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ALLIANZ RESEARCH

SOCIAL RISK INDEX: LEAVE THE DOOR OPEN FOR DEVELOPMENT

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EXECUTIVE SUMMARY



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- The Covid-19 crisis has widened the gap between advanced economies (AEs) and emerging markets (EMs) when it comes to systemic social risk¹.** Our Social Risk Index (SRI) identifies countries particularly vulnerable to systemic social risk, including events such as anti-government protests and other incidents that could become game-changers for politics and policymaking, as well as business and investment decisions. In 2021, systemic social risk declined for AEs overall, with the four Nordic countries and Switzerland making up the top five of our ranking. However, there are four exceptions (the US, France, Portugal and Greece) that experienced a deterioration in their SRI score. And in EMs overall, systemic social risk has risen: While Estonia (rank 16), Czechia (19th) and Slovenia (20th) are the best-ranked EMs, Congo DR, Sudan, Afghanistan, Nigeria and Zimbabwe exhibit the highest levels of social risk. Congo DR and Afghanistan have also experienced some of the largest deteriorations over the past one and a half years, along with Myanmar and Peru.
- Taking stock of Covid-19 economic policy responses, we found soft evidence that on trend social risk mostly declined in countries (i) with a strong fiscal response and/or (ii) where unemployment was kept in check, and vice versa.** Diving deeper, we find that if labor market policies to tackle Covid-19 were implemented predominantly through support to firms, as seen in most low- and lower-middle-income economies, then any substantial change in social risk can be attributed to the choice of Covid-19 interventions. In this context, the policy response does not appear to have paid off in countries such as Ukraine, the Philippines and Sri Lanka. In contrast, if policies to tackle Covid-19 included a significant share of direct job-protection measures and cash transfers, as seen in most upper-middle- and high-income economies, then any substantial change in social risk is more attributable to underlying vulnerabilities or strengths than to the Covid-19 response. In this context, countries such as Belarus, Lebanon and Peru are clearly facing underlying vulnerabilities that more than offset any positive effects of Covid-19 policy response.
- As governments work to build stronger institutions after the Covid-19 crisis, there are three priorities to focus on to minimize social risks in the future: food security, gender inequality and income inequality.** Global food prices have surged by +43% since the beginning of the pandemic, and 70-161 million additional people are estimated to have experienced food deprivation during the crisis. In this context, a deep change in the global food and agriculture system is needed if we are to nourish the portion of the population that is hungry today and the additional 2bn people the world will have by 2050. Gender equality also took a hit after Covid-19, with violence against women and girls increasing in many parts of the world, and holes in social protection amid rising poverty leaving women more vulnerable than men. In this context, recovery programs should take into account gender consequences, removing legal barriers against women and reinforcing efforts to protect them from violence. Finally, rising income inequality in both developed and developing countries requires governments to rebuild and rethink the design and implementation of traditional public intervention in labor markets, social insurance and other social policies.

¹This paper provides an update of the Social Risk Index (SRI) that we created in spring 2020. The SRI comprises structural determinants that measure underlying strengths, weaknesses and the perceptions of political, institutional and social frameworks for 185 countries (a widening of the scope from the 102 countries we analyzed in 2020), ranking them with a score between 0 (highest risk) and 100 (lowest risk). The SRI neither measures the probability of a social crisis nor predicts the next social unrest event. It is rather a vulnerability indicator that focuses on the longer term structural determinants of social risk.



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84.5

**Denmark scores best in
our Social Risk ranking for 2021.**

SOCIAL RISK AND THE RECOVERY

FROM COVID-19

Even before Covid-19 upended our lifestyles, social and political risk were already on the rise in a number of countries and regions, largely due to the mismanagement of social protection. As advanced and emerging economies try to “build back better”, protecting the most vulnerable and those previously forgotten by the economic engine should also be a priority. In development economics, there are five pillars for prosperity: education, health, social and cultural amenities, environmental quality and access to information and communication technology and transportation (ICT)². Addressing these pillars in underserved communities will help the global community not only build back better, but also build back stronger, safe and sustainable.

We will analyze these pillars in the context of our proprietary **Social Risk Index** (SRI) which we developed and introduced in spring 2020. The 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. This

year, we have broadened the scope of the SRI to 185 economies (from 102 in the 2020 analysis) i.e. nearly all sovereign countries. We identify countries and regions that experienced a significant change in their level of systemic social risk in the course of the pandemic, for better or worse, and take stock of the economic policy responses. For details on the methodology of the Social Risk Index, see Appendix 1.

Advanced economies: The unprecedented response paid off

What may surprise some readers is that systemic social risk in AEs as a whole declined during the first 18 months of the pandemic, according to our analysis. The average SRI score of 26 AEs has gone up +3.0 points to 74.2 in December 2021 (see Figure 1). A look at the components of the SRI puts this in perspective. AEs have experienced a marked decline in the real GDP per capita growth trend and a moderate decrease in the labor force participation rate. Both reflect the impact of the Covid-19 crisis on economies and employment. But the negative impact on these two components was more than compensated by increases in the scores for public social spending (as a percentage of GDP),

imports of food and fuel (in % of GDP) and currency depreciation. Thanks to massive fiscal stimulus measures, all AEs could provide better social protection than many EMs. Imports of food and fuel were upheld during the pandemic as needed in AEs – in contrast to many poorer countries which could not afford that – while nominal GDP shrank in 2020. Moreover, relative stable currencies vs. the USD were also supportive for imports and relative social peace in AEs. The other seven, mostly more structural components of the SRI remained relatively stable over the past one and a half years in AEs.

