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MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY



马来西亚-中国商务理事会
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The Digital Spillover

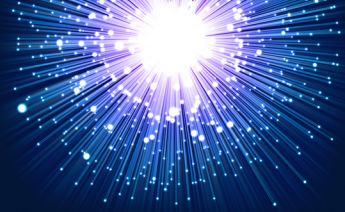
Measuring the true economic impact of digital technologies

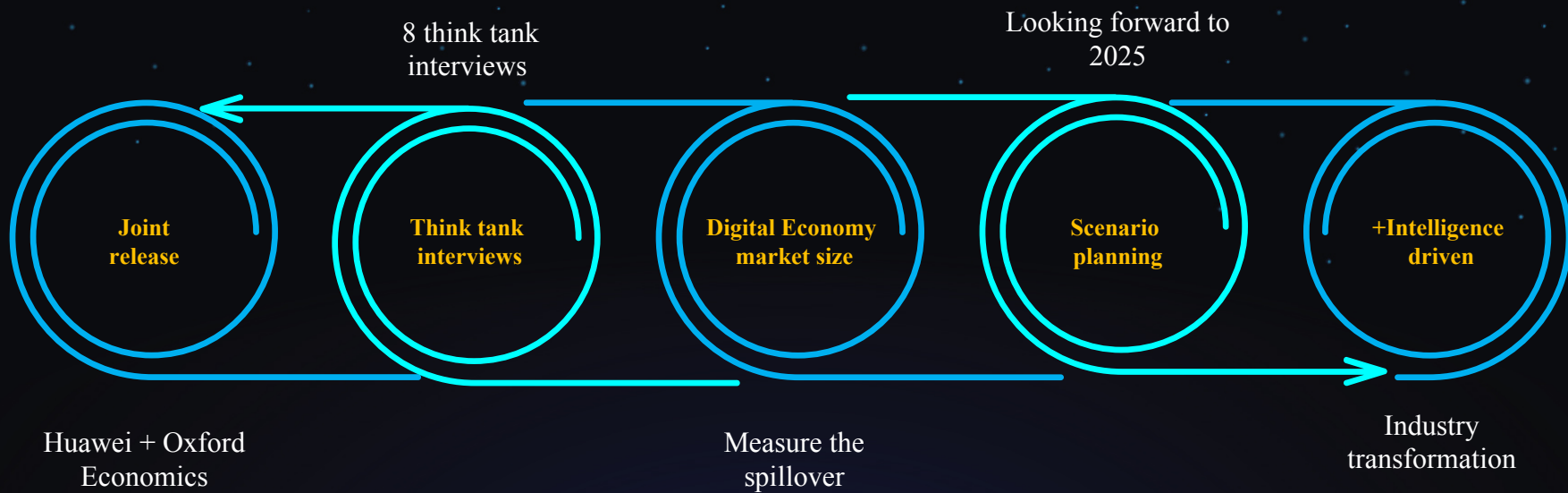
Elaine Lee,
Principal Analyst,
Huawei Market Insight (MI)



HUAWEI

Huawei Asia-Pacific Innovation Day





“Underpinning our success is the ability to know what progress we have made, which also means improving our measurement of the digital economy...”

