



NATIONAL COMPETITIVENESS COMMISSION

*"Enabling Zimbabwe's Global Competitiveness"*

# AN OVERVIEW OF THE 2024 GLOBAL RISKS REPORT AND IMPLICATIONS TO ZIMBABWE'S ECONOMIC GROWTH, DEVELOPMENT AND NATIONAL COMPETITIVENESS



2024

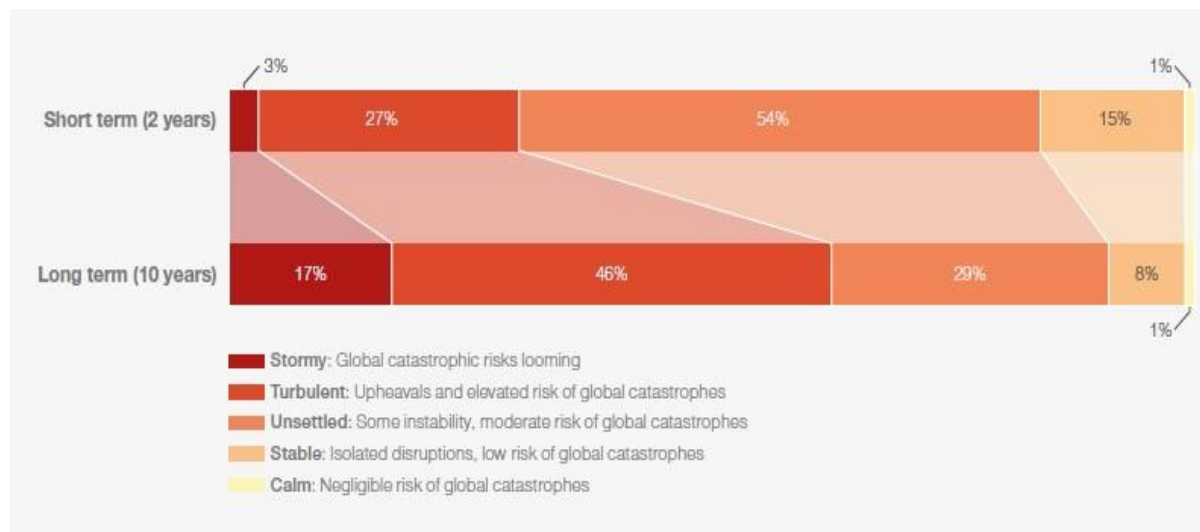
## Introduction

- 1.1. According to the World Economic Forum (WEF), “Global risk” is defined as the possibility of the occurrence of an event or condition which, if it occurs, would negatively impact a significant proportion of global GDP, population or natural resources. From this definition, it is apparent that global risk has negative consequences on national competitiveness, hence it is worth exploring and conscientize economic agents so that they prepare accordingly.
- 1.2. The Global Risks Report is produced by the WEF from the institution’s Global Risks Perception Survey (GRPS), which was undertaken from 4 September to 9 October 2023 by the organisation’s Partner Institutes in 113 countries by 11 000 business leaders and 215 subject-matter experts and complemented by the Executive Opinion Survey (EOS). The Global Risks Report analyses global risks over one-, two- and 10-year horizons to support decision-makers in adopting a dual vision that balances short- and longer-term risks.
- 1.3. The 2024 Global Risks Report looks at four structural forces and systemic elements of the global landscape that will shape the materialization and management of global risks over the next decade: These are:
  - **CLIMATE CHANGE** - TRAJECTORIES RELATING TO GLOBAL WARMING AND RELATED CONSEQUENCES TO EARTH SYSTEMS.
  - **DEMOGRAPHIC BIFURCATION** - CHANGES IN THE SIZE, GROWTH AND STRUCTURE OF POPULATIONS.
  - **TECHNOLOGICAL ACCELERATION** - DEVELOPMENTAL PATHWAYS FOR FRONTIER TECHNOLOGIES.
  - **GEOSTRATEGIC SHIFTS** - MATERIAL EVOLUTION IN THE CONCENTRATION AND SOURCES OF GEOPOLITICAL POWER.

## Overview of the 2024 Global Risk Report

- 1.4. Results of the GRPS depict a negative outlook for the world over the next two years and is expected to worsen over the next decade. 54% of the respondents anticipate instability and a moderate risk of global catastrophes, while another 30% expect even more turbulent conditions. The outlook is markedly more negative over the 10-year time horizon, with nearly two-thirds of respondents expecting a stormy or turbulent outlook.
- 1.5. While 30% of global experts expect an elevated chance of global catastrophes in the next two years, nearly two thirds expect this in the next ten years. The aftermath of the COVID-19 pandemic and ongoing Russia-Ukraine war has exposed cracks in societies that are being further strained by episodic upheaval. Figure 1 below shows respondents view of the short- and long-term global risks outlook over 2- and 10-year horizons.

