

**BHP Billiton**

# The developing economies – long term sustainable growth

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Noordwijk aan Zee, Holland

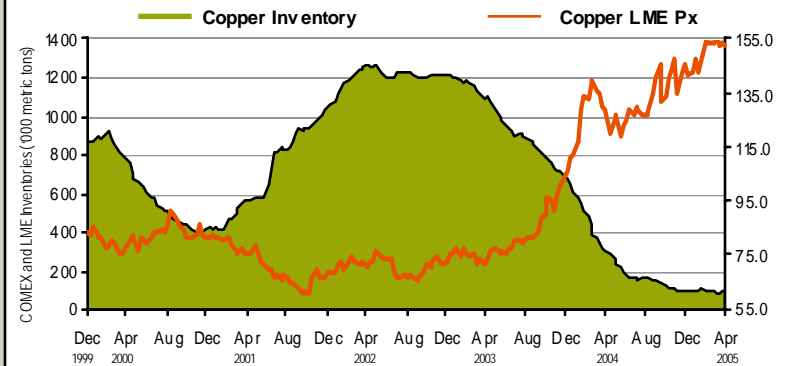
May 2005



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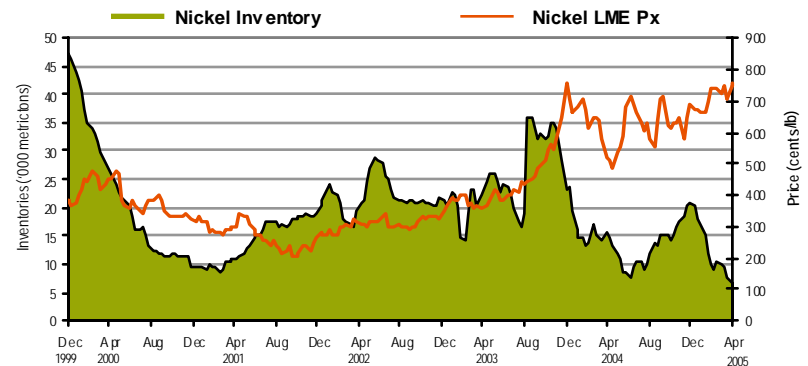
# Despite recent falls, prices remain at historically high levels

