

The New Reality

Jonathan Pain



Submerging versus emerging

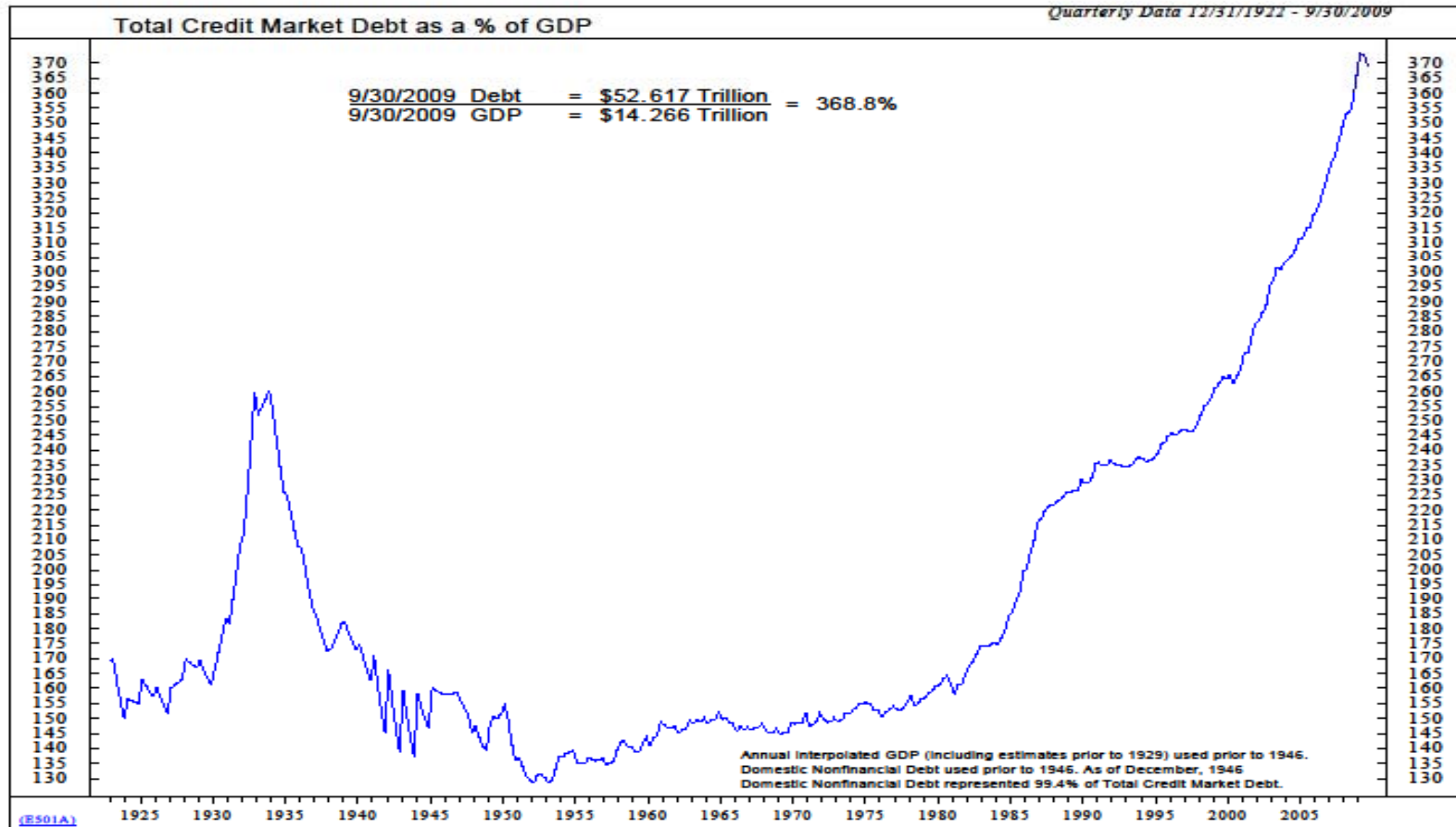
- Submerging nations will spend less and save more
- Emerging nations will spend more and save less
- Yes, it is as simple as that



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The New Reality of Frugality