All AEs are ranked among the best 44 out of 185 economies, almost unchanged from June 2020 when they were all among the top 43 (see Figure 10 in Appendix 2 for the overall scores and rankings). Denmark defended its lead with a SRI score of 84.5 out of a maximum of 100, followed by its three Nordic neighbors and Switzerland. Germany is ranked seventh (down from rank five in 2020 despite an improvement by 2.4pts to a SRI score of 78.8). The labor force participation rate did not deteriorate in Germany, thanks to the generous “Kurzarbeit” scheme, but government effectiveness declined, albeit from a high level.

This may reflect the comparatively poorer handling of the impact of the pandemic since the beginning of the second wave in October 2020. Meanwhile, the biggest leaps in social risk reduction were registered in New Zealand (rank six, up from 14) and Australia (rank 14, up from 32), suggesting that successful lockdown measures to contain the spread of Covid-19 may have been well received by the populations.

Among the 26 AEs, there are four exceptions (France, Portugal, the US and Greece) that experienced a deterioration in their SRI score in autumn 2021 as compared to spring 2020. France dropped to rank 17 (down from rank nine in 2020 as the score fell -1.7pts to 72.5). Divergent from the average AE pattern, France saw significant increases in income inequality and perceived corruption as well as a decrease in government effectiveness. Positively, however, political stability increased somewhat (though the score is still moderate at 56.6). Portugal dropped to rank 18 (from 10), experiencing a steeper decline in labor force participation than the average AE and at the

same time deteriorating political stability, government effectiveness and perceived corruption. The US suffered the same deteriorations as Portugal but more pronounced and saw the steepest fall among AEs to rank 35 (from 27, -2.3pts). As seen last year, Greece exhibited the highest vulnerability to social risk among AEs. It slipped down one rank to 44th (slightly down -0.2pts). Differing from the average AE, Greece is facing a higher share of imports of food and fuel in relation to GDP and this dependence increased markedly during the pandemic, adversely affecting the score. However, the country experienced moderate improvements in income equality, government effectiveness and perceived corruption.

Emerging markets: Increased disparities

Systemic social risk in EMs as a whole has risen, and the high regional disparity that we discovered in 2020 has further increased. However, the ranking among EM regions remains unchanged (see Figure 1).

Emerging Europe

On a regional basis, overall social risk has remained comparatively moderate and unchanged over the past 18 months in Emerging Europe. However, there is a big intra-regional divide between richer and poorer countries. Nine of the 11 EU member states in the region have a SRI score of more than 60 and are on par with many AEs. This suggests that EU membership not only enhances prosperity but also social stability³. Bulgaria and Romania are the exceptions, with SRI scores below 55. These two countries are the poorest EU members and they score particularly badly with regard to trust in government. This is reflected in the ongoing frequent government changes before the end of legislative periods and, in 2021, also in very low vaccination rates, despite sufficient access to jobs. Generally, most of the EU member states have also experienced a decline in social risk over the past 18 months (and thus an increase in their SRI scores). This can be attributed to strong fiscal stimulus (in the form of social spending), protection of the labor market and relative currency stability.

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

Economy	SRI score	SRI score change	Rank change
Advanced Economies	74.2	+3.0	0
Emerging Europe	53.0	+0.0	0
Emerging Asia	47.6	-1.0	0
Middle East	46.4	-0.8	0
Latin America	41.8	-5.0	0
Africa	36.0	-1.5	0
Global average	47.8	-1.1	

Sources: Various, Euler Hermes, Allianz Research

³ See our recent report [The middle income trap: inequality across countries after Covid-19](#) which shows that most of the successful transitions of economies from the middle-income to the high-income level since 1995 are found among EU member states, including five countries in Central and Eastern Europe.

Higher social risk in Emerging Europe is a given in most CIS+ countries, some Balkan states and Turkey. Among the larger countries, Serbia scores relatively well with a SRI of 59.6 and rank 46. But Russia (rank 75) Ukraine (81) and Turkey (122) all have a SRI score of 50 or below, with sharp currency depreciations during the pandemic adding to the declines in consumers' purchasing power. Apart from Turkmenistan, Kyrgyzstan and Tajikistan, Turkey remains the country most vulnerable to social risk in the region.

Emerging Asia

Emerging Asia continues to rank second on overall social risk at the regional level. The average regional SRI score decreased only slightly by -1.0pt to 47.6 over the past one and a half years. South Korea, China, Singapore, Hong Kong and Vietnam saw a significant decline in systemic social risk, likely for the same reasons as New Zealand and Australia, namely successful lockdown measures to contain Covid-19 (at least for a long time). Vietnam thus escaped the group of populous countries in the region with significant vulnerability to systemic social risk. India, Indonesia, the Philippines, Bangladesh, Sri Lanka and Pakistan remained in this group and Thailand joined it after a drop by -8.2pts in its SRI score since June 2020. The increase in social risk in Thailand reflects a sharp decline in real per capita income, exacerbated by a steep currency depreciation, decreased fiscal revenues and low social spending, as well as weakened governance indicators. In the region, Thailand's drop in the SRI was only trumped by Laos (-10.6 pts), Afghanistan (-14.5 pts) and Myanmar (-14.9 pts). The two latter countries already posted poor SRI scores in 2020, suggesting high social risk, and the slump in this year's scores obviously

reflects the serious deterioration of their respective political situations.

