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Research Institute

Thought leadership from Credit Suisse Research and the world's foremost experts

Emerging Consumer Survey 2015

Contents

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Editorial

We are delighted to publish the fifth edition of the Credit Suisse Research Institute's "Emerging Consumer Survey." To undertake the project, we have again partnered with global market research firm Nielsen, which has conducted on our behalf nearly 16,000 face-to-face interviews with consumers across nine key emerging economies – Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, Turkey and South Africa. We have built a unique and accessible multi-year database profiling the fortunes and intentions of these key consumers.

The ambition of our series of studies has been to focus on the micro picture of the emerging consumer rather than rely on just macro judgments to shape investment views. The latter is dominating the prevailing debate. The profile and performance of these economies differ markedly as do the investment propositions within them. In our view, structural investment opportunities within these regions have not disappeared, but nor have their vulnerabilities.

As we assess the mood of consumers looking into 2015, it is fair to say that they are not brimming with confidence. The majority of our respondents do not see "now as an ideal time to make a major purchase" (as in the words of the survey). However, our Emerging Consumer Scorecard shows that this is a sum of different parts. Without any doubt, the darkest of clouds hang over the Russian consumer and challenges are very apparent in Latin America and South Africa.

However, post the election, an unambiguous momentum change is visible in India, with the Indian consumer ticking all the boxes to top our Scorecard. Incomes are rising against a backdrop of significant infrastructure investment. The structural story in Indonesia remains robust. There is also a tendency to assume that the China consumer story overall has died as the luxury theme has faded with the crackdown on corruption. But this is far from the case.

With the help of our industry specialists, we drill down to the areas of consumer activity reflecting structural qualities that seemingly defy prevailing cyclical negatives along with the brands that most appeal. "Mobility" and "connectivity" are key themes. The consumer, in pretty much every geography, wishes to spend the marginal extra dollar on a new set of wheels (two or four), a holiday and, of course, the technology of choice – a smartphone. The younger population are benefitting from the strongest purchasing power.

The voracious appetite for smartphones underpins arguably the most important investment theme in the emerging world – how consumers spend money – as much as what they spend it on. We devote a chapter to the role of e-Commerce in a region where internet penetration is far from saturated. We estimate the market opportunity for online retail across our surveyed countries could be as high as USD 3 trillion.

Clearly risks abound at present for the emerging world, with currencies and commodities at the forefront. Our previous surveys have shown that weak currencies are rarely good for consumer sentiment given the feed through to food prices. However, the mistake is to tar all these countries and consumers with the same brush. Risks may indeed be relevant in the likes of Russia and Brazil, but are not in India and Turkey. Differentiation not generalization is the key.

Giles Keating, Head of Research and Deputy Global CIO,
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Credit Suisse Investment Banking


FOREVER
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FOREVER 21

The emerging consumer in 2015

Our fifth Emerging Consumer Survey reflects a challenging environment for consumer activity. The prevailing weakness in currencies and commodity prices provides for other sources of concern. However, there are clear winners and losers, with a point of inflexion visible in India. Differentiation not generalization is the key.

Richard Kersley, Ashlee Ramanathan

Differentiation not generalization

The macro backdrop of 2014 reflected a difficult and often volatile environment for many emerging markets and economies. Growth expectations generally deteriorated through the year, with social and political tensions also a feature in a range of countries. Indeed, at the time of writing, a new bout of nervousness abounds with the precipitous decline in the oil price (highly relevant to a number of emerging economies) and weakness in emerging market currencies (always relevant) in sharp focus.

However, one of the greatest dangers from approaching emerging markets – whether as an analyst or investor – is in generalizing. The perceived deteriorating views of economic growth have also been far from uniform as Figure 2 and Figure 3 reflect. Growth expectations in India and Turkey have risen in 2014. The returns on the equity markets in our survey countries ranged from –49% to 24% in 2014, just as the sector performance across emerging markets ranged from –29% to 18% (Figure 1). The structural opportunities across these regions have not disappeared, nor have their vulnerabilities. The value of our survey remains in its granular analysis of the fortunes of differing emerging consumers and the potential of specific product and market areas, to set alongside valuable macro judgements.

Figure 1

2014 performance of emerging market countries and sectors

Source: Bloomberg, MSCI Emerging Market Indices

2014 performance, USD terms			
Countries, MSCI Indices		EM sectors, MSCI indices	
Indonesia	24 %	Healthcare	18 %
India	22 %	IT	8 %
Turkey	17 %	Financials	2 %
China	5 %	Utilities	-1 %
South Africa	3 %	Consumer discretionary	-3 %
Saudi Arabia	-6 %	Industrials	-4 %
Mexico	-10 %	Telecommunication services	-5 %
Brazil	-17 %	Consumer staples	-7 %
Russian Federation	-49 %	Materials	-22 %
MSCI World	**3 %**	Energy	-29 %

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Figure 2

GDP growth revisions for 2014 in LatAm, Russia and South Africa were repeatedly downgraded throughout 2014

Source: Bloomberg

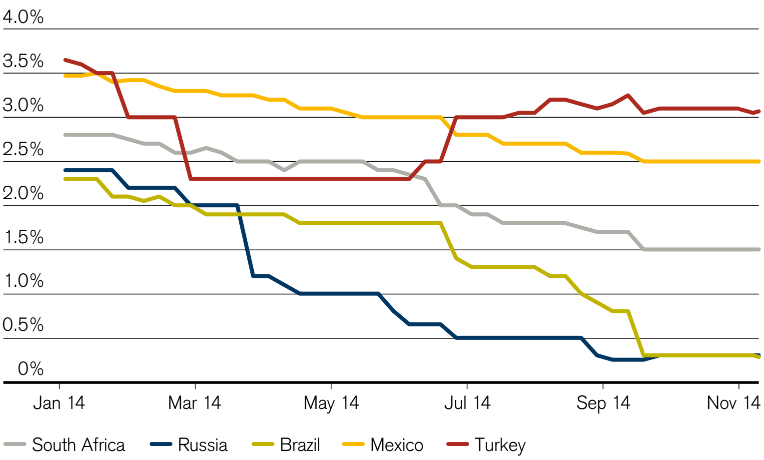


Figure 3

2014 GDP growth revisions were relatively stable in Asia and notably positive in India

Source: Bloomberg

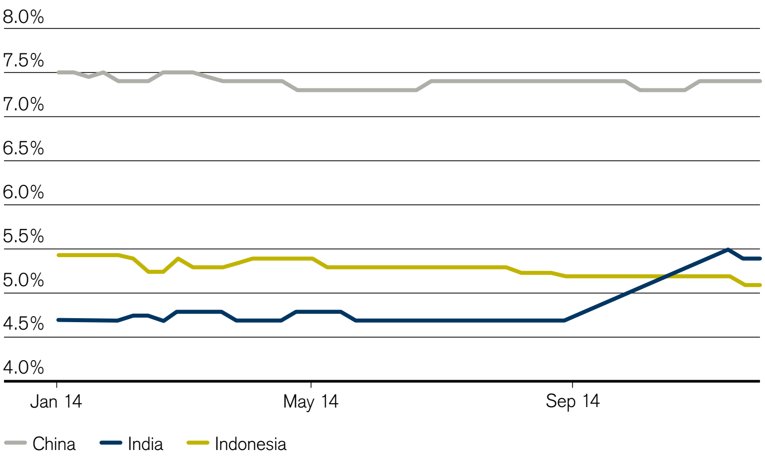
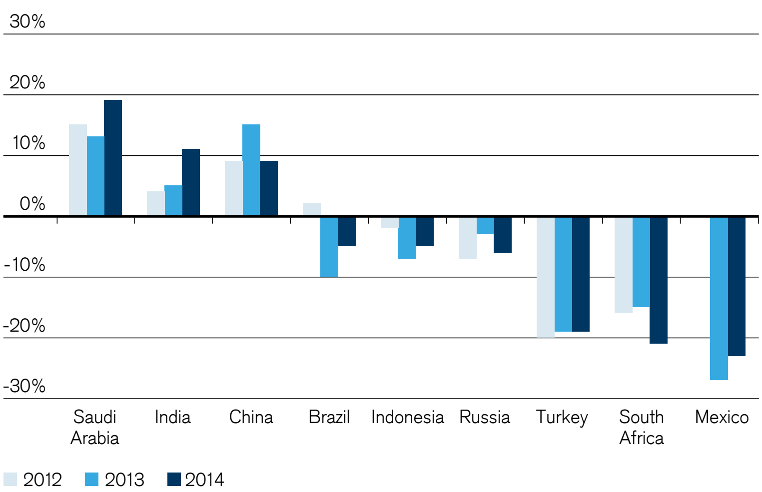


Figure 4

Net percentage of respondents replying "Yes" to "Is now a good time to make a major purchase?"

Source: Credit Suisse Emerging Consumer Survey



Taking the temperature

How do the broader macro variables, and indeed market performance, resonate with this year's survey? In last year's Emerging Consumer Survey, we introduced our simple "Emerging Consumer Scorecard" to assess the overall mood of consumers and its relevant drivers in order to distil the messages emerging from the near 100 questions that we posed to almost 16,000 consumers interviewed. We revisit this here. We focused on four questions from the survey and the influences they reflect:

- "In your opinion, is now a good time to make a major purchase?"
- "Do you think the state of your own personal finances over the next six months will be better, worse or about the same?"
- "What do you expect will happen to inflation (the price of goods and services) in the next 12 months?
- "In what way do you expect your household income to change in the next 12 months?"

While there is as much art as science in this, in focusing on these questions, we have sought to balance the more immediate perceptions of the outlook and environment in question (1) with judgements as to the environment further out in question (2). Question (3) seeks to consider the more fundamental underpinning of the consumer's health through income prospects and momentum. Question (4) puts a real, rather than purely nominal, perspective on income drivers, but assumes an added significance. As we have shown in previous research, inflation shocks, and specifically their impact on food prices, are events that can pull the rug from under the consumer more quickly than any other.

Figure 4 to Figure 7 summarize the responses around each of these factors. We have ranked each chart from left to right in terms of bullishness to bearishness surrounding each question. However, we have found over time it is as much, if not more rewarding, to look at the relative moves in countries

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as much as the absolutes. Some countries have shown consistently high or low readings on a given variable, perhaps reflecting structural views of social and political factors. This is particularly apparent in question (2) above. Looking at a range of variables does to a degree balance this out.

At a headline level, more consumers view now as a bad time to make a major purchase than good, with a net balance of –4.4%. This overall balance is relatively similar to a year ago, though with country movements within the survey as Figure 4 shows. There is a significant reversal in China's fortunes, which our analysts see, in part, as a reflection of the anti-corruption measures in 2014. This contrasts with the upward move in India. Russia has seen a slight decline, though this was of course struck before the prevailing economic crisis, which would suggest this readying only understates the deterioration. The most significant drop at the time of our survey is in South Africa.

