



2023 Allianz Risk Barometer

Africa & Middle East webinar

17 February 2023 | 14:00 SAST / 13:00 CET
AGCS South Africa

Agenda and speakers

1 Allianz Risk Barometer
2023 headlines

2 Africa and Middle East top
10 risks

3 To risks deep dives:

- Economic risks
- Geopolitical and societal risks
- Environmental and technological risks

4 Questions
& Answers



Thusang Mahlangu
AGCS South Africa
CEO



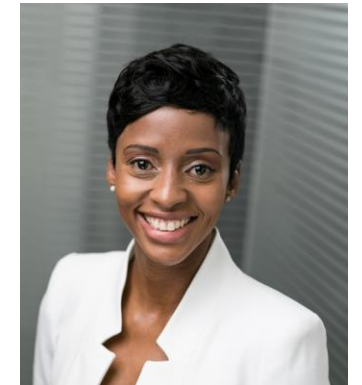
Ludovic Subran
Chief Economist,
Allianz



Ronald Dodo-Tabaziva
Head of Property, AGCS
South Africa



Santho Mohapeloa
Senior Cyber Underwriter



Sensile Ndlozi
Business Development
Manager

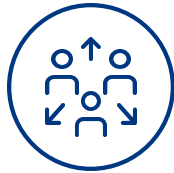
ARB 2023 summary

Methodology and participants

The survey was conducted among **Allianz customers (global businesses), brokers and industry trade organizations**, as well as risk consultants, underwriters, senior managers and claims experts in the corporate insurance segment of both **AGCS** and other **Allianz entities**.



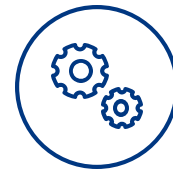
12th
edition in
2023



2,712
respondents
(**510** in Africa
and Middle)



94
countries
(**13** African
countries)



23
industry
sectors



Oct & Nov
2022
survey run



















The most important business risks in 2023

Figures represent how often a risk was selected as a percentage of all survey responses. Respondents: 2,712. Figures don't add up to 100% as up to three risks could be selected.

1 34%		Cyber incidents (e.g. cyber crime, IT failure/outage, data breaches, fines and penalties)	↔ 2022: 44% (1)	6 19%		Natural catastrophes (e.g. storm, flood, earthquake, wildfire, extreme weather events)	↓ 2022: 25% (3)
2 34%		Business interruption (incl. supply chain disruption)	↔ 2022: 42% (2)	7 17%		Climate change (e.g. physical, operational and financial risks as a result of global warming)	↓ 2022: 17% (6)
3 25%		Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)	↑ 2022: 11% (10)	8 14%		Shortage of skilled workforce	↑ 2022: 13% (9)
4 22%		Energy crisis (e.g. supply shortage/outage, price fluctuations)	NEW	9 14%		Fire, explosion	↓ 2022: 17% (7)
5 19%		Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)	↔ 2022: 19% (5)	10 13%		Political risks and violence (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)	NEW

The most important regional risks in 2023

Top 10 business risks in 2023: Africa & Middle East

<p>1 27%</p>		<p>Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)</p>	<p> 6 2022: 18% 16% (7)</p>		<p>Political risks and violence (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)</p> <p> 2022: 23% (4)</p>
<p>2 26%</p>		<p>Cyber incidents (e.g. cyber crime, system downtime, data breaches, fines and penalties)</p>	<p> 7 2022: 16% 40% (1)</p>		<p>Theft, fraud, corruption²</p> <p>NEW</p>
<p>3 20%</p>		<p>Business interruption¹ (incl. supply chain disruption)</p>	<p> 8 2022: 16% 36% (2)</p>		<p>Critical infrastructure blackouts or failures (e.g. power disruption, aging dams, bridges, rail tracks)</p> <p> 2022: 18% (6)</p>
<p>4 20%</p>		<p>Climate change (e.g. physical, operational and financial risks as a result of global warming)</p>	<p> 8 2022: 16% 13% (10)</p>		<p>Energy crisis (e.g. supply shortage/outage, price fluctuations)</p> <p>NEW</p>
<p>5 19%</p>		<p>Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)</p>	<p> 8 2022: 16% 15% (22)</p>		<p>Market developments (e.g. intensified competition/ new entrants, M&A, market stagnation, market fluctuation)</p> <p> 2022: 16% (7)</p>

Top 10 risks in South Africa



Top 10 risks in South Africa

Source: Allianz Global Corporate & Specialty

Figures represent how often a risk was selected as a percentage of all responses for that country
 Respondents: 124. Figures don't add up to 100% as up to three risks could be selected

Rank		Percent	2022 rank	Trend
1	Critical infrastructure blackouts (e.g. power disruption) or failures (e.g. aging dams, bridges, rail tracks)	36%	3 (35%)	↑
2	Cyber incidents (e.g. cyber crime, malware/ransomware causing system downtime, data breaches, fines and penalties)	33%	1 (50%)	↓
3	Business interruption (incl. supply chain disruption)	32%	2 (44%)	↓
4	Climate change (e.g. physical, operational and financial risks as a result of global warming) ¹	27%	6 (16%)	↑
4	Political risks and violence (e.g. political instability, war, terrorism, civil commotion, strikes, riots, looting)	27%	4 (28%)	→
6	Energy crisis (e.g. supply shortage/outage, price fluctuations)	27%	NEW	↑
7	Natural catastrophes (e.g. storm, flood, earthquake, wildfire, extreme weather events)	19%	NEW	↑
8	Fire, explosion	14%	9 (9%)	↑
9	Changes in legislation and regulation (e.g. trade wars and tariffs, economic sanctions, protectionism, Euro-zone disintegration)	10%	7 (15%)	↓
9	Macroeconomic developments (e.g. inflation, deflation, monetary policies, austerity programs)	10%	NEW	↑

¹ Climate change and political risks and violence rank higher than energy crisis based on actual number of responses

Risks Top deep dives

Macroeconomic developments

- #3 business risk in 2023 worldwide (25% of responses), #1 in Africa and Middle East (27%).
- #1 in Burundi, Ghana, Madagascar, Nigeria, #2 in Ivory Coast, Morocco, #3 in Mauritius, Namibia and Tanzania.
- Inflation, economic and financial market volatility and possible recession are companies' primary concerns.
- Global business insolvencies are likely to rise significantly in 2023: +19%.
- #1 in Transportation.