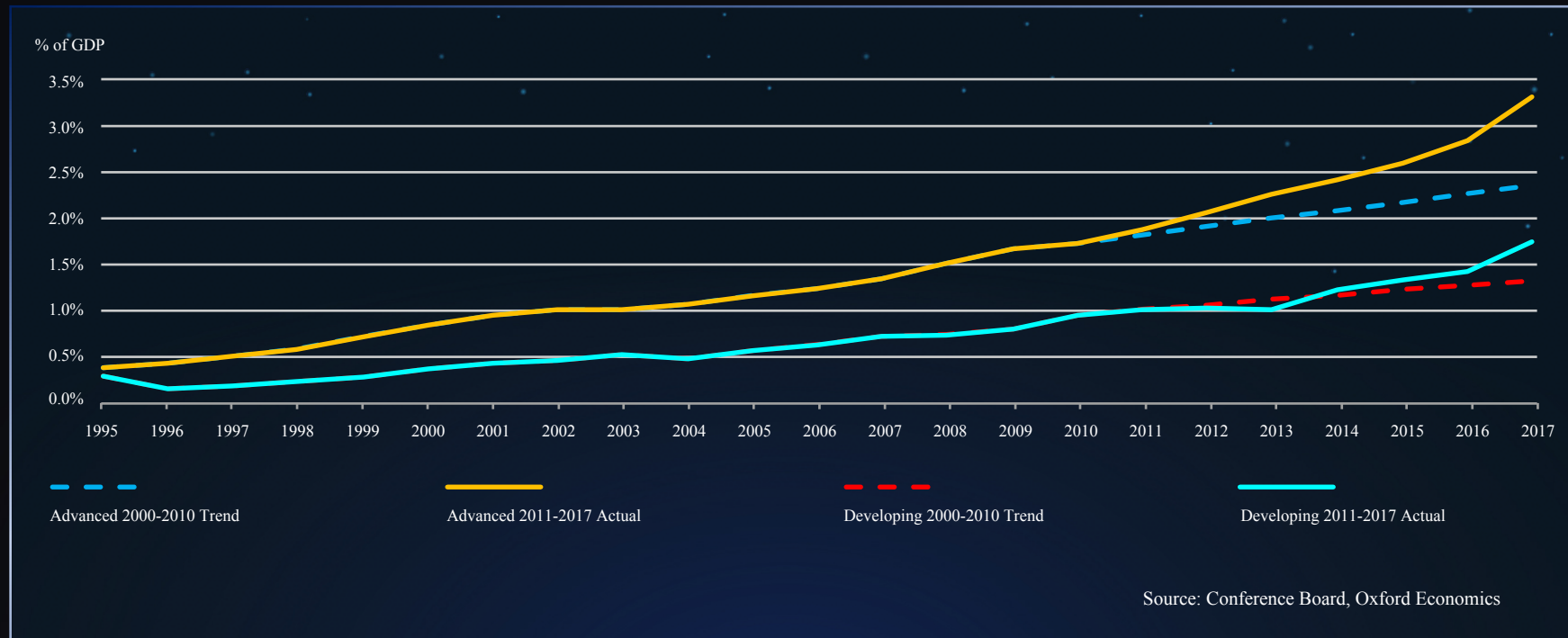
G20 Digital Economy Ministerial Conference
Düsseldorf 6 – 7 April 2017

