

# 10 Insights Into a Transforming World

McKinsey Global Institute

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# A connected world in flux

30 years of cross-border trade flows have transformed the global economy, but now they're moving in a new direction.



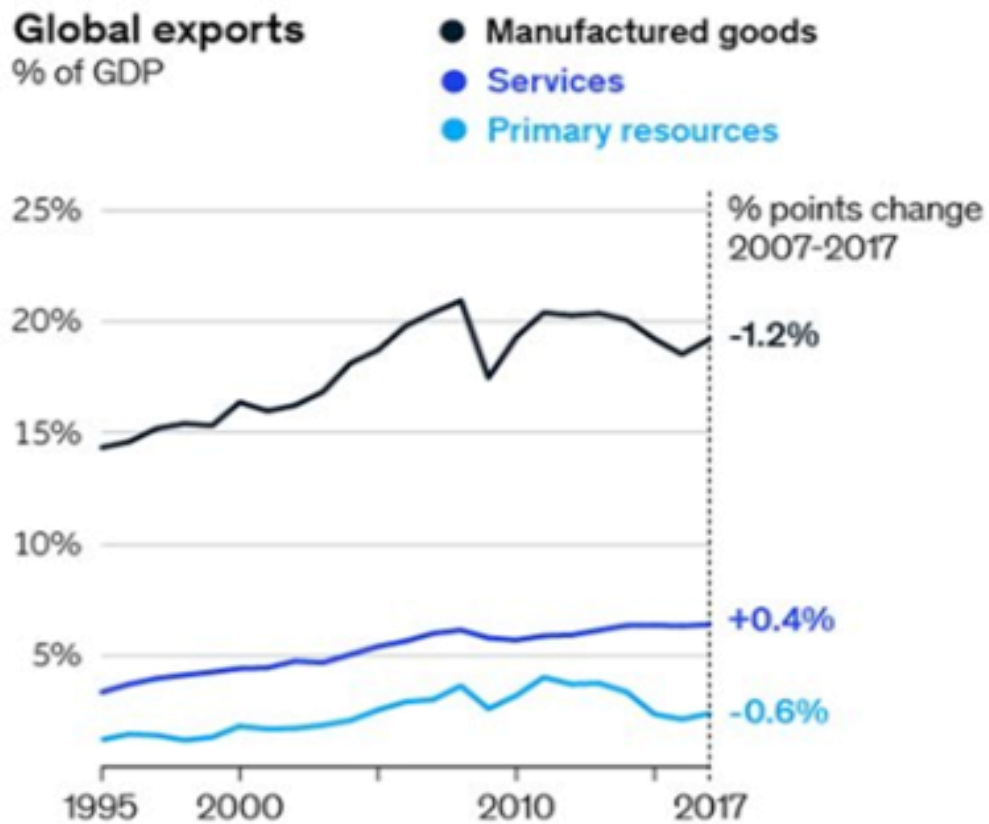
# 1. Globalization in Transition

Movement of global exports away from manufactured goods, and toward services; Although goods are still traded at higher volumes, certain services are growing up to 3x faster.

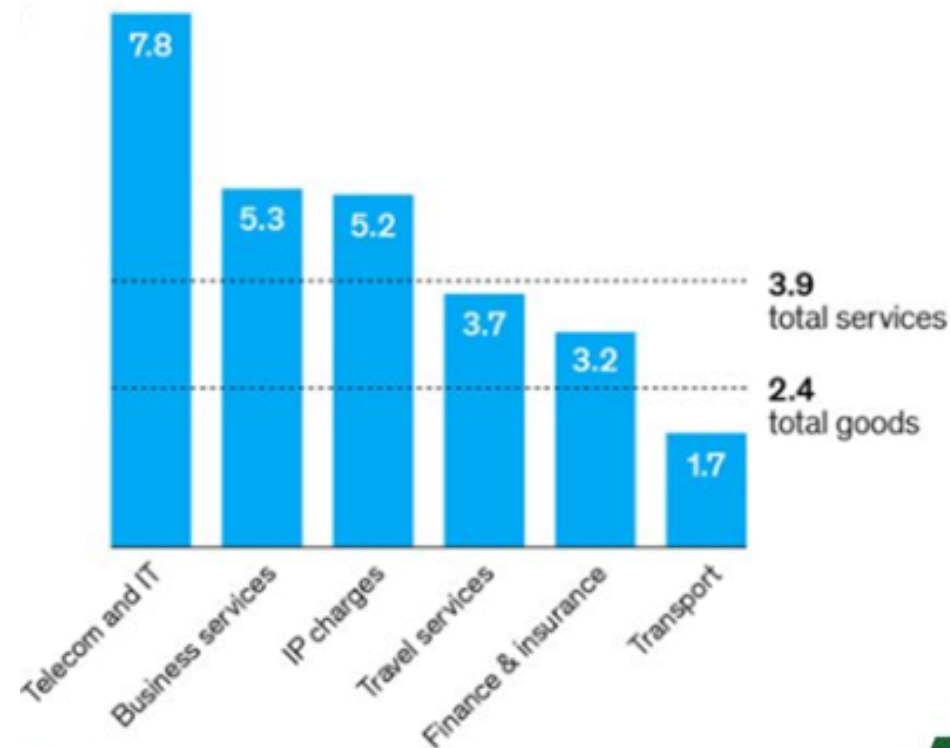


This has a profound impact on the mix of industries and countries that are involved in both sides of this shift.