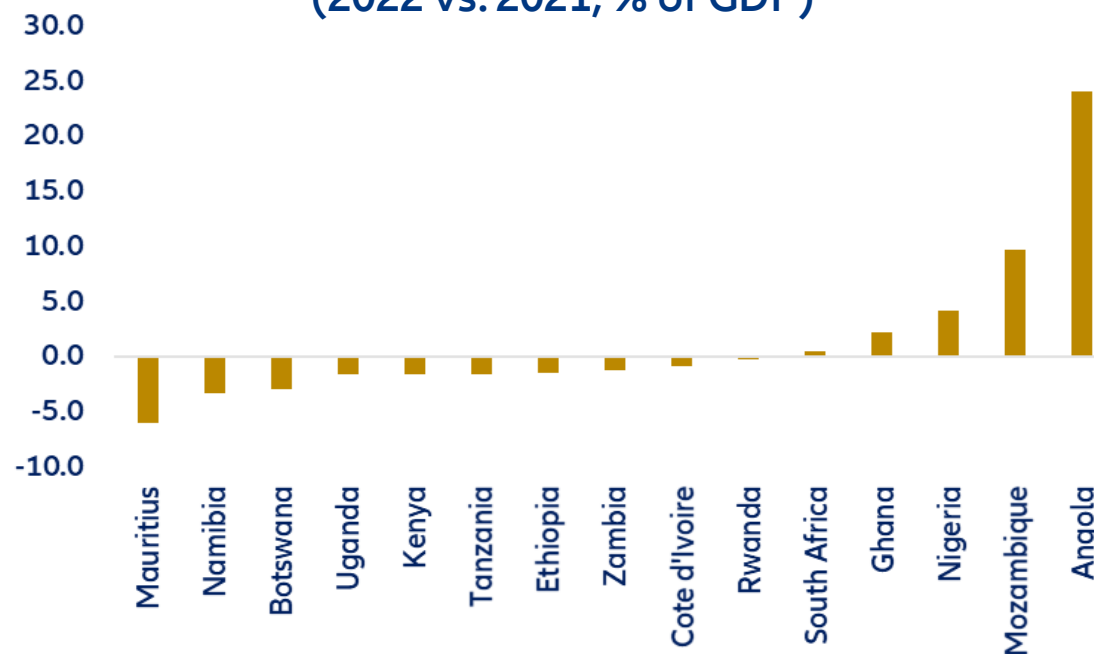
Africa Commodity exporters in a better position, with a few exceptions

Growth and Inflation Forecasts (%)

	GDP growth (%)		Inflation (%)	
	2023	2024	2023	2024
Africa	3.1	3.5	17.5	14.1
Algeria	2.5	1.7	9.5	8.7
Angola	1.8	2.0	23.3	10.8
Cote d'Ivoire	6.0	6.4	3.5	0.5
Egypt	3.8	3.5	14.9	12.3
Ghana	2.5	3.0	31.3	20.3
Kenya	4.4	5.2	7.8	6.6
Morocco	3.0	2.5	7.0	4.0
Mozambique	3.7	4.5	10.5	9.0
Nigeria	2.9	3.2	19.5	16.3
Senegal	7.5	8.1	9.0	8.0
South Africa	1.2	1.4	6.3	4.7
Tunisia	0.5	2.0	8.3	8.5

Source: Allianz Research

Change in Net Exports Due to Commodity Price Moves (2022 vs. 2021, % of GDP)



Sources: Capital Economics, Allianz Research

Debt African sovereigns under greater stress

Public Debt Sustainability Risk Score (out of 102 EMDEs)

Rank	Country (from high risk to low risk)	Public Debt Sustainability Risk Score (0 = high risk; 100 = low risk)	Total Public Debt (% of GDP) max(2022;2023)	Debt Shock (due to Covid-19 and war in Ukraine; increase in public debt-to-GDP ratio) 2019 -> 2022	Foreign Exchange-denominated Public Debt (% of total public debt) 2022	Maturing Public Debt (% of GDP) 2023-2024	Fiscal Balance (% of GDP) 2022-2023	Interest Payments (% of fiscal revenues) 2023	Effective Interest Rate (interest payments in % of public debt at the end of previous year) 2023	Interest Rate - Growth Differential (%) 2023	AZT Country Rating Q4 2022
1	Zambia	0.0	115.0	15.3	72.5	8.9	-7.9	35.4	8.5	4.8	D4
2	Sri Lanka	6.7	130.5	47.9	35.8	9.3	-9.9	79.1	9.1	6.7	D4
3	Malawi	6.8	71.2	21.6	54.1	8.6	-7.7	36.1	9.8	14.9	D4
4	Ghana	10.8	84.8	21.9	55.0	3.7	-8.2	50.4	9.9	17.7	C4
5	El Salvador	11.9	88.7	14.0	63.7	4.0	-6.6	19.4	6.7	2.2	C3
6	Ukraine	13.4	90.0	38.1	69.9	4.8	-17.0	11.1	8.7	13.7	D4
7	Egypt	13.8	95.0	10.8	26.2	13.9	-7.4	43.0	11.2	10.8	C3
8	Kenya	14.4	70.3	11.7	56.7	4.5	-6.1	25.5	7.3	5.0	C3
9	Laos	19.5	108.9	45.1	86.3	0.3	-5.0	22.3	3.4	10.8	D4
10	Costa Rica	20.4	66.8	10.1	41.9	9.4	-4.1	35.0	8.5	2.0	B3
11	Jordan	20.8	94.2	14.9	45.0	10.3	-6.4	16.3	4.8	-0.9	C3
12	Tunisia	20.8	85.0	16.0	67.1	4.9	-9.0	10.9	3.8	4.4	D4
13	South Africa	22.3	73.4	13.9	32.7	2.9	-7.8	18.5	7.9	5.3	C3
14	Bahrain	23.6	119.8	17.3	62.5	11.0	1.3	21.4	4.0	0.6	C3
15	Bangladesh	24.0	29.0	28.9	74.8	1.1	-5.9	27.1	7.9	2.7	D3
16	Uganda	28.2	53.1	15.5	70.1	2.3	-4.8	20.1	6.7	-1.7	C3
17	Brazil	30.9	92.8	4.2	6.3	7.6	-7.5	22.2	8.1	-0.6	B3
18	Pakistan	30.9	77.8	0.2	34.1	3.3	-5.0	40.3	8.1	3.9	D4
19	Lebanon	32.3	175.2	1.8	37.9	52.8	-3.2	32.9	3.6	2.1	D4
20	Turkey	34.4	43.6	9.0	55.2	2.5	-5.2	10.5	12.1	1.8	C4
21	India	34.7	94.1	14.4	5.9	2.3	-9.4	28.9	7.5	-2.7	B1
22	Moldova	36.3	44.8	11.4	58.8	2.2	-6.0	5.6	5.4	3.4	D4
23	Dominican Republic	37.7	61.0	7.5	77.0	6.5	-2.7	22.0	6.0	-2.8	B2
24	Romania	38.2	55.5	17.7	50.9	4.2	-6.3	6.2	4.1	0.3	B3
25	Argentina	38.7	80.6	-9.6	68.2	4.9	-4.6	6.0	4.6	2.5	D4