The digital economy has been evolving but our methods for measuring it have not

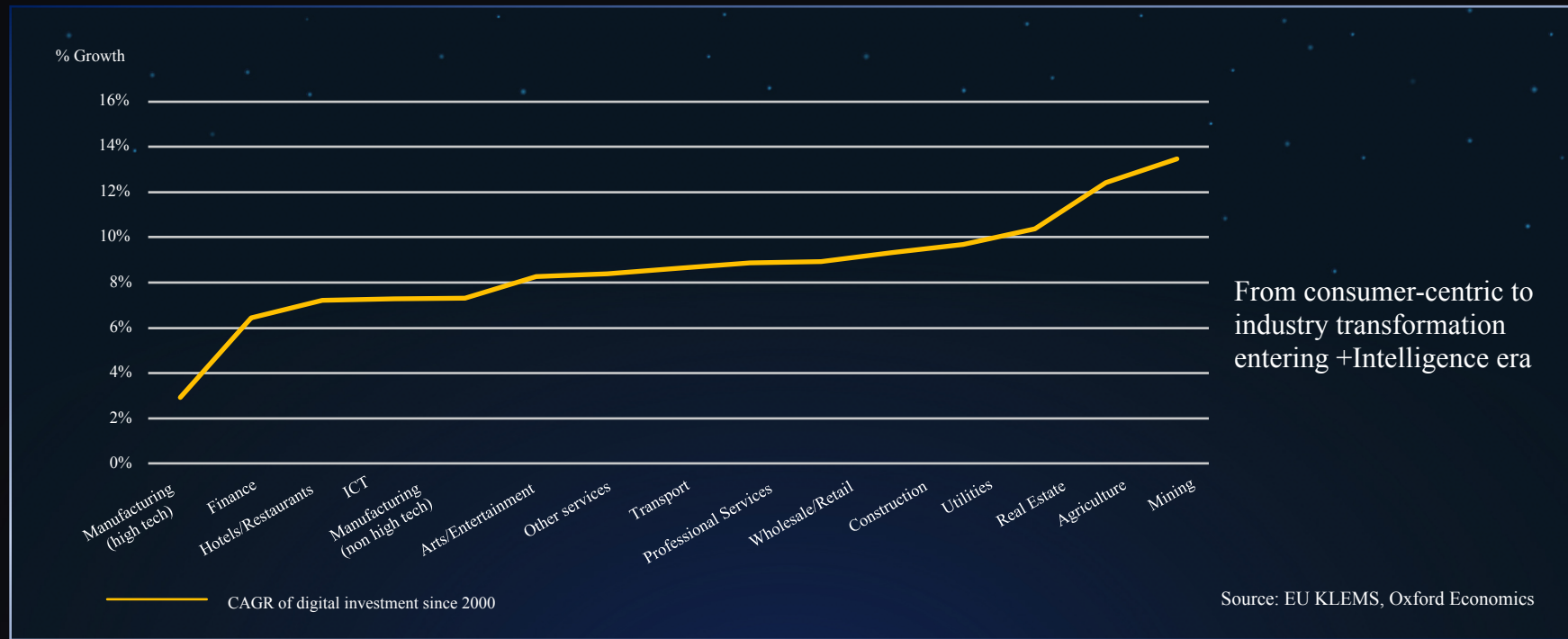


How can we manage it,
if we cannot measure it?

The convergence of IoT, broadband, analytics, AI and the cloud has expanded the scope of the digital economy



We have seen a gear-change in the way that digitalization has spread across industries



A true measure of the digital economy captures how businesses from across the industrial spectrum are investing in digital and making productive use of it

Our measure has two core components:



Digital Assets



The value firms derive from digital technology assets, including their consumption of digital services.



Digital Spillovers



The “knock-on” benefits that follow on from the initial digital investment, sending productivity gains rippling across the economy.

The digital spillover is key to understanding how digital investments translate into economic performance

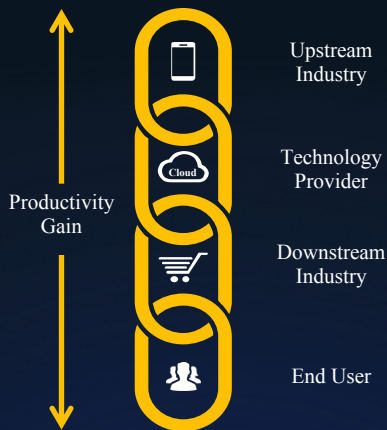
Three channels for the digital spillover

The Internal digital spillover



Amplify the initial gains received from technology investment by leveraging it across different departments in the company.

The Vertical digital spillover



The Horizontal digital spillover



Innovation by one company is emulated by others, leading to productivity gains across a sector.

The digital economy is much larger than traditional metrics would suggest

HOW LARGE IS THE DIGITAL ECONOMY?

