

Academic Year 2018-2019

Università Cattaneo - LIUC
ITALY

Sustainable Economic Policy and Management

14.03.2019 - Megatrends and Sustainability

Dr. Marco Brusati
(mbrusati@liuc.it)

The concept of 'economic system'

Economy is closer to 'system' (organic, vital, evolving, not totally controllable...) rather than to 'order' (construct, structured, controlled...).

An economic system contains a complex set of interactions among some key-components:

Factors are the given material and geographical conditions (resources, limits, environment, population, neighbourhood, geopolitics...). They have a strong influence on society's adaptive response and thus to the economic policies and performance.

Actors are the human subjects who make choices and take decisions that affects economy; they are producers, consumers, regulators, traders, savers, investors etc.

Values are the non-material conditions (memory, identity, weltanschauung, beliefs, customs, taste...) constitute the basis of social consensus and the blueprint for behaviour, therefore they exert strong influence on policy and decision-making processes.

Institutions and policies are the conscious and voluntary arrangements that reflect the adaptive response of a society *vis-à-vis* factors and values.

Rapid discontinuous changes are the unforeseen happenings that affect people's lives, and are usually beyond human control (e.g. epidemics, accidents, disasters...). They defy forecast and preparation based upon knowledge and judgements of the past and present.

Any economic system is the ever-changing outcome of the interplay among these key-components, therefore an economic system manifests itself as a complex magma containing many unintended consequences.

Megatrends and Economy

Drivers producing mega-trends:

- Technology
- Globalization
- Demography
- Environment
- Culture and values

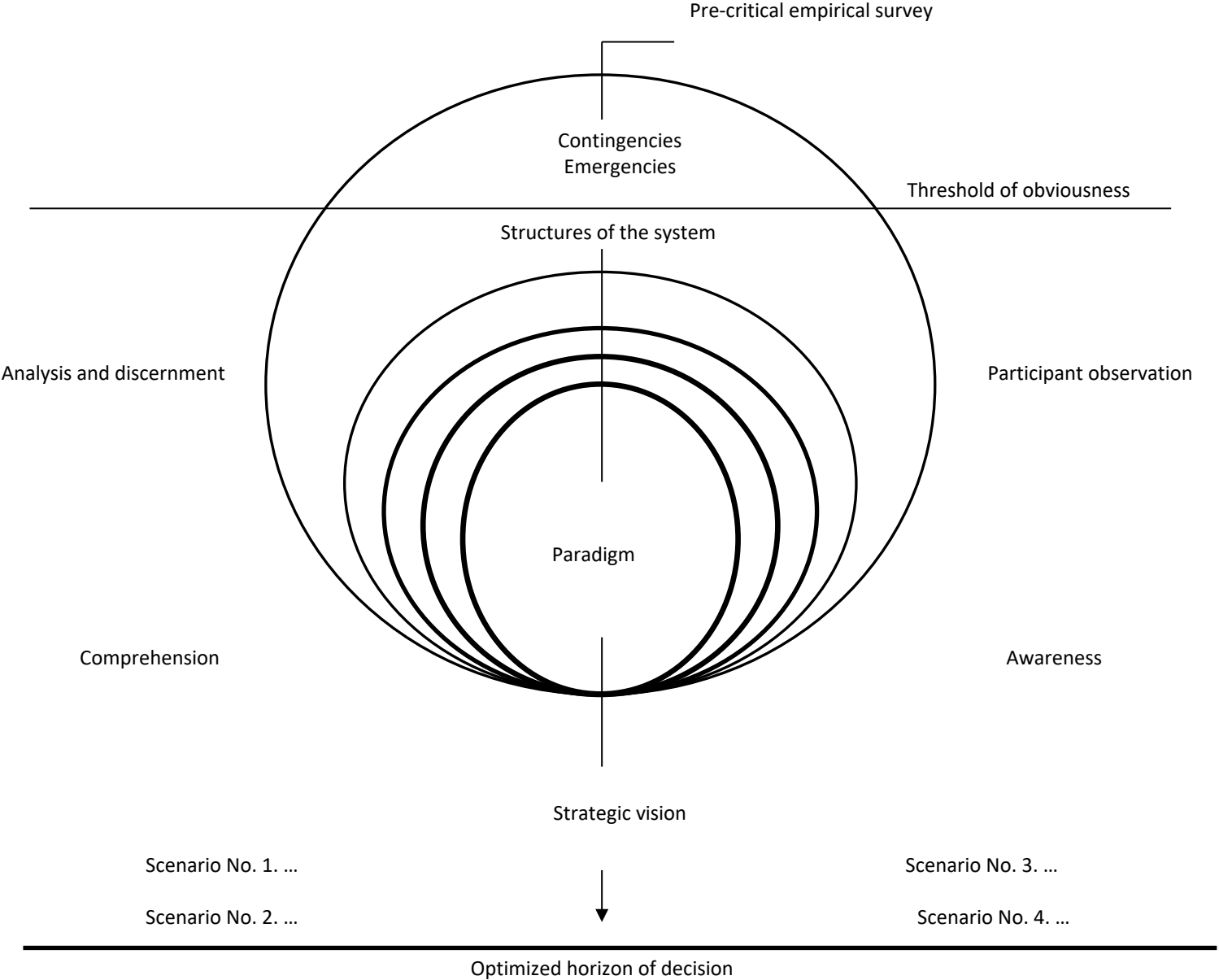
Interaction between drivers → megatrends