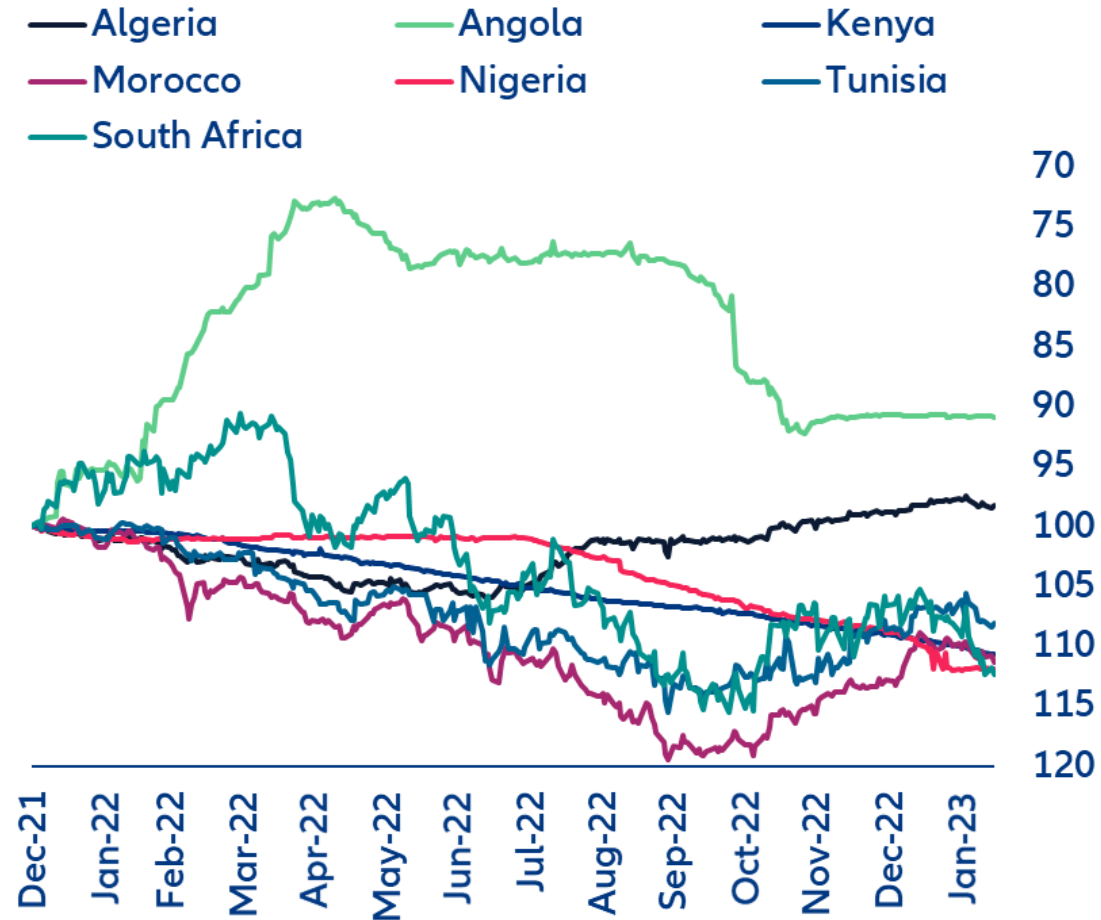
12 out of 25 most vulnerable countries are located in Africa and the Middle East

Note: For the calculation of the PDSRS, each of the indicators was rescaled from 0 to 100, with 0 denoting the highest risk and 100 the lowest (not visible in the columns 4-11, which show the actual values). Then the PDSRS was calculated as the average of the indicators, thus also ranging between 0 and 100.

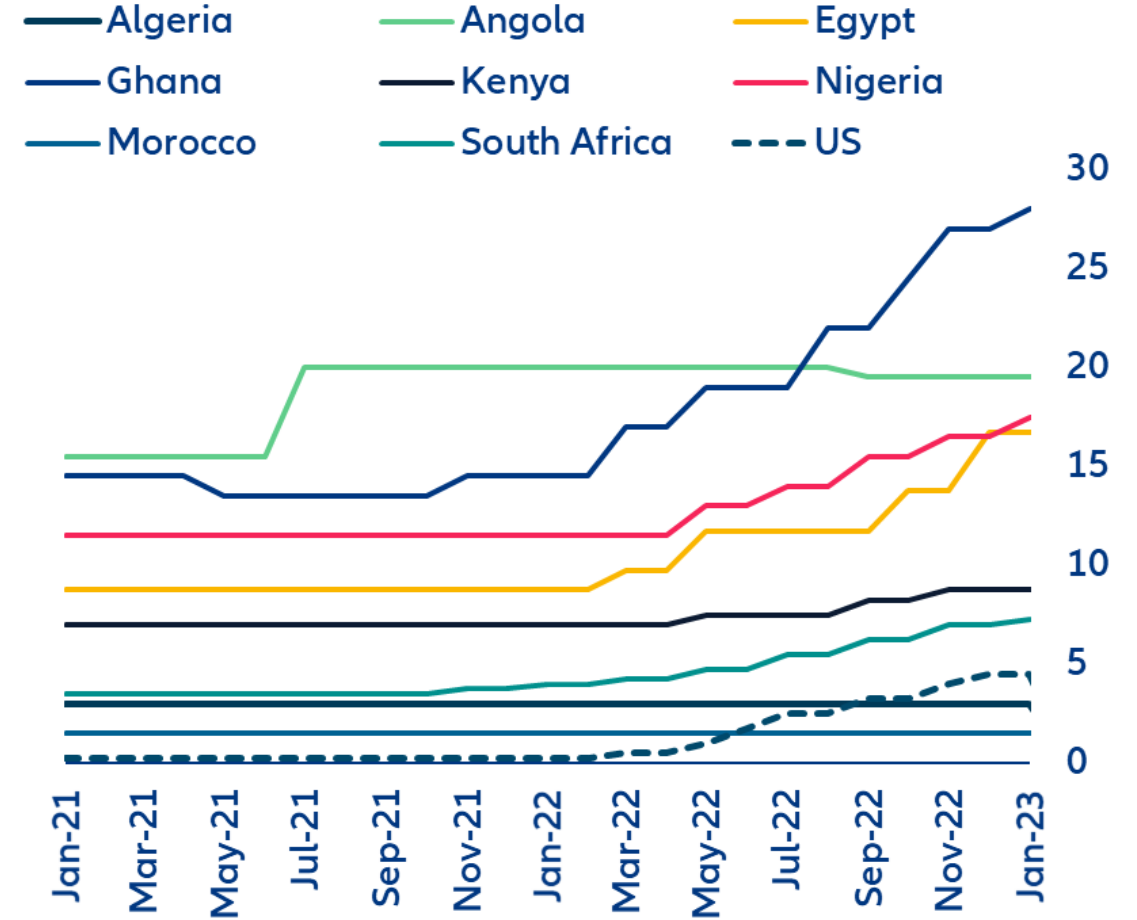
Sources: Various, Allianz Research (Nov22)

Africa Monetary tightening is not over

Local currency, performance against US\$
(Jan 2022 = 100)

