

Digital and Green Economy Transformation: Shaping the Future of The Financial Sector

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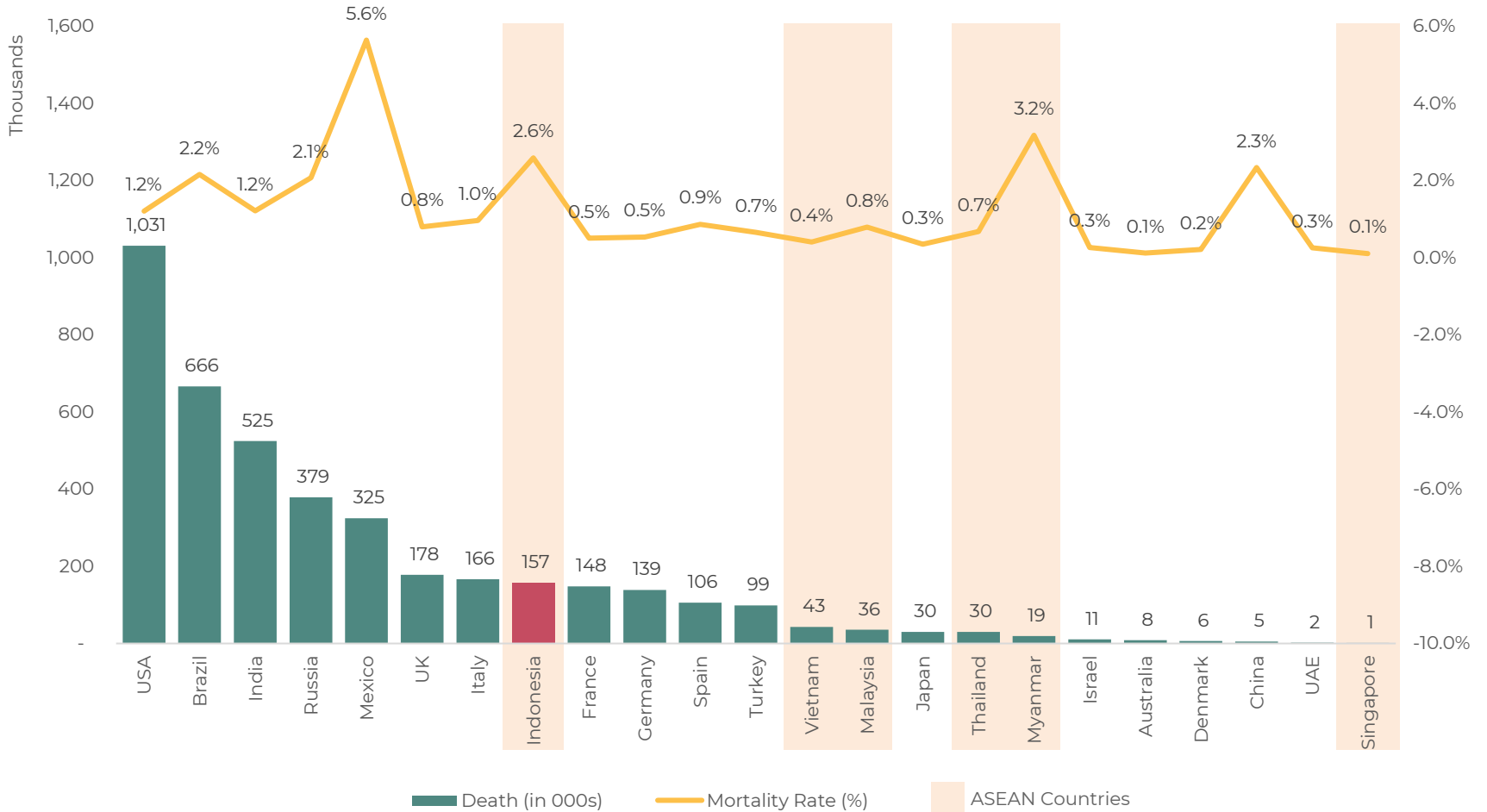
Post-Pandemic World

**Shaping the Future of The
Financial Sector**

Post-Pandemic World

COVID-19 Casualties (27 May 2022)

- The global death toll from COVID-19 passed 6.3 millions, representing 0.08% of world population, with mortality rate of 1.2%.
- ASEAN death toll is around 350 thousands, representing 0.05% of ASEAN population, with mortality rate of 1.1%.



