

Megatrends and their implications

Rod Jackson – CFO, Westpac International

21st April 2017

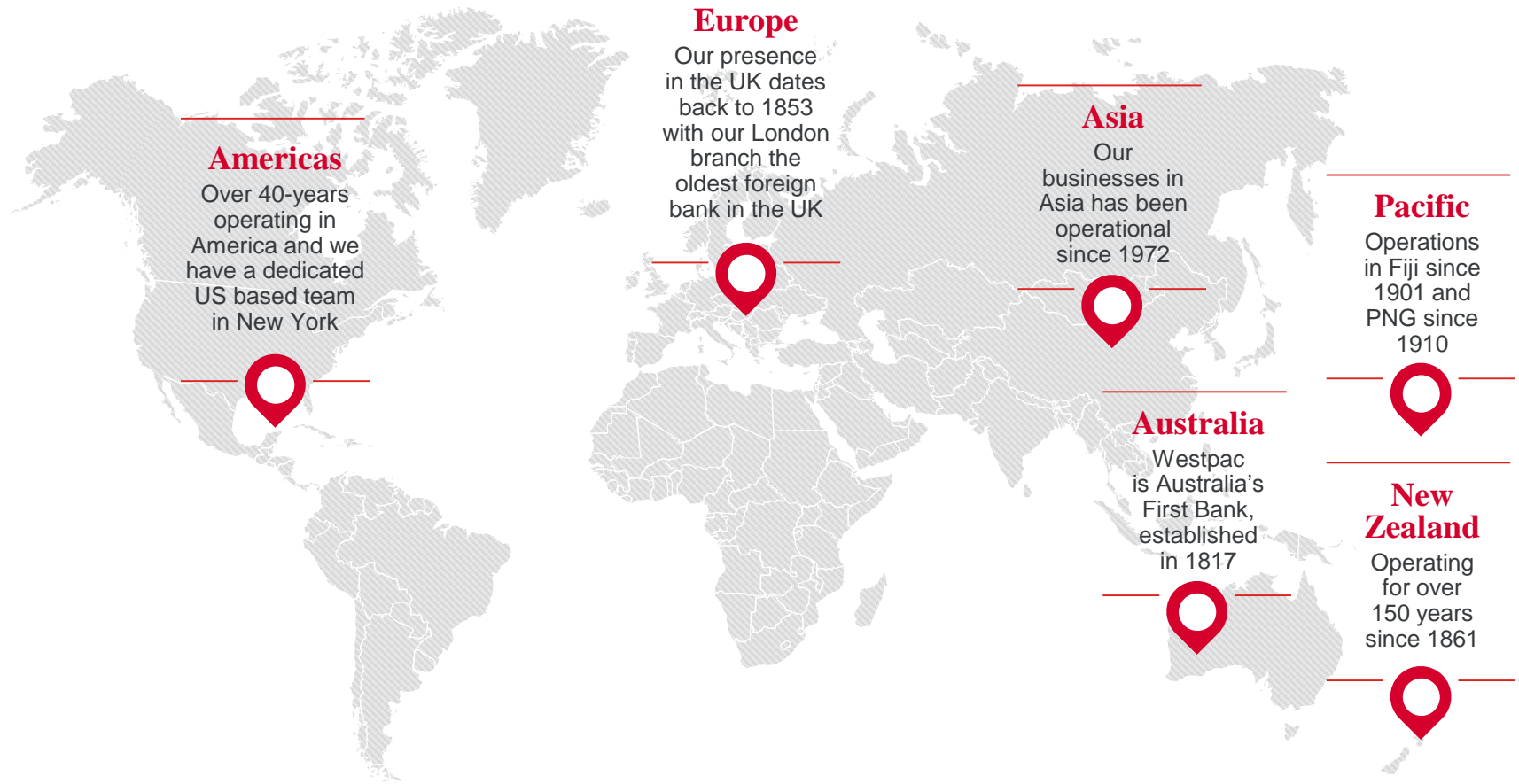
200



200 years proudly supporting Australia

Westpac

Our Global Presence



We are committed to the regions our customers do business in.



200 years proudly supporting Australia

Westpac

Australasia



We are committed to the regions our customers do business in.

What is a Megatrend?

1. Megatrends are ***global, sustained and macroeconomic forces*** that are impacting the world's social and economic systems.
2. They are supported by verifiable facts and figures.
3. Governments and Companies are carefully analysing these megatrends and their implications to design their future strategy and planning processes.

