

# Global Forces

LAEDC ECONOMIC FORECAST

Speech | February 21, 2018

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**WORKING DRAFT**

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**“I THINK THERE IS  
A WORLD MARKET  
FOR MAYBE FIVE  
COMPUTERS.”**





**"I THINK THERE  
IS A WORLD  
MARKET FOR  
MAYBE FIVE  
COMPUTERS."**

**THOMAS J.  
WATSON**





# 1

Rise of the rest

# 2

An aging world

# 3

Accelerating  
technologies

# 4

Greater global  
interconnections

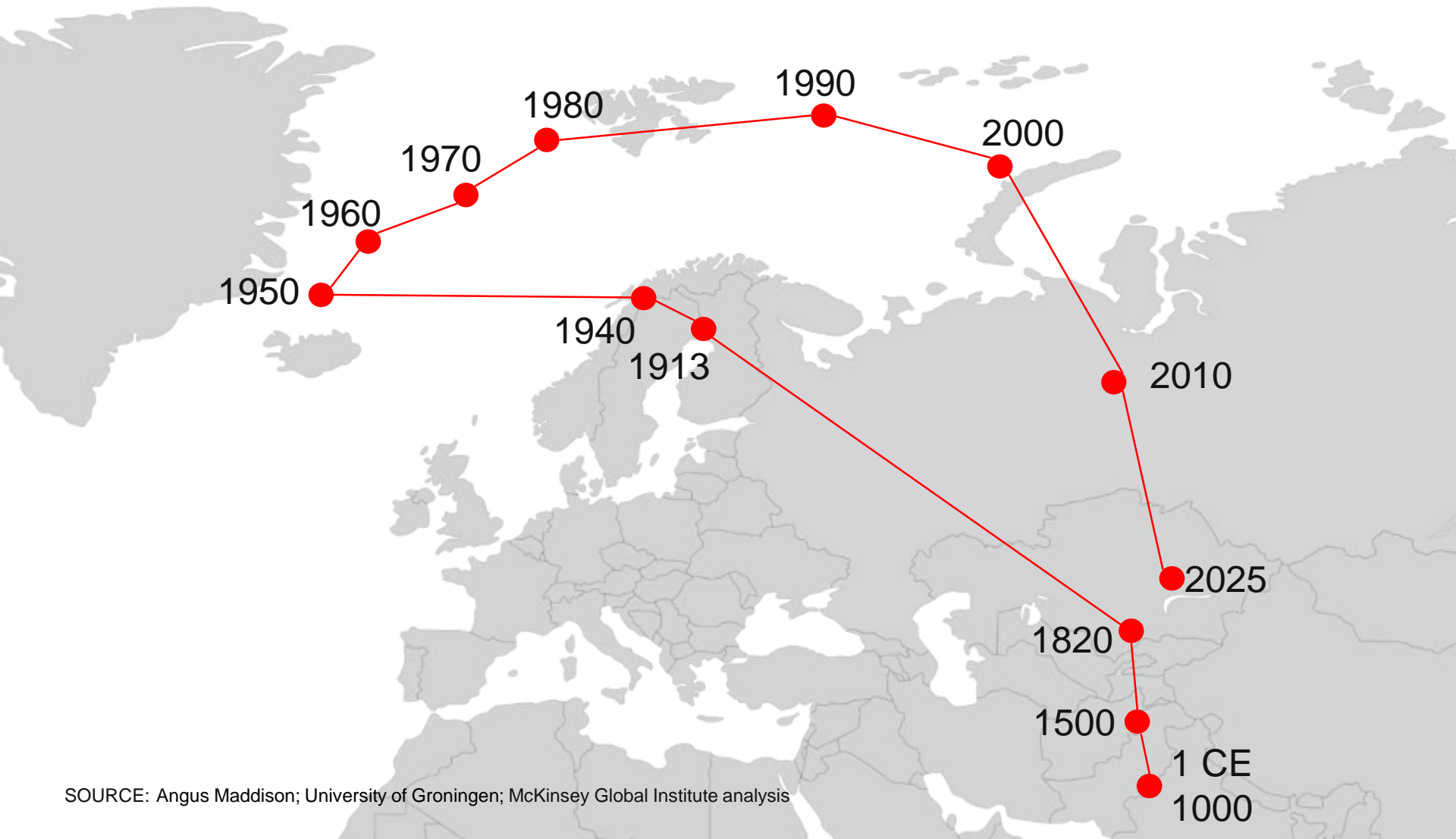
# The economic centre of gravity is shifting east and south at an unprecedented speed

Earth's economic center of gravity



# The economic center of gravity is shifting east and south at an unprecedented speed

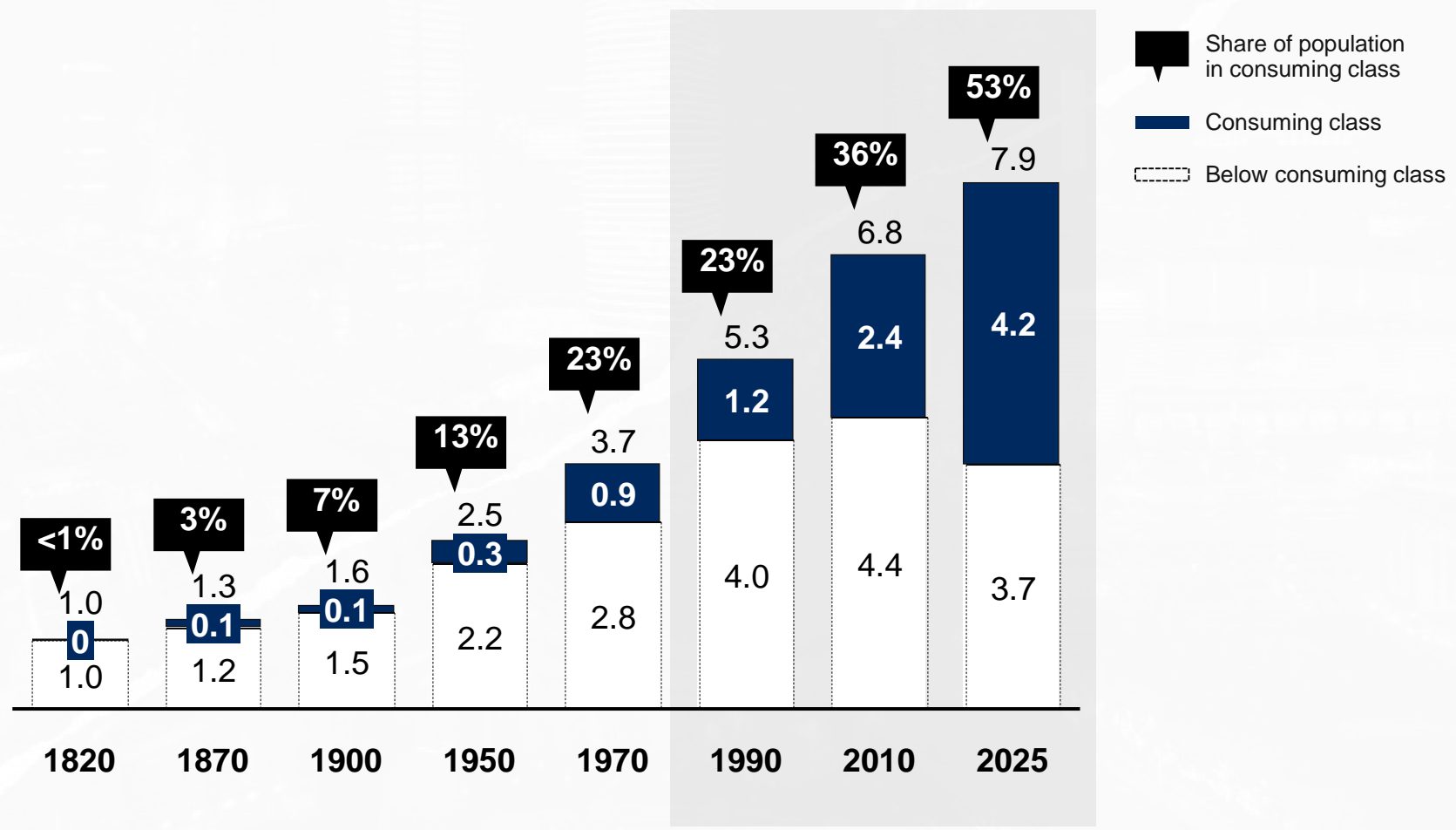
Earth's economic center of gravity



SOURCE: Angus Maddison; University of Groningen; McKinsey Global Institute analysis

# Nearly 3 billion people will join the consuming class by 2025

World population, billion



SOURCE: Homi Kharas; Angus Maddison; McKinsey Global Institute Cityscope 2.0

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# China's Belt and Road Initiative will span over 65 countries