**Asia is coming of age in this phase of the global economy.**



**Service sectors**  
Global CAGR, 2007-2017, % of GDP

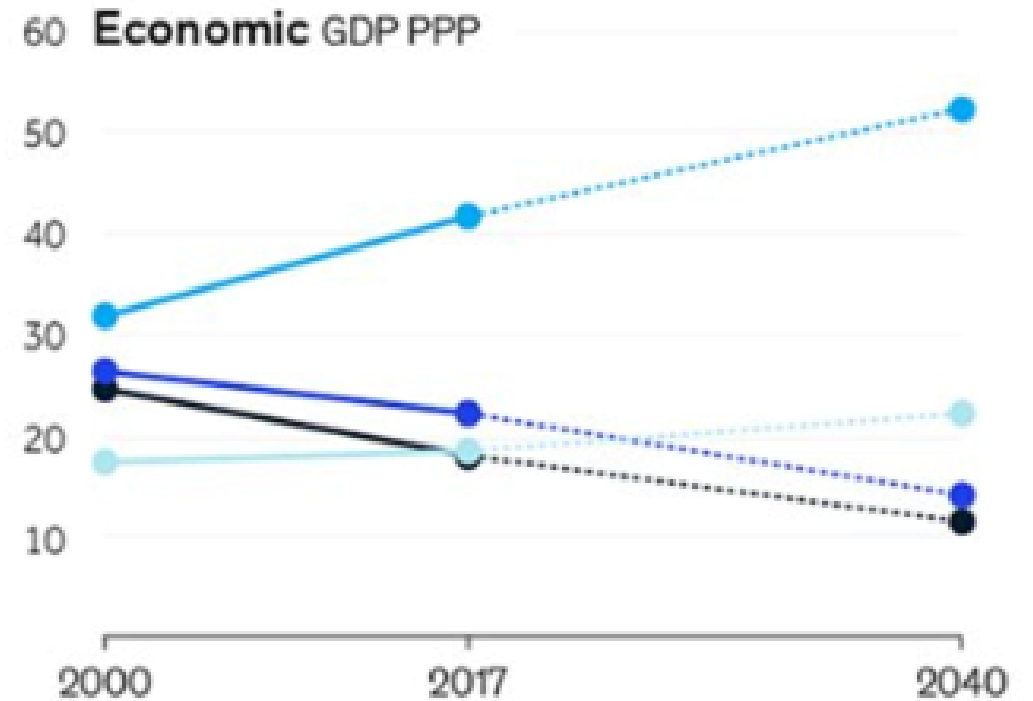
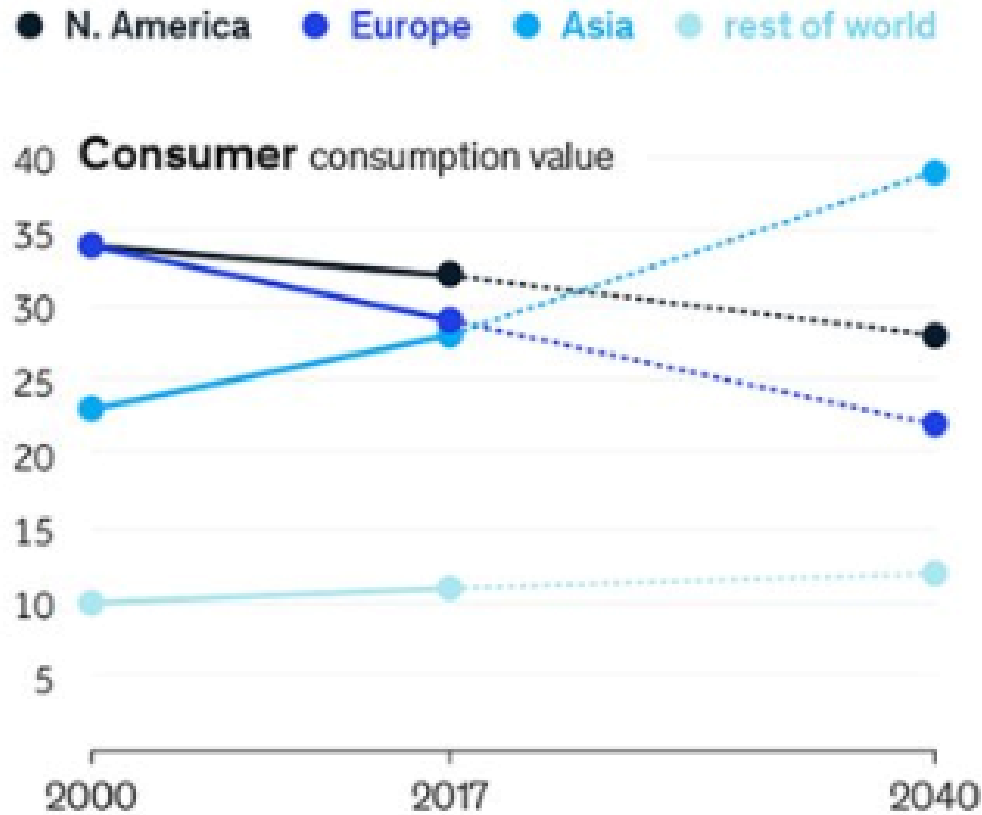


## 2. Asia's Ascent

The region's economies are growing rapidly, and consumption is growing along with it.



