



# What's Next? Drivers & Trends Shaping our Future

2015 CIHC Conference  
San Francisco

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President, Global Foresight

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*The future is already here,  
It's just not evenly distributed.*



**Are you  
ready for  
your future  
NOW!**

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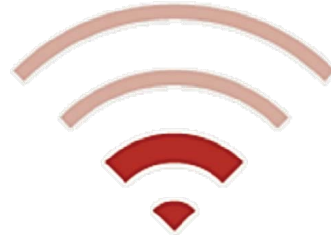
**Pay Attention to  
Weak Signals**

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## Recent Weak Signals

- Personalized manufacturing -3D printing robot kit-(\$500)
- WYOD-wear your own device
- Brain Fitness
- Personal memory chips for Alzheimer patients
- Feral Economic Zones
- Air scrubbing trees
- Self driving auto
- India, China go solar
- B.I.G=Basic Income Guarantee
- Terrorism goes viral



Weak  
Signal



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*“Talent hits a target no one else can hit...  
Genius hits a target that no one else can see.”*

*Arthur Schopenhauer*



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▪ **Survival and Success depend on peripheral vision.**

◆ **Global & U.S. Economy**  
**What's Next!** ◆

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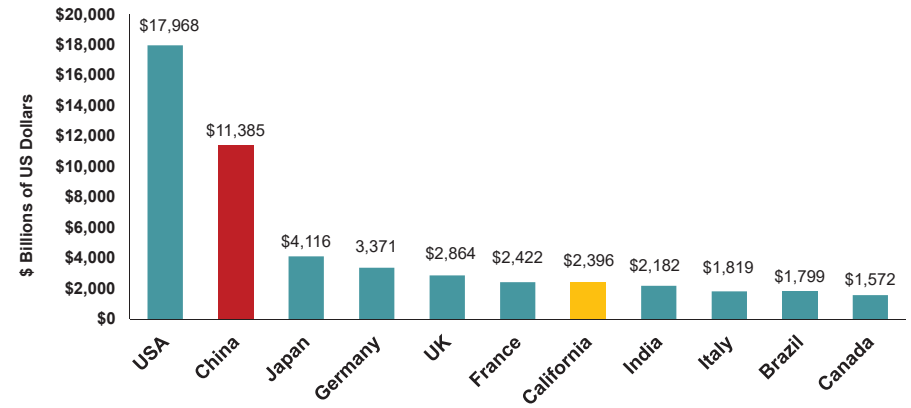
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## China Slows!

**Gross Domestic Product Comparisons 2014 (Real)**



Source: World Bank: World Development Indicators, July 2, 2014  
 Note: China figures exclude Taiwan, and special administrative regions of Hong Kong and Macau.



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## China's Exports: The Party is Over

12-mo rolling sum, % change yr ago



Source: IMF, Moody's Analytics



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## Global Trade: Going Downhill

World exports, 12-mo rolling sum, % change yr ago



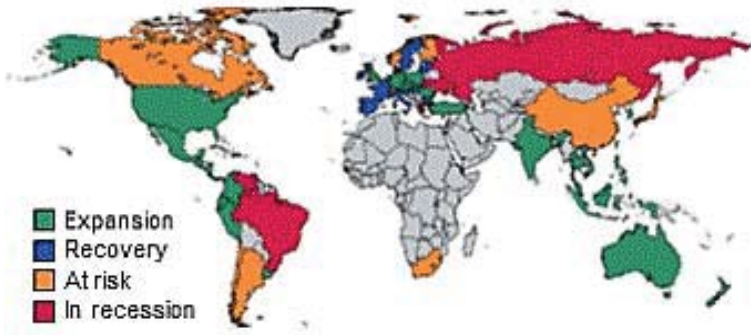
Source: IMF, Moody's Analytics



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# Global Business Cycle Status

