

evolve

EFFICIENT
+ GROUP

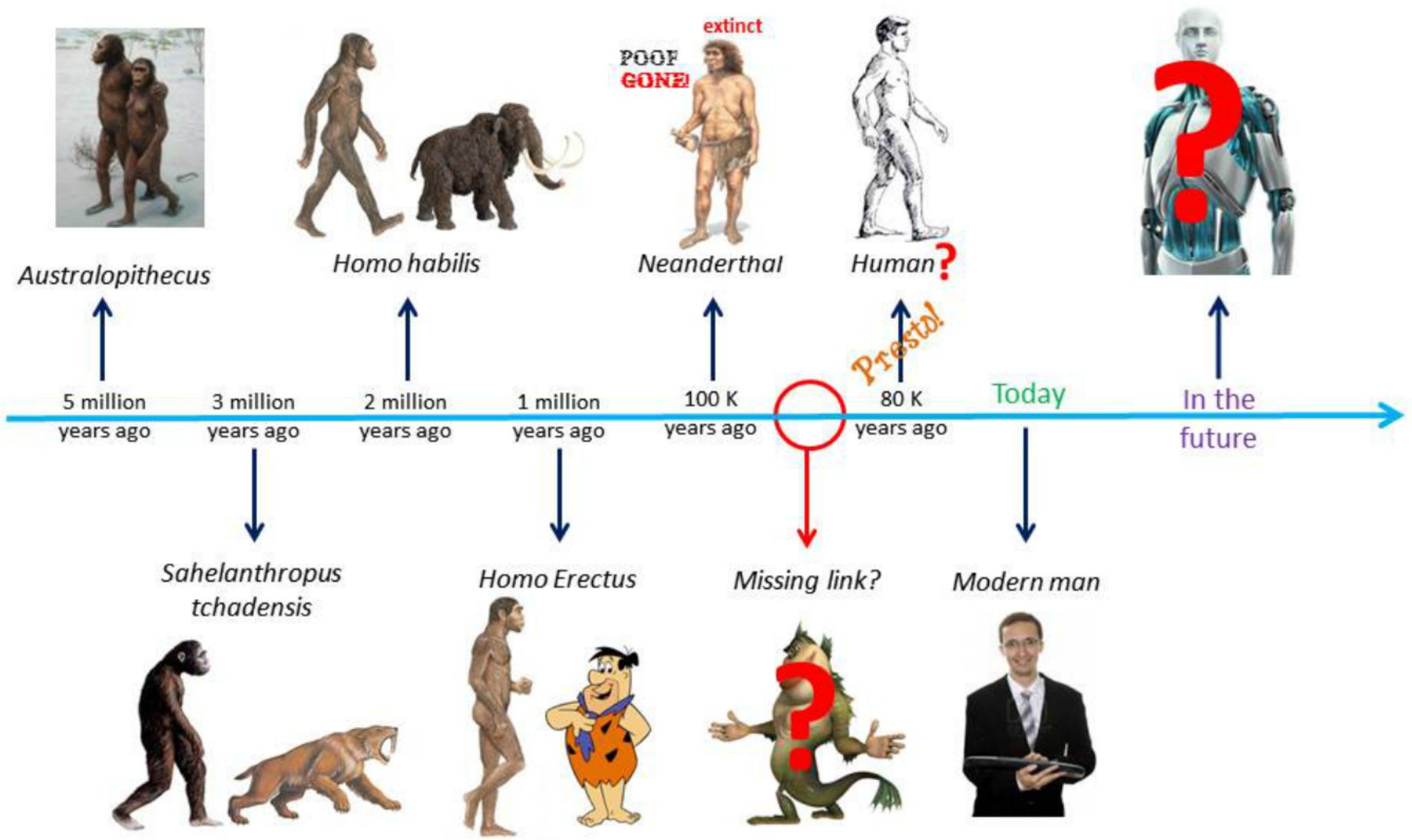
Shifting Sands: Adapt to change

How will big business adapt to shifts
in wealth and demography?

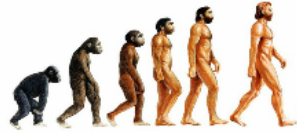
By: Dawie Roodt

EFFICIENT
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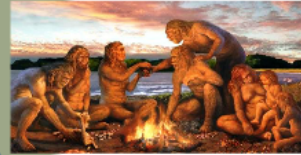
Evolution of Man



walking upright



Discovery of fire



Eating of animals



Domestication of animals



Domestication of plants



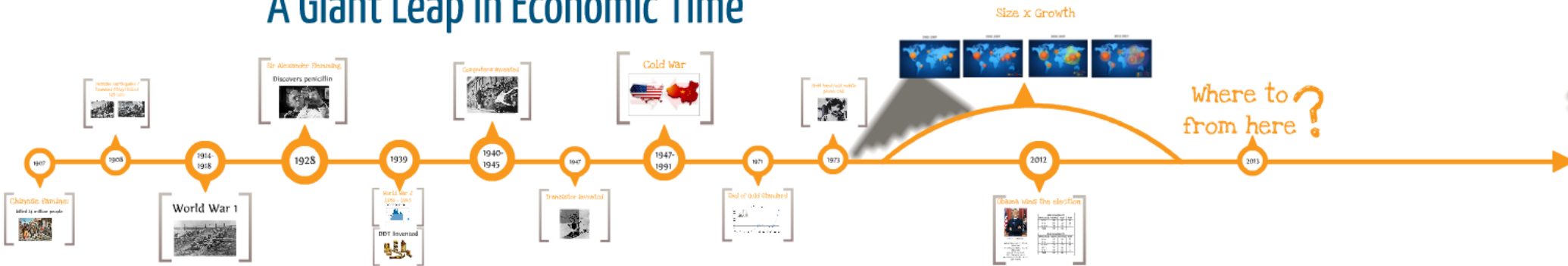
Institutions



Creation of Institutions



A Giant Leap in Economic Time

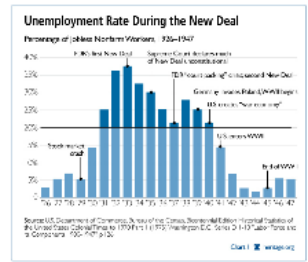


8

1939

19
19

World War 2 1939 - 1945

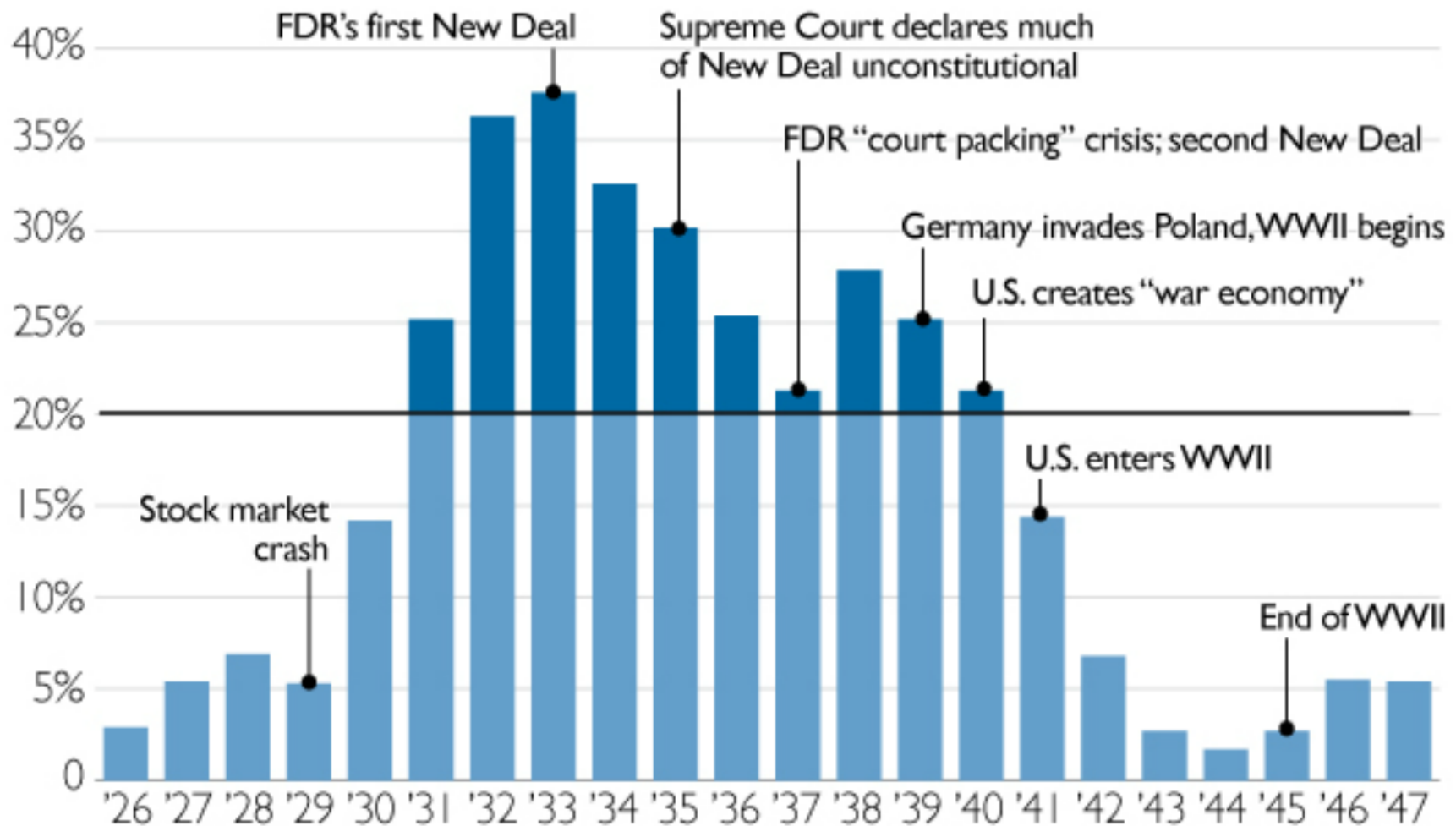


DDT Invented



Unemployment Rate During the New Deal

Percentage of Jobless Nonfarm Workers, 1926–1947

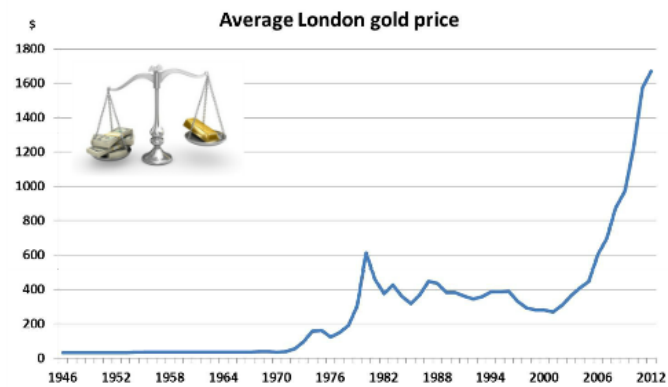


Source: U.S. Department of Commerce, Bureau of the Census, Bicentennial Edition Historical Statistics of the United States Colonial Times to 1970 Part I (1975) Washington D.C., Series D 1-10 "Labor Force and its Components 1900-1947", p.126