Relevance:

- 1) Everyone is affected
- 2) Easy to underestimate the pace of change
- 3) Smart strategies and execution are not enough

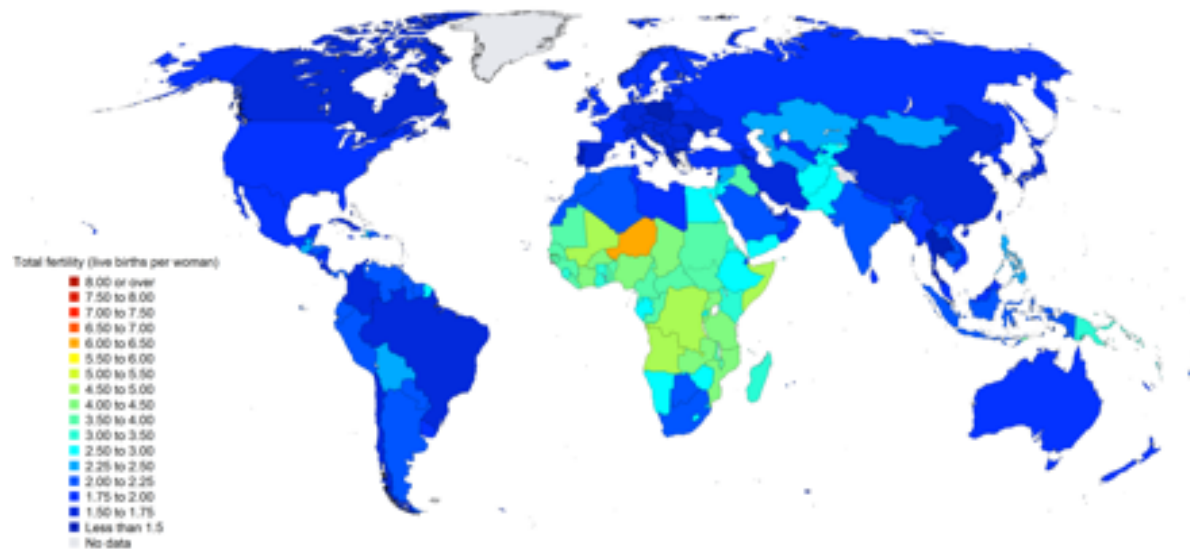
“Disruptive” changes → “Disruptive” Innovation → New business models