New Global Order

- From bipolarity to unipolarity to multipolarity
- Paradox of democratization of information vs ideas
- Paradox of democratization of talent (in democracy vs autocracy)
- Multipolarity and polarization of conversation:
 - a) subdues multilateralism
 - b) productivity is key in increased bilateralism or plurilateralism
- Common thread binding the world:
 - a) climate change
 - b) public health
 - c) global finance



What will characterize the post COVID-19 era

The post COVID-19 world will be colored by several attributes including

- Slowing economic growth due to decreased aggregate demand
- Decreased productivity due to disruption of supply chain
- Increased debt (state, corporation or individual)
- Business models that more embrace the virtual / digital paradigm
- Increased divergence between money / capital market and the real economy
- “Super Cycle” deflation caused by:
 - Technological empowerment which is increasingly disruptive and inexpensive,
 - Demographics that are getting older and non-consumptive, and
 - Printing money
- Increased protectionism or aspirations of each country to become part of the supply chain deglobalization
- Increased polarization between China and the United States

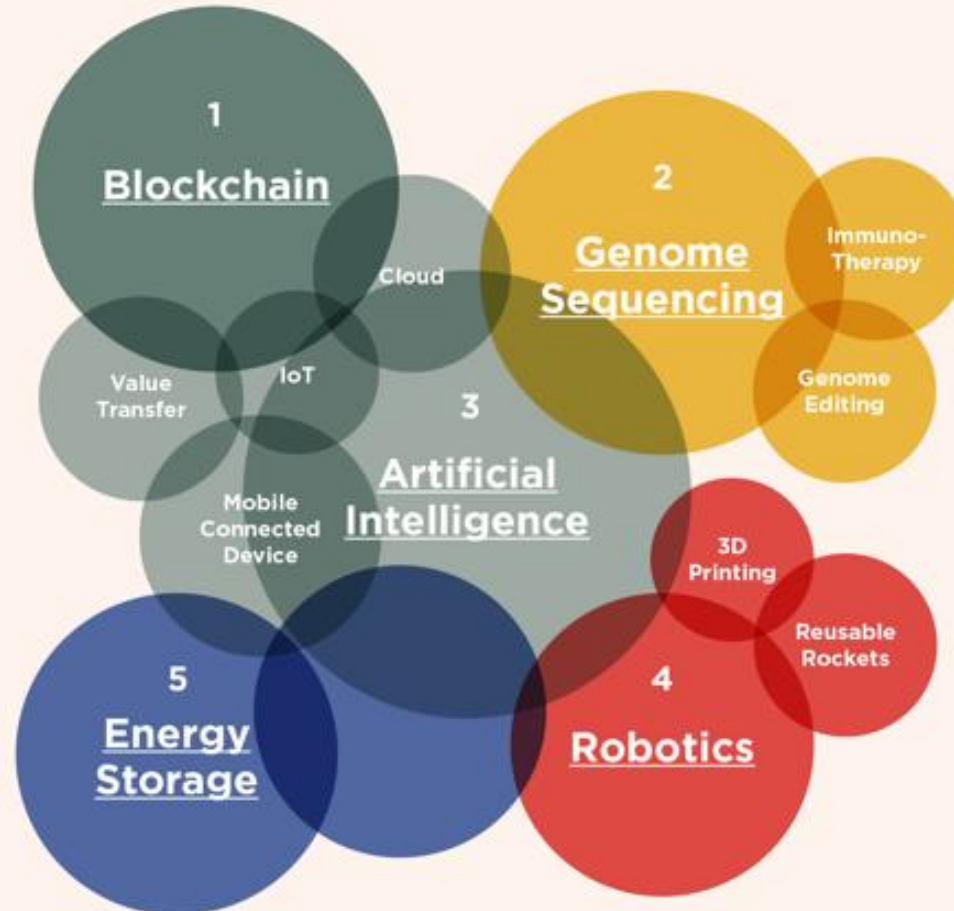
Megatrends

- Capital & Energy abundance
- Digital Demonetization & Democratization
- Anything, anytime, anywhere connected
- Artificial Intelligence (Internet, Business, Physical, Autonomy)
- Human Longevity
- Singularity (intersection of Artificial Intelligence & Biological Intelligence)



