

internal and external digital connectivity enabled the UK's largely service-based economy to continue to operate through the pandemic and the Government to deliver timely fiscal support, but also renders the economy vulnerable to other risks such as cyberattacks on critical IT infrastructure (a topic we explored in our subsequent risks report in July 2022 (*INQ000119290*)).

d. **While it may be difficult to predict when catastrophic risks will materialise, it is possible to anticipate their broad effects if they do.**

The risk of a global pandemic was at the top of government risk registers for a decade before coronavirus arrived but attracted relatively little (and in hindsight far too little) attention from the economic community. However, both the experience from previous epidemics such as the 1918 flu, Ebola, and SARS, and modelling by the US Congressional Budget Office and the World Bank, provided clear indications of where and how badly economies might be affected, even though both modelled an influenza rather than coronavirus pandemic. In 2008 the World Bank estimated that a severe and a moderate flu pandemic could reduce global GDP by 4.8 per cent and 2 per cent respectively (*INQ000119280*). The actual fall in global GDP at the height of the pandemic in 2020 was around 3 per cent (*INQ000119298*). The CBO estimated US GDP losses of 4¼ per cent in a severe flu pandemic compared to the 3½ per cent fall in US GDP recorded in 2020 (*INQ000119279*).

e. **When investing in risk prevention, governments tend to only ‘fight the last war’.**

In the decade following the 2008 financial crisis, significant resources were dedicated to improving the oversight and resilience of the financial sector, which paid dividends during the pandemic by helping to prevent it from triggering another financial crisis. And East Asian countries that invested in epidemic surveillance following the SARS and MERS outbreaks were more capable of combating the pandemic from the beginning. However, the 2016 report of the UN High-level Panel on Global Response to Health Crises described the world's preparedness and capacity to respond to a future pandemic as “*woefully insufficient*”