Economic system survey

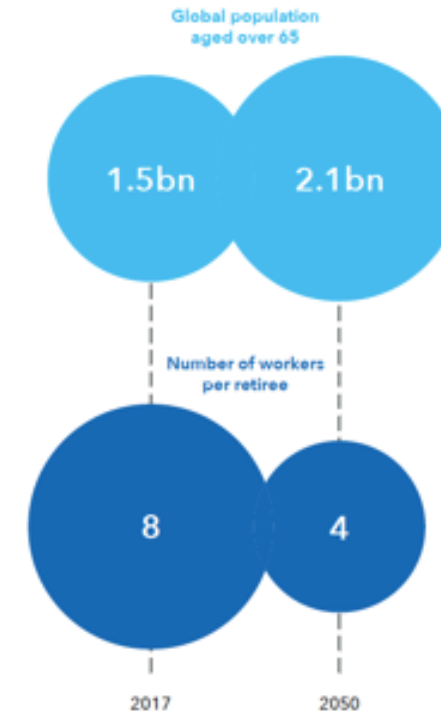


Megatrend 1: Demographic structure

Total fertility, medium projection, 2030-2035



An ageing population will have a dramatic impact on our workforce



[Ageing population video](#)

[Young population video](#)

Megatrend 2: Urban vs rural

Smartness in terms of:

Home automation

Home energy

Home health

Home entertainment

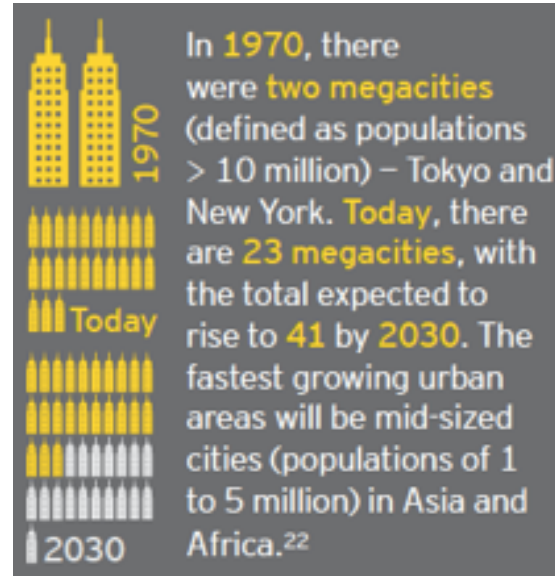
Mobility at work

E-Government

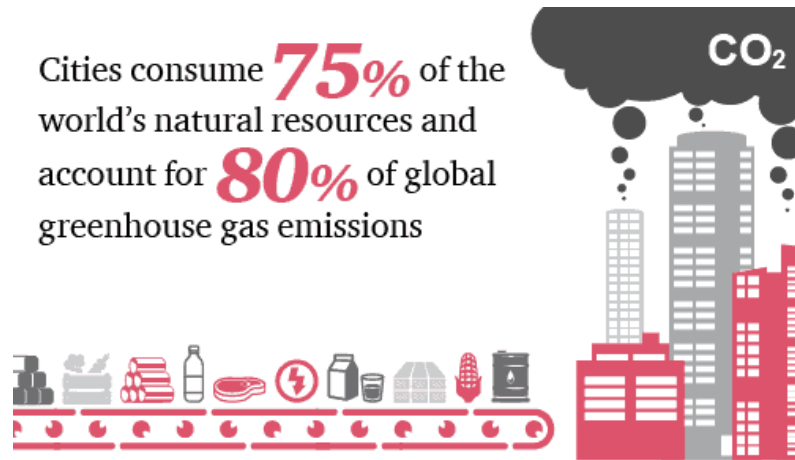
E-learning

E-services

E-citizenship



Cities consume **75%** of the world's natural resources and account for **80%** of global greenhouse gas emissions



