



WHAT'S DRIVING **EMERGING MARKETS?**

The critical drivers for emerging markets are pointing in the same direction.

Cause	Effect	Possible Ramifications	
Rapid Economic Growth The IMF projects that emerging economies will grow more than 6% each year from 2011–14. By comparison, developed markets are predicted to peak at 3% during this period.	**Higher Family Incomes** Average household income is growing rapidly in key emerging markets. Per-capita income in China has averaged 8 percent annual growth for three decades. In Brazil, it has climbed nearly 50 percent just since 2004.	**More Consumer Spending** As incomes rise, emerging market residents are able to afford a wider range of goods and services that are taken for granted in the developed world.	**Emerging Market Opportunity**
High Savings Rates in Asia In 2008, China's national savings rate (government, corporate and household) was 54% of GDP. Despite rising consumption, households in emerging Asia save 17% of disposable income.	**Low Household Debt** Emerging Asian households carry far less debt than those in the developed world. Mortgages in China, for example, require a down payment of at least 20%, and credit card penetration is far lower than the West throughout the region.	**Ready Supply of Domestic Capital** An increasing number of households in emerging Asia are investing in capital markets. This inflow of money makes these markets more liquid and thus more attractive to foreign investors.	**Emerging Market Opportunity**
Urbanization The migration from rural areas to cities is a powerful demographic and economic trend. The urban population of China is expected to increase from 46% to 70% by 2035. Brazil's population is forecast to be about 90% urban by 2020.	**Infrastructure Buildout** Rapid urbanization has overwhelmed existing housing, roads, water systems and electric power capacity in many emerging-market cities. Governments will have to expand and upgrade infrastructure to remain globally competitive.	**Demand for Commodities** Infrastructure creation consumes vast quantities of energy and other commodities. Examples: copper for electrical wiring and plumbing, cement for buildings and roads, steel and aluminum for basic appliances.	**Emerging Market Opportunity**
Desire for Social Stability For emerging-market governments, public contentment (or at least lack of social unrest) is an important factor for remaining in power.	**Policies for Peace and Prosperity** Governments are providing opportunities to improve quality of life. In China and Russia, great wealth is attainable as long as these newly rich don't challenge the political order.	**Focus on Creating Jobs** Good jobs provide a path for upward mobility. Governments that focus on creating jobs earn the respect and support of the governed and, as a result, they tend to stay in power longer.	**Emerging Market Opportunity**
Natural Resources Wealth Many of today's most promising emerging nations are blessed with large deposits of oil, industrial metals and other valuable natural resources.	**Exploration, Development and Production** Either on their own or in partnership with outside companies, these governments are exploring their natural wealth to bring these resources to market.	**Revenue Stream for Governments** The revenue from direct resource ownership (through state-owned entities) and/or taxation on resource production can transform an emerging nation from poverty to vast wealth.	**Emerging Market Opportunity**
Corporate Transparency Standards of corporate governance are improving in many emerging nations as they become more integrated in the global economy.	**Easier to Attract Overseas Investments** Greater corporate transparency makes more information available to investors and thus reduces their risks.	**Market Liquidity** A larger pool of investors can lift markets, encourage new public offerings, spur job creation and boost overall economic growth.	**Emerging Market Opportunity**

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