

2015 GLOBAL WELLNESS SUMMIT

***Outlook for a World Where Wellness May Become
Mandatory***

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Outlook for a World Where Wellness May Become Mandatory – Thierry Malleret

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FEMALE VOICE: I am so excited to invite our first speaker up. He's an amazing global powerhouse who advises the world's biggest decision makers and opinion makers. He is the cofounder of the prestigious monthly barometer, a frequent speaker at Davos. He founded and headed up the global risk network at the world economic forum, and we are so fortunate to have him here. Thierry Malleret is here to give a big picture on the world of wellness and how it is leading a global economy. Please put your hands together for a warm welcome for Thierry Malleret.

THIERRY MALLERET: Good morning to you. It's a great pleasure and a privilege to be with you today, in Mexico City. Over the next 19 minutes, I'm going to argue that the world has no other choice than to make wellness mandatory. So let me explain to you why it's going to be the case. When we think about the world, it is composed by big, natural categories. It's economics. It's geopolitics. It's society, the environment, tech, as well, but I will mention that later.

And even though we live in a golden age, in many respects, when we look at the indicators that guarantee that we are living in a well world, we realize that we never had it so good. The economy has grown extremely well over the past decade. Poverty has been halved. There are less conflicts than ever before, and so on and so forth. And yet we are now at the onset of a few decades that are going to pose major challenges. That will in turn make wellness an obligation to all of us.

So let me explain to you why. When you look at the economic outlook over the next few decades, it's going to be much tougher than it's been over the past few years. It's poor. It's uncertain. Global growth, if everything goes well, will be around 2.53% over the next few years, which is well below the 4.5%, 5% that we had prior to the great crisis that started in 2007. And there is good reason. And there's going to be a major divide between emerging markets and high income countries.

Until now we believed that there would be a convergence between emerging markets and the world's developed markets. I doubt it's going to be the case, and in fact, growth is going to decelerate even further in most emerging markets. Mexico might be an exception, though. So the economic outlook, quite poor over the next few years, geopolitical outlook, conflicted and divided. Why? For one very simple reason. The center of gravity of the world is moving from the west to the east.

And until now the world,—until a few years ago the world was unipolar, and it's moving to multi-polarity. And throughout history, every time a rising power, such as China today, has been threatened, the position of the dominant power, the U.S. today, this is a recipe for mess, and conflict, and uncertainty. So the only thing that I can forecast, with a high degree of certainty is that over the next few years the intensity and severity of the geopolitical crisis will increase throughout the world.

Societal outlook, it's a bit messy, as well. The world is globalizing, from an economic and a financial perspective, but from a societal point of view, it's doing the opposite. It's going to the opposite direction. It's fragmenting. People are retrenching. It's getting more divisive, and we've already talked this morning about rising inequalities. Rising inequalities is going to be one of the major issues of the years to come, and it relates very closely to wellness because people at the lower bracket income live in a very unwell world.

People, by contrast, at the high end, in terms of income bracket, live in a well world. Environmental outlook, many reason to worry, to be concerned. We heard from Luis this morning, climate change, global warming, it's all over the place, acidification of the oceans, and so on, and so forth, many problems coming in the coming decades. And again, there is a very close link with wellness because the main reason for which countries are now going to address in a meaningful manner the issue of climate change is not because they realize suddenly that climate change is a big concern.

It's because of air pollution. Air pollution is the main trigger that has prompted countries such as China to create a carbon market. Air pollution causes the death of three

million people per year in China, seven million people per year around the world. It's creating a lot of backlash from a societal point of view, and is going to compel countries to act against climate change, hence our desire to engage in places where we can breathe fresh air, such as forest basins. This will underpin many wellness trends.

So against this background, there is a super megatrend that trumps all the others. It's aging. The world is aging, and you can see these two picture that show you what the fatality rates were in 1917 [phonetic] and what they were last year. They've decreased by a monumental amount everywhere in the world, with a few exceptions in Africa. But as countries grow, the fatality rate diminishes in equal proportions.

So aging is the single greatest predictable problem of the 21st century. And we often think of aging as a western phenomenon, Japan, Europe, but as you can see, it's a global phenomenon. Why is it such a problem? Because it's global, of course, and also because many countries around the world are going to become old before they have a chance to be rich. It's true for China. It's true for Iran, and many other countries around the world.

Today there are 800 million people in the world, age 60 years or plus. In a generation, in 2050, there will be two billion. So it's a 350% increase, a dramatic increase, with of course dramatic implications for the economy because the dependency ratio is going to increase dramatically, as well. Why is it related to wellness, and why is it a problem? Because of this. When you age, you tend to spend much more on health, as is illustrated by this chart, with one significant exception, which is the U.S.

So the key issue is going to be how to live not only longer but healthier. That's the key issue, and this is going to drive the policies that will eventually make wellness compulsory around the world. On top of the issue of aging, and against the backdrop of these natural domains that are getting unwell, there is a problem of non-communicable diseases. And it is surprising that around the world, obesity, which is one of the largest problem and costly diseases, around the world, it is increasing.

Despite all of the excitement about wellness, obesity has plateaued in high-income countries, but it's still increasing

in most emerging markets around the world. And of course, non-communicable diseases by nature are preventable, hence the need to engage into wellness activities. So let me give you now a few reasons why the pressure to be well will increase, and just two, three main ones, but of course it could be zillions. It's easy to find many, many for countries around the world.