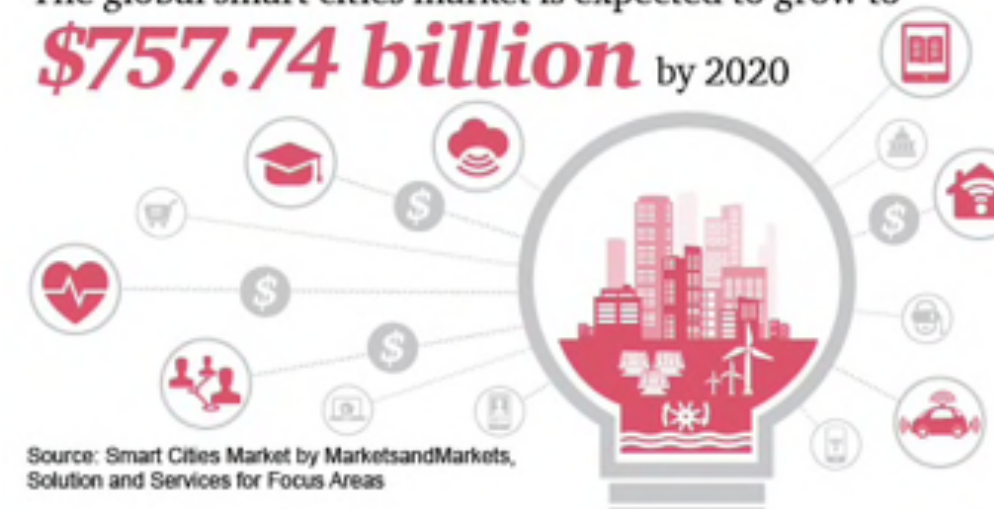
Source: United Nations, 2015

85% of global GDP was generated in cities



Source: The New Climate Economy, Seizing the Global Opportunity

The global smart cities market is expected to grow to **\$757.74 billion** by 2020 



Source: Smart Cities Market by MarketsandMarkets, Solution and Services for Focus Areas

Megatrend 3: new economies and game changers

Global economic power will shift to the E7 economies



G7: US, UK, France, Germany, Japan, Canada and Italy
E7: China, India, Indonesia, Brazil, Russia, Mexico and Turkey

Sources: IMF for historical GDP, PwC analysis for projections to 2050

The US and Europe will steadily lose ground to China and India

Share of world GDP (PPPs) from 2016 to 2050...



Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

Megatrend 3: new economies and game changers

World GDP in PPP Terms, 2000–2030

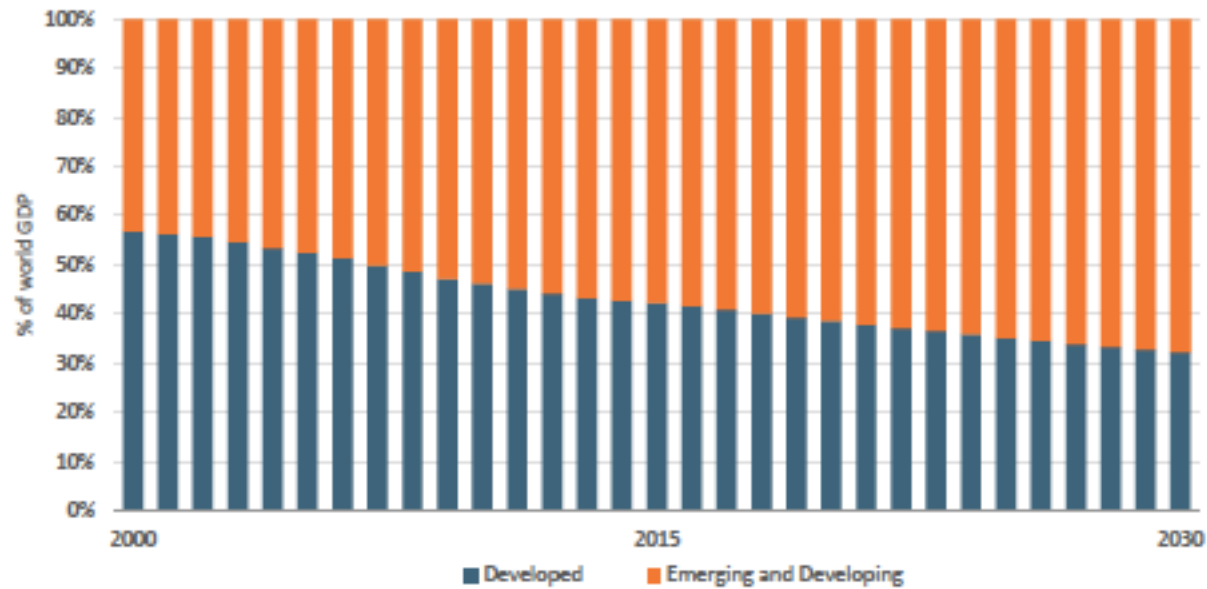
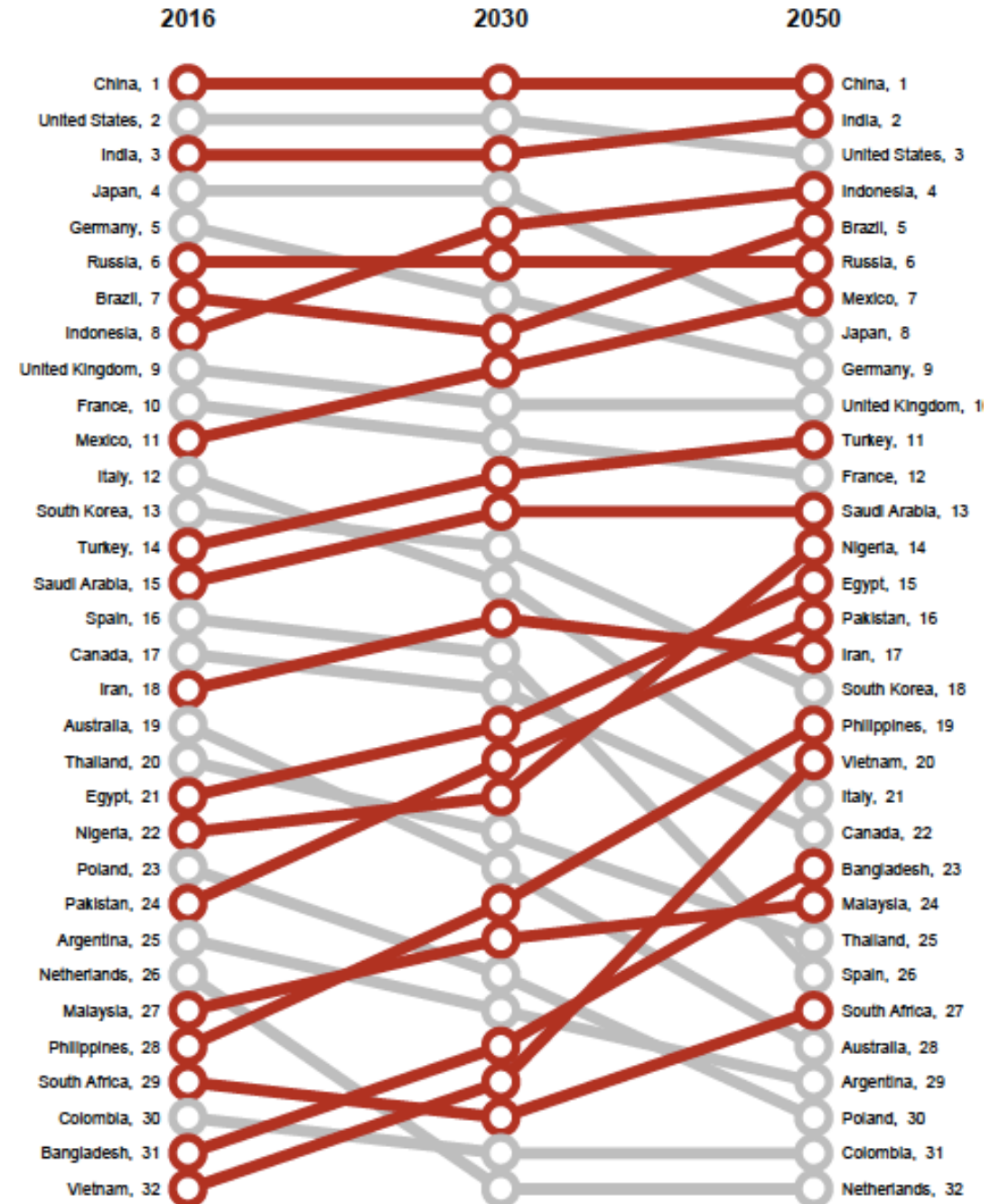
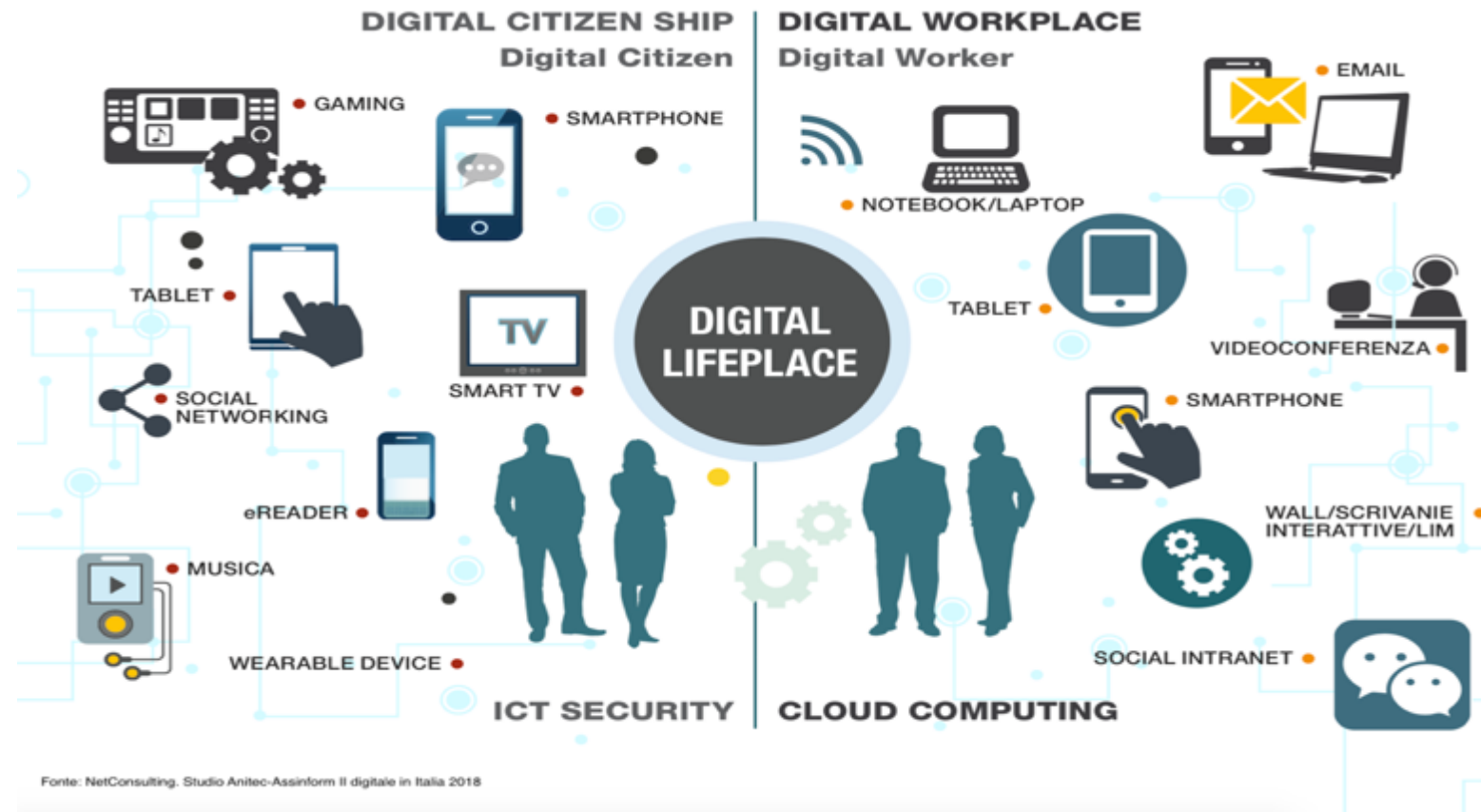