..... Silk Road Economic Belt  
..... Maritime Silk Road Initiative

**65+**  
countries committed

**\$1.4**  
trillion total investment  
(12x the Marshall Plan)

**\$250**  
billion in projects  
underway

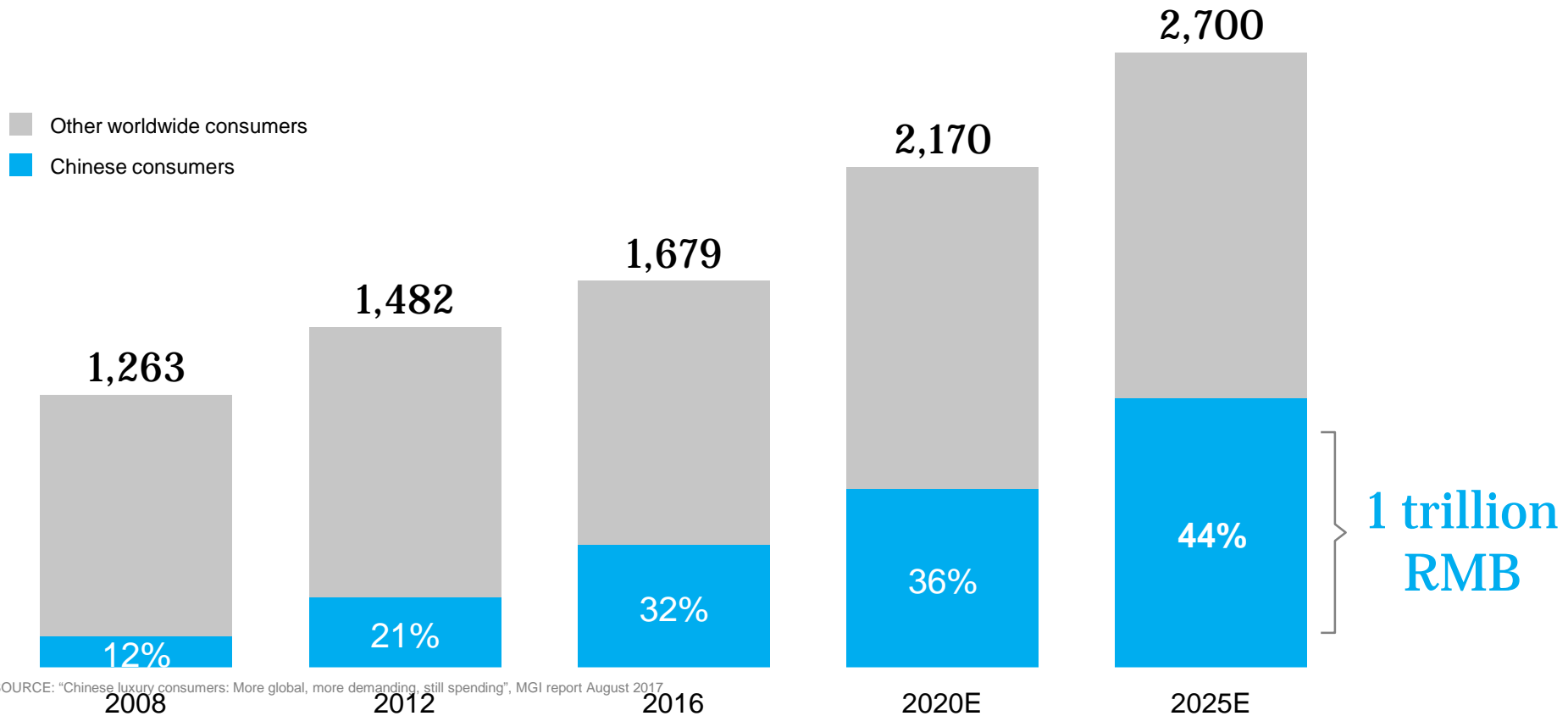


# 440

Number of EM cities on course to generate half of global growth

# By 2025, 7.5 million wealthy Chinese households will account for 44% of the global luxury-goods market

## Global personal luxury-goods market evolution, Billion RMB

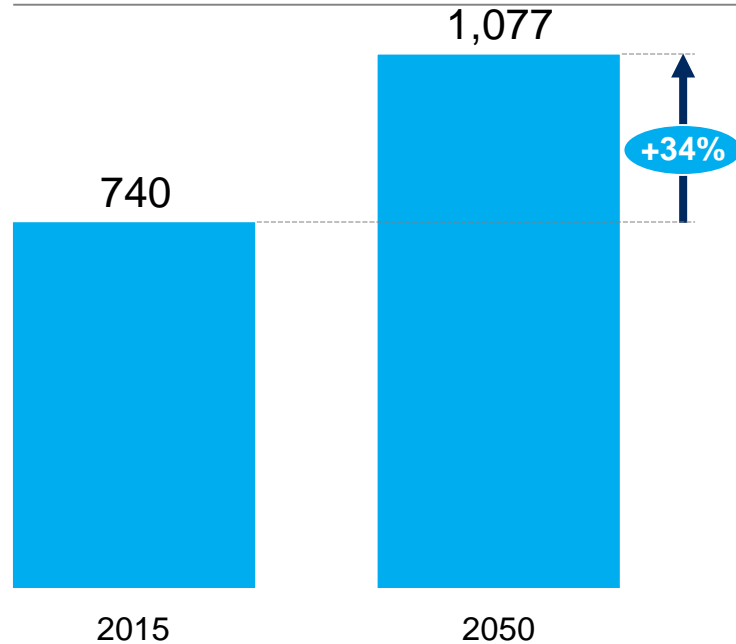


SOURCE: "Chinese luxury consumers: More global, more demanding, still spending", MGI report August 2017

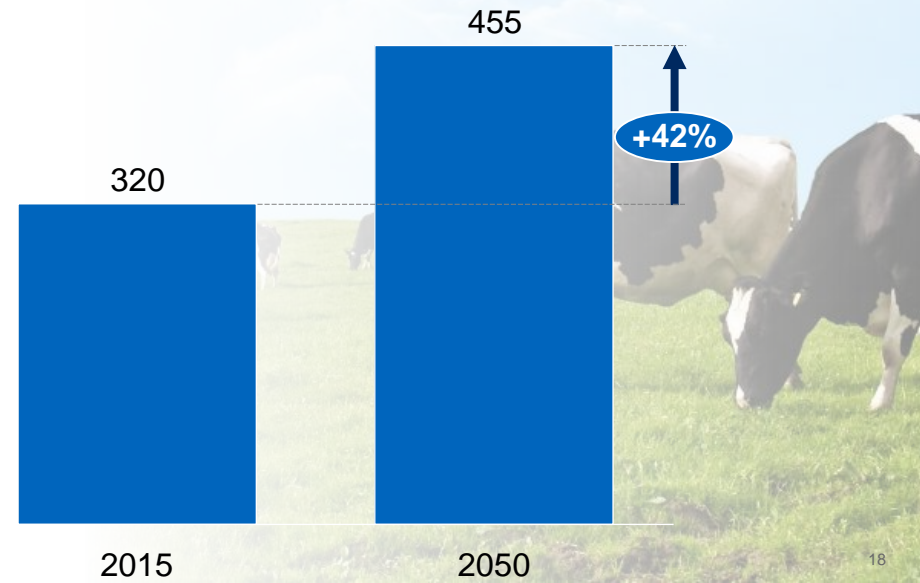
As incomes grow, caloric intake, especially from milk and meat, will rise – AgFood will be a huge opportunity