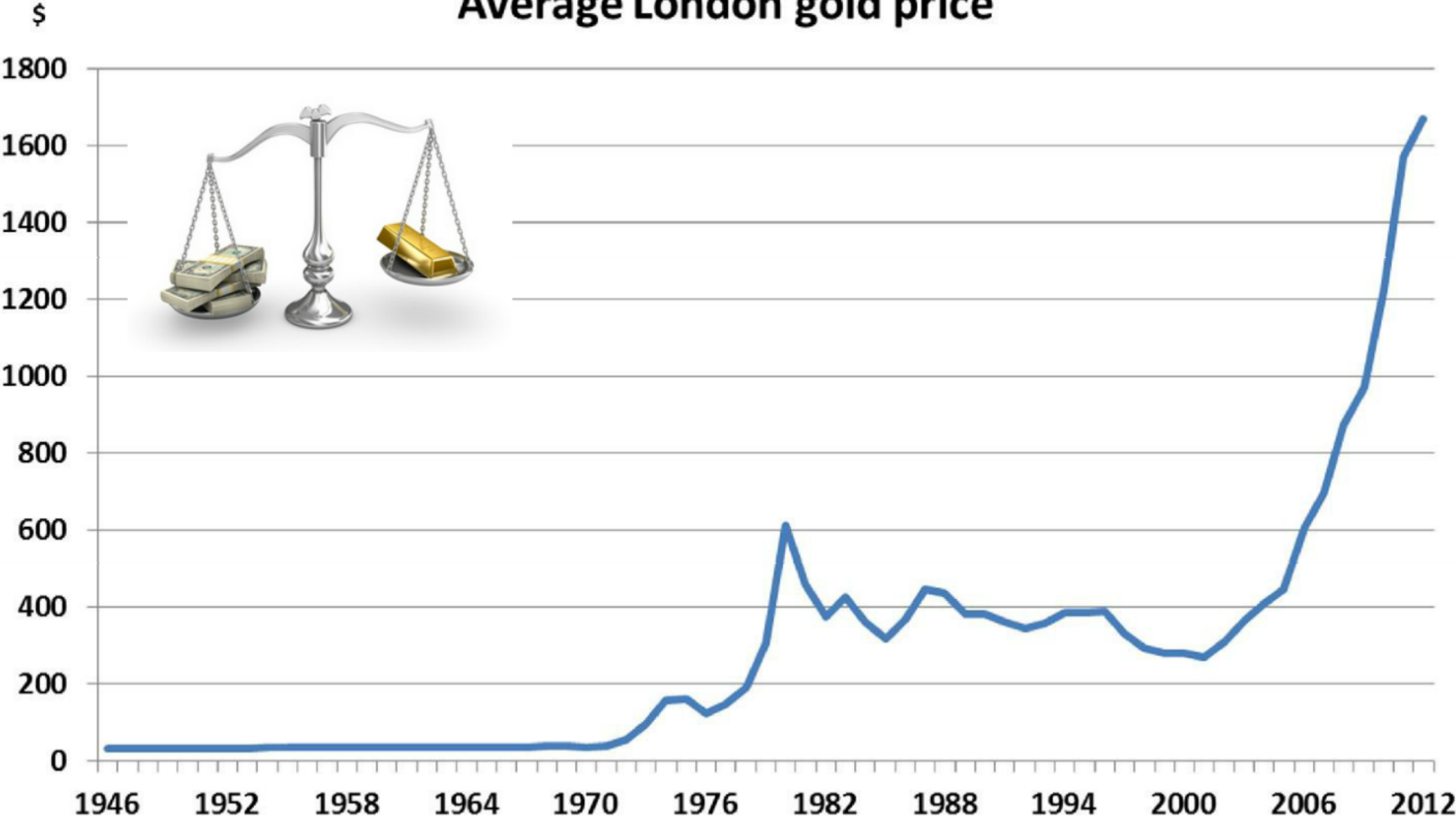
1971

19

End of Gold Standard



Average London gold price



2012

Obama wins the election



Votes distribution:

- 93% of Black voters - 13% of electorate
- 71% of Latino voters - 10% of electorate
- 60% of Young voters
- 53% of Women voters
- 90% of Gays & Lesbian voters
- 49% of Jews

1992 US Election (%)			
Ethnic group	Dukakis	Bush	Total
White	40	60	85
Black	89	11	10
Hispanic	70	30	3
Total	46	53	

2012 US Election (%)			
Ethnic group	Obama	Romney	Total
White	39	59	72
Black	93	6	13
Hispanic	71	27	10
Asian	73	26	3
Other	58	38	2
Total	50	48	



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Where to
from here ?

2013

House View Themes

- World economic growth below trend
- Short term DM fundamentals improving
- Shift in growth expectation from EM to DM
- Start of "Great Normalisation"
- EM growth/fundamentals deteriorating

How we see it playing out

Quantitative easing to continue...



Yields remain at lows
Supportive of most equity markets



Until unemployment hits 6.5% (2 years)



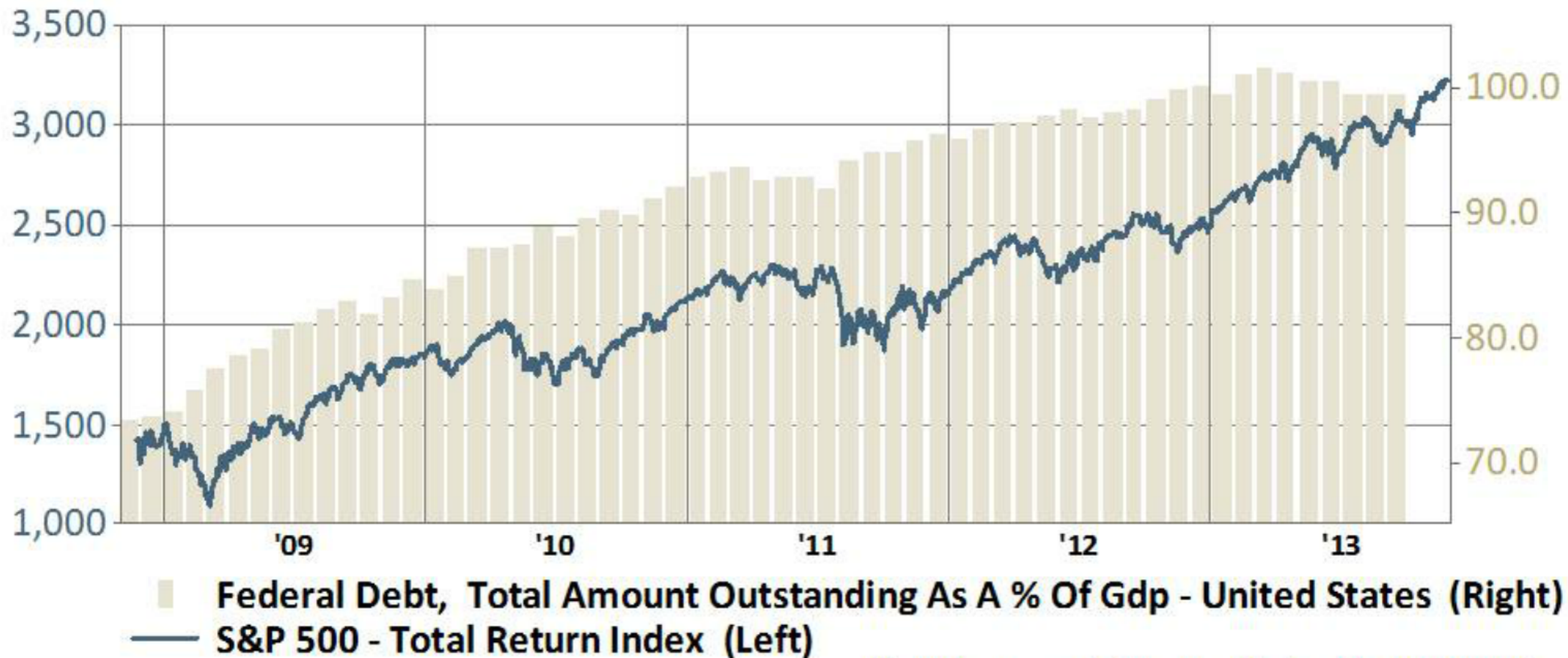
Consumer demand and Inflation return



Retraction of quantitative easing
Yields normalise
Exodus of capital from emerging markets

The Great Normalisation

Equity markets on life support

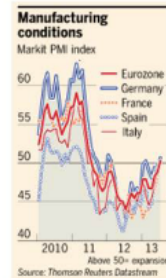


©FactSet Research Systems, Efficient Group Economics

Europe

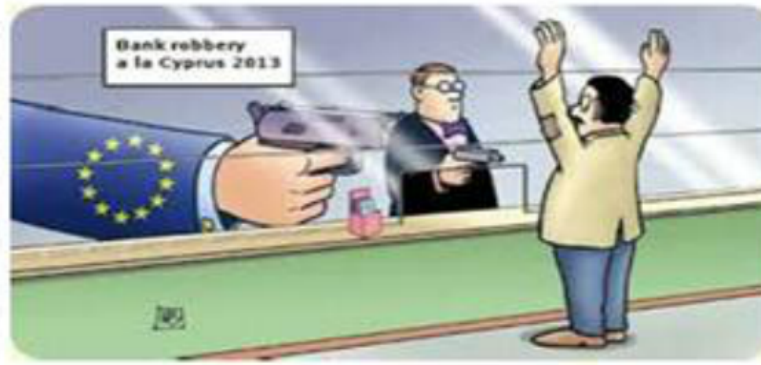
Hanging on

Euro situation – Unity their only hope



Euro situation – Unity their only hope

Constant Issues...



Managed by...



Troika



Individual peripheral politicians



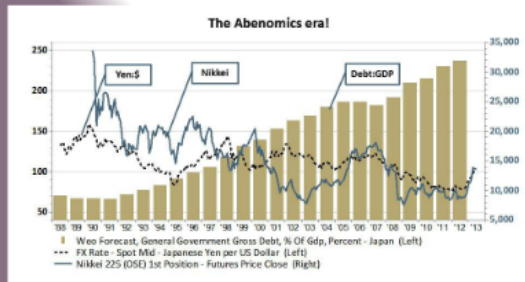
Their only hope... **FISCAL UNITY**



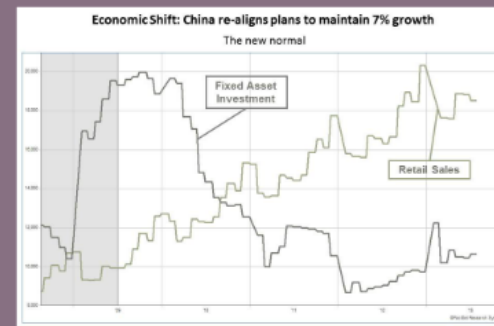
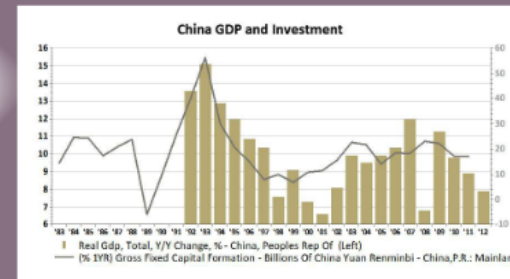
Asia

