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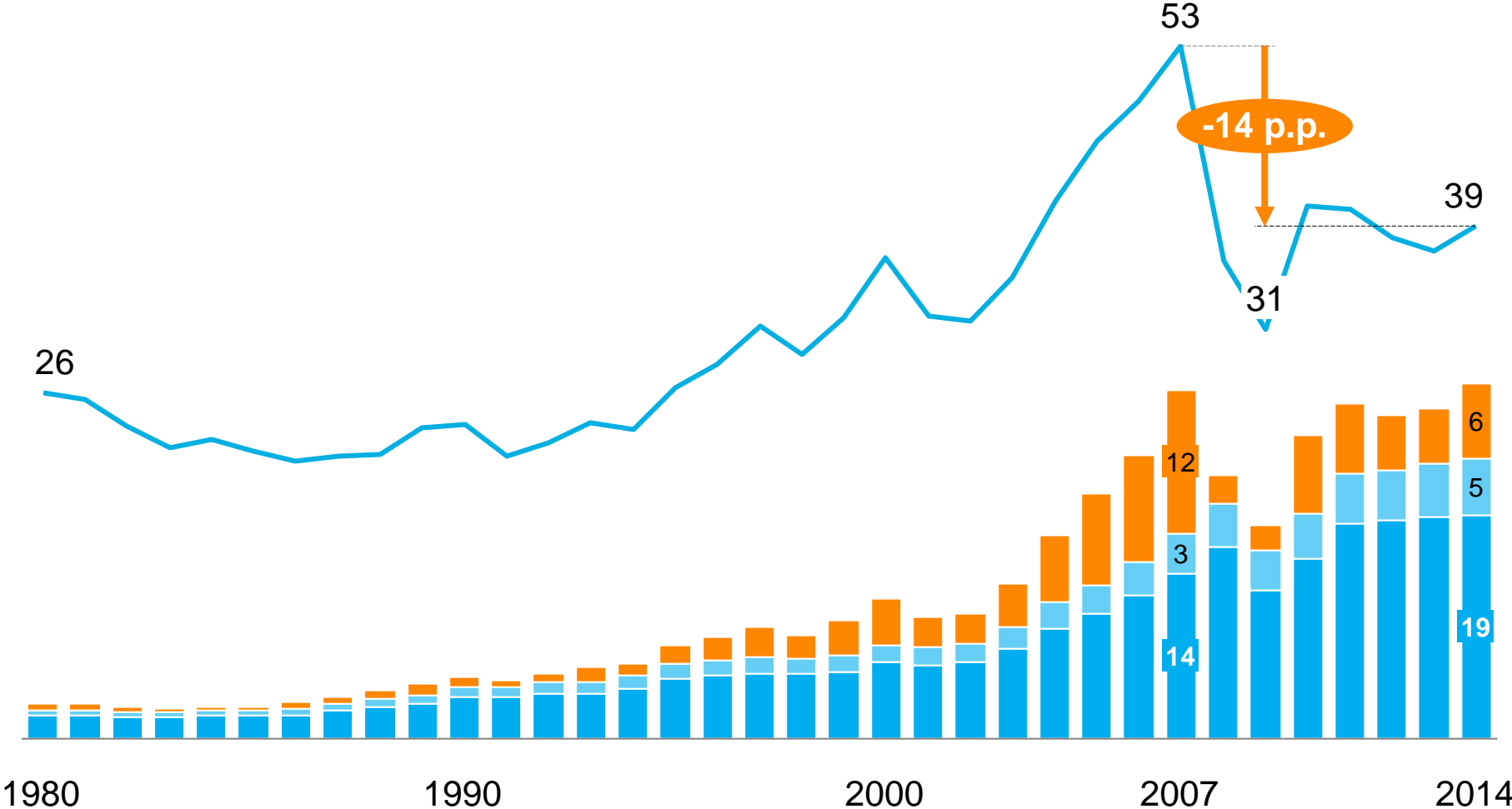
DIGITAL GLOBALIZATION: A NEW ERA OF GLOBAL FLOWS

April 2016

Has globalization stalled?