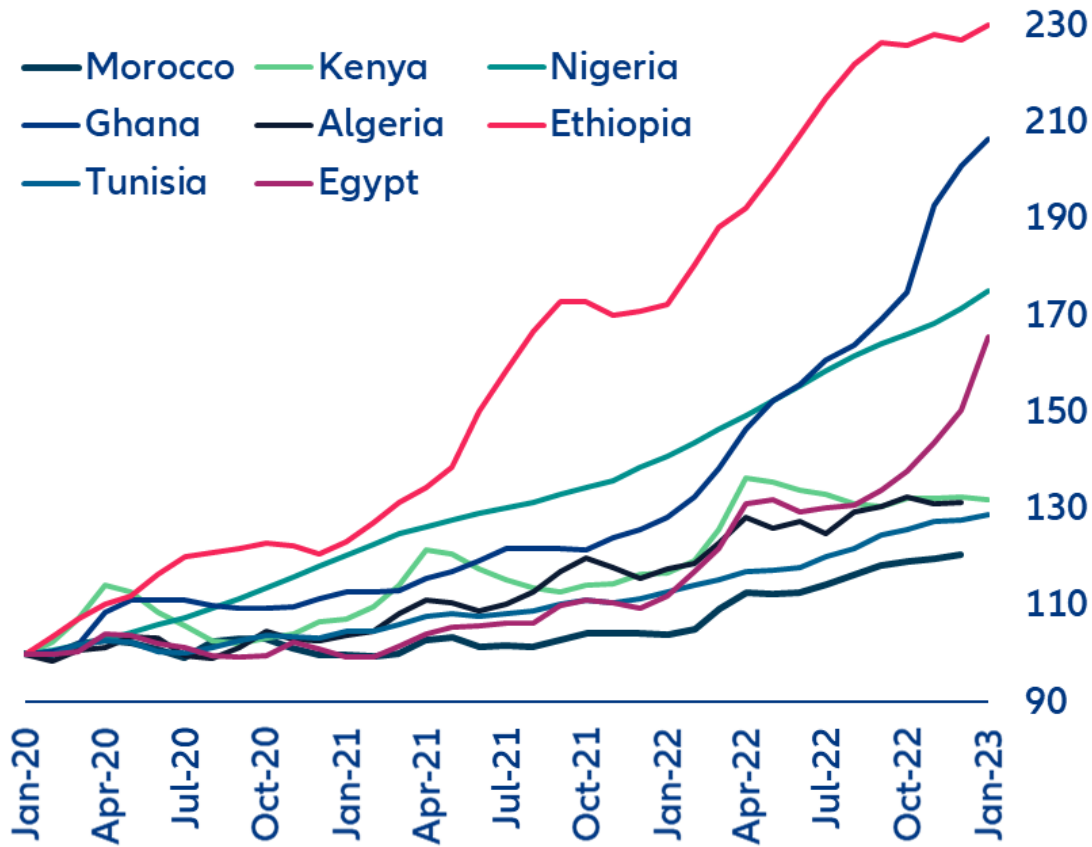


Key interest rates (%)



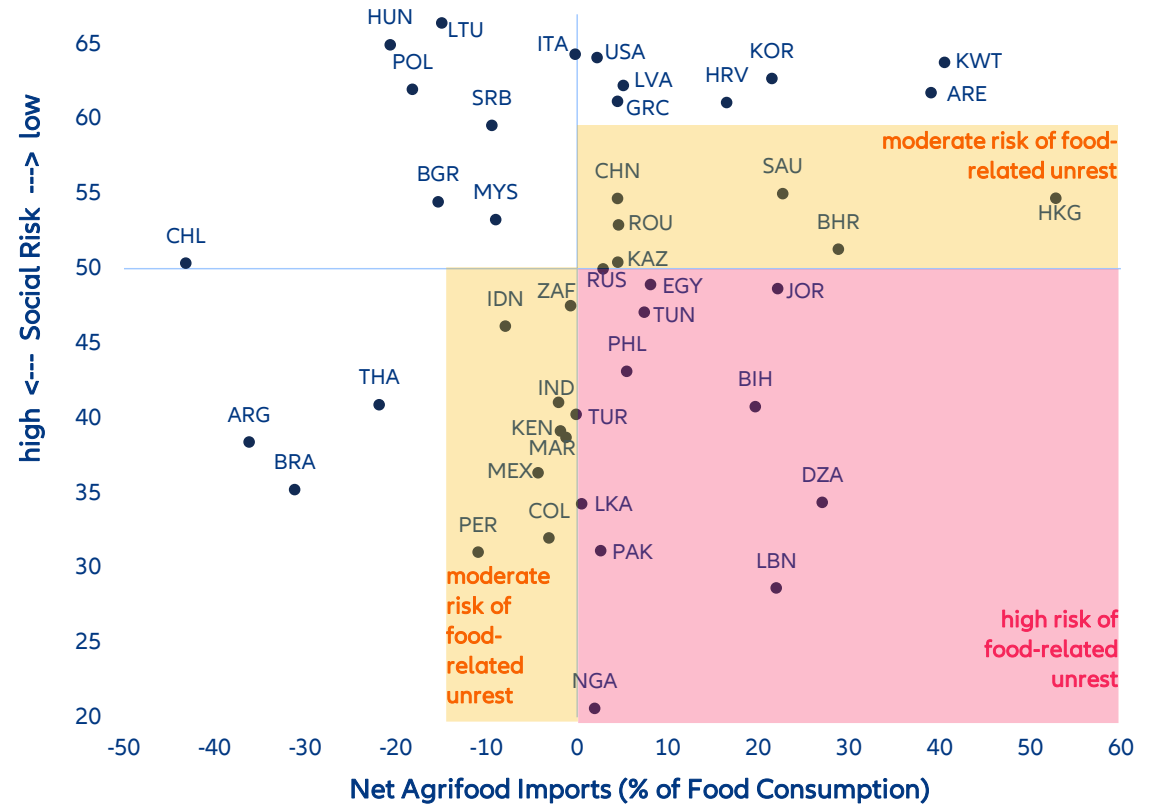
Inflation Widening the gaps and increasing social pressure

Food prices continue to bite
(Food & beverages CPI, Jan 2020 = 100)



Sources: IMF, Central banks, national statistics agencies, Allianz Research

11 EMs at high risk of a food crisis, including 4 major African ones out of 8*



Note: Social risk measured by our proprietary Social Risk Index (on a scale of 0=high risk to 100=low risk). * Data limitations prevented the inclusion of more African countries.
Sources: Various, Allianz Research calculations

Metals and minerals Prices pull up as China re-opens and tensions remain...

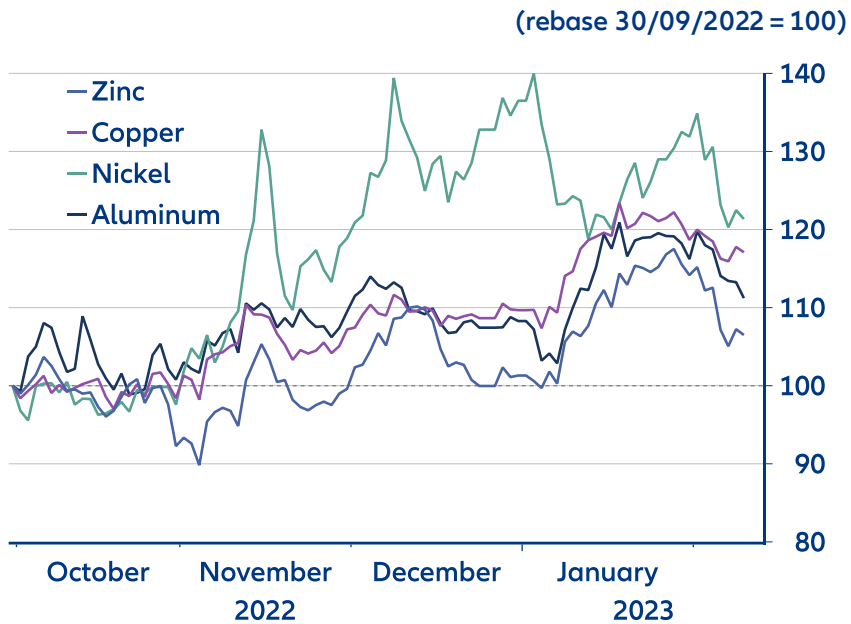
	Energy	Non-energy										Fertilizers	Metals & Minerals		Precious Metals
		Agriculture								Raw Materials	Base Metals (ex. iron ore)				
		Beverages	Food	Oils & Meals	Grains	Other Food	Timber	Other Raw Mat.							
2021 avg index	95.4								111.7	108.3	93.5	121.8	127.1	123.8	113.1
2022 avg index	152.6	123.6	122.7	106.3	143.7	145.2	150.4	135.6	80.2	80.1	80.4	214.9	115.0	122.4	136.8
Jan-23	119.3	117.3	115.6	97.5	136.0	129.4	146.5	135.2	75.2	79.3	70.7	177.9	114.0	121.0	144.9
2022 v. 2021	60.0%	10.6%	13.3%	13.7%	17.9%	14.2%	21.4%	19.9%	-3.3%	-11.5%	7.5%	62.6%	-1.2%	4.0%	-2.4%
Jan 2023 vs. 2022	-21.8%	-5.1%	-5.8%	-8.2%	-5.3%	-10.9%	-2.6%	-0.3%	-6.3%	-1.0%	-12.0%	-17.2%	-0.9%	-1.1%	5.9%
Jan 2023 vs. Sep 2022	-24.6%	2.2%	-1.3%	-11.4%	-0.4%	0.1%	-1.1%	-0.3%	2.3%	8.2%	-4.1%	-20.0%	16.6%	15.7%	14.7%
m/m change	-8.9%	1.7%	0.5%	0.1%	0.4%	-0.1%	1.8%	-0.2%	1.0%	1.0%	1.0%	-6.2%	6.0%	5.4%	4.9%