The major forces impacting the economic, political, social and commercial landscape



Technological breakthroughs

1



Demographic and Social change

2



Shift in global economic power

3



Climate change & resource scarcity

4



Rapid Urbanisation

5



Technological breakthroughs

Technological breakthroughs

- **Digital revolution** has created enormous opportunities, challenges and risks.
- **Social media** is the new way of living, building relationships and dealing with information.
- **Disruption** is taking out core players across the value chain. We have seen this in the hotel, taxi and retail industry due to the likes of Airbnb, Uber and Amazon.



Consequences of Technological changes



Transformation



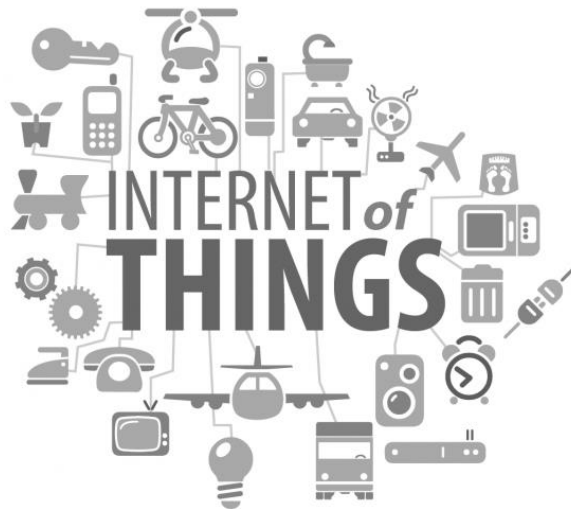
Big Data



Privacy and Cyber Security



BLOCKCHAIN



Maturing Technologies

Picture Source:

Transformation: <http://reports.weforum.org/digital-transformation/>
Privacy and Cyber Security <https://www.cloudlock.com/why-cloudlock/>
Internet of Things <https://thetechportal.com/>

“Uber, the world’s largest taxi company, owns no vehicles... Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world’s largest accommodation provider, owns no real estate.”

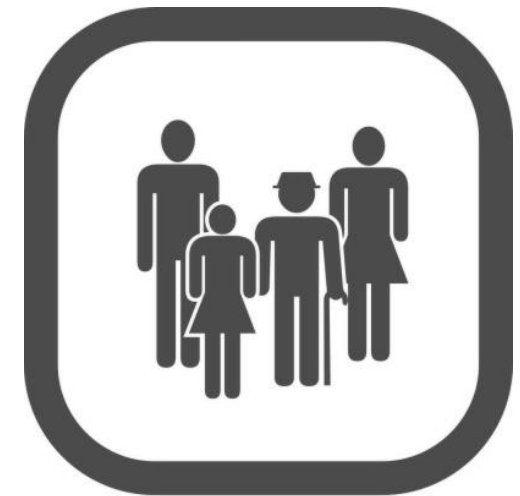
(TechCrunch, 2015)



Demographic and Social change

By 2030, the world's population will be greater than 8 billion¹

- Africa's population is the fastest growing and is set to double by 2050¹. The average age in Japan and Nigeria in 2050 is expected to be 53 and 23¹ respectively.
- Australia's latest intergenerational report predicts the population will hit 39.7 million in 2055, and 40,000 people will celebrate their 100th birthday that year.
- Changing demographics and social preferences will require bold policy formation from both companies and governments.



Demographic change

Consequences of Demographic changes



Aging Population



*Pension and Healthcare systems
under pressure*



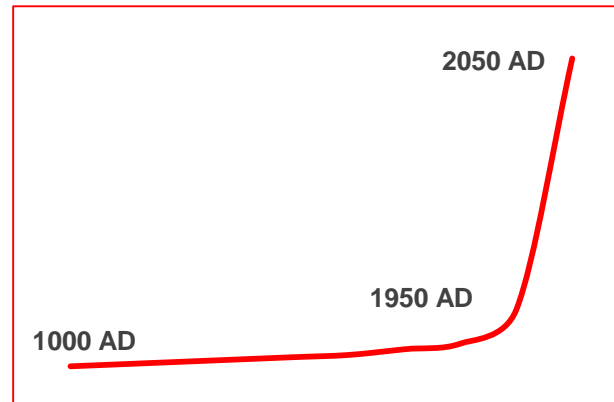
Women in work



Global Mobility

“Current demographic changes are unprecedented. After remaining broadly unchanged for centuries, the age structure of the world’s population is now changing dramatically”

(IMF 2004)



World Population Growth
("Illustrative purposes only")



Shift in global economic power

Shift in global economic power



- Economic power shift from west to east.
- Commodity prices have fallen significantly.
- Once rapidly growing emerging economies like Brazil and Russia, are both now coming out of recession.
- Rebalancing in China.
- Shifting political power in Asia and Europe and rise of populist views.
- Developing countries will account for an estimated 57% of global GDP by 2030¹.

