



The top risks for UK businesses in 2023

The Allianz Risk Barometer is an annual report identifying the top corporate risks for the year ahead. It's based on the insight of over 2,700 risk management experts from 94 countries and territories. Here we look at the top five risks identified by UK participants.



1. Cyber incidents (#1 in 2022)

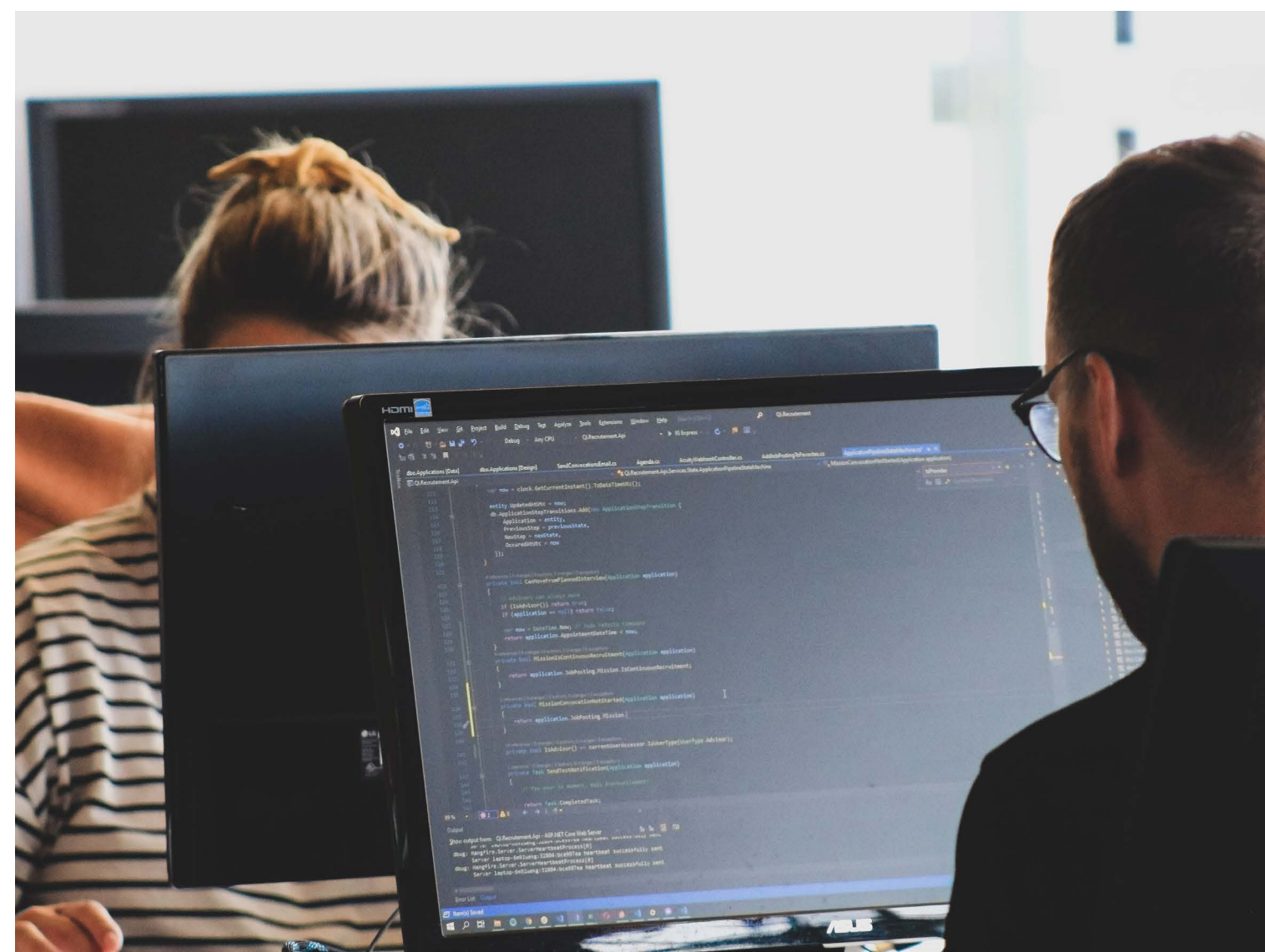
e.g. IT outages, ransomware attacks or data breaches

Cyber incidents remain the top identified risk to businesses in the UK. The conflict in Ukraine and wider geopolitical tensions are shaping the cyber risk landscape, heightening the risk of a large-scale cyber-attack. However, a data breach is the exposure that concerns companies most. Such incidents can result in significant notification costs, fines and penalties. They can also lead to litigation or demands for compensation from affected customers, suppliers and data breach victims, notwithstanding any reputational damage to the impacted company.