This upward trajectory shows no signs of slowing. Asia's future is now.



\*Projections are indexed to 2010 USD  
Source: McKinsey Global Institute, Asia's future is now



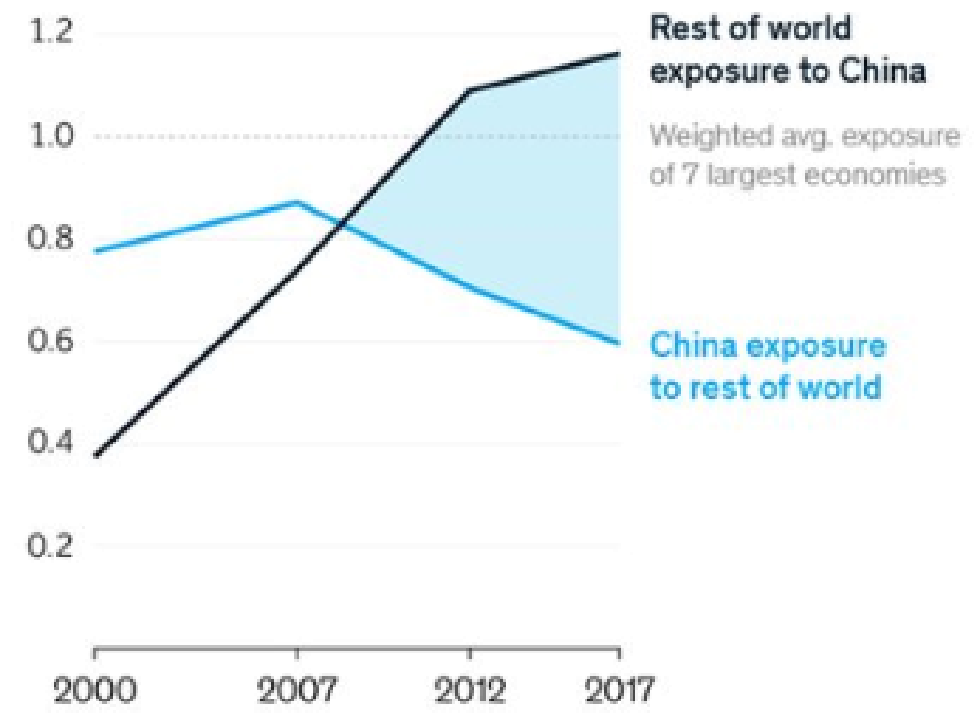
This difference in engagement has a ripple effect on everything from financial markets to flows of innovation.

# 3. China's Changing Relationships

- ✓ China is one of the biggest contributors to Asia's growth, but its global role is changing.
- ✓ As the nation matures and shifts economic focus, the world's exposure to China has increased – but China's own integration with the world is on decline.

## China vs. Rest of World

Exposures índices, 2000-2017\*



\*Includes trade, technology, and capital-exposure metrics.  
Source: McKinsey Global Institute, China and the world: Inside the dynamics of a changing relationship

# Technology & the future of work

Digital and frontier technologies like AI are sparking new opportunities, but they also raise questions about the future of work.



# 4. Increasingly Digital India

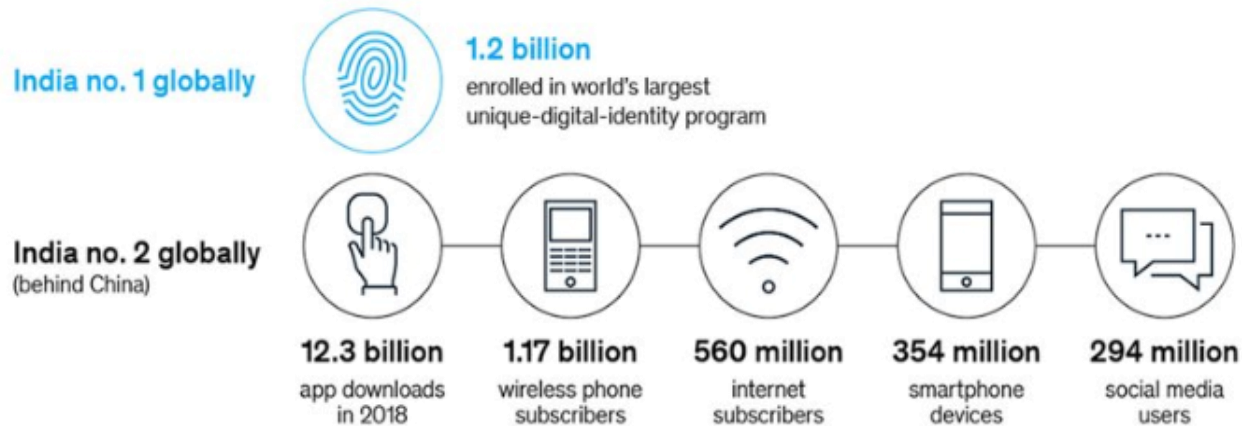
As the cost of devices and data plummet, India's digital population is seeing a surge across many dimensions.