Figure 2: Projected GDP rankings (at PPPs)



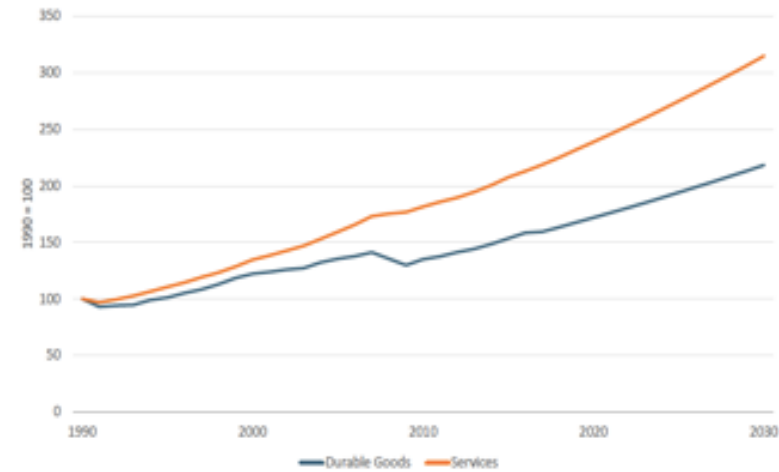
Megatrend 4: Values



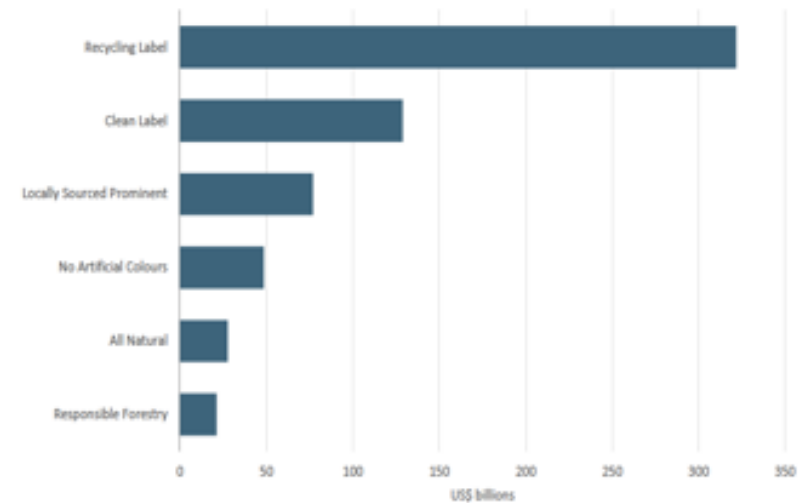
Megatrend 5: Values

- 1) Middle class and the glorified frugality
- 2) Experience vs ownership
- 3) *Premiumisation*
- 4) Healthy & safe lifestyle and wellbeing
- 5) Connected citizenship
- 6) NSA

Real Growth in Global Consumer Expenditure on Durable Goods and Services, 1990–2030