Ransomware attacks are still a top concern for businesses as frequency of attacks remain high, as do related claims costs. According to NordLocker's analysis, UK businesses suffer the third highest rate of ransomware attacks in the world, surpassed only by the US and Canada, with small businesses most at risk of being targeted.¹

SMEs are increasingly impacted by cyber incidents as those with weaker controls are easily hit by hackers in search of financial rewards for little effort. The consequences for these firms are often much more severe given the lack of financial and employee resources that they have access to compared to large corporations.

Read our recent article on [keeping businesses safe from phishing](#).



2. Business interruption (#2 in 2022)

Including supply chain disruption

Despite positive moves to diversify business models and supply chains since the pandemic, businesses continue to experience significant disruption around the world.

The recent macro-economic turmoil and the war in Ukraine has increased vulnerability, triggering shortages and price increases in energy, food and certain raw materials. The conflict has added further pressure to supply chains already struggling with post-pandemic disruption, such as shortages in semiconductors, which have yet to fully recover.

¹ Computer Weekly - UK suffers third highest number of ransomware attacks globally

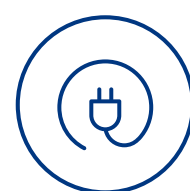


Macro-economic developments (new for 2023)

e.g. inflation, deflation, monetary policies and austerity programmes

With all three major economic areas – the US, China and Europe all in crisis at the same time, albeit for different reasons, it's no surprise that macro-economic developments is a new entry for 2023. The Russian invasion of Ukraine and the ensuing energy crisis are at the forefront: exploding energy prices are driving inflation to ever new heights. The result is falling real incomes and corporate profits, with consequences for consumption, production and investment.

The UK is currently in a recession and the outlook has become gloomier, with the economy now expected to contract 0.7% in 2023, (0.3% was predicted in October). However, despite being a deeper recession than previously forecast, it won't necessarily be a longer one. The economy is still expected to return to growth during the second half of 2023. High and rising inflation may be starting to retreat, while energy prices are falling too.²



Energy crisis (new for 2023)

Including supply chain disruption

Also a new entry for 2023 is the global energy crisis. Even before the invasion of Ukraine, energy prices had been rising. The post-pandemic economy recovery in 2021 had seen demand surge, while supply chain blockages and delayed maintenance work caused widespread disruptions. Long winters in Europe and East Asia compounded the power crunch, along with a weak year for wind production, which particularly affected major European wind-power producers like the UK, Germany and Denmark.

The global energy market destabilised further with the invasion of Ukraine by Russia, the world's largest exporter of fossil fuels, in February 2022. Although the UK is not dependent on Russia for gas supply (typically less than 4% of total gas supply), it's not protected from soaring gas prices set by international markets. The government plans to reduce the UK's exposure to volatile global gas prices by generating cheap, clean renewable energy and nuclear power in the UK.³

² EY UK - Recession likely to be deeper - but not longer - than previously expected

³ Gov.uk - Russia-Ukraine and UK energy: factsheet

⁴ Construction News - Skills shortage reaching 'alarming proportions'



Shortage of skilled workforce (#5 in 2022)

Another consequence of the Covid-19 pandemic and rising wage inflation is a shortage of skilled workforce. Many countries have experienced a reduction in the available workforce at a time of high demand for labour, as some workers took early retirement. While the UK is not unique in experiencing shortages of materials and workers, new immigration rules post-Brexit may have exacerbated the situation. The construction industry is one of the hardest hit in the UK, with 75% of contractors having issues recruiting, according to a survey from the Civil Engineering Contractors Association.⁴



Suggested further reading:

Please visit AGCS to read the full global Allianz Risk Barometer 2023, along with insight and results separated by countries.

[View the 2023 Global Report](#)