Worldwide production by 2050  
Millions of tons

## Milk



## Meat



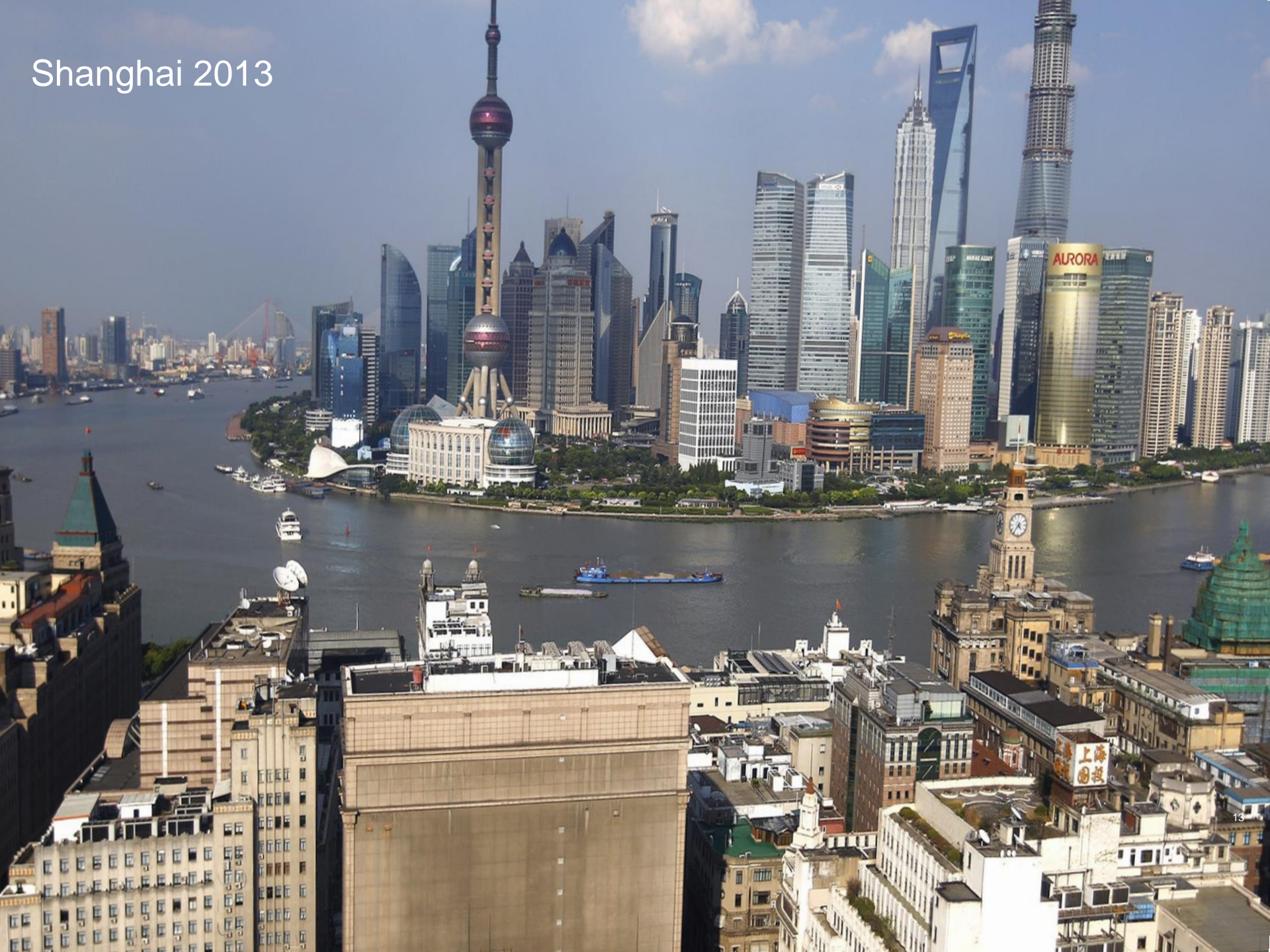


# Shanghai 1987





Shanghai 2013



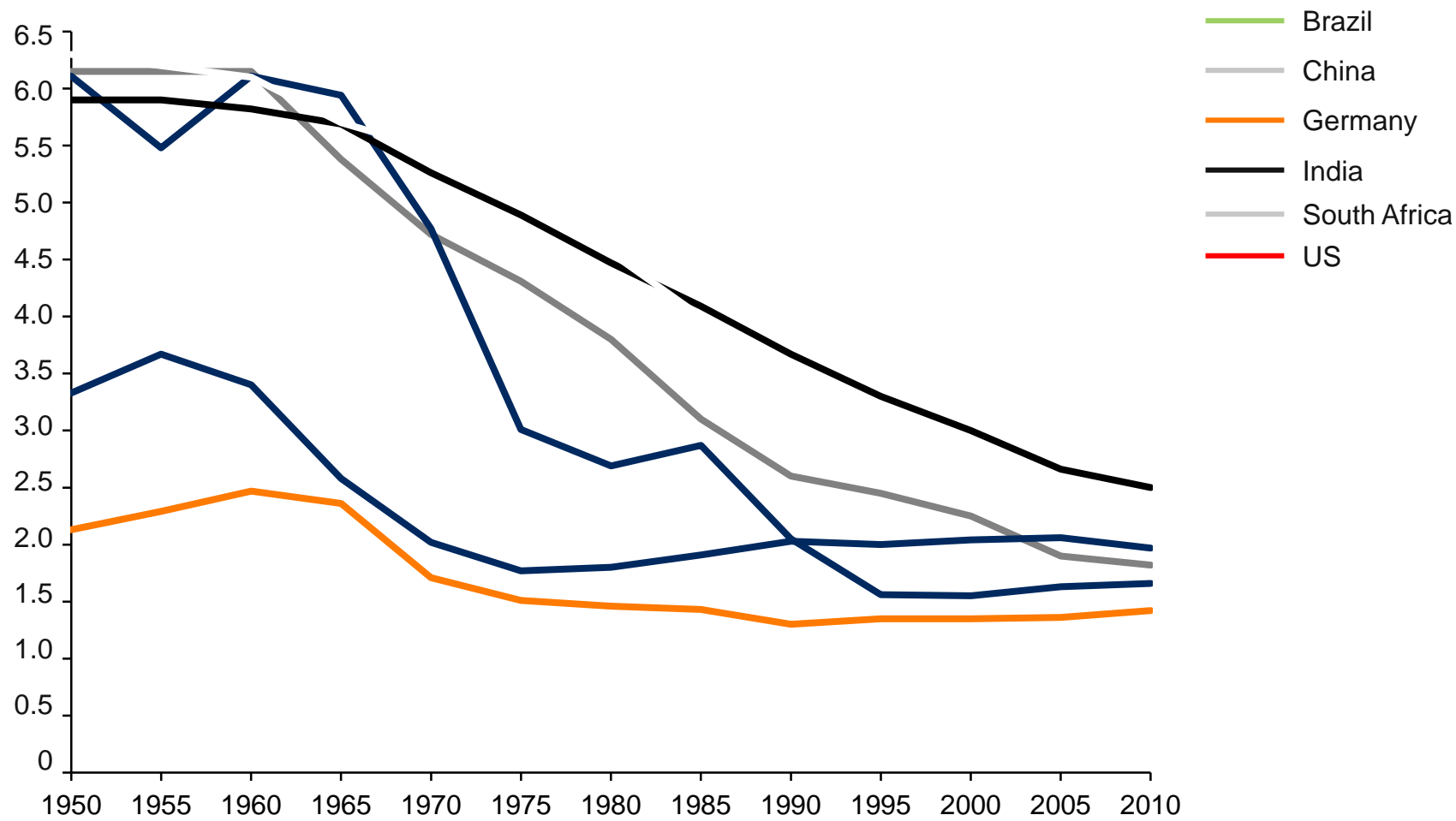






# Fertility rates have been declining globally

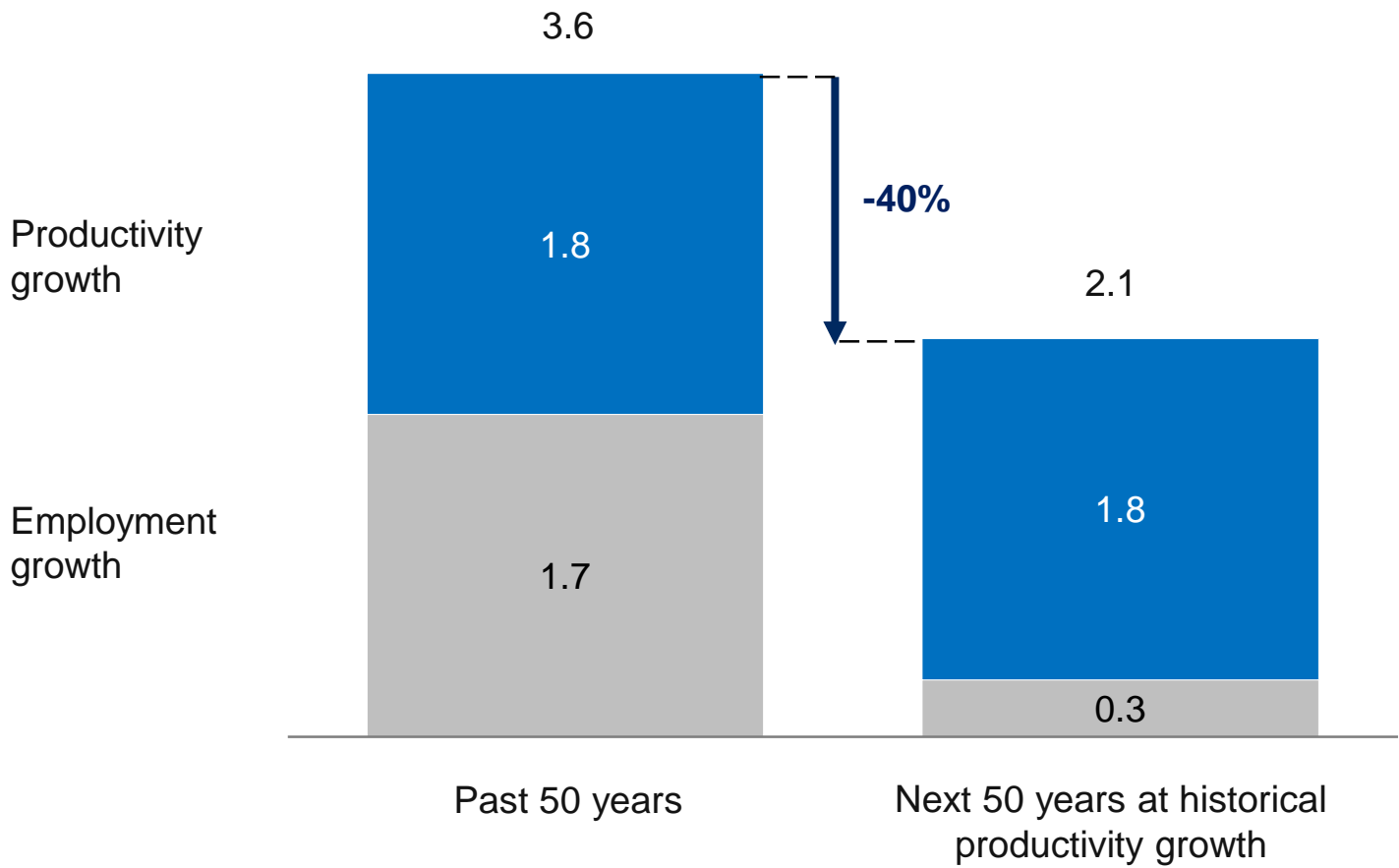
Children per women (over lifetime)



# At past rates of productivity growth, GDP growth would slow by about 40 percent

## GDP of G19 and Nigeria

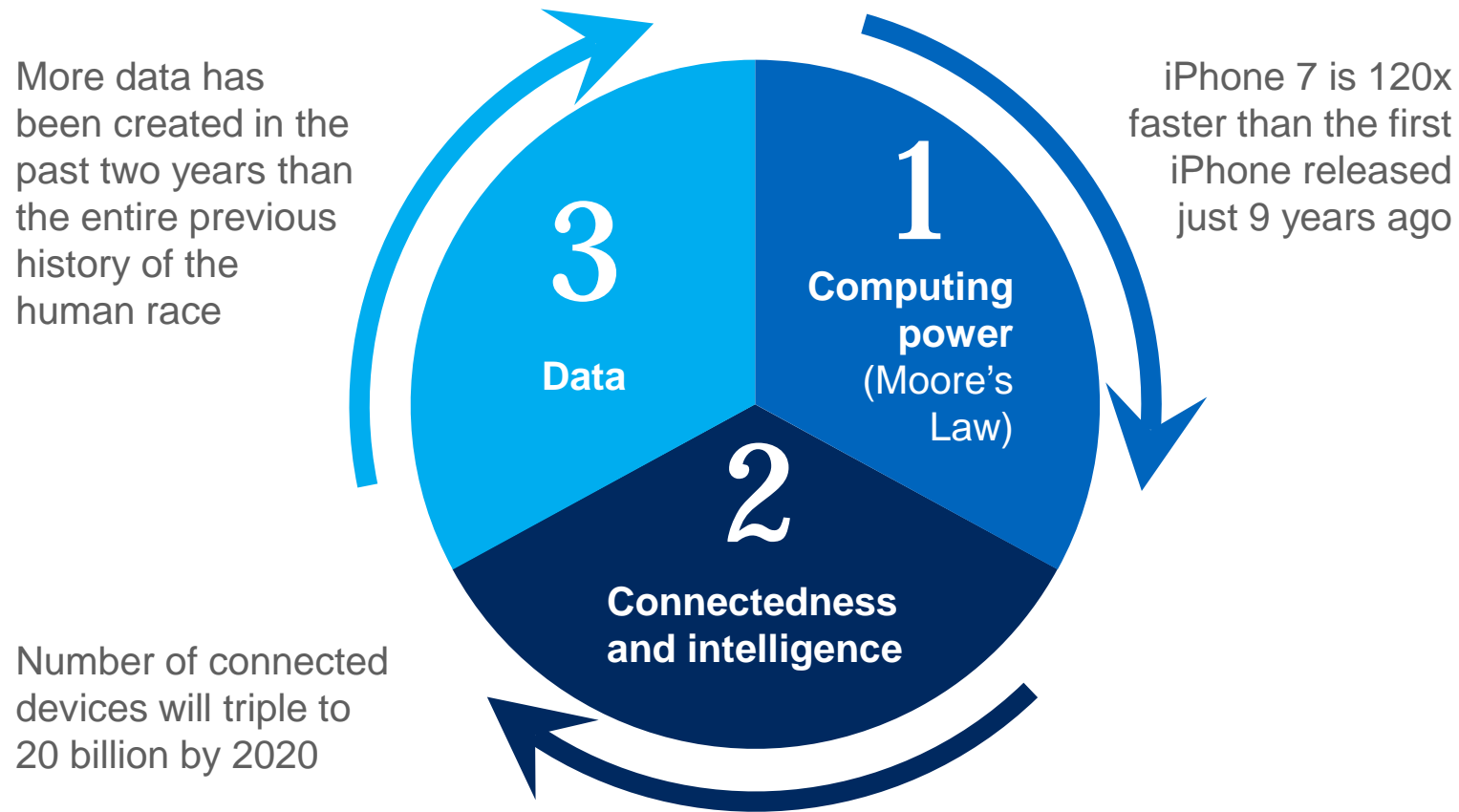
Compound annual growth rate, %



NOTE: Numbers may not sum due to rounding.