Flows of goods, services and finance, 1980–2014
 \$ trillion, nominal; % of GDP

- Finance
- Goods
- Service
- All flows as % of GDP

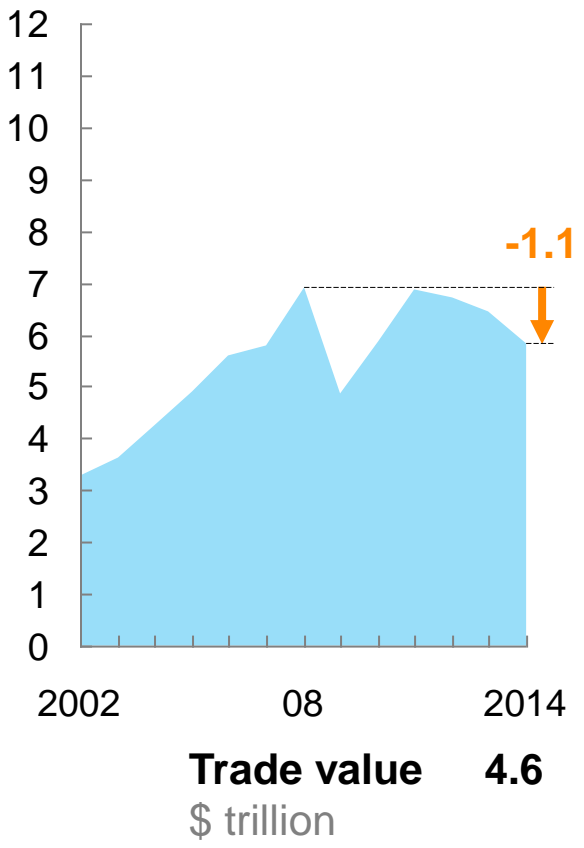


SOURCE: UNCTAD; IMF Balance of Payments; World Bank; McKinsey Global Institute analysis

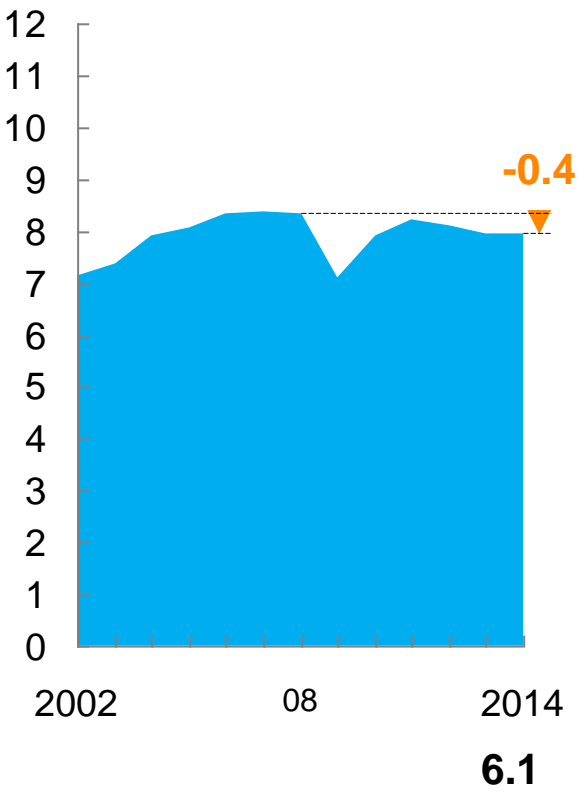
All forms of goods trade have flattened since the Great Recession

