

# Sustainable Business Management

08.10.2019

MEGATRENDS & SUSTAINABILITY

## 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.

## ... and the drivers of change

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

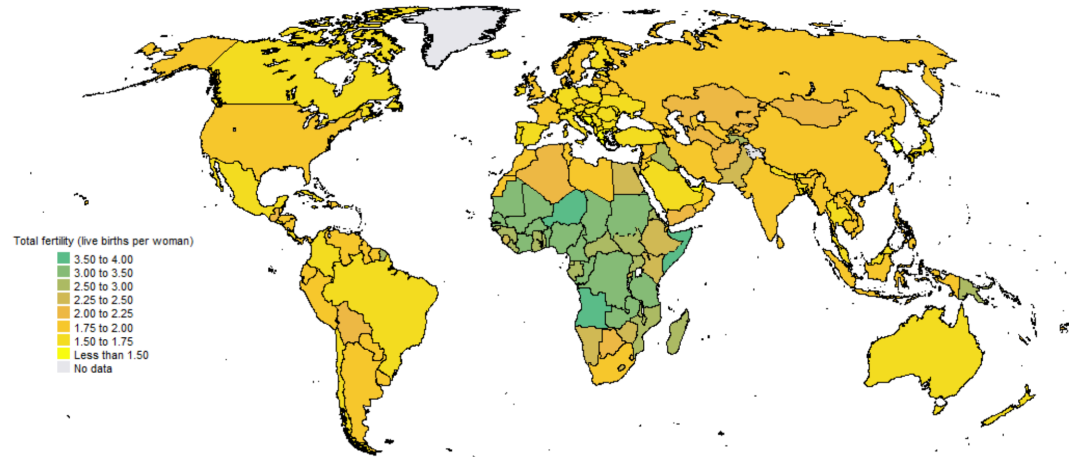
Everyone is affected

Easy to underestimate the pace of change

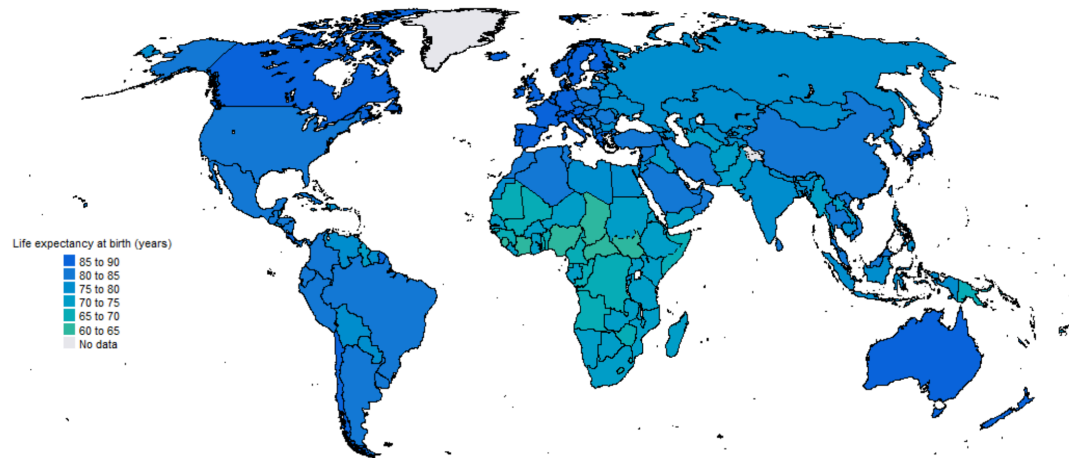
Smart strategy and execution are not enough

## Megatrend n. 1 – Demographic changes

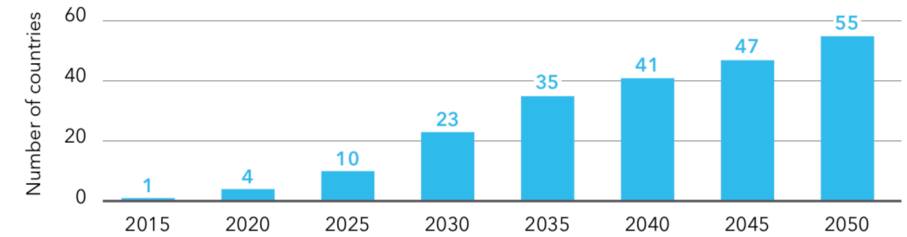
Total fertility, 2050-2055 (medium-variant projection)