India's burgeoning digital population could make the nation one of the world's biggest consumer markets. Now, it's businesses' turn.

As companies worldwide integrate new technologies, the nature of work is also changing.

## Digital adoption of Indian population:

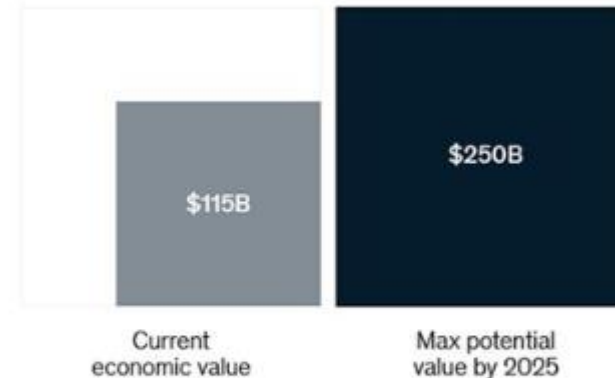


▶ Continued mass adoption of digital technologies is expected to add significant economic value to the Indian economy by 2025.

## Potential Value of Different Digital Sectors

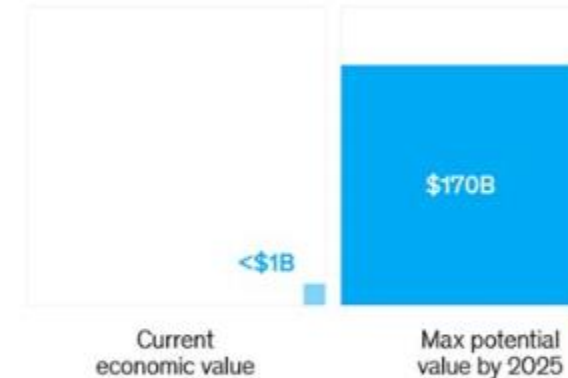
2025E

**Core digital services**  
IT business process management



Core, well-digitized sectors including IT and business process management will continue to grow.

**Newly digitizing sectors**  
Financial services



Newly digitizing sectors like agriculture and finance are poised to expand.