Figure 1: Short- and Long-Term Global Outlook

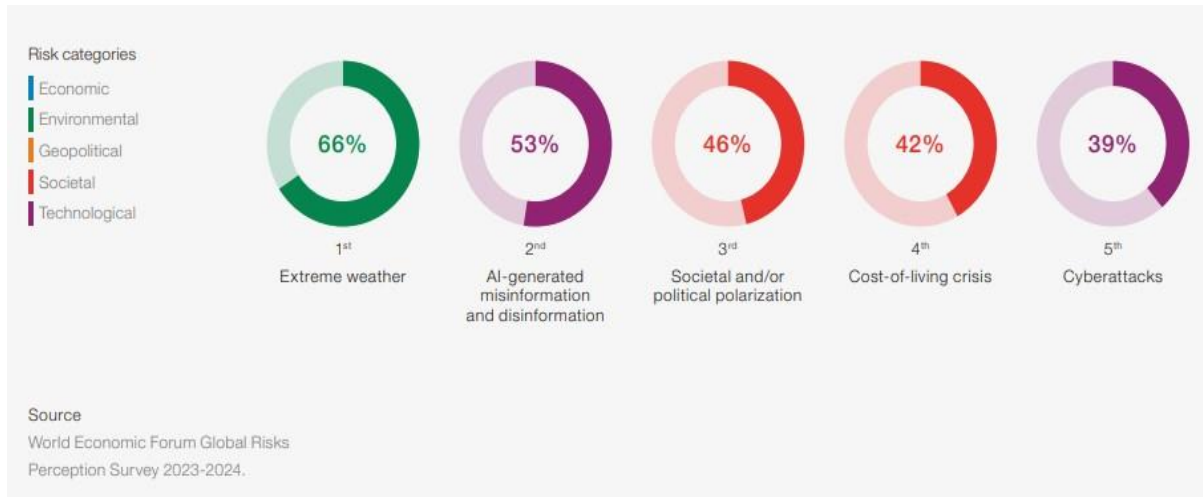


Source: WEF Global Risk Report 2024

- 1.6. Environmental risks continued to dominate the risks landscape in the three-time frames given above. Extreme weather came out as the top risk most likely to present a material crisis on a global scale in 2024, especially with the projected El

Nino weather system, that has begun to be evident in most parts of the southern region. Figure 2 shows the current top 5 risks category.

Figure 2: Current risk landscape



- 1.7. Another anticipated severe global risk over the next two years, relates to misinformation and disinformation that would further widen societal and political divides. Given that some big countries including the USA, UK, India and others, will be going for elections in 2024, there is anticipation that there will be widespread use of misinformation and disinformation that may undermine the legitimacy of newly elected governments. Resulting unrest could range from violent protests and hate crimes to civil confrontation and terrorism.
- 1.8. Beyond elections, perceptions of reality are likely to also become more polarized, infiltrating the public discourse on issues ranging from public health to social justice. Freedoms relating to the internet, press and access to wider sources of information that are already in decline, risk descending into broader repression of information flows across a wider set of countries. Figure 3 shows the global risks over 2- and 10-year time horizons.