Policy the key

Japan

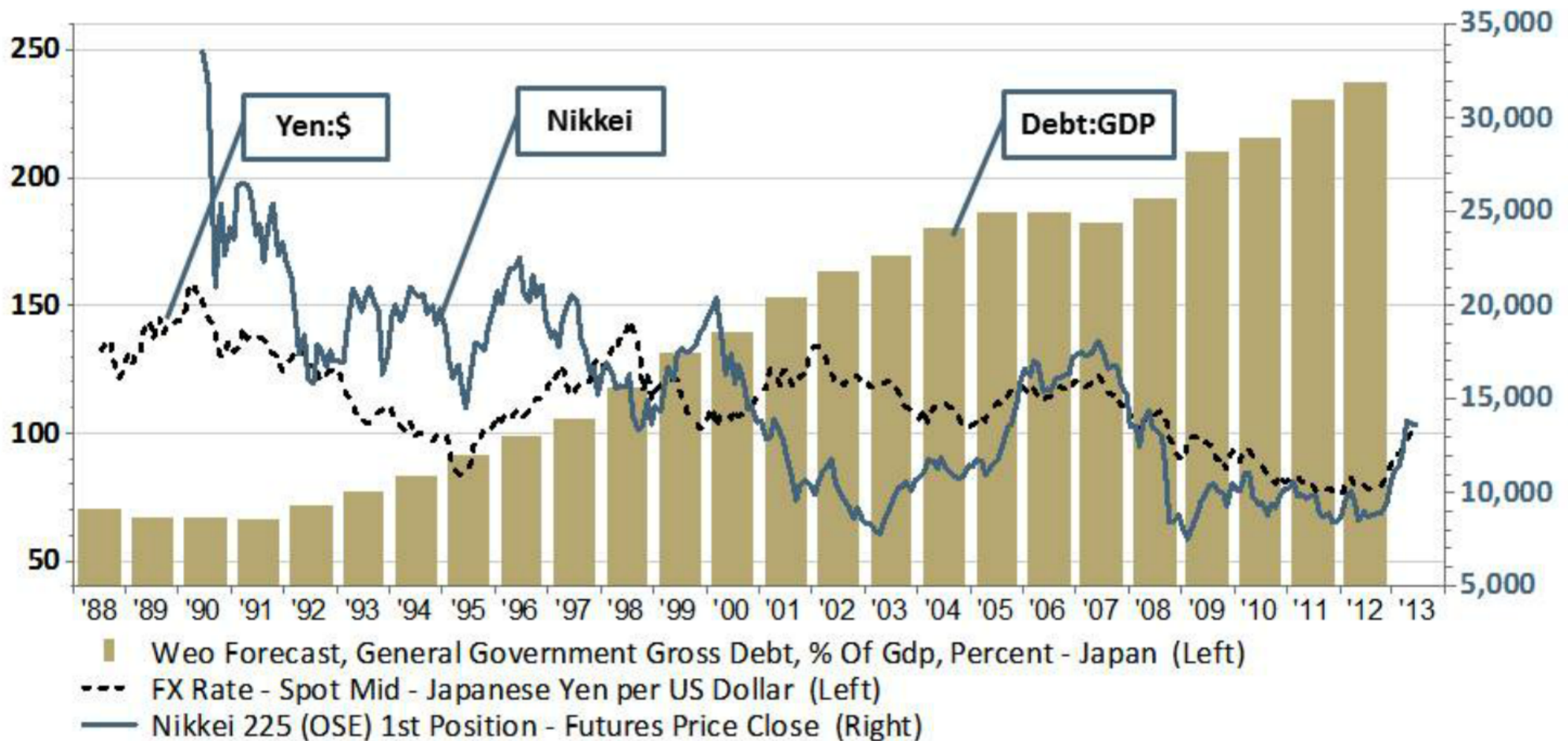


China

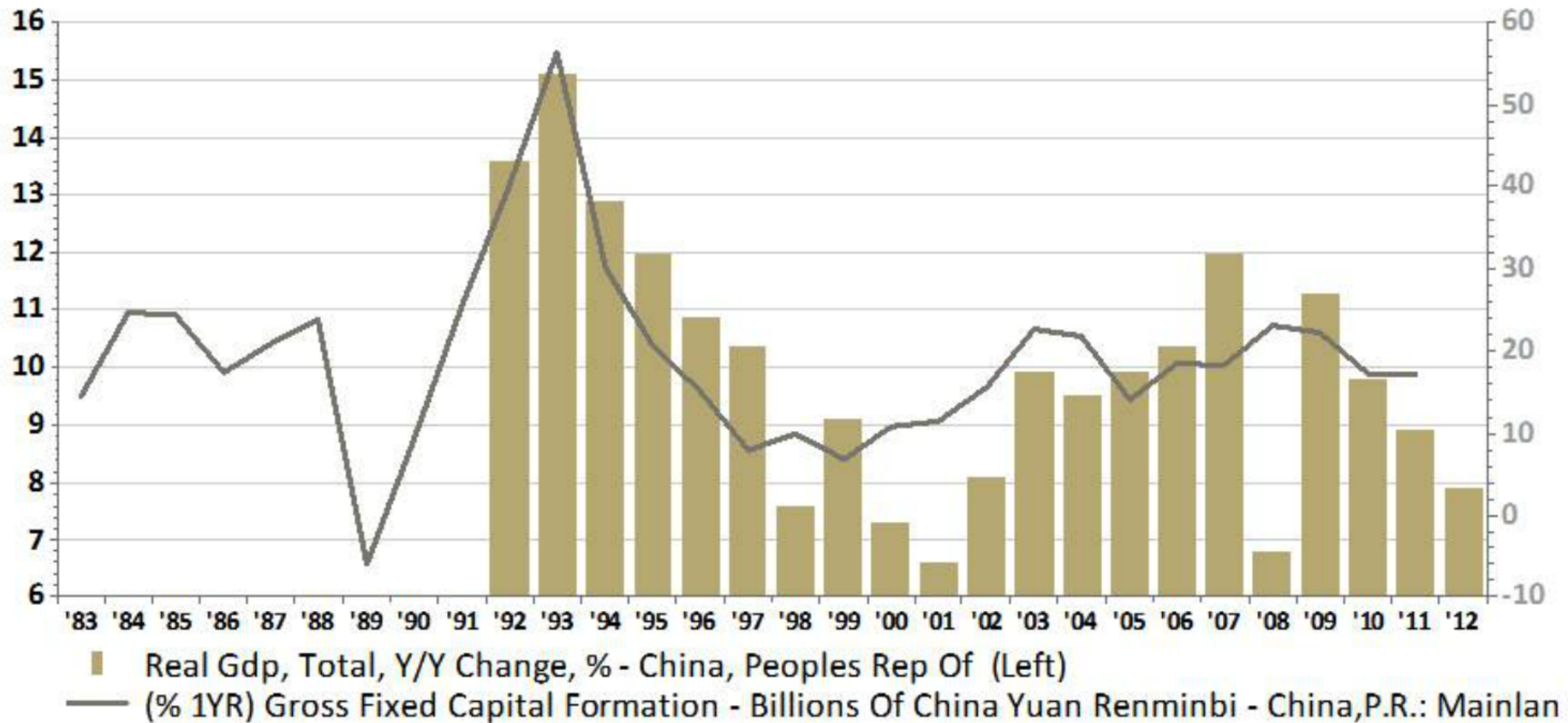




The Abenomics era!



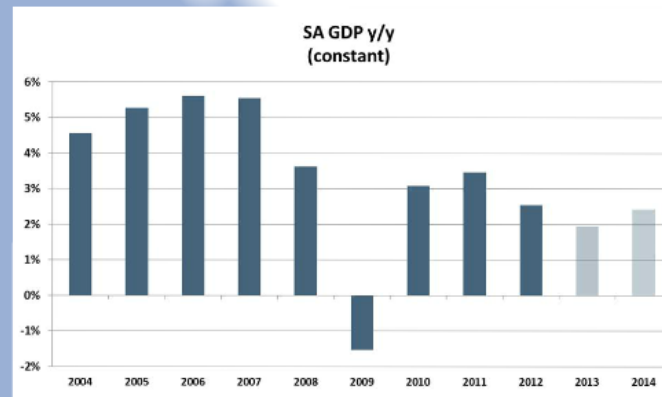
China GDP and Investment



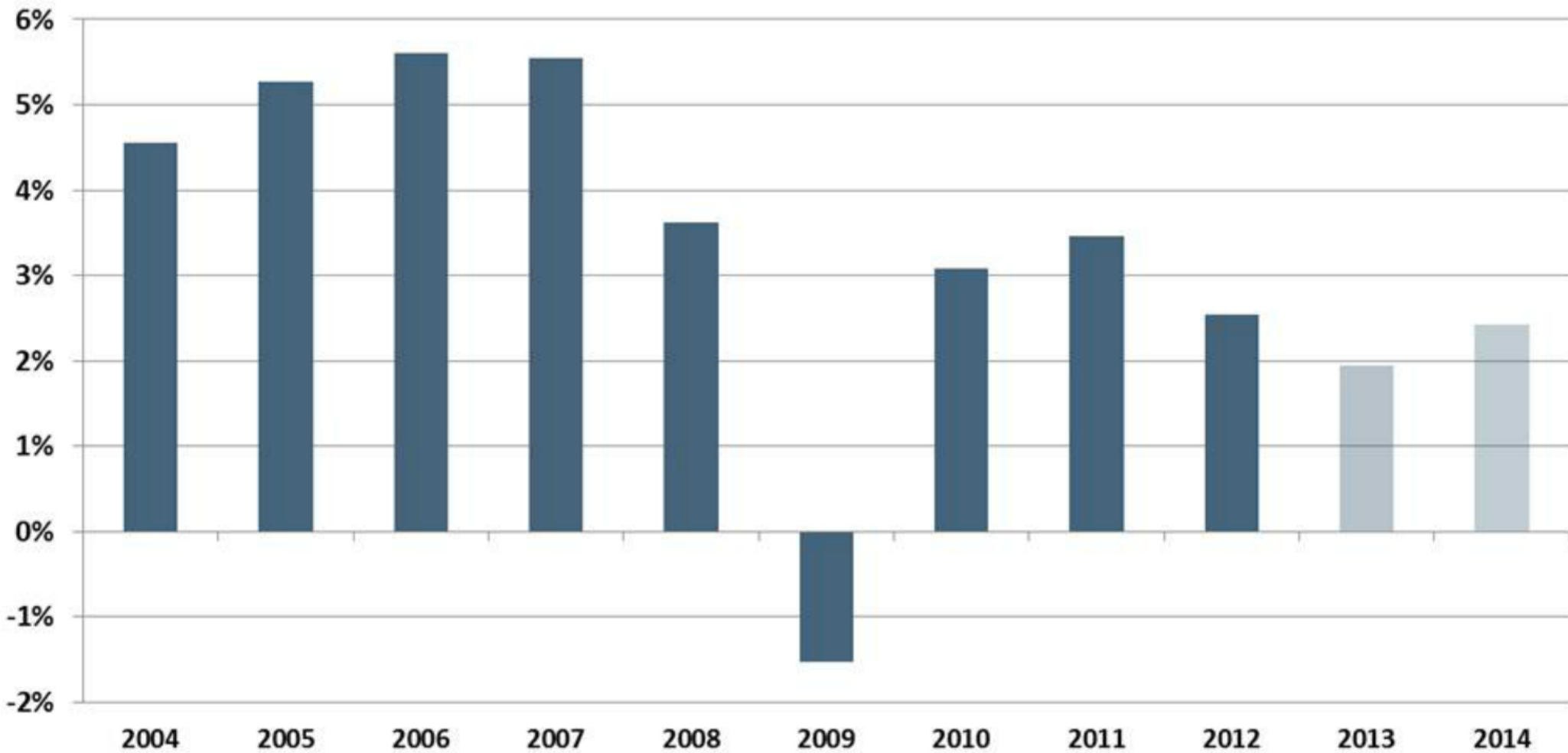
South Africa

Structurally wrong

Economic growth

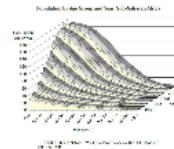


SA GDP y/y (constant)

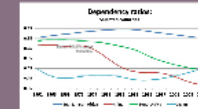


Demographic Dividend

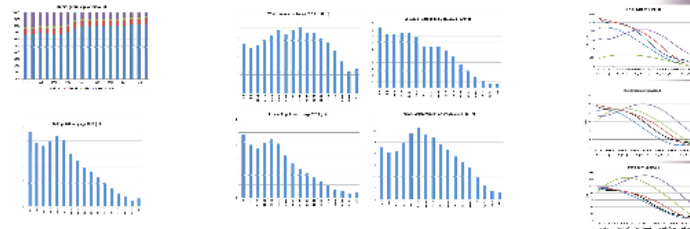
Demographic Dividend



Period	Male	Female	Total
1950-1959	10.2	10.2	10.2
1960-1969	10.2	10.2	10.2
1970-1979	10.2	10.2	10.2
1980-1989	10.2	10.2	10.2
1990-1999	10.2	10.2	10.2
2000-2009	10.2	10.2	10.2
2010-2019	10.2	10.2	10.2



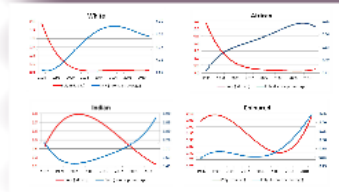
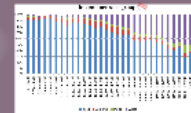
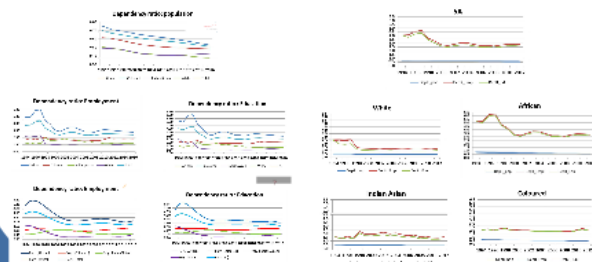
SA Demographic dividend



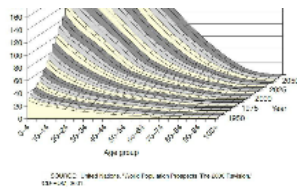
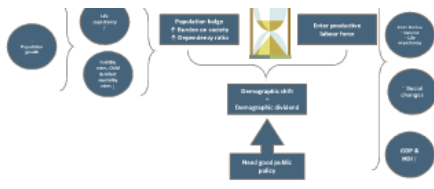
The bottom line for SA

- Skills - women
- Labour legislation - women
- Urbanisation policy
- Access to health services
- BEE vs PEE

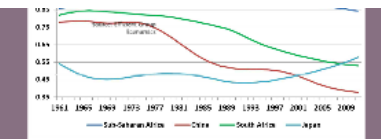
3 Major dependency ratios



Contribution to P/T					
2011					
Income category	Africa	Colombia	India & China	White	Total
High income	1.1%	1.1%	1.1%	1.1%	4.4%
Upper middle income	1.1%	1.1%	1.1%	1.1%	4.4%
Lower middle income	1.1%	1.1%	1.1%	1.1%	4.4%
Low income	1.1%	1.1%	1.1%	1.1%	4.4%
Total	4.4%	4.4%	4.4%	4.4%	17.6%



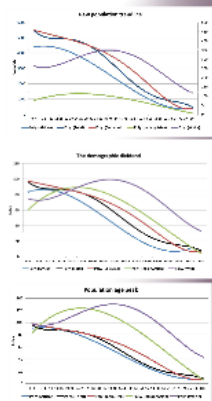
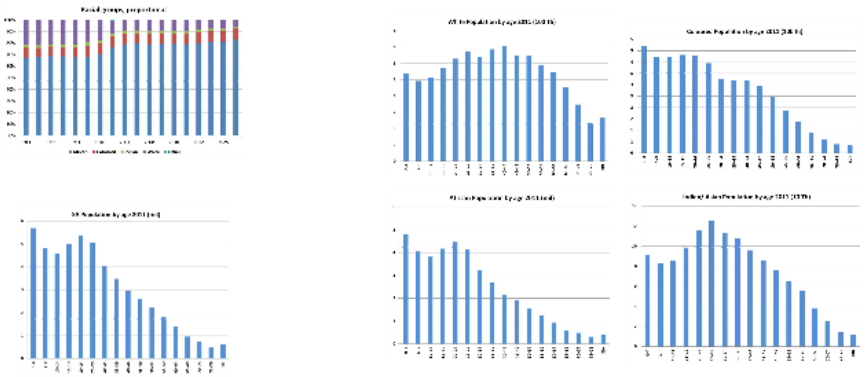
Period	Years	Period	Years	Period	Years
1961-1973	12	1961-1971	10	1961-1973	12
1974-1989	16	1972-1978	7	1974-1981	8
1990-1995	6	1979-1988	10	1982-1995	14
1996-2003	8	1989-2010	22		
2004-2007	4				
2008-2010	4				