Value of goods trade, 2002–14
% of world GDP

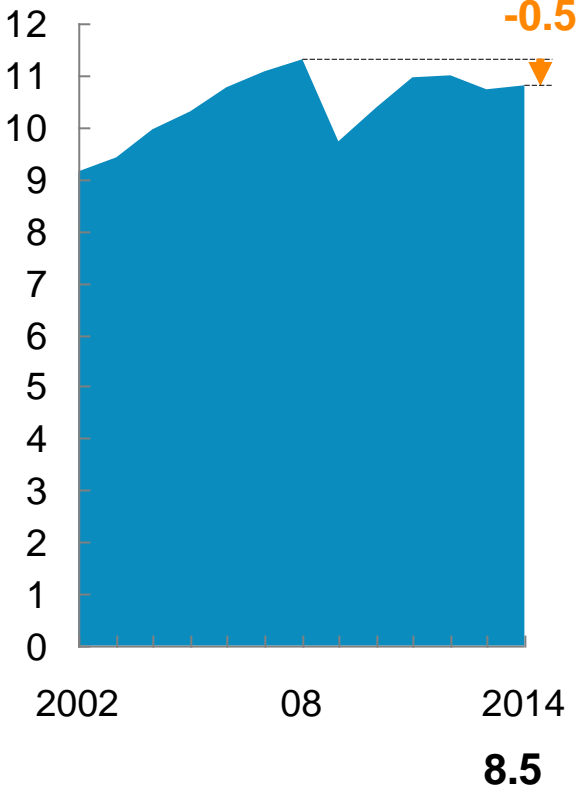
Processed and raw materials



Intermediate goods



Finished goods

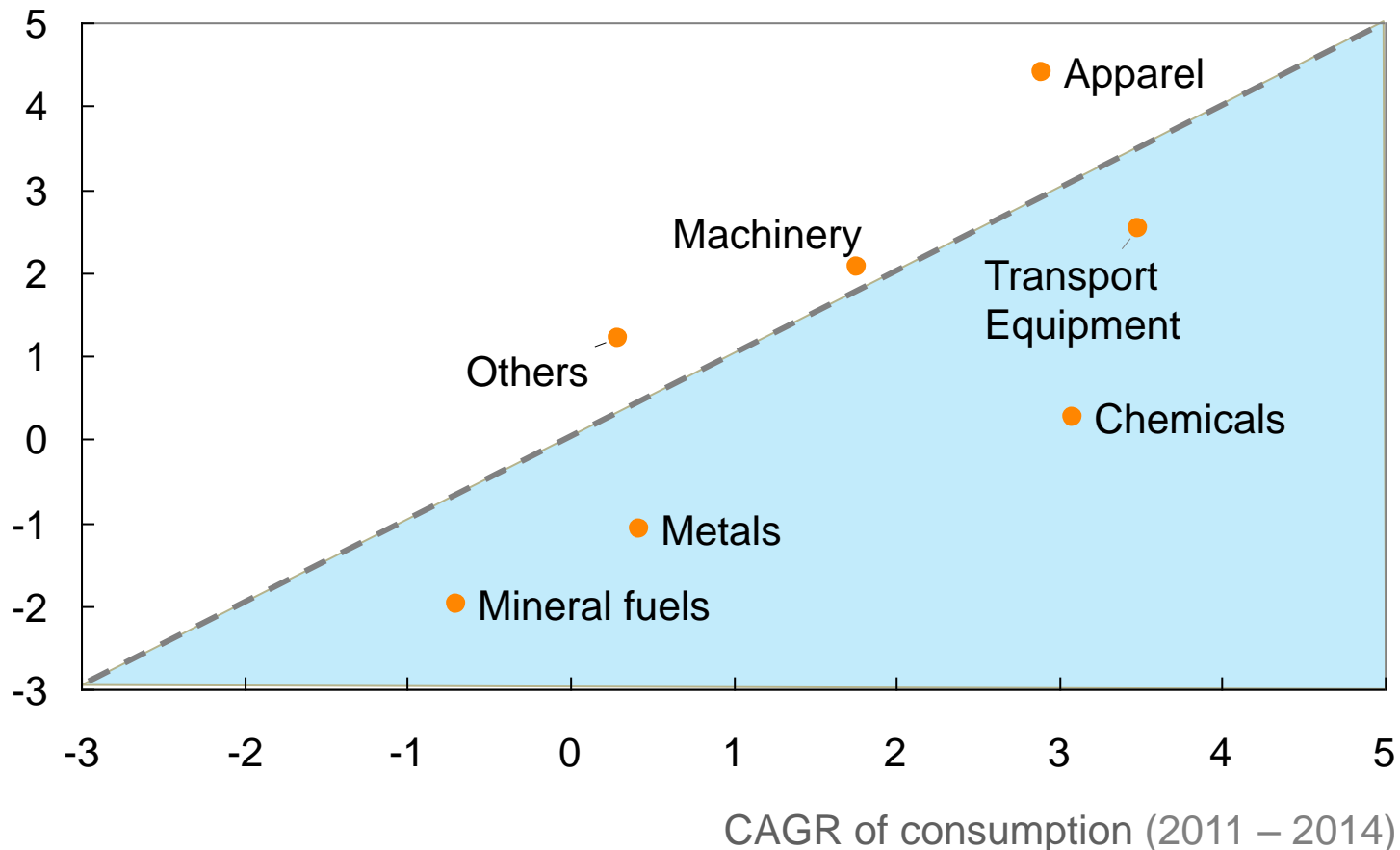


Growth in global consumption has exceeded increase in trade for many goods categories, suggesting localization of production

Growth of global consumption vs. growth of trade

CAGR of trade (2011 – 2014)

Goods categories where trade growth trailed consumption



By 2025, 3D printing could displace some trade in manufactured goods

Examples of 3D printing



Maersk Tankers
Parts for its tanker vessels eliminating costs of warehouse and packing, airfreight to the port, customs clearance and chartering of the delivery ship



GE Aviation
Fuel nozzles for the new Leap engine that are five times the lifespan and weigh about 75 per cent less



The US Navy
Oil caps, drain plugs and even drones

The US Army
Mobile production facilities to manufacture parts in the combat zone



Field Ready
Medical disposables in Haiti to reduce procurement costs and transport time

