



Photo by Liam Edwards on Unsplash

26 October 2023

04  
Social risk and the  
impact of the cost-of-  
living crisis

11  
Evolving patterns of  
unrest and pivotal  
elections ahead

15  
Increasing social  
resilience

Allianz Research

# A bolt from the blue? Amplified **social risk** ahead

# Executive Summary



Ano Kuhanathan  
Head of Corporate Research  
[ano.kuhanathan@allianz-trade.com](mailto:ano.kuhanathan@allianz-trade.com)



Luca Moneta,  
Senior Economist for Africa and Middle East  
[luca.moneta@allianz-trade.com](mailto:luca.moneta@allianz-trade.com)



Patricia Pelayo-Romero  
Economist, Insurance & ESG  
[patricia.pelayo-romero@allianz.com](mailto:patricia.pelayo-romero@allianz.com)



Manfred Stamer  
Senior Economist for Middle East & Emerging Europe  
[manfred.stamer@allianz-trade.com](mailto:manfred.stamer@allianz-trade.com)

**The ongoing cost-of-living crisis has exacerbated social risk globally, and further widened the gap between advanced economies and emerging markets.** This year, our proprietary Social Resilience Index (SRI), which combines 12 indicators measuring economic and social vulnerabilities for 185 countries, fell by 2.1 points from 45.7 in December 2021. This outcome is largely driven by currency depreciations, higher import bills for food and fuel as a percentage of GDP and declining labor force participation. The gap in social resilience between advanced and emerging economies has widened further, mostly because of differentiated (fiscal) responses to the cost of living and energy crises. Denmark topped our social resilience ranking again, followed by Finland (+3, compared to 2021) and Switzerland (+1). Latin America, the only region with a decline in social risk over the past couple of years, now ranks better overall than Emerging Asia. Net food- and fuel-importing countries experienced the largest increases in social risk, while commodity exporters jumped ranks such as the UAE (rank 11, +31), or Qatar (17, +7). Full scores, rankings and changes are available in Appendix 1.

**Conflictuality is on the rise. A packed election calendar in 2024 could set the stage for increased social risk in 2024. Increasing social unrest has economic repercussions, stalling much-needed private investments in infrastructure.** 75% of global GDP is going to the polls next year, including the US, the EU and India. Our analysis matching underlying social risk with social unrest and political risk events shows that countries to watch include hot spots such as Senegal and Ghana, with already high social risk and a recent increase in social unrest. However, countries with high social risk and decreasing unrests may exhibit hidden vulnerabilities in the run-up to often disputed elections.

**Looking forward, beyond sound economic and redistribution policies, increasing social resilience means higher civic participation, and strong AI policy capabilities – to manage risks related to job losses and misinformation.** In our December 2021 update<sup>1</sup>, we mentioned strong fiscal response and employment policies as major shields against higher social risk. We also called for prioritizing the fights for food security, and gender and income equality. This year, the ultra-long electoral year ahead pushed us to investigate the relationship between societies, citizens and the public sector, and government effectiveness and crisis response. Countries that score high on our Social Resilience Index tend to have the highest levels of civic participation (e.g. Denmark, Finland, Switzerland and Iceland). Similarly, the rise of generative artificial intelligence could further reduce social resilience by increasing job losses and the spread of misinformation. Governments have begun to introduce responsive regulatory regimes to avoid labor displacement and hedge against other risks that might affect social stability. But the service-heavy advanced economies will have to adapt to keep up with the pace of technological development.

<sup>1</sup> [2021\\_12\\_15\\_SocialRisk.pdf \(allianz.com\)](#)

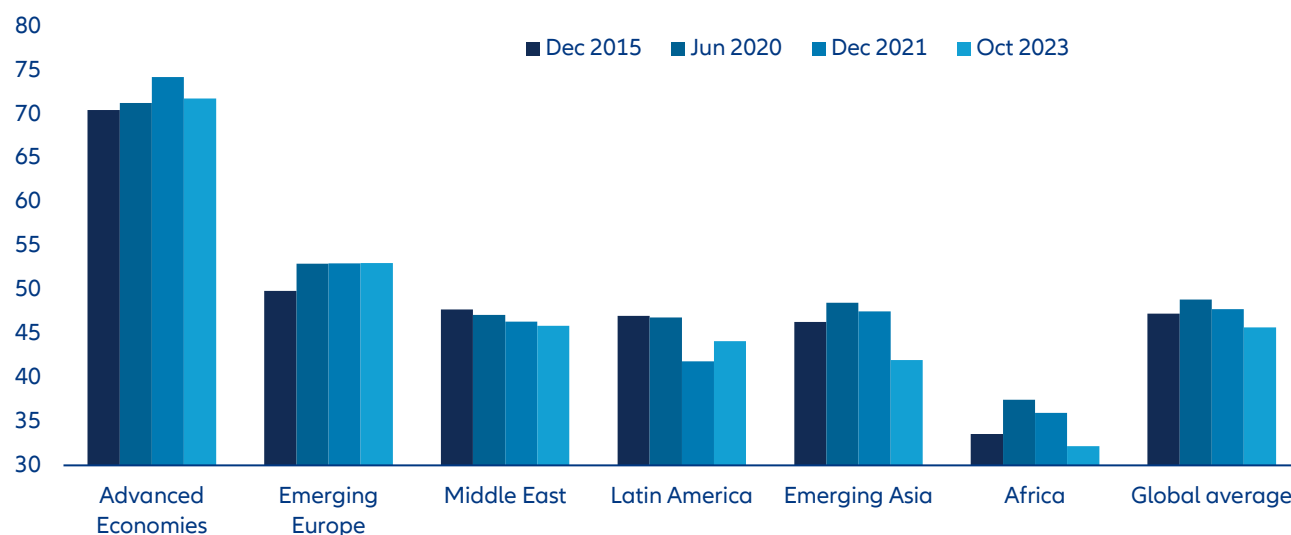




# Social risk and the impact of the cost-of- living crisis

**Global systemic social risk has intensified over the past two years.** Our proprietary Social Resilience Index (SRI) identifies underlying strengths, weaknesses and perceptions of a country's political, institutional and social frameworks, signaling the general susceptibility to systemic social risk events that could be game-changers with regard to politics and policymaking, as well as business and investment decisions (see Appendix for methodology). The SRI covers 185 economies, i.e. nearly all sovereign countries. This year, the global average SRI score fell to 45.7, down -2.1 points from December 2021, indicating increased systemic social risk. This follows the deterioration by -1.1 points during the first 18 months of the Covid-19 crisis. Before that, the global SRI had improved by +1.6 points from December 2015 to June 2020 (Figure 1).

**The cost-of-living crisis has played a crucial role in increasing systemic social risk.** The 2023 outcome is largely driven by a deterioration in three indicators: currency depreciation, imports of food and fuel as a percentage of GDP and labor force participation. All three largely reflect the impact of Russia's war in Ukraine. The resulting global tensions on the supply of food and energy in 2022-2023 led to rising prices around the world, especially in net food-importing countries. The subsequent economic slowdowns pushed up unemployment. At the same time, rising policy interest rates in the US and other advanced economies (AEs) to combat galloping inflation triggered currency depreciation in most economies but especially in emerging markets (EMs).

**Figure 1:** Average Social Resilience Index (SRI) score (from 0 = highest risk to 100 = lowest risk) for selected country groups

Sources: Various, Allianz Research

## Advanced economies: Trend reversal to rising social risk

After a honeymoon period from 2015-2021, including the first 18 months of the Covid-19 pandemic, systemic social risk has increased in advanced economies (Figure 1). During the pandemic, relatively stable food and fuel prices and currencies, along with massive fiscal stimulus measures, kept the peace in AEs. But while fiscal stimulus remained substantial over the past year, public social spending as a percentage of GDP did not increase. At the same time, the costs of imported food and fuel surged, while labor force participation declined and some currencies weakened. These three factors are largely responsible for the -2.5 point decline in the average SRI score of 26 AEs to 71.8 in October 2023.

**All AEs are ranked among the best 48 out of 185 economies, slightly worse than in the June 2020 and December 2021 editions of our SRI, when they were all among the top 44 (see Figure 13 in Appendix 2 for the overall scores and rankings).** Denmark defended its lead with a SRI score of 82.7 out of a maximum of 100, followed by Finland, Switzerland, Iceland and Ireland. The latter two along with the Netherlands, the US and Luxembourg are the only five among the 26 AEs that experienced a noteworthy improvement in their SRI scores over the past two years.