## Copper price & inventory trends



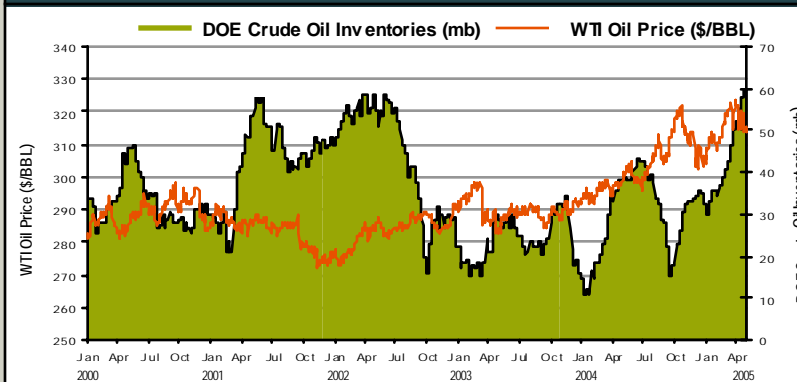
Source: Merrill Lynch

## Nickel price & inventory trends



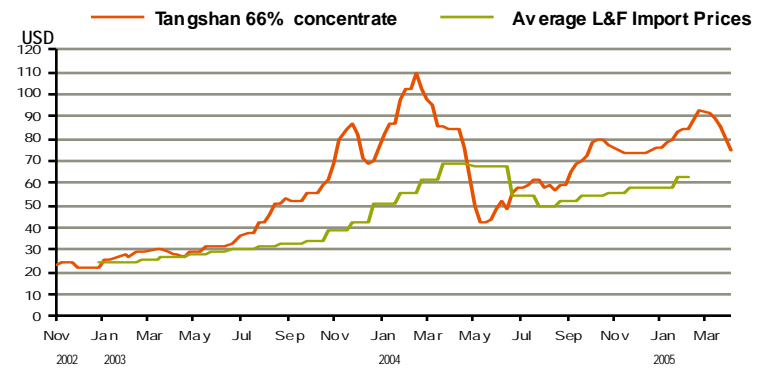
Source: Merrill Lynch

## Oil price trends (WTI)



Source: US Department of Energy

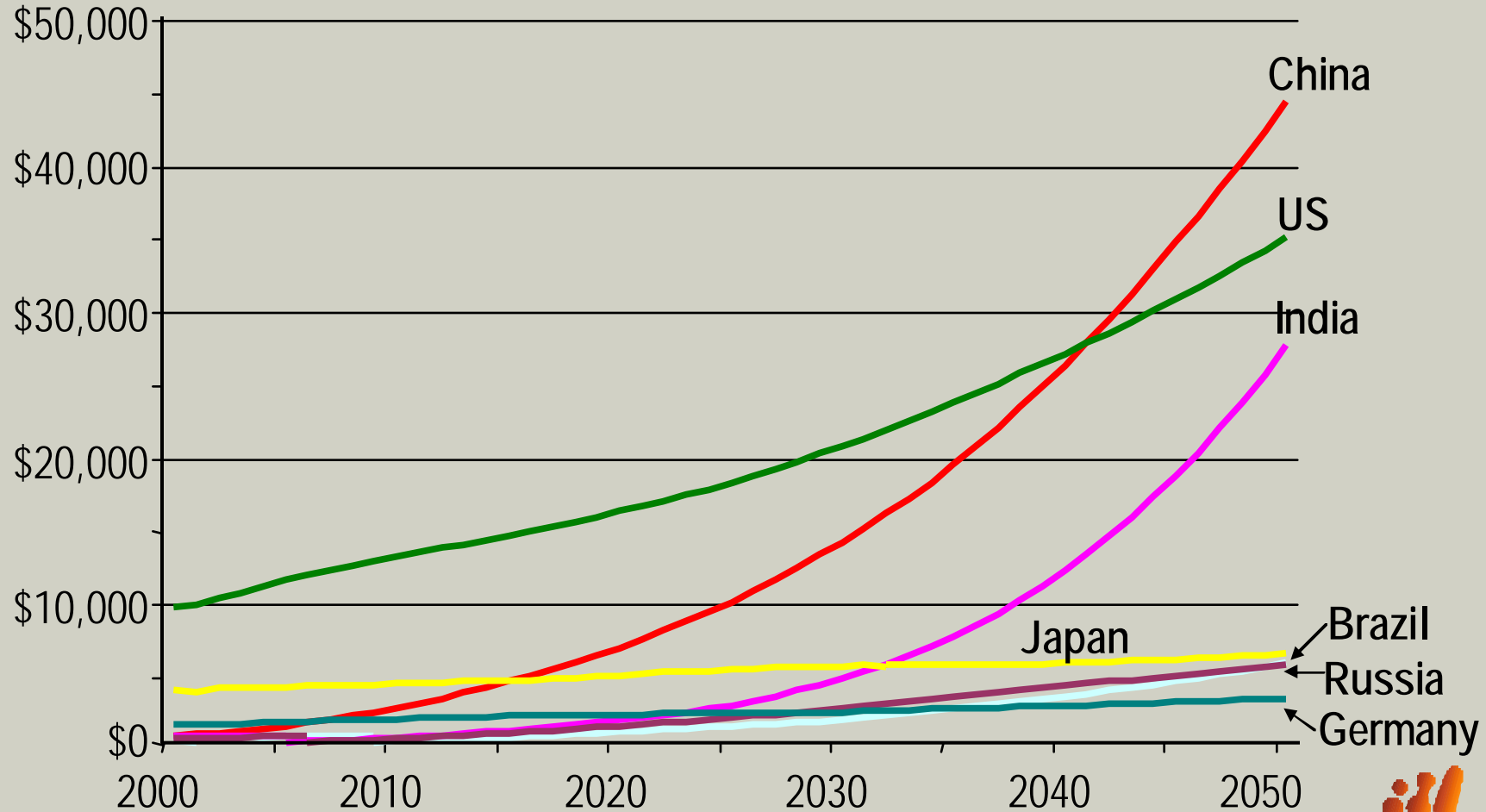
## Iron Ore – Chinese spot rates



Source: BHPB China Sales Team, China Customs, Xinhua News Agency, Chinica Maritime Co

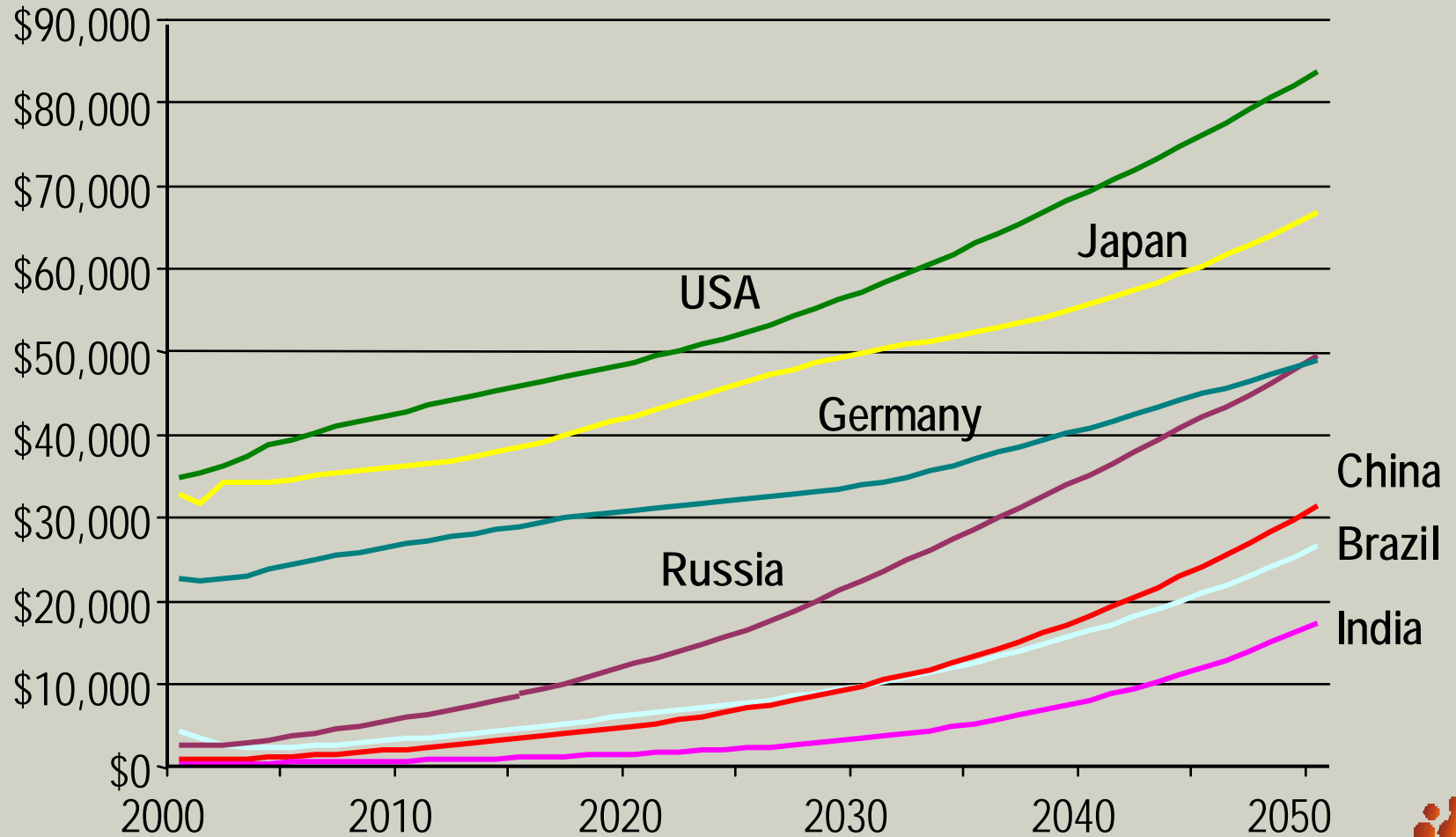
# GDP – 2000 through 2050

US\$bn (2003)