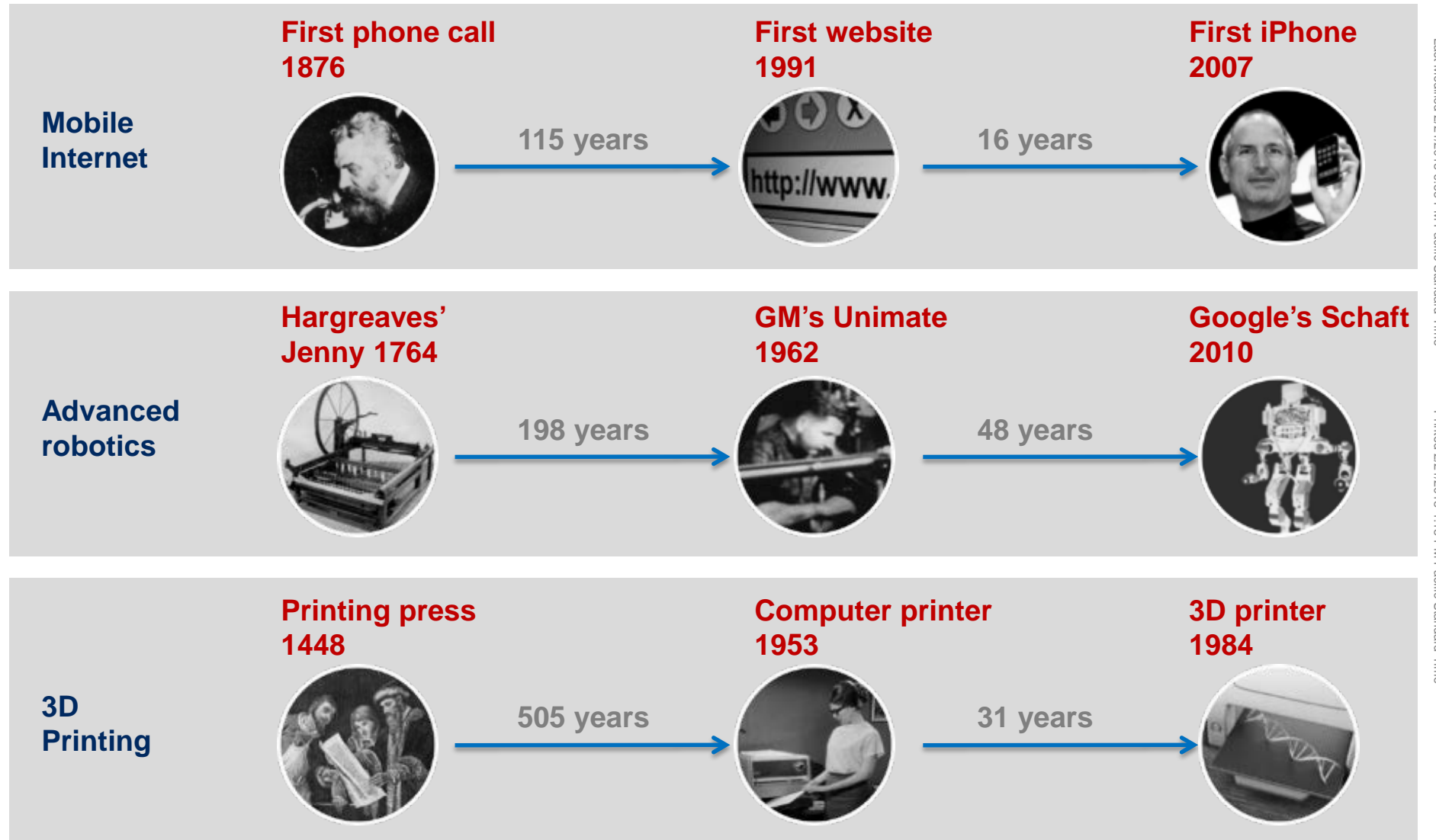
SOURCE: The Conference Board Total Economy Database; UN Population Division; McKinsey Global Institute analysis

# The pace of technological change is accelerating – driven by three factors



SOURCE: Gartner; IBM, Apple

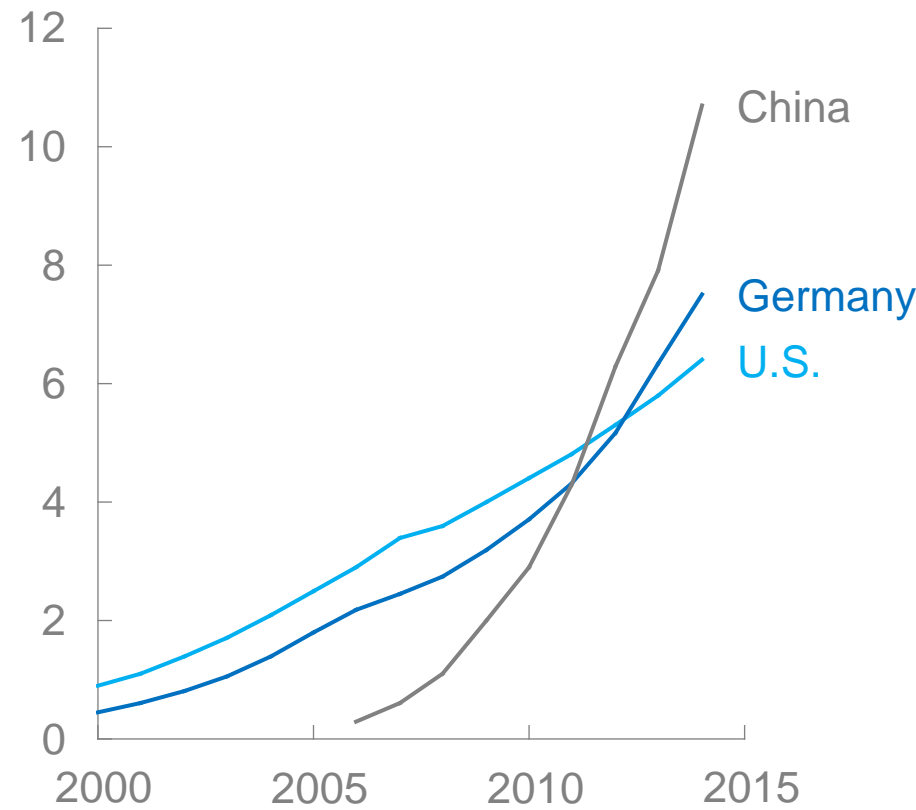
# Technological breakthroughs are speeding up



