Cambridge Judge Business School

Centre for Risk Studies

NAVIGATING THE GLOBAL RISK LANDSCAPE FOR 2019

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Centre for **Risk Studies**



Cambridge Global Risk Index 2019

- Percent GDP@Risk: 1.57% of 2019 GDP
- Average Annual GDP@Risk: **\$577 bn**
- 2019 GDP of Cities in our Index: \$36.8 Trillion (of GWP \$89.6 Tr)

Our past index:

- 2018: \$546bn **1.54%**
- 2017: \$513bn **1.49%**
- 2016: \$494bn **1.48%**
- 2015: \$475bn **1.46%**



2019 Contribution to Risk by Threats



Change in Risk by Threat Categories Over Time





2019 Cambridge Global Risk Index



GDP@Risk 2019 (US\$ Bn)



% GDP@Risk 2019

0%



20%

Change in GDP@Risk 2018 to 2019



GDP@Risk Change (US\$ Bn)





Change in Risk as a % of a City's GDP



GDP@Risk Change (%)





Top 20 Cities by Risk

Ranking	City	Country	GDP@Risk (\$US bn)	Top Threat	% of Risk	2018 Rank	
1	Tokyo	Japan	26.01	Interstate Conflict	36%	1	
2	New York	United States	15.69	Market Crash	20%	2	
3	Manila	Philippines	13.87	Tropical Windstorm	56%	3	
4	Istanbul	Turkey	13.35	Market Crash	22%	5	1
5	Taipei	Taiwan	13.01	Tropical Windstorm	62%	4	◀
6	Osaka	Japan	12.29	Interstate Conflict	30%	6	
7	Los Angeles	United States	11.68	Earthquake	24%	7	
8	Baghdad	Iraq	9.88	Interstate Conflict	56%	9	1
9	London	United Kingdom	9.15	Market Crash	21%	10	
10	Shanghai	China	9.05	Tropical Windstorm	28%	8	₽
11	Mexico City	Mexico	8.22	Market Crash	35%	11	
12	Seoul	Korea, Republic of	7.53	Tropical Windstorm	36%	12	
13	Cairo	Egypt	7.31	Interstate Conflict	57%	19	1
14	Hangzhou	China	7.12	Tropical Windstorm	68%	14	
15	Jakarta	Indonesia	6.63	Civil Conflict	30%	15	
16	Nagoya	Japan	6.53	Interstate Conflict	35%	17	1
17	São Paulo	Brazil	6.53	Market Crash	47%	13	◀
18	Paris	France	6.31	Market Crash	24%	18	
19	Moscow	Russian Federation	6.19	Market Crash	46%	16	◀
20	Chicago	United States	6.14	Market Crash	21%	21	1

Growth of the Global Economy



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What is Driving the Changes?

- Cambridge Global Risk Index (Total GDP@Risk) has increased 5.59% since last year
- Global GDP has increased 3.96%
- Patterns of risk drive changes of a further 1.32%
- Changes in the resilience of cities have increased risk by a further 0.25%



Risk is Migrating to the East

	2018	2019	
Region	GDP@Risk \$ Billions	GDP@Risk \$ Billions	% Diff
Central and South Asia	24.16	27.43	13.53%
Africa	31.43	34.30	9.12%
Southeast Asia	33.19	35.80	7.88%
North America	92.96	100.20	7.79%
East Asia	175.65	185.86	5.81%
Eastern Europe	36.90	38.93	5.50%
Western Europe	54.48	57.00	4.63%
Australasia	8.29	8.66	4.48%
Latin America	44.73	44.98	0.55%
Middle East	44.73	43.88	-1.90%



Changes in Resilience Rating of Selected Cities

- Cities that have increased their resilience:
 - Moscow, Russia
 - Kiev, Ukraine
- Cities that have decreased their resilience:
 - Vienna, Austria
 - Ho Chi Minh, Vietnam
 - Hanoi, Vietnam
 - Alexandria, Egypt
 - Cairo, Egypt

Based on INFORM 2019 assessments



	Threat Vulnerability			Vulnerability by assessment per threat type
Resilience	Rate of Recovery	INFORM	cal Resilience Lack of Coping Capacity Vulnerability bi Wealth Infrastructure Institutional Vulnerable Groups Socio-Economic Ailie	Vumerability by assessment per threat typeDevelopment deprivationInequalityAid dependencyUprooted peopleOther vulnerable groupsDisaster risk reductionGovernanceCommunicationPhysical InfrastructureAccess to health systemsCity GDP per capita
			Ϊ	Non-Life insurance penetration

How Much Can We Reduce the Risk?

Around half of this risk is reduceable by man-made actions

- Our analysis shows that if every city had the lowest levels of vulnerability to each threat, and also had the highest factors for rate of recovery, the total GDP@Risk would be around 45% of the current expected loss
- Reducing the vulnerability of the economy so that it is less disrupted by threat catastrophes when they occur
 - Continuity planning; back-up resources; robust infrastructure and higher quality physical assets; labour mobility
- Improving the resilience of cities, so that they recover faster when the economy is disrupted
 - Access to capital (including insurance); strong governance and leadership; proactive approach to restoring consumer confidence; external investment



Threats are Becoming More Interconnected

In recent years, catastrophe events have involved multiple threat types

- Natural catastrophes and climate events have triggered more power outages
- Geopolitical tensions have triggered state-sponsored cyber attacks
- Conflicts have caused human epidemics or made them worse
- Political trade wars have triggered sovereign crises, which have caused social unrest
- Interconnectivity of cascading threats is an increasing component of the risk to the global economy







Interconnected Causes of Risk



In Conclusion

- The Cambridge Global Risk Index suggests around 1.57% of the global economy will be lost each year to threats of catastrophic disruption
 - This 'expected loss' value is equivalent to the insurance premium 'technical rate' that society might pay to protect our economy
- This risk is growing and shifting in geography and demographics
 - Emerging economies and major service economies are vulnerable
- Risk is becoming increasingly systemic and interconnected
 - Growing risk from cascades of interconnected threats
 - Risks are ever-more international, ignoring national boundaries
- Businesses and public sector authorities will need to build these metrics and insights into their own protection planning
 - Awareness and quantification of the risks can justify investment in resilience
 - There are major opportunities for risk transfer partnerships with insurance
 - We need innovation in the approaches to protection strategies and financial products

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