Life expectancy at birth, both sexes, 2050-2055 (medium-variant projection)

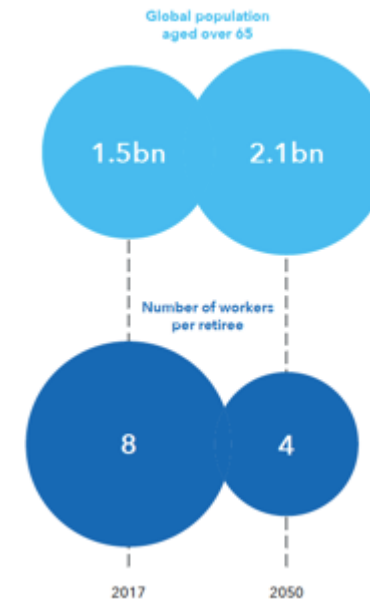


Number of countries with >30% population aged over 60, 2015-2050



Source: United Nations World Population Prospects: The 2015 Revision; as of July 2015.

An ageing population will have a dramatic impact on our workforce



### Megatrend n. 2 – Urbanization

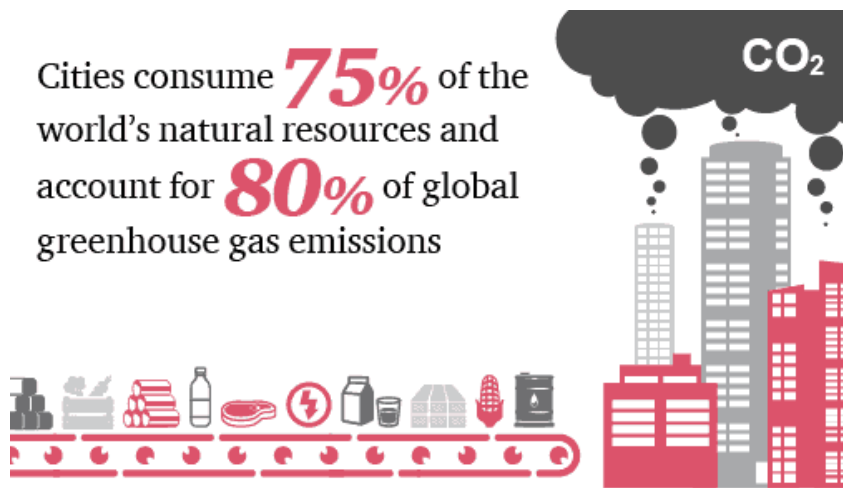


**85%** of global GDP was generated in cities



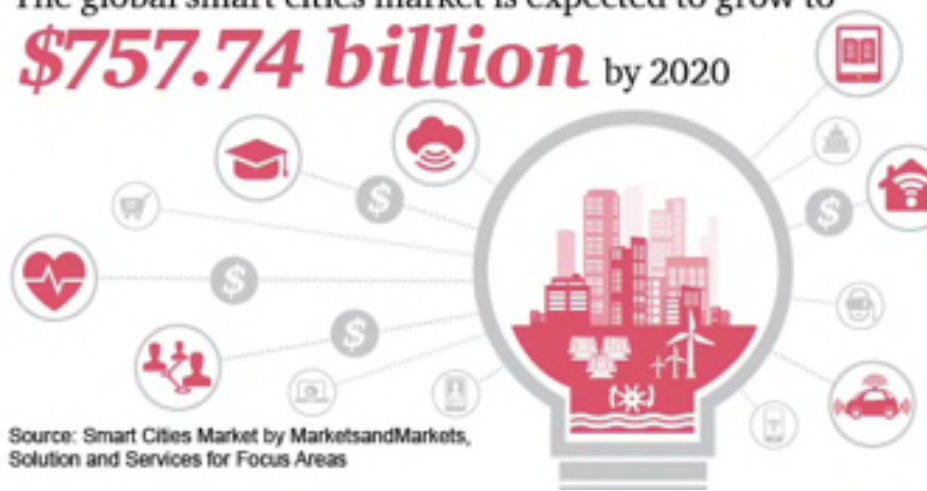
Source: The New Climate Economy, Seizing the Global Opportunity

