Topics for discussion

1. Asian Century
   The global center of gravity is shifting towards Asia

2. Decoding Asia
   There is no ‘Asia’ but rather ‘4 Asias’

3. Innovation and technology
   Multi-local innovation in Asia

4. Implications for Australia
   Thriving in an Asian Century
Topics for discussion

1. Asian Century
   The global center of gravity is shifting towards Asia

2. Decoding Asia
   There is no ‘Asia’ but rather ‘4 Asias’

3. Innovation and technology
   Multi-local innovation in Asia

4. Implications for Australia
   Thriving in an Asian Century
Can Asia potentially change the course of the world?

Ten-year real GDP growth per annum (2008–18), %

Note: Cutoff point based on +/- one standard deviation from mean.

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA

Source: EIU
The world’s economic centre of gravity is shifting back to Asia
Locations weighted in 3D space by GDP

Source: McKinsey Global Institute

Website: mckinsey.com/futureofasia Twitter: @McKinsey Hashtag: #FutureofAsia, #FoA
Asia by 2040...

~3 billion people living in urban centers

40% of global consumption

52% of world’s GDP (PPP)

Macroeconomic indicators demonstrate Asia’s upward trajectory and position as the world’s biggest economic region
Topics for discussion

1. Asian Century
   The global center of gravity is shifting towards Asia

2. Decoding Asia
   There is no ‘Asia’ but rather ‘4 Asias’

3. Innovation and technology
   Multi-local innovation in Asia

4. Implications for Australia
   Thriving in an Asian Century
There is no single Asia, but at least four...

GDP comparison, $ trillion

<table>
<thead>
<tr>
<th>Region</th>
<th>2018 GDP</th>
<th>2040 GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Asia</td>
<td>8.2</td>
<td>10.8</td>
</tr>
<tr>
<td>China</td>
<td>13.0</td>
<td>35.7</td>
</tr>
<tr>
<td>Frontier Asia and India</td>
<td>3.5</td>
<td>12.9</td>
</tr>
<tr>
<td>Emerging Asia</td>
<td>2.5</td>
<td>7.2</td>
</tr>
</tbody>
</table>

China may be almost as big as North America
Frontier Asia and India may be bigger than Middle East and Africa combined
Emerging Asia may be comparable to Latin America

Source: McKinsey Global Growth Model; IHS; McKinsey Global Institute analysis

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
The Four Asias have complementary assets

<table>
<thead>
<tr>
<th>Category</th>
<th>Metric</th>
<th>Advanced Asia</th>
<th>China</th>
<th>Emerging Asia</th>
<th>Frontier Asia and India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA

Source: WIPO; McKinsey Global Growth Model; United Nations; FDI Atlas; Nations Online; McKinsey Global Institute analysis
Topics for discussion

1. Asian Century
   The global center of gravity is shifting towards Asia

2. Decoding Asia
   There is no ‘Asia’ but rather ‘4 Asias’

3. Innovation and technology
   Multi-local innovation in Asia

4. Implications for Australia
   Thriving in an Asian Century
Asia is already building out its technology leadership position...

Top 10 global tech companies, 2019 market capitalization

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft</td>
<td>1,039</td>
</tr>
<tr>
<td>Apple</td>
<td>933</td>
</tr>
<tr>
<td>Amazon</td>
<td>887</td>
</tr>
<tr>
<td>Alphabet</td>
<td>817</td>
</tr>
<tr>
<td>Facebook</td>
<td>524</td>
</tr>
<tr>
<td>Alibaba Group</td>
<td>455</td>
</tr>
<tr>
<td>Tencent</td>
<td>395</td>
</tr>
<tr>
<td>Samsung</td>
<td>242</td>
</tr>
<tr>
<td>Intel</td>
<td>208</td>
</tr>
<tr>
<td>TSMC</td>
<td>207</td>
</tr>
</tbody>
</table>

Of the Asian tech companies has been among the top 20 in 2009

None

Source: CapitalIQ, CB Insights, 20th August 2019

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
In addition, Asian unicorns spend less time in incubation compared to the Western countries.

