

The Growth MAP

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Ten years ago, in 2001, Jim Oneill made a startling prediction : the G 7 countries including US,UK and Japan would no longer be the world's economic powerhouses. With globalization, Brazil, Russia, India and China would overtake them.

Jim's prediction has spurred economic and social change , created new political structures and new business models.

In 2001, I wrote a research paper in Goldman Sachs Economic series predicting that the future world economic growth will come from 4 populous countries – Brazil, Russia, India and China.

All 4 BRIC countries have exceeded the expectations I had of them in 2001. The total GDP of these 4 countries has quadrupled since 2001, while the world economy doubled in size.

In 2005, my team determined the next set of growth countries and we coined The NEXT 11. They are Bangladesh, Egypt, Indonesia, Iran, South Korea, Mexico, Nigeria, Pakistan and the Phillipines.

This work forced me to realise that there are no certainties in economics, what passes for common wisdoms often a lazy consensus.

**Technology is driving
a new phase of
globalization.**

With many unknowns , the inclusion of Brazil in BRIC was the biggest risk I took in 2001.

The BRICs have outperformed even our most optimistic estimates. I had never fully appreciated the simple yet critical importance of demographics and productivity.

Dreaming with BRICS broke down GDP growth into three components : Growth in employment based on working age population, growth in capital stock or available investment and technical progress, a measure of productivity.

Education is the most important variable in driving the working population to higher productivity.

In the 1960s, people predicted that Brazil and Argentina would be big economies. Perpetual economic and political crises killed that.

People argue that russia's unfavorable demographics, excessive dependance on energy and poor record in governance and legal structures make it an unworthy candidate in BRIC.

**I was once told that 60 %
of all Russian males over
the age of 40 die drunk.**

At a micro level Russia is strong in education, telephones, computers and the internet. Its weakness is rule of law, corruption.

Italy has arguably had weak rule of law for a long time but its economy has grown.

The Russian market trades at a lower valuation than other BRIC markets because the expected profit a year ahead is much harder to predict.

India is the greatest mystery among the BRICS. Its demographics are astonishing, the most favorable in the world, by 2050, India could be thirty times bigger than it is today economically.

We started to seriously think about india with the BRIC analysis and put in a full time analyst in india in 2003. So the BRIC concept led us to India, not the other way around.

The good news from india is that it hasn't had a economic crisis in the last ten years. It hasn't done anything spectacularly positive or negative.

**India attracts the least
foreign investment
because of its mystifying
bureaucracy.**

China is the greatest story of our generation. In 2003, we predicted that China would be the biggest economy by 2039.

The first people in the west to understand China were the multinationals running big brands in retail, product and communication empires.

China's working population is ageing and it could land in the same spot as japan, Italy and Russia in the future.

The world has so become used to American economic dominance that the idea of another country, especially a communist one taking its place is unsettling to some.

The Chinese are very proud of the fact that they don't make judgments about how other nations behave. Critics might argue that China doesn't do that for the fear of being judged itself.

People say that China fiddles its economic data. UK GDP data often strikes me as less accurate than Chinas data !!

Indonesia and Nigeria have powerful demographics and could see dramatic growth if they improve productivity.

A growth market for me is one which contributes at least 1 % of the global GDP (about 0.6 Trillion), and has size and resources to look after itself and impact the rest of the world.

In my judgment , it is important to distinguish between real trends and noise. Don't expect oil prices to continue upwards if China develops electric cars.

By 2050, Chinese could own twice as many cars as americans, india three times as many. Brazilians may own more cars than the combined total of germany+japan.

In china many multinationals first went there for cheap labor, over time they realized that brand always scores over cheapness or cost. No industry has benefitted more in BRICs than the luxury goods business.

If we genuinely pull more people out of the poverty set and bring them into the middle class, we will have more prosperity in the future.

The rise of the BRIC countries may ultimately threaten the supremacy of the dollar as the international currency.

At the start of 2011, the BRICs had 301 of the world's 1210 billionaires. Between 2010 and 2011, the BRICS added 108 billionaires and in that list of 301, China had 115. Some say that the China number is an underestimate!