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



Source: United Nations, 2015

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

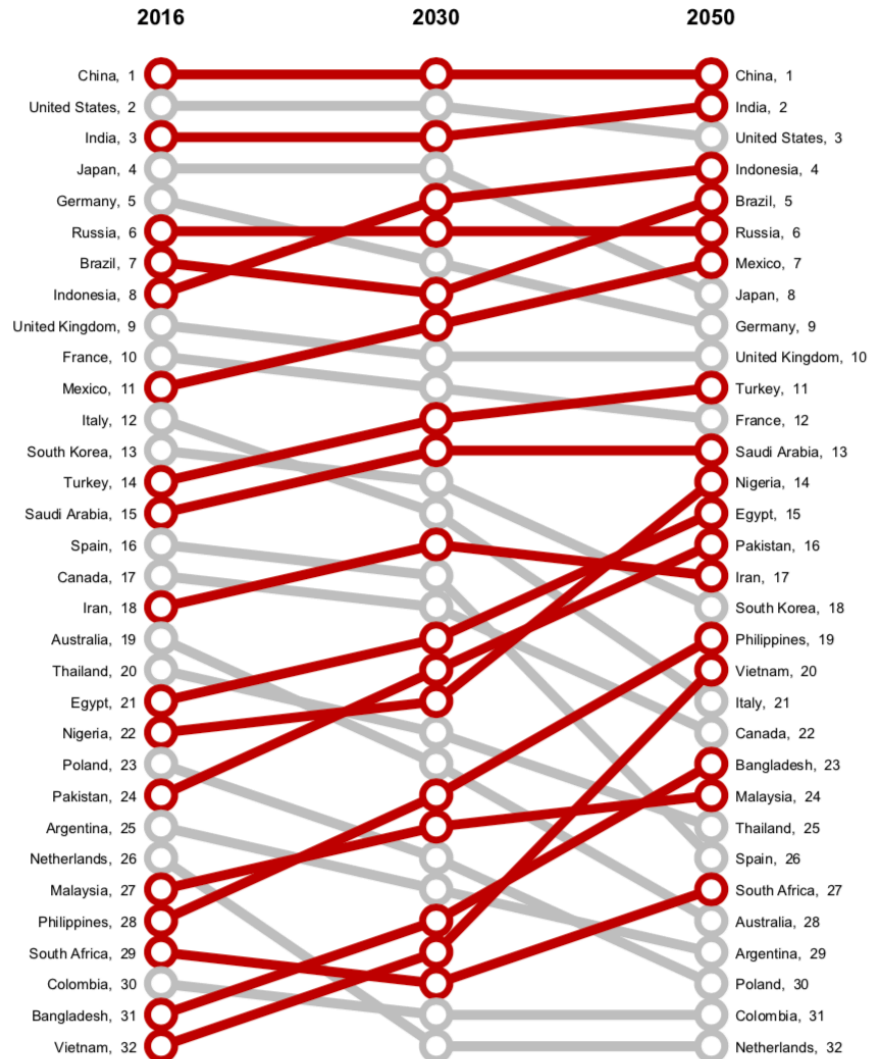


Source: Smart Cities Market by MarketsandMarkets, Solution and Services for Focus Areas

## Megatrend n. 3 – Economic game changers

<https://youtu.be/O1WC2Sl2jgg>

Figure 2: Projected GDP rankings (at PPPs)



Sources: IMF for 2016 estimates (updated for Turkey due to recent major statistical revisions), PwC projections for 2030 and 2050

### Global economic power will shift to the E7 economies

In...  
**1995** E7 were half the size of G7

By...  
**2015** E7 were around the same size as G7

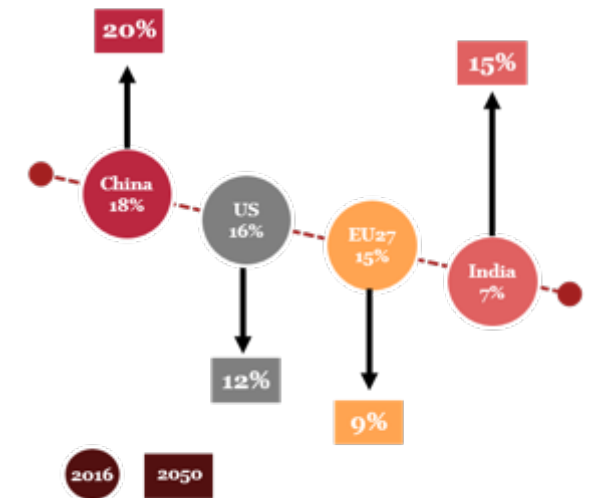
And in just 25 years...  
**2040** E7 could be double the size of G7