December 2015



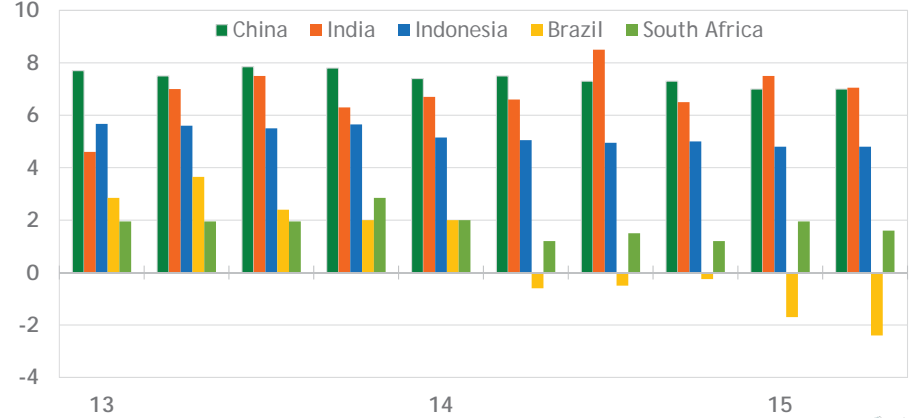
Source: Moody's Analytics Dismal Scientist – U.S. Macro Outlook: Looking Past a Temporary Slowdown

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# Emerging Markets Slump

GDP, % change yr ago



Source: National statistical offices, Moody's Analytics

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# European Union Fragile Turnaround

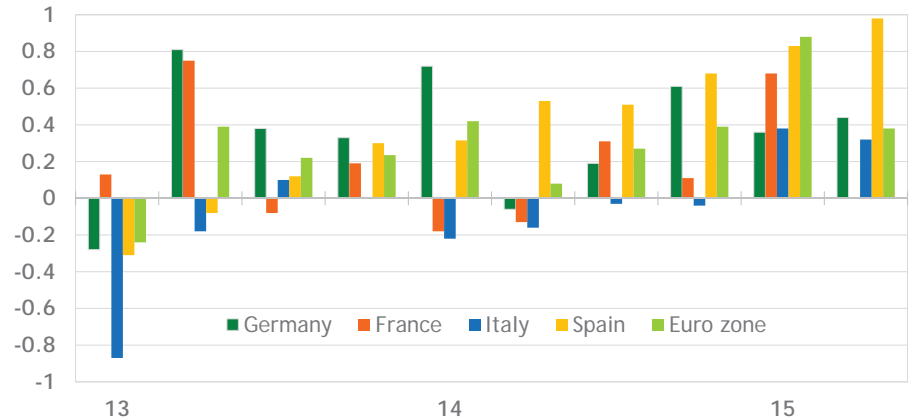


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# EuroZone Gains Traction but Fragile turnaround

GDP, % change qtr ago, SA, WDA



Source: Moody's Analytics, Eurostat

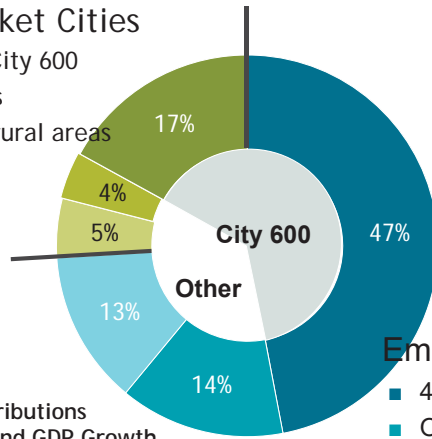
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## 600 Cities Drive Global Growth to 2025

### Developed-Market Cities

- 157 cities in the City 600
- Other large cities
- Small cities and rural areas



Cities %Contributions  
Global GDP and GDP Growth

### Emerging Market Cities

- 443 cities in the City 600<sup>2</sup>
- Other large cities
- Small cities and rural areas

Source: Global Insights; McKinsey 2012



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## By 2025 Urbanization will Create...



**“One Billion New Middle Class Consumers”**

- 90% will be in emerging markets—most in Asia.



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How will 1 Billion new consumers change the global economic and consumer landscape?

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## Global Macro-Economic Takeaways 2016-2020

- Risk is to the downside
- Global GDP 2.8 to 3.1
- China Struggles to shift to a consumer society and manage legacy problems
- EuroZone-existential crisis, sovereign debt, refugee crisis
- Many social issues-high unemployment, aging
- Russia-West standoff
- Perennial instability in Middle East-terrorism gone viral
- New style terrorism--viral



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# Global Revenue for Industrial Cybersecurity Will More than Double between 2013 and 2019



Source: IHS

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# United States Unspectacular Economy



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# Slow Growth Persists-2.5%+/-

## Drivers

- Fed monetary policies
- Low interest rates-normalizing
- Inflation 2%
- Exports - EE growth needs
- Business investment
- Private sector hiring
- Consumer spending
- Housing