The overall barometer of future finances in Figure 5 is also broadly similar to last year. The directional country movements are in keeping with the perception of the immediate environment outlined above. A notable mover, though, is Brazil. This is a country that does fall into the category of being perennially optimistic on this particular yardstick. However, this year it has seen among the sharpest declines in optimism of any country, reaching its lowest level since we started conducting our survey. This contrasts with India, which has hit its highest level. Note, Russia has collapsed against its own history on this yardstick.

Where inflation expectations are concerned in Figure 6, the relative rankings have not changed dramatically. However, we would note that Russia has slipped into the worst position. While not a factor here, we would note elsewhere in the survey that Russians also record having seen the highest level of food inflation of any emerging market consumer at over 7%. The collapse in the ruble will hardly help, as would be the case for any of the weak currency countries. However, being an oil exporter and having such a weak currency is a unique combination of problems.

Figure 5

Net percentage of respondents expecting an improvement in their personal finances in the next six months

Source: Credit Suisse Emerging Consumer Survey

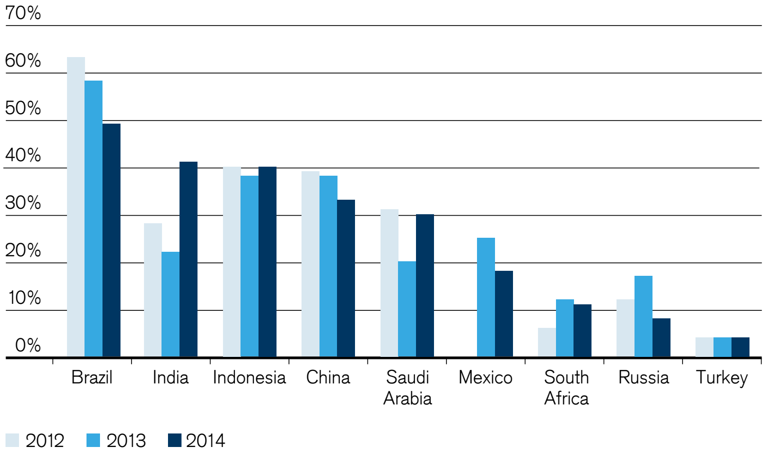


Figure 6

Net percentage of respondents expecting inflation to increase in the next 12 months

Source: Credit Suisse Emerging Consumer Survey

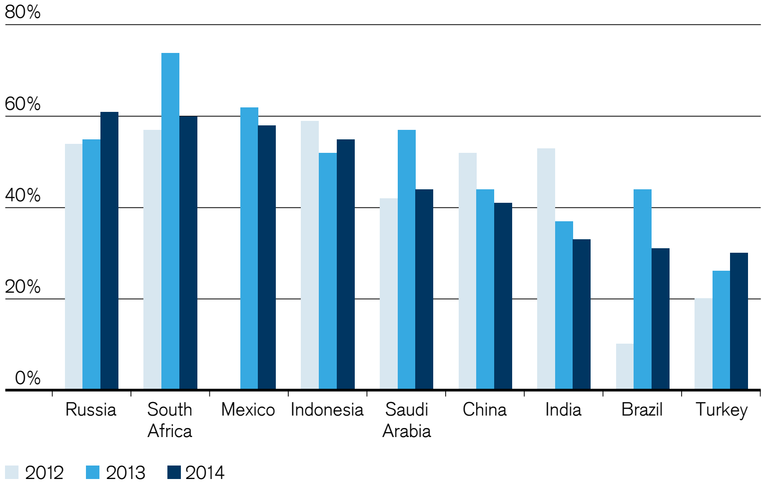


Figure 7

Weighted average of expections of change in household income in the next 12 months

Source: Credit Suisse Emerging Consumer Survey

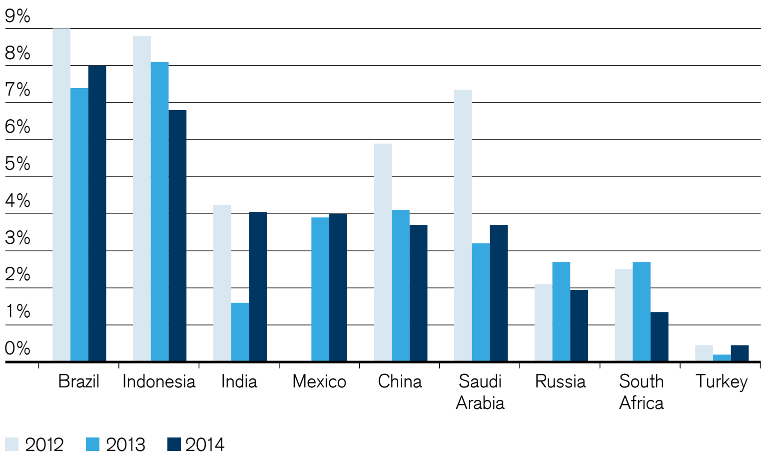
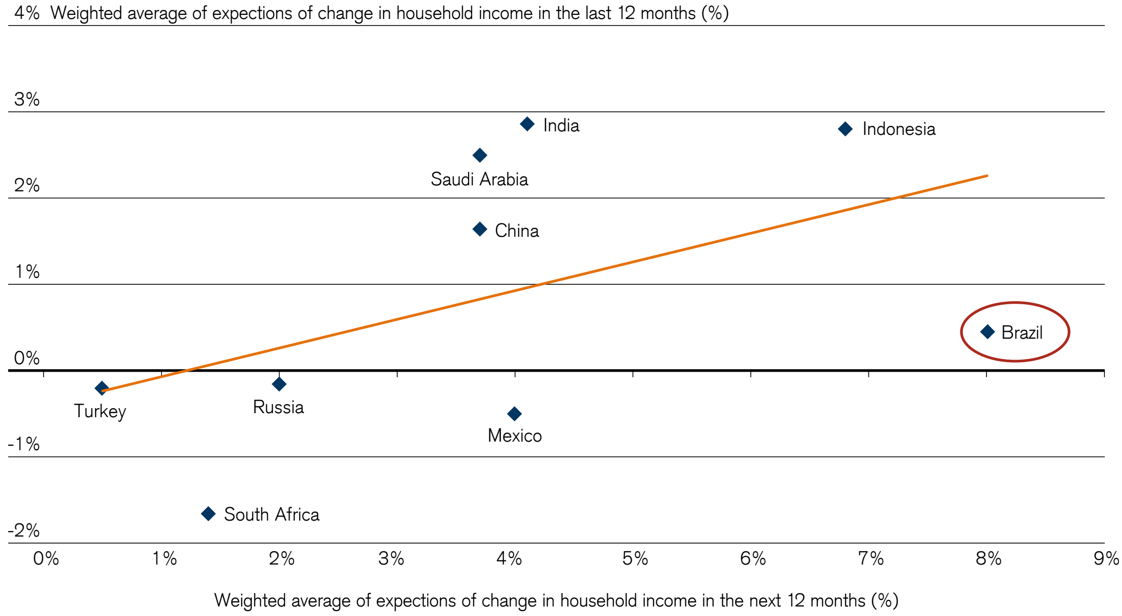


Figure 8

Household income expectations for next 12 months vs. change in household income in last 12 months

Source: Credit Suisse Emerging Consumer Survey



As for income expectations, we find Brazil and Indonesia the most optimistic in Figure 7 They have typically been so during the life of the survey. Saudi Arabia and Turkey bring up the rear. At one level, Saudi Arabia surprises us as the survey pre-dates the collapse in the oil price, which might suggest that an ever weaker picture awaits. There was a notable slippage in expectations in China, but the most dramatic reversal of fortunes comes in India. It had been second to last in 2013 and now stands third.

However, as we look at the income expectations data, we would flag a note of caution. The fact is that what many consumers have reflected in their expectations has not been what has often turned out to be the case. A consideration of the momentum of income received rather than purely the perceptions of where it might head are worth factoring into a relative assessment of the consumer. Such thinking is also encouraged by the erosion of the expectations in economic growth we saw in Figure 2 and Figure 3.

Hence in Figure 8, we contrast the relative perceptions for income a year ago in the survey with the responses from consumers on what has been delivered. The directional relationship has a degree of consistency, though the magnitude of increases have typically been too optimistic. However, among the most notable failures of hope to live up to expectations is the case of Brazil – the country where eco-

Figure 9

Emerging Consumer Scorecard 2015

Source: Credit Suisse Emerging Consumer Survey (1=top ranking, 9=bottom ranking)

Ranking (6–12m horizon)	Personal finances	Inflation expectations	Household income expectations	Time for a major purchase	Rank based on 4 factors	Income history	Rank based on 5 factors
India	2	3	3	2	2	1	1 ↑
Brazil	1	2	1	4	1	5	2 →
Indonesia	3	6	2	4	3	2	3 →
Saudi Arabia	5	5	5	1	4	3	4 ↑
China	4	4	5	3	4	4	5 ↓
Turkey	9	1	9	7	6	7	6 ↑
Mexico	6	7	4	9	6	8	7 →
Russia	8	9	7	6	8	6	8 ↓
South Africa	7	8	8	8	9	9	9 →

nomic growth expectations deteriorated the most, of course, in 2014. This casts a large question mark over this barometer of optimism for the country.

Re-running the scorecard

Figure 9 reruns our scorecard in the light of the factors above. If we were to simply use the factors from our last survey (averaged in column 6), Brazil ranks highest, though we would repeat the caveats flagged above, and also note the lower ranking as to whether "now is a good time to make a major purchase?" India rises to second top in our scorecard this year from fourth last year, and is the only country to score in the top three for each of our five key indicators. China has fallen from top of our scorecard last year to fifth this year, and in that respect, chimes well with the broader economic concerns that were expressed in 2014. South Africa and Russia prop up the table, while also concealing among the most troubling contrasts of views of life between rich and poor.

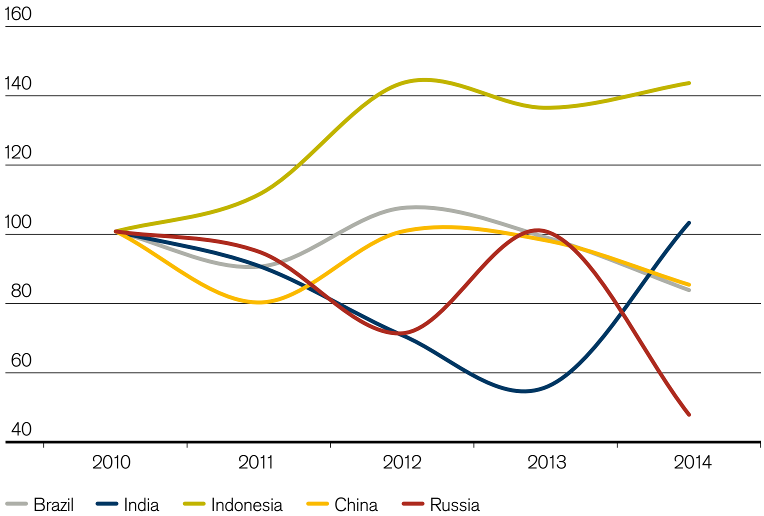
However, conscious of how income expectations and income delivered can prove very different things, we have also factored in the consideration of income delivery to the scorecard (splitting the weight 50:50 with income expectations) and ranked the countries accordingly. This stirs the pot somewhat, pushing Brazil down, given its lower rank on income delivered.