# GDP per Capita – 2000 through 2050

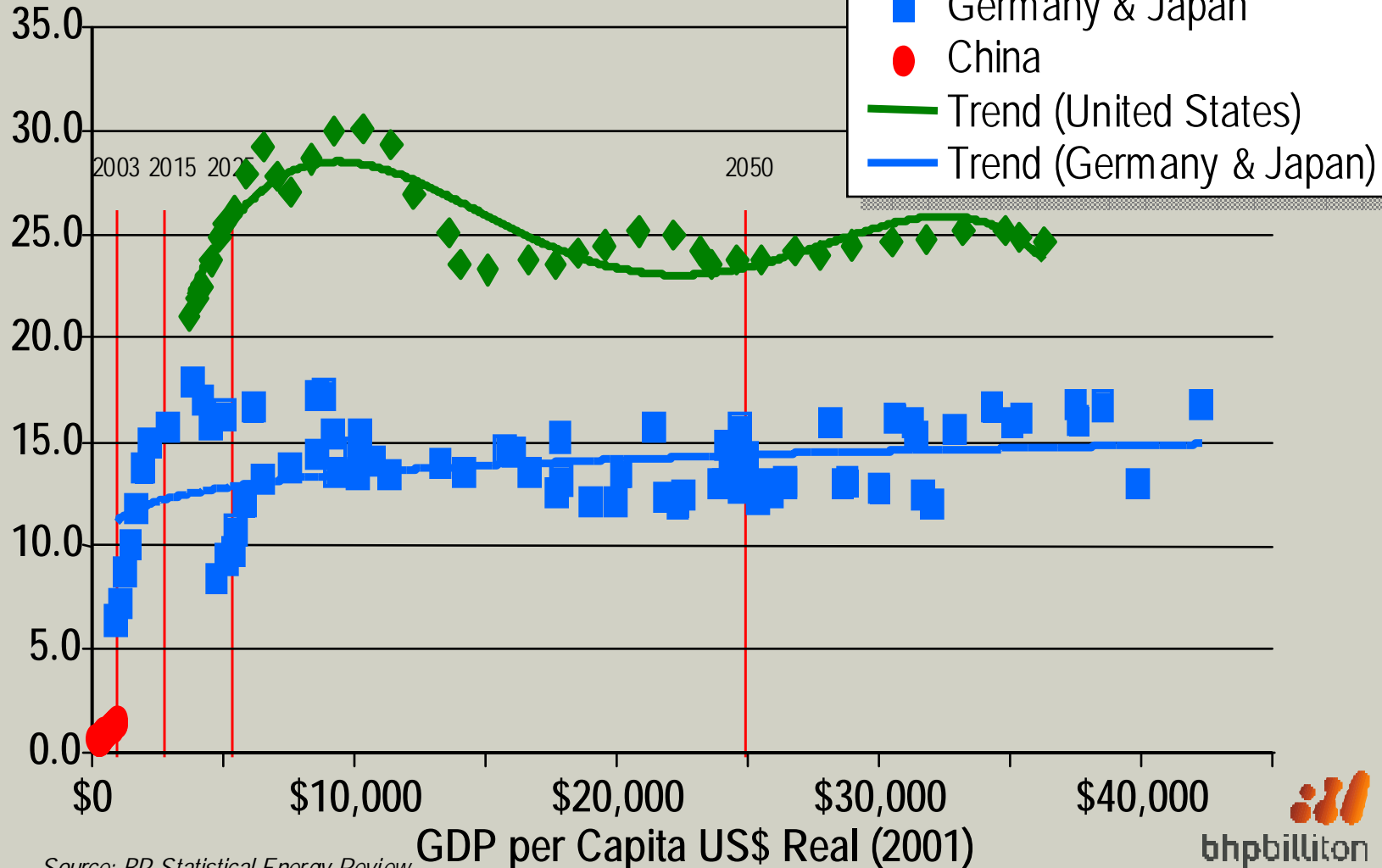
US\$ Real (2003)