GDP Real Annual Rate (percent)

**Cyclical recession likely late 2018/2019**

## Anchors & Brakes

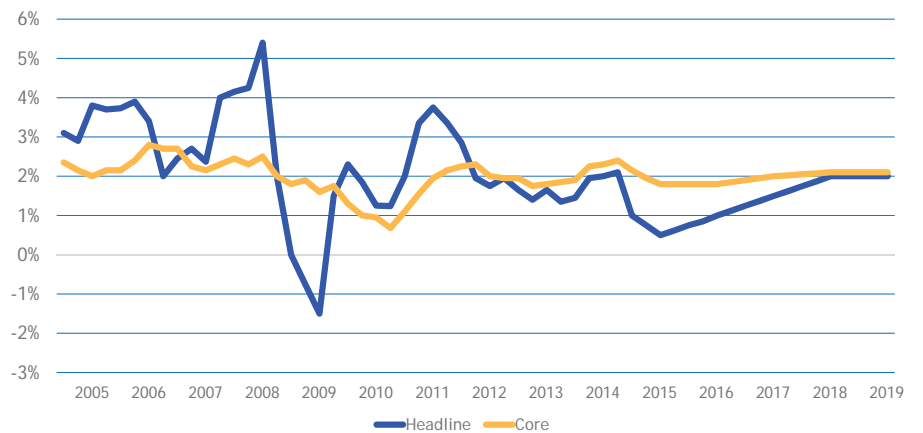
- Politics
- Federal debt
- Weak European Economy
- Wage gaps
- Emerging market volatility
- Underemployment
- Weather



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# Inflation Remains Low...foreseeable future

(Rates)

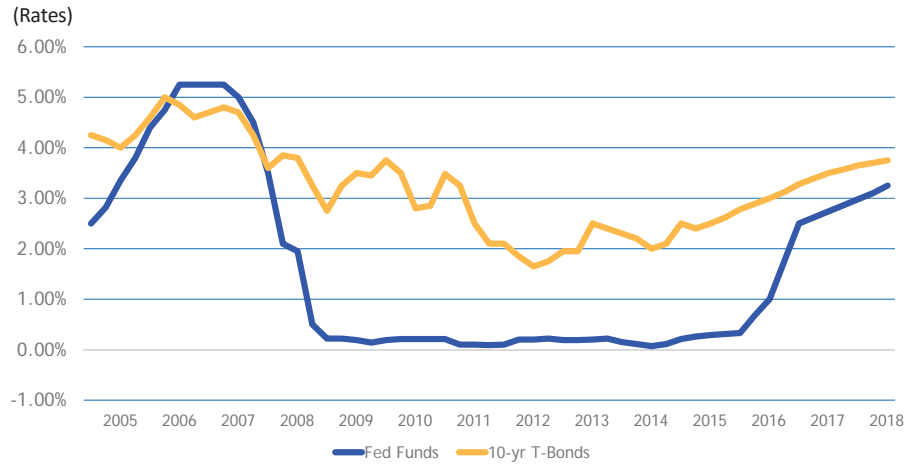


Source: Bureau of Labor Statistics, Bloomberg, Pimco



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# Interest Rate Normalization in 2016

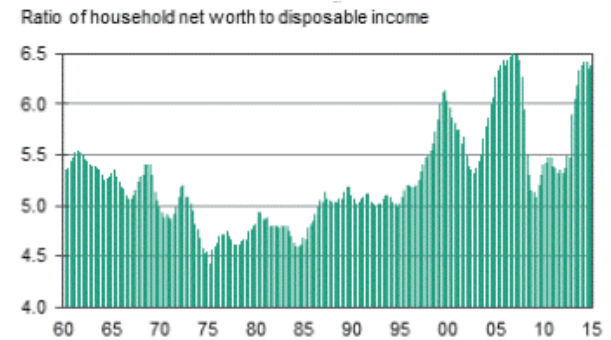


Source: Conference Board, Goldman Sachs, A.T. Kearny

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# Household Net Worth Surges