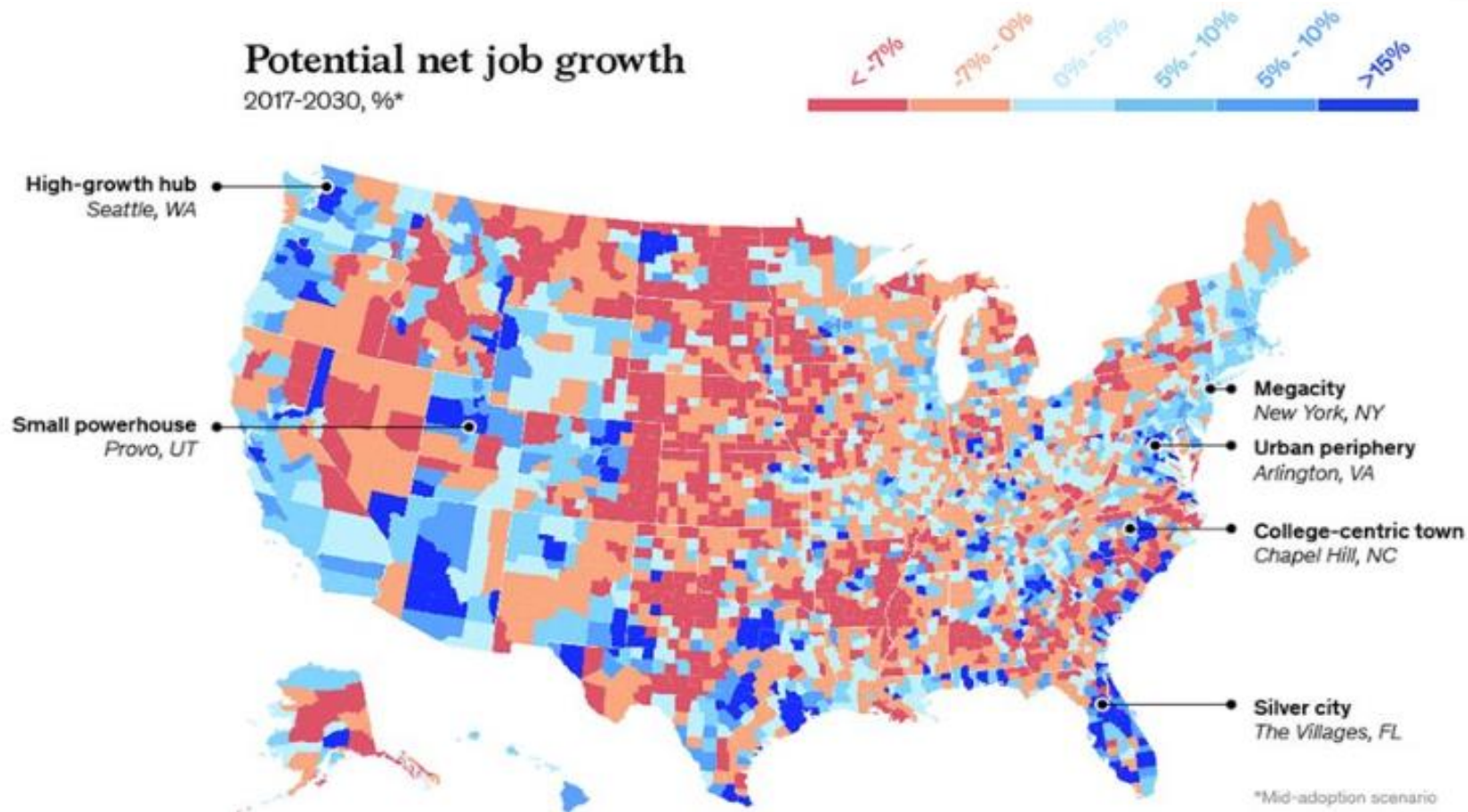
# 5. New Geography of Work

Regional labor markets in the United States are diverging.



In the U.S., a significant amount of talent and investment will be concentrated in a few regions.

These places could see double-digit potential net job growth by 2030—but all regions will face unique priorities and challenges to address in the next decade.

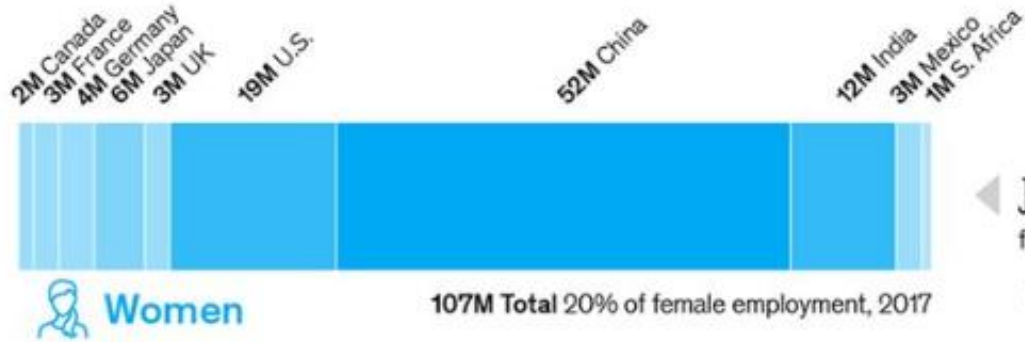




# 6. Automation's Effect on Gender at Work

Globally, women and men are at similar risk of losing their jobs to automation.

These factors may make it harder for women to transition into more skilled roles—and they risk being left behind.



Jobs at risk full-time equivalent FTEs

Source: McKinsey Global Institute, The future of women at work: Transitions in the age of automation



While everyone needs to adapt in the age of automation, women face added barriers:



Spend more hours on unpaid care work

- Many lower-paid, or male-dominated professions
- Lower access to digital technology
- Limited flexibility to pursue education

# Inequalities & uncertainties

The opportunities that technology has generated come with new social challenges.

Wealth and income inequality between countries has narrowed, but it has increased within developed countries.