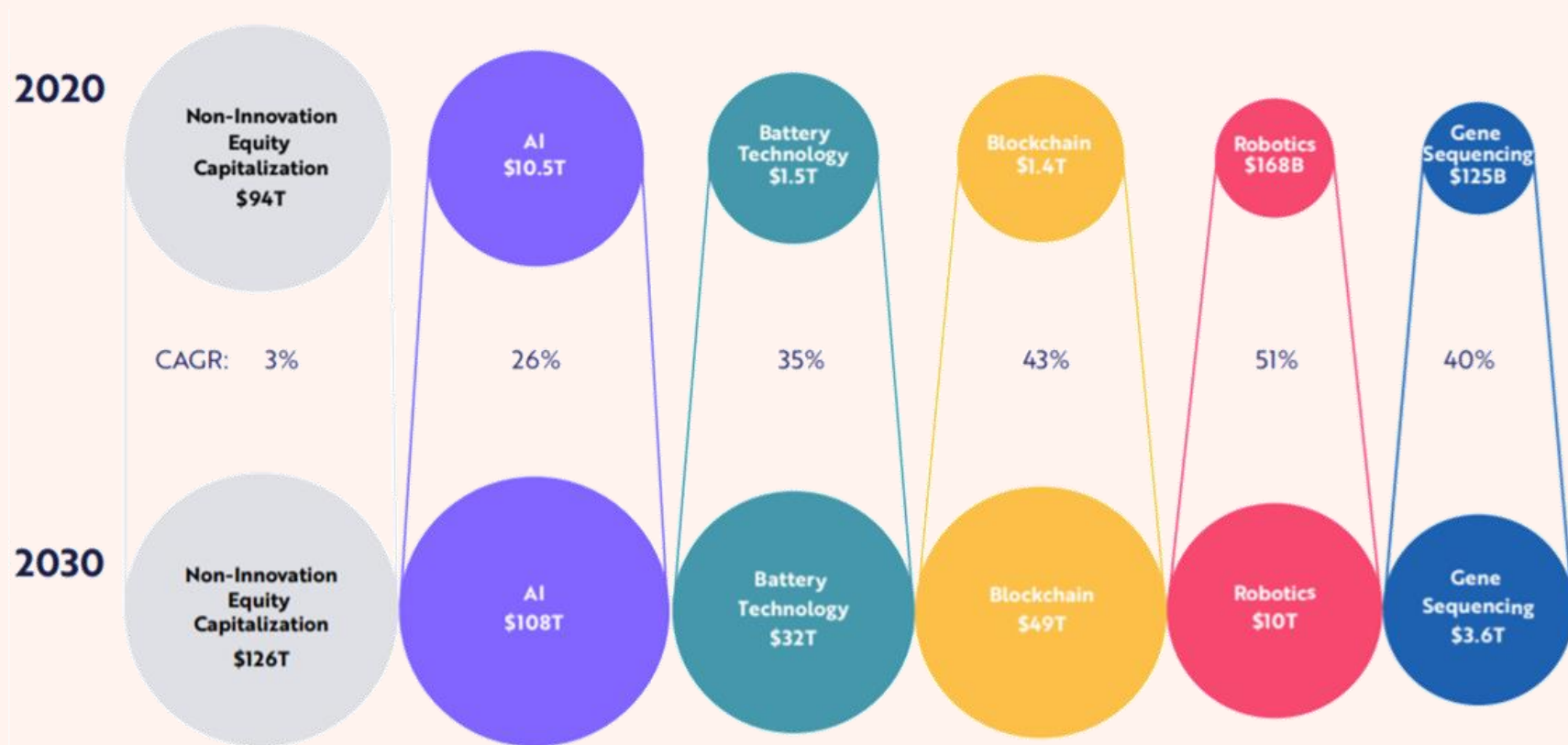
Disruptive Innovations : Five Multi-Trillion Dollar Innovation Platforms