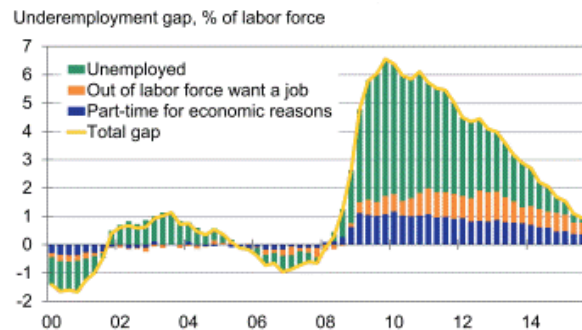


Source: Moody's Analytics Dismal Scientist – U.S. Macro Outlook: Looking Past a Temporary Slowdown

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# Full Employment Is a Year Away

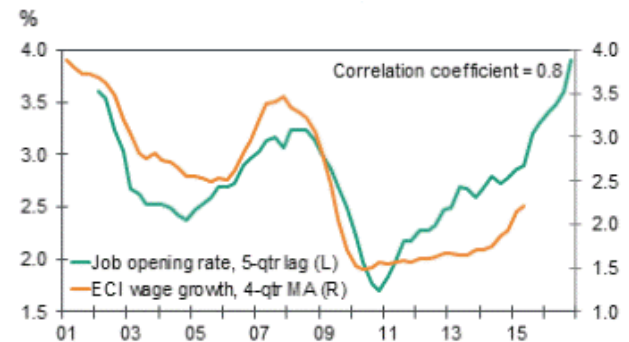


Source: Moody's Analytics Dismal Scientist – U.S. Macro Outlook: More Birthdays for the Expansion

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# Wage Growth Set Strong Acceleration

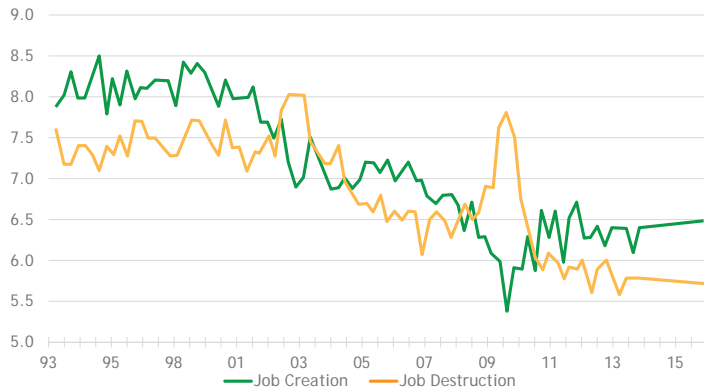


Source: Moody's Analytics Dismal Scientist – U.S. Macro Outlook: Looking Past a Temporary Slowdown

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## Labor Market Dynamism Has Been Falling



Source: Moody's Analytics Dismal Scientist – DataPoints: The Dismal Scientist Blog - Why is Hiring Slow?

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## How Will Consumers Drive 70% of U.S. Economy?

**Middle Class Jobs = 27%**

**Down from 62%.....**

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## You Need the Right Skills to Play

- Read/write native language
- English language competency
- Understand math and science
- Computer literacy
- Facile with information
- Share/create knowledge
- Business basics
- Group work skills
- Cross cultural competency

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## Least Affordable Housing Markets for the Middle Class

#	U.S. Metro	% of for-sale homes affordable for middle class, Nov 2014	Median size of affordable for-sale homes, Nov 2014 (square feet)	% of for-sale homes affordable for middle class, Oct 2013
1	San Francisco, CA	15%	1050	14%
2	Los Angeles, CA	22%	1250	24%
3	San Diego, CA	25%	1100	28%
4	New York, NY-NJ	25%	1050	25%
5	Orange County, CA	26%	1100	23%
6	San Jose, CA	30%	1200	31%
7	Ventura County, CA	33%	1250	32%
8	Honolulu, HI	38%	700	40%
9	Austin, TX	40%	1800	50%
10	Miami, FL	41%	1150	51%

Source: Trulia Trends: "Where is Homeownership Within Reach of the Middle Class and Millennials?"

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## Least Affordable Housing Markets for Typical Millennial Household

#	U.S. Metro	% of for-sale homes affordable for median millennial household, Nov 2014	Median income, millennial households	Median income, all households
1	San Francisco, CA	16%	90000	86000
2	Orange County, CA	17%	60000	76000
3	Los Angeles, CA	17%	48000	54000
4	San Diego, CA	18%	52000	61000
5	Ventura County, CA	20%	63000	78000
6	Austin, TX	22%	47000	62000
7	Honolulu, HI	25%	56000	73000
8	San Jose, CA	27%	87000	91000
9	Oakland, CA	27%	61000	76000
10	New York, NY-NJ	28%	60000	57000

Source: Trulia Trends: "Where is Homeownership Within Reach of the Middle Class and Millennials?"