Cross-border data flows are surging and connecting more countries

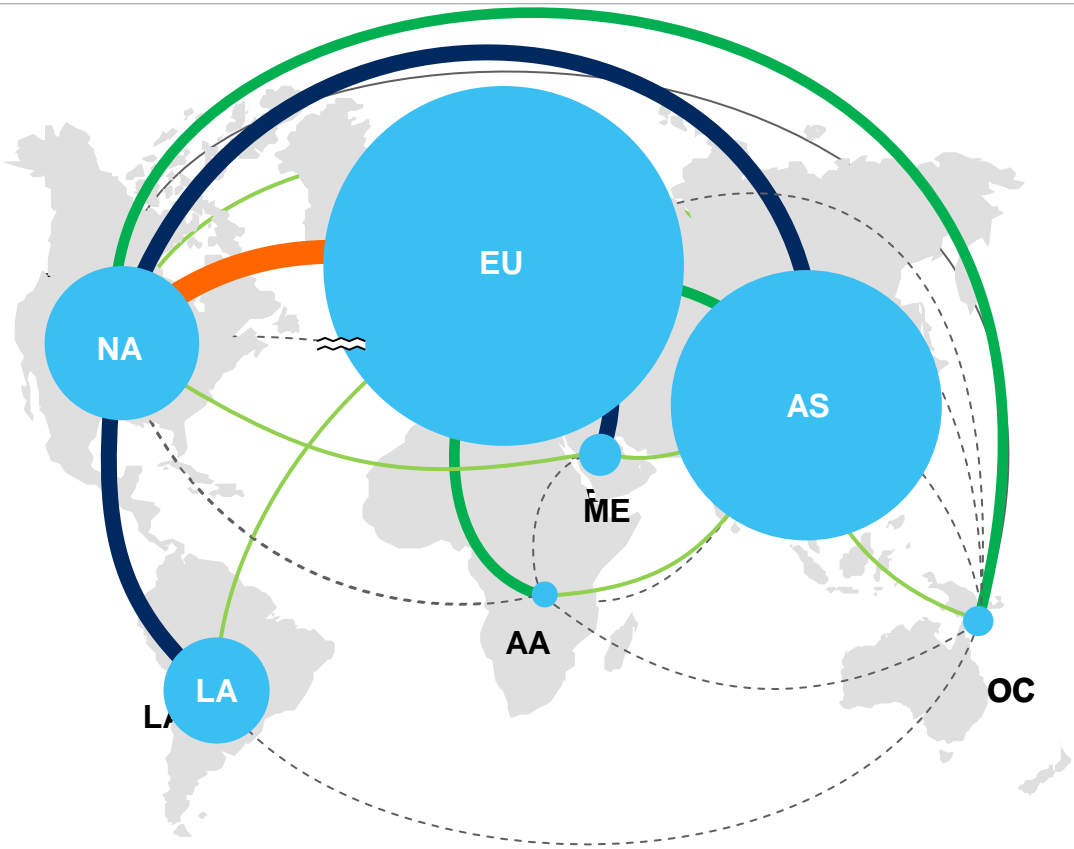
Used cross-border bandwidth

● Size of bubble represents intraregional used bandwidth

Regions	NA United States and Canada	EU Europe	AS Asia	LA Latin America	ME Middle East	AA Africa	OC Oceania
Bandwidth Gigabits per second (Gbps)	----- <50	----- 50–100	----- 100–500	----- 500–1,000	----- 1,000–5,000	----- 5,000–20,000	----- >20,000

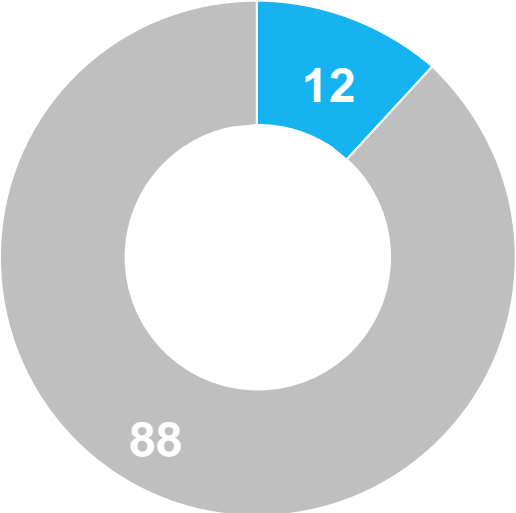
2005¹
100% = 2.17 Tbps

45x

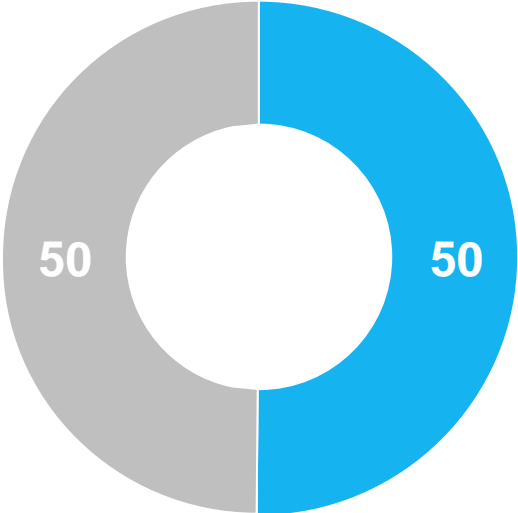


Digital constitutes a significant share of other types of flows

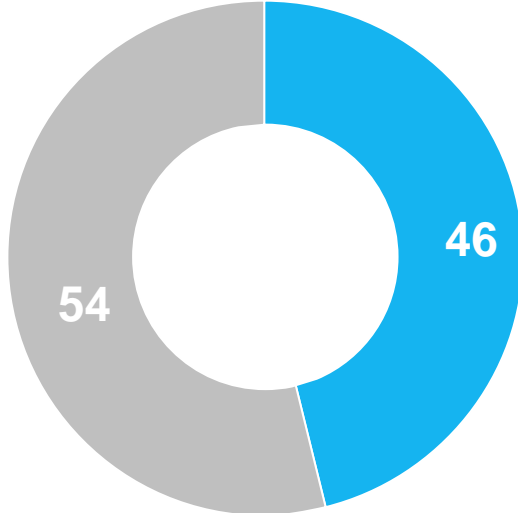
Share of selected cross-border flows that are digital, 2014
%