Five major innovation platforms that will transform the market over the next decade



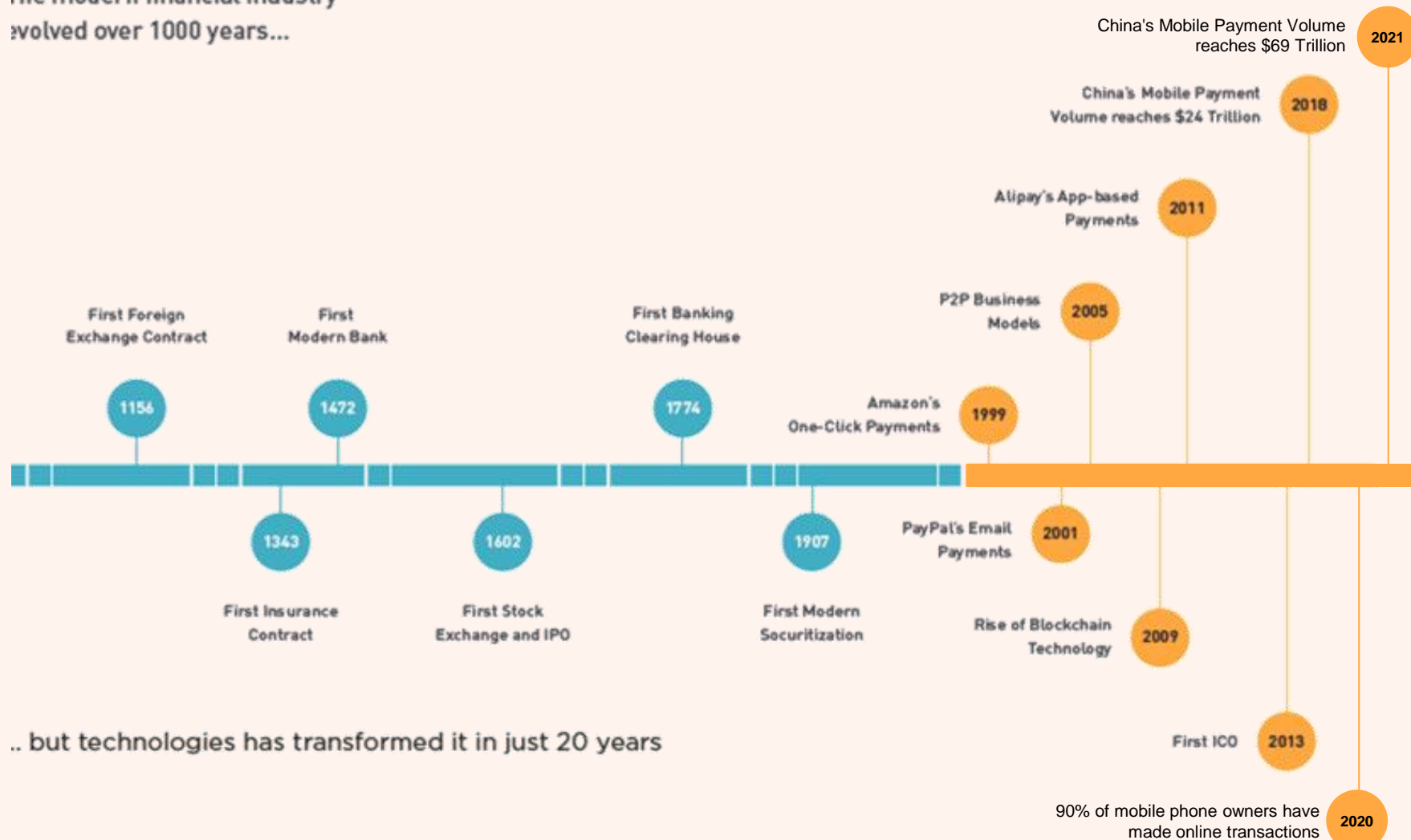
The Five Innovation Platforms Will Generate Significant Equity Market Returns Over The Long Term

Over the next decade, innovation equity capitalization is forecasted to **increase by 1,390% from total of US\$13.6t to US\$202.6t**, while the non-innovation equity capitalization is forecasted to only increase by 35%.



