

# The Race to 'The New Reality'

Jonathan Pain



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# A Journey from West to East

- The tectonic plates of the global economic landscape
- Identify the key factors and forces
- Beware the prism through which you view the world and be aware...



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# The Reality Check

## 10% versus 90%

- USA, UK, Spain, Italy, Greece, Ireland, Portugal, Japan
- China, India, Indonesia, Brazil, Nigeria, Bangladesh, Russia, Mexico, Philippines, Vietnam, Ethiopia, Turkey, Thailand, South Africa, South Korea, Myanmar, Malaysia, Ghana, Mozambique, Taiwan, Australia, Cambodia, Zambia, Singapore



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# Central banks of the world unite

- Will do whatever it takes
- The rubber meets the road as monetary policy gains traction
- $MV=PT$
- Global financial system (ex Europe) is strong
- The WFC not the GFC



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# USA

- 3% in 2013
- Housing recovers-1% plus impact on GDP
- Energy independence?
- Business confidence and capital spending
- What a relief it is for me to say this!



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# Chongqing Chongqing It's up to you ~~New York, New York~~

- Over 3 billion consumers in Asia
- China new frontier-its own backyard
- High speed rail



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# When China sneezes the world catches a cold!

- 2007-2012 China GDP 56%, India 43% (IMF)
- High income countries just 2%
- “ *The BRIC’s will add \$12 trillion over next decade – double eurozone and U.S*” (Goldman Sachs)



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# Rise of Asian middle classes

- Chinese and Indian consumers will be spending nearly \$10 trillion by 2020\*
- More than three times the amount today
- Most significant economic phenomenon of our lifetime

\*Source: 'The \$10 Trillion Prize' , Silverstein, Singhi, Liao, Michael,  
The Boston Consulting Group



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# A maturing giant

- 10% average annual growth since 1978
- 2001:1.3 trillion....2012:8.3 trillion
- A Greece every 4 months!
- Composition and quality of growth to change
- 8% growth in 2013



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# Chinese growth plummets to 7.5%!

- *“The media is framing the entire debate in terms of a hard landing or a soft landing. Both employ the word landing, which entails a decline; one rather abrupt and the other more gradual, but a descent nonetheless.*
- *Why all this talk of a landing?*
- *If an economy is growing it is ascending, not descending, and most certainly not landing”*

Source, The Pain Report, April 2012



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# The lucky country

- 75% of Australia's exports go to Asia
- An election year-oh boy!
- Some relief from the RBA
- The best of all worlds and more beach



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# The adjustment we had to have

- Do you remember The Mother of All Crossroads?....2006
- *“As we look to the West we see an economic giant that is in the first phase of a painful decline. As we look to the East we see a phenomenon that will shape and define our lives for decades to come.”*
- 2008 was a defining moment in time which accelerated the inevitable.



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# The new political reality

- *“Right across the world the fusion of affluence, technology and education will fuel an expectation of greater political participation and inclusion, and a thirst for pluralism.”*

Source - The Pain Report May 2012



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# This might surprise you

## World GDP-average growth(%)

- |   | 1981-1990 | 1991-2000 | 2001-2010 | 2011-2020 |
|---|-----------|-----------|-----------|-----------|
| • | 3.3       | 3.3       | 3.5       | 4.2       |

Source: IMF, GS Global ECS Research



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# The new reality

- World divided between submerging and emerging-10% versus 90%
- In an age of globalisation...
- In a digital age of technology ,transparency and connectivity
- A fusion of East and West
- Welcome to the new reality and turn off your..



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