unemployment or underemployment	Energy price shock	Unmanageable inflation	Cyber-attacks	Failure of financial mechanism or institution
					Misuse of technologies
Saudi Arabia	Energy price shock	Cyber-attacks	Terrorist attacks	Unemployment or underemployment	Failure of regional and global governance

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Senegal	Unemployment or underemployment	Energy price shock	Illicit trade	...	Fiscal crises
			Data fraud or theft		Profound social instability
Serbia	Energy price shock	Failure of national governance	Failure of urban planning	...	Unemployment or underemployment
			Profound social instability		
Seychelles	Food crises	Biodiversity loss and ecosystem collapse	...	Failure of climate-change adaptation	...
		Spread of infectious diseases		Energy price shock	
Sierra Leone	Unemployment or underemployment	Food crises	...	Water crises	Failure of financial mechanism or institution
		Manmade environmental catastrophes			Energy price shock
Singapore	Cyber-attacks	Terrorist attacks	Data fraud or theft	Asset bubble	Spread of infectious diseases
					Water crises
Slovak Republic	Asset bubble	Profound social instability	Failure of national governance	Failure of urban planning	...
				Large-scale involuntary migration	
Slovenia	Fiscal crises	Asset bubble	Failure of urban planning	Cyber-attacks	...
				Failure of financial mechanism or institution	
South Africa	Unemployment or underemployment	Water crises	Failure of national governance	Profound social instability	Failure of critical infrastructure
Spain	Unemployment or underemployment	Asset bubble	Failure of urban planning	Misuse of technologies	Failure of national governance
Sri Lanka	Unmanageable inflation	Failure of national governance	Illicit trade	Misuse of technologies	Profound social instability
Sweden	Cyber-attacks	Asset bubble	Large-scale involuntary migration	Failure of climate-change adaptation	...
				Data fraud or theft	
				Terrorist attacks	
Switzerland	Cyber-attacks	Asset bubble	Large-scale involuntary migration	Data fraud or theft	Failure of financial mechanism or institution
Taiwan, China	Interstate conflict	Energy price shock	Asset bubble	Extreme weather events	Cyber-attacks
					Unemployment or underemployment
Tajikistan	Natural catastrophes	Unemployment or underemployment	Energy price shock	Unmanageable inflation	Large-scale involuntary migration
Tanzania	Unemployment or underemployment	Energy price shock	Cyber-attacks	Misuse of technologies	Data fraud or theft
Thailand	Manmade environmental catastrophes	Failure of national governance	Asset bubble	Cyber-attacks	...
				Failure of critical infrastructure	
Trinidad and Tobago	Energy price shock	Failure of national governance	Illicit trade	Fiscal crises	Failure of critical infrastructure
					Natural catastrophes
Tunisia	Profound social instability	Unemployment or underemployment	Unmanageable inflation	...	...
			Illicit trade		
			Fiscal crises		
Turkey	Fiscal crises	Interstate conflict	Terrorist attacks	Failure of national governance	Asset bubble
					Natural catastrophes
Uganda	Unemployment or underemployment	Failure of climate-change adaptation	Failure of regional and global governance	Unmanageable inflation	...
				Failure of critical infrastructure	

	RISK 1	RISK 2	RISK 3	RISK 4	RISK 5
Ukraine	Energy price shock	Fiscal crises	...	Spread of infectious diseases	Terrorist attacks
		Profound social instability			
United Arab Emirates	Cyber-attacks	Energy price shock	Misuse of technologies	Data fraud or theft	...
				Terrorist attacks	
United Kingdom	Cyber-attacks	Failure of national governance	Asset bubble	Fiscal crises	Failure of financial mechanism or institution
					Terrorist attacks
					Failure of urban planning
United States	Cyber-attacks	Terrorist attacks	Data fraud or theft	Fiscal crises	Weapons of mass destruction
Uruguay	Fiscal crises	Unemployment or underemployment	Failure of critical infrastructure	Profound social instability	Failure of national governance
Venezuela	Unmanageable inflation	State collapse or crisis	Profound social instability	Food crises	Failure of national governance
Viet Nam	Failure of urban planning	Failure of national governance	Failure of regional and global governance	Cyber-attacks	Asset bubble
Yemen	Illicit trade	Failure of regional and global governance	Spread of infectious diseases	Failure of financial mechanism or institution	Fiscal crises
Zambia	Unemployment or underemployment	Energy price shock	Failure of national governance	Failure of regional and global governance	Failure of climate-change adaptation
Zimbabwe	Unemployment or underemployment	Failure of national governance	...	Fiscal crises	Failure of financial mechanism or institution
		Failure of critical infrastructure			

Methodology

The findings presented in this report are based on data from the World Economic Forum’s *Executive Opinion Survey*. This is the survey that feeds into the Forum’s annual *Global Competitiveness Report*. Each year it canvasses the views of business leaders from around the world on the state of the business environment where they are based.

The *Executive Opinion Survey* was conducted in 2018 between January and June, and the survey’s risk-related question received 12,548 responses. The respondents were presented with our core list of 30 global risks (see table below) and asked to select “the five global risks that you believe to be of most concern for doing business in your country within the next ten years”. In a number of instances, the most recent survey data available are from 2017: this is the case for Azerbaijan, Bahrain, Burundi, China, Ethiopia, Guinea and Lesotho.