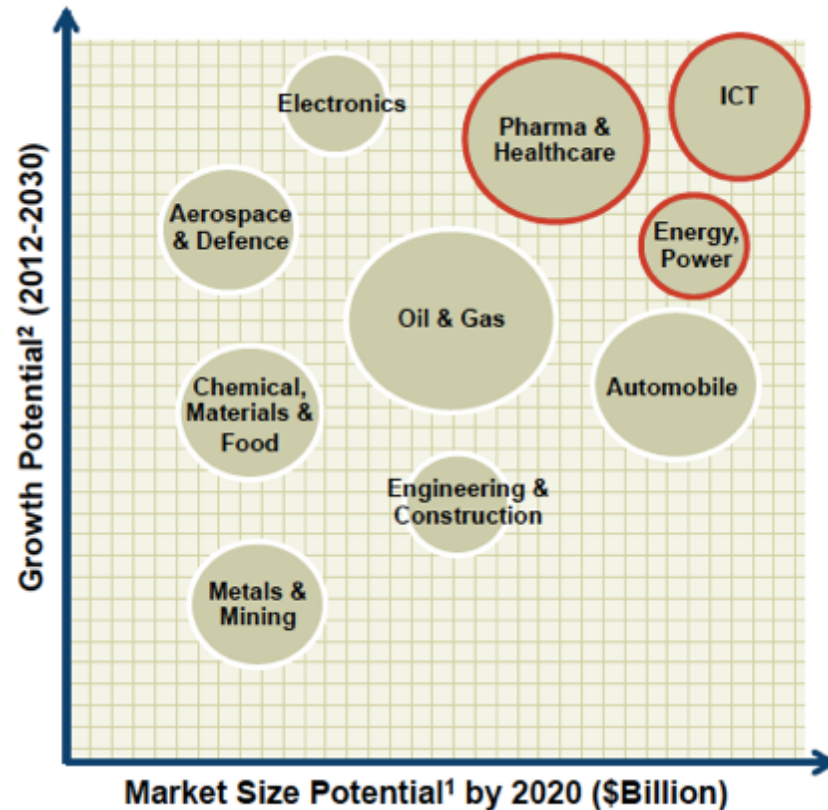


Global Retail Sales of Ethical Labels, 2015

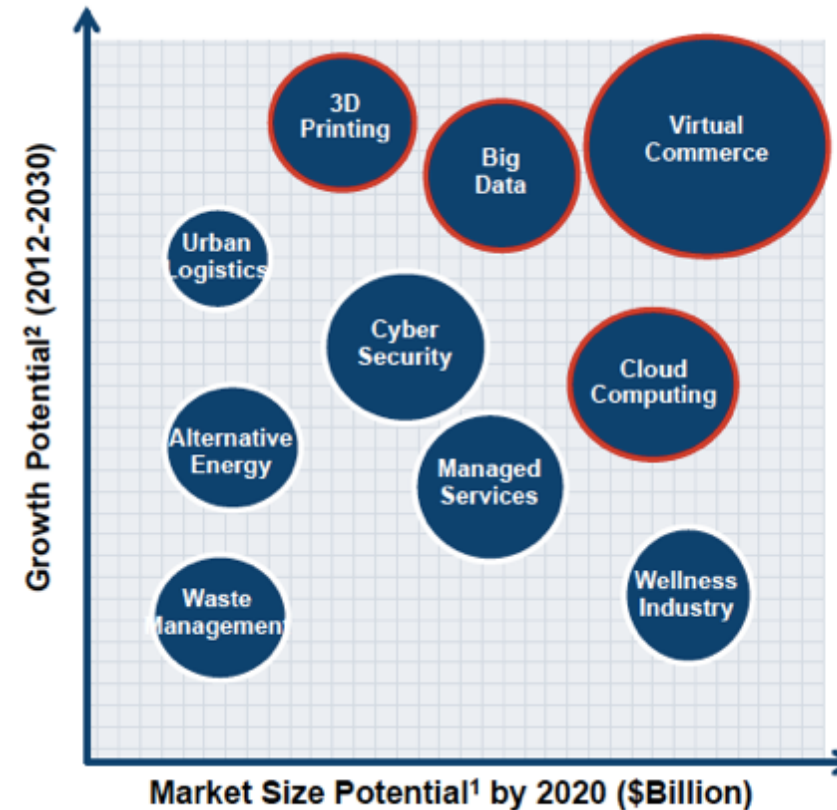


Top Industries of the Future

Top Mature Industries by 2020



Top Emerging Industries by 2020



¹Relative score assigned for potential annual turnover (revenue / shipment) of the industry in 2025

²Measured by qualitative factors that has the scope to create a boom in the industry such as new patents, innovation cycle and industry impact

Source: Bloomberg, Frost and Sullivan Analysis

Megatrends and implication on business and policy-making