Goods



Services



Calls

Digital technologies are transforming global flows in three ways

Online platforms



Digital goods

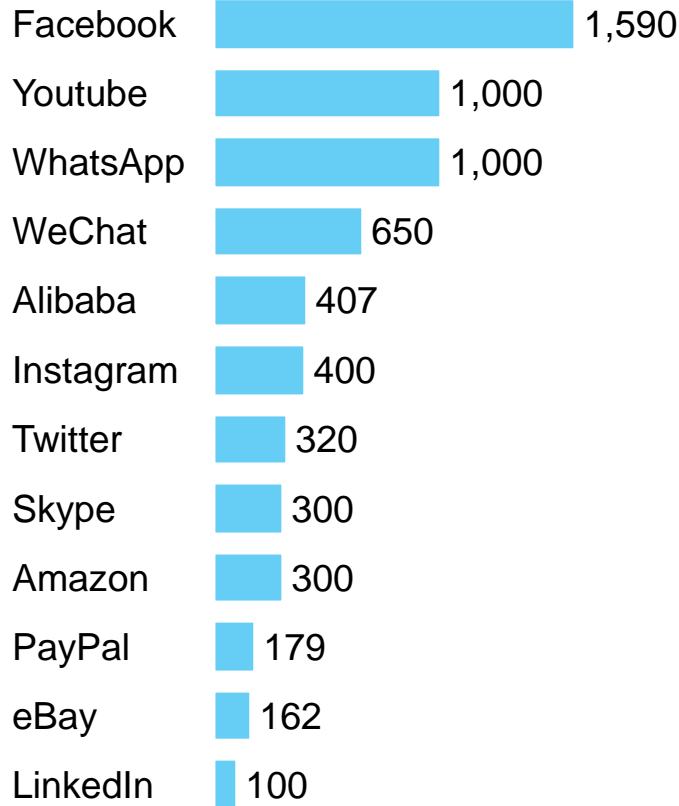


Digital wrappers



Active users on select platforms

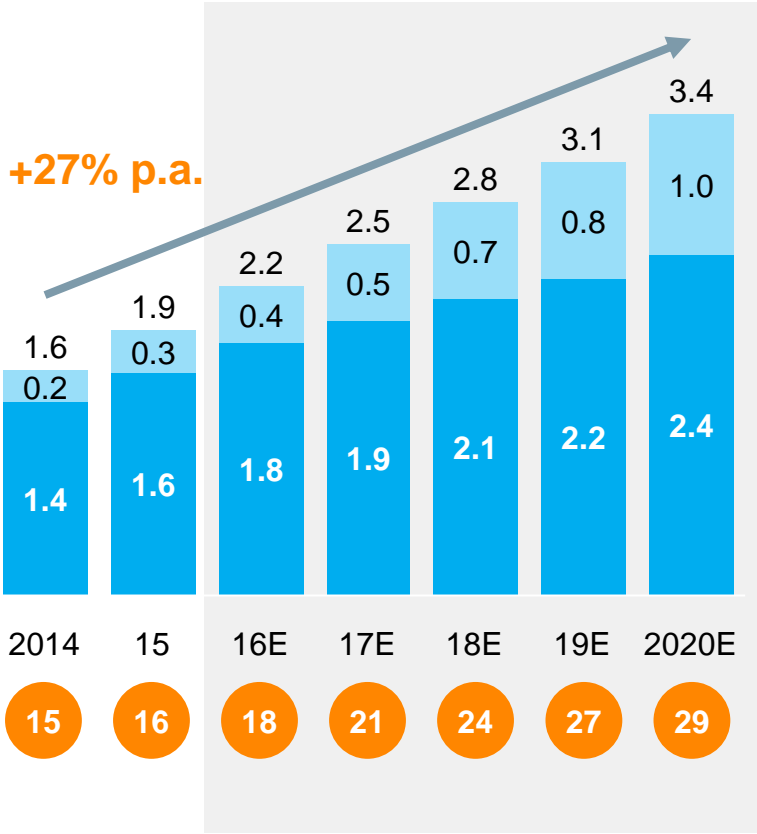
In millions, 4Q 2015 or latest available