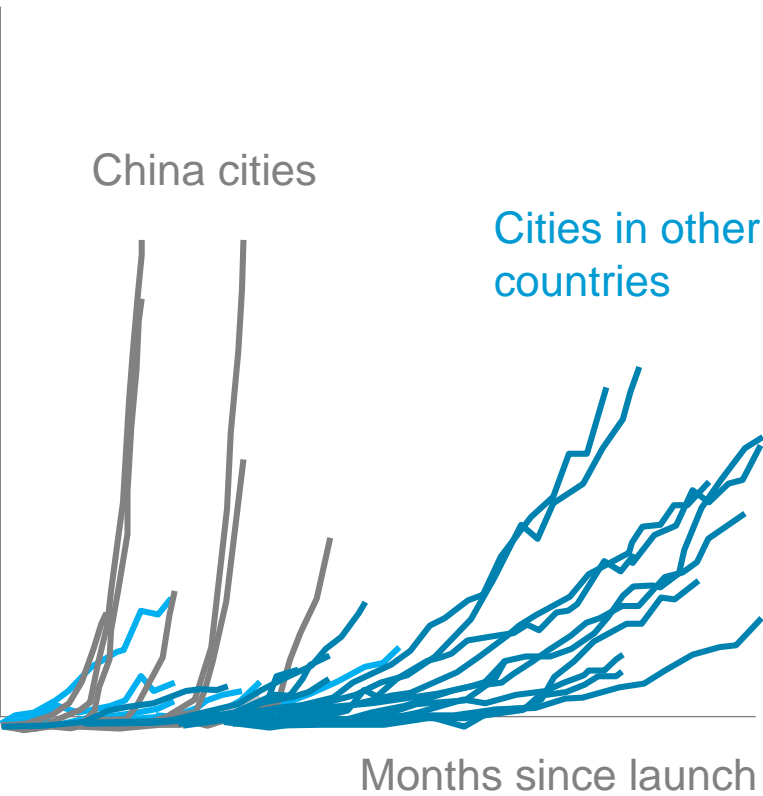


# Adoption to new consumer trends happens suddenly

E-commerce adoption  
Percent of total retail value



Sharing economy adoption  
Number of e-hailing trips



# Technological advancement is driving productivity gains with less labor

## Detroit, 1990



Revenues

\$250 billion

1.3x

Employees

1.2 million

0.2x

Market cap

\$36 billion

45x

## Silicon Valley, 2016



\$330 billion

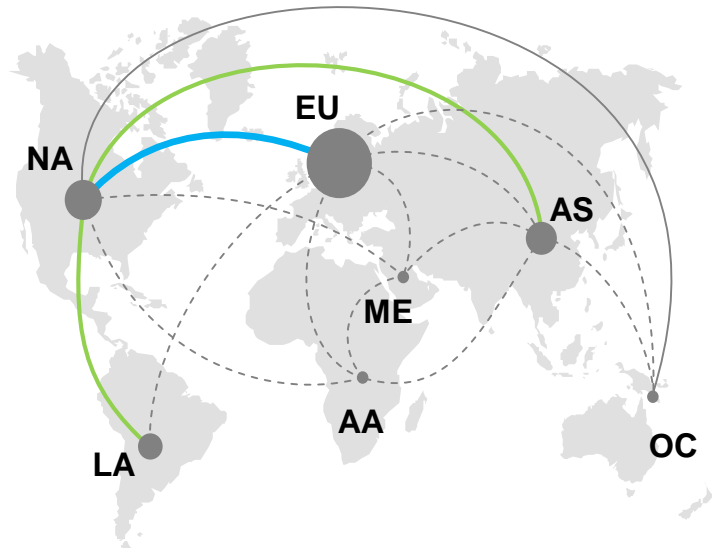
188,000

\$1,626 billion

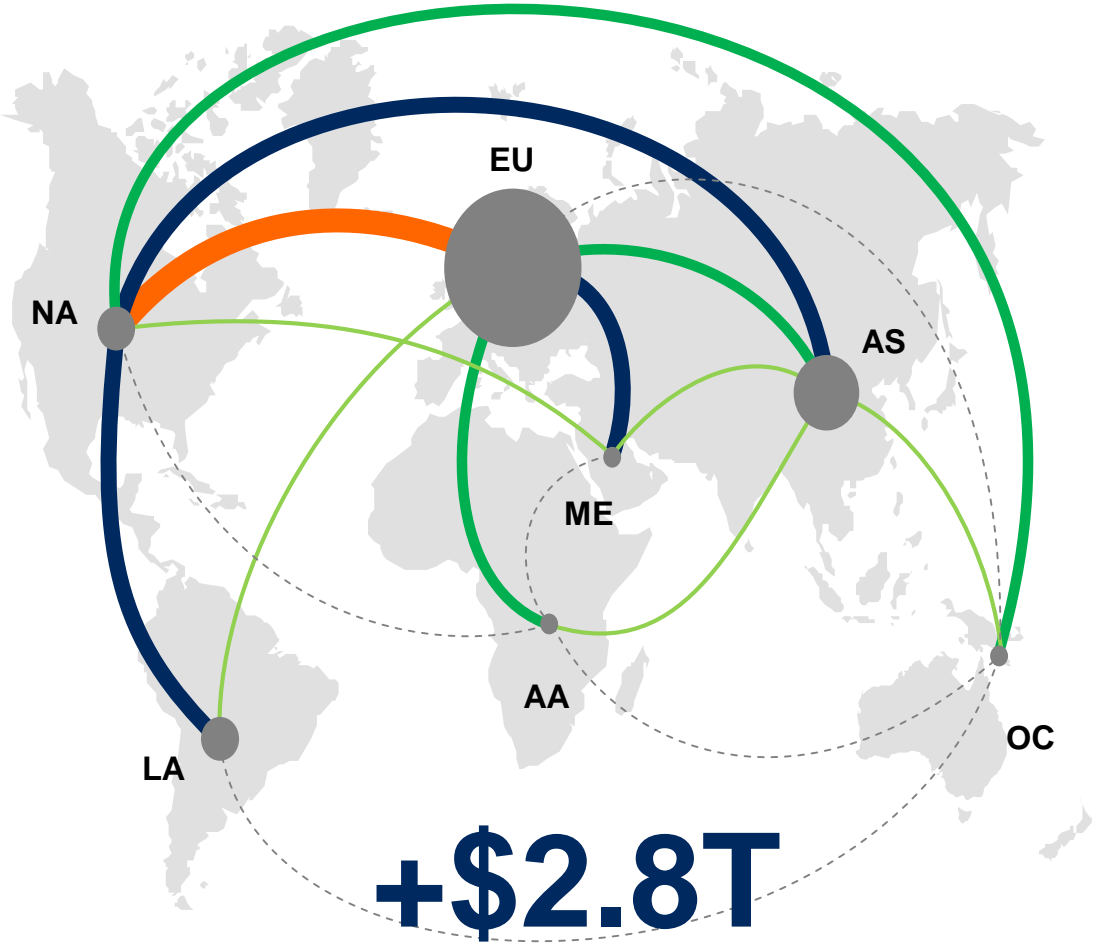
# Data is the new major flow



**2005<sup>1</sup>**  
100% = 4.7 Terabits per second (Tbps)



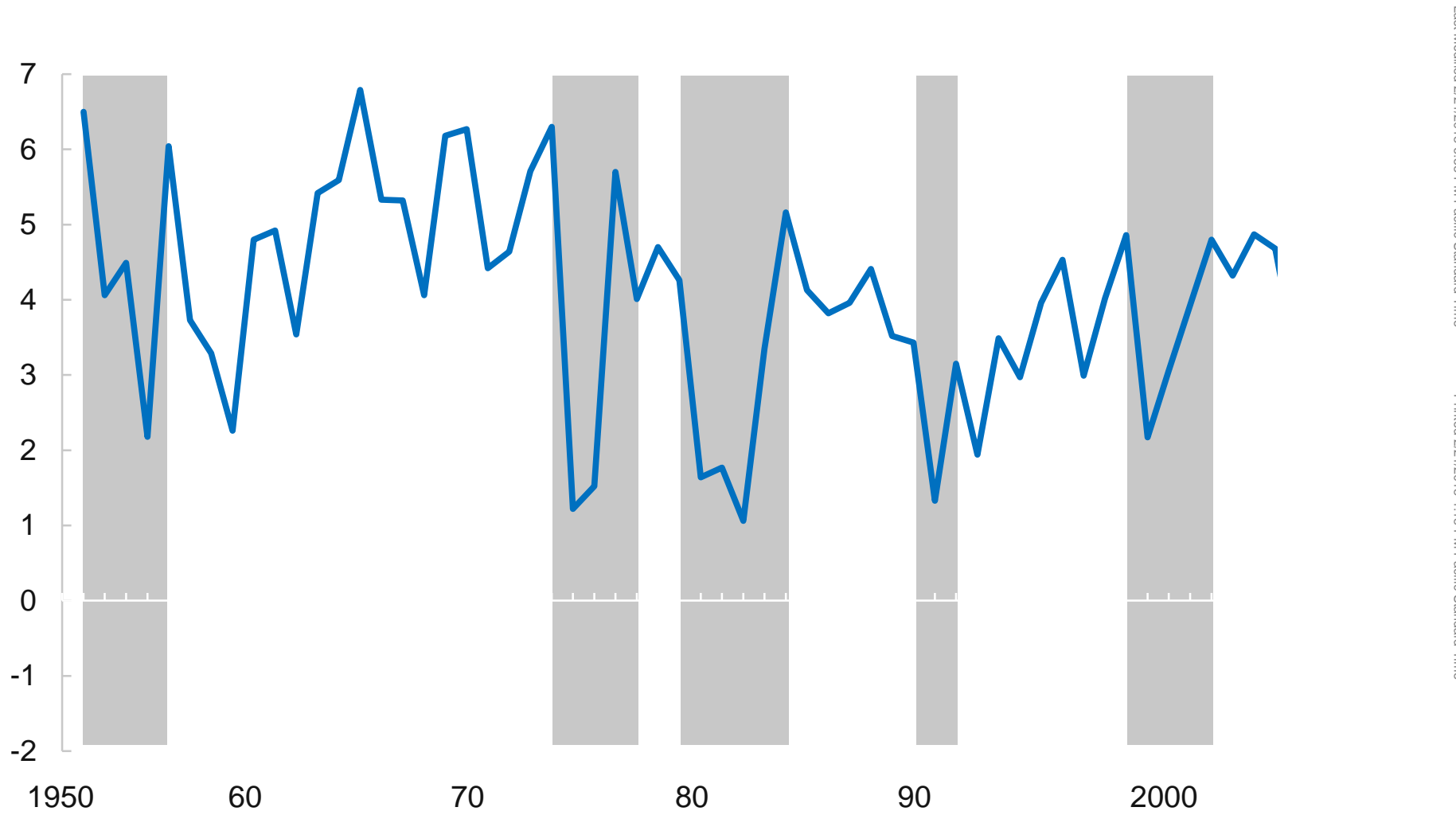
**2014** **45x larger**  
100% = **211 Tbps**