To a degree, you pay your money and take your choice with the factors above in reaching conclusions, but to us the unambiguous winner/momentum change here is with the Indian consumer on a wide range of factors. Clearly the macro data through 2014 was robust as indeed was the market reaction post the election result. Our survey supports this continuing in the consumer's view. While only one variable from our survey, Figure 10 underlines India's reversal of fortunes. In the chart, we have indexed the "personal finances" question to 2010 (our first survey) for each country shown and tracked its movement through time. This survey has reversed three years of decline. Russia before its crisis, is something of a mirror image. Aside from Russia, China tends to dominate the prevailing debate where emerging markets are concerned. However, our analysis suggests it is not the greatest source of consumer vulnerability even if the gloss has come off the story. Indonesia has remained robust throughout. Brazil is at its lows.

Figure 10

State of personal finances (2010 datapoint indexed to 100)

Source: Credit Suisse Emerging Consumer Survey



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Macro risks in 2015

While the survey was taken against a challenging macro environment, such pressures in emerging economies have only intensified since the survey was taken, not just in the case of Russia. The directions of currencies and commodity prices are the variables at the heart of the matter. In looking back at responses in our last survey for purchasing intentions after a year of currency weakness in a number of emerging market economies, Figure 11 underlines that significant currency moves do matter to the consumer's view of life. This year's major currency moves largely post-date the survey, of course. In Figure 12, we look more broadly at the twin influences of commodity sensitivity to GDP and currency vulnerability via their respective current account positions. The bottom right quadrant is the simple source of concern, and in that respect, flags a risk for one of the winning countries – Indonesia. Where Russia is concerned, its current account balance should rapidly deteriorate. We believe China poses the least reason for concern and India is relatively insulated from a commodity price perspective. Hence, whether on our bottom-up consumer drivers or top-down factors, the Indian turnaround theme looks well underpinned.

Figure 11

2013 – Currency change vs. net intentions to make a major purchase

Source: Credit Suisse Emerging Consumer Survey

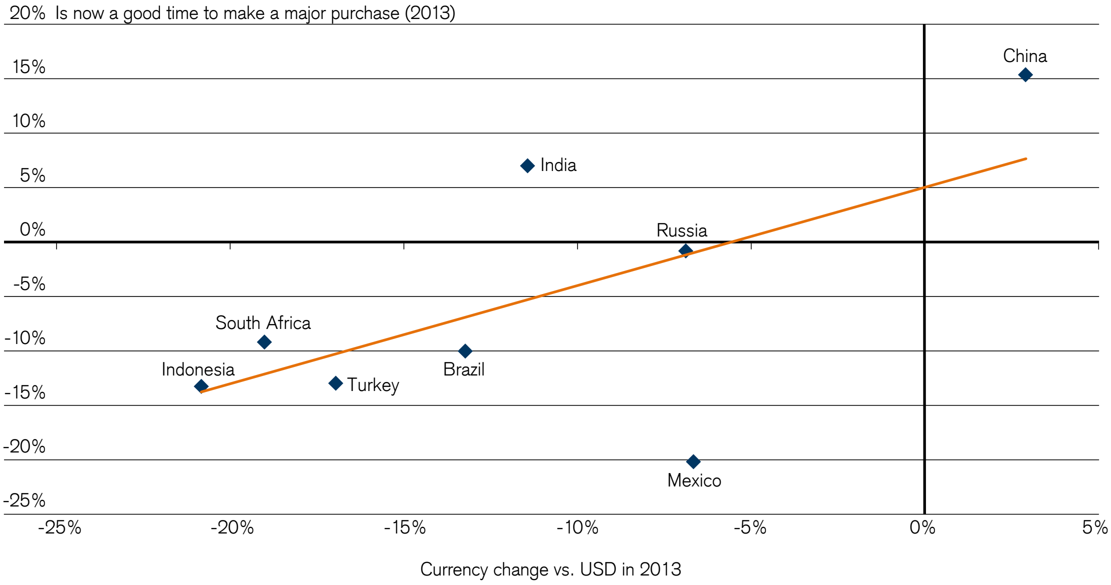


Figure 12

2014 – Net commodity exports (% of GDP) vs. current account balance

Source: Credit Suisse Emerging Consumer Survey

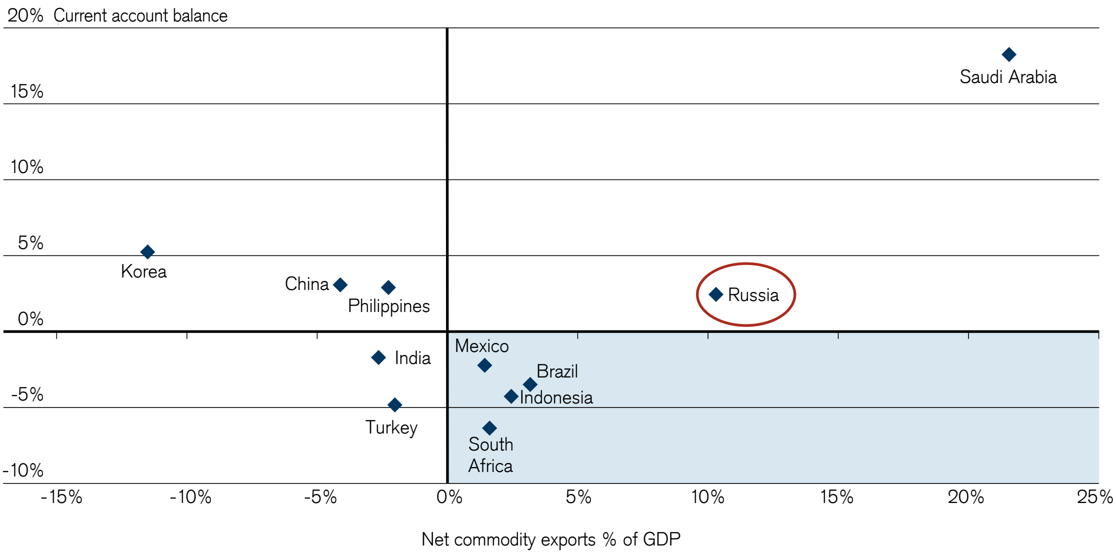


PHOTO: ISTOCKPHOTO.COM/RICHLEGG


天就行
神樓佛具
司公食肉新時
九記肉食
隆昌大

A sum of different parts

Just as generalizing about emerging economies as a whole can be highly misleading, the fortunes and perceptions of consumers within countries differ markedly. Where is the purchasing power and what are the growth end-markets?

Richard Kersley, Ashlee Ramanathan, Brandon Vair

Show me the money

While the previous chapter set out contrasts that exist at a country level, the contrasts within countries can be as great as those between them in terms of age, location, gender or income and wealth. Understanding these specific trends is key when judging the potential of specific consumer categories.

Figure 1 provides a high level snapshot of the differing characteristics and expectations of consumers in the countries in our survey. In the table, we look at three of our five key indicators used to create the consumer scorecard in the previous section. We examine household income expectations, sentiment toward major purchases, and optimism toward personal finances for each country. However, we have stratified the findings for these three indicators by location (urban or rural), age and income bracket (there is a caveat here in that the more we slice and dice the data, the smaller the sample sizes become).

Figure 1

Breakdown of household income expectations by location, age and income level

Source: Credit Suisse Emerging Consumer Survey

		India			Indonesia			China			South Africa		
		Income expectation	Major purchase	Personal finances	Income expectation	Major purchase	Personal finances	Income expectation	Major purchase	Personal finances	Income expectation	Major purchase	Personal finances
	Total	40	11	41	64	-5	40	32	9	33	11	-21	11
Area	Urban	40	12	42	69	-4	42	32	11	34	11	-18	16
	Rural	39	8	37	56	-7	34	34	5	33	7	-24	-1
Age	18–29	42	13	49	66	-3	47	42	2	37	12	-16	23
	30–45	39	10	38	70	-5	40	34	12	38	14	-21	15
	46–55	42	13	37	57	-8	32	23	12	28	8	-25	-2
	56–65	38	10	27	49	-9	26	20	14	23	2	-19	-15
Income	Low	21	11	43	47	-9	25	31	8	23	0	-28	-7
	Medium	36	9	34	70	-3	47	31	6	23	7	-14	8
	High	64	19	58	64	-3	39	34	13	42	24	-11	33

Net balance % of respondents expressing a positive sentiment   Cell shaded green when urban value is greater then rural

Mexico			Turkey			Brazil			Russia			Saudi Arabia		
Income expectation	Major purchase	Personal finances	Income expectation	Major purchase	Personal finances	Income expectation	Major purchase	Personal finances	Income expectation	Major purchase	Personal finances	Income expectation	Major purchase	Personal finances
29	-23	18	6	-19	4	51	-5	49	16	-6	8	39	19	30
30	-23	21	7	-19	0	51	-6	51	15	-3	4	39	18	30
27	-25	10	9	-19	9	51	-5	45	20	-10	15	50	28	34
33	-18	30	9	-19	9	54	-5	55	26	-3	24	42	20	32
28	-27	18	8	-19	5	48	-5	50	18	-3	9	39	19	31
24	-25	2	2	-15	-4	51	-5	48	7	-8	-1	30	15	23
30	-27	-5	0	-25	-8	47	-5	31	1	-14	-13	44	22	30
20	-26	13	2	-21	4	22	-14	46	14	-18	-4	31	10	22
39	-13	35	18	-10	14	59	-3	49	11	-8	6	46	25	35
95	-17	42	21	-21	0	60	3	56	50	6	16	54	27	36

Cell shaded grey for the age group with the highest net optimism level   Cell shaded orange for the most optimistic income group

PHOTO: ISTOCKPHOTO.COM/FSTOP123

A few key observations emerge, and some that maintain themes from last year.

• We highlighted in the previous chapter that India was our stand-out country this year and the data here provides an added reflection of this. However, the table also serves as a reminder that there are pockets of strength within countries that may have appeared more poorly ranked in our country rankings; e.g. the higher income earners in Mexico.

• Across most of our countries, the greater optimism generally rests with the younger age brackets. We have highlighted the relevance of this in China before and revisit its relevance to the auto market later in the report. Indonesia is another good example of the optimism among the young. Saudi Arabia is not surprisingly the clearest exception to this rule. This theme reflects a relatively unique feature of many emerging markets, i.e. the young and not the old have the income and wealth that economic growth has created.

• At a time when income and wealth equality tend to be high up the agenda of many commentators, the levels of optimism across the various yardsticks tend to be highest among the higher income earners than the lower. We have previously flagged how the social divisions at work in South Africa were a feature. This contrast remains as marked as ever. The exception to the rule is Indonesia, where middle-income earners are notably optimistic.

• We highlighted last year how fortunes of the rural consumer were improving, particularly in terms of their income expectations, with India a notable illustration. As Figure 2 underlines for this year's survey, the perceptions of income prospects in rural and urban communities remain relatively balanced.