Most of the other 21 AEs suffered a deterioration. Germany moved down to rank nine in 2023 from rank seven in 2021 (-1.9pts to a SRI score of 77.0), largely because of rising inflation in food and energy imports. All other indicators showed minor changes, with most of them scoring well overall, except for the real GDP per capita growth trend and labor force participation. France improved to rank 13, up from 17, even though its SRI score edged down by -0.5pts to 72.0. Here the deterioration in food and fuel imports (as a percentage of GDP) was compensated for by improvements in the real GDP per capita growth trend, income inequality and perceived corruption. Japan (down -11.5pts and -17 ranks to 30th), Sweden (-10.5pts, -12 ranks to 15th), New Zealand (-9.0pts, -8 ranks to 14th) and Israel (-8.3pts, -19 ranks to 48th) saw the steepest falls. Israel now ranks at the bottom of the AE ranking, taking the spot from Greece (-2.0pts, down one rank to 45th), given much reduced trust in government and a decrease in political stability. The SRI has captured very well the strong opposition and political protests of the first nine months of 2023, sparked by the government's proposals for radical judicial reforms that would severely circumscribe the strongly independent Supreme Court. Unfortunately, political stability in the country is likely to deteriorate further, given the intensification of hostilities since the Hamas attack on 07 October.

Looking ahead, overall social risk in AEs is likely to rise a little further in the near term as inflation will remain above the ratios seen in the 2010s and unemployment is likely to rise amid the projected global economic slowdown in 2024. Moreover, continued or intensified fiscal consolidation may result in an uptick of social risk, even though countries that have an upcoming election (see the following chapter) may face difficulties to tighten public finances, with the consequence of potentially rising bond yields.

## Emerging markets: Disparities widen further

**Systemic social resilience in EMs as a whole has decreased again over the past two years, and the high regional disparity that we highlighted in 2020 has increased further.** However, the ranking among EM regions has changed, mainly because Latin America was the only region to record a decline in social risk while the Emerging Asia region suffered a significant increase (Figures 1 and 12).

### Emerging Europe

**Somewhat surprisingly, overall social risk has remained comparatively moderate and unchanged over the past two years in the Emerging Europe region (which includes Central Asian countries in this analysis) despite its geographic proximity to the war in Ukraine.** Nine of the 11 EU member states in the region have seen a decrease in social resilience in 2022-2023, with the largest ones seen in the Baltics, Slovakia (-3.4pts, -6 ranks to 32nd), Czechia (-2.7pts, -1 rank to 20th) and Hungary (-2.5pts, -2 ranks to 35th). The key triggers were surging food and energy import prices, a decline in labor force participation and moderating or contracting real GDP p.c. growth. In contrast, Poland (+3.1pts, +13 ranks to 28th) and Romania (+1.2pts, +7 ranks to 56th) have posted a better SRI score than in 2021, thanks to relative currency stability (vs. the EUR), declining income inequality and more public social spending than their peers. Moreover, a number of the Commonwealth of Independent States (CIS) countries as well as Georgia and Türkiye have seen an improvement in social resilience over the past two years, according to our analysis. Georgia (+11.7pts, +51 ranks to 60th) and Tajikistan (+11.0pts, +51 ranks to 120th) experienced some of the biggest leaps overall while Türkiye

(+2.6pts, +25 ranks to 97th) benefited from strong economic growth and declining unemployment, which more than outweighed deteriorated sub-scores for institutional factors, trust in government and import inflation.

**Although the intra-regional divide between richer and poorer countries in terms of social risk has somewhat declined in Emerging Europe, it remains large.** Nine of the 11 EU member states in the region continue to have a SRI score of close to 60.0 or more and are on par with many AEs (Croatia with a score of 59.6 is ranked 43rd, ahead of Greece and Israel). This confirms that EU membership not only enhances prosperity but also social resilience. Bulgaria and Romania remain the exceptions, with somewhat lower SRI scores between 53 and 55. Trust in government remains low in these two poorest EU member states, also reflected in their frequent anti-government protests and recurrent early government changes before the end of legislative periods. More generally, Central and Eastern European EU member states have also benefited from a relatively good policy response to the looming energy crisis in winter 2022/2023. These countries' dependence on imports of Russian oil and gas has significantly declined since the beginning of 2022<sup>2</sup>, through substitution (natural gas by coal in Poland), new providers (gas from the Nordics for the Baltics) or other pipelines (through Greece to Bulgaria). Higher social risk in Emerging Europe prevails in most CIS countries, some Balkan states and Türkiye. Among the larger countries, Serbia continues to score relatively well with an SRI of 57.6 and rank 49. And Türkiye's slightly improved SRI score of 42.8 is still well below 50.0 and leaves it, apart from Bosnia & Herzegovina, Turkmenistan, Kyrgyzstan and Tajikistan, as the country most vulnerable to social risk in the region.

**Looking ahead, policymakers in Emerging Europe will face a dilemma between containing social risk and achieving fiscal consolidation.** Amid much increased global interest rates, it will be essential to rein in fiscal support measures, including massive social spending from the crisis years of 2020-2023 that has significantly pushed up public debt. Countries with elections ahead in 2024 may attempt to postpone the fiscal consolidation to 2025. But overall, we expect the region to face a modest increase in social risk in the next two years.

<sup>2</sup> See also our publication [What to watch: Energy situation in Emerging Europe](#), p.4-6.

## Middle East

**The Middle East region's average SRI score has edged down slightly by -0.5pts since end-2021 to 45.9.**

However, it has taken the second place in the regional ranking from Emerging Asia. Within the Middle East, the disparity of systemic social resilience between the six GCC member states and the six non-GCC states has increased further over the past two years. In contrast to net energy-importing countries, the GCC states benefited from soaring global oil and gas prices following the outbreak of war in Ukraine, which led to significant increases in fiscal revenues and public social spending, as well as strengthening real GDP growth. This more than compensated for rising food import prices. The GCC members have SRI scores between 54.6 for Bahrain (+3.3pts, +17 ranks to 52nd) and 73.9 for the UAE, which leaped by +12.1pts and +31 positions to rank 11, thus taking over the regional lead from Qatar (70.5, +1.7pts and +7 ranks to 17th). All are high-income economies and their scores suggest moderate to low systemic social risk, comparable to that of AEs. Perhaps with the exception of Bahrain, we expect the GCC states to retain their relatively favorable social resilience positions as oil and gas prices are expected to stabilize at higher levels for longer as compared to the averages of the 2010s, which will allow them to continue with generous social spending as well as gradual structural economic reforms.

**Among the non-GCC states, the oil and gas exporters Iraq and Iran also saw improvements in their SRI scores.**

Iraq jumped +10.2 points and +48 ranks to position 114 though this still leaves it well in the lower half of the 185 countries in our sample. Iran's improvement by +2.0pts and +18 ranks, which solely reflects a strong increase in real GDP p.c. trend growth, may be a bit misleading as significantly worsened scores for public social spending, trust in government and food import inflation tell a story on their own. In any case, its rank of 155 continues to suggest a very low level of social resilience. The three weakest countries in the region – Yemen (rank 171), Lebanon (rank 183) and Syria (rank 185, the new bottom of our table) – have seen further deteriorations in their SRI scores, owing to long-lasting and ongoing domestic political, economic and financial crises, which we expect to continue in the medium term. Looking ahead, violent and long-lasting social unrest that could also cause business interruptions cannot be ruled out in several non-GCC states over the next few years. This could result in a 1pp loss of GDP per serious event of unrest.<sup>3</sup>

<sup>3</sup> According to an IMF study, a "major" social unrest event lowers the GDP level by an average 1pp six quarters after the event (compared to the baseline of no event), especially in countries with weak institutions and limited policy space. It should be noted that "major" unrest events, as defined in the study, are rare (1% per country per month). See Hadzi-Vaskov, Metodij, Samuel Pienknagura, and Luca Ricci (2021), *"The Macroeconomic Impact of Social Unrest."* IMF Working Paper 21/135, International Monetary Fund, Washington, DC.