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## Energy Boom Hurt Labor Productivity

Investment spending as a share of GDP, %



Source: BLS, Moody's Analytics

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## Recession—yes but when?

- 10 years is longest between recessions...historically
- 5 years past the start of the Great Recession
- Depends on how well economy responds to rising interest rates?
- Opportunity for FED to bungie it...
- Earliest next recession 1 year post interest rate rise...
- Latest...2020...but maybe longer
- Bay Area Recession .....???

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## Longer term...

### What not to worry about

- Consumer spending
- Oil exploration
- Stock market

### What to worry about

- Consumer spending keeps pace with economic growth
- Education
- Investment in infrastructure
- Rising inequality
- Productivity

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◆ Powerful Demographic Trends ◆

*Demographics are Destiny*

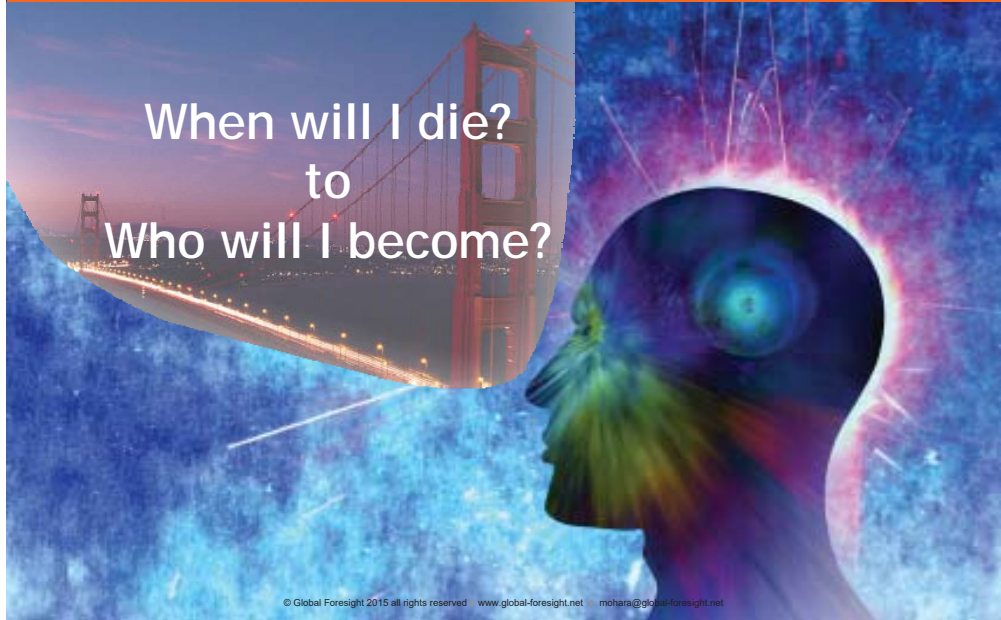


Driver  
Healthy Longevity

Big Shift at 60



Bio-gerontechnology  
Extends life.

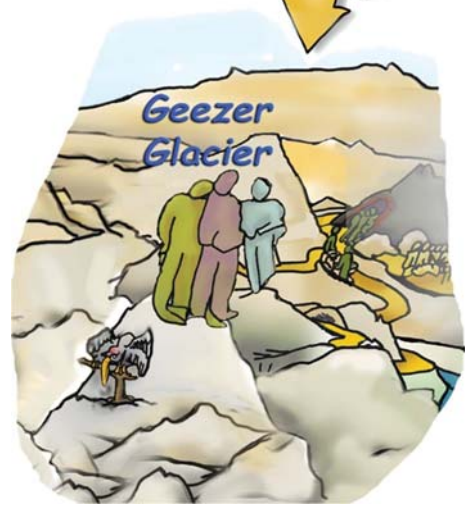


When will I die?  
to  
Who will I become?