The Modern Financial Industry

The modern financial industry evolved over 1000 years...



.. but technologies has transformed it in just 20 years

Marginal Productivity and Money Supply as Structural Issues

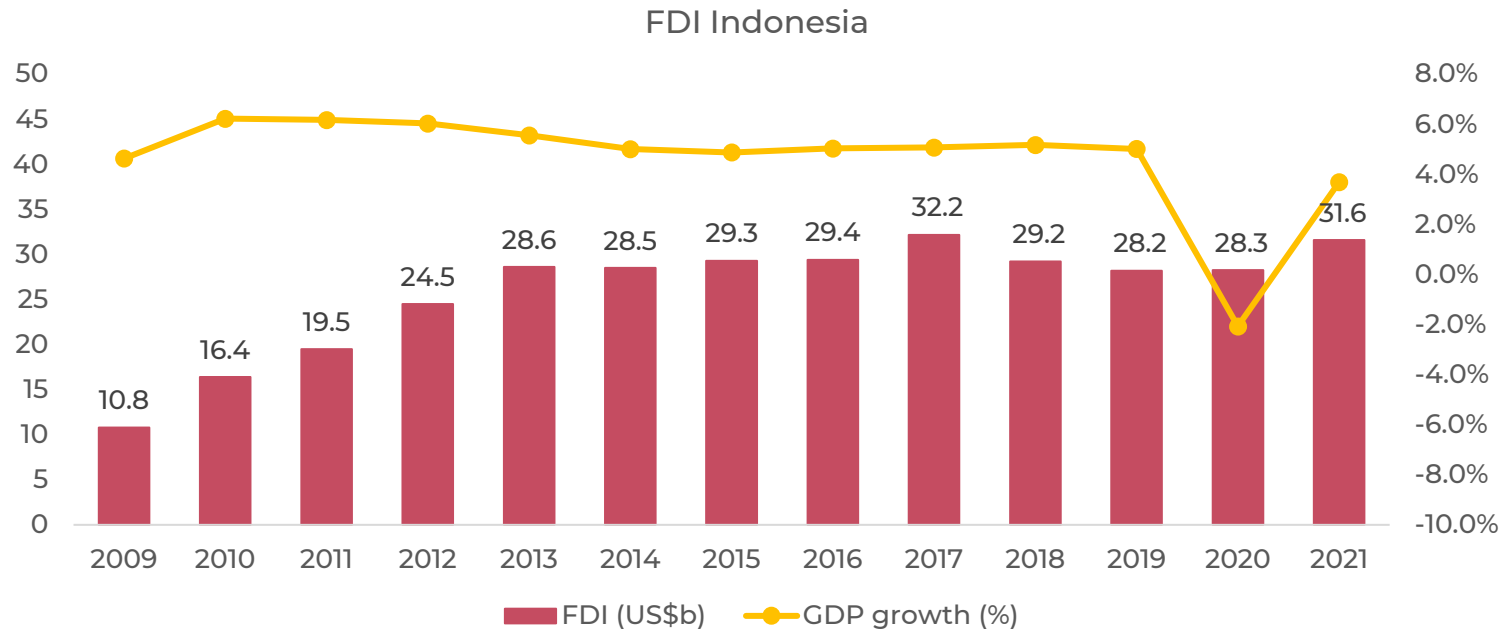
	Labor Force (millions)	Productivity PPP Adj. (US\$/person) ¹	2020 GDP (PPP) per capita (US\$)	2020 Nominal GDP per capita (US\$)	R&D Spending (US\$/capita) ²	Financial Inclusion (% age 15+) ³	Internet Penetration (%) ⁴	LTM Jun-21 Broad Money (% of GDP) ⁵
Singapore	3.4	164,765	98,526	59,798	1,965.0	98%	88.5%	150.4%
Brunei	0.2	143,629	65,661	27,466	N/A	N/A	95.4%	98.0%
Malaysia	15.8	57,126	27,886	10,402	404.9	85%	87.7%	139.0%
Thailand	38.9	32,722	18,236	7,189	179.9	82%	76.0%	140.5%
Indonesia	133.9	24,663	12,073	3,870	34.7	49%	69.8%	44.6%
Philippines	45	20,432	8,390	3,299	12.0	34%	72.7%	74.2%
Vietnam	57.3	14,695	8,650	2,786	36.1	31%	70.4%	183.2%
Laos	3.8	15,766	8,234	2,630	N/A	29%	43.0%	69.9%
Myanmar	24.7	10,559	4,793	1,400	2.0	26%	41.0%	74.6%
Cambodia	9.2	8,036	4,422	1,512	4.2	22%	58.0%	143.1%
ASEAN	332.2	24,753	12,326	4,500	131.7	N/A	70.0%	N/A
China	783.2	30,993	17,312	10,500	351.2	80%	70.4%	219.5%
Japan	66.8	79,761	42,197	40,113	1,340.4	98%	93.8%	66.2%
South Korea	28.4	78,627	43,124	31,489	1,780.5	95%	91.9%	170.6%
India	494.3	18,019	6,454	1,901	39.4	80%	50.0%	23.5%