Average time to become unicorns since foundation, year

- **Asia**: 6
  -30%

- **Americas**: 9
  -42%

- **EMEA**: 10

Source: CB Insights

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
Asia is already leading investment activities across disruptive technologies
Amount of investment in start-ups by region, by technology for 12 disruptive technologies, 2015-2018

Source: Preqin

Website: mckinsey.com/futureofasia Twitter: @McKinsey Hashtag: #FutureofAsia, #FoA
The 50 fastest-rising cities on Asia’s innovation network

Metrics analyzed
Number of patents filed (depicted)
Knowledge-intensive sector's greenfield investment
Number of top 500 universities
Number of unicorns (as of April 2019)
Revenue of technology firms
Highspeed internet penetration rate

Number of patents filed
2017, number
<50  51–200  201–1000  1,001–2,500 >2,501

Overall index CAGR
Low  High

Source: UN; Clearivate, FDI Atlas, HIS, McKinsey Global Institute analysis
Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
Leading firms on Asia’s innovation network

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
Chinese super apps that offer a one-stop solution for customers

# of features in Alipay

75 in-app features

200k+ mini-programs
(in-app third-party application function)

Source: Alipay, Questmobile, McKinsey analysis

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
A key driver of Asia’s technological advance is scale; Asia already accounts for half of the world’s internet users.

Number of internet users

Source: Internet World Stats,

Website: mckinsey.com/futureofasia Twitter: @McKinsey Hashtag: #FutureofAsia, #FoA
For example, India will be among the largest data ecosystems in the world.

- **Number of smartphone devices**: 350 million in 2018, increasing to 850 million by 2025 (2.5X).
- **Digital transactions, retail**: 3% share in 2015, increasing to 30% by 2025 (10X).
- **Mobile data consumption**: 150 PB/Month in 2015, increasing to more than 10,000 PB/Month by 2025 (>60X).

Source: McKinsey Global Institute Digital India Report

Website: mckinsey.com/futureofasia  
Twitter: @McKinsey  
Hashtag: #FutureofAsia, #FoA
Not only are Asian countries adopting faster but they tend to be even more digitally savvy compared to Western peers.

Growth in digital adoption index
% growth, 2013-2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>99</td>
</tr>
<tr>
<td>India</td>
<td>90</td>
</tr>
<tr>
<td>China</td>
<td>45</td>
</tr>
<tr>
<td>Russia</td>
<td>44</td>
</tr>
<tr>
<td>Germany</td>
<td>44</td>
</tr>
<tr>
<td>Japan</td>
<td>43</td>
</tr>
<tr>
<td>Italy</td>
<td>36</td>
</tr>
<tr>
<td>South Africa</td>
<td>35</td>
</tr>
<tr>
<td>France</td>
<td>35</td>
</tr>
<tr>
<td>South Korea</td>
<td>31</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>30</td>
</tr>
<tr>
<td>Brazil</td>
<td>30</td>
</tr>
<tr>
<td>United States</td>
<td>30</td>
</tr>
<tr>
<td>Sweden</td>
<td>27</td>
</tr>
<tr>
<td>Canada</td>
<td>25</td>
</tr>
<tr>
<td>Australia</td>
<td>25</td>
</tr>
<tr>
<td>Singapore</td>
<td>24</td>
</tr>
</tbody>
</table>

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
Day in the life of a digitally savvy user in Indonesia

8:00 AM
Grab a ride to work

12:00 PM
Pay for lunch

1:00 PM
Check credit card auto-payment

2:00 PM
Order coffee

3:00 PM
Refill phone credit

5:30 PM
Buy some new clothes

7:00 PM
Book flight and hotel for upcoming vacation

8:00 PM
Go to a workout class

Website: mckinsey.com/futureofasia  Twitter: @McKinsey  Hashtag: #FutureofAsia, #FoA
Topics for discussion

1. Asian Century
   The global center of gravity is shifting towards Asia

2. Decoding Asia
   There is no ‘Asia’ but rather ‘4 Asias’

3. Innovation and technology
   Multi-local innovation in Asia

4. Implications for Australia
   Thriving in an Asian Century
Thriving in a world led by Asia

1. Look to Asia for talent (and protect your talent!)
2. Collaborate with Asian companies and universities
3. Invest in Asia (and know that Australian companies will)
4. Establish stronger personal ties across Asia