Middle East

The Middle East region's average SRI score has declined slightly by -0.8pts since spring 2020 to 46.4, keeping the region close on the heels of Emerging Asia. However, the disparity of systemic social risk between the six GCC member states and the six non-GCC states has further increased since the beginning of the pandemic. The GCC states have SRI scores between 51.3 (Bahrain, rank 69) and 68.7 (Qatar, rank 24), suggesting moderate to low risk. All of them are high-income economies and, like AEs, they all experienced a slight decline in social risk, mainly reflecting more stable real per capita incomes compared to other EMs, thanks to stable exchange rates (currency boards) and low inflation rates.

Among the non-GCC states, Iraq and Lebanon saw the largest declines in their SRI scores. The two countries also experienced the sharpest real GDP contractions in 2020, by -15.7% and -25%, respectively. Iraq's SRI score dropped -10.1pts to 29.5, lowering the country to rank 162 (from 135) in our analysis. This was mainly driven by two developments: (i) the shift from a small double surplus in the fiscal and current accounts to a huge double deficit in 2020 amid low oil prices and (ii) the -18.5% devaluation of the Iraqi dinar at the turn of the years 2020 and 2021, which led to a +20% increase of the prices of basic foodstuffs. The former triggered the latter and also caused a low level of social spending to mitigate the impact of Covid-19. Meanwhile, Lebanon's SRI fell -8.8pts to 28.7, moving it to rank 166 (from 148). This reflects the full breadth of the domestic political, economic and financial crises ongoing in the country: economic activ-

ity and labor force participation have plunged, governance indicators fell substantially and the purchasing power of consumers dropped dramatically due to the currency decline.

Latin America

Latin America is the region where systemic social risk has deteriorated the most, indicated by the -5.0pts fall in the average regional SRI score to 41.8. This is not surprising in the context of its sharp currency depreciations and often weak government responses to the pandemic. Only six out of 31 countries have recorded a better SRI score this year: Chile, Mexico and four small economies with minor improvements which nevertheless remain in the high social risk category. Chile and Mexico have both improved by +3.5pts, thanks to increased fiscal revenues and social spending, a decline in perceived corruption (though the level remains very high in Mexico) and a smaller currency depreciation as compared to the spring 2020 survey, such that prices for essential goods have not increased as much as elsewhere. Sentiment in Chile may also have benefited from the rapid vaccination rollout in the country. However, while Chile's overall SRI score has moved above the 50 points mark and the country is assigned rank 72 in this survey (up from 96), Mexico continues to face high social risk with a SRI score of 36.4 and rank 136 (up from 160), even though it has overtaken Brazil (rank 142), Colombia (rank 151) and Peru (rank 154). The latter is the biggest loser in the region over the past 18 months, having dropped -13.6pts to a score of 31.0, trailed in the region only by Nicaragua, Venezuela and Haiti. Peru's fall reflects a sharp currency depreciation, lower fiscal space and spending and weakened governance indicators.

This has occurred against the backdrop of the presidential election in March 2021, which was heavily contested and marked by strong instability as the opponent claimed victory over the current president, the far-left Pedro Castillo. Although the situation has improved, there is still a heightened risk of political instability and the policy shift presents new risks to firms. Castillo's election has already led to substantial capital flight and contributed to the depreciation of the Peruvian sol.

Overall, the sharp deterioration in systemic social risk in Latin America, spread over many countries, suggests that more public protests cannot be ruled out in the region over the next two years or so.

Africa

Systemic social risk remains the highest in Africa according to our updated analysis. However, it has not substantially increased during the pandemic. The continent continues to be the weakest region with an average score of just 36.0, slightly down by -1.5pts compared to spring 2020. Only three out of the 53 African countries score above 50.0: Seychelles (rank 51, up from 111, thanks to a +12.0pts improvement), Cape Verde (rank 60) and Botswana (65). The next best ranked countries in the region are Egypt (78), Namibia (84) and South Africa (88), with the two latter making big leaps in the SRI score over the past 18 months (+7.9 and +6.4pts, respectively). This may be surprising at first sight, espe-

cially the case of South Africa. The main driver of the improvement was a strong recovery of the closely correlated currencies of the two countries after the initial shock at the beginning of the pandemic, which has helped to contain imported inflation. Additionally, increased social spending has been supportive.

On a negative note, seven of the 10 worst-ranked countries are in Africa. These include failed states such as Congo DR, Sudan, South Sudan and Zimbabwe, but also the major oil exporters Angola and Nigeria, which have not been able to turn windfall oil revenues into economic welfare for the entire population.