Source: World Bank, IMF, Asia Productivity Organization (APO) Databook 2019, UNESCO

Notes: 1. 2020 GDP (PPP) per worker; 2. Gross R&D expenditure per capita (in current PPP); 3. 2017 figures; 4. Dec 2020 figures;

5. Brunei, Vietnam and China using LTM Mar-21 figures

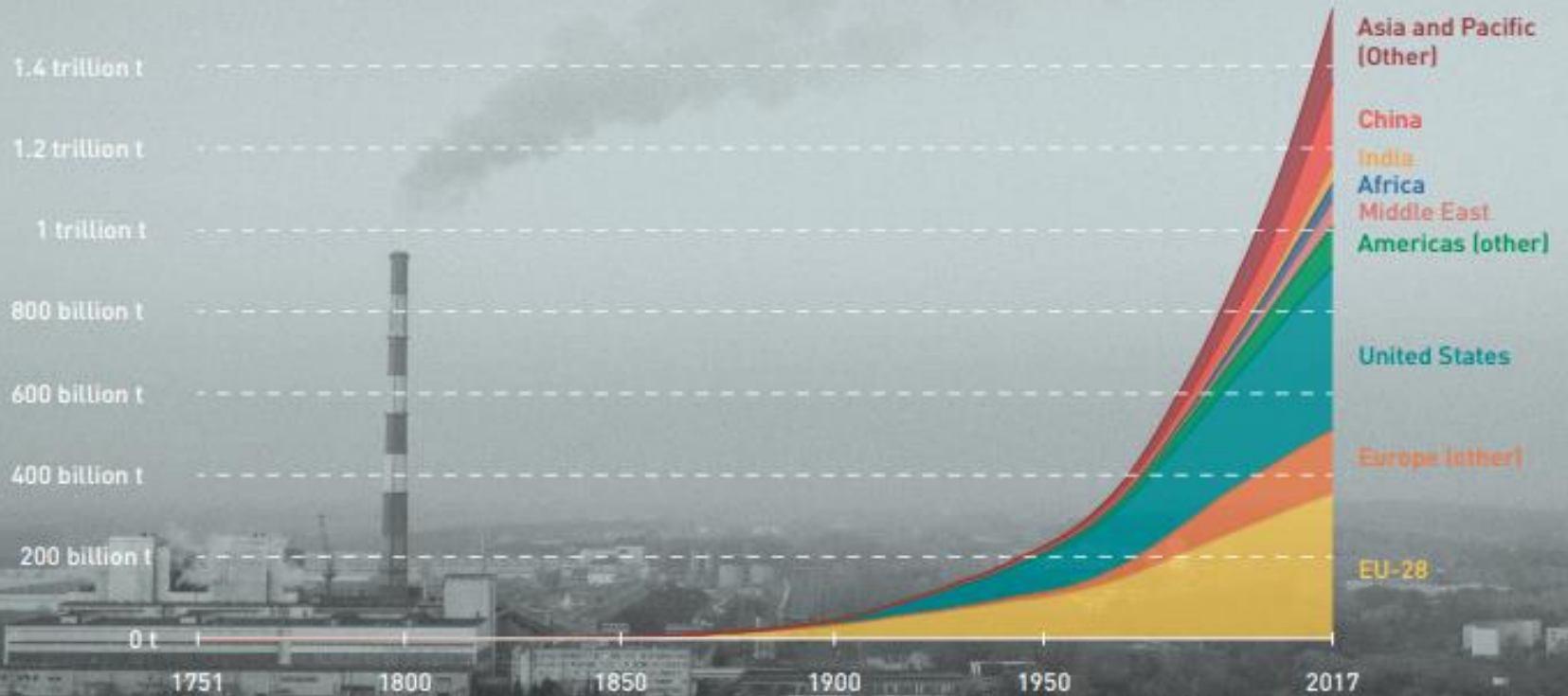
FDI per Capita per year – Indonesia a Laggard