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

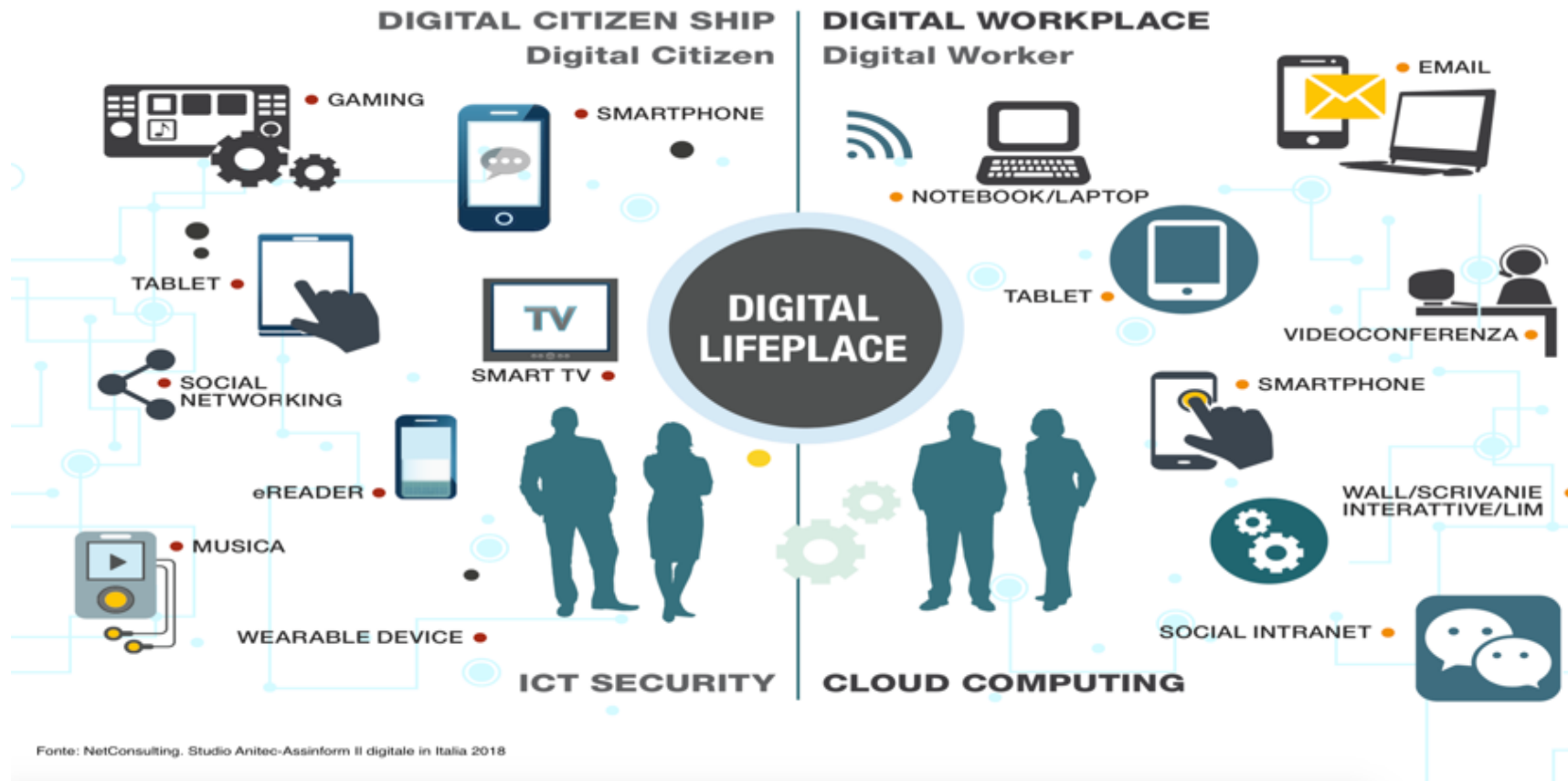
### The US and Europe will steadily lose ground to China and India