Photo by Markus Spiske on Unsplash

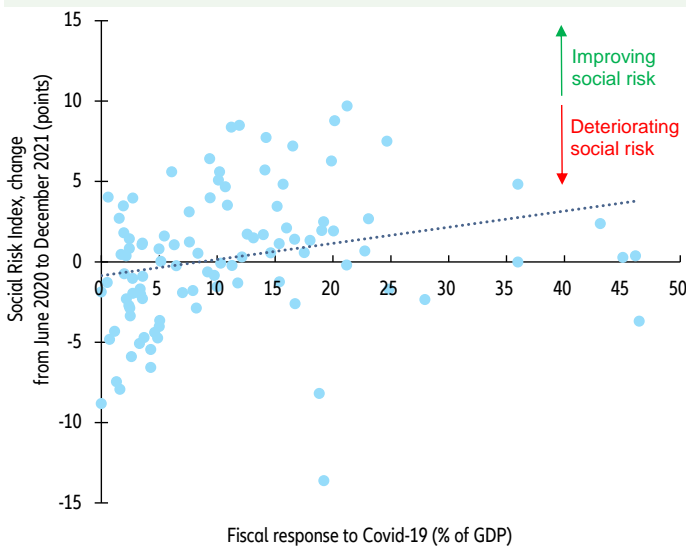
DRAWING THE BALANCE OF COVID-19 ECONOMIC POLICY RESPONSES

Looking at social risk in the context of countries' fiscal responses to Covid-19 suggests that there is a loose correlation of +25% between the size of countries' fiscal stimulus measures and the change in our SRI scores across our sample of 185 countries (see Figure 2).

This indicates that on trend social risk mostly declined in countries with a strong fiscal response and vice versa. Moreover, looking at social risk in the context of rising unemployment in 2020-2021, we find a loose negative correlation of -24% between the

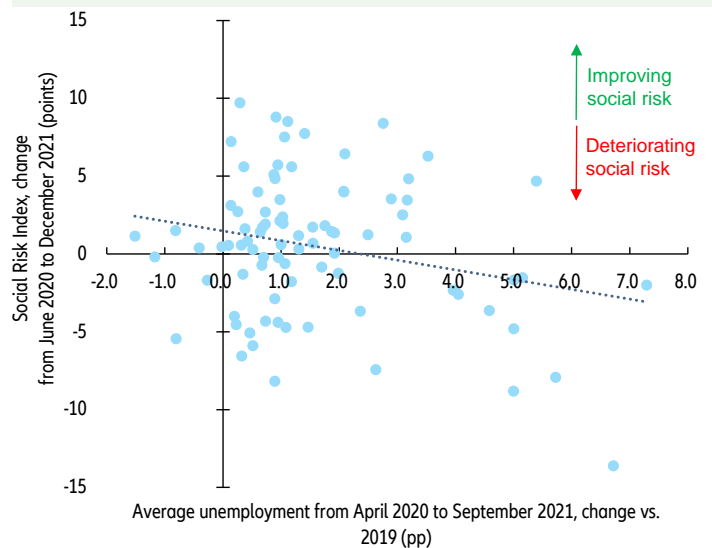
change in unemployment and the change in our SRI scores (see Figure 3). This means that, on trend, the more the unemployment rate rose, the more social risk increased, and vice versa.

Figure 2: Correlation between the fiscal response to Covid-19 and changes in the SRI



Sources: Various, Euler Hermes, Allianz Research

Figure 3: Correlation between changes in unemployment and in the SRI



Sources: Various, Euler Hermes, Allianz Research

While these correlations are not surprising in general, their relative weakness raises the question of whether the shape and choices of Covid-19 interventions also play a role with regard to their impact on changes in social risk. In other words, can changes in social risk be attributed to Covid-19 responses or rather to underlying vulnerabilities/strengths.

Apart from a range of public health and containment measures, governments around the world have responded to the Covid-19 crisis with numerous social, financial and macroeconomic policies to mitigate the economic impact of the pandemic. Labor market and social security policies have been a key component of the response in both AEs and EMs. These interventions have targeted workers (the supply side) and firms (the demand side) as well as the regulatory framework of the labor market. While the latter affects both workers and firms, they are implemented through firms and are primarily aimed at helping them to survive; hence they can be considered as demand-side measures as well.

A study by the World Bank showed that labor market policies in developing economies have primarily focused on the demand side, especially on providing firms with liquidity and increasing regulatory flexibility⁴. These measures comprise 77% of all interventions launched in 55 economies that represent 80% of the population of all low- and middle-income countries. And all but one of these 55 economies have implemented at least one such measure.

In contrast, less than 40% of these 55 countries have introduced policy measures directly aimed at increasing the disposable incomes of workers and the unemployed (such as wage subsidies, unemployment benefits, income tax reduction or public works). Moreover, the World Bank study showed that poorer developing economies have implemented less of such measures than richer ones. This pattern can be extended to AEs, which have implemented more numerous direct government support measures for workers than EMs – on top of large-scale measures for businesses.

Under the assumption that the supply-side labor market policies have a greater positive impact on the sentiment of workers and people in general than demand-side policies, it can be concluded from the findings of the World Bank study that:

1. If labor market policies to tackle Covid-19 have been implemented predominantly through the firm channel, which has been the case for most low- and lower-middle-income economies, then any substantial change in social risk can be attributed to the Covid-19 interventions:

- a. If systemic social risk increases, then the shape and choice of measures has not been appreciated by the population or they have not reached it sufficiently. Examples of this according to our analysis are Ukraine, the Philippines, Sri Lanka, Honduras, Algeria and Kenya.

- b. If systemic social risk declines, then the choice of measures has worked in the view of the population. The only obvious examples for this pattern are Indonesia and Vietnam.