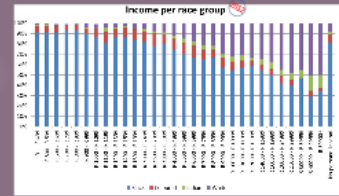
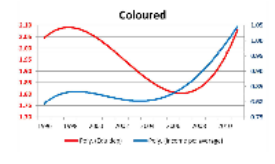
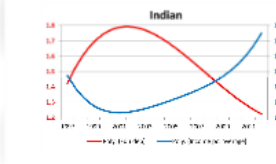
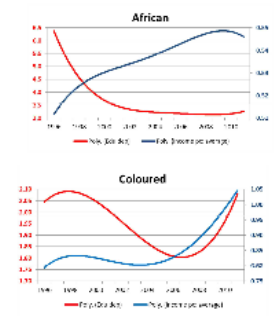
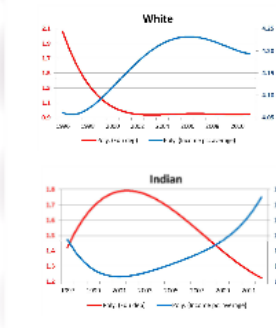
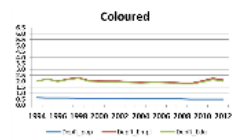
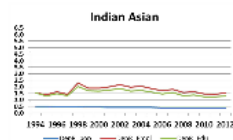
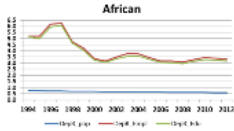
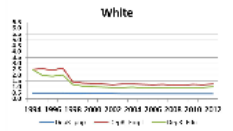
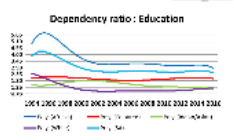
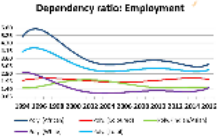
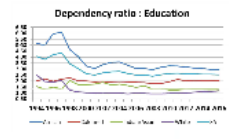
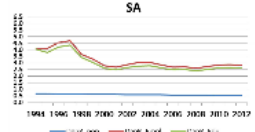
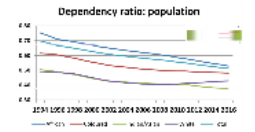
SA Demographic dividend

The bottom line for SA

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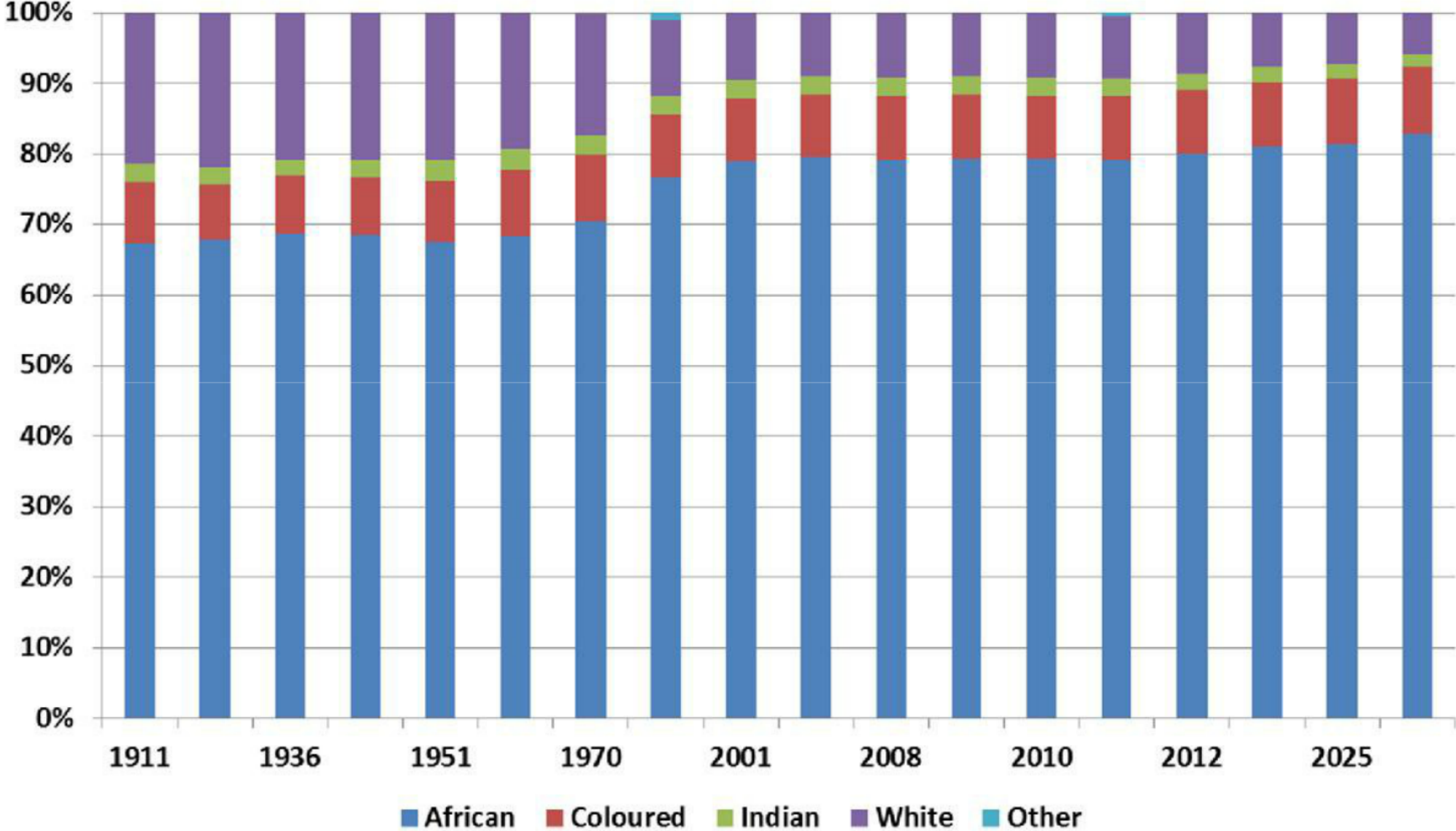
3 Major dependency ratios



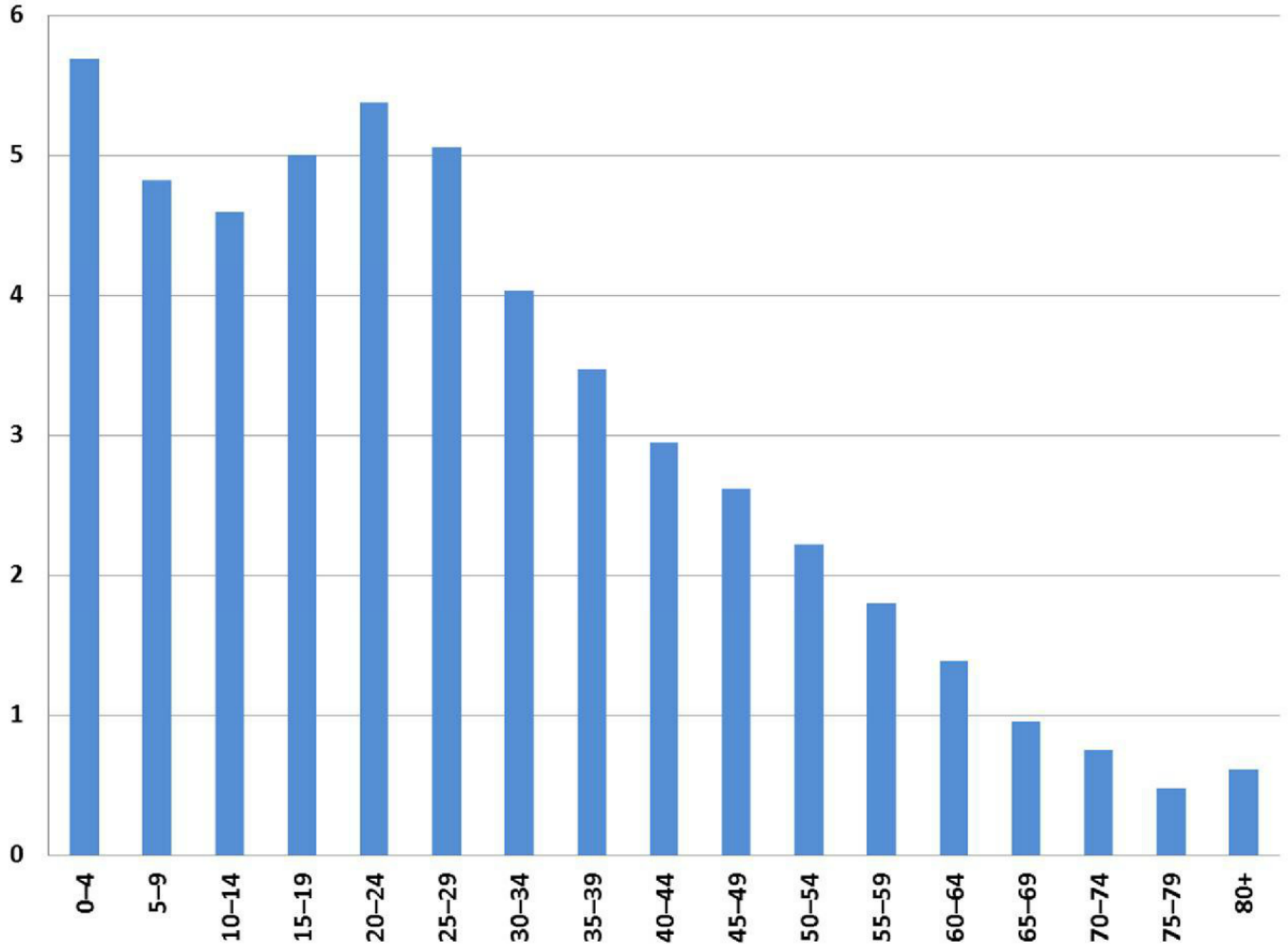
Contribution to PIT 2011

Income category	African	Coloured	Indian & other	White	Total
<= 0	79%	10%	3%	8%	100%
1 - 60 000	83%	9%	2%	6%	100%
60 001 - 120 000	53%	10%	5%	32%	100%
120 001 - 600 000	37%	7%	5%	51%	100%
600 000 +	9%	6%	50%	47%	100%
Total	22%	7%	24%	48%	100%

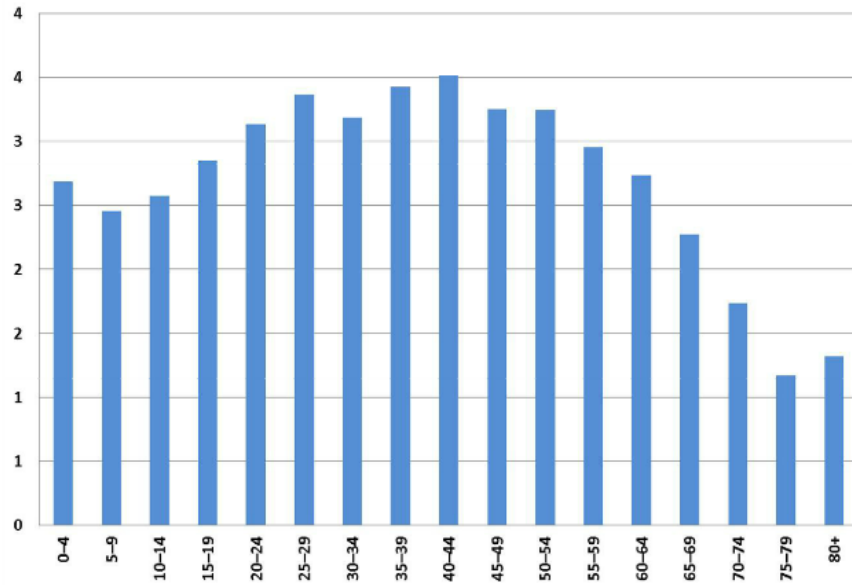
Racial groups, proportional



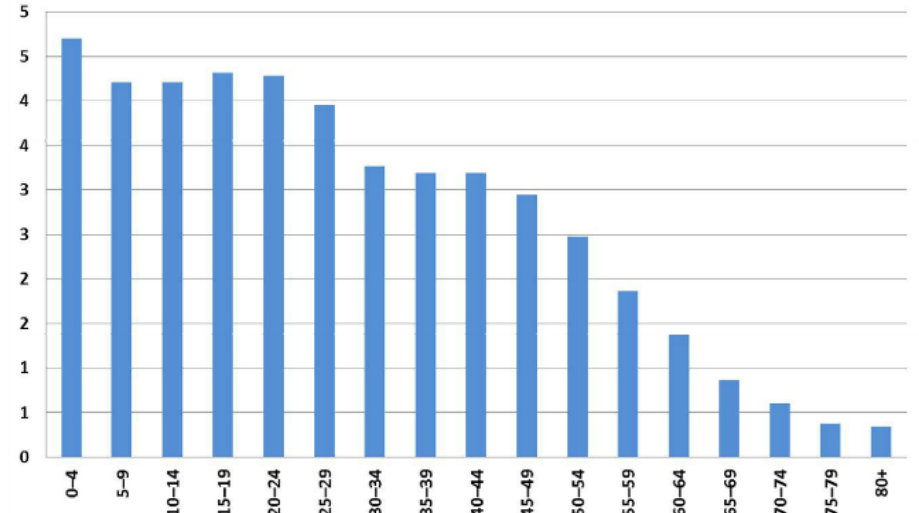
SA Population by age 2011 (mil)