Source: Goldman Sachs

# Intensity of Use - Oil

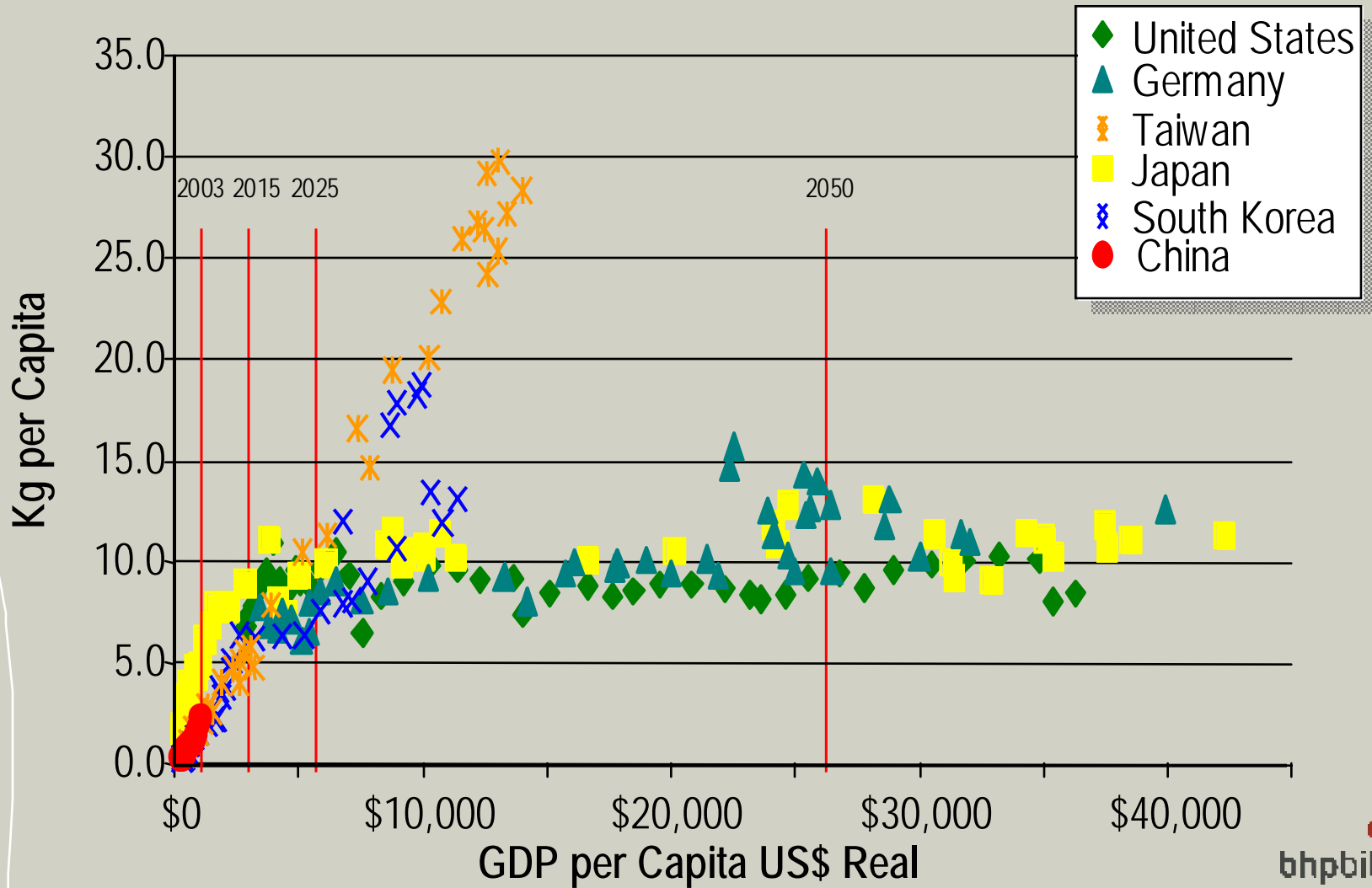
Bbls per Capita



Source: BP Statistical Energy Review  
Statistical yearbook of the Republic of China, 2002 et al



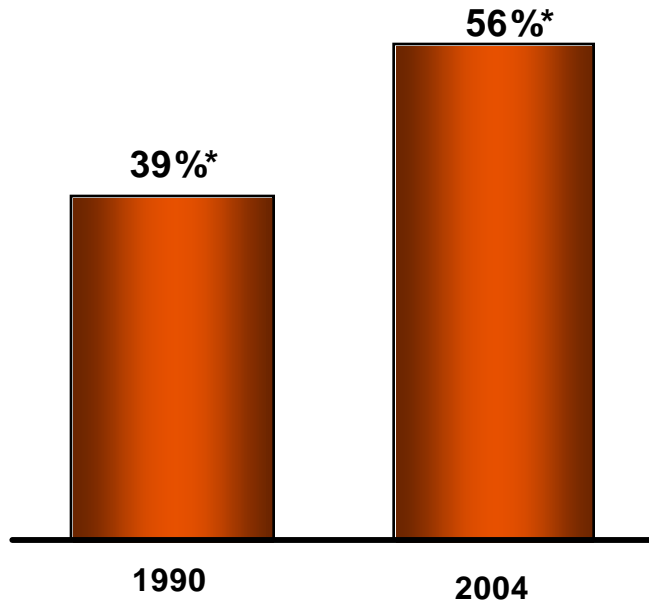
# Intensity of Use - Copper



# China - resource intensive growth

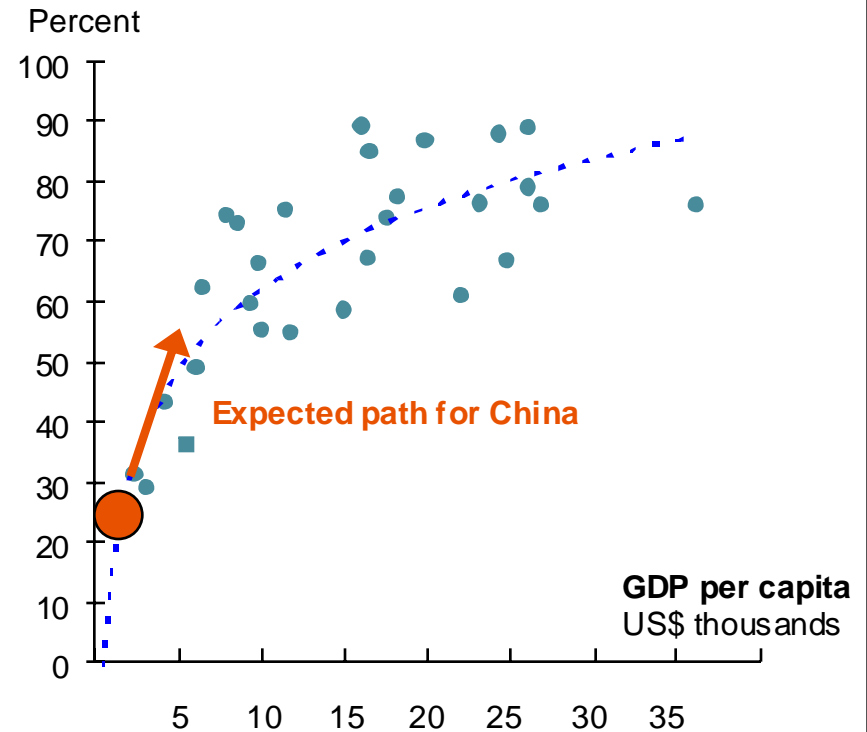
## Industrial production is a key driver of the Chinese economy

