8.5 Billion Global Consumers by 2030: Opportunity or Looming Disaster?

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World Economy not out of the Woods

- Projected growth down from 3.8% in 2011 to 3.3% for 2012 and 3.6% for 2013.
- China down from 8.0% to 7.8% for 2012.
- Slowdown may further accelerate.

Source: IMF
Note: 2013 – 2017 are projection data
3 Billion New Middle Class Consumers come to the Rescue?

90% of the new middle class live in Asia Pacific

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>18%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Europe</td>
<td>36%</td>
<td>22%</td>
<td>14%</td>
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<tr>
<td>Asia Pacific</td>
<td>28%</td>
<td>54%</td>
<td>66%</td>
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</tbody>
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<th>Region</th>
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<tr>
<td>% of middle class population</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>26%</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Europe</td>
<td>38%</td>
<td>29%</td>
<td>20%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>23%</td>
<td>42%</td>
<td>59%</td>
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</tbody>
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Asian Growth at Unprecedented Speed and Scale

China and India doubled GDP growth 10 times faster than the UK

Source: McKinsey
Growing Appetite for Food Sparks Land Scare

50% more food needed by 2030

- Land demand to increase 10%-15% by 2030.
- Rising protein consumption fuels further demand for agricultural land.
- More chicken? Less beef or strictly vegetarian?

Source: UNPD and FAO
Massive Pressure on Finite Resources

Source: BP, CRU, McKinsey, World Steel Association, AME, and online resources
Rising Demand Fuels Hefty Gold and Oil Prices

COMEX Gold: $1,712.7/troy oz

ICE Brent: $108.06/brl

Source: World Gold Council and Kitco

Source: World Bank, IMF
Price Hikes Spark Social Unrest

Seven die in Mozambique food rioting

UN warns of food riots in developing world as drought pushes up prices

2 killed, 300 injured in Algerian riots
Hong Kong is not Immune

Gini Co-efficient of Hong Kong vs. Leading World Economies

- Income disparity ranks among the world’s highest.
- GDP per capital also among the highest.
- Yet 16% of population live in poverty.

Source: Census and Statistics Department, Government of the HKSAR
All Doom and Gloom...

What does the future hold?
“Creativity is the most important human resource of all.”

Edward de Bono
The Holy Trinity

- Solution requires active government leadership, industry expertise, and science and technology.
- A global challenge also calls for global collaboration among governments.
Governments need more Open Trade Policy

Bloomberg
Australia Blocked Rare Earth Deal on Supply Concerns

BBC
US blocks Chinese firm’s investment in wind farms

CNOOC at odds with Congress over Unocal deal

The New York Times
Myanmar Backs Down, Suspending Dam Project

- Protectionism hinders further exploration and supply.
- Governments should worry about failure of the developing world, not its success.
Active Policy to Drive a Green Economy

Do More With Less

- Remove ineffective resource subsidies
- Promote public education to change mindset, e.g. reduce food waste
- Drive energy efficiency programs
Companies to Target the Right Market Segments

Segments targeted in product sales

By companies headquartered in developed markets

- Premium end: 54%
- Mid-market: 40%
- Bottom end market: 6%

By companies headquartered in rapid-growth markets

- Premium end: 40%
- Mid-market: 51%
- Bottom end market: 9%

- A mis-match to focus heavily on premium products in emerging markets.
- Plenty of opportunities -- only if innovations are affordable and relevant.

Source: Ernst & Young
Innovation Brings New Market Share and Revenue Streams

**Tata Nano**
US$2,500 - bringing affordable private transportation to emerging consumers in India

New features to be added for launch in Europe and the US as early as 2013.

**GE Healthcare MAC 400 Resting ECG System**
Developed for rural India, adopted by A&E crews in the US.

*Source: Ernst & Young*
Homegrown Innovation

The red-blue-white bag: Low-cost Hong Kong production sees new life in concept store rwb330 and Louis Vuitton stores
Opportunities or Disaster then?

Massive Opportunities yet Alarming Risks

- Finite resources
- Zero sum and protectionism
- Increased poverty and inequity

Risks

- New products
- New markets
- New revenue streams
- Enhance Risk Management

Innovation induced growth

- Enhanced efficiency
- Responsible consumerism
- Reduced carbon footprint

Mindset & behaviour change
To Flourish or Perish?

The Choice is Ours!
China’s Global Marketplace

China Access · Asian Pricing · Global Risk Management

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