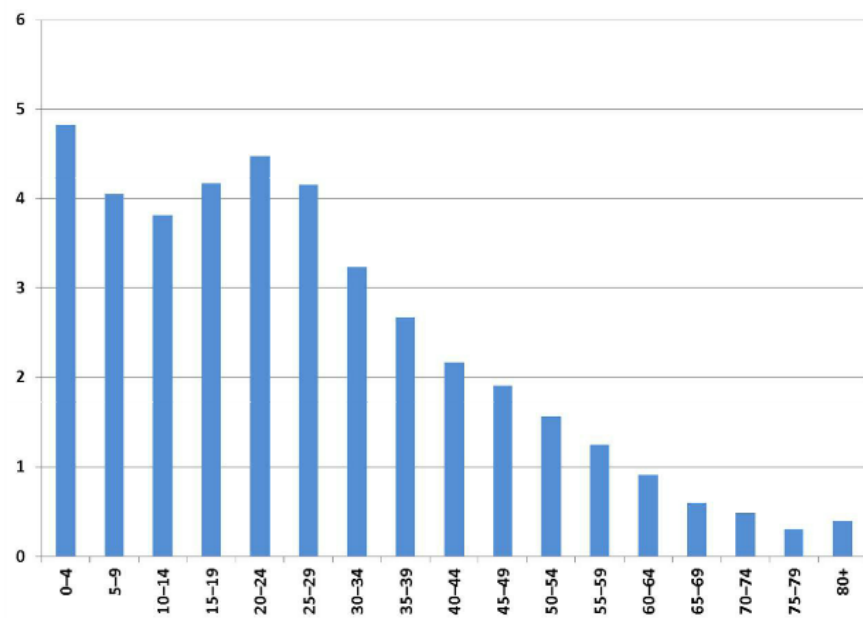
White Population by age 2011 (100 Th)



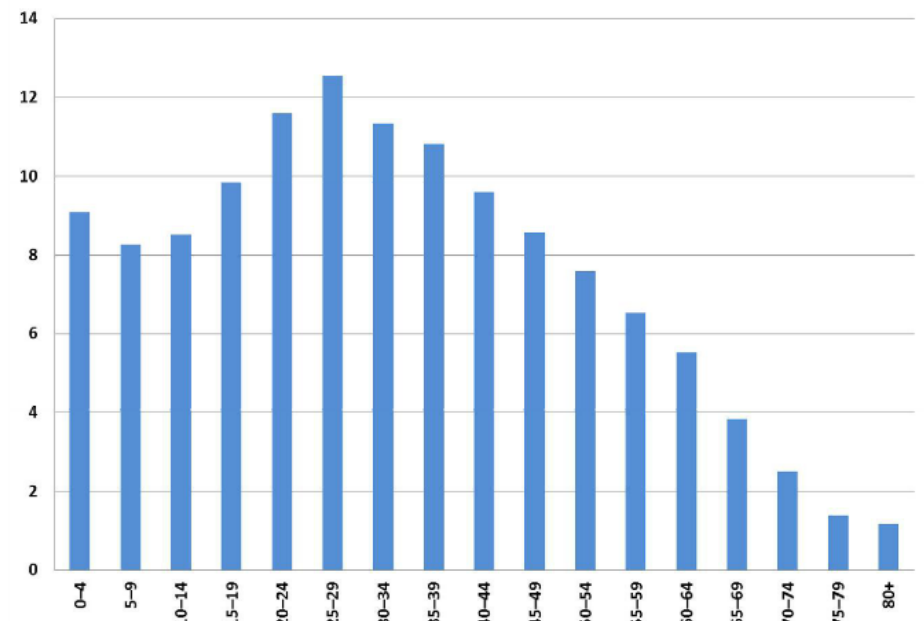
Coloured Population by age 2011 (100 th)



African Population by age 2011 (mil)

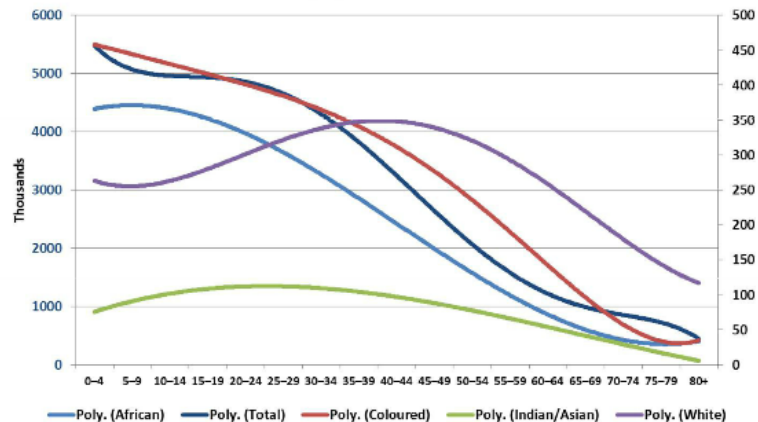


Indian/ Asian Population by age 2011 (10 Th)

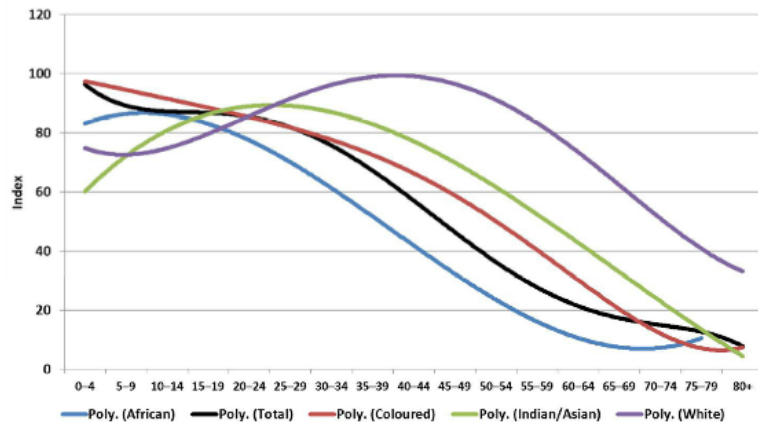




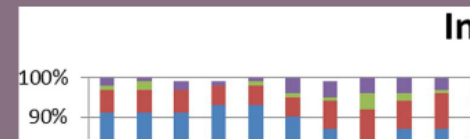
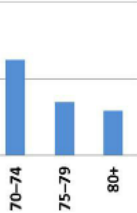
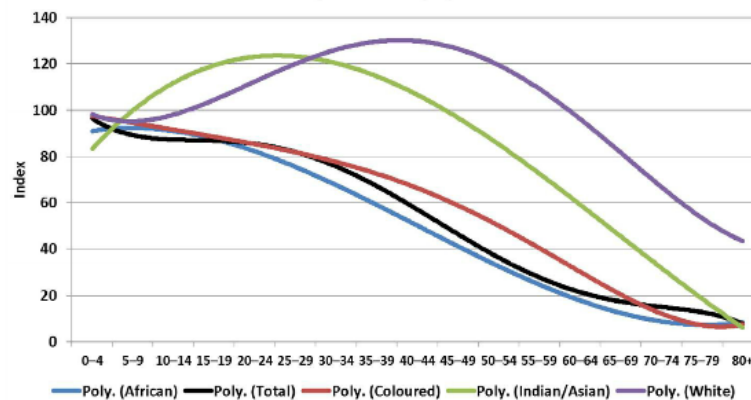
Raw population trendline



The demographic dividend

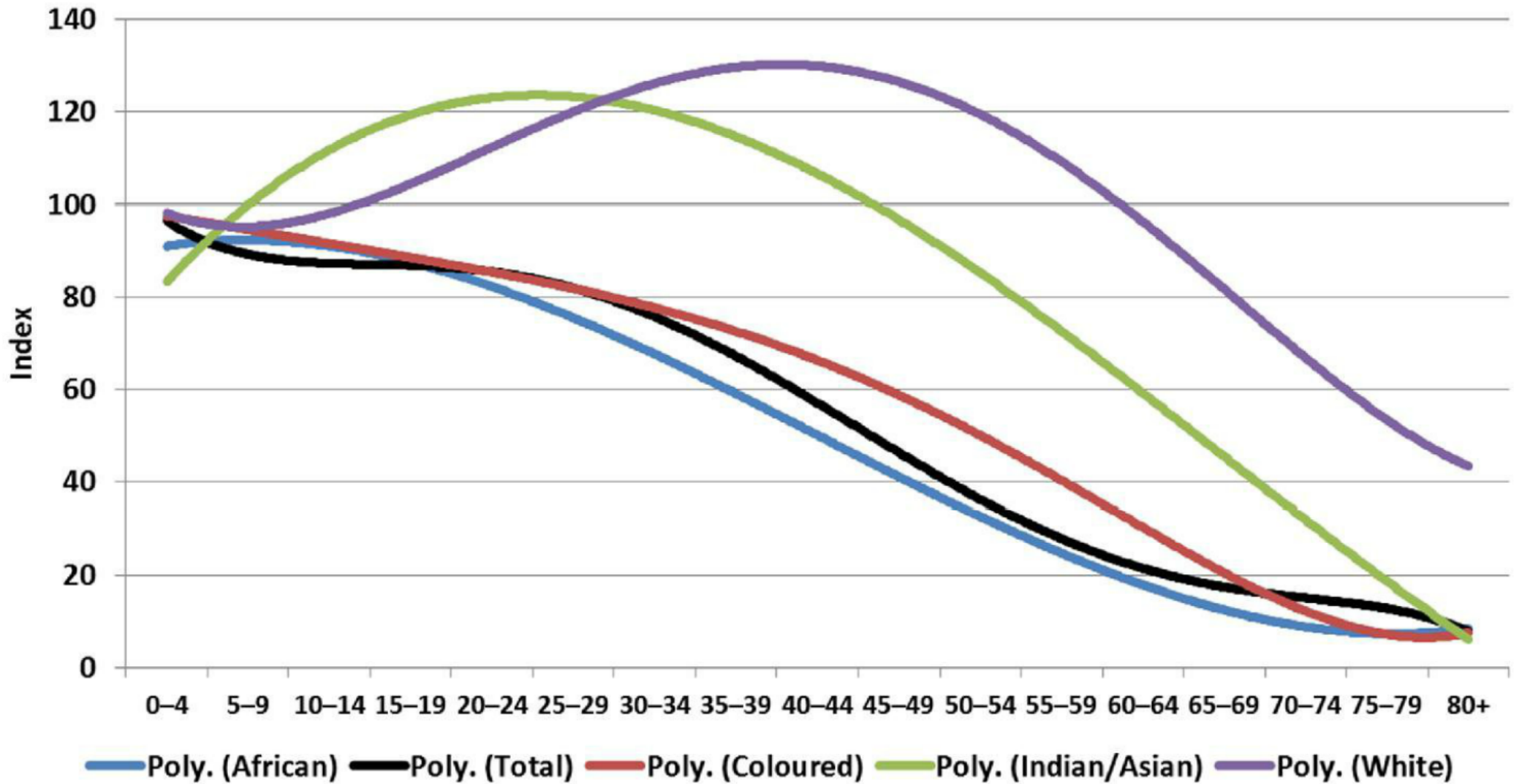


Population age peak

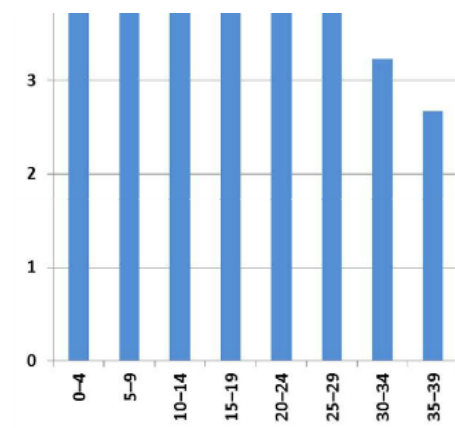
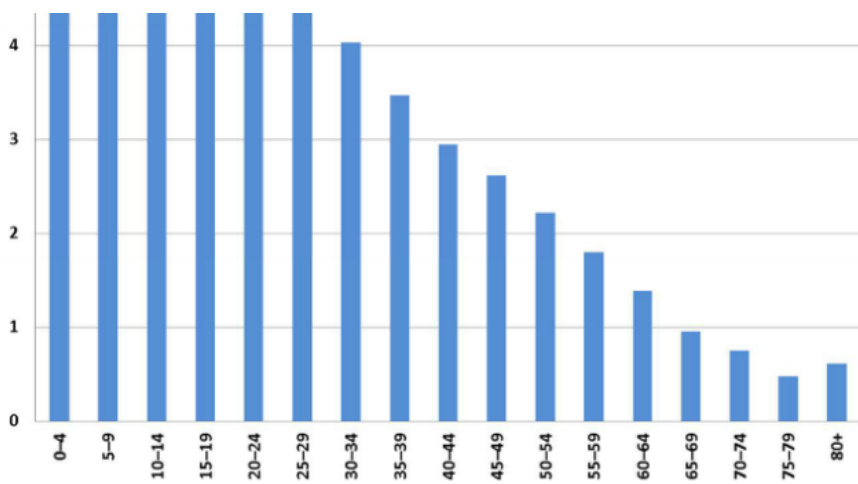