## Latin America

**Latin America is the only group of countries where systemic social resilience improved over the past two years, indicated by the +2.3pts increase in the average regional SRI score to 44.1, which also moves the region ahead of Emerging Asia (Figures 1 and 12).** However, Latin America's average score continues to reflect a relatively high level of social risk. Moreover, the region's improvement represents only a partial recovery from the sharp -5.0pts drop in its average SRI in the 18 months up to December 2021, which reflected massive currency depreciations and often weak government responses to the pandemic in the region. The regional improvement over 2022-2023 is mainly the result of strengthening real GDP p.c. growth, higher fiscal revenues and more social spending and much better performing currencies (with the exception of Argentina, which is an idiosyncratic case) as compared to the previous two years. These advances more than compensated for declining labor force participation and higher imported food and fuel inflation in a number of countries. Much of the improvements can be explained by increased commodity prices in 2022-2023 since large net commodity exporters recovered best. Brazil (up +61 ranks to 81st) and Colombia (+61 ranks to 90th) made the biggest leaps forward in the overall ranking, followed by Peru (+58 ranks to 96th), Argentina (+38 ranks to 92nd) and Mexico (+32 ranks to 104th). However, these advancements have to be put into perspective: The five countries continue to have an SRI score well below 50.0 – suggesting that systemic social risk has remained considerable – and they have all seen some public protests in 2023. In the case of Peru, the recent anti-government protests have not been captured by the SRI as yet since the structural indicators going into the index are only updated once a year.

**More generally, only Uruguay, the regional leader with a score of 62.5pts and rank 34, as well as four small Central American and Caribbean countries, have a SRI score well above 50.0 while the majority scores markedly below that threshold.** In this context, politically motivated public protests and violence, as recently seen in Peru, Guatemala and Ecuador, are likely to remain on the agenda in the region over the next two years or so. And if they lead to business interruptions, they can also result in a reduction of GDP.

## Emerging Asia

**Emerging Asia is the region where systemic social resilience has deteriorated the most over the past two years, indicated by the -5.5pts drop in the average regional SRI score to 42.0.** The main triggers for this development have been currency depreciation, a decline in the trend of real GDP p.c. growth accompanied by a shrinking labor force participation as well as rising food and fuel prices. The latter shows that the war in Ukraine has also had an impact on this region, even if average headline inflation did not rise as much as it did elsewhere in the world. The comparatively stronger currency depreciations in Emerging Asia – which lasted well into 2023, in contrast to other regions – have had manifold reasons: a relatively mild monetary tightening cycle, decreasing bond yields, declining housing prices across major countries in the region, net capital outflows, as well as the export demand shock from weakening economies in the US, the Eurozone and in particular in China.<sup>4</sup>

**Nearly all economies in Emerging Asia suffered a worsening of social resilience according to our analysis, with the exception of three small countries (Timor-Leste, Cambodia, Maldives).** Among the larger economies, only the four Asian Tigers (Singapore, South Korea, Hong Kong, Taiwan) continued to score comparatively well on the SRI, thanks to strong institutional frameworks and favorable employment conditions. In contrast, China fell -29 positions to rank 87 as its SRI score declined -8.8pts to 45.9. Vietnam and Malaysia joined the group of relatively populous countries in the region with significant vulnerability to systemic social risk after their SRI scores decreased markedly by -8.2pts and -11.7pts, respectively. Indonesia, Thailand, the Philippines, Bangladesh, Sri Lanka, India and Pakistan (ranked from most to least resilient) remained in this group, with all nine of them having a SRI below 42.0. These countries have in common generally unfavorable employment and income conditions (including moderate social spending), as well as often weak perceptions of public institutions. India has also seen a large drop in its SRI score by -10.9pts to 30.2, placing it at rank 149 (down -37). Apart from the typical weaknesses in the region, India has seen a deterioration in its scores for trust in government (albeit coming from a high level) and income inequality, factors that need to be monitored in the context of the upcoming general elections in May 2024.

**As the more advanced ASEAN-5 economies (Malaysia, Thailand, Indonesia, Philippines, Vietnam) do not face public-debt sustainability concerns, their governments would have some fiscal space to increase social resilience.** In the medium term, improving institutional factors (such as reducing the level of perceived corruption) would have an even higher effect on social stability. Meanwhile, monetary policymakers in Emerging Asia face a dilemma. They could increase interest rates to stabilize exchange rates – as Indonesia did in October – but that would also harm growth and employment, and the net impact on social risk may not be positive.

## Africa

**Systemic social resilience remains the lowest in Africa once again.** It has substantially decreased in 2022-2023, reflecting the fact that the poorest continent has been particularly adversely affected by rising global prices for food and fuel, whether imported or not, as well as food scarcity. Africa's average SRI score has dropped -3.8pts to just 32.2. Only one out of the 53 African countries scores above 50.0: the Seychelles (rank 41, up from 51). Botswana (rank 79, down -14) and Cape Verde (rank 93, down -33) have fallen below this threshold since the previous survey. After an improvement in the preceding two years, five of the largest economies in Africa have suffered substantial drops over the past two years: Egypt (-8.5pts, -32 ranks to 110th), South Africa (-7.6pts, -23 ranks to 112th), Kenya (-5.2pts, -12 ranks to 136th), Morocco (-10.4pts, -29 ranks to 157th) and Nigeria (-2.0pts, +5 ranks to 177th). The latter remains among the 10 worst-ranked countries overall, along with four other countries from Africa (Chad, Sudan, Comoros, Equatorial Guinea). Algeria (+12.2pts, +62 ranks to 83th) is the only large African economy that saw its social resilience score improve significantly since rising oil revenues helped to increase social spending, strengthen the growth trend and avoid imported fuel and food inflation.

**A look at the indicators of our SRI reveals that almost all African countries score particularly poor in employment metrics.** Labor force participation is relatively low in Africa<sup>5</sup> and among those who have a job, the share of vulnerable employment (those who do not have social protection) is by far the highest compared to other regions. As a result, social unrest, including strikes, is often violent and long-lasting, with significant adverse effects on GDP.

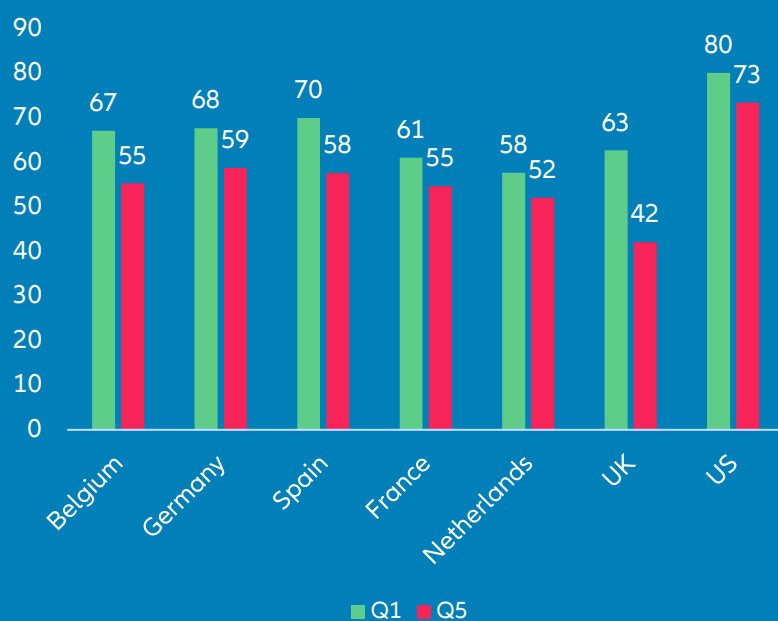
<sup>4</sup> See also our recent economic outlook presentation [The last hike](#), p.6.

<sup>5</sup> Youth unemployment is a particular concern in Africa. For more details see also our recent publication [Going together and going far – Powering Africa's economic and social potential](#), p.23ff.

## Box: Can inflation increase social risk?

The last couple of years have been marked by high inflation and a cost-of-living crisis in advanced economies (AEs). However, inflation does not impact all households equally. Factors such as saving habits, sources of income and regional variations mean that some households are more vulnerable to the adverse effects of inflation than others. And different consumption patterns play the biggest role: The reduction in purchasing power implied by inflation is especially detrimental to households that spend a significant portion of their income on “needs” (i.e. essential goods and services such as food, housing and healthcare). In contrast, households that spend more on “wants” can cut back on non-essential purchases without significantly affecting their quality of life. In most AEs, the 20% of households with the lowest income (Q1) spend significantly more on essentials than the 20% of households with the highest income (Q5, Figure 2).