IP percentage as of total GDP in China



## Urbanization process (and growth in GDP per capita) is expected to continue fast tracking

Urbanization rate\*\*



\* Exact contribution might be lower due to underreporting of services using current statistical method

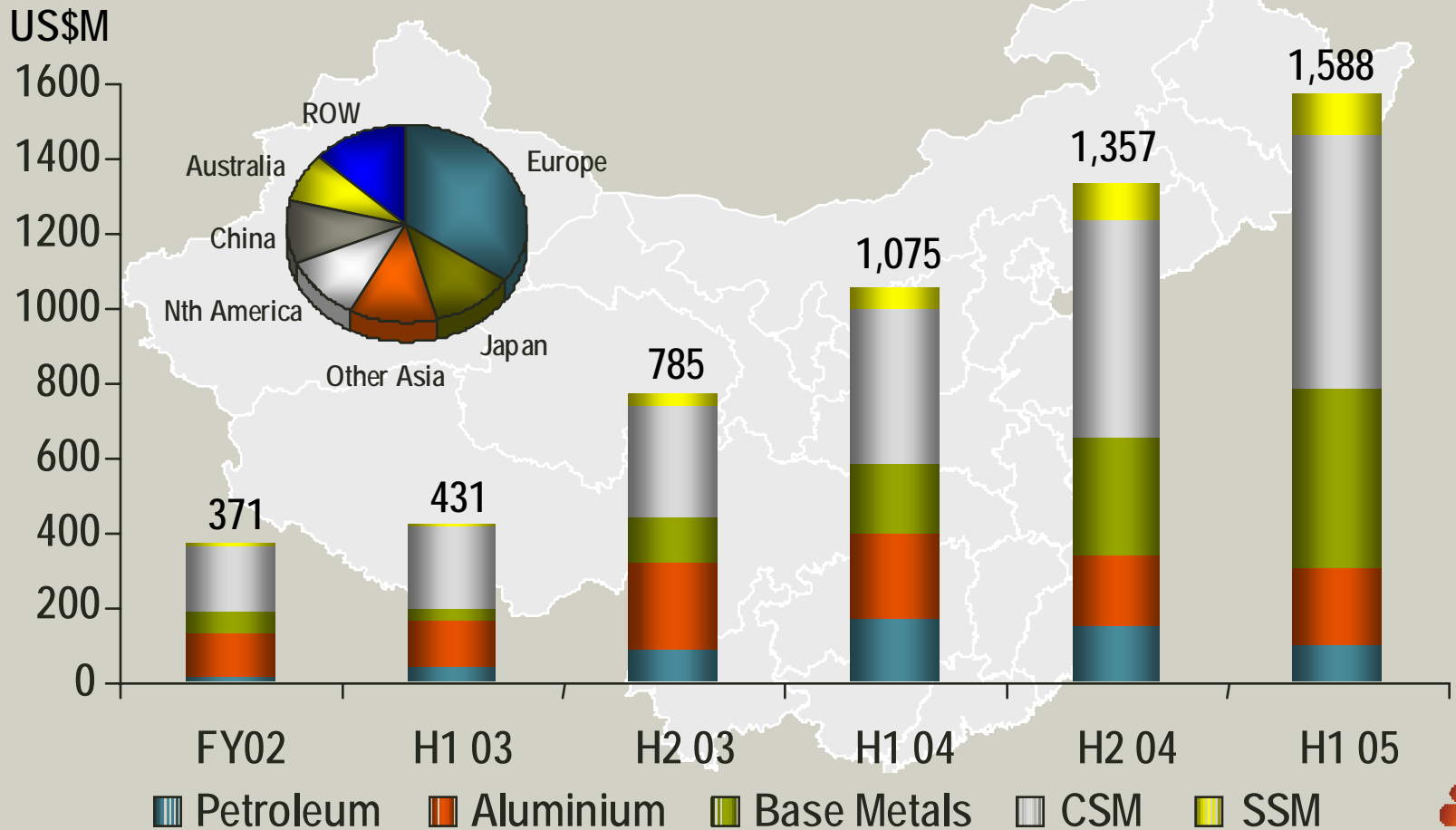
\*\* Defined as percentage of urban population. Dots on the graph represent benchmark countries

Source: United Nation Statistics; China Statistical Yearbook, 2003; Global Insight; WEFA; McKinsey analysis