Poly. (African) Poly. (Total) Poly. (Coloured) Poly. (Indian/Asian) Poly. (White)

Population age peak

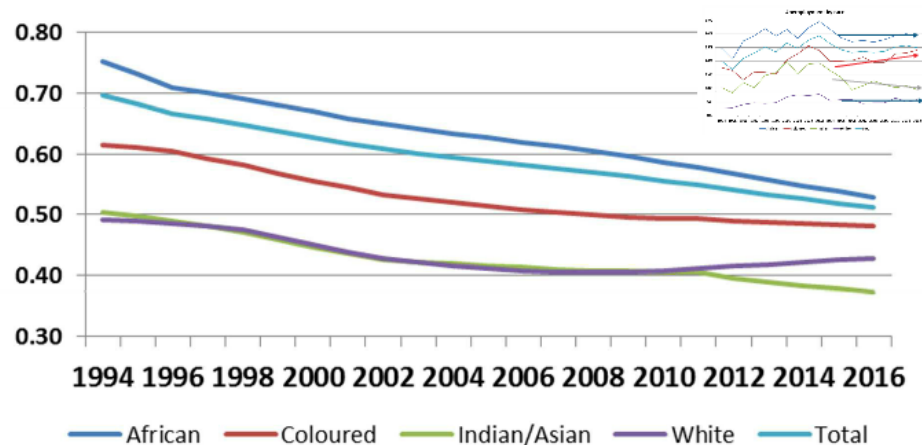


Poly. (African) Poly. (Total) Poly. (Coloured) Poly. (Indian/Asian) Poly. (White)

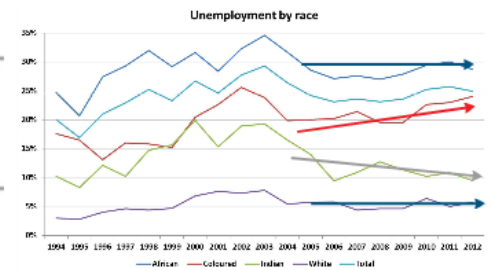
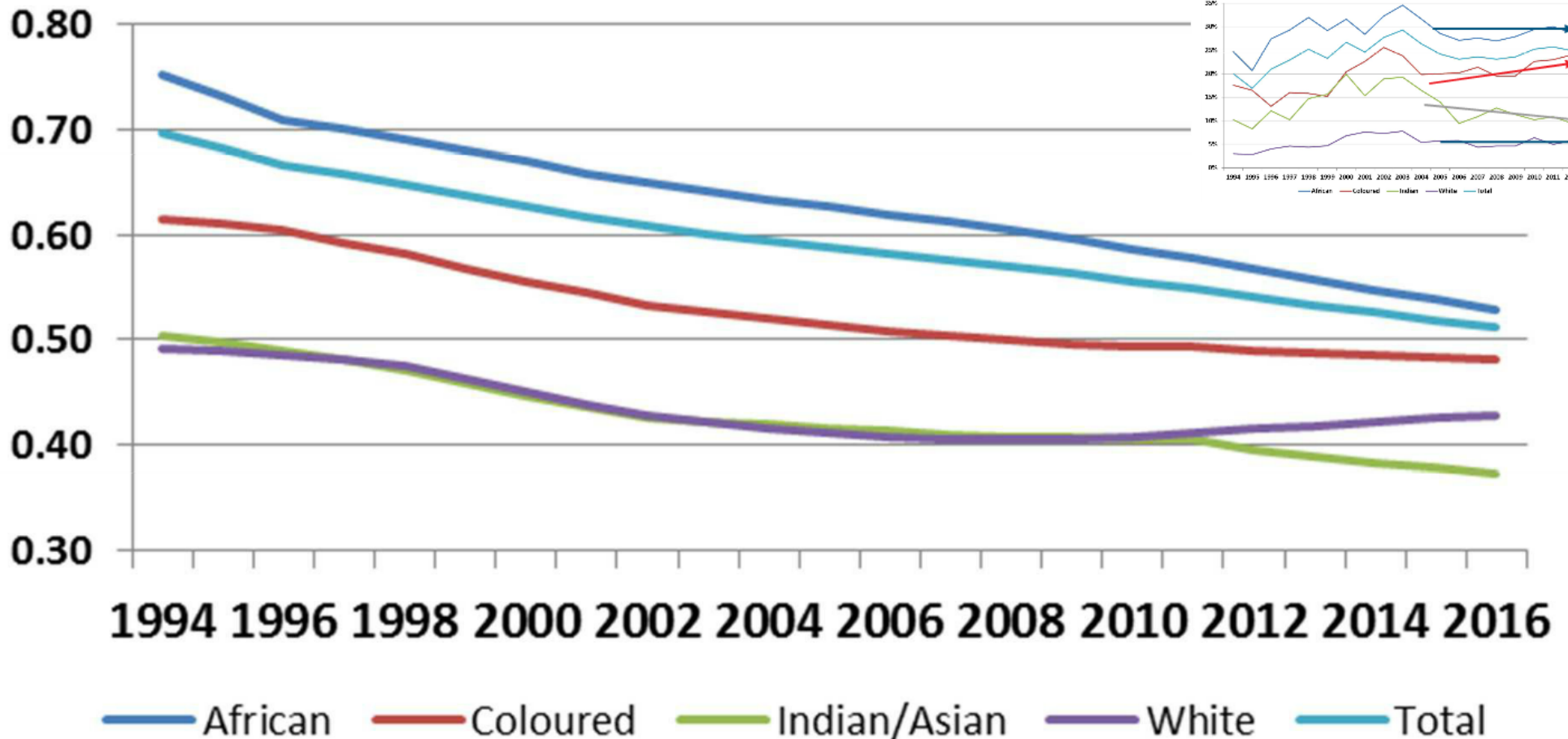


3 Major dependency ratios

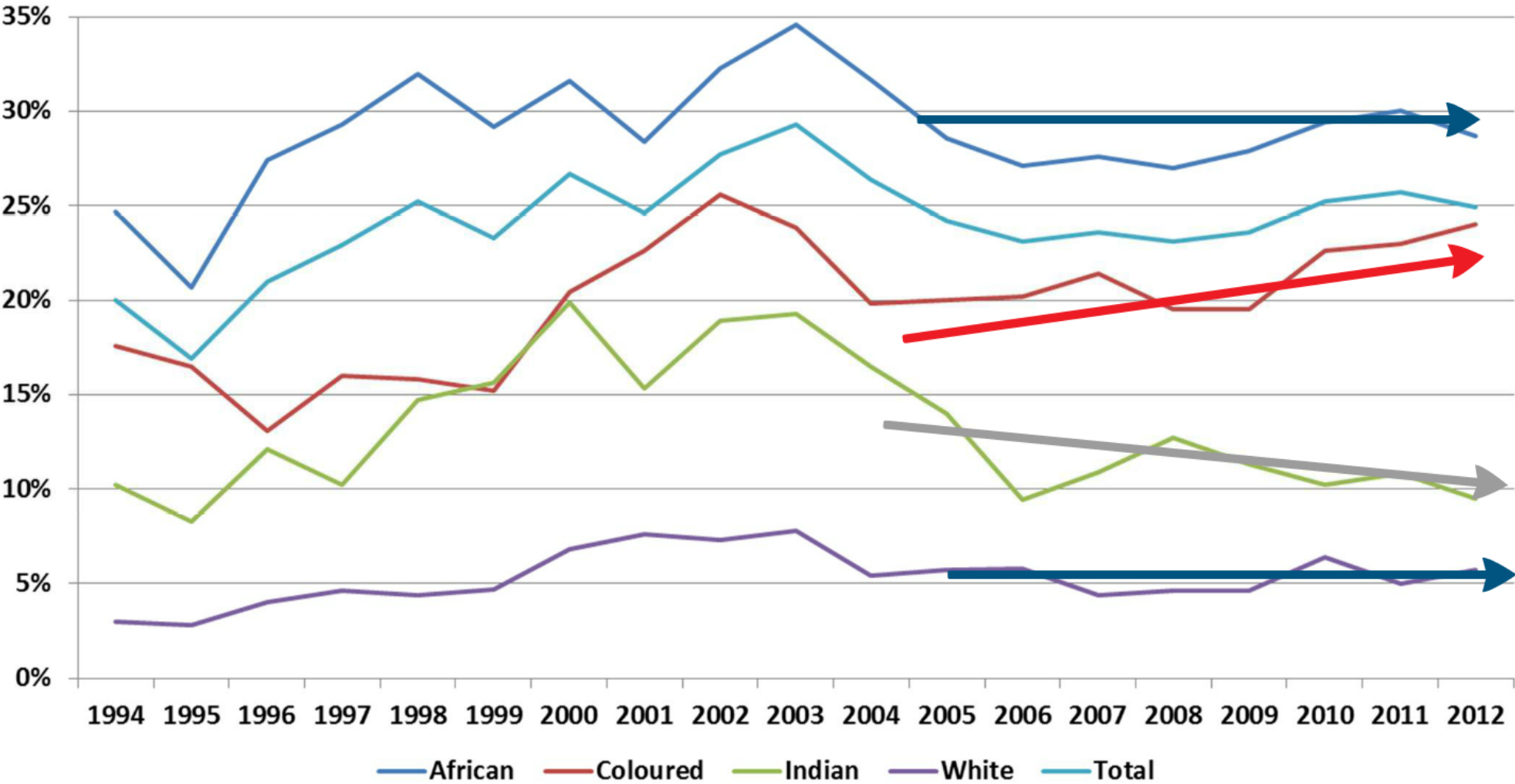
Dependency ratio: population



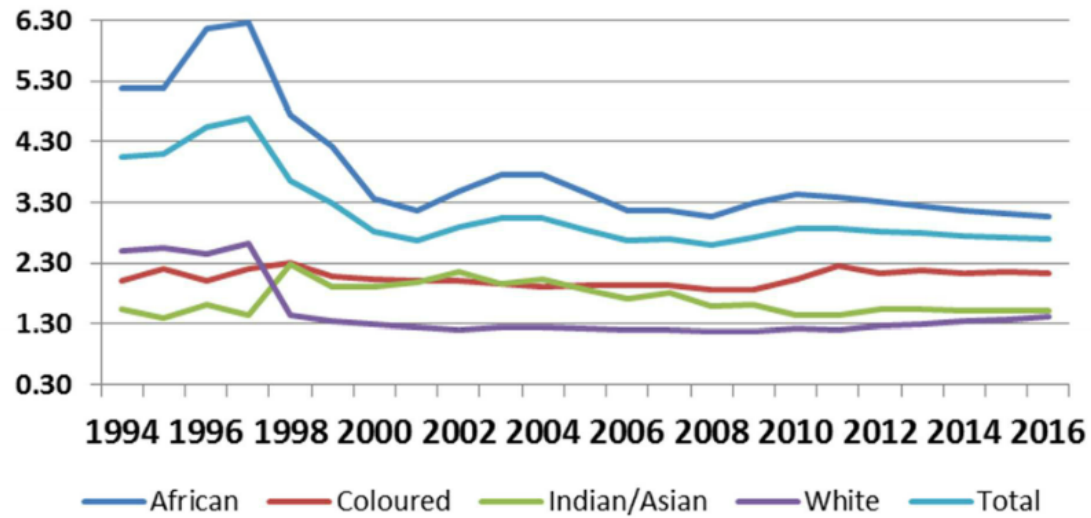
Dependency ratio: population



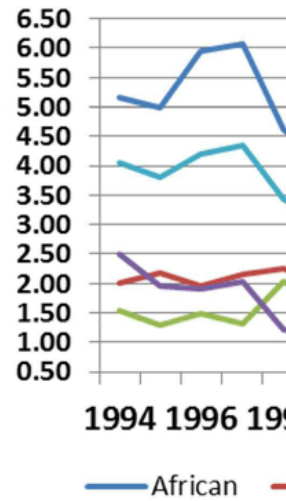
Unemployment by race



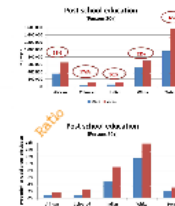
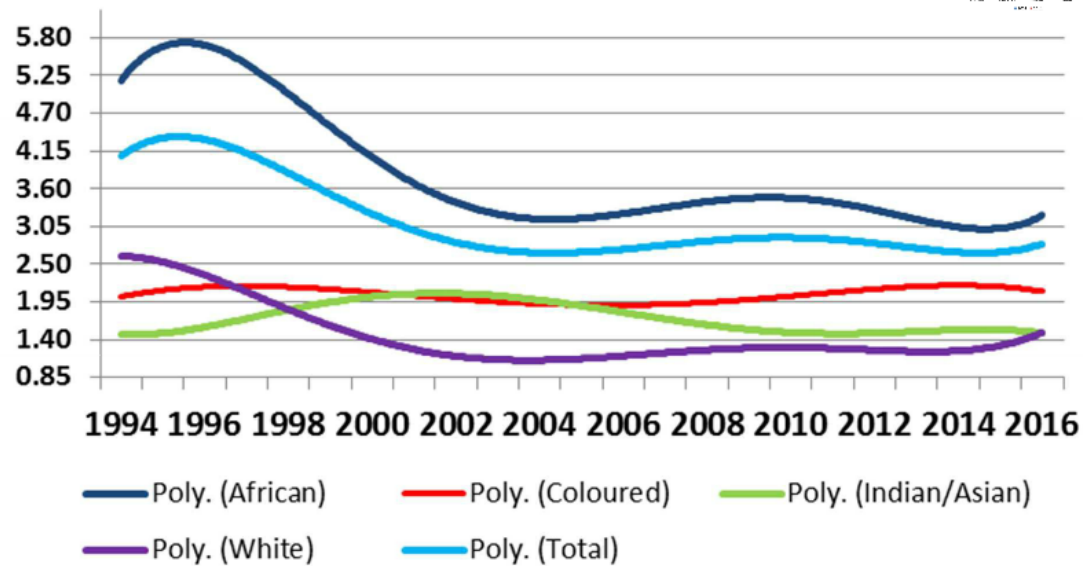
Dependency ratio: Employment



