WORLD ECONOMIC FORUM'S GLOBAL RISKS REPORT 2022: THE CANADIAN PERSPECTIVE

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INTRODUCTION

The World Economic Forum published its Global Risks Report 2022 (the Report) in January with the results of the latest Global Risks Perception Survey (GRPS) conducted in fall 2021. The Report is based on insights gathered from nearly 1,000 global experts and leaders, with approximately 8% respondents from Canada. This paper provides insights on the Canadian perceptions on risks and how they mirror or differ from those of the rest of the world.

While generally aligned with the world on long-term concerns about the impact of climate change, Canada's leaders and risk experts express worries about the fracturing of the country's traditional persona of friendliness and cooperation. The erosion of social cohesion is a concern over the course of the COVID-19 pandemic.

Mixed messages in relation to health restrictions, federal and provincial fiscal support, and challenges with the vaccine rollout, hospitals and long-term care have put uneven pressure across our society. These social risks will need to be addressed as we put in the efforts to emerge stronger and more resilient post pandemic.

1. EROSION OF SOCIAL COHESION IS OUR FASTEST-GROWING THREAT

Canada continues to suffer from both economic and social consequences of COVID-19. What we fear most is the fastest-growing threat of "social cohesion erosion".[1] Out of the 37 global risks listed in GRPS, respondents were asked to identify the top three risks that they believe had worsened since the start of the COVID-19 crisis.[2] More concentrated votes were given by the Canadian respondents to this risk, reflected in a dominating weight in Canada's results (41.2%), compared to the global view (27.8%) (Figure 1).

Social cohesion in Canada has experienced rising divisions and polarization in society. Besides taking its toll on many people's physical and mental wellbeing, the COVID-19 crisis has had devastating, negative impacts on poverty levels and inequality.[3]

Lower-income groups were significantly affected, resulting in deeper economic and societal fractures. The number of police-reported hate crimes targeting Black, Asian and Indigenous populations in Canada has reached disturbingly high levels[4] during the pandemic, threatening the strength of relationships and the sense of solidarity among our community members.

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1   Erosion of social cohesion is a risk associated with "loss of social capital and a fracture of social networks negatively impacting social stability, individual well-being and economic productivity", according to World Economic Forum Global Risks Report 2022.

2   A simple tally for each of the 37 global risks was calculated on this basis and the percentage represents the number of votes for a specific risk over the total number of respondents.

3   "COVID-19 is increasing multiple kinds of inequality. Here's what we can do about it", World Economic Forum, October 9, 2020, https://www.weforum.org/agenda/2020/10/covid-19-is-increasing-multiple-kinds-of-inequality-here-s-what-we-can-do-about-it/

4   "COVID-19 in Canada: A Two-year Update on Social and Economic Impacts", Statistics Canada, March 10, 2022, https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2022001-eng.htm

2. GLASS HALF EMPTY?

In addition to social cohesion erosion concerns, another difference was "failure of cyber security measures", identified by Canadian respondents among the top 5 growing critical threats. According to the World Economic Forum, "cybersecurity failure" scores especially high in high-income countries.[5] This is attributable to the rapid digitalization and increased dependency on technology during COVID-19 in advanced economies, like Canada, which lead to new and more intense cyber vulnerabilities.

The global experts and leaders are not altogether hopeful about the outlook for the world, with the vast majority (84.2%) expressing their concerns or worries. Canadian participants are only marginally more positive on the world outlook overall yet, interestingly, none are strongly optimistic (Figure 2). It is worth noting that this result was before the spectre of war in Ukraine as GRPS was conducted in September-October 2021. It is expected that optimism has further declined due to world events in 2022 so far to date.