Note: negative or zero growth rates (p/p) are colored in green, price increases between 0.1% and 10.0% in yellow, increases above 10.0% in red.

Sources: World Bank, Allianz Research

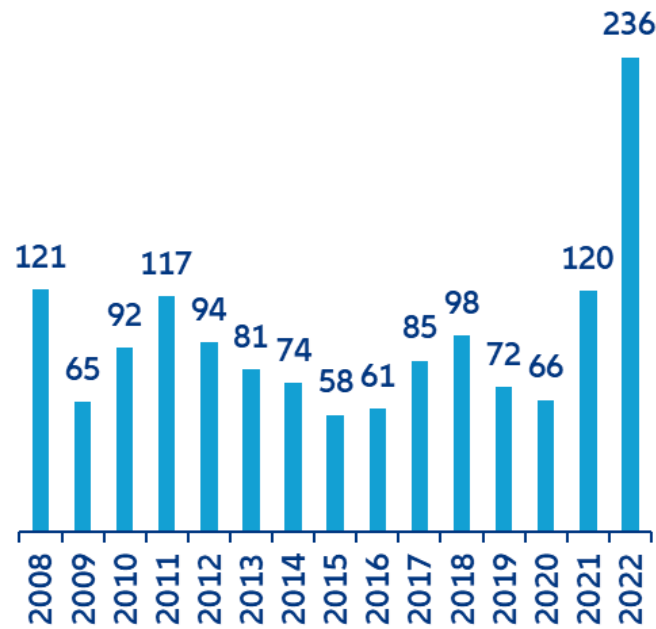
...with several African countries struggling to keep up with demand

Prices increase for a wider range of metals, incl. copper



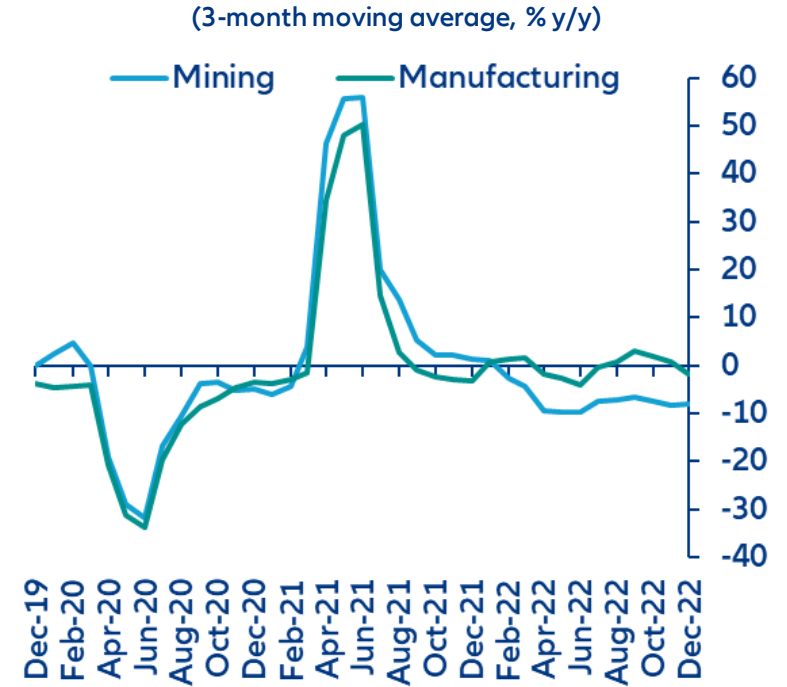
Sources: LME, Allianz Research

Coal prices almost doubled in 2022
(South Africa coal average price, nominal US\$)



Sources: World Bank, Allianz Research

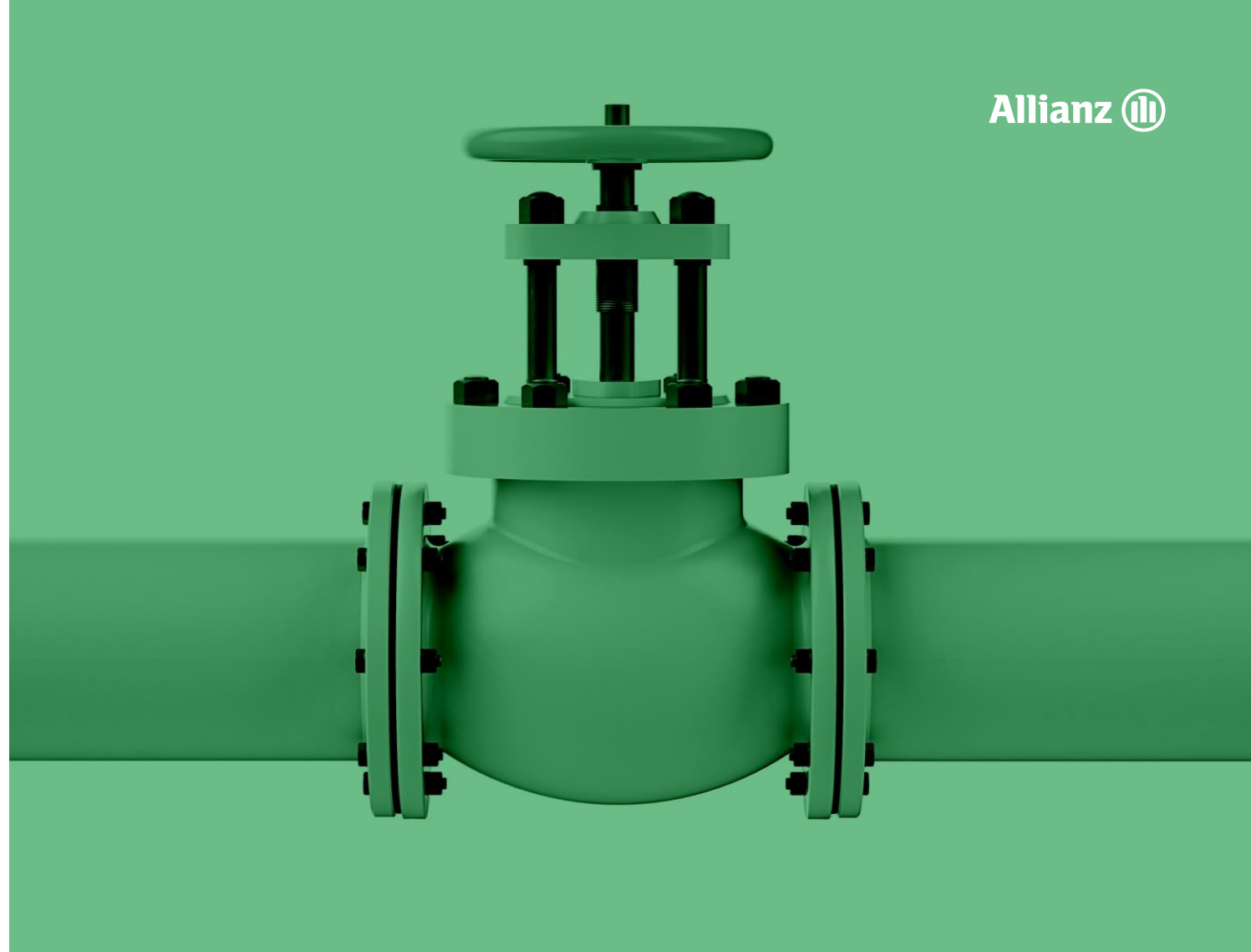
However, industrial production in South Africa is still sluggish