Figure 2: Spending on essentials\* (% of total)



Note: Essentials include, food, housing (shelter, utilities etc.), transportation and healthcare  
Sources: Eurostat, BLS, Allianz Research

Looking at average inflation based on spending and inflation by product category, we find that it was higher for the first quintile in all countries within our sample in 2022, with the exception of the US. We note that the gap between the poorest and the wealthiest was more pronounced in Belgium (5pps), the Netherlands (3pps), Spain (2pps) and Germany (1pp), while the gap was relatively limited in France and the UK (about 0.1pp for both). Rising prices for essentials, especially for low-income households, could increase social discontent and lead to a shift of voters towards populist and potentially business-unfriendly parties. This is a particular risk in Europe with regard to the upcoming EU election in May 2024 and a challenge for governments, which should address them in the short term.

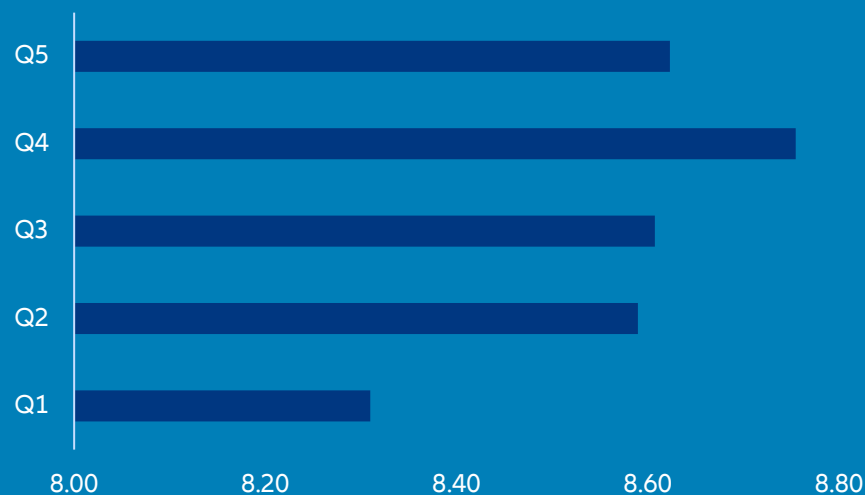
**Figure 3:** Average monthly inflation in 2022 (% y/y)



Sources: Eurostat, BLS, Allianz Research

Unlike in Europe, our findings suggest that the poorest households in the US were better off than the wealthiest ones. However, the middle class (Q3) and the upper middle class (Q4) suffered most from inflation in the US (Figure 4) . They have a higher share of income spent on food than the richest households and they also spend much more on transportation. This could also have political implications in the US ahead of the elections as the middle-class voted primarily for President Biden in 2020.

**Figure 4:** Average monthly inflation in the US in 2022 (% y/y)



Sources: BLS, Allianz Research

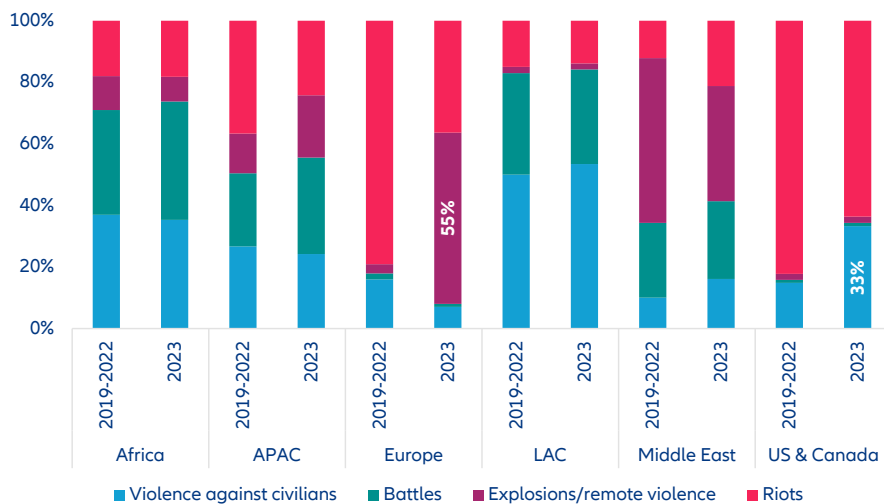


Photo by Pawel Janiak on Unsplash

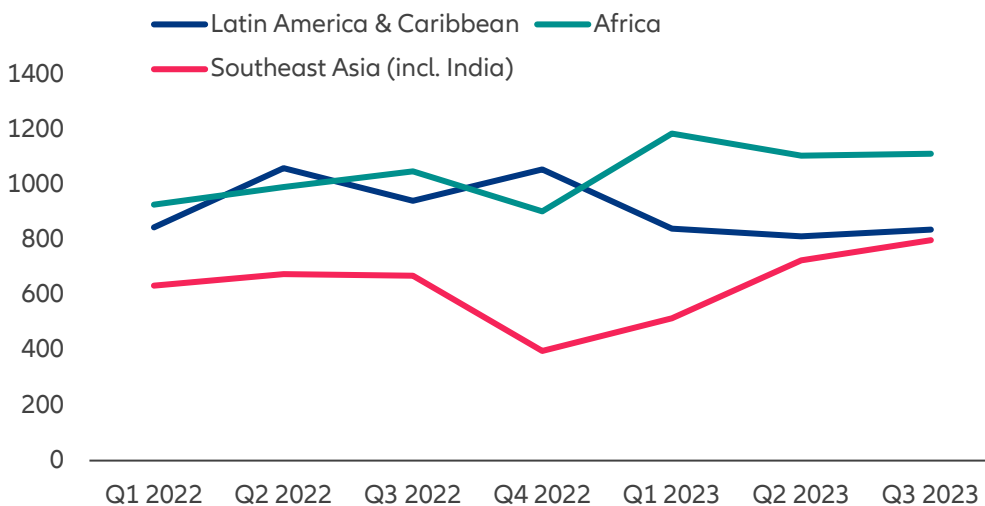
# Evolving patterns of unrest and pivotal elections ahead

**Global governance, democratic institutions and election cycles face intensifying scrutiny, precipitating political violence worldwide.** UN Secretary General António Guterres' warning in March 2022 highlighted a rising wave of military coups and power seizures, fostering a dangerous sense of impunity. From the Capitol Hill attack to the invasion of Ukraine to military coups in Africa, political violence has been mounting and is picking up further as we approach 2024. Simultaneously, nearshoring in and between the Global North, reduced international demand and the hoarding of critical raw materials amplify retrenchment and risks to democratic institutions.

**The nature of political violence changes markedly among regions and countries, while the patterns that lead and follow social unrest have also evolved in recent years.** While Africa is grappling with intra- and interstate conflicts, Europe has seen a surge in remote violence, mostly because of the war in Ukraine (see Figure 5). In North America, we observe a larger share of violence against civilians compared to 2019-2022 average. In the Middle East, diminished interstate conflicts have fueled local protests, though public dissent in some large countries, including Egypt, has remained suppressed since late 2022. As highlighted above, in Central and Eastern Asia, social resilience has decreased and unrest have been on the rise but their nature remains broadly stable, whereas in Central and South America, barring exceptions such as Ecuador and Chile, social resilience has increased and unrest has been decreasing and the nature of political violence events has been stable.