Figure 1: Risks that worsened most since the start of the COVID-19 crisis
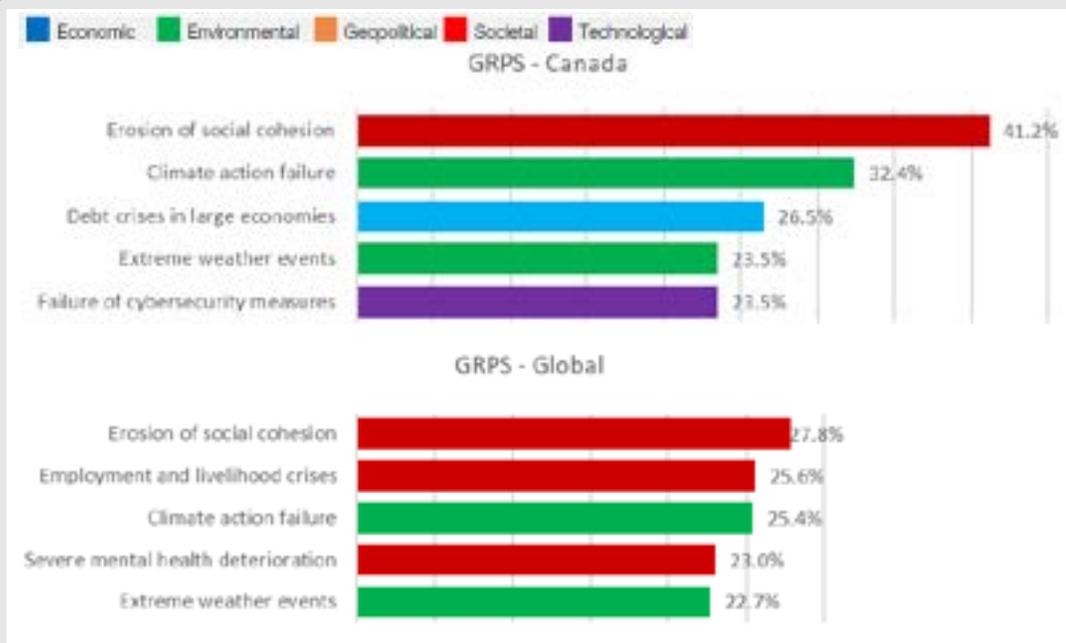
Source: *Graphs created using data from World Economic Forum 2021-2022 GRPS*

**Figure 2:** Risk Outlook of the World
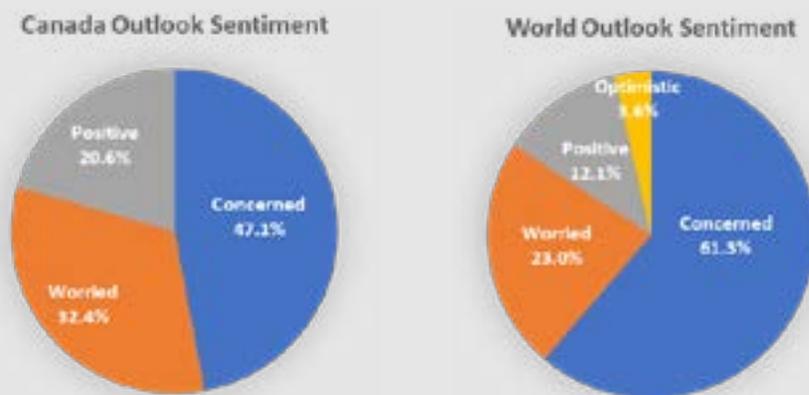
Source: *Graphs created using data from World Economic Forum 2021-2022 GRPS*

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3. THE PRESSING CONCERN OF THE ENVIRONMENT

Respondents were asked to identify when they believe a risk will become a critical threat to the world, within the short-term (0-2 years), medium-term (2-5 years), and long-term (5-10 years) timeframes.[6] While erosion of social cohesion is deemed as a top near-term threat by Canadian respondents, extreme weather events is ranked as the most significant risk in the global aggregated results (Figure 3).

The environmental concerns then further line up together as the time horizon extends. The top three long-term hazards of Canadian leaders were seen as consistent with the world as the environment, led by the hazard of climate action failure (Figure 4).