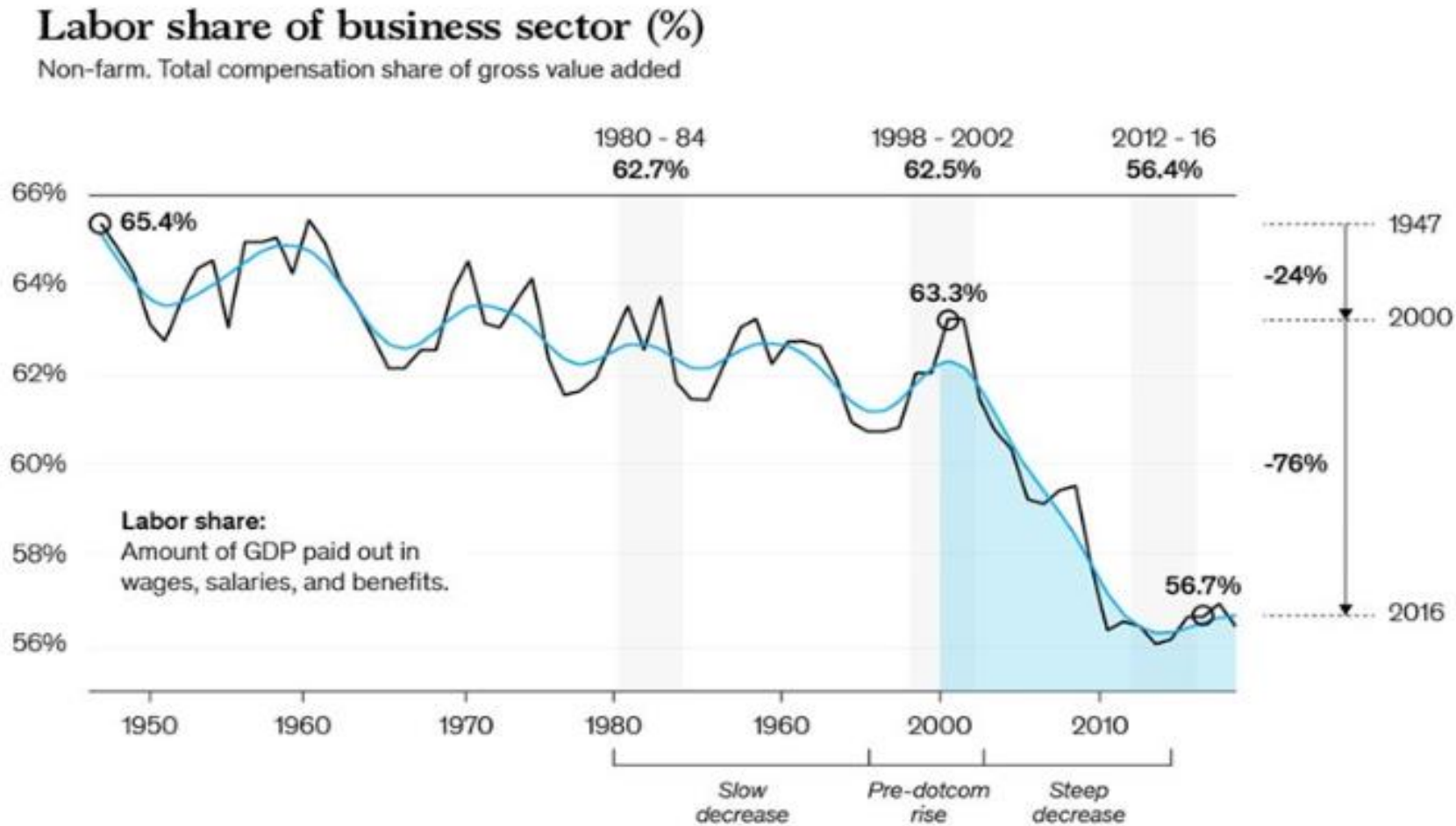


# 7. Declining Labor Share of Income

The U.S. labor share of income has been dropping for years – but  $\frac{3}{4}$  of this decline has occurred since the turn of the century.



Stagnating incomes mean less purchasing power, at a time when the costs of housing, healthcare, and other basics have risen.