2. If labor market policies to tackle Covid-19 have included a significant share of direct job-protection measures and cash transfers, which has been the case for most upper-middle- and high-income economies, then any substantial change in social risk is more attributable to underlying vulnerabilities or strengths than to the Covid-19 response:

- a. If systemic social risk increases, then a country is facing considerable underlying vulnerabilities which more than offset any positive effects of the Covid-19 measures. Examples of this according to our analysis are Belarus, Bosnia and Herzegovina, Lebanon, Thailand, Costa Rica, Dominican Republic, Peru and Uruguay.

- b. If systemic social risk declines, then a country enjoys underlying strengths and the job-protection measures and cash transfers have worked. Examples of this according to our analysis are most AEs, most Eastern European EU member states, the GCC, China, South Korea, Chile, Mexico, Egypt and South Africa.

⁴ See De la Flor, L. et al. (2021), "Taking Stock of Covid-19 Labor Policy Responses in Developing Countries", Jobs Watch COVID-19, World Bank.

SOCIAL RISK BEYOND GDP: BUILD BACK INCLUSIVE

As governments work to build stronger institutions after the economic crisis caused by Covid-19, there are three priorities to focus on to minimize social risks: food security, gender inequality and income inequality.

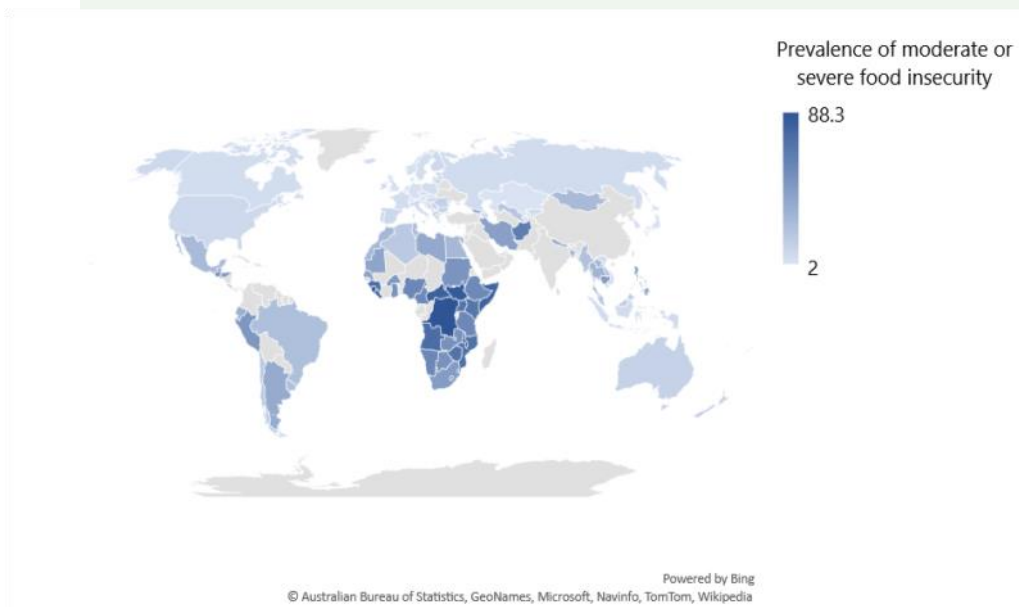
Food security

Even before the pandemic, between 720-811mn people were suffering from

hunger. Now, 70-161 million additional people have experienced food deprivation because of the pandemic, according to estimations by the UN, threatening the goal of achieving food security for all by 2030. At the same time, producer and consumer prices have increased around the world due to supply-chain bottlenecks, uncooperative trade policies and labor shortag-

es. Global food prices alone have surged by +43% since the beginning of the pandemic, i.e. higher than the rise seen in the early 2010s, when bouts of extreme price volatility in the global agriculture markets contributed to rising social discontent in the Middle East and North Africa.

Figure 4: Prevalence of moderate or severe food insecurity, in % of population (3-year average 2018-2020)



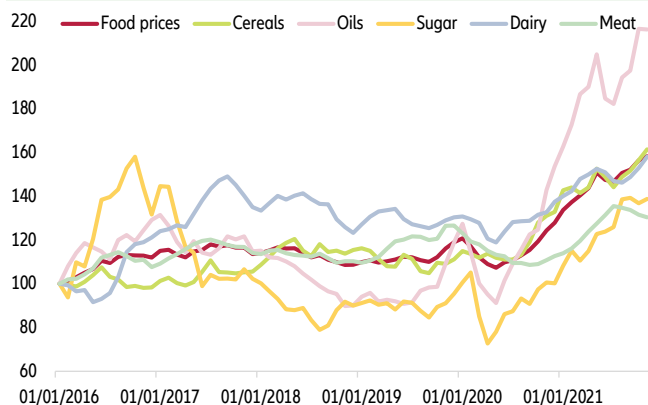
While it would be irresponsible to claim causality between rising food prices and social risk, there is an important and strong correlation between conflict and food security. The reverse relationship is also true: even if starvation is not the most relevant cause of conflict, having a portion of the population in a vulnerable situation can attract violent or armed groups that seek to recruit and radicalize manpower and contribute to escalations of violence. Evidence of this can be seen from the jungles of South America to the grasslands in Africa. When combining food security data with our proprietary Social Risk

Index, we find that there is a positive and strong correlation between food security and lower social risk (+76%, see Figure 6).