# Sales into China are increasing

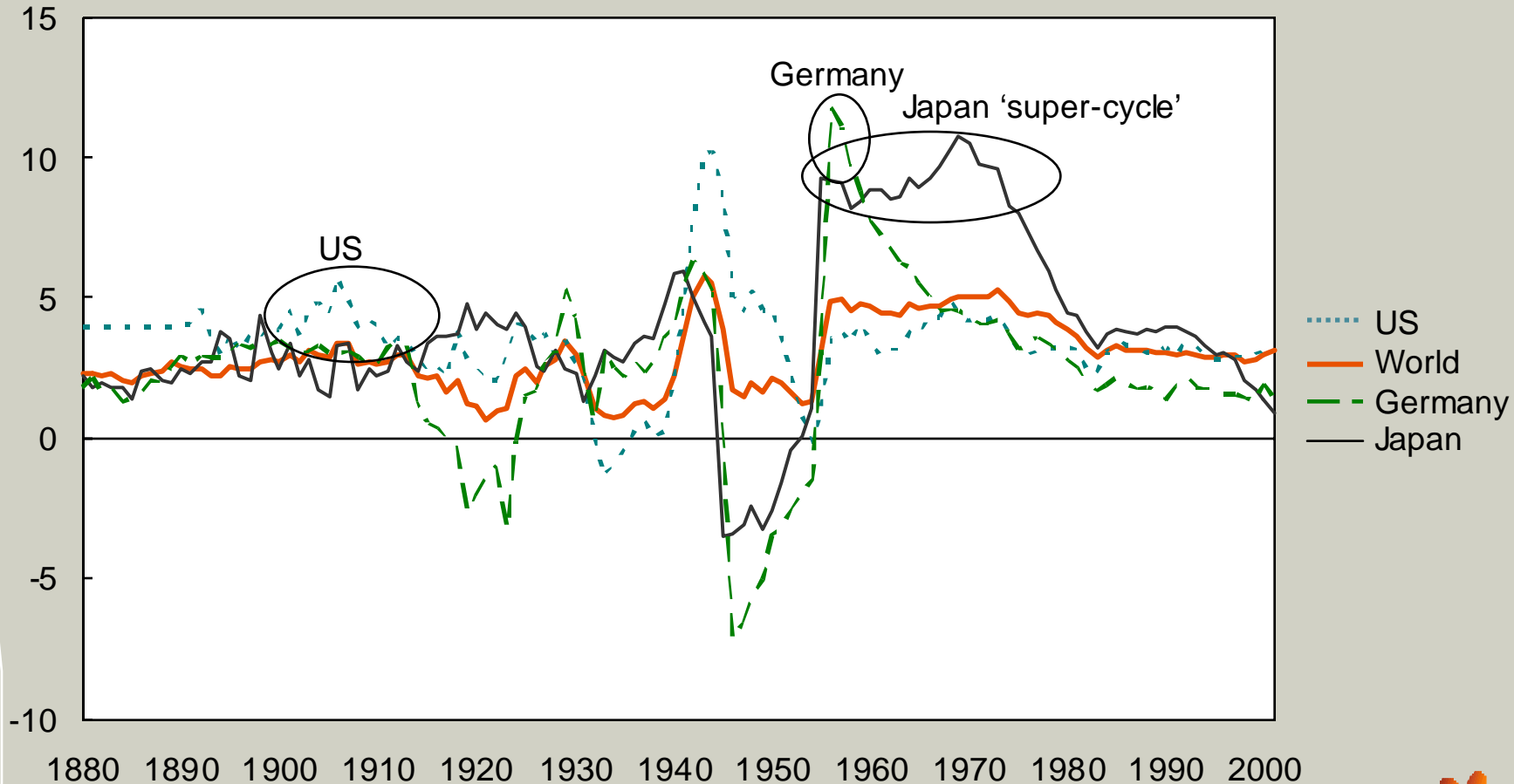
Sales into China currently 10.2% of total company revenues, up from 6.9% in FY03





# Industrialisation and sustained economic growth

Real GDP growth (%), 10 year historical moving average for US, Germany, Japan and World\*