If we distil these observations and consider the implications of them for consumer markets and companies, the opportunity still lies in products and services that are geared to an affluent and young consumer, although these consumers are not exclusively urban-based.

Figure 2

Income expectations – rural vs. urban consumers

Source: Credit Suisse Emerging Consumer Survey

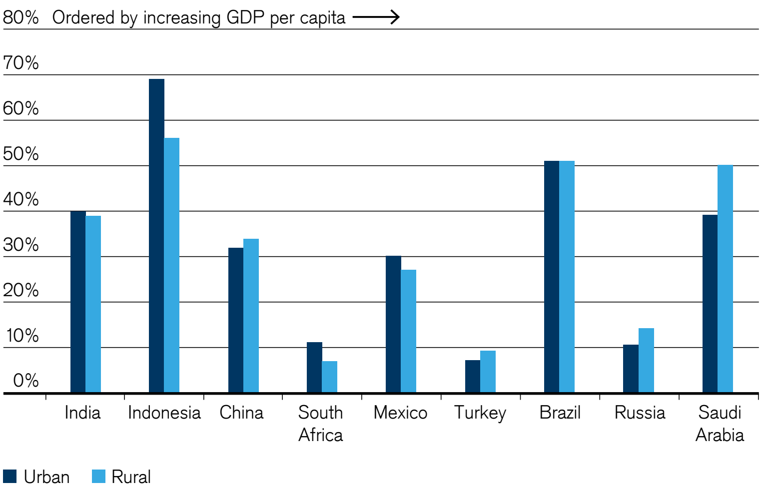


PHOTO: ISTOCKPHOTO.COM/KERRIEKERR

What's hot and what's not?

In the following chapters, we have provided a deeper dive into specific areas of consumer spending, with input from our industry specialists – e-Commerce and technology, automotive, travel, healthcare and also an analysis of brands. Figure 3 provides part of the explanation for the focus on the first four of these topics. They are the hotspots of consumer activity displaying a surprising and structural ability to withstand some of the prevailing cyclical negatives.

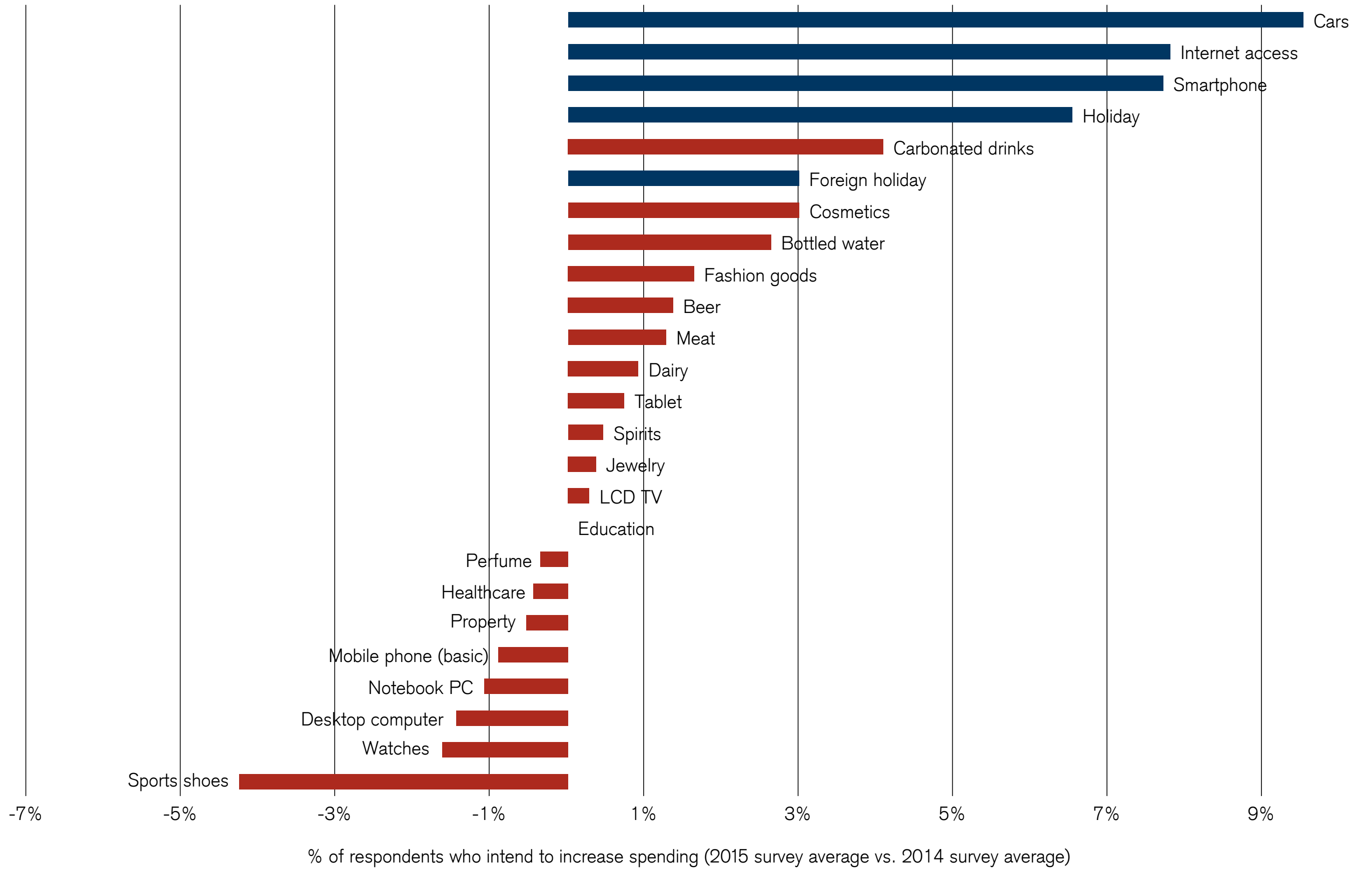
Figure 3 focuses on the momentum in spending intentions sector-wise in the survey across our nine emerging countries. It compares the spending intentions for the year ahead relative to those expressed a year ago. We detail the absolute readings in the tables below and in the country pages of the report. Despite the cyclical challenges posed to the various emerging market economies, "mobility" is a key structural theme. Purchasing intentions for the discretionary categories of cars and holidays go seemingly from strength to strength. The intentions to spend are only accelerating.

Connectivity is the other key theme, but in two respects. The rate of smartphone take-up, hand in hand with increased internet access seems, is only set to increase. Smartphones are though supplanting other forms of technology and connectivity witnessed by the fading momentum in PCs, which is not a surprise. Of course the increasing momentum in the purchase of smartphones provides an ever more significant conduit for the consumer activity taking place, as we reflect on in our next chapter on e-Commerce. As much as judging what consumers may buy, how they will buy them is as important an investment theme.

Figure 3

Spending intention momentum (this survey vs. last) for key spending categories

Source: Credit Suisse Emerging Consumer Survey



The consumer intentions "heatmap"

Figure 4 breaks down the future spending intentions for the prime categories of consumer activity (goods and services) by country. We separate spending intentions into groups of essential spending (dairy, meat), useful spending (e.g. medicines, extra education) and purer discretionary spending (e.g. holidays, cars). The individual percentages in the table represent the absolute percentage of respondents who intend to spend more in the next 12 months for a given category (the bar chart above focuses on the difference in momentum readings compared to a year ago). The table is ranked in order of GDP per capita (low to high).

The green and red cells denote where there is significant positive or negative momentum versus last year's survey, either in terms of country, category or the level of intentions. We would note that this shading only highlights outliers from a momentum perspective, and would not refer to spending intentions, which may still remain high in their own right, e.g. 90% of Saudi Arabians intend to spend on fashion goods in the next 12 months.

One can infer where spending intentions appear strong in relative terms by either reading across a row (for a country) or down a column (for a category). An example of this would be looking at the strong spending intentions of Indonesian consumers with regard to essential goods and services. This ties in with an economy with a low but growing GDP per capita, where the marginal propensity to consume essential goods is very high for every extra dollar earned. Saudi Arabia would be the polar opposite. Similarly, looking down the "upgrade to smartphone" column, one can see a healthy amount of green shading, indicating that this is a spending category with strong momentum across the emerging markets. India is notably seeing momentum in a wide range of categories.

Figure 4

Spending intentions "heatmap"

Source: Credit Suisse Emerging Consumer Survey

Ordered by increasing GDP per capita	Essential goods and services					Useful goods and services						Discretionary goods and services			
	Dairy products	Bottled water	Carbonated drinks	Consumption of meat	First / change mobile phones	Purchase a property	Medicines	Education or training	Computer	Passenger car	Broadband access	Fashion goods	Upgrade to smartphone	Holiday	Foreign holiday
India	65 %	36 %	56 %	27 %	26 %	16 %	17 %	11 %	9 %	11 %	45 %	89 %	46 %	68 %	1 %
Indonesia	52 %	64 %	37 %	15 %	54 %	31 %	2 %	3 %	17 %	13 %	17 %	50 %	55 %	65 %	1 %
China	41 %	33 %	22 %	22 %	69 %	19 %	9 %	14 %	22 %	23 %	89 %	55 %	49 %	59 %	11 %
South Africa	63 %	33 %	61 %	40 %	60 %	12 %	13 %	14 %	11 %	14 %	35 %	52 %	52 %	30 %	2 %
Mexico	46 %	44 %	28 %	16 %	54 %	22 %	10 %	11 %	15 %	15 %	43 %	43 %	54 %	44 %	4 %
Turkey	29 %	27 %	25 %	21 %	37 %	11 %	9 %	1 %	10 %	11 %	67 %	72 %	47 %	44 %	4 %
Brazil	46 %	42 %	43 %	17 %	57 %	17 %	4 %	11 %	18 %	21 %	91 %	77 %	77 %	56 %	6 %
Russia	25 %	14 %	10 %	26 %	46 %	10 %	17 %	7 %	11 %	10 %	81 %	75 %	31 %	76 %	24 %
Saudi Arabia	56 %	51 %	47 %	22 %	91 %	17 %	9 %	7 %	25 %	25 %	87 %	90 %	71 %	72 %	32 %
Survey avg.	**47 %**	**38 %**	**37 %**	**23 %**	**55 %**	**17 %**	**10 %**	**9 %**	**15 %**	**16 %**	**62 %**	**67 %**	**54 %**	**57 %**	**9 %**

Cell shaded green if there is positive momentum in this category from last year

Cell shaded red if there is negative momentum in this category from last year

PHOTO: ISTOCKPHOTO.COM/UGURHAN

Figure 5

Spending penetration "heatmap" – have you brought X product in the last 12 months?