The social response to food shocks has played an important role in shaping modern history, and indeed the unaffordability of food was a major driver of key events such as the French Revolution, the Russian Revolution and the subsequent demise of the USSR (Soviet Union). In this context, it is clear that a deep change in the global food and agriculture system is needed if we are to nourish the portion of the popula-

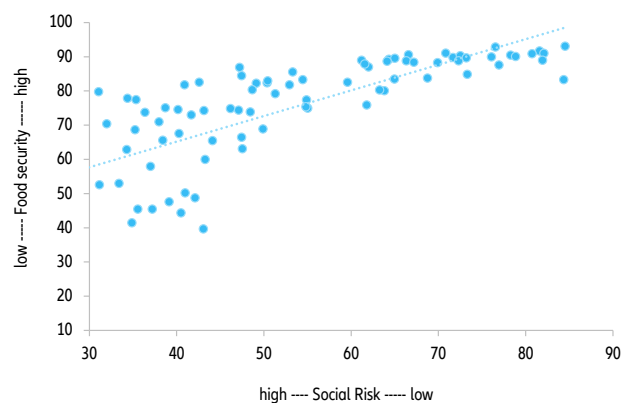
tion that is hungry today and the additional 2bn people the world will have by 2050, according to the UN's population unit estimations. Food banks targeting routine food needs have proven to be effective in reducing short-term needs, alongside community kitchens, community gardens and buying groups. In the longer term, there needs to be targeted initiatives to create stability and economic development so that communities are self-sufficient. Ultimately, there should be investment in alleviating poverty, improving institutions, increasing education and ameliorating the standards of living.

Figure 5: Global food prices Dec 2015 = 100



Sources: FAO, Euler Hermes, Allianz Research

Figure 6: Social risk and food security



Sources: Global Food Safety Initiative, Euler Hermes, Allianz Research

Gender inequality

After marginal advances since 2015, gender equality took a hit after Covid-19. Reports of violence against women and girls increased in many parts of the world, and holes in social protection amid rising poverty have left women more vulnerable than men. For example, in 2020, women's food insecurity levels were estimated to be 10% higher than men's⁵. Even in advanced economies, where women have made great progress and gains in the realms of labor, consumption and savings,

they still tend to earn lower pay and benefits, and continue to shoulder the bulk of the burden of unpaid care work.

In Figure 7, we see that when social risk is high, so is gender inequality. Countries that have lower social risk such as Australia (73.3), the UK (70.8), South Korea (62.7) and Singapore (62.5) have made progress on creating an inclusive society, while laggards like Mexico (36.4) and the Philippines (43.1) exhibit higher levels of gender inequality.

Without progress on this front, these country could see social risks increase. Investing in women and girls should be at the forefront of policymaking. As governments design recovery programs, it will be imperative to pay attention to the potential gender consequences, remove legal barriers against women and reinforce efforts to protect them from violence. Proven measures are wide and varied: from cash transfer programs to tax benefits, childcare support and re-skilling opportunities.

⁵ UN Women, 2021

Figure 7: Social risk and gender inequality



Sources: UNDP, Euler Hermes, Allianz Research

Income inequality

While the full extent of the pandemic’s impact on inequality and poverty is yet to be seen, early estimates from Eurostat show that even developed countries such as Austria, Bulgaria, Greece, Ireland, Italy, Portugal, Spain and Sweden have seen increases in the number of working age adults at risk of poverty. The income quintile share ratio (S80/S20) also serves as good measure, showing the annual income of the top 20% of the population in terms of the number of years the lowest 20% of the population must work in order to achieve the same income result. Figure

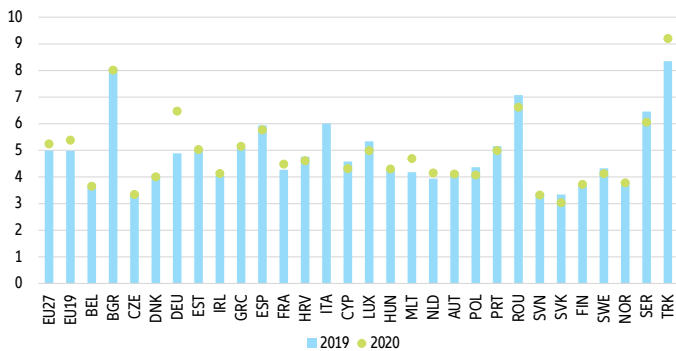
8 shows that the ratio increased in the EU overall, with the largest rises in inequality seen in Germany (1.8 years) and Turkey (0.8 years).

Developing countries have seen an even larger increase in inequality: The World Bank estimates that Covid-19 added as many as 150mn to the category of extremely poor (individuals living on less than USD1.9 a day). This was the case for approximately 9.1-9.4% of the global population⁶. Increased income inequality has been linked with higher rates of crime,

greater debt and poorer health. Figure 9 shows that countries with a higher percentage of their populations living in poverty tend to exhibit higher levels of social risk.

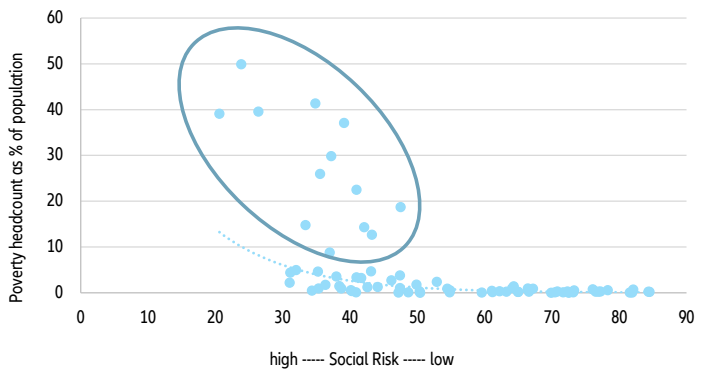
For both developed and developing countries, addressing income inequality will entail rebuilding and rethinking the design and implementation of traditional public intervention in labor markets, social insurance and other social policies. The policy answer to social risk is quite simple: social development.