Figure 3: Risks that will be critical threats: Short term (0-2 years)
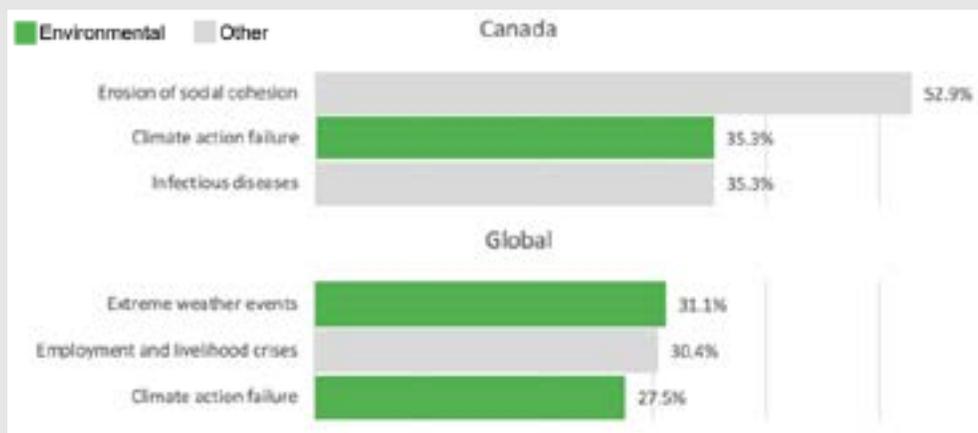
Source: *Graphs created using data from World Economic Forum 2021-2022 GRPS*

Figure 4: Risks that will be critical threats: Long term (5-10 years)
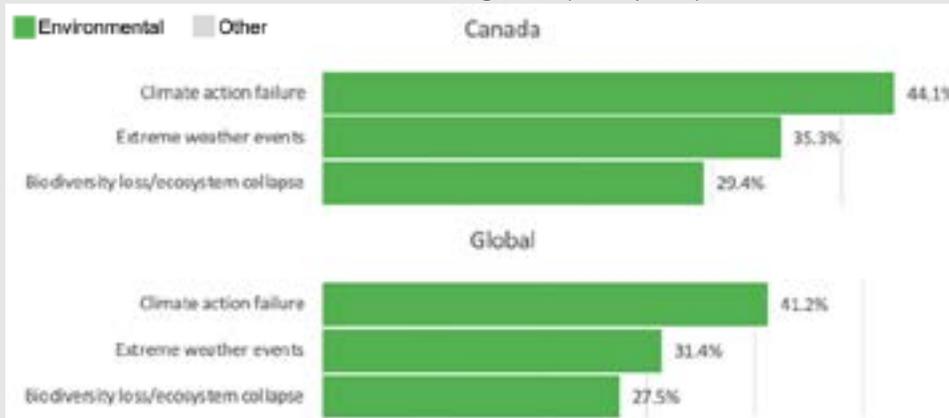
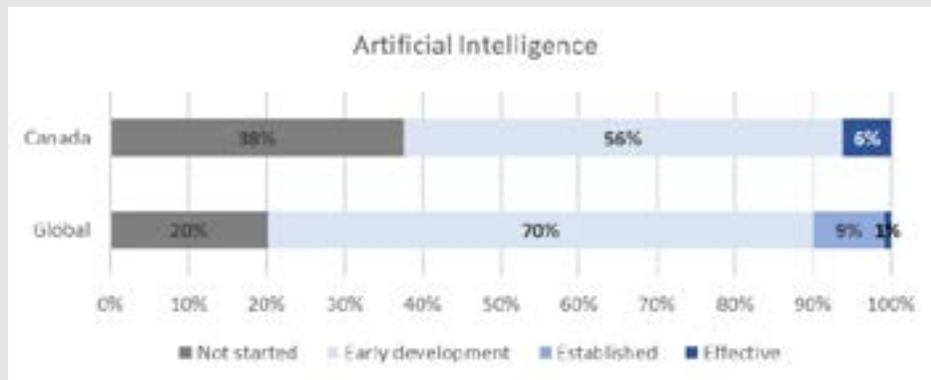**Source:** *Graphs created using data from World Economic Forum 2021-2022 GRPS*

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6   A simple tally for each of the 37 global risks was calculated on this basis. The percentage represents the number of votes for a specific risk over the total number of respondents.