Source: Credit Suisse Emerging Consumer Survey

Ordered by increasing GDP per capita	Essential spending					Useful spending						Discretionary spending		
	Dairy products	Bottled water	Carbonated drinks	Consumption of meat	First / change mobile phones	Credit cards	Property	Access to healthcare	Computers	Passenger car	Internet access	Smartphone	Holiday	Foreign holiday
India	93 %	76 %	90 %	8 %	98 %	29 %	71 %	91 %	40 %	19 %	46 %	47 %	64 %	1 %
Indonesia	76 %	94 %	74 %	5 %	83 %	10 %	81 %	45 %	22 %	7 %	35 %	40 %	62 %	0 %
China	75 %	76 %	64 %	15 %	99 %	49 %	83 %	74 %	91 %	37 %	71 %	85 %	57 %	6 %
South Africa	92 %	45 %	93 %	14 %	89 %	35 %	73 %	57 %	36 %	41 %	53 %	60 %	25 %	4 %
Mexico	85 %	83 %	90 %	14 %	81 %	30 %	64 %	62 %	51 %	35 %	56 %	60 %	39 %	2 %
Turkey	91 %	78 %	86 %	14 %	93 %	60 %	63 %	84 %	68 %	35 %	69 %	60 %	43 %	3 %
Brazil	91 %	73 %	93 %	15 %	96 %	69 %	74 %	72 %	81 %	54 %	86 %	70 %	41 %	3 %
Russia	93 %	80 %	65 %	21 %	99 %	38 %	92 %	96 %	85 %	53 %	78 %	54 %	71 %	23 %
Saudi Arabia	98 %	100 %	96 %	17 %	100 %	46 %	53 %	68 %	96 %	96 %	96 %	96 %	70 %	25 %
Survey avg.	**88 %**	**78 %**	**83 %**	**14 %**	**93 %**	**41 %**	**73 %**	**72 %**	**63 %**	**42 %**	**66 %**	**64 %**	**52 %**	**7 %**

Cells shaded green if more than 1 standard deviation above survey average

Cells shaded red if more than 1 standard deviation below survey average

Spending penetration "heatmap"

While Figure 4 provides a perspective on what areas of spending have immediate potential, Figure 5 gives a sense of what untapped potential remains. We proxy this by looking at the categories in which consumers have registered purchases in the last 6–12 months by country.

Similar to the spending intentions heatmap, we have divided spending into three categories: essential spending, useful spending and discretionary spending. We have also included credit card usage and life insurance to provide a reflection, if very general, of the penetration of financial services. The answers to these questions have been collated as percentages in Figure 5. At the bottom of each category, we display the average penetration across the survey.

We have color-coded categories that are relatively under-penetrated within a country versus their emerging market peers in red, i.e. their readings are more than one standard deviation below the survey average. In contrast, we highlight countries that are highly penetrated in green, i.e. their readings are more than one standard deviation above the mean.

Figure 6

Survey average: Spending penetration vs. spending intentions

Source: Credit Suisse Emerging Consumer Survey

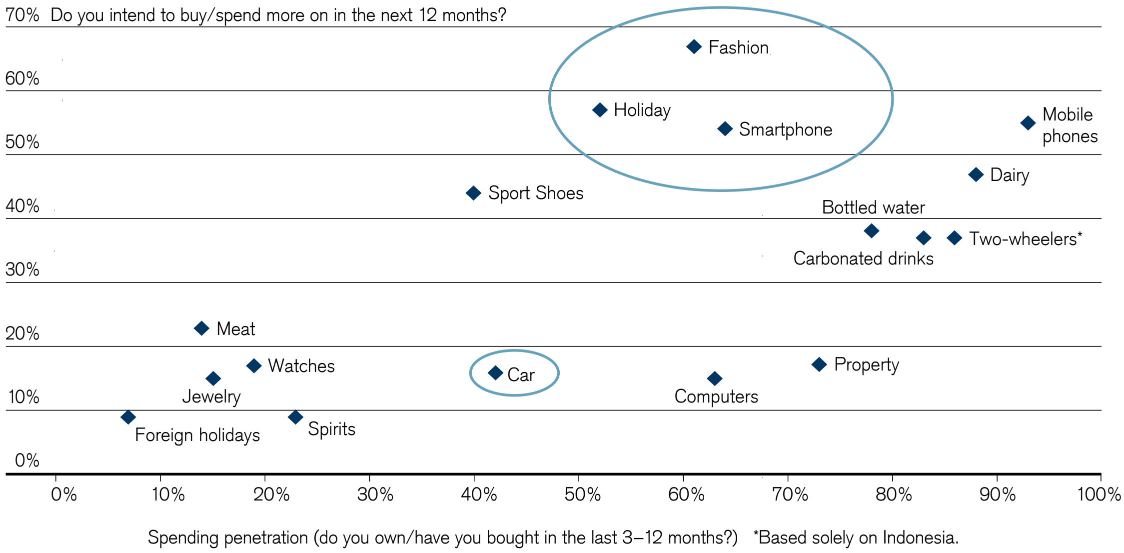
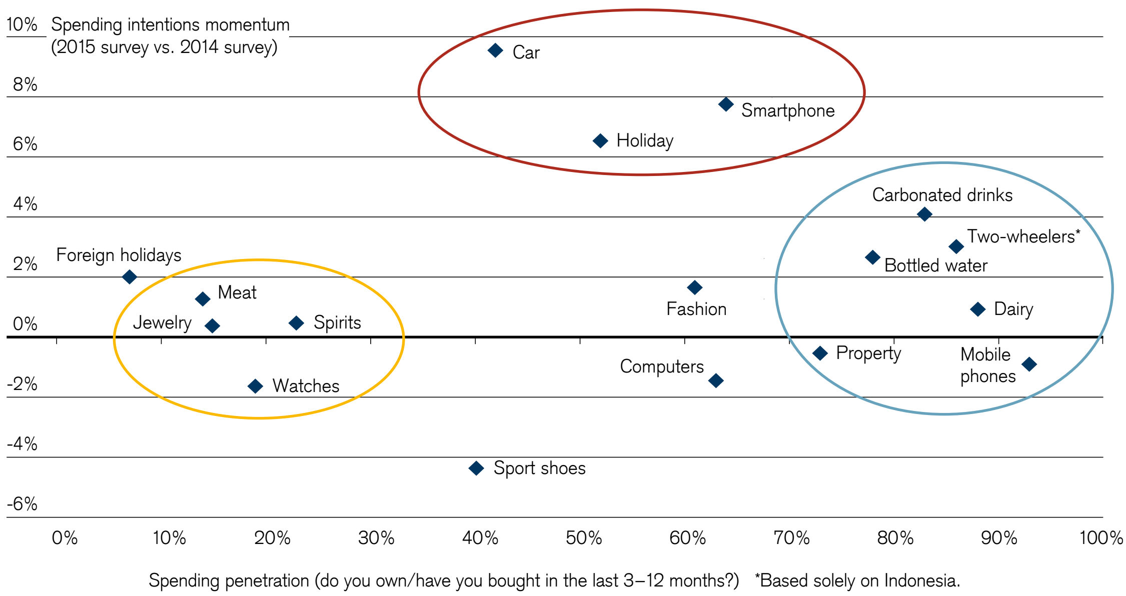


Figure 7

Survey average: Spending penetration vs. spending intentions momentum

Source: Credit Suisse Emerging Consumer Survey



It comes as no surprise that the bulk of underpenetrated categories are located in the top half of our table. This underlines the potential in the likes of India and Indonesia. The contrasts between Mexico and Brazil are also striking. We would stress that, where categories are flagged as well penetrated, this does not necessarily imply that growth opportunities are limited, but the story would be more likely driven by trading up or new product innovation.

We can effectively combine the output from the two "heatmap" tables to look for categories of spending that have strong spending intentions, but also come from a position of moderate penetration. We have sought to do this in the scatter chart in Figure 6. The "hot spots" are in the fashion, holiday and smartphone areas. **(In our brands chapter, we note the accelerating traction of "affordable" luxury fashion brands).** In Figure 7, we have shown spending momentum as per the bar chart in Figure 3 but, alongside spending penetration as in the first scatter chart. This highlights improving spending intentions that may be set to increase from a low base. Cars are the key case in point. Their spending intentions relative to other categories in Figure 6 may not look as impressive but the rate of increase is the strongest of any category and coming from penetration rates below 50%. As our Autos chapter underlines, China is the biggest car market in the world. There is substantial scope for growth. Of course the pattern varies from country to country and we highlight this in our country summaries.

Putting the findings in context

The familiar theme of our emerging consumer surveys has been that of tracking the development of "discretionary" consumer end-markets as the income levels of these economies grow. As GDP per capita rises, the emerging consumer should ascend an "S - curve" of discretionary consumption. In our recent Investment Banking research report *"Investing for growth, September 2014",* we set out a matrix showing the typical growth potential of different categories of consumer spending as GDP per capita increased, based upon the historical precedent of development in other developed economies of these segments. Figure 8 revisits this matrix and also positions our survey countries within it, on projected 2019 GDP per capita terms.

With the average GDP per capita for global emerging markets as de fined by MSCI at USD 11,000 and projected to move to USD 15,300 in the next five years, we would progressively be looking toward the bottom left corner of the chart. The respective countries are positioned differently of course in GDP per capita terms. The mix of categories we use in our survey does not fit this template perfectly. Computers are arguably a proxy for the new phenomenon of smartphones, however, the fact that the theory of the table broadly matches the "here and now" offered by our survey remains assuring. The discretionary categories that should be responding to rising incomes do appear to be doing so. We drill down more into these themes in the chapters that follow.

Figure 8

Growth potential in spending categories split by GDP per capita

Source: Credit Suisse, IMF, 2017 GDP per capita

GDP per capita (2019E)	Country	Growth potential		
		High	Medium	Low
Below USD 2,000		Cereals Two-wheelers	Apparel Meat	Beverages Healthcare Education Consumer credit Cars PCs/Laptops Beauty products Tourism
USD 2,000–5,000	India Indonesia	Apparel Meat	Beverages Cars Cereals PCs Education	Healthcare Consumer credit Tourism
USD 5,000–10,000	South Africa	Beverages Cars PCs Beauty products	Meat Apparel Healthcare Consumer credit Tourism	Cereals Two-wheelers
USD 10,000–25,000	China Mexico Turkey Brazil Russia Saudi	Education Healthcare Education Consumer credit Beauty products Tourism	Cars PCs Beverages	Cereals Two-wheelers Meat Apparel

e-Commerce and the emerging consumer

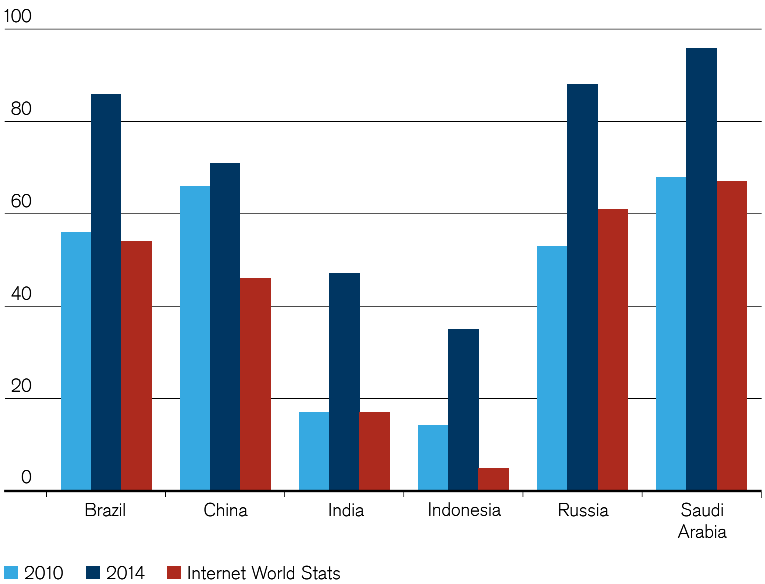
This year's Emerging Consumer Survey provides strong support for our positive view on the outlook for e-Commerce across the countries surveyed. We believe that e-Commerce across these nine countries could become bigger as a share of total retail sales than in developed economies, with a possible USD 3 trillion retail market developing. How consumers shop is as important a theme as what they shop for.