FDI per Capita among ASEAN Countries in 2021 (in US\$)

Country	Singapore	Malaysia	Thailand	Vietnam	China	Indonesia	Philippines
FDI per Capita	18,028	409	278	203	123	116	90

Mother Nature



Since the industrial revolution,
Humans have emitted
1.4tn tons of CO2

Can we embrace the Paris Accord while becoming a modern nation?

- Pre-existing power generation capability : 72,000 MW
- Build out rate per year (mostly fossil) : 3,500 MW
- Electrification per capita : 1,000 kWh
- Additional power generation capability : more than 300,000 MW
needed to become a modern nation
(5,000 kWh per capita)

Shaping the Future of The Financial Sector

Biggest Future Trends in Financial Sector

- Digital Money
 - The trust that people have long placed in banks and traditional forms of payment is increasingly being placed in digital money.
- The Future of Physical Money
 - The digitization of money impedes the existence of physical money
 - However, the consequence of the digitization of money is that our personal data is becoming increasingly intertwined with our money
- The Rise of Finance Apps
 - This new breed of fintech providers is threatening the long-established monopoly that traditional banks and financial service providers have over money and payments
 - Will take market share from high street banks and other lenders
- Consumer expectations for more personalized, intelligent services
 - Personalized, tailor-made service such as insights on customer spending pattern are increasingly expected by banking customers

China's Massive Digital Payment Ecosystem

The volume of mobile payments in China has exploded more than 36-fold in just six years, from roughly US\$2 trillion in 2015 to US\$69 trillion in 2021, around 3.8x the size of China's GDP in 2021