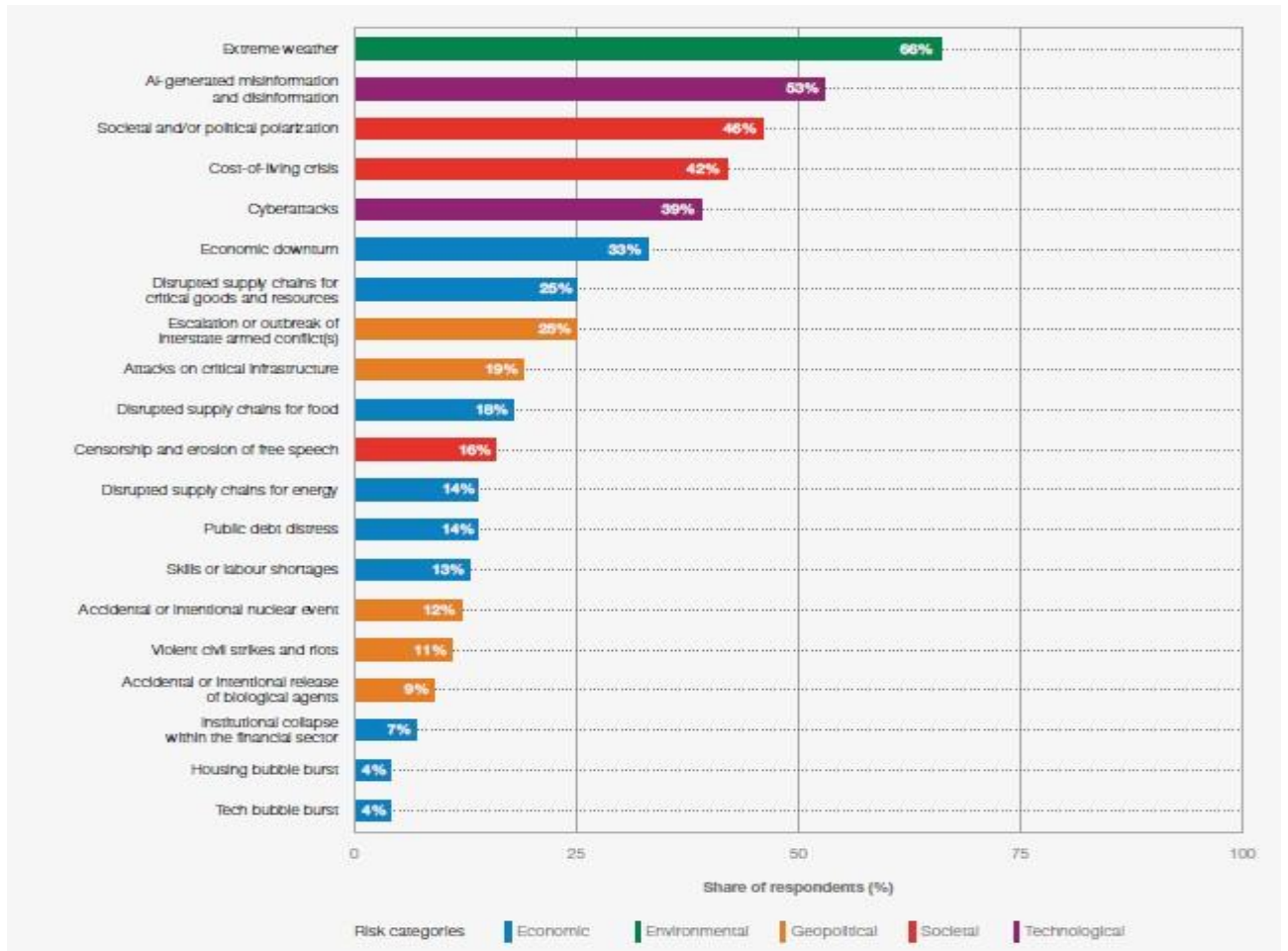
Figure 3: Global Risks Ranked by Severity Over the Short and Long Term



- 1.9. The survey forecasts that economic strains on low- and middle-income countries is set to grow. The Cost-of-living crisis was identified as one of the major concerns in the outlook for 2024. The economic risks of inflation and economic downturn were identified in the top 10 risk rankings over the two-year period. Supply-side price pressures over the next two years, emanating from El Niño conditions and escalation of conflicts will persist in the two years.
- 1.10. Technological advances and geopolitical dynamics will likely create a new set of winners and losers across advanced and developing economies alike and will drive a significant disparity in the distribution of related benefits and risks. Vulnerable countries and communities would be left further behind, digitally isolated from developed countries thereby impacting on economic productivity,

finance, climate, education and healthcare, as well as related job creation. Figure 4 shows the risk landscape by respondents.

Figure 4: Current Risk Landscape



Source: WEF Global Risk Report 2024

## 2. Implications of Global Risks to Zimbabwe in 2024

2.1. The 2024 Budget projections are underpinned by the following broad assumptions:

- Normal to below normal rainfall season due to El-Niño Effect
- Slowdown in global economic growth amid geopolitical tensions
- Declining international commodity prices
- Continued use of multi-currency regime
- Tight fiscal and monetary policies

### Extreme Weather

2.2. Current risk landscape in 2024 has extreme weather as number one risk. Zimbabwe is currently facing changing weather patterns with rainy season shifting from October to late December and this has affected the planting seasons with prolonged dry spells.

Zimbabwe is an agro-based economy, so these extreme weather conditions have a negative impact to the economy, through fiscal pressures exerted by importations and ensuring food security for the vulnerable members of society, thereby crowding out investment, which is key for improved productivity and competitiveness.

Strong disaster management will improve agricultural productivity, thereby ensuring uninterrupted supply of raw materials from local sources for secondary production. This builds up value chains and fosters national competitiveness. Furthermore, disaster management spurs investment in resilient infrastructure, innovation, risk mitigation and regulatory compliance, which are key competitiveness pillars.

By effectively managing disasters, businesses can maintain stability, recover quickly from disruptions, and capitalize on opportunities, ultimately gaining a competitive advantage in the marketplace.

### Misinformation and Disinformation

- 2.3. Artificial Intelligence generated misinformation and disinformation is another current risk, which emanated from the report. Zimbabwe has adopted the use of social media as means of day-to-day communication and with the growing use of AI, Zimbabwe faces another problem of peddling of false information especially in a more polarized society politically.