**Figure 5:** Frequency of political violence events by type and region, Jan-Sep 2023

Sources: ACLED, Allianz Research

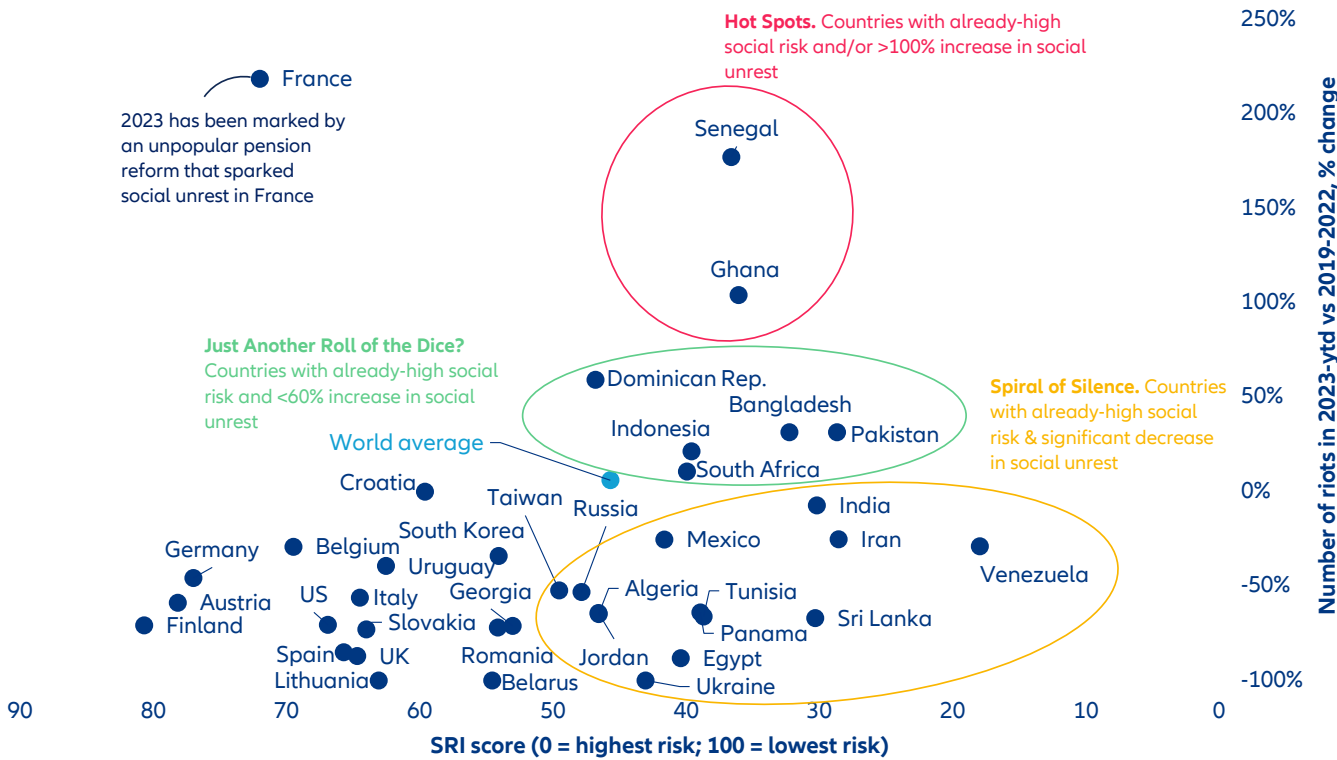
**Figure 6:** Political violence events in Jan-Sep 2023, % deviation from 2019-2022 average

Sources: ACLED, Allianz Research

**In this context, the packed election calendar for 2024 could set the stage for increased social unrest, especially in countries with already-high social risk and a recent increase in social unrest.** In 2024, pivotal elections will be held in countries that together account for 75% of global GDP (including the US, EU, India etc.). Putting our Social Resilience Index ranking against the frequency of riots in 2023, we identify clusters of countries to watch in Figure 7. Countries we label as “Hot Spots” are those with already-high social risk, such as Ghana and Senegal, and/or a recent spike in social unrest compared to the historical average. France emerges as an outlier following the demonstrations against the pension reform in the first half of 2023,

with 457 events in June alone; the frequency has substantially reduced since then, but the increase registered this year comes on top of an already high frequency of such events (304 per year on average between 2019 and 2022 against 170 and 158 in Germany and Italy, respectively). Countries in the “Just Another Roll of the Dice?” cluster have high social risk but a less than +60% increase in social unrest compared to the historical average. However, countries in the cluster we call the “Spiral of Silence” could exhibit increased unrest as their SRI show vulnerabilities and low social resilience.

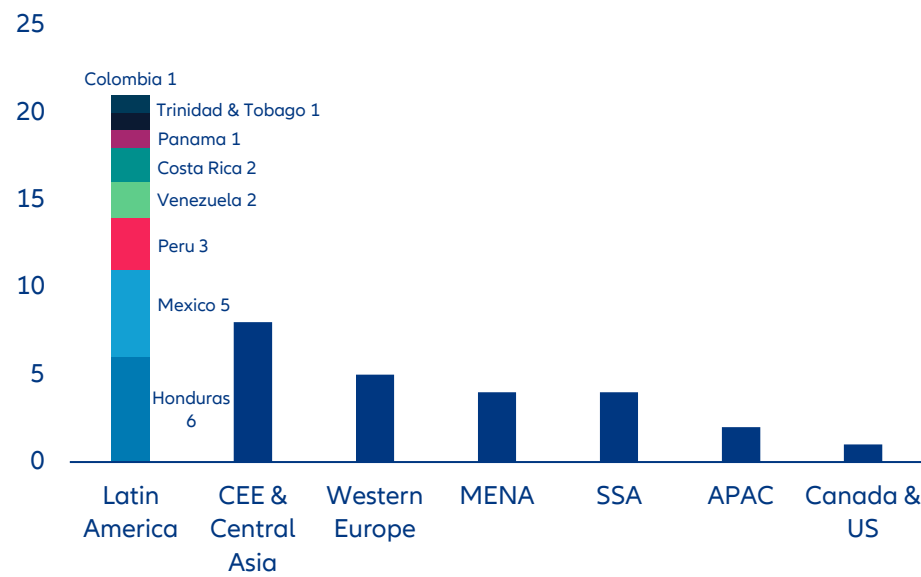
Figure 7: Social Resilience Index (SRI) and frequency of riots in 2023-ytd vs. 2019-2022, selected countries



Sources: ACLED, Allianz Research

**Increasing social unrest could have economic repercussions, stalling much-needed private investments in infrastructure and onshore extractive projects, for example.** In Latin America, where public opinion influences contract revisions, growing investments coexist with challenges arising from arbitrary decisions, which has already led to a spike in international arbitration cases in 2023 (Figure 8). While bilateral agreements with these countries facilitate foreign direct investments, drastic shifts in US trade policies could impact local sectors, heightening social unrest and posing risks to policy predictability.

Figure 8: International arbitration cases registered between January and June 2023, by respondent region/country



Sources: ICSID, Allianz Research



# Increasing social resilience

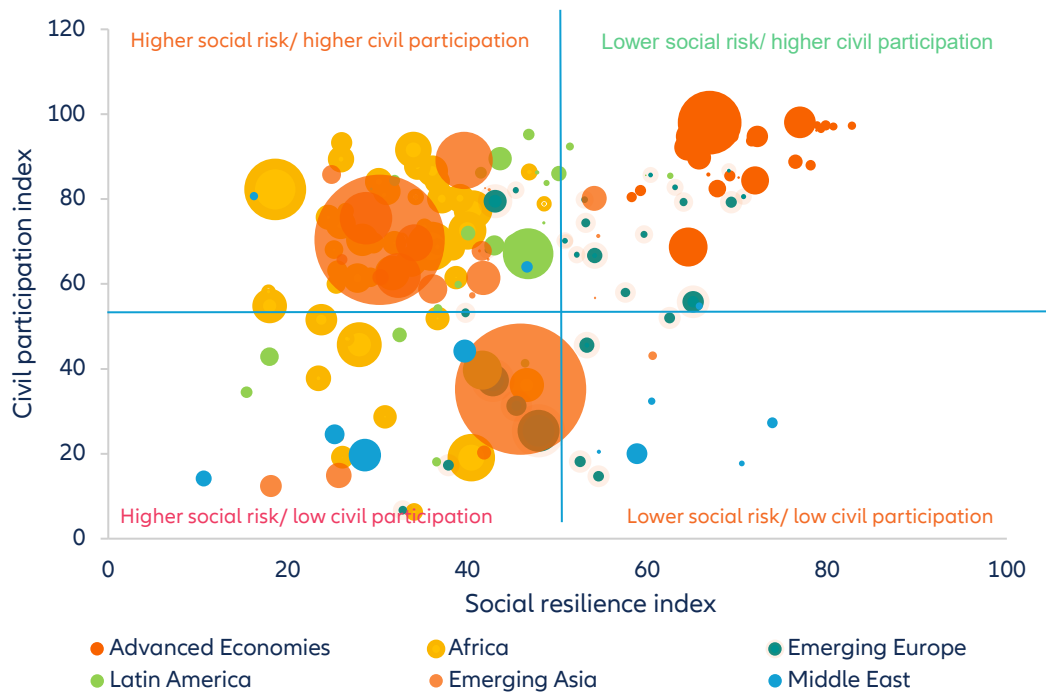
**The relationship between societies, citizens and the public sector is crucial to government effectiveness and crisis response.** In a world facing new and repeated challenges, citizens need to involve themselves in public life to contribute and develop innovative solutions to the pressing issues of our time: climate change, health emergencies, violence, growing inequalities and the just transition. Ideally, citizenship participation increases policymakers' accountability, strengthens their response in times of crises and, ultimately, improves collective welfare. Citizens and policymakers need to rethink how to dialogue, create collective action and participate in decision-making. If the pandemic taught the global community a lesson is that effectiveness relies in coordination at the local, national, regional, and global levels.