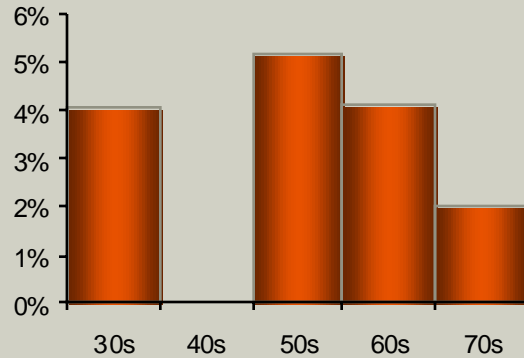


\* G7 used as proxy for world up to 1950

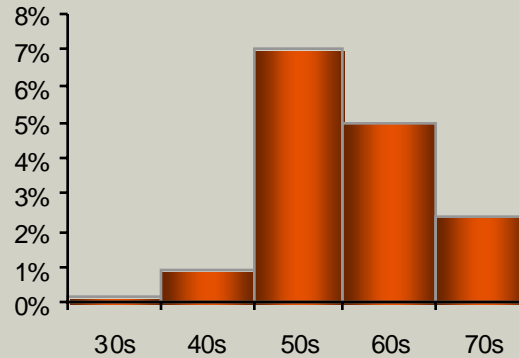
Source: OECD up to 2000

# Demand for raw materials - the 1950s and 60s

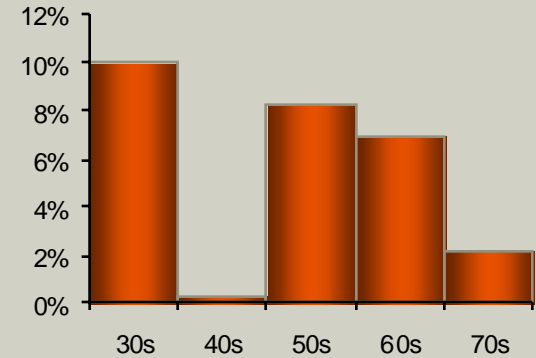
### Copper



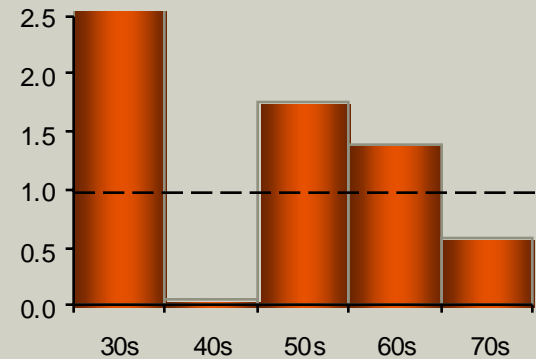
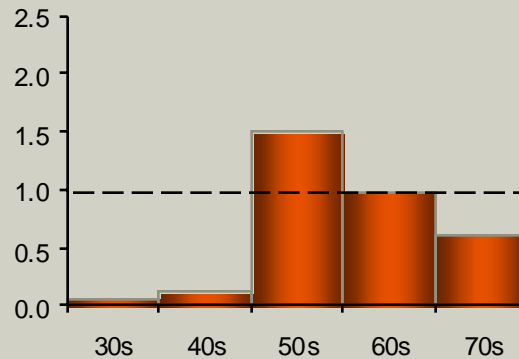
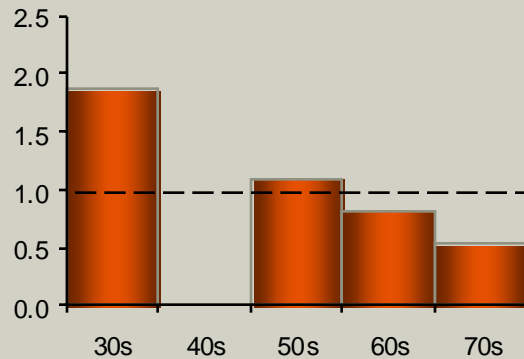
### Iron ore



### Nickel



10-year demand growth (CAGR)



Relative to GDP growth

Source: Maddison, USGS



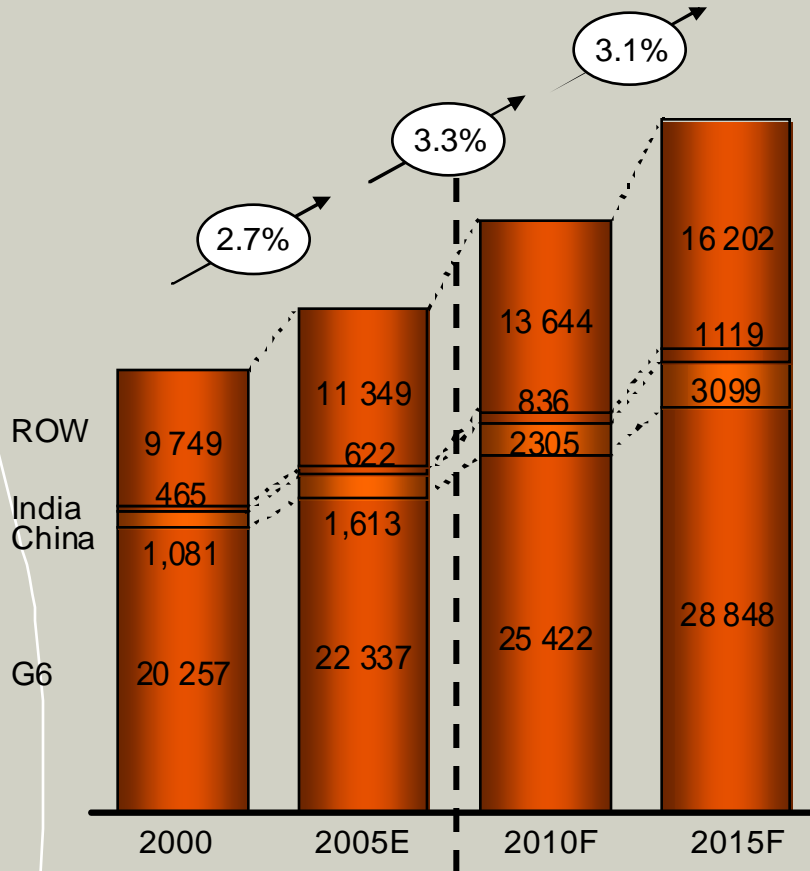
# China: 6 key sustainable macro drivers