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



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

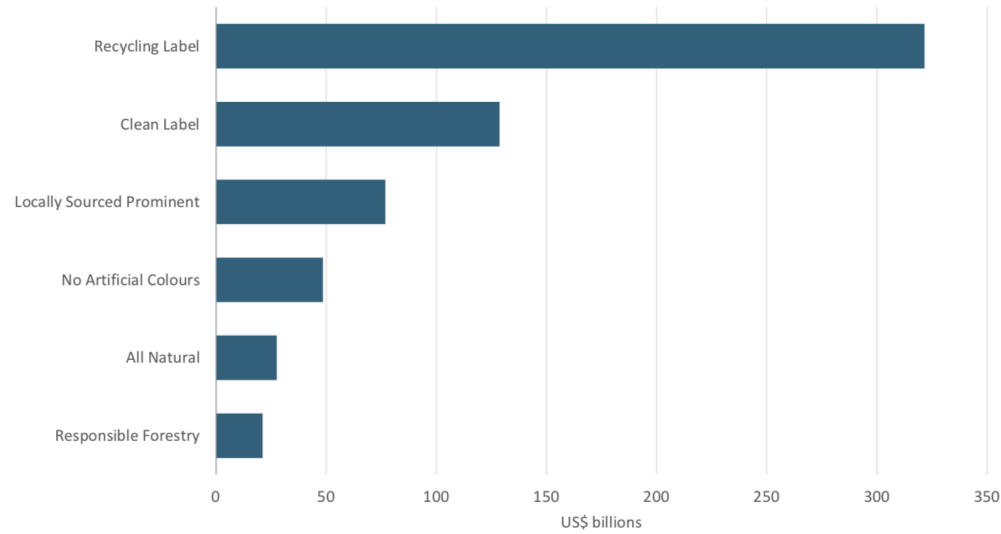
## Megatrend n. 4 – Technology



## Megatrend n. 5 – New values and consumership

### Ethical living

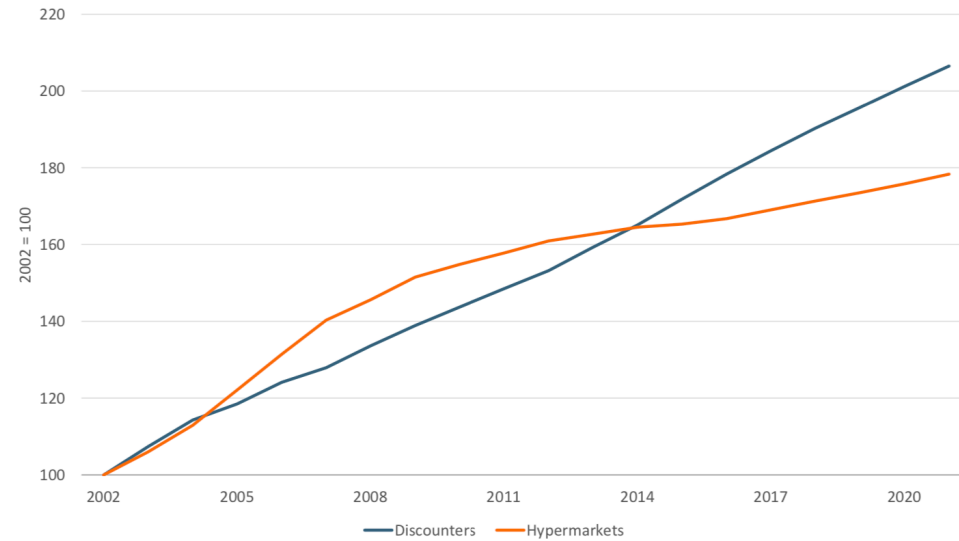
Global Retail Sales of Ethical Labels, 2015



Source: Euromonitor International from trade sources / national statistics

### Glorified frugality

Real Growth in Sales of Discounters vs. Hypermarkets, 2002–2021



Source: Euromonitor International from trade sources