**Countries that score high on our SRI tend to have the highest levels of civil participation.** In Figure 9, we plot the World Bank's civil participation index<sup>6</sup> against our Social Resilience Index. We find that countries with high social resilience have the highest levels of civil participation: this list includes Denmark,

Finland, Switzerland and Iceland. Conversely, countries with low social resilience tend to have low levels of civil participation: this includes Iraq, Iran, Syria and Yemen. On the surface, this would support the philosopher Alexis de Tocqueville's theory that the rule of law and government performance are positively correlated with overall political participation. However, this conclusion is simultaneously true and flawed. Professor Russell J Dalton's<sup>7</sup> "participation gap" could offer the missing link that would make Alexis de Tocqueville's democratic principle true. As education and social status are strong predictors of citizens' political engagement, their voices are louder across societies. In an egalitarian society, like those we see in the Nordics, this poses a problem for a very small minority. However, in countries that exhibit large levels of inequality, minority voices are often unheard; as a result, governments fail to meet their needs. To add to this, the rapid digitalization of societies runs the risk of widening the gap further as access to skills and platforms is not widespread. This could increase further social risk.

<sup>6</sup> Which denotes the extent to which major civil society organization are routinely consulted by policymakers, how many people are involved in them, women can participate and candidate nomination for the legislature within parties is decentralized or made through primaries.

<sup>7</sup> Dalton, R. J., & Weldon, S. (2014). *The Participation Gap*. Oxford University Press.

**Figure 9:** Civil participation, social risk, and population (bubble size)

Sources: Our World in Data, World Bank, UN population division, Allianz Research

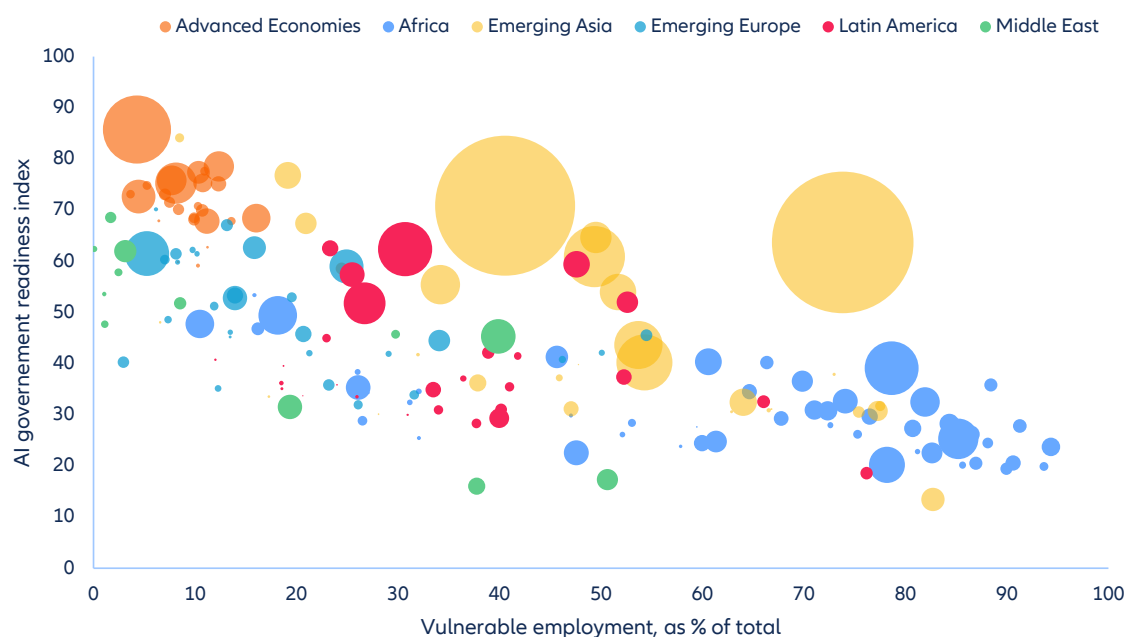
**The rise of artificial intelligence (AI) could further weaken social resilience by increasing job losses and the spread of misinformation.** If it delivers, AI could have huge effects on economic growth. But this would be a double-edged sword: On the one hand, it could bring about lower operational costs and higher productivity, but on the other, it could also create massive labor displacement, job losses and ultimately – higher inequality. Furthermore, the AI revolution leaves a question mark on the path to development for emerging economies. Historically, economies advanced by transitioning from being

agriculturally based to manufacturing-heavy, before evolving towards services-led-economic-growth. With the risk of AI replacing humans in manufacturing and services, it is worth considering whether EMs will be mostly untouched by the AI revolution as is quoted in literature<sup>8</sup>, or whether they will suffer the most with an interruption in the traditional economic development process. In Figure 10, we compare the AI Government Readiness Index<sup>9</sup> with levels of vulnerable employment<sup>10</sup> as a percentage of total employment by country.

<sup>8</sup> Labor Market Exposure to AI: Cross-country Differences and Distributional Implications. (2023). IMF. <https://www.imf.org/en/Publications/WP/Issues/2023/10/04/Labor-Market-Exposure-to-AI-Cross-country-Differences-and-Distributional-Implications-539656>

<sup>9</sup> An index published by Oxford Insights which considers three pillars of government preparedness: technology pillar, data and infrastructure pillar, and the government pillar.

<sup>10</sup> Vulnerable employment is defined by the International Labor Organization (ILO) as being a family worker or self-employed. Having a high share of vulnerable employment could be interpreted as being an agriculture-based economy.

**Figure 10:** AI government preparedness index, vulnerable employment, and population (bubble size)

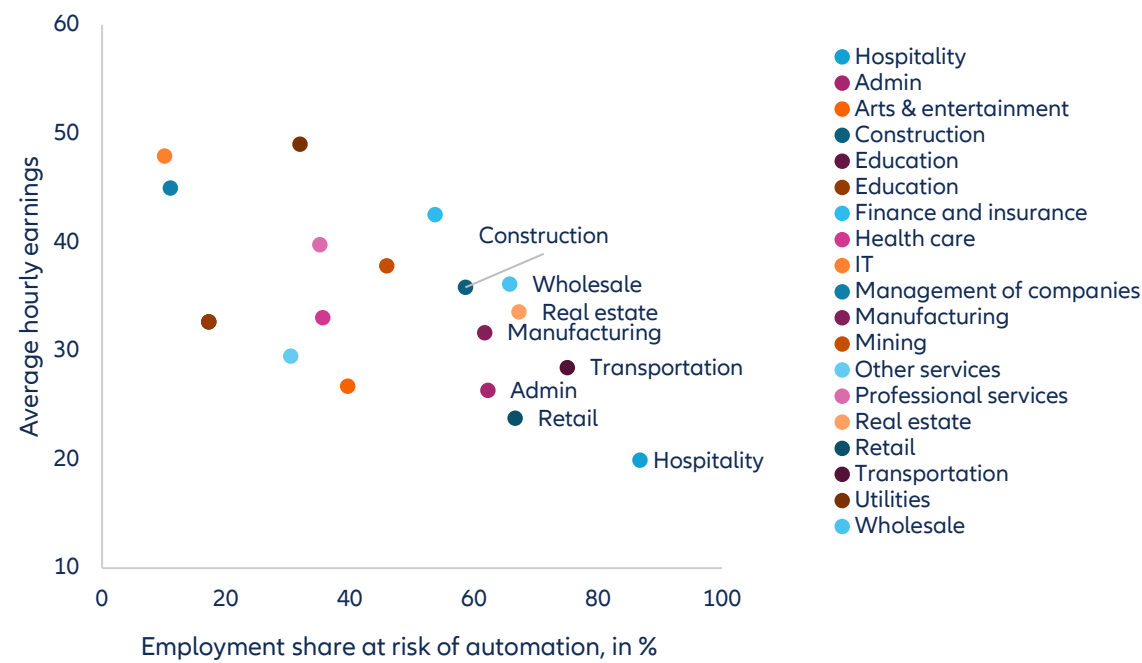
Sources: World Bank, V-Dem, Stanford AI Index, UN population division, Allianz Research

**Despite its reticence to regulate the AI market – unlike the EU, which is currently debating an AI act<sup>11</sup> – the US leads the government readiness index because of its strong technology sector, closely followed by Singapore and the UK.** On the upper left-hand side of Figure 11, we clearly see that advanced economies are both better prepared and have a lower share of workers in vulnerable employment. But since the major impact of the latest developments in AI technology will

be felt in white collar jobs, disproportionately affecting women, high-skilled labor and higher-paid workers, it is worthwhile to consider whether such jobs that are likely to be impacted by AI should also be included in the vulnerable employment category – as seen in Figure 11. In the meantime, government preparedness is the best tool available to avoid the crudest effects of AI automation in labor markets while being best positioned to benefit from AI-led economic growth.