# But it's not just China...

## Real GDP

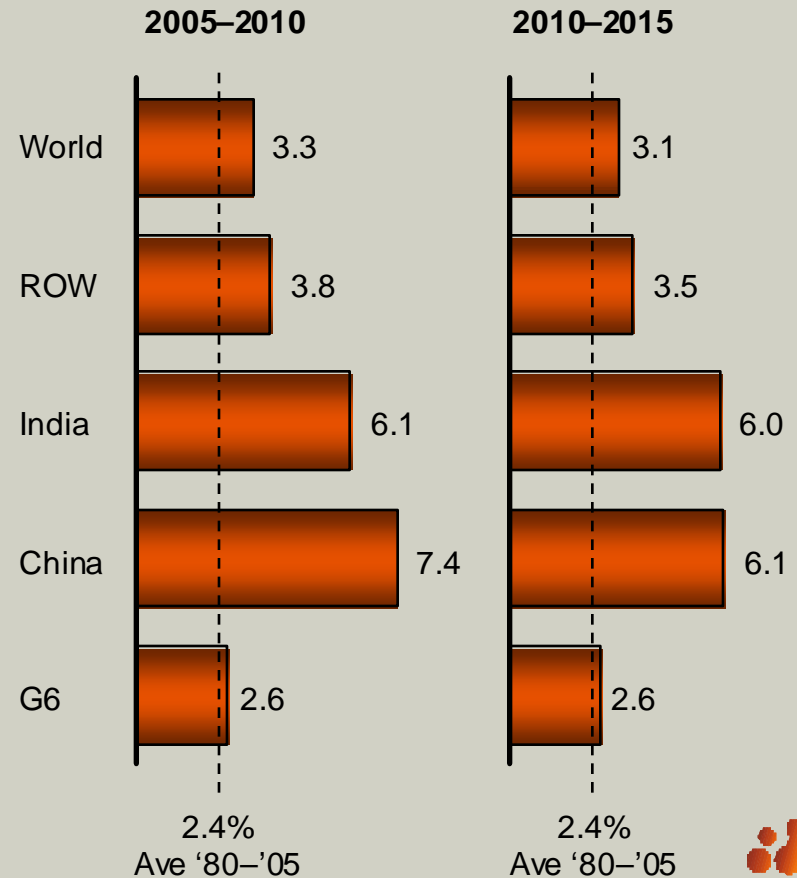
Billions of 2000 USD



## Economic growth

Average consensus, CAGR

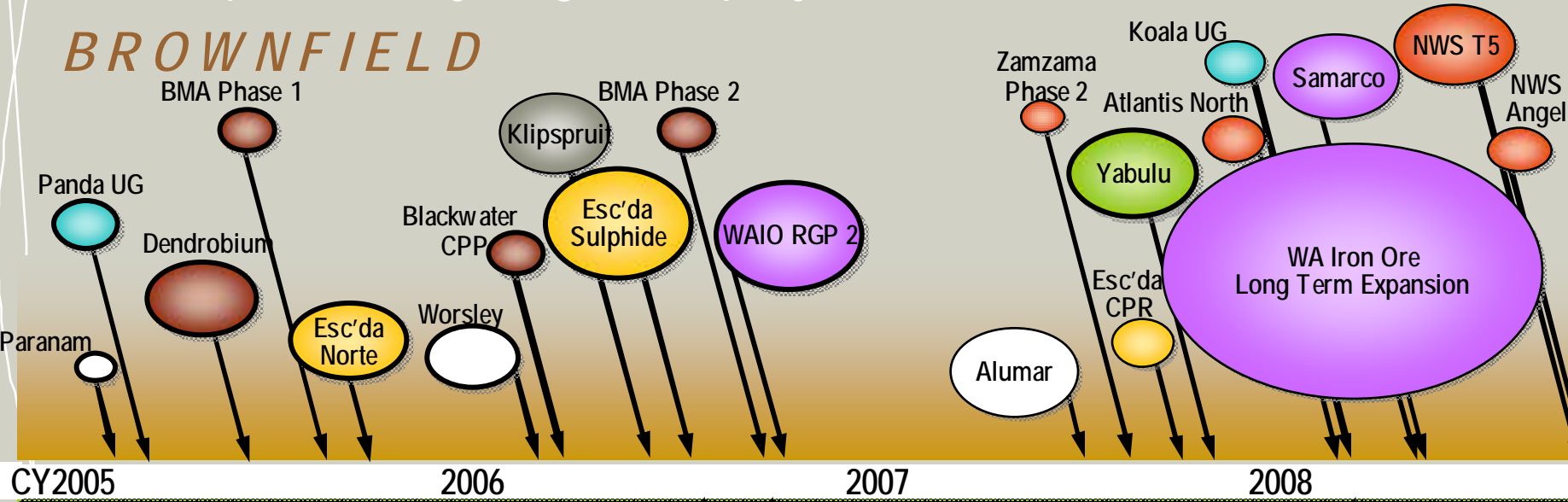
x CAGR



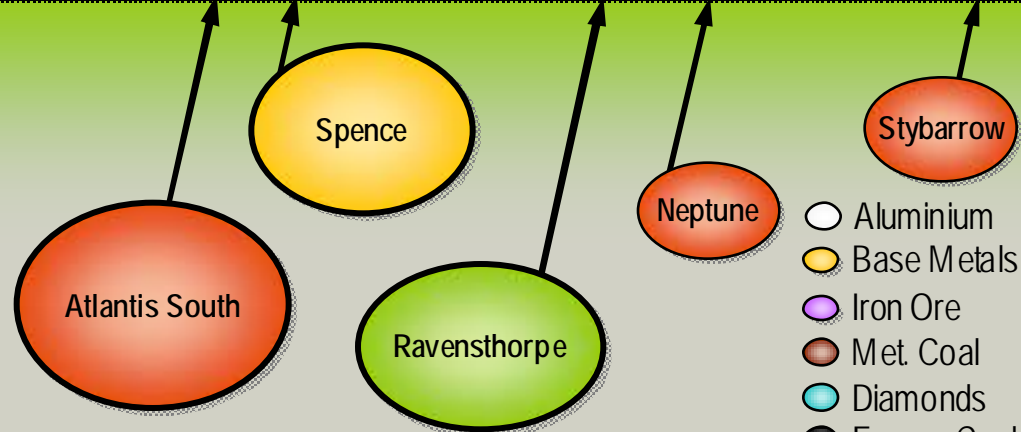
Source: Global Insight Jan 2005; Goldman Sachs "Path to 2050" for forecasts on India and China

# Deep inventory of growth projects

## BROWNFIELD



As at 16 February 2005  
 Size of bubble indicates proposed capital expenditure; bold outer border signifies sanctioned project  
 \$US 200M



- Aluminium
- Base Metals
- Iron Ore
- Met. Coal
- Diamonds
- Energy Coal
- Nickel
- Petroleum

## GREENFIELD



# Conclusions

- Long term growth rates and resource intensity are the critical factors in decision making
- Developing economies are growing more rapidly than the OECD nations and are at a raw-materials intensive stage of development
- Industrialisation and urbanisation are the key to China's economic growth
- Comparisons can be drawn with past experiences, most recently Japan in the 1950's-1970's
- Long term demand outlook for China remains positive...
- ... but it's not just China - other emerging economies are following suit
- Like every other economy, developing economies will suffer "bumps and bruises"
- Focusing on low cost operations, efficiencies, project execution and option generation will be the key to long term value creation



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