Eugène Klerk, Dick Wei, Anantha Narayan, Tobias Stingelin

Figure 1

Internet access increasing across the range of our countries, but especially in Indonesia and India

Source: Credit Suisse Emerging Consumer Survey



Onward and upward online

This year's Emerging Consumer Survey provides strong support for our long-standing positive view on the outlook for e-Commerce across the countries surveyed. Especially striking, in our view, is the strong growth in online shopping behavior and intentions of consumers in India. For example, the share of respondents in India that have used the internet for online shopping increased to 32% from 20% in 2013, while the share that is likely to use the internet for online shopping in the future is now higher than that of China.

We believe that e-Commerce across the nine countries of our survey might become bigger as a share of total retail sales than in developed economies. Reasons for this are (1) the relatively underdeveloped "bricks and mortar" retail sector, especially in more rural areas, (2) the rapid increase in the share of consumers with smartphone-related

PHOTO: ISTOCKPHOTO.COM/SCYTHER5

Figure 2

Internet access by income shows that strong growth potential remains, assuming incomes rise

Source: Credit Suisse Emerging Consumer Survey

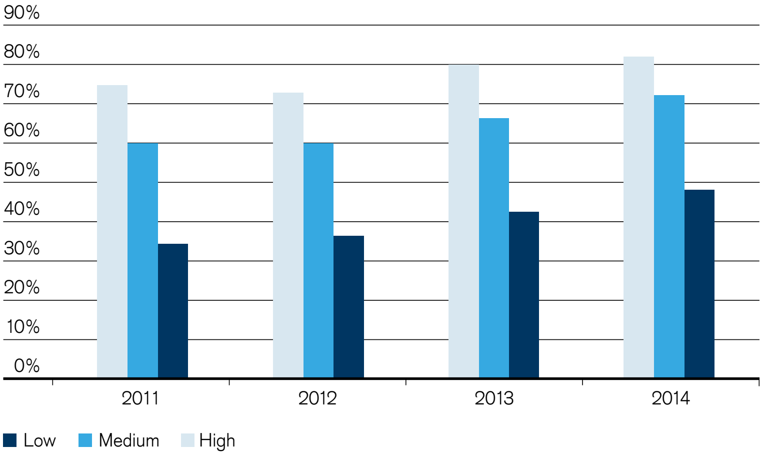


Figure 3

Internet usage converging to developed country levels would suggest an additional 1 billion users

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Research

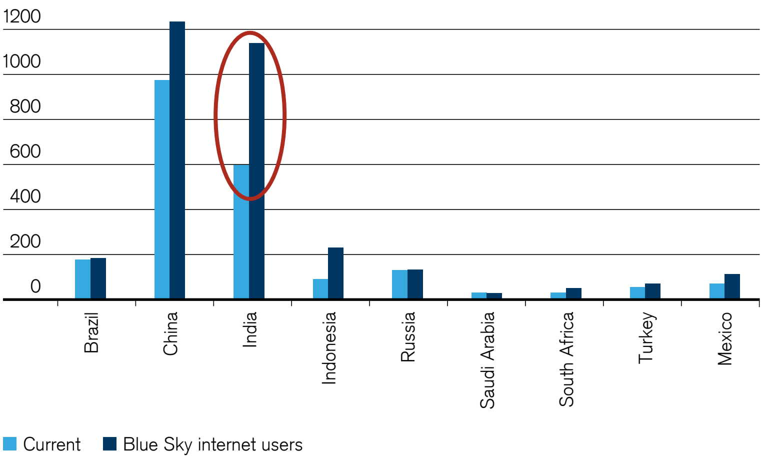
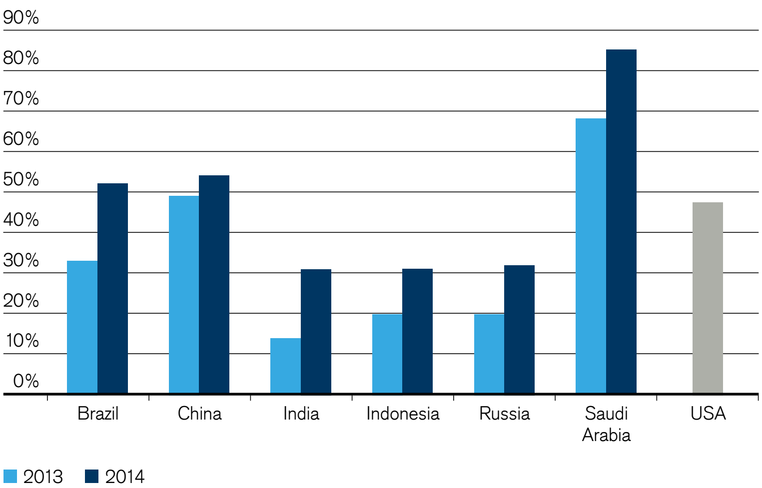


Figure 4

% of respondents using smartphones to access the internet

Source: Credit Suisse Emerging Consumer Survey, eMarketer, iResearch



internet access creating new verticals of spending and (3) the underlying driver of expanding disposable income. We estimate that this could lift total annual online retail sales across our surveyed markets to as much as USD 3 trillion, which would impact companies across multiple sectors including retail, finance, security and technology.

Internet access in GEM remains a structural growth theme

Our positive view on internet, related themes for emerging countries was reconfirmed by this year's Emerging Consumer Survey. For example, in China, 71% of respondents to our survey claim to have access to the internet, compared to 66% in 2011. In the case of Brazil, the same ratios reached 86% versus 81% in our previous research, while in India, internet access increased from 31% in 2013 to 47% this year.

The responses to our survey imply internet penetration rates across emerging countries that are well above those quoted by other sources, such as internetworldstats.com, where Global internet penetration is quoted at 42%. We note that our survey focuses on consumers aged 18 to 65 and has an above average representation of employed people. This introduces a bias versus other internet surveys, which review penetration relative to all citizens aged 2 and older. However, we note that the year-over-year changes are very much in line with those surveys, which therefore supports the validity of our relative conclusions (Figure 1).

To understand the magnitude of the growth opportunity that remains for internet usage across the countries used in our survey, we reviewed penetration by income group. Figure 2 clearly shows that internet access among low income groups is increasing more rapidly than for medium or higher earners; however, plenty of upside remains, assum-

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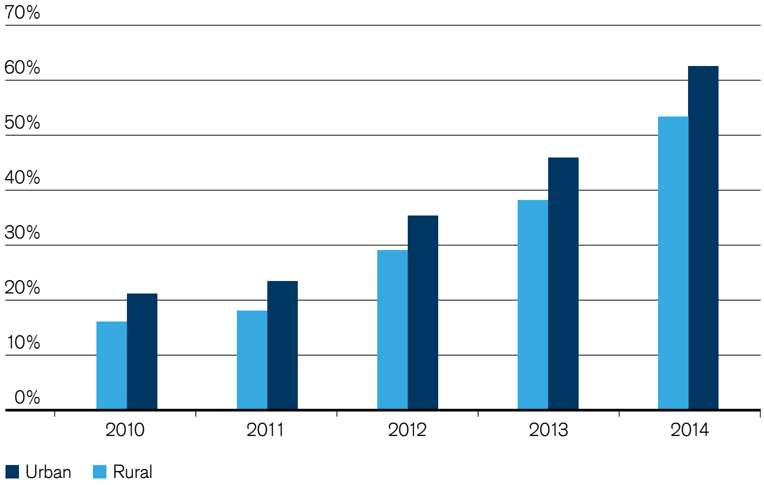
Figure 5

Share of smartphones rising rapidly in rural as well as in urban areas

Source: Credit Suisse Emerging Consumer Survey



ing that income levels across developing countries continue to rise.

The further expansion of the middle class across the emerging world provides a powerful driver in lifting overall internet usage to developed market standards, in our view. For example, assuming that internet usage across the developing world matures to developed country levels would imply an increase in total internet users across our surveyed countries of over 1 billion. India and China are arguably the biggest contributors with 538 million and 258 million additional internet users, up from current levels of 243 million and 642 million respectively (Figure 3).

Mobile internet taking over from fixed line

Companies aiming to benefit from the growth of internet usage across emerging countries should have a well-developed mobile strategy. The reason for this is that internet usage across developing countries is increasingly led by mobile phone access rather than fixed line-based internet. For example, around 67% of internet usage in India is through smartphones rather than through fixed-line access. Smartphone-related internet access is also higher than fixed-line access in China, where 56% of respondents now have internet access through smartphones compared to 51% in our previous survey.

Year-over-year, we find that smartphone penetration is rising across the countries in our survey and quickly converging to developed nation levels. Importantly though, we also find that smartphone penetration across rural areas is increasing rapidly. This is particularly relevant, given that the so-called last mile of fixed-line networks across rural areas in emerging countries is typically underdeveloped, which in the absence of smartphone-based internet access, would limit the immediate growth opportunity in e-Commerce.

Figure 6

% of respondents who have used the internet for online shopping

Source: Credit Suisse Emerging Consumer Survey

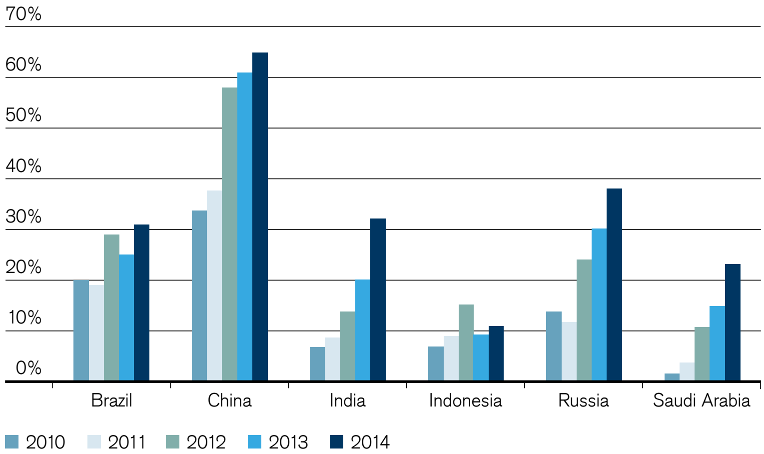


Figure 7

Share of younger respondents shopping online increasingly rapidly, especially in India

Source: Credit Suisse Emerging Consumer Survey

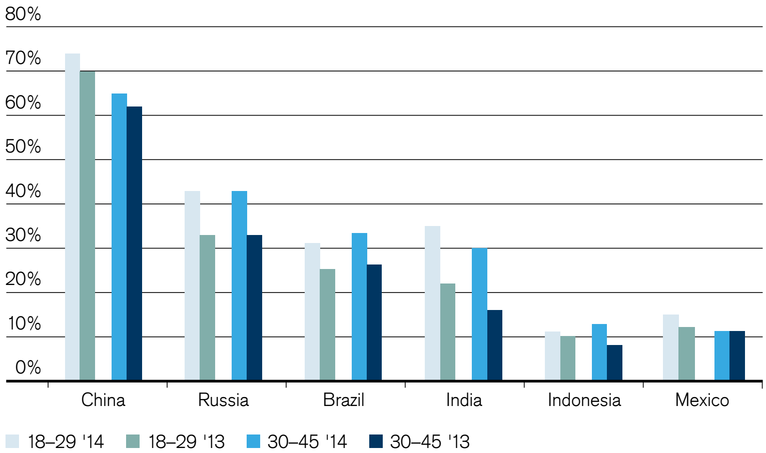


Figure 8

Major services used on internet in China

Source: Credit Suisse Emerging Consumer Survey
What services have you used on the internet in the last 6 months?