**+\$2.8T**

# No global recession in an unlinked world

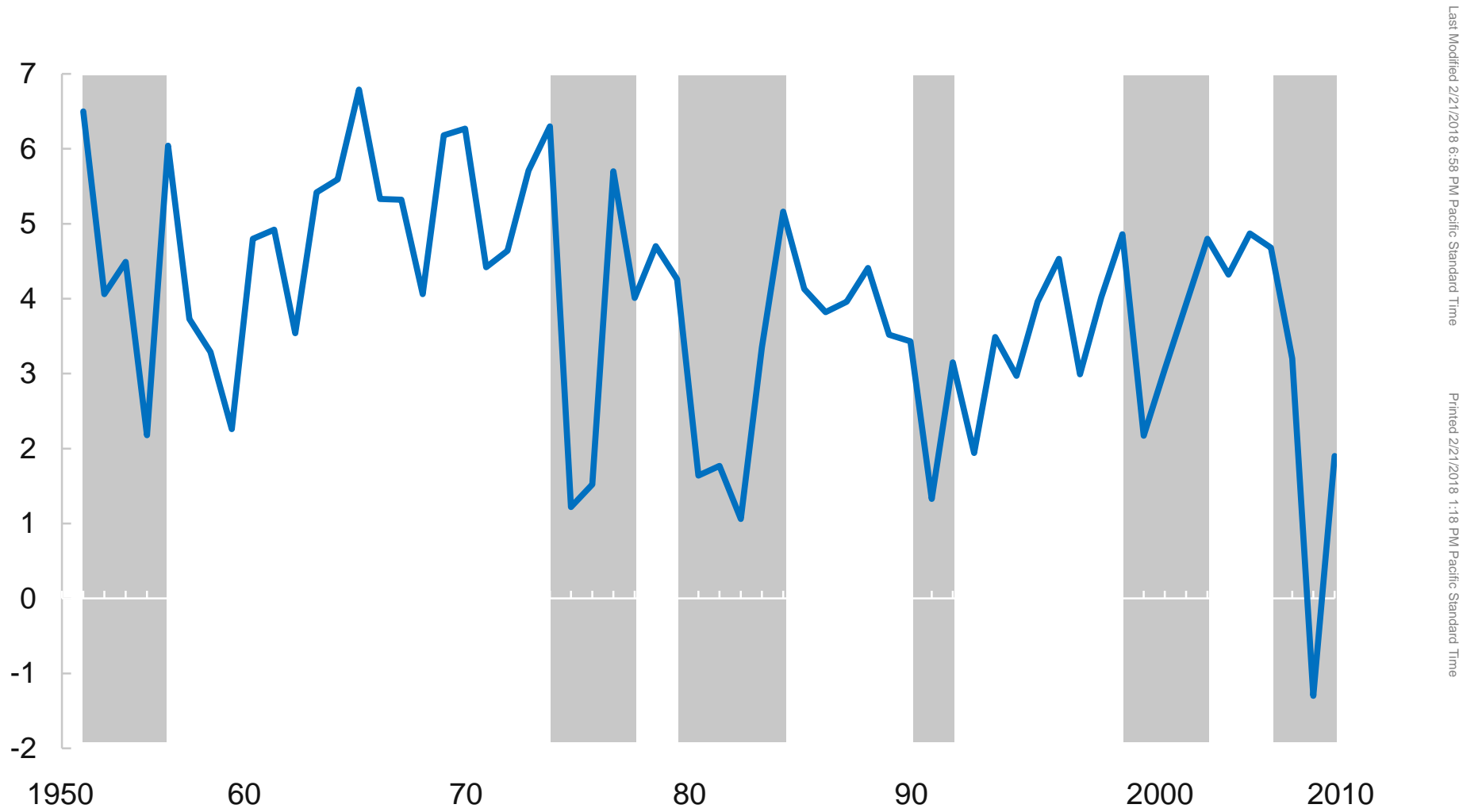
Real GDP growth, PPP adjusted, %





# The world's first truly global recession in a linked world

Real GDP growth, PPP adjusted, %



# The new economic era will be different in six ways

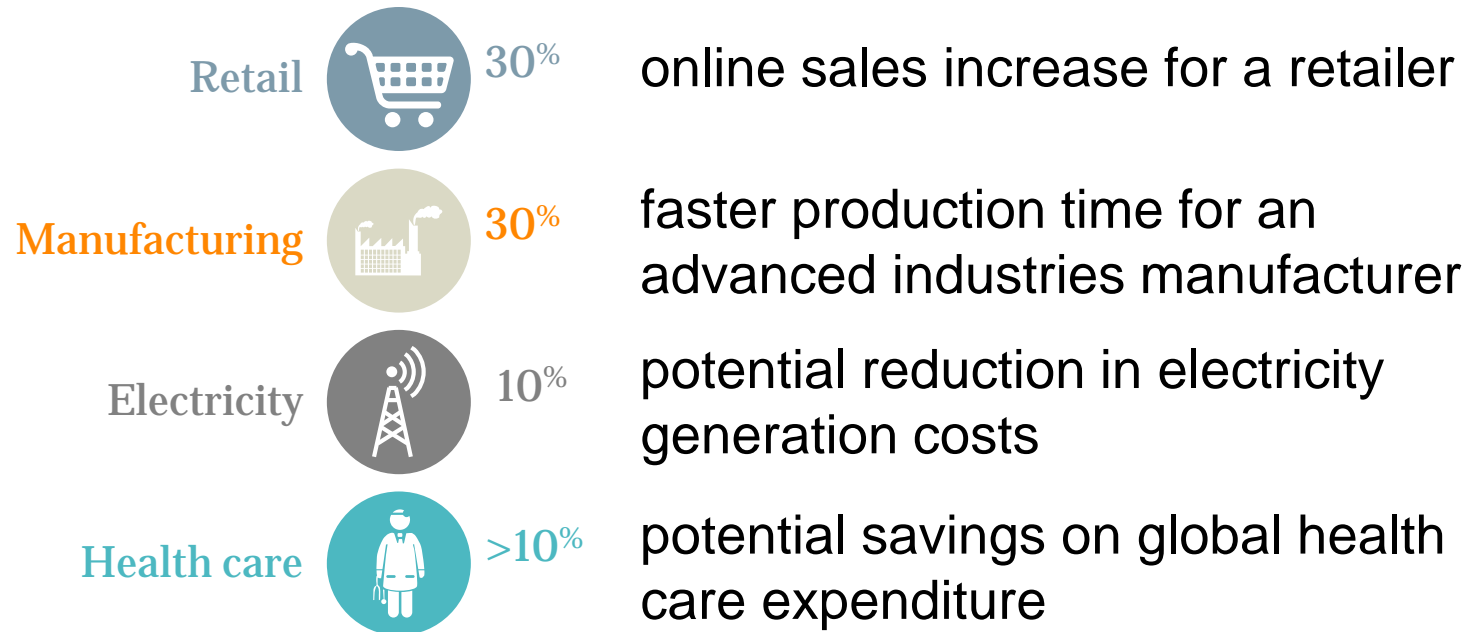
**The  
great  
uncertainty**

- I** Power of new consumer class
- II** The resource revolution
- III** A new financial order
- IV** Labor market dislocation
- V** Rise of new competitors
- VI** Rethinking the social contract



## IV Labor market dislocation

## We found AI to deliver real impact for *all* businesses



# Our approach focuses on activities and the capabilities of currently demonstrated technologies

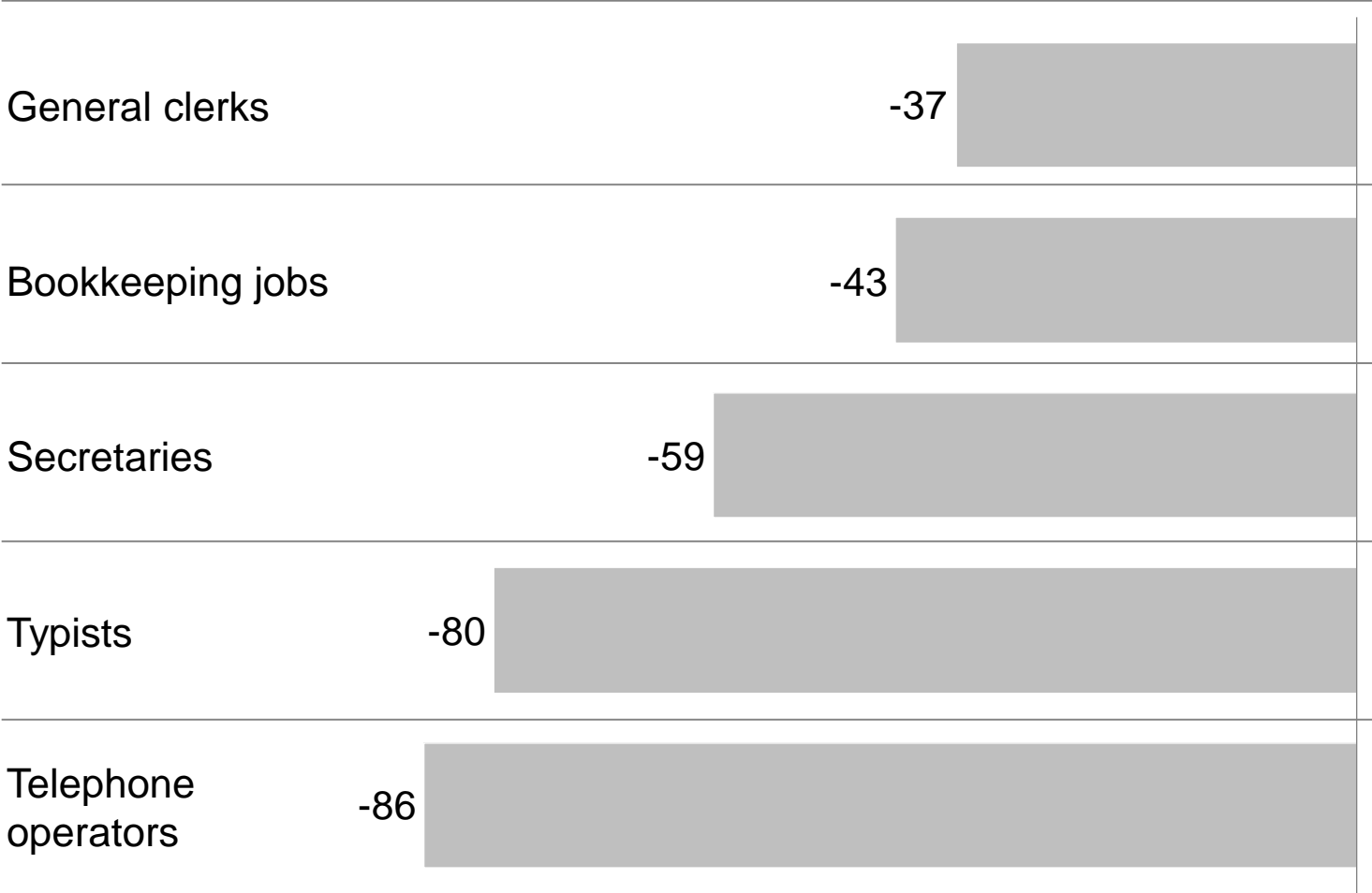


NOTE: Analysis based on currently available of demonstrated technology capabilities as of 2016.