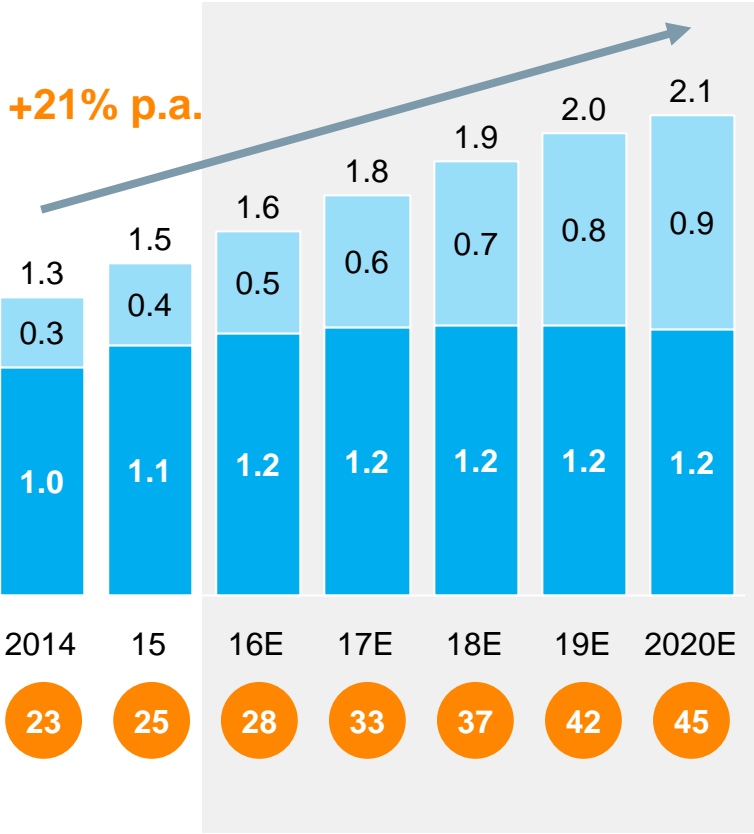
Nearly 1 billion online shoppers will spend \$1 trillion in cross-border commerce by 2020