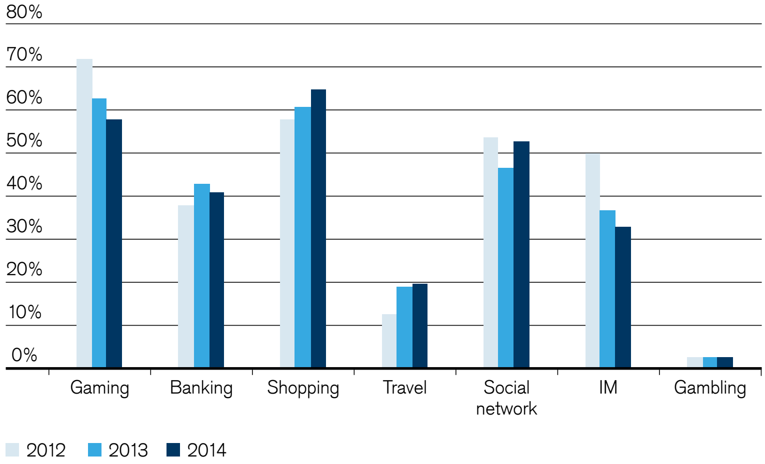


Figure 9

Major services used on internet in our survey

Source: Credit Suisse Emerging Consumer Survey

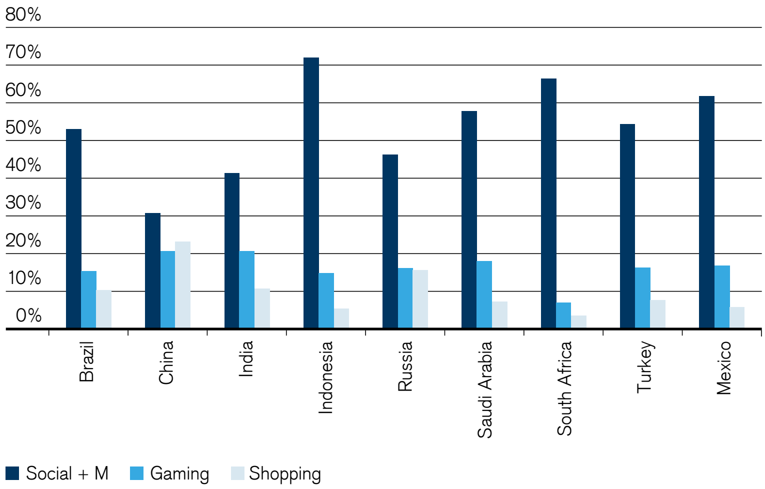


Figure 10

Online retail is growing strongly: China is almost at US levels

Source: Forrester, CEIC, iResearch, Credit Suisse estimates
Retail internet penetration (%)

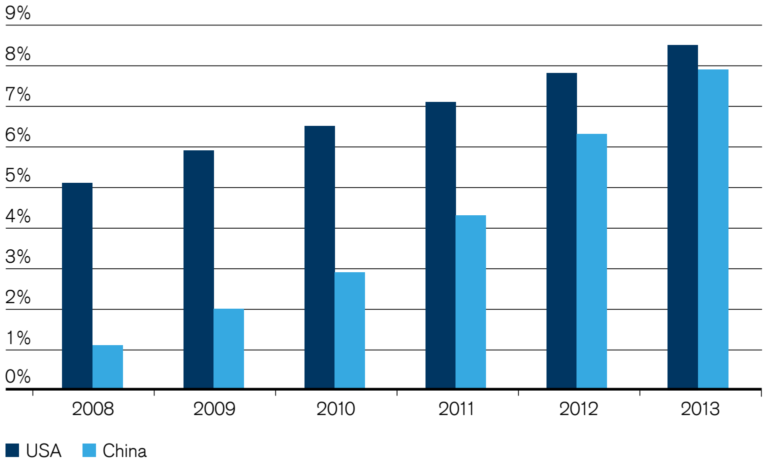


PHOTO: ISTOCKPHOTO.COM/LDPROD

e-Commerce growing quickly across all countries, led by young people

More widespread internet usage and increasing spending power are factors that are driving the trend toward e-Commerce, in our view. e-Commerce is most accepted in China, with 65% of respondents claiming to have made a purchase online during the past six months. This compares to less than 40% for the other countries (Figure 6). However, momentum in relation to the share of online shoppers across the other countries is stronger. For example, 32% of internet users in India now shop online, which compares to just 14% in 2011.

Online shopping is dominated by younger people. The survey shows that more than 70% of internet users in China that are younger than 30 years shop online (Figure 7). This is a much higher percentage than we find in other countries; however, as far as growth momentum is concerned, we note that countries such as India have started to accelerate, with the share of younger people shopping online almost doubling compared to 2013.

Interestingly, we also note that as internet usage becomes more accepted and widespread, the mix of activities changes away from gaming and instant messaging toward more commercial transactions, such as shopping, banking and travel. In the case of China, this has been taking place for quite a few years (Figure 8).

In the case of the other developing countries, we find that internet usage remains focused on social networks and instant messaging. Shopping, or e-Commerce, accounts for less than 10% of internet usage in the case of India, Indonesia, Saudi Arabia, South Africa, Turkey and Mexico

(Figure 9). According to e-bit, a Brazilian consultancy firm, the biggest categories in Brazilian e-Commerce are fashion retailing (18% of the transactions), cosmetics and HPC (16%) and household appliances (11%). In China, apparel, household goods and electronics account for around 50% of overall retail spending.

e-Commerce might become bigger in emerging than developed economies

Based on the trends in the statistics shown earlier, we believe that the future growth potential for e-Commerce across the developing world is very strong, resonating with other research at Credit Suisse such as *"Credit Suisse Research Institute Latin America: The Long Road, Feb 2014"*, *"India Internet Sector. The modern day gold rush, Sep 2014"* and *"APAC e-Commerce Primer. An evolutionary force, May 2013"* to name a few. Online retail sales in the USA now account for approximately 9% of total retail sales, whereas this figure is as high as 11% in the UK. The Chinese online retail segment has risen very strongly from 1% in 2009 to around 8% in 2013 (Figure 10). Despite the strong uplift in online shopping activity from respondents to our survey in India, we note that for the country as a whole, e-Commerce accounts for only 1% of total retail sales.

One reason to be optimistic about the growth outlook for e-Commerce across emerging countries is the fact that the "bricks and mortar" retail sector, especially in rural areas, is less developed than in developed countries. Therefore, online retailing in emerging economies might actually become bigger as a share of total retailing than in developed economies.

Figure 11

Offline retail infrastructure (m^2/capita, 2013)

Source: Euromonitor

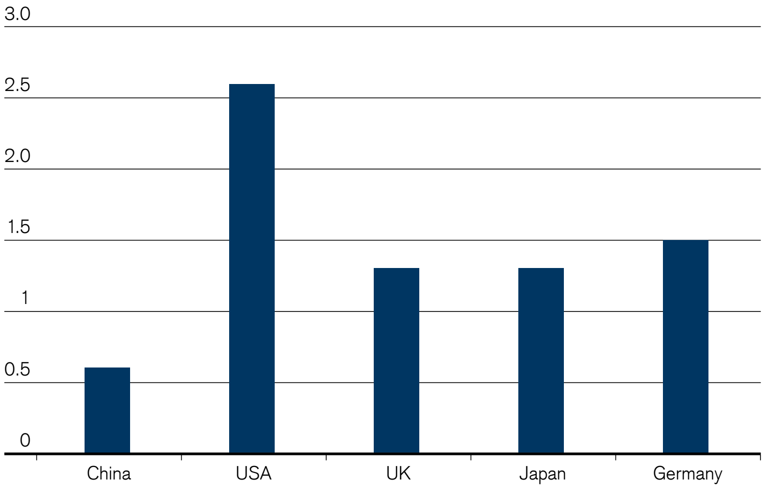


Figure 12

% share of rural respondents that purchased goods online

Source: Credit Suisse Emerging Consumer Survey

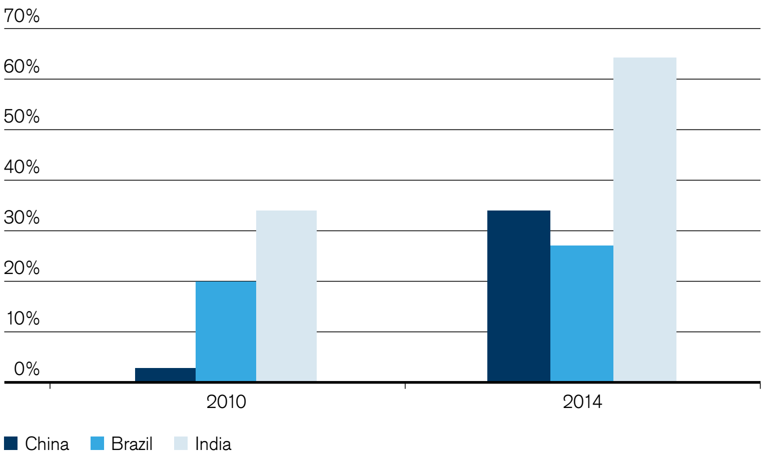


Figure 13

The share of consumers that is likely to spend more on line is increasing across all countries