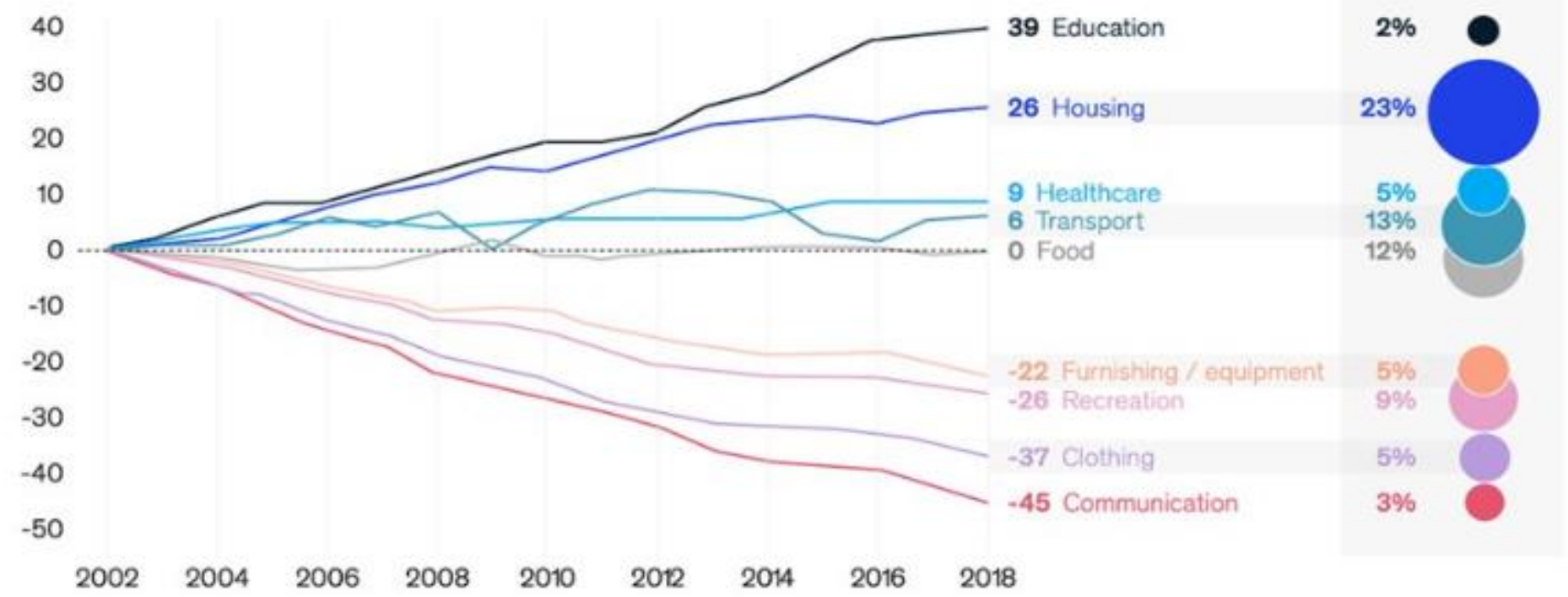


# 8. Changing Consumption Costs

Many discretionary goods are cheaper, or even free, thanks to technology globalization. But in advance economies, basic costs have ballooned compared to the rate of inflation over the past decade.

With wages stagnating, the higher costs for basics have eaten into disposable incomes in many mature economies.

### Category inflation vs. overall inflation index 2002-2018, p.p\*



\*Harmonized index of consumer prices (HICP) indexed to 2002, in percentage points. Sample average of 19 countries, including AUS, CA, JP, US, and 15 EU economies.

# A changing business world

Global trends are also affecting companies, altering the nature of competition and cultivating new “superstar” companies.





# 9. Corporate Superstars

In the past 20 years, the top 10% of companies with more than \$1 billion in revenue has taken an ever-larger share of total profits, while the losses of the bottom 10% share have also grown.

In essence, the bottom 10% destroy as much value as the top 10% create—a phenomenon that has intensified since 1997.

## Average profit per company



\*in 2016 dollars. Considers corporations with  $\geq$ \$1 billion average sales (inflation-adjusted).  
Sample sizes: 2,450 companies (1996-1997) and 5,750 companies (2014-2016).  
Source: McKinsey Global Institute, *What every CEO needs to know about 'superstar' companies*



# 10. Latin America's Missing Middle

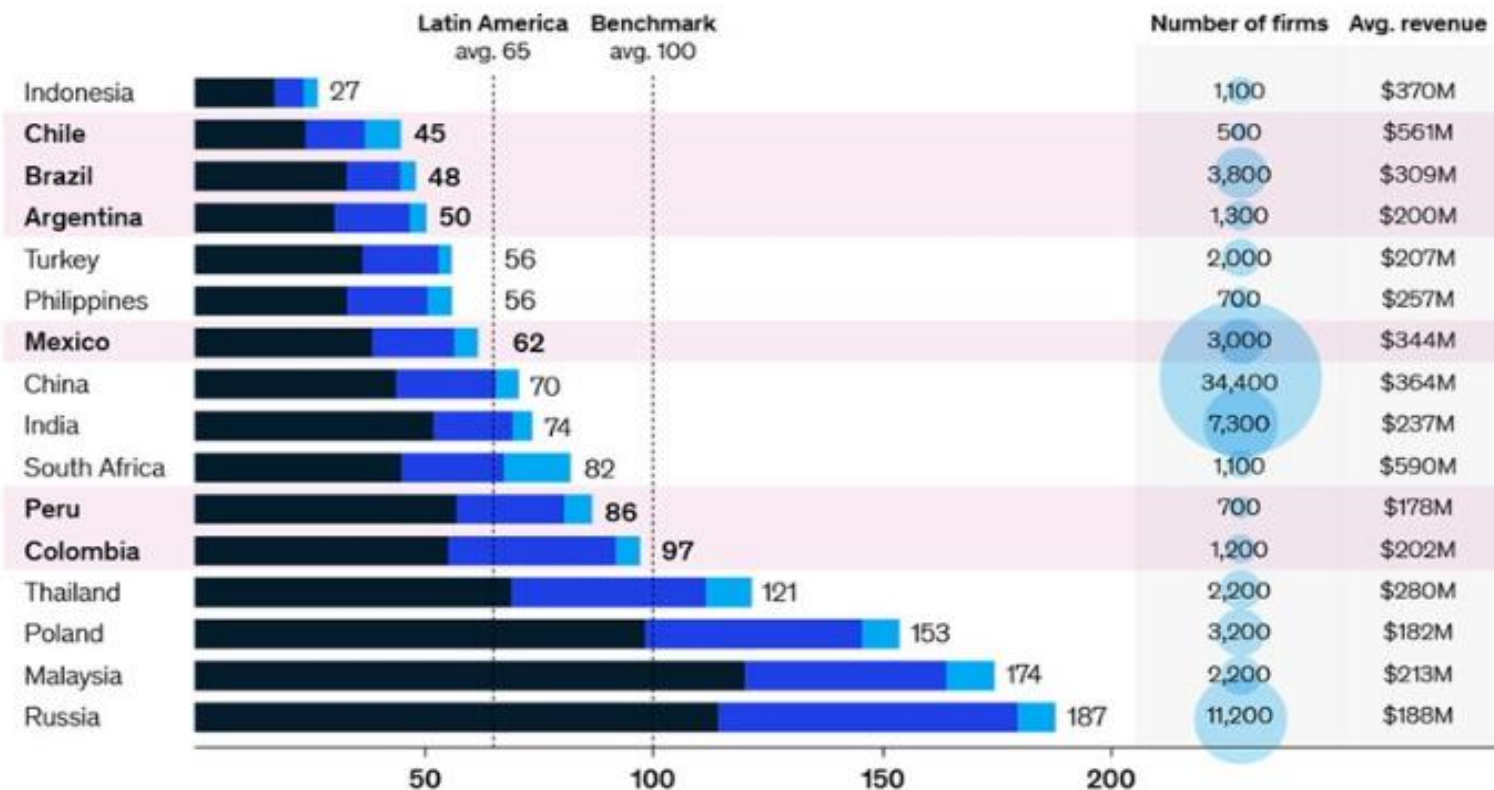
Compared to similar economies, Latin American countries lack in the volume of mid-size companies with over \$50M in revenue.

