



IATA ECONOMICS' CHART OF THE WEEK

20 JANUARY 2017

LIVING IN INTERESTING TIMES – KEY RISKS FOR 2017

Top 5 Global Risks in Terms of Likelihood

	1st	2nd	3rd	4th	5th
2016	Large-scale involuntary migration	Extreme weather events	Failure of climate-change mitigation and adaptation	Interstate conflict with regional consequences	Major natural catastrophes
2017	Extreme weather events	Large-scale involuntary migration	Major natural disasters	Large-scale terrorist attacks	Massive incident of data fraud/theft

Top 5 Global Risks in Terms of Impact

	1st	2nd	3rd	4th	5th
2016	Failure of climate-change mitigation and adaptation	Weapons of mass destruction	Water crises	Large-scale involuntary migration	Severe energy price shock
2017	Weapons of mass destruction	Extreme weather events	Water crises	Major natural disasters	Failure of climate-change mitigation and adaptation

■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

Source: World Economic Forum Global Risks Report 2017

- The World Economic Forum (WEF) has recently released its 2017 *Global Risks Report*, alongside its annual meeting this week in Davos. Risk can be assessed both in terms of likelihood as well as impact and the Top 5 risks identified under both approaches are presented above, both for the year ahead, and that from 12 months ago.
- Extreme weather and natural disasters appear on both of the 2017 lists and if realized, could have serious implications for the air transport industry. But, as we have noted [previously](#), airlines are well versed in dealing with unexpected 'shock' events and the industry tends to be very resilient, rebounding quickly from adversity. Terrorist attacks might also be considered in a similar way. On climate change, work to implement the historic recent [CORSIA](#) agreement is a priority objective for IATA and the industry more broadly this year. Cyber security remains a serious issue, with various [initiatives](#) (both within IATA & the airlines) underway to help manage the risk that this poses to air transport.
- Beyond the WEF's list, there are a range of other factors relevant to the industry in 2017. For example, political risk is more prominent currently than is usually the case and the rise of populism and potential for further trade protection could present challenges – particularly for air cargo. Developments in oil and commodity prices, along with geopolitical tensions and instability also cannot be ignored in the context of the year ahead.
- Of course, risks can also be to the upside, not just the downside. For example, as the IMF has recently pointed out, policy stimulus could see global investment and economic activity being stronger than anticipated. Having said that, it seems reasonable to think that as the year commences, the balance of risks for 2017 remains tilted to the downside.

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