SOURCE: Expert interviews; McKinsey analysis

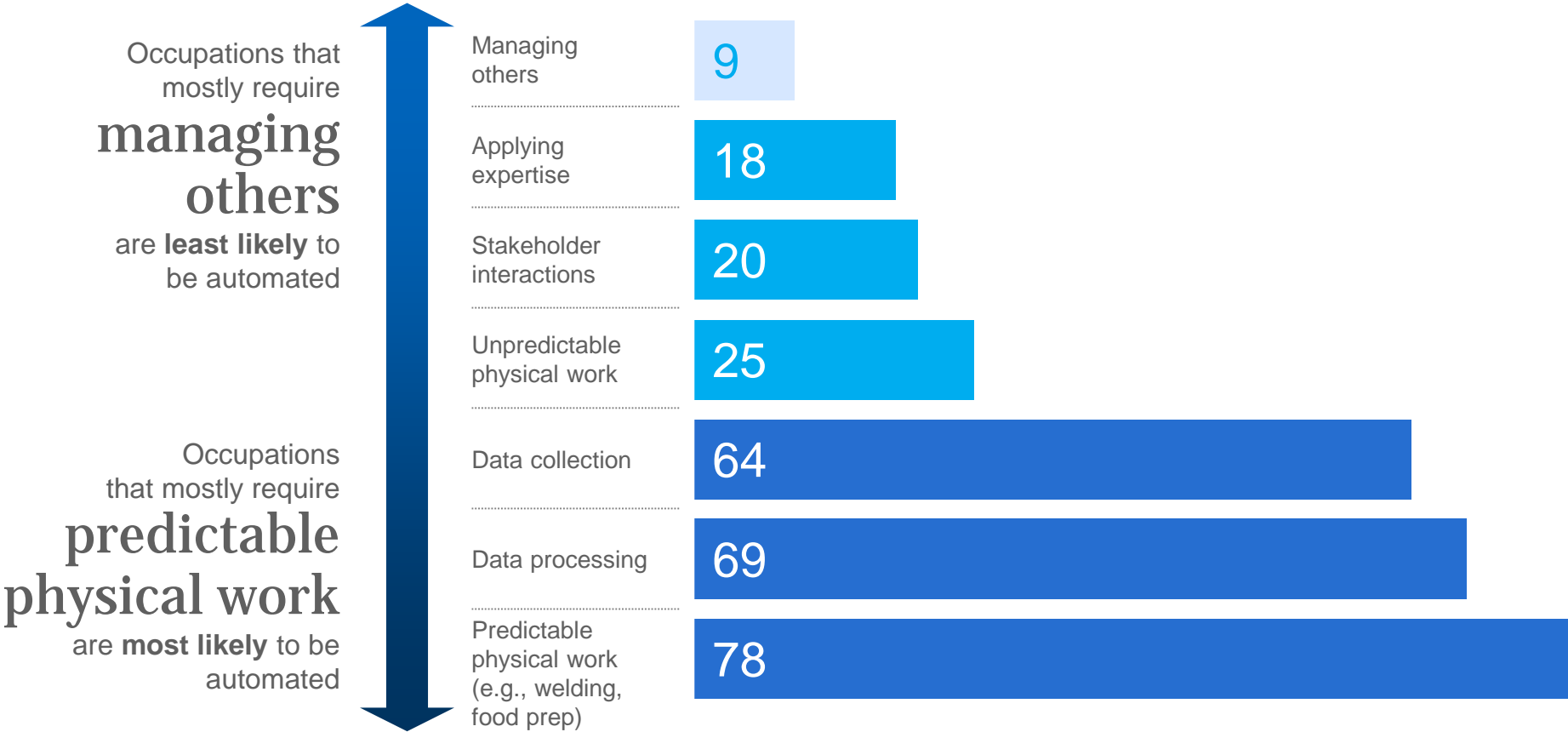
# Technological advancement has already placed pressure on jobs

**Decline in transaction jobs between 1970 and 2010**  
% workforce share decline for select highly automatable jobs





# For 60% of jobs, at least 30% of their activities could be automated





By 2020

**35 percent**

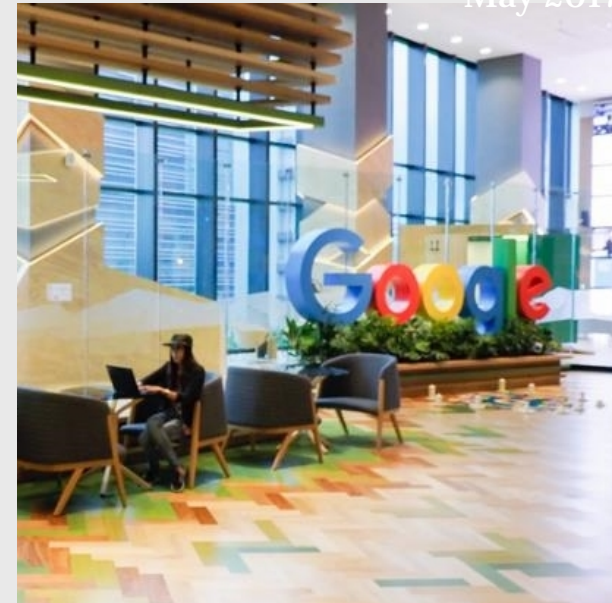
of skills workers  
need across  
industries will  
have changed

# Analytics and AI are transforming the recruiting market

## FORTUNE

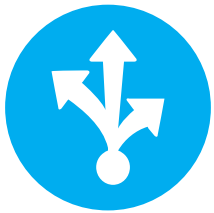
### “Five insights on hiring that AI is building on”

- 1 GPA and test scores are meaningless
- 2 Grit is more important than IQ or EQ in stressful roles
- 3 College club presidents underperform vs. mid-level leaders
- 4 Success at a competitor doesn't equal success at your firm
- 5 Photos on social media don't predict performance



The percentage of Google employees without a college degree has gradually increased over time – up to 14% of people on some teams never went to college

# Five factors impact the pace and extent of automation



**Technical  
progression**



**Cost of  
developing  
and  
deploying**



**Cost of labor  
and related  
supply-demand  
dynamics**



**Benefits  
including and  
beyond  
labor  
substitution**



**Regulatory  
and  
social  
acceptance**





**V** Rise of new competitors





8k  
2010

15k  
2025

70%

are likely to come from  
emerging markets



เว็บ    ค้นรูป    วิดีโอ    แผนที่    เพิ่มเติม ▾    เครื่องมือค้นหา

ผลการค้นหาประมาณ 223,000 รายการ (0.33 วินาที)

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2kw Electric Motor, You Can Buy Various High Quality 2kw Electric Motor Products from Global 2kw Electric Motor Suppliers and 2kw Electric Motor ...

### electric 2kw scooter - YouTube



www.youtube.com/watch?v=8Hc-DTwastk

10 ต.ค. 2551 - อัปโหลดโดย nemirtingasis0

2kw DC permanent magnet motor, 40km range, speed 40km/h , i build this scooter with my brother ;)

### 12V-48V 130mm 2kW/3kW light weight pancake PM motor ...

www.everything-ev.com/index.php?main\_page...id... ▾ แปลงหน้านี้

Everything-EV.com - **Electric** Vehicles, Conversions, Kits, **Motors**, Controllers, ... Rated power outputs range between around 2kW (95) to 3kW (95S)\* and peak ...

### 48V 2KW Electric Scooter hub e motor - Golden Motor Canada

www.goldenmotor.ca/search.php?...2KW+Electric...motor... ▾ แปลงหน้านี้

permanent magnetic dc motor, hub motor for battery powered bicycles, electric outboard motor, solar fan motor, electric outboard kit, solar charger, solar battery ...

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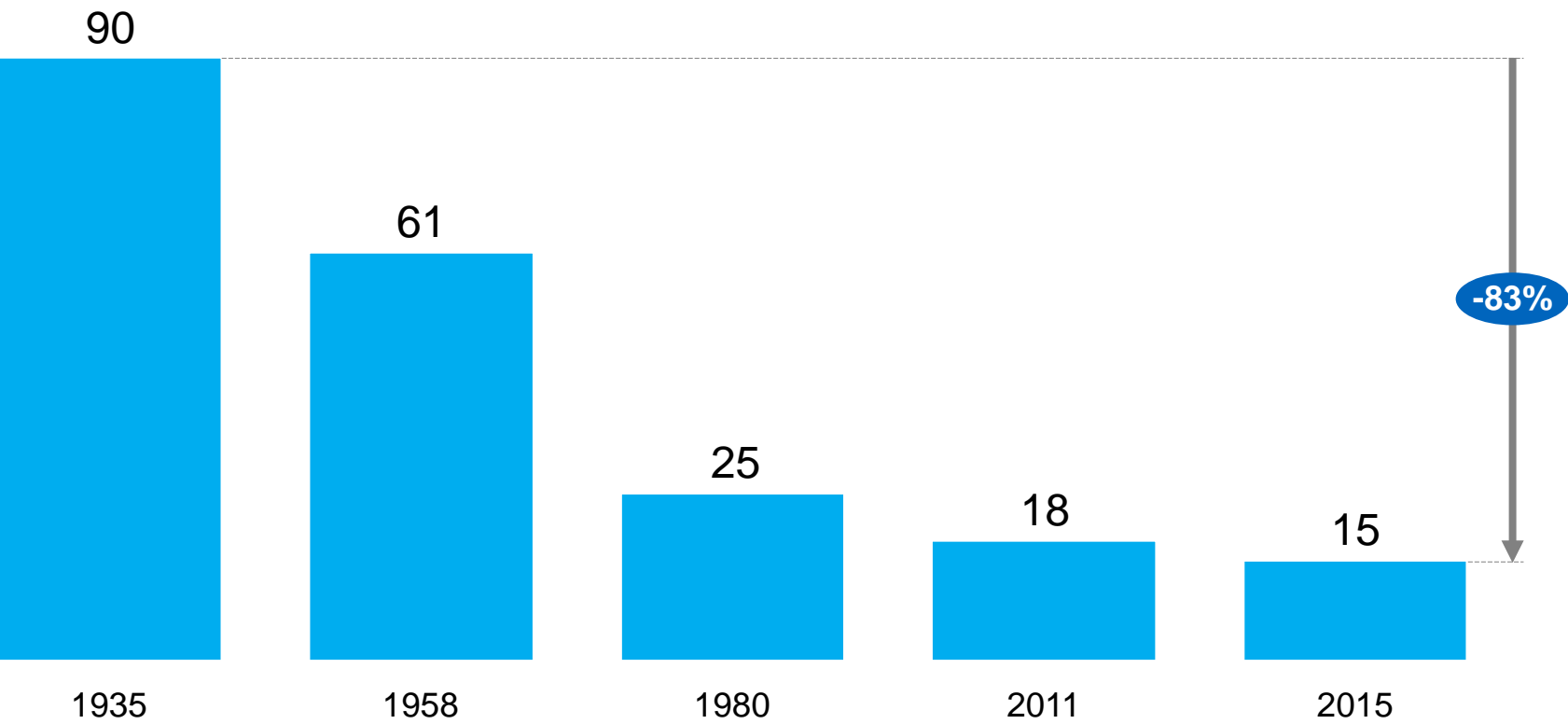
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# The average lifetime of companies is declining