Misinformation campaigns can severely damage trust and credibility, leading to regulatory scrutiny, legal consequences, and reputational harm, thereby weighed down on competitiveness.

### Cyberattacks

- 2.4. Cyberattacks featured as one of the high risks. Zimbabweans have been adopting the online and digital way of doing things there is now a growing threat of viruses and malware attacks. The attacks might target financial institutions and other confidential information which can be of huge costs to the economy.
- 2.5. Although Zimbabwe has made great strides in mitigating misinformation and disinformation through the enactment of the Cyber and Data Protection Act of 2021, with the objective of increasing cyber security in order to build confidence and trust in the secure use of information and communication technologies by data controllers, their representatives and data subjects, the country has not yet published a national cybercrime strategy. Confidence and trust are key tenets of competitiveness; hence it is important that the strategy be put in place as a matter of urgency.



## Political Polarisation

- 2.6. The Global Risks report also highlight political/societal polarization. Deep divisions amongst countries from immigrants, political divisions amongst citizens, especially in Zimbabwe has created huge risks in Zimbabwe since there is no unity of purpose amongst political parties to find long lasting solutions for the country to move forward.

Polarization often leads to gridlock and paralysis in policymaking, and this uncertainty creates unpredictability for businesses, deter investment and promote capital flight, hinder innovation, and stifle economic growth, ultimately reducing productivity and competitiveness.

Political polarization and instability can have far-reaching and detrimental effects on productivity and national competitiveness by creating policy uncertainty, deterring investment, weakening institutions, disrupting trade relations, eroding social cohesion, and damaging reputations. Addressing these challenges requires concerted efforts to promote political dialogue, strengthen institutions, restore trust in governance, and foster inclusive economic development.

## Rising Cost of Living

- 2.7. Cost of living crisis is a major risk globally and for Zimbabwe as well. Zimbabwe is facing challenges of high inflation and exchange rate volatility, which has moved from USD1: ZWL1 000 in January 2023 to USD1: ZWL15 000 in February 2024. The Government has projected annual inflation to end at slightly above 10% owing to tight monetary and fiscal policies. However, with the recent macroeconomic developments, it is very unlikely that the country will end the year 2024 on single digit inflation level, unless drastic measures are undertaken to abate the deteriorating macroeconomic environment. High inflationary environment is one

of the major downside risks to macroeconomic stability, which is a critical competitiveness pillar.

- 2.8. With the rising of global prices for food, electricity and other basic necessities, Zimbabwe is unlikely to be spared, and these commodities are expected to be beyond the reach of many. According to latest Zimbabwe National Statistics Agency (ZimStat), the Food Poverty Line (FPL) went up 178,4% in February, to ZWL\$432 454,90, as the effects of increasing prices continue to be felt.

The Total Consumption Poverty Line (TCPL) for one person, also went up 177,8%, to ZWL\$552 745,80 in February 2024. These movements pose challenges for productivity and competitiveness by increasing operating costs for businesses, dampening consumer spending, contributing to inflationary pressures, exacerbating regional disparities, and influencing policy responses, which leads to business uncertainty, thereby negatively affecting competitiveness.

#### Recommendation from Global Risks Report to Zimbabwe

- 2.9. Zimbabwe needs to increase funding for disaster management and also environmental awareness campaigns to mitigate effects of climate change so that the country avoids being food insecure and the economy will remain sustainable.
- 2.10. Government, with support from the private sector and Development Partners need to address the challenges posed by the rising cost of living and maintain national competitiveness. These strategies may include targeted interventions to improve housing affordability, healthcare access, and education quality. Additionally, policies aimed at accelerating productivity through investments in infrastructure, skills development, and innovation can help mitigate the adverse effects of rising living costs on competitiveness.
- 2.11. The country needs to build strong cybersecurity to mitigate against the risks of misinformation and disinformation. Strong cybersecurity protects assets, intellectual property, ensures good reputation and business continuity, thereby

guaranteeing production, productivity and competitiveness .in an increasingly digital and interconnected business environment.

- 2.12. Also, Zimbabwe need to maintain an accommodative foreign policy so that we maintain good relations with other countries. The Government’s engagement and reengagement efforts are plausible, as these are key drivers of competitiveness, through fostering economic growth, promoting innovation, market access expansion, and enhancing geopolitical stability.

The adoption of proactive diplomatic strategies and forging strategic partnerships creates essential conditions for domestic industry to thrive in an increasingly interconnected and competitive global economy.

- 2.13. Firms and the country should invest more in Research and Development (R&D) to foster a culture of innovation that builds resilience ecosystems and secure sustainable competitive advantages.

*National Competitiveness Commission*

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