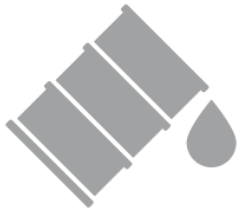
Consequences of shift in economic power



China and India as global growth engines



Emerging multi-polar world order



A move away from commodities and diversification



New Manufacturing locations

"If the disruptions we are expecting for 2017 as a result of what has happened in 2016 prove to be all negative and we are to end up in a race to the bottom on the tax front, on the trade front, on the financial regulation front, then that for me would be a really big 'black swan' that would have devastating effects"

(Christine Lagarde, Chief IMF #WEF2017)

"We must remain committed to developing global free trade and investment, promote trade and investment liberalization and facilitation through opening up, and say no to protectionism"

(Xi Jinping, Chinese President #WEF2017)

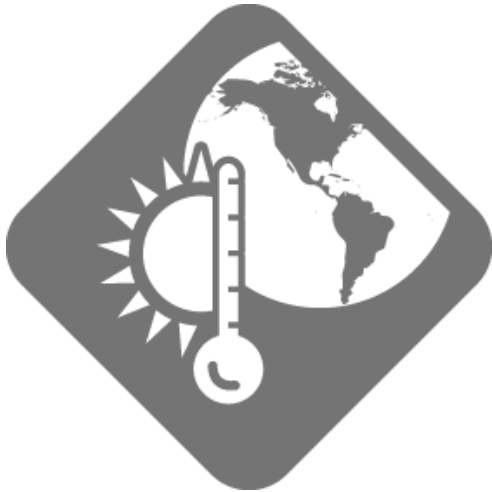


Climate change and global scarcity



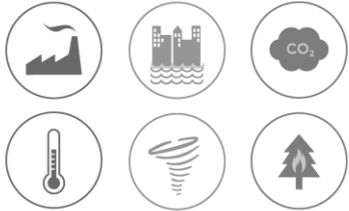
200 years proudly supporting Australia

Climate change and resource scarcity



- Demand for food is expected to be 35% more by 2030¹ driven by global population growth.
- Globally, demand for key necessities like water will increase by 40% and for energy by 50%¹.
- Sustainability has reached a turning point and is becoming a genuine source of concern for leaders the world over.
- There are numerous environmental, social and economic benefits to limiting global warming to two degrees Celsius above pre-industrial levels in line with the COP21 agreement signed in Paris in 2015.

Consequences of Climate Change and Resource Scarcity



Unpredictable weather patterns and rising sea levels



Challenge of global cooperation



Agriculture under pressure



Competition for minerals and metals



Demand for water and energy

“Some scientists believe climate change is the cause of unprecedented melting of the North Pole, and that effects these very uncertain weather patterns. I think we should listen to those scientists and experts.”

(Dalai Lama)

Rapid urbanisation

Rapid urbanisation

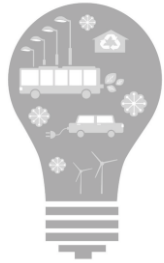


- Presently, over 50% of the global population lives in urban areas and 1.5 million people are added to the global urban population every week⁽¹⁾⁽²⁾.
- In 2015, 85% of global GDP was generated in cities³.
- Around 85% of Australia's population lives in coastal urban areas⁴.
- This urbanisation creates pressure on major public works such as healthcare, housing, education, waste management, transport and infrastructure, in turn creating a tremendous need for more investment.

Consequences of Urbanization



Need for new Infrastructure



Rise of SMART cities



Pressure on public funding



Rise of the entrepreneurs

“There was a time when urbanisation was considered as a problem but I think urbanisation must be considered as an opportunity.”

(Narendra Modi, PM India)

Summary

- These megatrends are constantly evolving and their impacts have been witnessed in the short-term.
- All the megatrends are interconnected in some way or the other.
- It is imperative that governments and businesses across the globe consider these megatrends in shaping their strategies.
- To learn more about the five global mega trends, check out PwC's report at <http://www.pwc.co.uk/issues/megatrends>

Important Disclaimer

“The material and opinions in this presentation reflect the author’s own views and do not represent the views of Westpac Banking Corporation.”