Sources: National statistics, Allianz Research

Energy crisis

- New entrant, appearing for the first time at #4 globally (22% of responses), Burundi (#3).
- Companies are concerned about spiraling fuel costs, supply disruptions, inflation, and the effects of Russia's invasion of Ukraine.
- Likely to remain the largest profitability shock for countries and companies.
- Opportunity to fast-forward the green transformation.

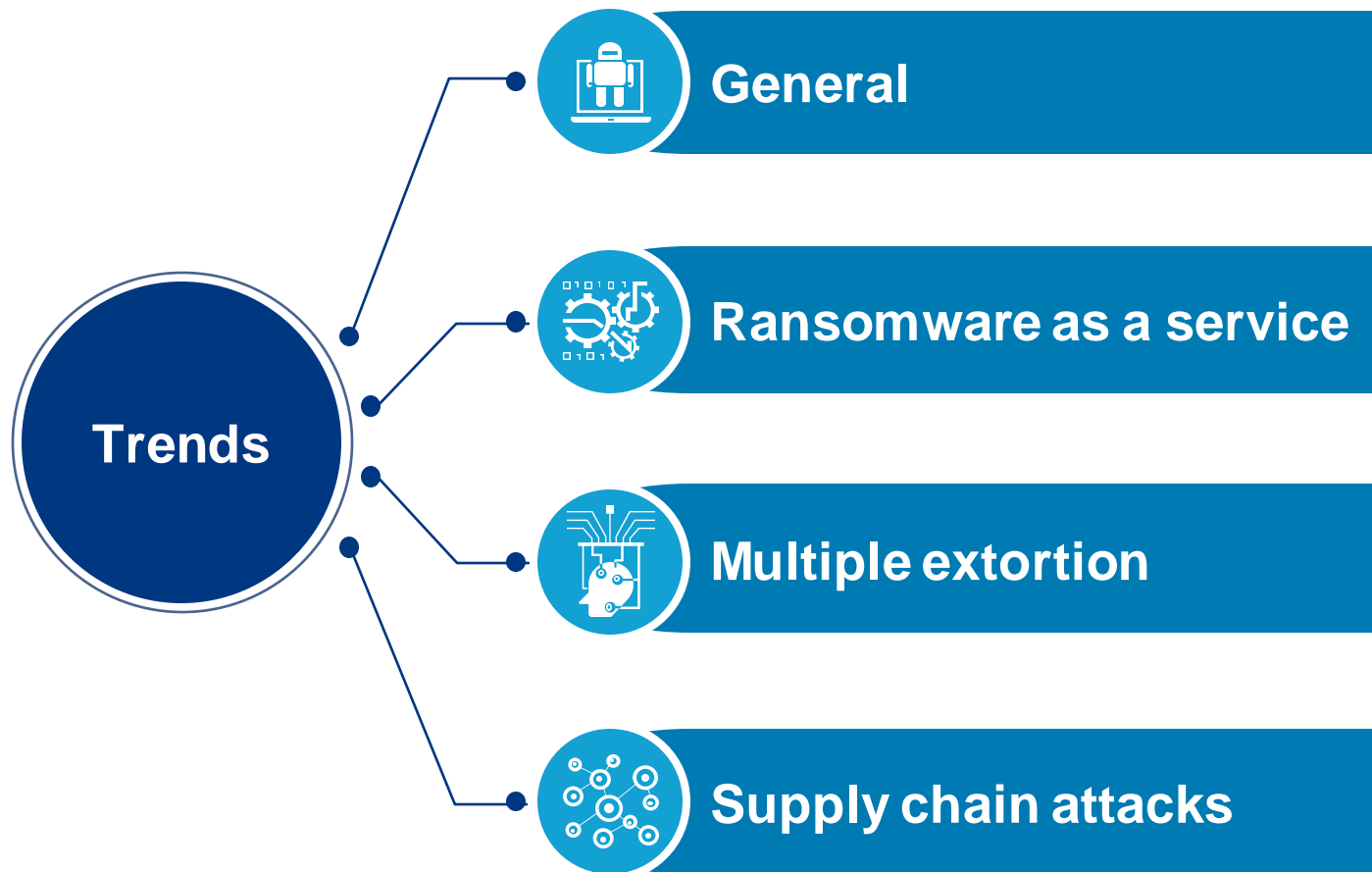


Cyber incidents

- #1 business risk in 2023 **worldwide** (34% of responses) - the second year in a row.
- #1 business risk in 2023 in **19 countries including Madagascar, Mauritius, Morocco.**
- #2 in Kenya and South Africa, #3 in Nigeria.
- Cyber insurance claims remain at a high level. Increasingly, we see more small- and mid-size businesses impacted who often tend to underestimate their exposure.
- #1 in Entertainment, Financial Services, Media, Technology, Telecoms.



A ransomware pandemic



- 623 million ransomware attacks in 2021: double the number in 2020 and a 232% increase since 2019. (SonicWall Threat Intelligence)
- Ransomware forecast to cause \$30bn in damages to global organisations by 2023 (Acronis)

Cyber risks **implications**



Cybersecurity governance and ESG

- Solid cybersecurity governance and controls are key to:
 - Ensure a company is adequately prepared to withstand attacks.
 - Ensure strong ESG position.



Regulatory exposure and litigation

- Increasing number of strict privacy regulations.
- Potential for more cybersecurity requirements legislation.
- Class actions in respect of data breaches and network security failures.



Nation state-sponsored attacks on the rise

- Ransomware attacks stabilised temporarily due to sanctions.
- State-sponsored attacks increasing given the current geopolitical situation.
- Risk from politically-motivated hacking groups/hacktivists.