In the U.S. today, last year, 2014, 30 cents of every dollar spent by the federal government goes to aging, 30% through Medicare, social security, transfer payments. So 30% of all federal spending goes to aging. The global cost of obesity around the world is \$2 trillion a year, which amount to roughly 3% of global GDP. So one could argue, to be simplistic, but one could argue that if it were not for obesity, the world would be 2.5% richer every year.

Non-communicable disease is a burden. It's estimated to present a cumulative output loss of \$47 trillion over the next 20 years. These are numbers provided at the Harvard Medical School in a study conducted with the World Economic Forum. And these numbers represent about 30% of the global GDP of this year. So these are phenomenal numbers which make us realize why the imperative of wellness is going to predominate over the coming years. So it simply cannot go on like this.

On the one side, you have soaring health costs, which is a proxy for unwellness. And on the other side, you have countries that are very constrained, in terms of fiscal policies, as we all know, and which are also victims of over-indebtedness. We always think that the world has deleveraged after the global crisis. That started in 2008, but in fact it is the opposite. Today the world as a whole is \$57 trillion more indebted than it was in 2008. And the debt to GDP ratio global is 290%. So it's very, very high, and it makes you realize that it cannot go on like that.

Countries are too indebted to be able to carry the burden of unwellness. For companies which are also engaging in major wellness activities, programs for the employees, pension funds, insurance companies are black holes. And the problem is equivalent at the level of the company to what it is at the level of the state. So to make the argument relatively simple, how do we get out of this impossible situation?

There are two ways. One would be to increase global GDP dramatically. 2.5%, 3% is not enough in the coming years.

And the only way to do this would be to have a major increase in productivity that would be able to spur economic growth worldwide. Two, is preventative healthcare to reduce health costs through wellness. And by the way, it's not only about a reduction in health costs. There is also ample evidence that when you are well, your personal productivity increases, as well. So one is uncertain. The fact that technology is going to spur productivity, we can discuss this at length because there is at the moment a technological revolution engulfing the world.

But here there is no evidence that this is causing an increase in productivity. So one is uncertain and it makes two inevitable, meaning that over the next few years all countries will have to move towards the direction that makes wellness compulsory, or at the very least encouraged in an active manner, as we heard this morning about Mexico, and bikes, and tokens given in the subway to try to compel people to live a healthier life. And this challenge is going to be addressed very differently, depending on which country you are.

In countries like Japan it's being addressed head on. When you are unemployed in Japan, you are sent to the home of obese people. You have to measure their waistline and report to the city authorities, and then measures are taken for you to increase your wellness activities. In the U.S., it's going to be different because there is a culture of litigation, and it is already apparent that many companies have a hard time implementing wellness programs before because of litigation, because of privacy issue, and so on, and so forth.

So this phenomenon of making wellness compulsory is going to take many different forms, but there is no doubt that it will increase over the coming years because countries have simply no choice. Over the next few minutes that I have to conclude, I would like to address an issue that Susie raised in a newsletter back in October, which is the coming convergence between wellness and wellbeing. Today you have many governments around the world that are pursuing, not a wellness policy, but a wellbeing or happiness policy. It's

something that is gaining momentum in a very, very forceful manner.

Countries around the world, in the U.S., in Dubai, France, Italy, Germany, Japan, are promoting the pursuit of happiness as a policy goal. And I'm not going to bore you with the definition. I have here all the definitions of what is wellness, what is wellbeing, what is happiness, what is subjective wellbeing, which is a proxy in the jargon of economists for happiness. Subjective wellbeing equals happiness.

And when you look at government policies, you realize that all of them are aware that wellness is critical to wellbeing. It's very difficult to be well, happy, if you're not well in your head or in your body. But also, wellbeing, and that's an interesting feedback loop, wellbeing as predictive power over wellness, this is what many governments realize today around the world because if you are happy, it's shown, and I'm sure that many people will argue the case today, you live longer lives. Your immune system is stronger.

So it's interesting to realize that there is a feedback loop that is going to drive many countries around the world to bridge the gap between wellness and happiness. And Mexico is an interesting case because Mexico is the 14th happiest country in the world, if you look at the happiness index which is published by Harvard University every two years. And yet, Mexico is one of the most unwell countries in the world, as shown in the chart of obesity. It's the second largest obese country in the world.

So how do you move from wellness to happiness and back and reduce this divergence between happiness and wellness? There is a lot of stuff happening in economic research regarding the relationship between choices which make us unhappy. When there is too much choice we tend to be unhappy, as Luis said, money, wellness and happiness. And today there is an interesting distinction being made between hedonistic wellbeing, which is the wellbeing that has to do with instant gratification, essentially money, your source of income.

And more and more countries realize that GDP per capita is not a good proxy for wellness or happiness. There is more than that, and that the difference between hedonistic wellbeing and eudaimonic wellbeing, eudaimonia, from the

Greek purpose. And today, more and more research in economics and neuroscience shows that eudaimonic wellbeing, which has to do with social relationship, with a sense of purpose, with meaning in our lives is superseding hedonistic wellbeing.

So this is all very supportive for wellness because it suggests that we are more interested to buy experience than material goods, and of course this is what wellness is all about. When we engage into wellness activities, we don't buy a tangible good. It's an experience. So it's a strong trend that is going to dominate, I think, policies, government policies for years to come. And all this I believe is extremely bullish for wellness. Thank you so much.

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