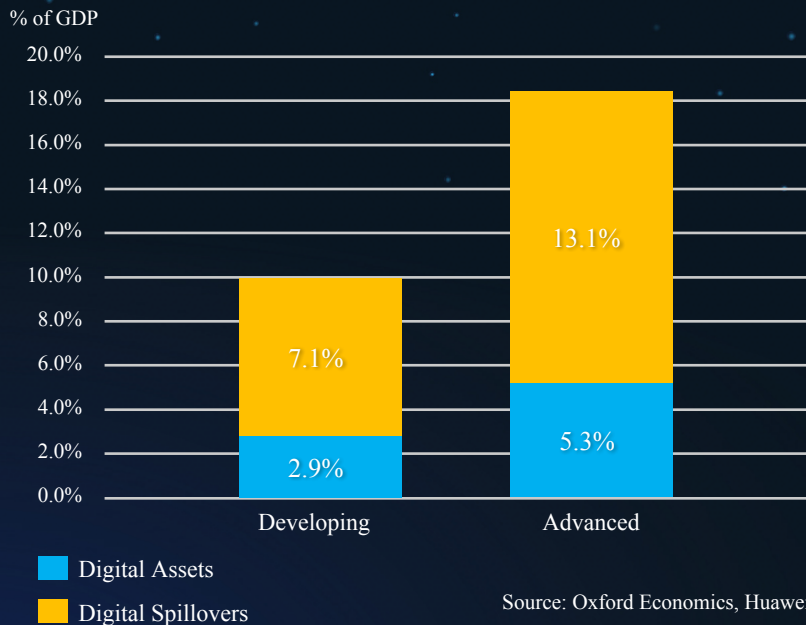


US \$11.5^{tn}

2016 global digital economy

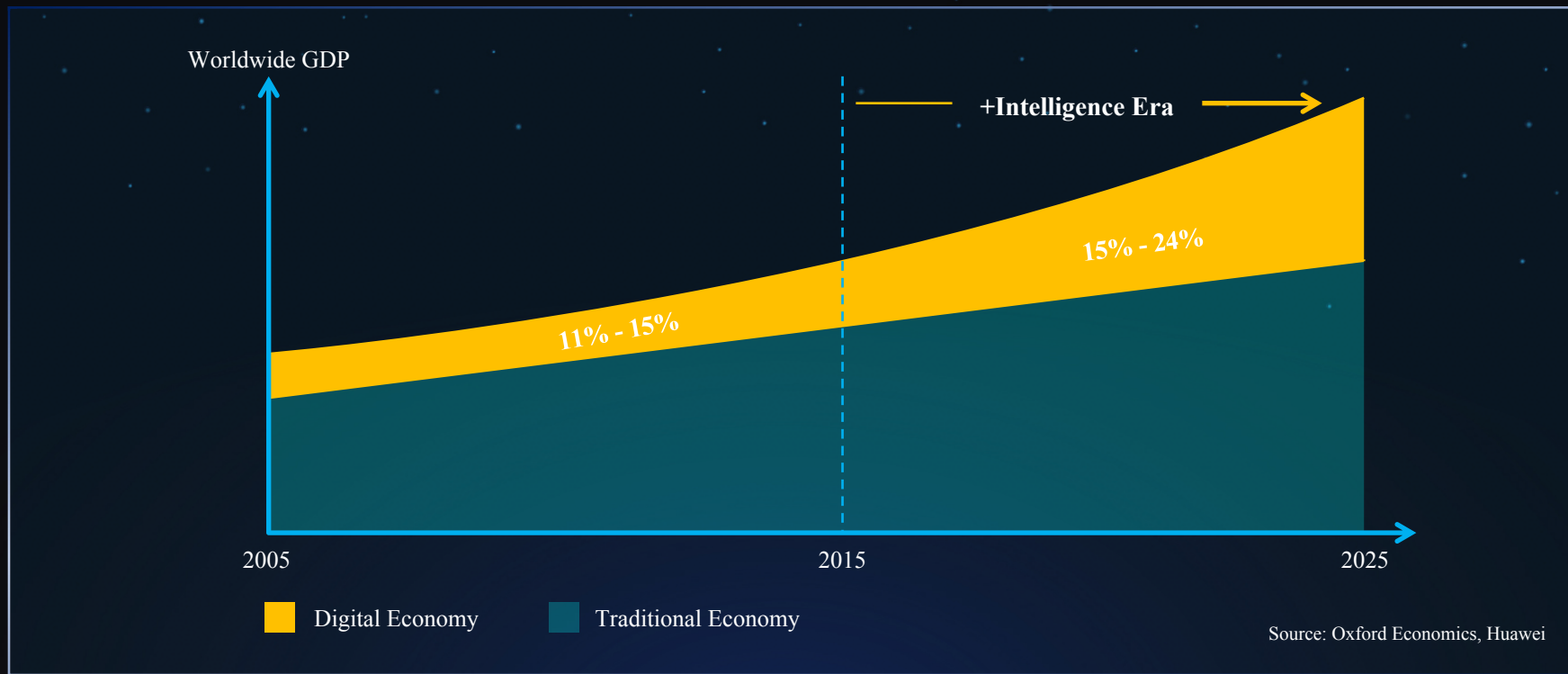
Using our new measure, this equates to 15.5 percent of global GDP