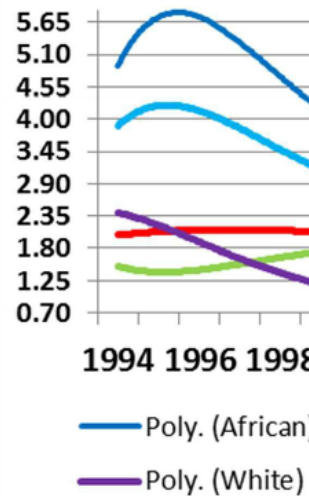
Dep



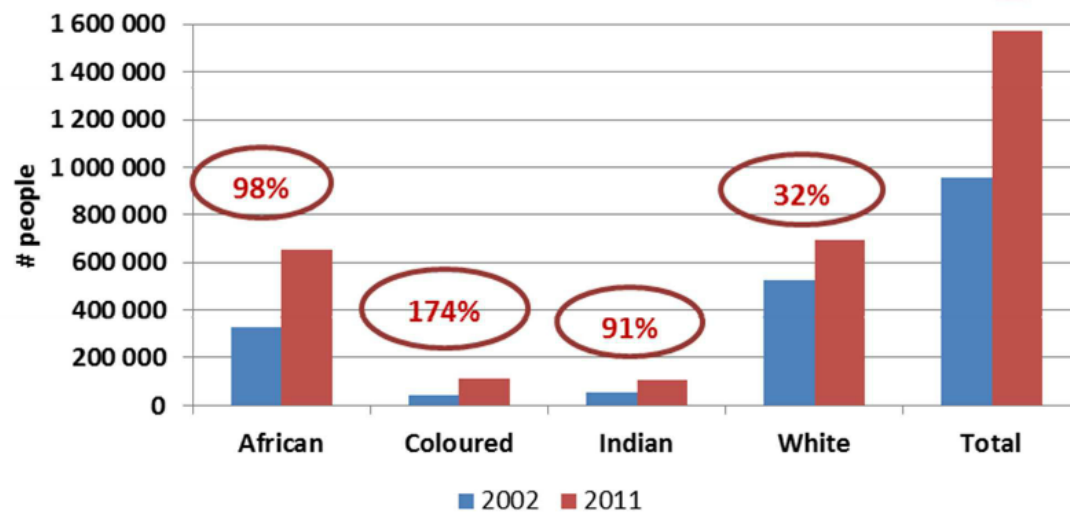
Dependency ratio: Employment



Dep

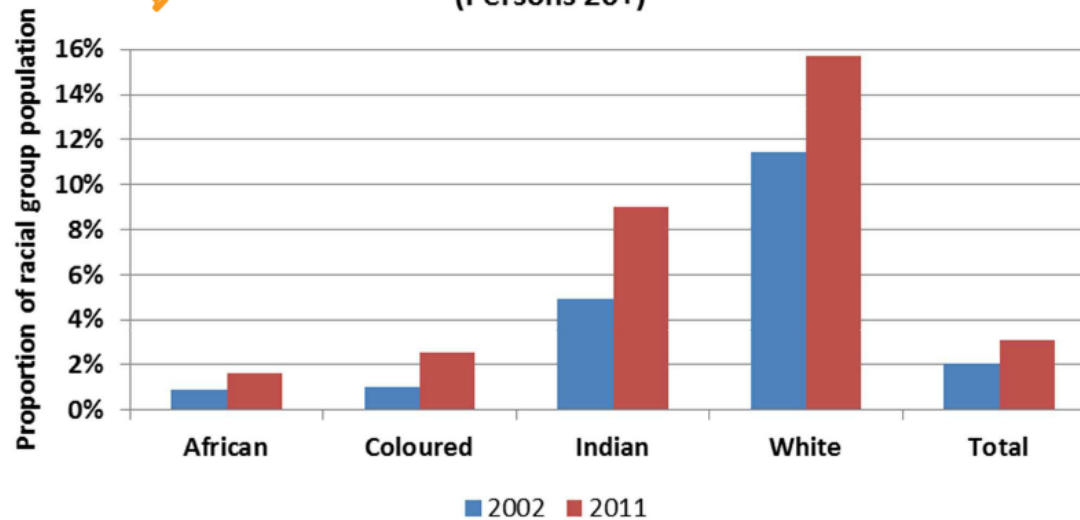


Post school education (Persons 20+)

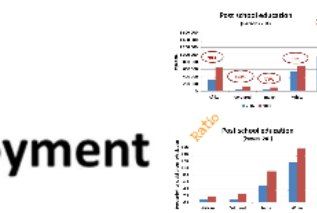
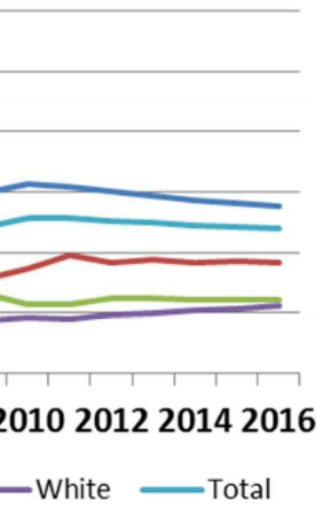


Ratio

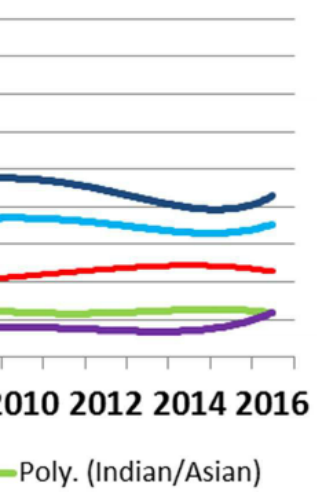
Post school education (Persons 20+)



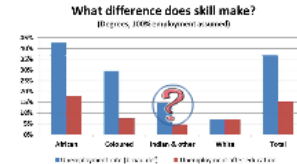
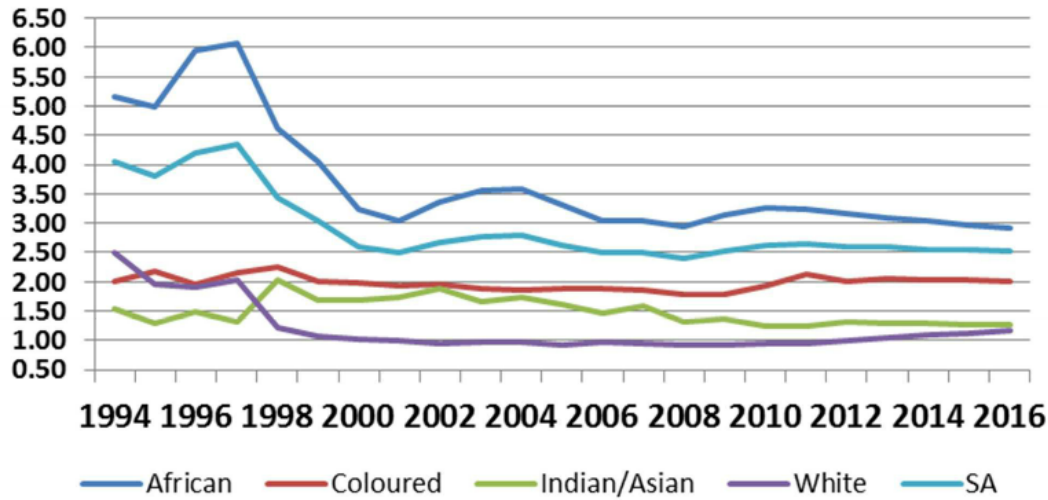
ymment



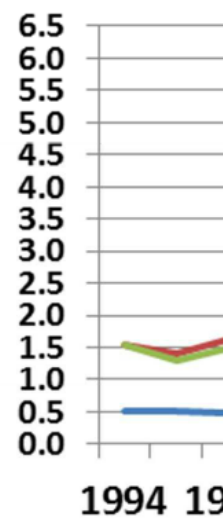
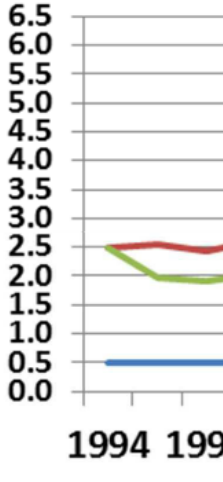
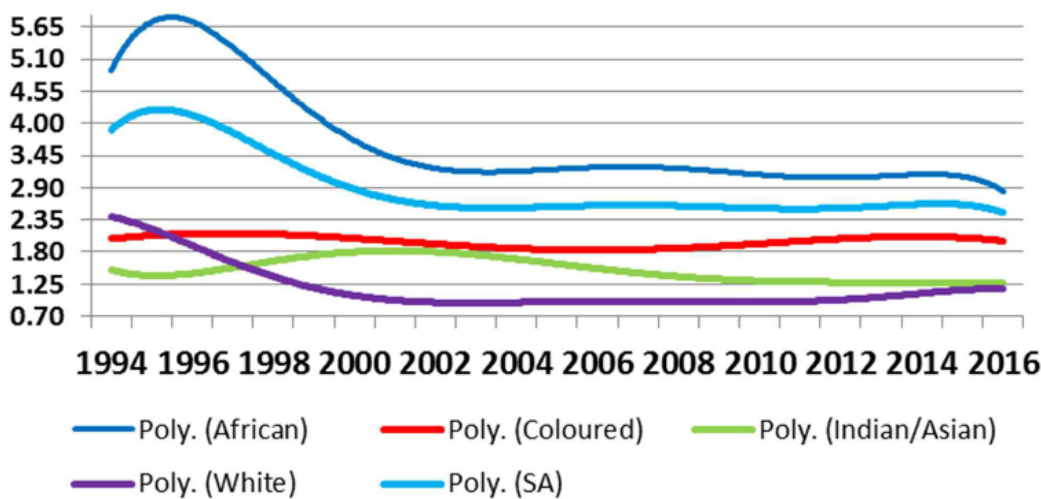
ymment



Dependency ratio : Education



Dependency ratio : Education

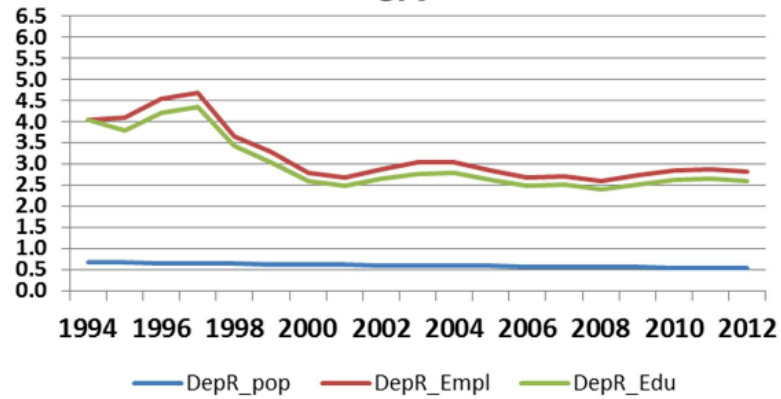


What difference does skill make?