<sup>11</sup> The EU's AI Act includes regulations that focus on the risks of AI, as well as measures to boost transparency and liability. Similarly, China is also introducing regulations that focus on responsibility, privacy, accuracy and misinformation risks – similar to the rules the EU wishes to impose.

Figure 11: Jobs at risk of automation and their hourly earnings, in US (in %)



Sources: OECD, Allianz Research



## Appendix 1: Indicators and methodology of the Social Resilience Index (SRI)

### Indicators

We use twelve indicators for the **SRI** that are readily available for most countries:

1. Real GDP per capita growth trend: We compare the average annual growth in the last three years to the average growth prior to that since 2000. This approach reflects that the potential for social risk can also rise in high-income EMs (such as Chile or in the GCC) and AEs if the (relatively high) level of economic welfare is deteriorating or being perceived to deteriorate.
2. Labor force participation: The higher the share of the labor force in the working-age population, the lower the potential for discontent. This indicator is better than the unemployment rate, which is measured very inconsistently across countries.
3. Income inequality measured by the GINI index.
4. Public social spending on education, health and social protection, which reflects the importance of social policies and networks in a given country.
5. Political stability and absence/presence of violence, reflects together with
6. Government effectiveness and
7. Corruption perception how effective a government is perceived at doing its job.
8. Trust in government indicates the share of people that trust their national government.
9. Vulnerable employment is made up of own-account workers and contributing family workers who are less likely to have social security coverage and to benefit from other forms of social protection.
10. Imports of food and fuels as % of GDP reflects together with
11. Currency depreciation the scope for imported inflation, notably for foodstuffs and energy, which is a typical trigger for social discontent.
12. Fiscal revenue as % of GDP captures a government's capability to respond with fiscal stimulus to crises.

### Methodology

To make the data comparable across indicators, each of them was rescaled from 0 to 100 with 0 denoting the lowest resilience/higher risk and 100 the highest resilience/lower risk. Then the SRI was calculated as the average of the sub-indicators, thus also ranging between 0 and 100. Note that in 2023, we renamed the indicator social resilience index (from social risk index) to reflect the scoring system more appropriately, but the methodology remained unchanged.

## Appendix 2: Social Resilience Index (SRI) ranking and score

**Figure 12:** Social Resilience Index (SRI) ranking (from 1 = best to 185 = worst) and score (from 0 = highest risk to 100 = lowest risk)

Rank	Economy	SRI score	SRI score change	Rank change	Rank	Economy	SRI score	SRI score change	Rank change
1	Denmark	82.7	-1.8	0	51	Dominica	56.2	+1.1	+2
2	Finland	80.7	-0.9	+3	52	Bahrain	54.6	+3.3	+17
3	Switzerland	79.8	-2.1	+1	53	Belarus	54.6	+7.1	+37
4	Iceland	79.7	+2.7	+6	54	Timor	54.5	+6.3	+28
5	Ireland	79.3	+2.8	+7	55	Maldives	54.2	+3.4	+15
6	Norway	78.9	-5.3	-4	56	Romania	54.1	+1.2	+7
7	Luxembourg	78.8	+1.6	+2	57	South Korea	54.1	-8.6	-19
8	Austria	78.2	-0.1	0	58	Kazakhstan	53.3	+2.8	+13
9	Germany	77.0	-1.9	-2	59	Bulgaria	53.1	-1.3	0
10	Netherlands	76.5	+3.3	+5	60	Georgia	53.0	+11.7	+51
11	United Arab Emirates	73.9	+12.1	+31	61	Hong Kong	52.9	-1.8	-4
12	Canada	72.2	-4.7	-1	62	Azerbaijan	52.5	+3.4	+15
13	France	72.0	-0.5	+4	63	Albania	52.1	+0.7	+5
14	New Zealand	71.8	-9.0	-8	64	Tuvalu	51.8	-16.3	-39
15	Sweden	71.6	-10.5	-12	65	Palau	51.4	-1.2	-1
16	Slovenia	70.7	-1.3	+4	66	Costa Rica	51.4	+3.5	+20
17	Qatar	70.5	+1.7	+7	67	Montenegro	50.9	-4.1	-13
18	Malta	70.2	-0.3	+5	68	Armenia	50.8	+3.4	+24
19	Belgium	69.5	-2.2	+2	69	Chile	50.1	-0.2	+3
20	Czechia	69.3	-2.7	-1	70	Grenada	50.0	-0.1	+4
21	Portugal	69.2	-3.1	-3	71	Taiwan	49.5	-3.8	-10
22	Estonia	69.1	-4.1	-6	72	Jamaica	48.8	+9.8	+53
23	Australia	67.8	-5.5	-9	73	Mauritius	48.5	+1.2	+21
24	United States	66.9	+2.8	+11	74	Guyana	48.5	+0.4	+9
25	Cyprus	66.8	+0.0	+3	75	St Lucia	48.4	+5.8	+30
26	Kuwait	65.8	+2.0	+10	76	Antigua & Barbuda	47.9	-3.8	-9
27	Spain	65.7	-1.4	0	77	Russia	47.9	-2.1	-2
28	Poland	65.1	+3.1	+13	78	Trinidad & Tobago	47.7	+0.2	+10
29	United Kingdom	64.7	-6.1	-7	79	Botswana	46.8	-5.1	-14
30	Japan	64.5	-11.5	-17	80	Dominican Republic	46.8	+6.7	+43
31	Italy	64.5	+0.2	+3	81	Brazil	46.7	+11.5	+61
32	Slovakia	64.0	-3.4	-6	82	Jordan	46.6	-2.1	-3
33	Lithuania	63.1	-3.3	-3	83	Algeria	46.6	+12.2	+62
34	Uruguay	62.5	+7.7	+22	84	El Salvador	46.4	+2.3	+16
35	Hungary	62.5	-2.5	-2	85	Tonga	46.0	-9.3	-33
36	Kiribati	60.7	-5.1	-4	86	Belize	46.0	+5.7	+35
37	Singapore	60.6	-1.0	+6	87	China	45.9	-8.8	-29
38	Oman	60.5	-5.9	-7	88	North Macedonia	45.8	-6.1	-22
39	Latvia	60.3	-1.9	+1	89	Uzbekistan	45.4	+0.3	+8
40	Bahamas	60.0	+3.6	+9	90	Colombia	45.4	+13.4	+61
41	Seychelles	59.9	+4.5	+10	91	Moldova	45.4	-2.1	0
42	Barbados	59.8	+2.1	+6	92	Argentina	43.6	+5.2	+38
43	Croatia	59.6	-1.5	+2	93	Cape Verde	43.4	-10.4	-33
44	Micronesia	59.5	-3.9	-7	94	Samoa	43.3	-12.3	-44
45	Greece	59.2	-2.0	-1	95	Ukraine	43.1	-5.4	-14
46	Saudi Arabia	58.8	+3.8	+9	96	Peru	43.0	+11.9	+58
47	Brunei	58.8	-3.5	-8	97	Türkiye	42.8	+2.6	+25
48	Israel	58.2	-8.3	-19	98	Fiji	42.4	-5.5	-13
49	Serbia	57.6	-2.0	-3	99	Solomon Islands	42.3	-5.1	-6
50	St Vincent & the Grenadines	57.0	-0.8	-3	100	Bosnia & Herzegovina	42.2	+1.5	+16

A photograph showing a group of diverse hands of various skin tones stacked on top of each other, resting on a thick, textured tree branch. The background is a lush green forest with sunlight filtering through the leaves. The text "Our team" is overlaid in the center, with "Our" in white and "team" in orange.