Average tenure on the S&P 500  
Years



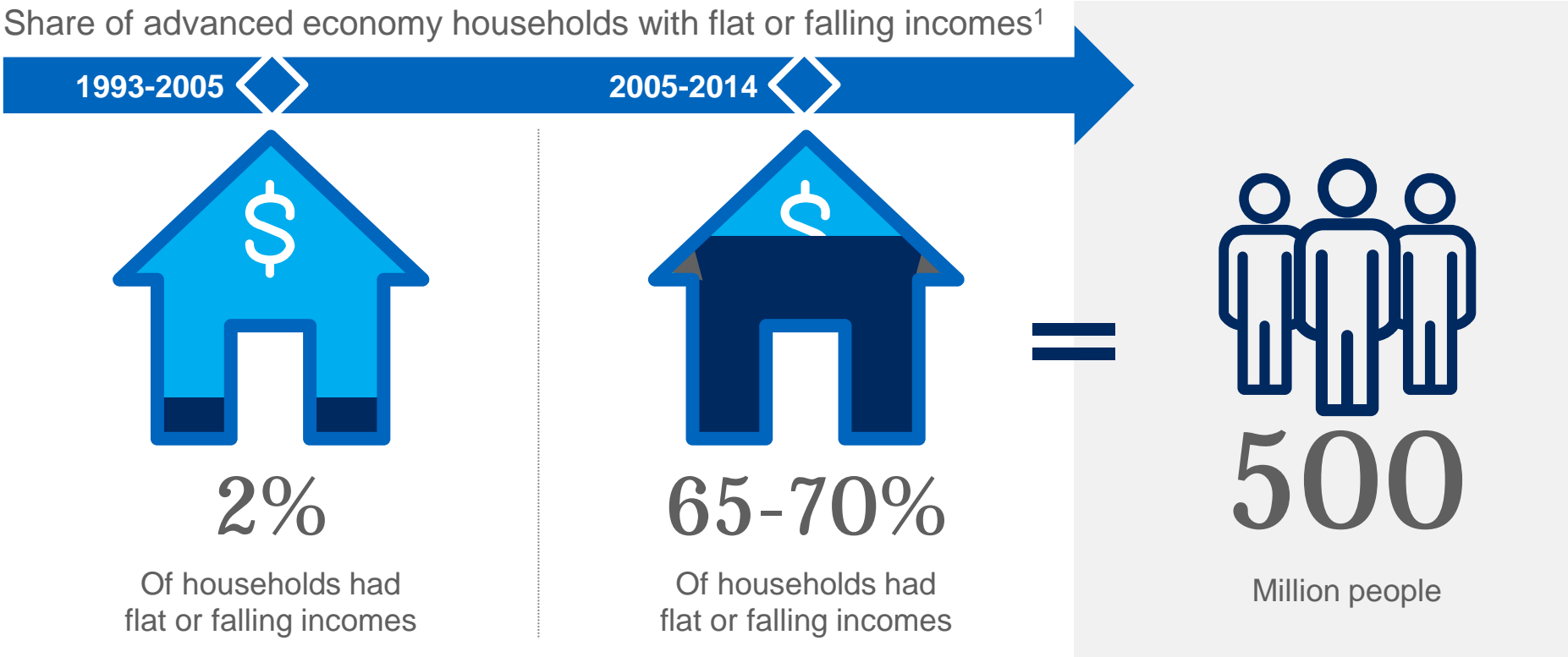




## VI A new social contract

# 500 million people in advanced economy households had flat or falling household incomes from 2005-2014

Share of advanced economy households with flat or falling incomes<sup>1</sup>



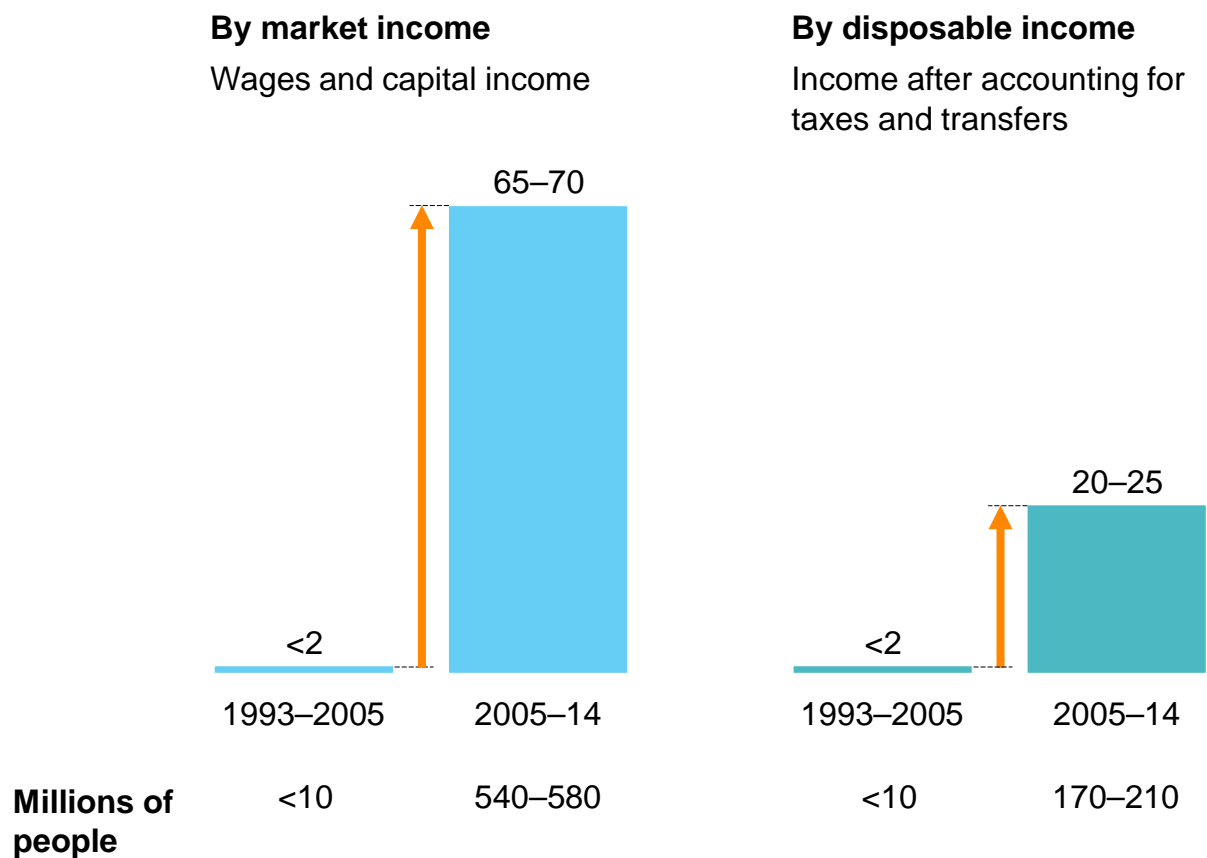
<sup>1</sup> By market income; population-weighted average of 25 countries extrapolated from six sample countries (France, Italy, Netherlands, Sweden, UK and US)

SOURCE: "Poorer than their parents?" McKinsey Global Institute, July 2016



# The percentage of households in income segments with flat or falling incomes exploded in the past decade

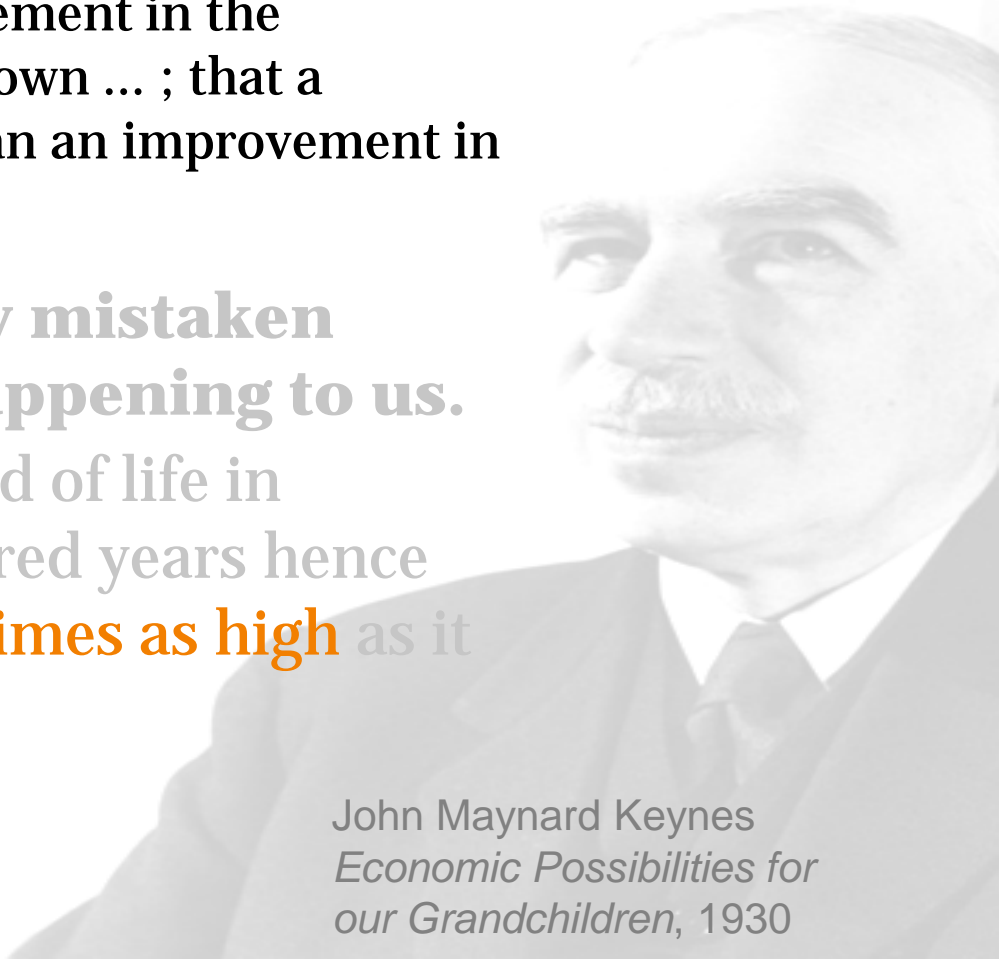
Share of households with flat or falling incomes<sup>1</sup>  
%



<sup>1</sup> Population-weighted average of 25 countries extrapolated from six country deep dives; for each country we use the latest year the data are available—France (2012), Italy (2012 market incomes, 2014 disposable incomes), the Netherlands (2014), Sweden (2013), United Kingdom (2014), and United States (2013). The base year for France is 1996 and for Sweden is 1995.

We are suffering just now from a bad attack of economic pessimism. It is common to hear people say that the era of enormous economic progress which characterised the last century is over; that the rapid improvement in the standard of life is now going to slow down ... ; that a decline in prosperity is more likely than an improvement in the decade which lies ahead of us.

**I believe that this is a wildly mistaken interpretation of what is happening to us.**  
I would predict that the standard of life in progressive countries one hundred years hence will be between **four and eight times as high** as it is today.

A grayscale portrait of John Maynard Keynes, showing him from the chest up, looking slightly to the left. He has a mustache and is wearing a suit and tie.

John Maynard Keynes  
*Economic Possibilities for  
our Grandchildren, 1930*

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