

Top risks forecast

Executive summary



In today's interconnected world, organizations face a multitude of geopolitical risks that can impact their operations and long-term sustainability. The current geopolitical landscape is characterized by a breakdown in international leadership and the rise of a multipolar world where countries are both less able and less willing to collaborate internationally. The result: a growing vacuum in global governance causing fragmentation of markets, supply chains, rules and standards.

Bottom lines for business

Our objective is to provide a high-level roadmap for business leaders on the most relevant geopolitical trends by showing how they are likely to affect each sector and provide actionable insights to manage a more complex global political environment.

The report's analysis identifies the three most critical risks for businesses, known as 'bottom lines', likely to impact business operations in 2024 and beyond:



- 1. Trade policy restrictions:** Global trade restrictions have been on the rise, with approximately 3,000 restrictions imposed, nearly tripling since 2019.¹ This trend of protectionist trade policies poses challenges for organizations operating in international markets. Such restrictions can create barriers and hinder economic growth, affecting supply chains and market access. Organizations should be prepared to navigate these trade policy restrictions and explore alternative strategies to mitigate potential disruptions.



- 2. Vulnerability calling for operational resilience:**

The geopolitical landscape is characterized by increasing vulnerability, driven by various factors such as rapid technological advancements, climate change, and geopolitical tensions. In 2023, a staggering 91 countries were involved in some form of conflict, a significant increase from 58 in 2008.² This escalation of conflict has a profound impact on the global economy, with conflict estimated to have a 12.9 percent impact on global GDP.³ To mitigate the risks associated with vulnerability, organizations must prioritize operational resilience. This involves implementing proactive risk management practices, conducting scenario planning, diversifying supply chains, and strengthening cybersecurity measures.



- 3. AI governance gaps:** Artificial Intelligence (AI) has become a transformative force across industries, with investment in AI increasing more than fivefold between 2013 and 2023.⁴ While AI presents immense opportunities, it also brings about governance gaps that organizations must address. Ethical and responsible AI deployment is crucial to maintain trust among stakeholders. Organizations should prioritize transparency, accountability, and fairness in their AI systems to mitigate potential risks and ensure its responsible integration into their operations.

¹ International Monetary Fund. "World Economic Outlook" (April 2024).

^{2,3} Institute for Economics & Peace. "Global Peace Index 2023: Measuring Peace in a Complex World," Sydney (June 2023).

⁴ Stanford University. "Artificial Intelligence Index Report 2024" (April 2024).

91

Countries were involved in some form of conflict in 2023 (up from 58 in 2008).

Source: Institute for Economics & Peace. "Global Peace Index 2023: Measuring Peace in a Complex World," Sydney (June 2023).

12.9%

Global GDP impact of conflict on world economy.

Source: Institute for Economics & Peace, "Global Peace Index 2023: Measuring Peace in a Complex World" Sydney (June 2023).

3,000

Global trade restrictions imposed, nearly tripled since 2019.

Source: International Monetary Fund. "World Economic Outlook" (April 2024).

5x

AI investment has increased more than sixfold since 2016.

Source: Stanford University. "Artificial Intelligence Index Report 2024" (April 2024).

Key takeaways — Geopolitical trends in 2024 and beyond



Supply chain resilience still a priority

Increased geopolitical volatility and regionalization of trade and investment means leaders will need a laser focus on supply chains efficiency and security while navigating complex national industrial policies and trade measures.



Taking the lead on AI policy

Companies will have to take AI strategy and policies into their own hands and cannot expect harmonized global regulatory frameworks in the context of a multipolar world.



Adopt a proactive stance on geopolitical exposure

Geopolitics is no longer a 'be aware' item on the business' agendas. Given the structural political uncertainty, there is need to be proactive in geopolitical planning and ensuring it is factored-in across strategies and businesses operations.



Expand considerations to operational footprint

Location and investment strategy will likely be based on political factors, not only economic ones.













Focus on ESG regulation amid scrutiny

Regulatory push for ESG standards will likely continue to grow, albeit at different speed and with different scope around the world. A likely Labour-led UK Government could mean higher focus on corporate scrutiny and added regulatory requirements around ESG.

Navigating risks by sector

Geopolitical risks are multifaceted, and their impact varies across industries. We have compiled a series of in-depth articles that explore the most significant risks confronting each sector. We invite you to explore these articles to gain a deeper understanding of the geopolitical and financial risks and their potential impact on each sector.

Sector geopolitical risk heat map

	KPMG sector FPI	 US election	 Middle East Crisis	 No diplomatic solution in Ukraine	 Ungoverned AI	 Axis of rogue states	 China's slower growth**	 Fight for critical minerals	 Persistent global economic headwinds	 El Nino and extreme weather events	 Corporate culture wars
Consumer & Retail	93.87	Moderate impact	High alert	Limited impact	High alert	Limited impact	High alert	Limited impact	High alert	Moderate impact	High alert
Energy & Natural Resources	84.39	Moderate impact	High alert	Moderate impact	Moderate impact	High alert	Moderate impact	High alert	Moderate impact	Limited impact	Limited impact
Financial Services	89.97	Limited impact	Moderate impact	Moderate impact	High alert	Moderate impact	High alert	Limited impact	High alert	Moderate impact	Limited impact
Government	N/A	High alert	High alert	Moderate impact	High alert	High alert	Moderate impact	High alert	Moderate impact	Moderate impact	Moderate impact
Infrastructure	89.41	Moderate impact	Limited impact	Limited impact	High alert	Limited impact	High alert	High alert	High alert	Moderate impact	Limited impact
Industrial Manufacturing	94.26	High alert	Limited impact	Moderate impact	Moderate impact	Limited impact	High alert	High alert	Moderate impact	Limited impact	Limited impact
Technology, Media and Telcom	92.88	High alert	Moderate impact	Limited impact	High alert	Moderate impact	Moderate impact	Limited impact	Moderate impact	Limited impact	High alert