4. UNEVEN INTERNATIONAL RISK MITIGATION EFFORTS

"Artificial intelligence" and "cross-border cyberattacks and misinformation" are two areas where most respondents believe the current state of international risk mitigation efforts are falling short of the challenges. More than one in three Canadian respondents view effort to reduce AI risk "not started", signaling a concern over a wide gap in this area and a pressing need for stronger AI risk management (Figure 5).

In Canada, there is also a deeper concern that the efforts taken fail to keep up with increasing cross-border cybercrime. This is highlighted by a significant higher percentage of Canadian respondents (Canada 91% vs. Global 75%) who consider cyberattack risk mitigation measures not in place or still at an "early development" stage (Figure 6).

Figure 5: Current state of international risk mitigation efforts in Artificial Intelligence

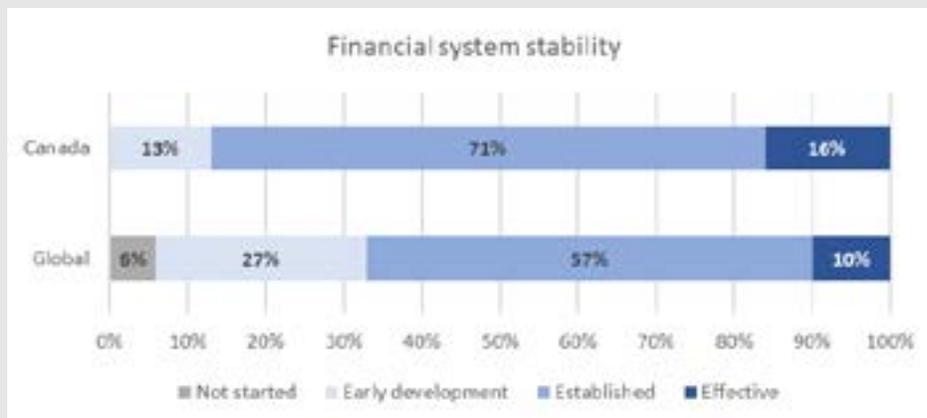**Source:** *Graphs created using data from World Economic Forum 2021-2022 GRPS*

Figure 6: Current state of international risk mitigation efforts in Cyberattacks
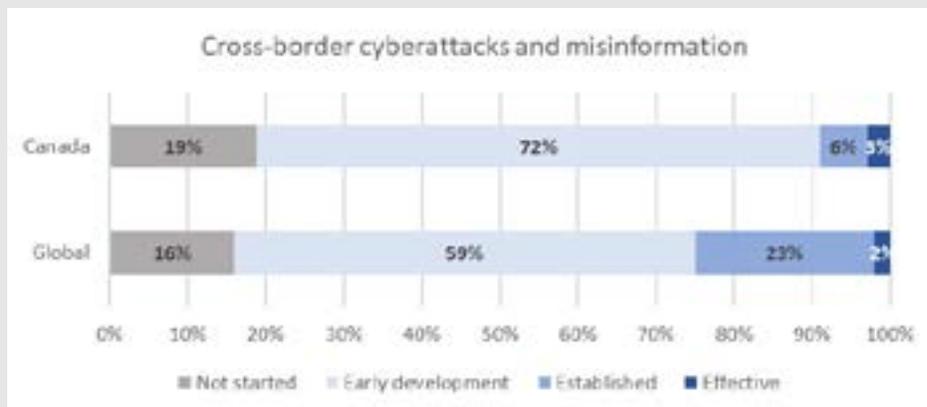
Source: *Graphs created using data from World Economic Forum 2021-2022 GRPS*

On a positive note, over 86% of Canadian participants express their confidence in efforts to maintain financial system stability, considering current state as "established" or "effective". In contrast, about 27% of world leaders view the actions still in "early development", with an additional 6% consider not even started (Figure 7). This, in a way, reflects a strong confidence in the resilience of the Canadian financial system and strength of the risk practices of the sector's participants.

Figure 7: Current state of international risk mitigation efforts in Financial Stability

Source: *Graphs created using data from World Economic Forum 2021-2022 GRPS*