Percentage of aggregated GDP, 2016



Source: Oxford Economics, Huawei

And it has been growing at 2.5 times the rate of GDP



This means the shape of the global digital economy is transforming

Share of the global digital economy by country, 2000 to 2016



Source: Oxford Economics, Conference Board, Huawei

Digital investments drive growth and the digital spillover is a core part of that



6.7x

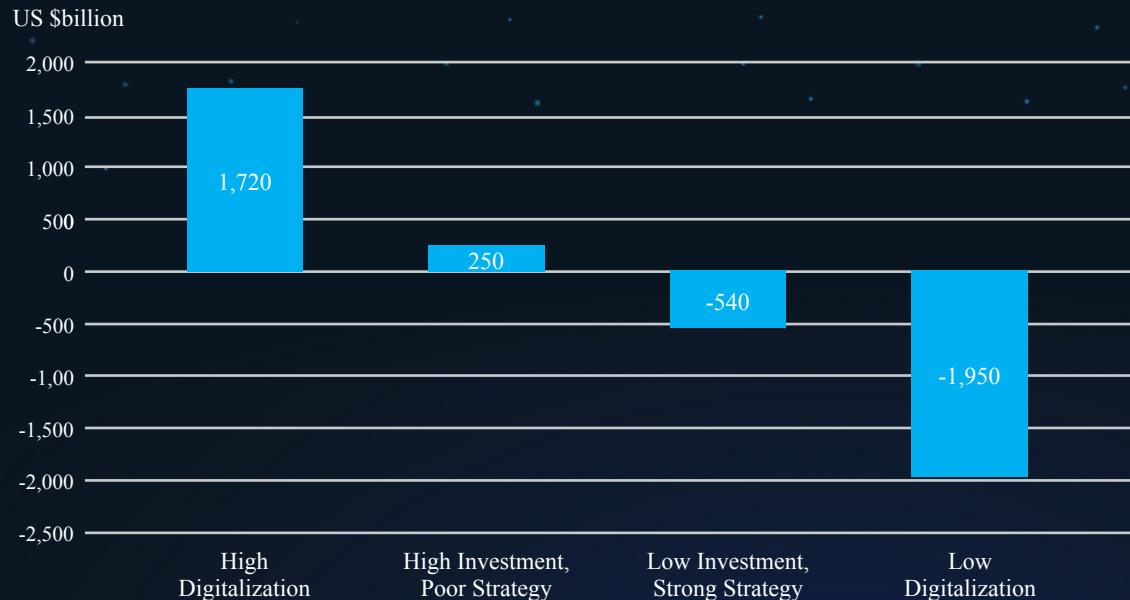
Digital investment ROI
Vs
Non-digital investment ROI

It is the role of government to incentivise digital investment, and do as much as they can to multiply and amplify the channels for digital spillovers.

We identify six priorities for governments to maximize the digital spillovers



If governments can get this right, it could deliver a considerable boost to global GDP



The High Digitalization scenario could boost 2025 global GDP by \$1.7 trillion.

Equivalent to \$500 extra in the pocket of every working age adult in the world.

Note: Baseline - Global GDP CAGR over the period is 2.7% per year
Source: Oxford Economics, Huawei

Thank you.

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