# Our team

## Chief Economist Allianz SE



Ludovic Subran  
[ludovic.subran@allianz.com](mailto:ludovic.subran@allianz.com)

## Head of Economic Research Allianz Trade



Ana Boata  
[ana.boata@allianz-trade.com](mailto:ana.boata@allianz-trade.com)

## Head of Insurance, Wealth & Trend Research Allianz SE



Arne Holzhausen  
[arne.holzhausen@allianz.com](mailto:arne.holzhausen@allianz.com)

---

## Macroeconomic Research



Maxime Darmet Cucchiarini  
Senior Economist for US & France  
[maxime.darmet@allianz-trade.com](mailto:maxime.darmet@allianz-trade.com)



Roberta Fortes  
Senior Economist for Ibero-Latam  
[roberta.fortes@allianz-trade.com](mailto:roberta.fortes@allianz-trade.com)



Jasmin Gröschl  
Senior Economist for Europe  
[jasmin.groeschl@allianz.com](mailto:jasmin.groeschl@allianz.com)



Françoise Huang  
Senior Economist for Asia Pacific  
[francoise.huang@allianz-trade.com](mailto:francoise.huang@allianz-trade.com)



Maddalena Martini  
Senior Economist for Italy & Greece  
[maddalena.martini@allianz.com](mailto:maddalena.martini@allianz.com)



Luca Moneta  
Senior Economist for Africa & Middle East  
[luca.moneta@allianz-trade.com](mailto:luca.moneta@allianz-trade.com)



Manfred Stamer  
Senior Economist for Middle East &  
Emerging Europe  
[manfred.stamer@allianz-trade.com](mailto:manfred.stamer@allianz-trade.com)

---

## Corporate Research



Ano Kuhanathan  
Head of Corporate Research  
[ano.kuhanathan@allianz-trade.com](mailto:ano.kuhanathan@allianz-trade.com)



Aurélien Duthoit  
Senior Sector Advisor, B2C  
[aurelien.duthoit@allianz-trade.com](mailto:aurelien.duthoit@allianz-trade.com)



Maria Latorre  
Sector Advisor, B2B  
[maria.latorre@allianz-trade.com](mailto:maria.latorre@allianz-trade.com)



Maxime Lemerle  
Lead Advisor, Insolvency Research  
[maxime.lemerle@allianz-trade.com](mailto:maxime.lemerle@allianz-trade.com)

---

## Capital Markets Research



Jordi Basco Carrera  
Lead Investment Strategist  
[jordi.basco\\_carrera@allianz.com](mailto:jordi.basco_carrera@allianz.com)



Bjoern Griesbach  
Senior Investment Strategist  
[bjoern.griesbach@allianz.com](mailto:bjoern.griesbach@allianz.com)



Pablo Espinosa Uriel  
Investment Strategist, Emerging  
Markets & Alternative Assets  
[pablo.espinosa-Uriel@allianz.com](mailto:pablo.espinosa-Uriel@allianz.com)

---

## Insurance, Wealth and Trends Research



Michaela Grimm  
Senior Economist,  
Demography & Social Protection  
[michaela.grimm@allianz.com](mailto:michaela.grimm@allianz.com)



Patricia Pelayo-Romero  
Senior Economist, Insurance & ESG  
[patricia.pelayo-romero@allianz.com](mailto:patricia.pelayo-romero@allianz.com)



Kathrin Stoffel  
Economist, Insurance & Wealth  
[kathrin.stoffel@allianz.com](mailto:kathrin.stoffel@allianz.com)



Markus Zimmer  
Senior Economist, ESG  
[markus.zimmer@allianz.com](mailto:markus.zimmer@allianz.com)

# Recent Publications

19/10/2023 | [What to watch](#)  
 18/10/2023 | [Global Insolvency Outlook 2023-25](#)  
 13/10/2023 | [What to watch](#)  
 12/10/2023 | [Going together and going far – Powering Africa’s economic and social potential](#)  
 04/10/2023 | [Global Economic Outlook 2023-2025: The last hike?](#)  
 26/09/2023 | [Allianz Global Wealth Report 2023: The next chapter](#)  
 21/09/2023 | [All eyes on fiscal in the Eurozone](#)  
 14/09/2023 | [Germany needs more than a plan](#)  
 12/09/2023 | [Sector Atlas](#)  
 07/09/2023 | [A slow landing for china](#)  
 05/09/2023 | [Is diversification dead?](#)  
 04/08/2023 | [Global boiling: Heatwave may have cost 0.6pp of GDP](#)  
 01/08/2023 | [Critical raw materials- Is Europe ready to go back to the future?](#)  
 28/07/2023 | [US & Eurozone growth defying gravity](#)  
 27/07/2023 | [Playing with a squared ball: the financial literacy gender gap](#)  
 21/07/2023 | [US immaculate disinflation: How much should we thank the Fed for?](#)  
 20/07/2023 | [Back to the beach: Tourism rebound in Southern Europe?](#)  
 13/07/2023 | [A new Eurozone doom loop?](#)  
 12/07/2023 | [European Retail: a cocktail of lower spending and tighter funding](#)  
 06/07/2023 | [Eurozone converge: two steps forward, one step back](#)  
 04/07/2023 | [More emission, than meet the eye: Decarbonizing the ICT sector](#)  
 29/06/2023 | [De-dollarization? Not so fast..](#)  
 27/06/2023 | [Toasted, roasted and grilled? Walking the talk on green monetary policy](#)  
 20/06/2023 | [Climbing the wall of worries - Summer Economic Outlook](#)  
 16/06/2023 | [Automotive industry unpugged ?](#)  
 14/06/2023 | [Biodiversity loss part II: portfolio impacts and A quantitative case study on pollination abatement measures](#)  
 09/06/2023 | [Past the peak – European corporate margins down again?](#)  
 07/06/2023 | [The right to work versus the right to retire](#)  
 02/06/2023 | [Sector vulnerability to rising financing costs](#)  
 01/06/2023 | [Allianz Trade Global Survey 2023: Testing resilience](#)  
 25/05/2023 | [European commercial real estate – selectivity matters!](#)  
 17/05/2023 | [Allianz Global Insurance Report 2023: Anchor in turbulent times](#)  
 17/05/2023 | [G7 summit in Japan could trigger new protectionism phase](#)  
 11/05/2023 | [Bank of England: First to hike, last to pause and pivot](#)  
 09/05/2023 | [The Chinese challenge to the European automotive industry](#)  
 05/05/2023 | [European housing – home, \(un\)sweet home?](#)  
 03/05/2023 | [No quick wins: more jobs but little productivity in the Eurozone](#)  
 28/04/2023 | [Policy rate decisions: the end of the beginning or the beginning of the end?](#)  
 26/04/2023 | [Unpacking returns on equity](#)  
 21/04/2023 | [Commercial real estate concerns for US banks](#)

Discover all our publications on our websites: [Allianz Research](#) and [Allianz Trade Economic Research](#)


**Director of Publication**

Ludovic Subran, Chief Economist  
Allianz SE  
Phone +49 89 3800 7859

**Allianz Group Economic Research**

[https://www.allianz.com/en/economic\\_research](https://www.allianz.com/en/economic_research)  
Königinstraße 28 | 80802 Munich | Germany  
[allianz.research@allianz.com](mailto:allianz.research@allianz.com)

 @allianz

 allianz

**Allianz Trade Economic Research**

<http://www.allianz-trade.com/economic-research>  
1 Place des Saisons | 92048 Paris-La-Défense Cedex | France  
[research@allianz-trade.com](mailto:research@allianz-trade.com)

 @allianz-trade

 allianz-trade

**About Allianz Research**

Allianz Research comprises Allianz Group Economic Research and the Economic Research department of Allianz Trade.

**Forward looking statements**

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) per-sistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors

**No duty to update**

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law. may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

Allianz Trade is the trademark used to designate a range of services provided by Euler Hermes