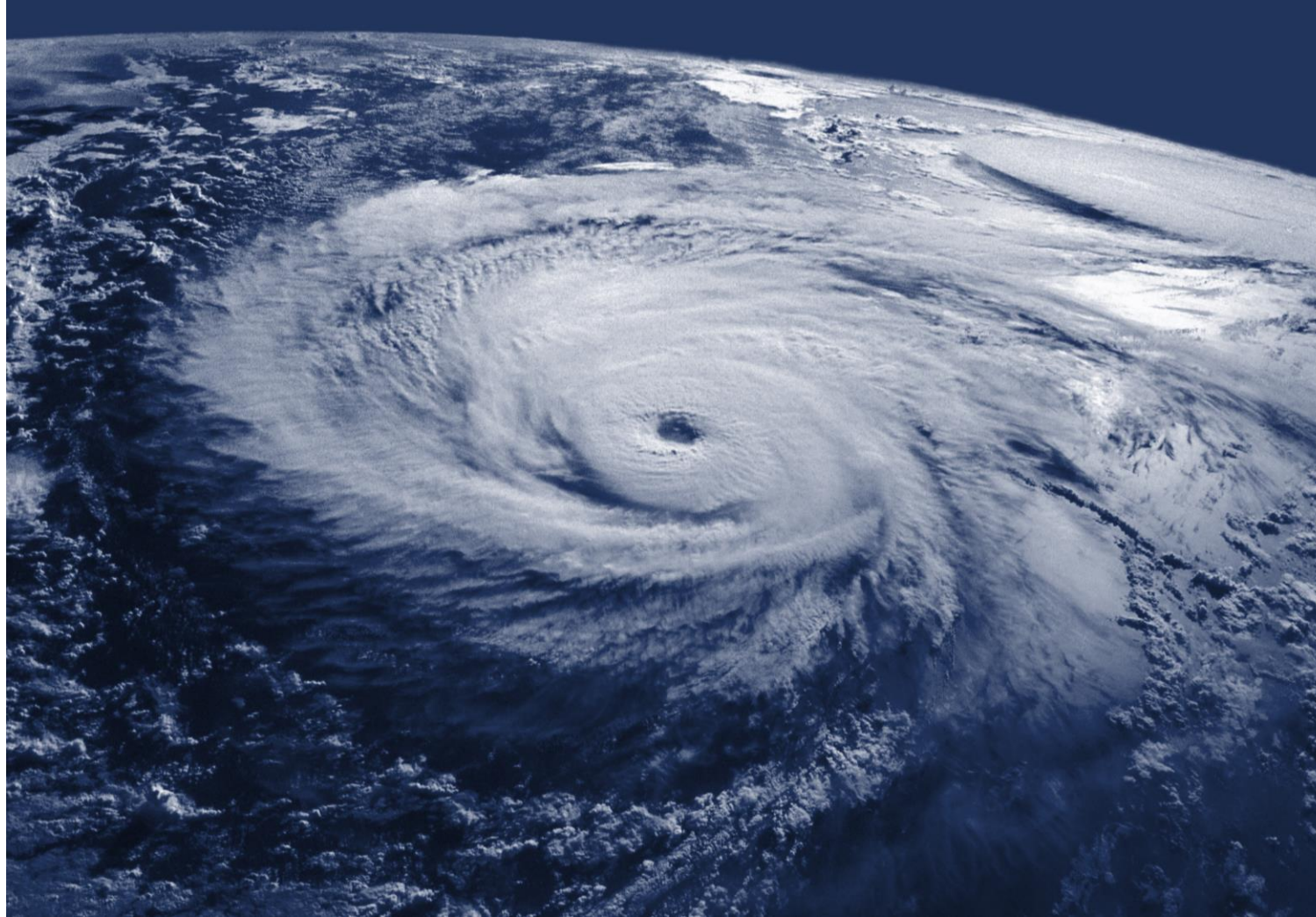
Climate change

- Climate change is ranked #2 in Mauritius, Namibia, Tanzania, #3 in Kenya, #4 in Africa and Middle East, South Africa and #7 globally.
- Adopting carbon-reducing business models is the top action companies are taking to mitigate its impact.
- Companies have an important role to play in the transition to a low-carbon economy and the speed of global warming doesn't allow for any pausing.



Natural Catastrophes

- Nat Cat is ranked #5 Madagascar, Mauritius, #6 globally, #7 in South Africa.
- 2022 was another year of record-breaking natural disaster events, ranging from Hurricane Ian in the US to widespread flooding in South Africa. Insured losses were again in excess of \$100bn.
- The drop in rankings for nat cat is no surprise – war in Ukraine, an energy crisis, and the fallout from the Covid-19 pandemic, including inflation and supply chain disruptions, have tested business resources and commanded attention.
- In Africa, insurance penetration is seldom above 1% of national GDP.
- The combination of low insurance coverage and high hazard has ensured nat cat remains a priority business risk in the region.



Critical infrastructure blackouts

- Critical infrastructure blackouts or failures is the top risk for the first time in South Africa from #3 in 2022 (with 36% of responses).
- Companies concerned about power disruption, failures of infrastructure.
- #2 in Ivory Coast, #4 in Cameroon, #5 in Madagascar and Namibia.
- Ranks 8th in Africa and Middle East from sixth in 2022.
- More concerns globally as it ranks at #12
- #1 risk in Agriculture.



Business interruption

- #2 business risk in 2023 worldwide (34% of responses).
- #1 business risk in 9 countries including Cameroon.
- #2 in Ghana, #3 in Africa and Middle East, Morocco and South Africa.
- Cyber is the cause of BI companies fear most (45%), followed by energy crisis (35%) and natural catastrophes (31%).
- #1 in Chemicals, Pharma, Consumer goods, Engineering, Food and Bev, Hospitality, Manufacturing, Oil & Gas, Power & Utilities, Professional Services, Renewable energy and Retail.

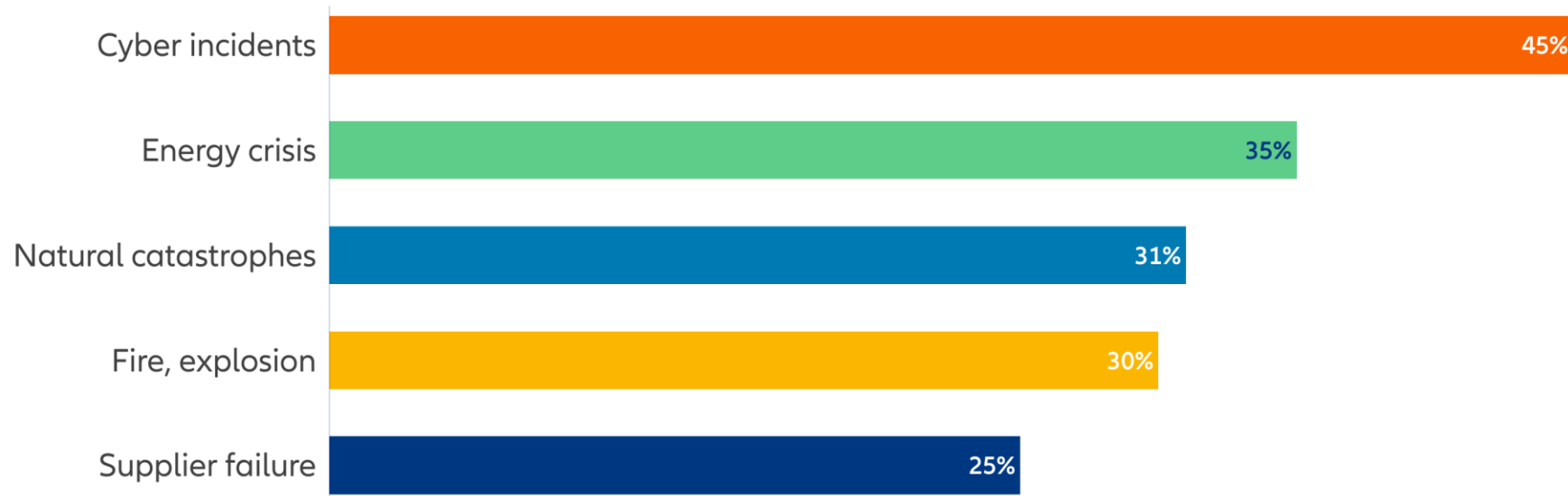


The most cause of BI

The most feared cause of BI is **cyber incidents**, reflecting ongoing concern for disruption caused by ransomware attacks, IT system and cloud outages and the threat of cyber war. **The energy crisis** and **natural catastrophes** are two other important triggers in the view of respondents.