Figure 8: Income quintile share ratio for disposable income



Sources: Eurostat, Euler Hermes, Allianz Research

Figure 9: Social risk and headcount below poverty line (as % of total population)



Sources: World Bank, Euler Hermes, Allianz Research

⁶ World Bank (<https://www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021>)

APPENDIX 1:

INDICATORS AND METHODOLOGY OF THE SOCIAL RISK 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 four 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 highest risk and 100 the lowest. Then the SRI was calculated as the average of the sub-indicators, thus also ranging between 0 and 100.

APPENDIX 2:

SOCIAL RISK INDEX (SRI) RANKING AND SCORE

Figure 10: Social Risk 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	84.5	+20	0	51	Seychelles	55.4	+120	+60
2	Norway	84.2	+8.3	+5	52	Tonga	55.3	+2.8	+18
3	Sweden	82.1	+4.0	0	53	Dominica	55.1	-7.4	-14
4	Switzerland	81.9	+5.7	+2	54	Montenegro	55.1	-5.3	-8
5	Finland	81.6	+0.3	-3	55	Saudi Arabia	55.0	+1.2	+8
6	New Zealand	80.7	+9.7	+8	56	Uruguay	54.8	-4.7	-6
7	Germany	78.8	+2.4	-2	57	Hong Kong	54.7	+1.1	+7
8	Austria	78.3	+1.3	-4	58	China	54.7	+5.4	+23
9	Luxembourg	77.2	+5.1	+4	59	Bulgaria	54.5	-0.6	+1
10	Iceland	77.0	+8.4	+11	60	Cape Verde	53.8	-0.9	+1
11	Canada	76.9	+6.3	+4	61	Taiwan	53.4	-4.5	-7
12	Ireland	76.5	+7.7	+8	62	Malaysia	53.3	-0.8	0
13	Japan	76.1	+0.3	-5	63	Romania	52.9	+3.1	+16
14	Australia	73.3	+8.8	+18	64	Palau	52.6	-5.2	-9
15	Netherlands	73.2	+0.6	-4	65	Botswana	51.9	+3.7	+20
16	Estonia	73.1	+3.5	+2	66	North Macedonia	51.9	-0.3	+5
17	France	72.5	-1.7	-8	67	Antigua & Barbuda	51.8	-11.2	-30
18	Portugal	72.3	-1.3	-8	68	Albania	51.5	+0.7	+7
19	Czechia	72.0	+7.5	+14	69	Bahrain	51.3	+1.6	+11
20	Slovenia	72.0	+2.1	-4	70	Maldives	50.8	+3.1	+16
21	Belgium	71.7	+1.9	-4	71	Kazakhstan	50.4	+0.5	+7
22	United Kingdom	70.8	+4.8	+7	72	Chile	50.4	+3.5	+24
23	Malta	70.5	+1.4	-4	73	Bhutan	50.4	+3.2	+21
24	Qatar	68.7	+1.8	+1	74	Grenada	50.1	-12.6	-36
25	Tuvalu	68.2	+9.4	+27	75	Russia	50.0	+2.5	+15
26	Slovakia	67.4	+3.6	+10	76	Vietnam	49.9	+4.0	+24
27	Spain	67.2	+0.7	-1	77	Azerbaijan	49.1	+0.0	+7
28	Cyprus	66.7	+0.6	0	78	Egypt	48.9	+2.0	+17
29	Israel	66.6	+1.7	+1	79	Jordan	48.7	-1.7	-3
30	Lithuania	66.4	+4.7	+12	80	Vanuatu	48.6	+1.1	+8
31	Oman	66.3	+4.0	+9	81	Ukraine	48.4	-4.7	-15
32	Kiribati	65.8	+15.7	+45	82	Timor	48.2	+6.3	+41
33	Hungary	65.0	+4.8	+16	83	Guyana	48.1	-3.5	-10
34	Italy	64.3	+0.4	+1	84	Namibia	48.0	+7.9	+49
35	United States	64.1	-2.3	-8	85	Fiji	47.9	-7.3	-26
36	Kuwait	63.8	+2.7	+8	86	Costa Rica	47.8	-7.5	-28
37	Micronesia	63.5	-4.9	-15	87	Mongolia	47.6	-1.5	-5
38	South Korea	62.7	+6.7	+18	88	Trinidad & Tobago	47.6	-5.9	-23
39	Brunei	62.3	-5.8	-16	89	South Africa	47.5	+6.4	+37
40	Latvia	62.2	+1.7	+5	90	Belarus	47.4	-5.1	-21
41	Poland	62.0	-0.2	0	91	Moldova	47.4	+2.7	+13
42	United Arab Emirates	61.8	+1.4	+5	92	Armenia	47.4	-5.5	-24
43	Singapore	61.5	+2.7	+8	93	Solomon Islands	47.3	-0.3	-6
44	Greece	61.2	-0.2	-1	94	Mauritius	47.3	-3.7	-20
45	Croatia	61.1	-2.9	-11	95	Tunisia	47.1	+1.1	+4
46	Serbia	59.6	+1.1	+7	96	Indonesia	46.2	+5.6	+34
47	St Vincent & the Grenadines	57.8	-6.8	-16	97	Uzbekistan	45.1	+2.9	+21
48	Barbados	57.7	-14.7	-36	98	Niger	45.1	-2.3	-6
49	Bahamas	56.4	-11.4	-25	99	Eswatini	44.8	+4.5	+32
50	Samoa	55.6	-4.7	-2	100	El Salvador	44.1	+0.8	+12