■ Cross-border
 ■ Domestic
 ■ Forecast

Global B2C e-commerce transaction volume
\$ trillion



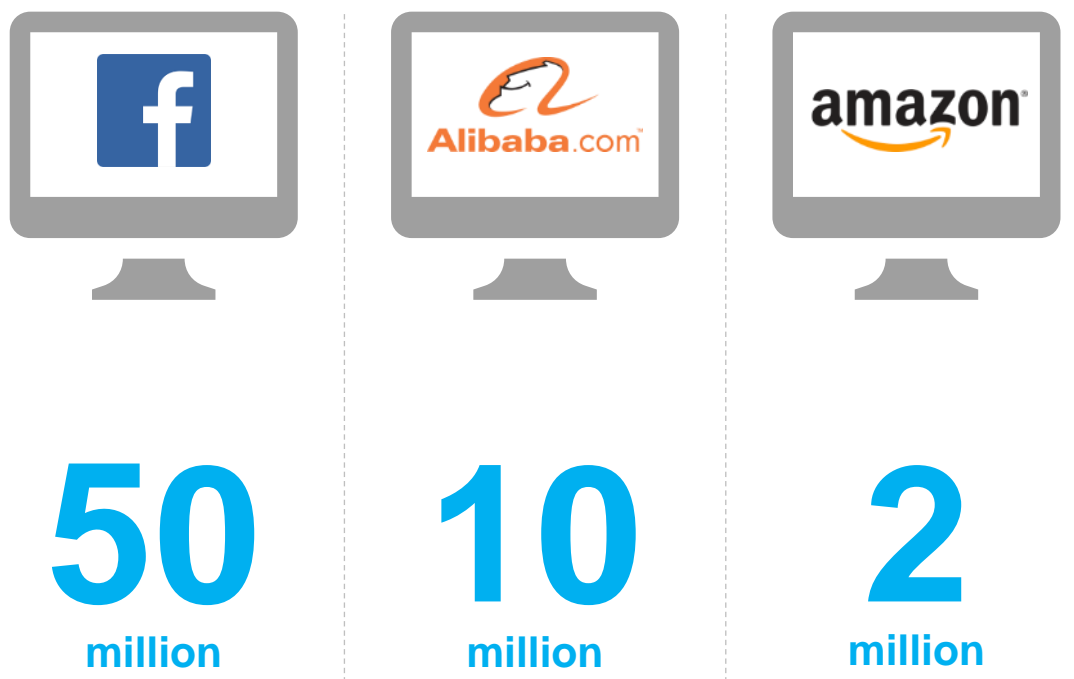
Global B2C e-commerce shoppers
Billion



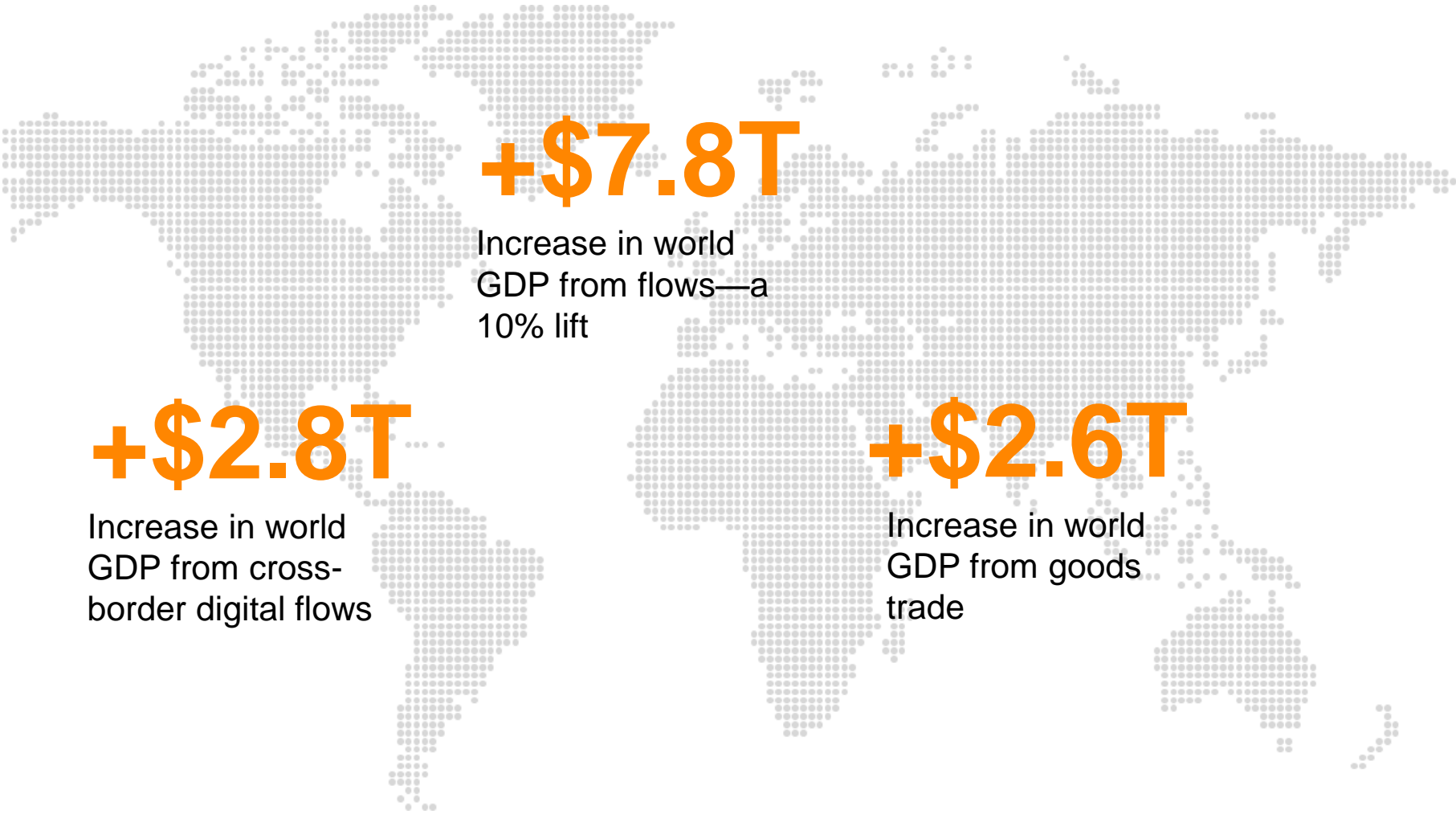
SOURCE: AliResearch; McKinsey Global Institute analysis

Instead of waiting for benefits of globalization to trickle down, SMEs can go global on their own

Number of SMEs on select platforms



Global flows have increased global GDP by 10 percent over the last decade, worth at least \$7.8 trillion



Thank you

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