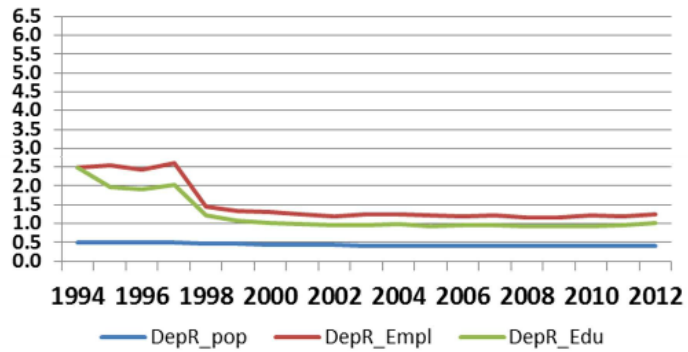
(Degrees, 100% employment assumed)



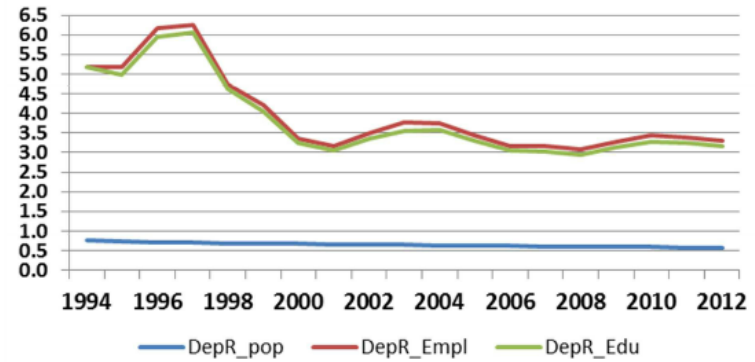
SA



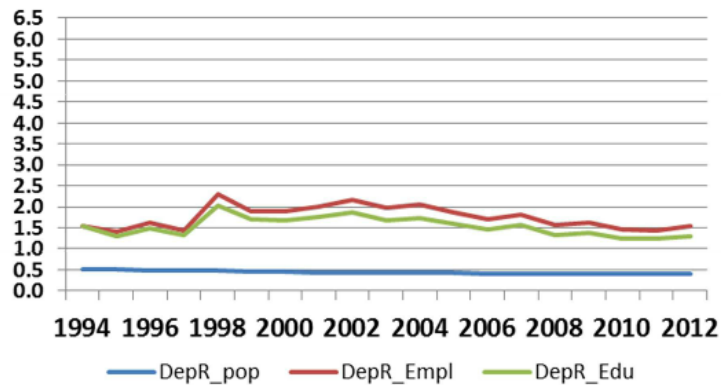
White



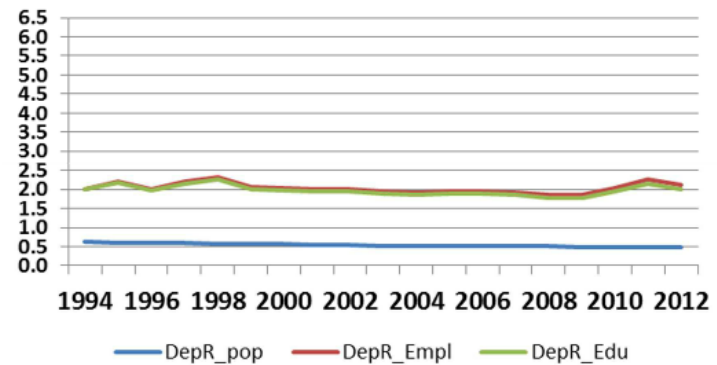
African



Indian Asian

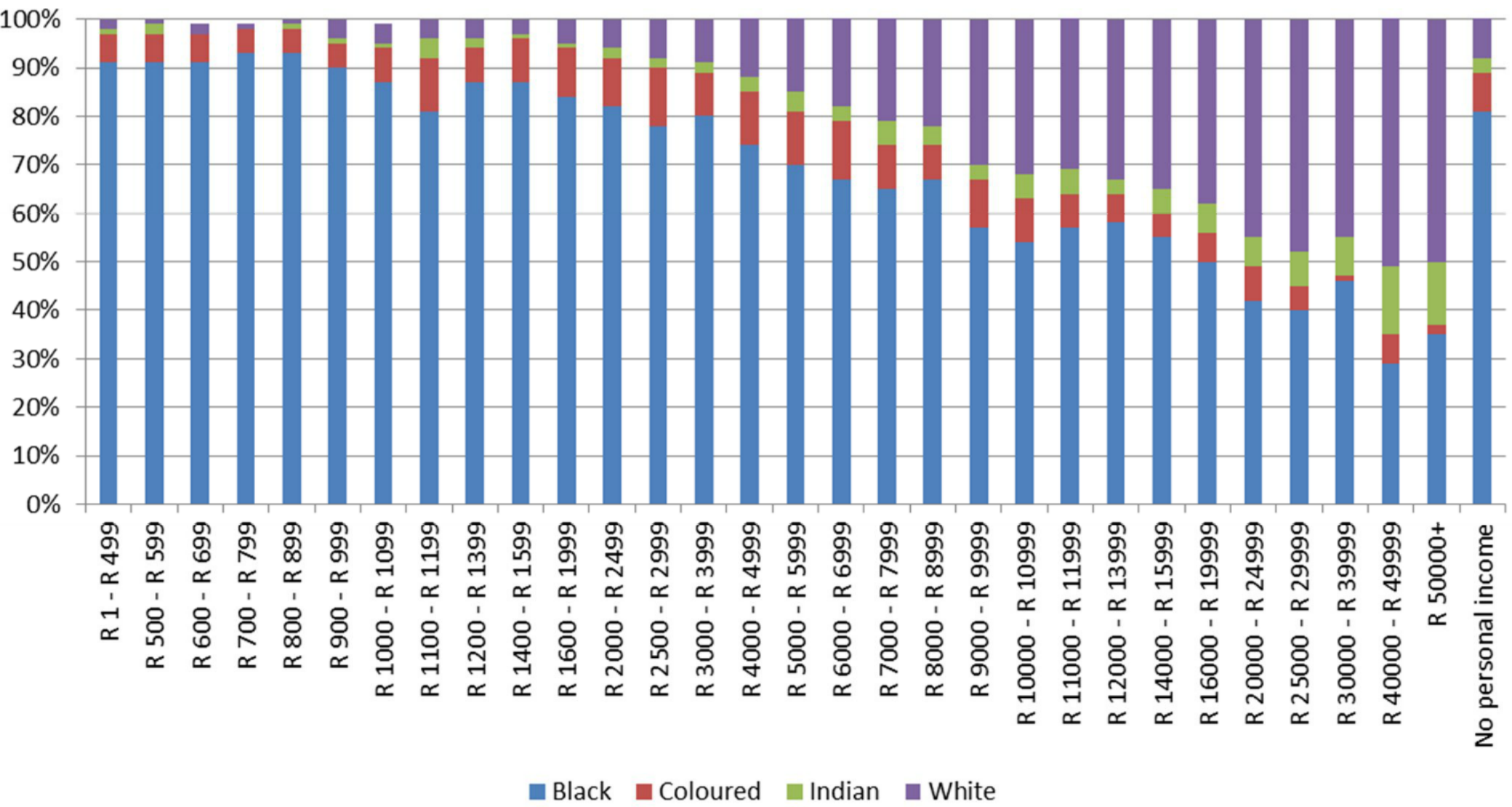


Coloured

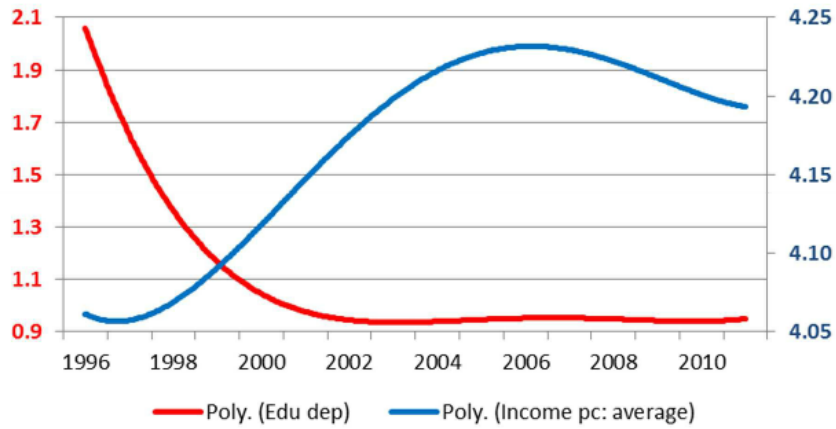


Income per race group

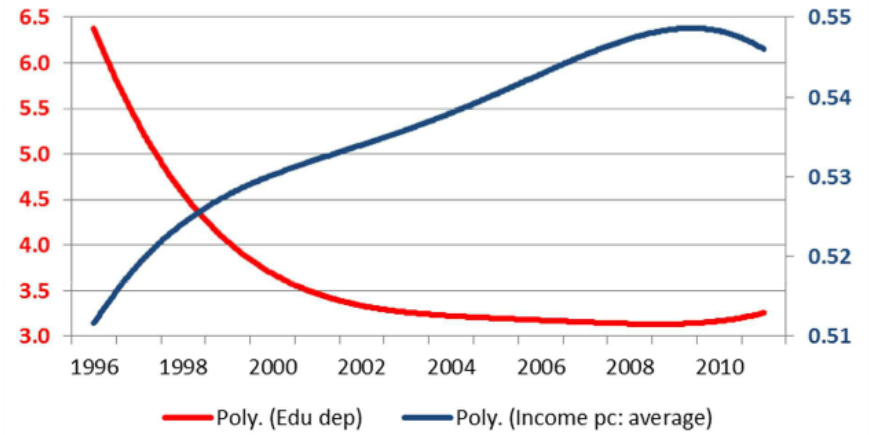
2012



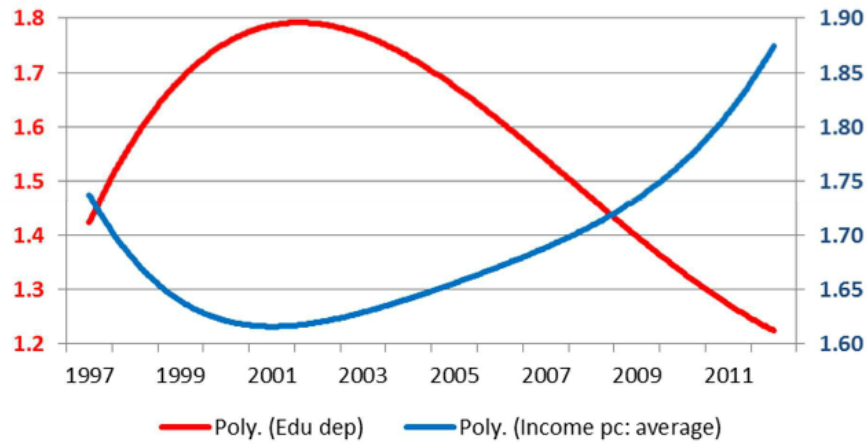
White



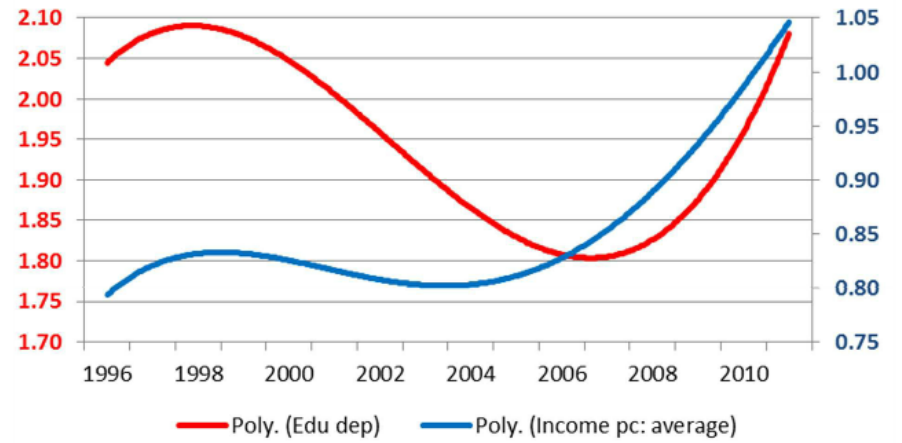
African



Indian



Coloured



Contribution to PIT 2011

Income category	African	Coloured	Indian & other	White	Total
<= 0	79%	10%	3%	8%	100%
1 – 60 000	83%	9%	2%	6%	100%
60 001 – 120 000	53%	10%	5%	32%	100%
120 001 – 400 000	37%	7%	5%	51%	100%
400 000 +	9%	6%	38%	47%	100%
Total	22%	7%	24%	48%	100%

The bottom line for SA

- Skills - women
- Labour legislation - women
- Urbanisation policy
- Access to health services
- BEE vs PEE

Practical advise

- Borrow money
- Minimise taxes
- Do business with South Africa, BRICS, emerging markets
- Sell to blacks - fast food
- Sell to Indians - gadgets
- Sell to whites - hearing aids
- Be street wise

evolve

EFFICIENT
+ GROUP



EFFICIENT + GROUP

THE GROUP'S MISSION



Think Efficient. Realise potential.