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Europe@Risk 2008 - How Financial Turmoil Will Affect Real Economy

23 October 2008

World Economic Forum's Latest Report Focuses on How Financial Turmoil Will Affect Real Economy

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• World Economic Forum's new Europe@Risk report underscores global risks most linked to Europe and Central Asia
• Download report here and for more information, visit http://www.weforum.org/globalrisks
• Watch interview with co-author of the report, Irene Casanova
• For more about the World Economic Forum on Europe and Central Asia, go to http://www.weforum.org/EuropeandCentralAsia2008

Geneva, Switzerland, 23 October 2008 – The World Economic Forum's Global Risk Network launched today a new edition of its Europe@Risk report, which is published ahead of the World Economic Forum on Europe and Central Asia (Istanbul, Turkey, 30 October - 1 November 2008). The report examines the global risks most pertinent to Europe, Russia, Eastern Europe, Turkey and Central Asia.

The current financial crisis will have profound effects on the region and its consequences on the real economy are still unfolding. As the report was being prepared, the financial crisis that began in 2007 reached a critical point. Banks on both sides of the Atlantic were bailed out and rescue plans for the financial sector were put in place all over Europe.

The report highlights that the contagion effects of the financial meltdown will affect the real economy of the region. In Western Europe, growth prospects are being revised downwards, industrial production is decreasing in several countries and unemployment is likely to increase. In Central Asia, countries which have high levels of financing through international capital markets will be more vulnerable to the global financial turmoil.

Irene Casanova, co-author of the Europe@Risk report and Associate Director at the World Economic Forum's Global Risk Network, said, "Confidence among lenders has dramatically decreased and, combined with liquidity drying up in the markets and high levels of uncertainty, the risks of entering a prolonged recession are growing."

The World Economic Forum's work on risk takes a 10-year time frame, and thus this report considers risks to the region over that period and beyond. The report divides the key risks and trends in Europe and Central Asia into four broad categories:

1. Economic Slowdown: What are the effects of the global financial crisis on the region's real economy? What institutional adjustments are required to tackle the current economic slowdown?

2. Energy Security: How can the region manage the energy security challenges as demand grows? How can energy sustainability be improved in the region?

3. Demographic Shifts: How will governments manage the related fiscal pressures and reform systems to mitigate risks from changing demographics?

4. Education: How will the region's governments and companies find solutions and incentives to reform education systems and ensure workforces' skills correspond to the needs of employers?

The report considers how interrelated these areas are, and how they might impact all or parts of the wider region. As summed up by Irene Casanova: "Although we cannot say the economic slowdown, energy considerations and demographic shifts will affect the countries of the region in exactly the same way, we do find that effective mitigation of related risks in these areas requires further collaboration between governments, businesses and other stakeholders."

The current financial market deterioration adds pressure on a number of the region's challenges, and a better understanding of the nature of the risk interrelation is essential to finding the appropriate mitigation strategies.

The Europe@Risk report was prepared by the Global Risk Network of the World Economic Forum and is based on insights from experts and regional business leaders collected through workshops and interviews, as well as on publicly available data.

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