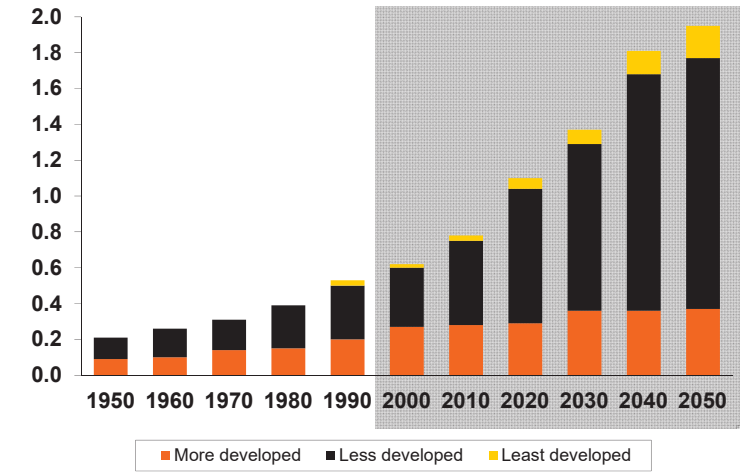
**Global Aging**



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Billions



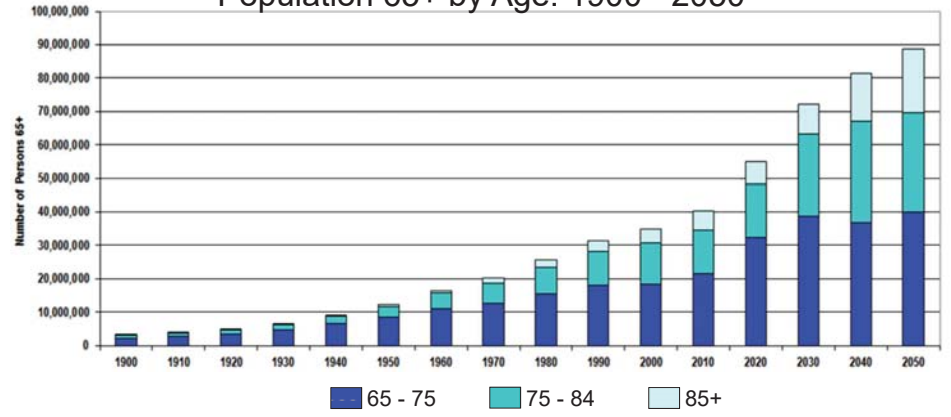
Source: United Nations Population Division, The Sex and Age Distribution of the World Populations (1994 revision).

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**Escalating Longevity!  
Fastest Growing Group 85+**

Population 65+ by Age: 1900 - 2050



Source: U.S. Bureau of the Census

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# How Will Humans Adapt to 25 More Years of Life?

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## Generational Fault Lines At Work

<b>Boomers</b> The World is Ours to Change	<ul style="list-style-type: none"> <li>• 1945-1964</li> <li>• 51-68 today</li> <li>• Driven</li> </ul>	<ul style="list-style-type: none"> <li>• 1965-1980</li> <li>• 35-50 today</li> <li>• Minimalists</li> </ul>	<b>Generation X</b> Raised by Wolves
<b>Millennials</b> Raised by Soccer Moms	<ul style="list-style-type: none"> <li>• 1981-2000</li> <li>• 20-34 today</li> <li>• Determined</li> </ul>	<ul style="list-style-type: none"> <li>• 2001-2011</li> <li>• 3-19 today</li> <li>• Pragmatic</li> </ul>	<b>Generation Z</b> Rebels with A Cause

1980 2025

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## & There is a population tsunami approaching

**361,000**  
Approximate number of babies born in the world each day.

More than a quarter of America's population belongs to Gen Z, and with each birth, the segment is growing.

Source: U.S. Census Bureau, 2012 (via Mintel 2014)

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## Rise of Generation Z

### Rebels with A Cause

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&

**+400%**  
increase in multiracial marriages (Black and White) in the last 30 years (with a 1,000% increase in Asian-White marriages)

**+50%**  
increase in the multiracial youth population since 2000 (to 4.2 million)

**Multiracial children is the fastest growing youth group in the US**

Modern families come in all colors and sizes. Long-standing views of race have been challenged by culture: celebrities, artists, politicians and athletes of mixed heritage have changed discourse, along with trans-racial and international adoptions.