Rank	Economy	SRI score	SRI score change	Rank change	Rank	Economy	SRI score	SRI score change	Rank change
101	Gambia, The	43.4	-2.7	-3	147	Sri Lanka	34.3	-4.3	-4
102	Ghana	43.3	-0.9	+6	148	Liberia	33.9	+5.4	+25
103	Philippines	43.1	-3.6	-6	149	Togo	33.5	+1.6	+13
104	Tanzania	43.1	-1.9	-2	150	Honduras	33.4	-4.4	-5
105	St Lucia	42.6	-13.3	-48	151	Colombia	32.0	-1.5	+6
106	Panama	42.6	-2.0	0	152	Sierra Leone	31.5	-2.7	+4
107	Bangladesh	42.1	-2.7	-4	153	Pakistan	31.1	-0.7	+10
108	Benin	41.9	-0.2	+12	154	Peru	31.0	-13.6	-49
109	Bolivia	41.7	-2.6	-2	155	Madagascar	30.9	-8.1	-14
110	Nepal	41.6	-0.1	+15	156	Malawi	30.5	-9.2	-22
111	Georgia	41.3	-2.2	-1	157	Mauritania	30.4	-3.1	+1
112	India	41.1	+0.0	+15	158	Zambia	30.3	-2.6	+3
113	Gabon	41.0	+0.4	+15	159	Comoros	30.0	-1.1	+5
114	Libya	40.9	-12.0	-47	160	Yemen	29.8	+1.1	+10
115	Thailand	40.9	-8.2	-32	161	Nicaragua	29.6	+1.0	+11
116	Bosnia & Herzegovina	40.8	-6.6	-23	162	Iraq	29.5	-10.1	-27
117	Rwanda	40.5	-11.3	-45	163	Central African Republic	29.4	+1.0	+11
118	Senegal	40.5	-1.9	-1	164	Equatorial Guinea	29.3	+4.3	+15
119	Ethiopia	40.5	-1.5	+3	165	Papua New Guinea	29.3	-0.5	+1
120	Burkina Faso	40.3	-3.2	-11	166	Lebanon	28.7	-8.8	-18
121	Belize	40.3	-7.1	-30	167	Myanmar (Burma)	28.3	-14.9	-54
122	Turkey	40.3	+1.5	+20	168	Burundi	28.2	-1.0	0
123	Dominican Republic	40.1	-5.1	-22	169	Chad	27.4	+3.5	+13
124	Kenya	39.1	-2.9	-3	170	Eritrea	27.0	-12.5	-34
125	Jamaica	39.0	-8.5	-36	171	Tajikistan	26.9	-4.0	-6
126	Djibouti	38.9	+1.6	+24	172	Syria	26.6	-0.6	+4
127	Lesotho	38.8	+2.2	+26	173	Iran	26.6	-2.1	-2
128	Morocco	38.7	+1.1	+18	174	Laos	26.4	-10.6	-22
129	Turkmenistan	38.6	-3.5	-10	175	Congo, Republic	25.6	-1.9	0
130	Argentina	38.4	-1.8	+2	176	Venezuela	25.0	+0.3	+4
131	Ecuador	38.0	-4.8	-16	177	South Sudan	24.8	-4.9	-10
132	Kyrgyzstan	37.7	-1.7	+5	178	Guinea-Bissau	24.3	-4.6	-9
133	Cambodia	37.6	-5.0	-17	179	Angola	23.8	-1.3	-1
134	Cote d'Ivoire	37.2	-3.4	-5	180	Haiti	22.9	+1.6	+3
135	Guatemala	37.0	-2.3	+4	181	Zimbabwe	20.9	-4.3	-4
136	Mexico	36.4	+3.5	+24	182	Nigeria	20.6	+0.8	+3
137	Sao Tome & Principe	36.1	-3.0	+3	183	Afghanistan	20.6	-14.5	-28
138	Guinea	36.0	-1.3	+11	184	Sudan	17.5	-3.4	0
139	Cameroon	35.5	-2.0	+8	185	Congo, DR	14.4	-10.2	-4
140	Mali	35.4	-2.7	+4		Advanced Economies	74.2	+3.0	0
141	Paraguay	35.3	-4.0	-3		Emerging Europe	53.0	+0.0	0
142	Brazil	35.2	-1.2	+12		Emerging Asia	47.6	-1.0	0
143	Suriname	35.2	-7.9	-29		Middle East	46.4	-0.8	0
144	Uganda	34.9	-2.3	+7		Latin America	41.8	-5.0	0
145	Algeria	34.4	-7.4	-21		Africa	36.0	-1.5	0
146	Mozambique	34.4	+1.3	+13		Global average	47.8	-1.1	

Sources Various, Euler Hermes, Allianz Research

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