China's Mobile Payment Transactions vs. China's GDP

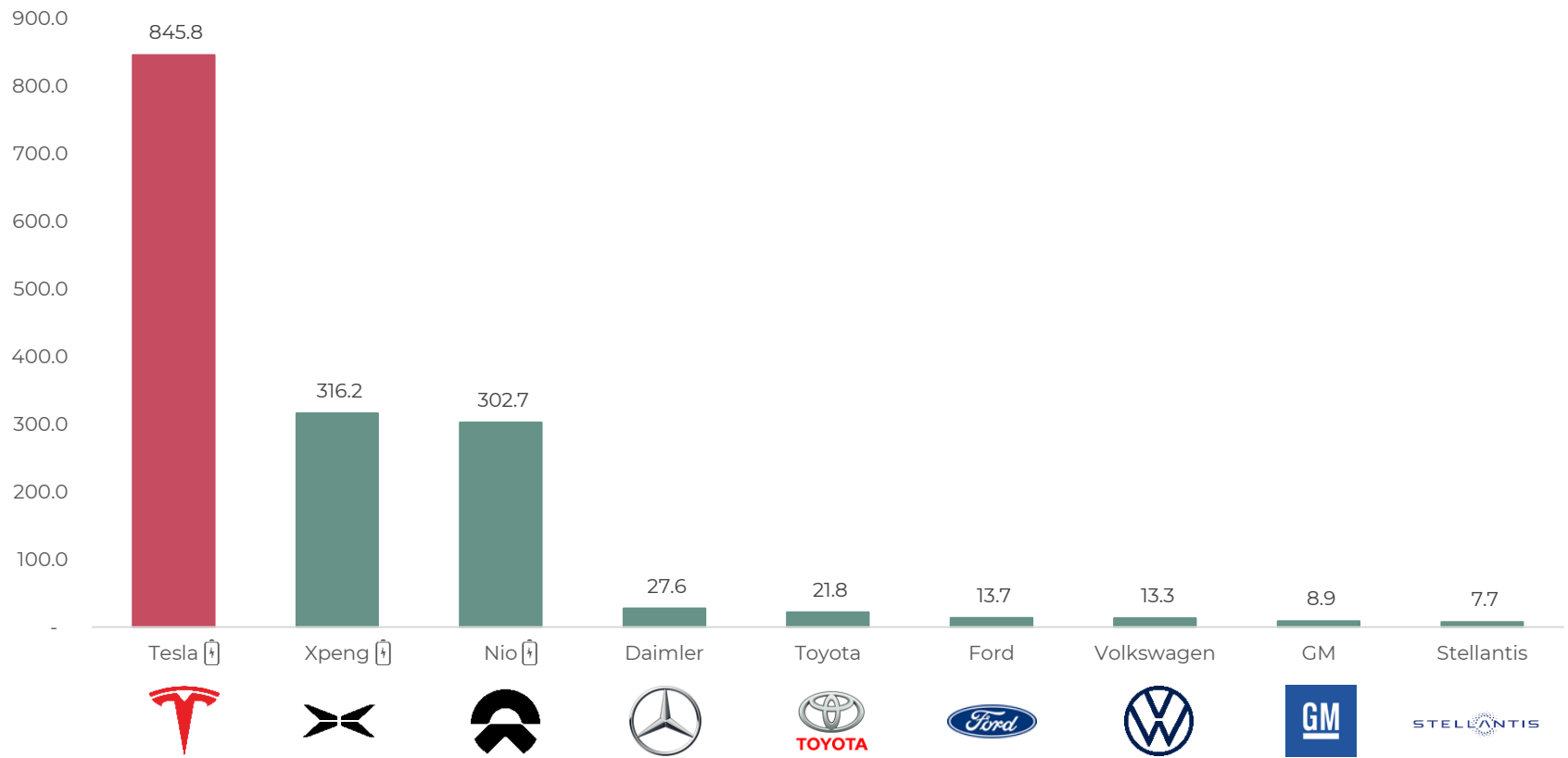


Tesla's Market Cap Per Vehicle Produced Dwarfs Other Automotive Giants

The Convergence of the use of:

- AI
- Robotics
- Autonomy

Market cap per vehicle produced (US\$k)



Source: Company's website, Yahoo Finance, Statista

Notes: Market Cap data as of 27 May 2022, Number of production output using FY2021 figures

🔋: Automakers that only produce vehicles with 100% battery electricity

What Could Still be Disrupted in Indonesia?



Energy
(5% of GDP)



Real Estate
(17 million homes)



Healthcare
(5% of GDP)



Financial Services
(40% of GDP)



Education
(4% of GDP)



Agriculture
(13% of GDP)



Tourism
(1% of GDP)

What Does it Take to Survive?



Agility

- The capacity of a person / leader / company to repurpose oneself, which is managed through execution, reskilling and upskilling the entire workforce
- Keeping abreast of trends, cyclical and secular trends
- Adaptive to disruption and dislocation
- The need for a chief worry officer



Speed

- Less hierarchy, streamlined decision making
- Efficient end to end feed back loop
- Quality of talent




Humility

- The ability for a person / leader / company to stay grounded and sensitive to the overall ecosystem
- The ability to focus on main course
- Steadfast on long term goals and trends

Thank You

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Charts: Strategic Review by SGPP Indonesia (from various sources)
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