Source: Census, "The two or more races population: 2010 Census Brief"; American Academy of Child and Adolescent Psychiatry

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&

**72%**  
of high school students want to start a business someday (compared to 64% of college students)

**61%**  
of high school students want to be an entrepreneur rather than an employee (compared to 43% of college students)

**Entrepreneurship is in their DNA**

Surrounded by DIY education and crowdsourcing, these teens dream of self employment. They feel pressured to gain professional experience at a very early age. Low wage entry level Gen Z jobs lead to competition with struggling Millennials, fueling competitiveness.

Source: Millennial Branding and Internship.com, 2014; Mintel 2014

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**How will Gen Z  
Re-Boot Our World?**

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## Disaggregation of Work

- From jobs to tasks
- Rise of Smart Machines
- Critical new skills

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## The Internet of Things

Waste Management  
 Environmental Sensing  
 Smart Meters  
 Smart Product Management  
 Smart Homes

Urban Planning  
 Sensing  
 Continuous care  
 Smart Offices

Machine to Machine  
 Communication



People

SHIFT

Technology

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## Lesson from Disruptive Innovation Cycles

Technology doesn't drive change.  
 Human choices make change.

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## Disruptive Shifts in Work

- Employee → Entrepreneur
- Career ladder → Experience portfolio
- Permanent → Velcro relationships
- Outsourcing → Crowdsourcing
- Physical → Digital infrastructure;
- Desktop → Device
- Organizations → Social networks
- Protecting knowledge → Sharing knowledge
- Sharing knowledge → Creating context for persuasive conversations

*End of Work  
 As We Know  
 It!*



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**What is human?**  
**What is our comparative advantage?**

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## Skills for the Future

- Social Intelligence
- Trans-Disciplinary
- Create Unique Critical Insights
- Design Architect
- Cognitive Load Management
- Engage Networks
- Cross-cultural Cross-Generational Empathy
- New Media Literacy

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◆ **What to do on Monday!** ◆

Trade Up!

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## Strategic Imperative



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Beware  
of Insight  
Deficit



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Black Hole of the  
Superficial Insight

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Deep Dive on the Social Trends that will Disrupt  
Your Business -Plot How & When

- Longevity
- Education-Jobs Gap
- Income inequality
- Education Gender Gap
- Healthcare shifts



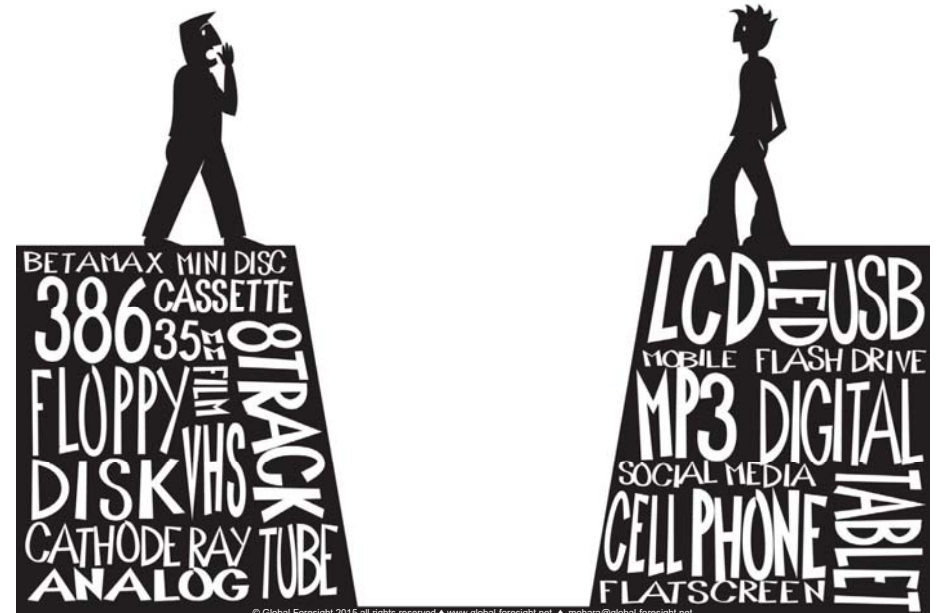
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## Define Your Human Comparative Advantage



## Assess Your Generational Readiness



## ◆ Parting Thoughts ◆

**The Future  
Won't  
Resemble the  
Past!**

Never Mistake a Clear View  
for a Short Distance

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Get to the Future Fast and First

Mary O'Hara-Devereaux



Profound, Provocative, Pragmatic

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*Finding Targets No One Else Can See*

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