While Asia's share of the largest firms is widely distributed across countries, Latin American enterprises are lagging behind.

## Firms per \$1 trillion GDP

Index, total is share of firms compared with benchmark average, average 2015-17

● \$50M - \$100M ● \$100M - \$500M ● \$500M+



\*Public and private firms with >\$50M annual revenue

# Questions to be Prepared To Navigate Shifting Dynamics:

- ✓ What is our mission and purpose as a company?
- ✓ How far do we go beyond shareholder capitalism? How are we accountable to different stakeholders?
- ✓ Who benefits in our economic success? How?
- ✓ What is the time horizon for managing our economic success and impact?
- ✓ What is our responsibility to our workforce, especially given future-of-work implications?
- ✓ How do we leverage data and technology responsibly and ethically?
- ✓ What are our aspirations for inclusion and diversity?
- ✓ What is our responsibility for societal and sustainability issues involving our business, and beyond our business?
- ✓ What are our responsibilities regarding participants in our platforms, ecosystems, supply and value chains and their impact on society?
- ✓ How should we address the global and local (including national) imperatives and implications of how we compete, contribute, and operate?



# Prof. Marcos Fava Neves

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- ❑ Marcos Fava Neves is an *international expert* on global agribusiness issues and a part-time professor of planning and strategy at the School of Business (FEARP) of the University of São Paulo (USP) and FGV Business School, both in Brazil. He graduated as an agronomic engineer from ESALQ/USP - Piracicaba in 1991. He earned his master's degree in 1995 and his doctorate in management in 1999 from the FEA/USP School of Economics and Business – São Paulo. Marcos completed postgraduate studies in European agribusiness at ESSEC-IGIA in France in 1995 and in chains/networks at Wageningen University, in the Netherlands (1998-1999). In 2013 he spent the year as a visiting international professor at Purdue University (Indiana, USA) where he maintains the linkage as a permanent International Adjunct Professor. Since 2006 he is an international professor at the University of Buenos Aires, Argentina.
- ❑ He has *specialized in strategic-planning* processes for companies and food chains and works as a board member of both public and private organizations, being member of more than 10 international boards since 2004. Also in 2004, he created the Markestrat think tank with other partners, today employing around 60 people and doing international projects, studies and research in strategic planning and management for more than 250 agri-food business organizations. Some of these projects were very important in suggesting public policies for food chains that were implemented in Brazil with economic and social impacts.
- ❑ Also as an experience in the private sector, from 1992 to 1993 he worked in citrus juice exporter and from 1994 to 1995 in a veterinarian company. In 2008, he became CEO of Brazil's second-largest biofuel holding company, a position he occupied until 2009, when he returned to the University of São Paulo (USP) and Markestrat.
- ❑ At the academic side, since 1995 (when he was hired by USP), Marcos has advised more than 30 doctorate dissertations and master's theses and helped to form around 1200 Bachelors in Business Administration in Brazil with around 120 courses taught to undergraduates at USP.
- ❑ His writings are strongly focused on supplying simple and effective methods for business. He has published more than 100 articles in international journals and has been author and editor of 63 books by 10 different publishers in Brazil, Uruguay, Argentina, South Africa, Singapore, Netherlands, China, the United Kingdom and the United States. He is also a regular contributor for China Daily Newspaper and has written two case studies for Harvard Business School (2009/2010), one for Purdue (2013) and five for Pensa/USP in the nineties. Recognized as the Brazilian academic with the largest number of international publications about orange juice and sugar cane chain and one of the top 3 most cited Brazilian authors in the area of food and agribusiness. He has reached more than 4000 citations in Google Scholar index.
- ❑ Marcos is one of the most active Brazilian speakers, having done more than 1050 lectures and presentations in 25 countries. He received around 150 recognitions from Brazilian and international organizations, and is considered a "Fellow" of the IFAMA (International Food and Agribusiness Management Association), title received in Minneapolis - 2015.
- ❑ Coming from a family of farmers, he is a worldwide defender of agriculture and farmer's role in the development of the society. In the social side, together with his parents, Marcos is one of the creators and maintainers of Mucapp, a NGO that in 20 years has built more than 450 houses for families in Brazil that face very unfavorable conditions.