*KPMG Financial Performance Index (FPI) measures the financial health of individual companies. It is based on an initial pool of more than 40,000 companies globally and identifies those companies, sectors, regions, countries, and territories that are performing well and those that are underperforming. FPI scores range from 0 to 100, with 100 representing the highest and most favorable score

**The risk is about the major role that the Chinese economy has played over the last 15 years in driving global economic growth and how slower Chinese growth rates going forward might have an important impact on global growth prospects. Over the past decade and a half, China has been a major driver of the world's economic growth, accounting for 35 percent of global nominal GDP growth.

What business leaders can do

To effectively navigate the geopolitical risks outlined in this report, organizations can take proactive steps to mitigate potential challenges. Here are some key actions you can consider:

- **Conduct a comprehensive risk assessment:** Start by conducting a thorough assessment of your organization's exposure to geopolitical risks. Identify potential vulnerabilities and prioritize risks based on their potential impact. This can help you develop a targeted risk management strategy.
- **Stay informed and monitor geopolitical developments:** Stay updated on geopolitical developments that may impact your organization. Monitor changes in trade policies, geopolitical tensions, and emerging risks. This can help you to anticipate and respond to potential disruptions in a timely manner.
- **Diversify supply chains:** Reduce dependency on a single source or region by diversifying your supply chains. Identify alternative suppliers and explore partnerships in different geographic locations. This will help mitigate the impact of trade policy restrictions and geopolitical uncertainties.
- **Enhance operational resilience:** Build operational resilience by implementing robust risk management

practices. Develop contingency plans and scenario-based strategies to address potential disruptions. Invest in cybersecurity measures to protect your organization from cyber threats that may arise from geopolitical tensions.

- **Foster strong stakeholder relationships:** Cultivate strong relationships with key stakeholders, including government entities, industry associations, and local communities. Engage in dialogue and collaboration to navigate geopolitical challenges collectively. This can help you gain valuable insights and support in managing risks.

How this is connected to what we do

As a global leader in professional services, KPMG firms can provide valuable assistance in navigating geopolitical risks. Here are some ways KPMG can support your organization:

- **Risk assessment and management:** Experienced KPMG professionals can help you conduct comprehensive risk assessments, identify vulnerabilities, and develop tailored risk management strategies. They can provide insights into emerging risks and help you prioritize actions to mitigate potential challenges.
- **Geopolitical intelligence:** The extensive KPMG network and research capabilities enable us to provide timely and relevant geopolitical intelligence. KPMG professionals can help you stay informed about geopolitical developments, assess their impact on your organization, and develop proactive strategies to navigate risks.
- **Supply chain optimization:** KPMG specialists can assist you in optimizing your supply chain by identifying alternative sourcing options, evaluating risks, and implementing strategies to enhance resilience. KPMG firms' supply chain professionals can help you diversify your supplier base and develop contingency plans to mitigate disruptions.

- **Cybersecurity and data protection:** With the increasing cyber threats arising from geopolitical tensions, KPMG cybersecurity professionals can help you strengthen your organization's cybersecurity posture. We can assess your cybersecurity readiness, develop robust defense strategies, and provide ongoing monitoring and incident response support.
- **Positive stakeholder impact strategy:** KPMG can help you navigate complex stakeholder relationships by providing guidance on effective engagement strategies. KPMG professionals can assist in building strong relationships with public entities, industry associations, and local communities to navigate geopolitical challenges collectively.

Navigating geopolitical risks requires a proactive approach and strategic planning. By taking the recommended actions outlined in the *Top risks forecast* and leveraging the knowledge of KPMG professionals, organizations can effectively manage and mitigate the impact of geopolitical risks. To gain a deeper understanding of these risks and explore sector-specific insights, we invite you to read the full report and sector deep-dive articles.

To access the full report and sector deep-dive articles, please visit [Top risks forecast](#).

Contact us to learn more about how our professionals can assist your organization in navigating geopolitical challenges and seizing opportunities in an ever-changing global landscape.

Contacts

Stefano Moritsch

Global Geopolitics Lead
KPMG International
stefanomoritsch@kpmg.co.ke

Merriden Varrall

Partner, Geopolitics Hub
KPMG Australia
mvarrall@kpmg.com.au

Michael Quigley

Geopolitics Manager
KPMG in the US
michaelquigley@kpmg.com

Christy Lorgen

Partner, Corporate Intelligence and
Geopolitics
KPMG in Norway
christy.lorgen@kpmg.no

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