Source: Ned Davis

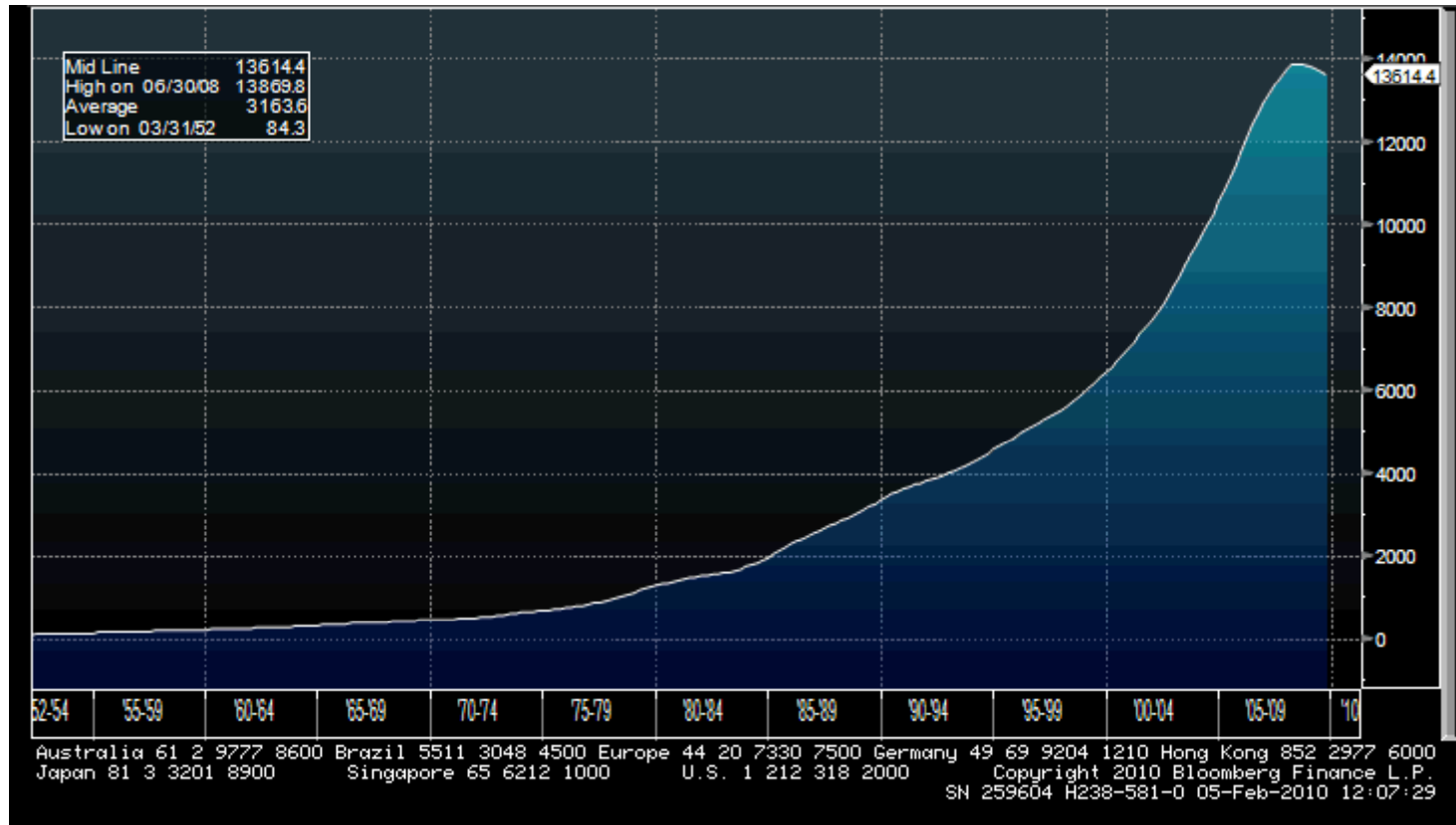


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Shop until you drop!?



Source: Bloomberg, Total US household debt



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The great new divide

Submerging

- Iceland...go fishing
- Ireland
- Spain
- Greece
- U.K.
- USA
- Dubai
- Japan

Emerging

- China
- India
- Brazil
- Indonesia
- Vietnam
- Australia?



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Chongqing Chongqing

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

- Over 3 billion consumers in Asia
- China's new frontier-its own backyard
- Discretionary spending \$2.9 trillion to \$5.0 trillion in five years
- Mobile phone sales in India (20 million a month)

six million in 2002, six hundred million in 2010



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Motorisation of worlds most populous nations

	1999	2009	% change
China	1,496,210	10,300,182	+588
India	615,527	1,631,777	+165
Indonesia	85,131	608,000	+614

*Passenger vehicle sales source CLSA



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Car ownership % of population

- China 6%
- India 2%
- Indonesia 3%
- By 2020, over 300 million cars in China, from 65 million today

...IEA estimate for 2010



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A maturing giant

- 10% average annual growth since 1978
- Deng Xiaoping and his black and white cat
- Composition of growth to change
- 7% growth in 2011

The Asian economic orbit

Monthly Australian exports (AUD Million)

	1990	2010
China	165	5090
Japan	1095	4160
Korea	252	2071
India	63	1201
E.U	691	1203
USA	406	853

Source: Bloomberg

...Watch Indonesia!!



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More beach per person...

- 80% of our exports ➡ Asia
- Underwritten by Asia
- Benefits of developed + emerging

... The Saudi of Uranium

The adjustment we had to have

- Do you remember The Mother of All Crossroads?....2005
- *“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 Reality

- World divided between submerging and emerging
- Much better balance!
- In an age of globalisation...
- A fusion of East and West
- Welcome to the new reality



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