The eight regions that we used are comprised as follows:

- Europe: Albania; Austria; Belgium; Bosnia and Herzegovina; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Iceland; Ireland; Italy;

- Latvia; Lithuania; Luxembourg; Macedonia, FYR; Malta; Montenegro; Netherlands; Norway; Poland; Portugal; Romania; Serbia; Slovak Republic; Slovenia; Spain; Sweden; Switzerland; Turkey; United Kingdom.
- Eurasia: Armenia; Azerbaijan; Georgia; Kazakhstan; Kyrgyz Republic; Moldova; Russian Federation; Tajikistan; Ukraine.
- Middle East and North Africa: Algeria; Bahrain; Egypt; Islamic Republic of Iran; Israel; Jordan; Kuwait; Lebanon; Morocco; Oman; Qatar; Saudi Arabia; Tunisia; United Arab Emirates; Yemen.
- Sub-Saharan Africa: Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Chad; Cote d’Ivoire; Democratic Republic of the Congo; Ethiopia; Eswatini; The Gambia; Ghana; Guinea; Kenya; Lesotho; Liberia; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Nigeria; Rwanda; Senegal; Seychelles; Sierra Leone; South Africa; Tanzania; Uganda; Zambia; Zimbabwe.
- North America: Canada; United States.
- Latin America and the Caribbean: Argentina; Bolivia; Brazil; Chile; Colombia; Costa Rica; Dominican

- Republic; Ecuador; El Salvador; Guatemala; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; Trinidad and Tobago; Uruguay; Venezuela.
- East Asia and the Pacific: Australia; Brunei Darussalam; Cambodia; China; Hong Kong SAR; Indonesia; Japan; Republic of Korea; Lao PDR; Malaysia; Mongolia; New Zealand; Philippines; Singapore; Taiwan, China; Thailand; Viet Nam.
- South Asia: Bangladesh; India; Nepal; Pakistan; Sri Lanka.

To generate the rankings used in this report, we first calculated the simple count of the number of responses for each risk in each economy, and then divided this by the respective sample sizes. For the regional rankings, we calculated the simple average of the share of each risk across the economies in each region. These regional averages are not weighted by population.

Acknowledgements

The lead author of *Regional Risks to Doing Business* is Aengus Collins, who heads the World Economic Forum’s Global Risks and Geopolitics team, and who worked on the report alongside colleagues Ariel Kastner, Melinda Kuritzky and Richard Lukacs.

The report has been produced under the auspices of the Forum’s Centre for Geopolitical and Regional Affairs, under the leadership of the Børge Brende (President of the World Economic Forum) and his deputy, Mirek Dusek. The report would not have been possible without the support of the Forum’s regional directors and the insights contributed by them and their teams. Particular thanks to: Diego Bustamante, Malik Faraoun, Liam Foran, Aytuğ Goksu, Tanjeb Sheikh Islam, Nontle Kabanyane, Maroun Kairouz, Anastasia Kalinina and Miriam Schive.

Special gratitude is owed to the Forum’s Centre for the New Economy and Society, which conducts the *Executive Opinion Survey* and has for many years been an integral part of the Forum’s work on global risks. The data-processing work in this report was led by Teresa Belardo, supported by Jean-François Trinh

Tan and Attilio Di Battista. This is a new venture for the World Economic Forum, but it rests on long-standing relationships that underpin the flagship *Global Risks Report*. We would like to thank in particular Marsh & McLennan Companies (MMC) and Zurich Insurance Group, with whom we have collaborated on *The Global Risks Report* for many years.

Thanks also to the three academic advisers to the *Global Risks Report*: the National University of Singapore, Oxford Martin School at the University of Oxford and the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania. We also extend our gratitude to the members of the Advisory Board of *The Global Risks Report* for their dedication and guidance.

Thanks also to all of those who worked on the production and publication of this report: Allison Moore, Aylin Elçi, Floris Landi, Jordynn McKnight, Michela Dorbolò, Oliver Cann and Yann Zopf.

The cover illustration is by Patrik Svensson.

The 30 global risks included in the survey

Asset bubble	Deflation	Energy price shock	Failure of critical infrastructure	Failure of financial mechanism or institution
Fiscal crises	Illicit trade	Unemployment or underemployment	Unmanageable inflation	Biodiversity loss and ecosystem collapse
Extreme weather events	Failure of climate-change adaptation	Manmade environmental catastrophes	Natural catastrophes	Failure of national governance
Failure of regional and global governance	Interstate conflict	State collapse or crisis	Terrorist attacks	Weapons of mass destruction
Failure of urban planning	Food crises	Large-scale involuntary migration	Profound social instability	Spread of infectious diseases
Water crises	Critical information infrastructure breakdown	Cyber-attacks	Data fraud or theft	Misuse of technologies





COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

The World Economic Forum, committed to improving the state of the world, is the International Organization for Public-Private Cooperation.

The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.

World Economic Forum
91–93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland

Tel.: +41 (0) 22 869 1212
Fax: +41 (0) 22 786 2744

contact@weforum.org
www.weforum.org