Which causes of business interruption does your company fear most in 2022?

Total number of respondents: 917. Figures do not add up to 100% as up to three risks could be selected.



Source: Allianz Risk Barometer 2023

Political risks and violence

- A new entry at #10 globally.
- Much higher ranked in Madagascar (1st), Nigeria (2nd), Africa and the Middle East (4th), Burundi (3rd).
- #1 in Aviation, aerospace and defense.
- Aside from war, companies are also concerned about increasing disruption from civil unrest as the cost-of-living crisis bites in many countries.

Political Violence

- Terrorism and Sabotage
- Strike, Riots and Civil Commotion & Malicious Damage
- War and Civil War (including Warlike perils)

Additional coverages

- Terrorism liability
- Nuclear Chemical Biological and Radiological Acts
- Active Assailant / Shooter
- Cyber Terrorist (PD BI)



Global trends increasing PVT events



Terrorism:

- Reducing threat of property damage.
- Increase in low intensity, high frequency.
- Irrational terrorism – focused on loss of life. No end goal.



SRCC:

- Huge range of topics are leading to SRCC.
- Fuelled by environmental, economic, ethnic/cultural and political factors.
- More frequency and more intensity.
- Persistent and long lasting.



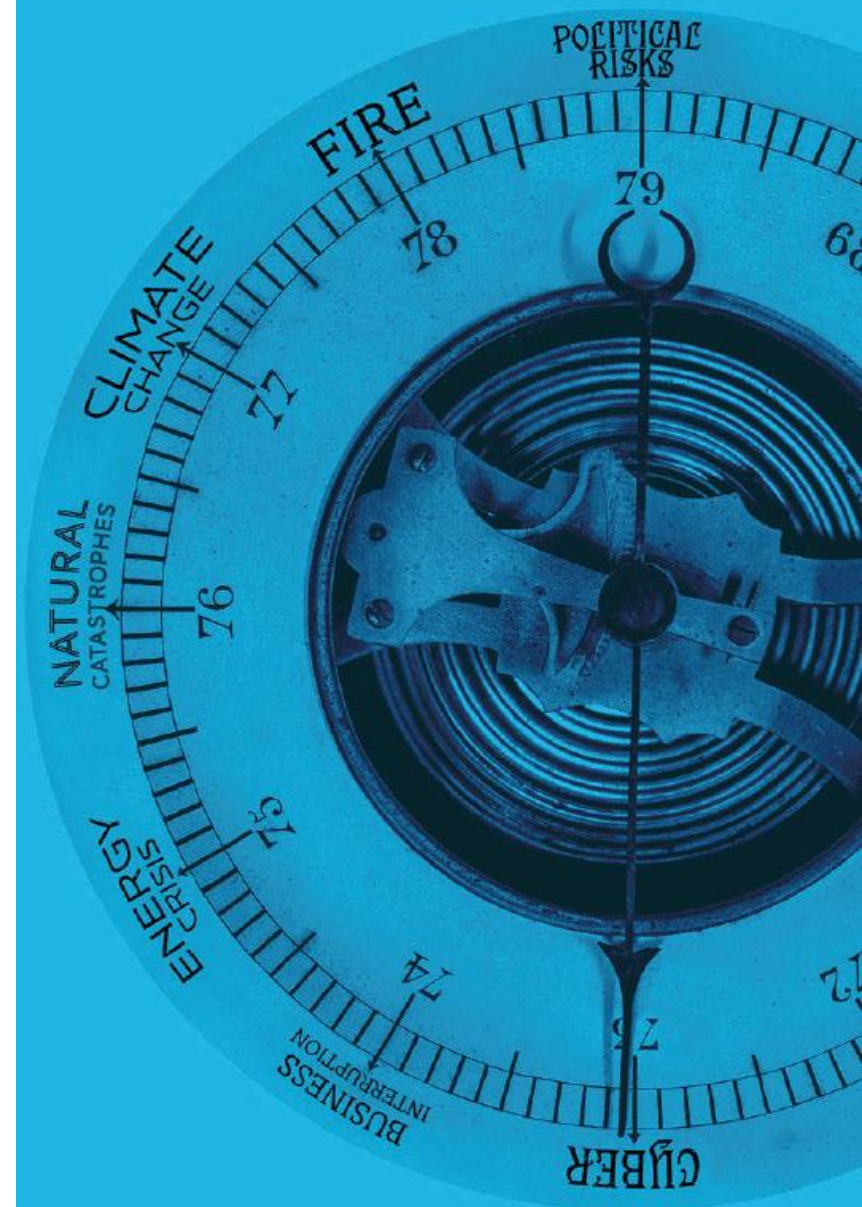
War and Civil War:

- Divisive politics.
- More active states (Russia, China, Saudi Arabia, Iran).
- Proxy wars.
- Increasing Cyber capability.

De-risking actions

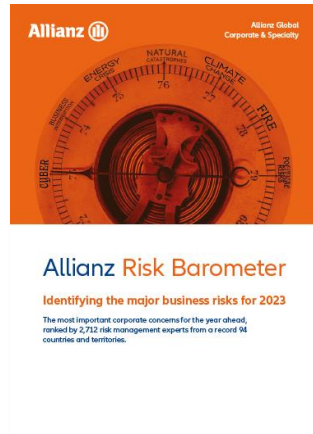
'Permacrisis' prevention

- Elevated levels of disruption look set to continue in 2023 as dangers from digitalization, the war in Ukraine, high energy prices and inflation, geopolitical and economic uncertainty, and climate change test already strained business models and supply chains.
- The **Allianz Risk Barometer** results show that companies have begun to diversify their businesses and supply chains, as well as stepping up risk management and business continuity planning.
- The most common action taken by companies to de-risk supply chains and make them more resilient is to develop alternative and/or multiple suppliers – although this can be a lengthy process and is not without its own pitfalls.
- Taking action to build resilience and de-risk needs to be front and center for companies, given the events of recent years.

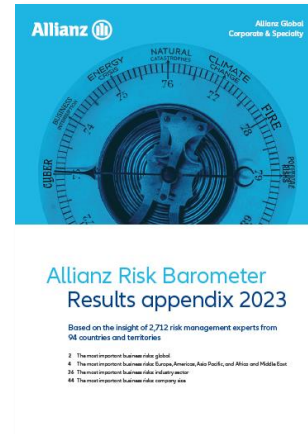


Find out
more

Resources and materials



Full report, including expert analysis of the top ten risks



Results appendix – featuring industry type and company size risk tables

Other recent publications



Directors and officers (D&O) insurance insights 2023



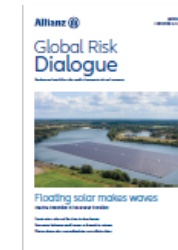
Global Claims Review



Cyber: The changing threat landscape



Safety and Shipping Review 2022



Global Risk Dialogue (Client magazine)

Thank you!