Source: Credit Suisse Emerging Consumer Survey

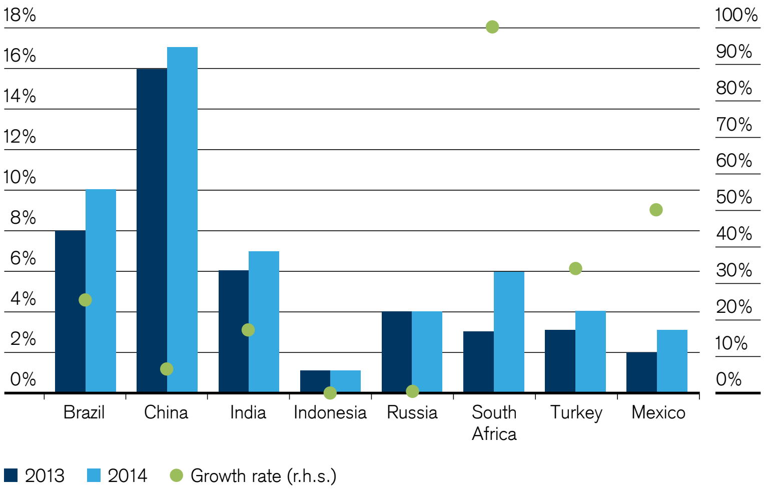


Figure 14

Consumers are multi-channel

Source: Magazine Luiza, Forrester Research. Web-Influenced Retail Sales Forecast 2012 to 2017

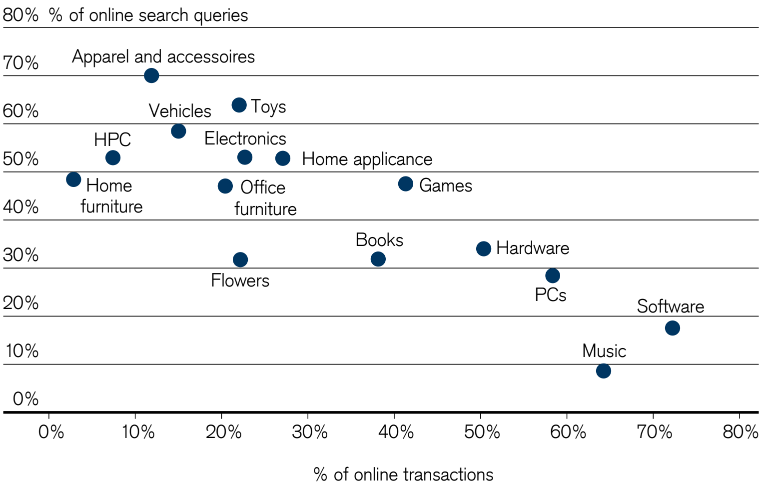


Figure 15

Share of online market by region

Source: eMarketer, iResearch, IDC

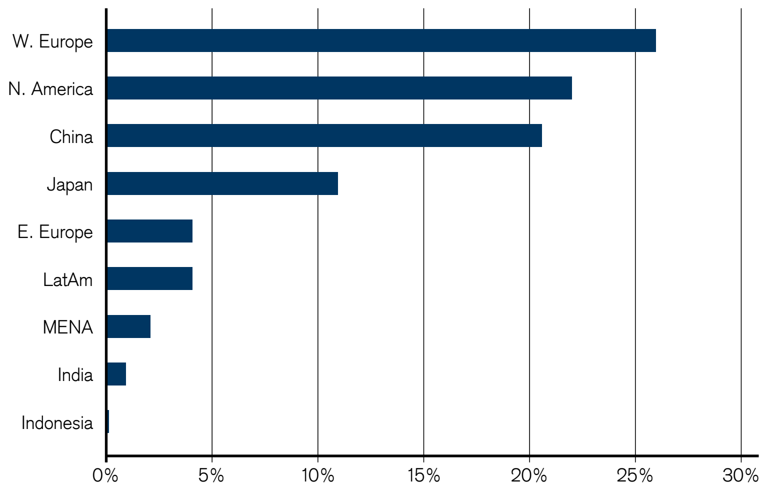
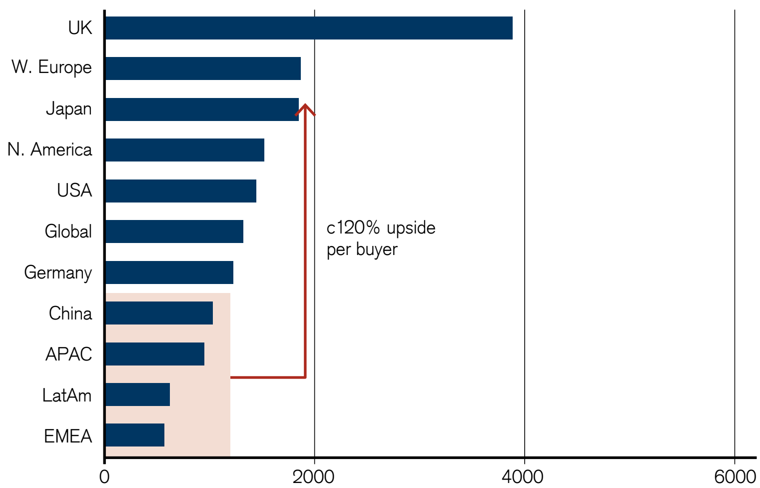


Figure 16

Average spending per emerging buyer remains well below levels seen in developed economies

Source: eMarketer, IDC, Credit Suisse



Another reason to be optimistic about the more near-term growth profile of online retailing is the fact that rural spending is increasing. Our survey showed, for example, that the share of rural respondents in India that had purchased goods online increased from just 3% in 2010 to 34% in 2014. The share of rural Chinese buying goods online almost doubled during the past 4 years to 64% (Figure 12). **We would also remind readers of the comments in Chapter 2 that highlighted the revival in the fortunes of the rural consumer more generally. Purchasing power is increasing.**

Spending intentions remain very positive and provide yet more support for our positive view on the outlook for e-Commerce across developing countries. The share of Chinese consumers expecting to spend online during the next six months remains high at around 35%. Interestingly, we find that intentions are now even higher for consumers in India and South Africa, and also rising rapidly in Brazil, Indonesia and Russia (Figure 13).

Although we strongly support the outlook for e-Commerce across the emerging world, we note that this by no means suggests the death of the more traditional bricks and mortar retail model. For example, data from the Consumer Barometer Survey 2014 in Brazil indicates that 54% of the consumers searching products online actually completed their transactions within a physical retail shop. This implies that a multi-channel offering by retailers may actually benefit in-store sales (Figure 16).

A recent credit-card based survey by Marisa, the Brazilian retailer, supports this view, as it found that consumers who shopped both online and in its stores typically spend 50% more in the former and 20% more in the latter compared to customers who bought products via one channel only.

PHOTO: ISTOCKPHOTO.COM/SOLSTOCK

Figure 17

Potential e-Commerce market (USD billion)

Source: Credit Suisse Emerging Consumer Survey

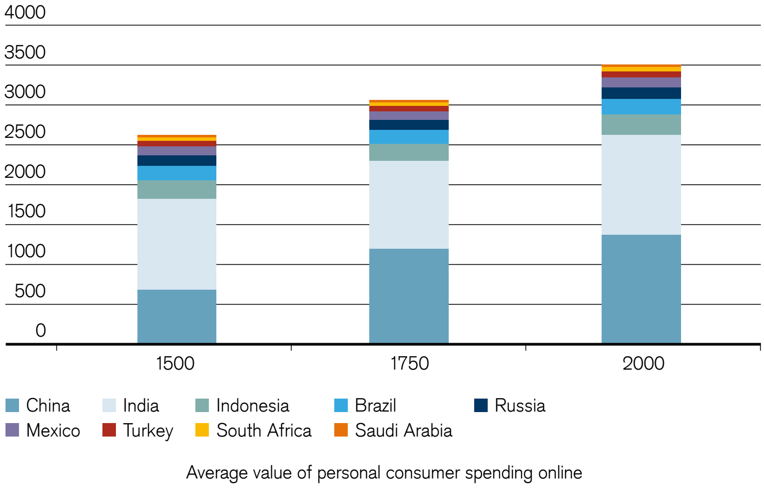


Figure 18

Online education is a growing market

Source: Credit Suisse Emerging Consumer Survey
% of respondents who conducted online education

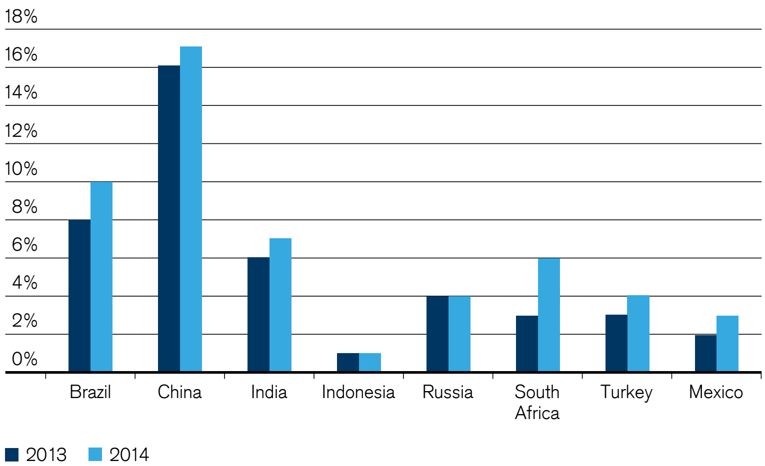
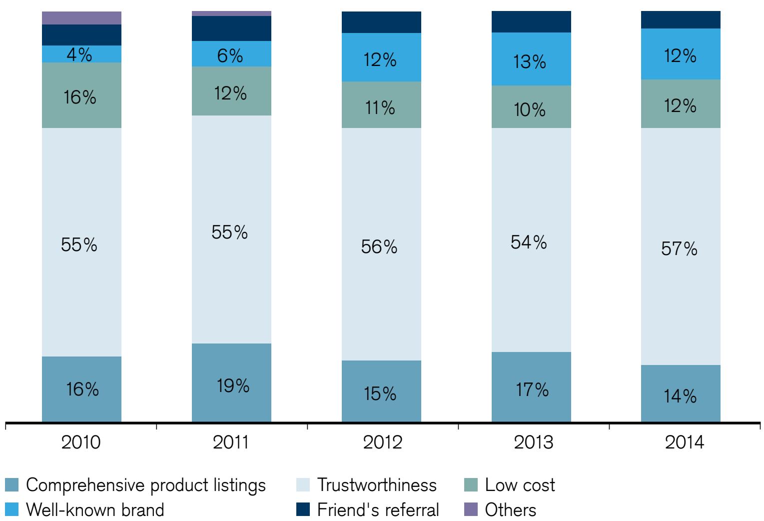


Figure 19

Reason to choose favorite e-Commerce website

Source: Credit Suisse Emerging Consumer Survey



Potential of e-Commerce market

To judge the potential magnitude, we have run some scenarios for the share of online retail spending across our nine developing countries.

- **Conservative estimate:** For the UK and USA we find that around 10% of current total retail sales is done online. A similar ratio for our countries would imply annual turnover of approximately USD 400 billion. We believe that this scenario is actually quite conservative, given that China is already at around 10%, whereas it also does not incorporate the potential for e-Commerce to be bigger across emerging economies owing to the absence of a formalized retail sector.
- **Optimistic scenario:** Another, more optimistic, scenario is one that compares the penetration of online buyers and their spending levels in emerging countries to levels experienced across developed countries.

Currently, buyers across Western Europe, Japan and North America spend more than USD 1,700 per year online, with UK consumers spending almost USD 3,900. The average for developing economies, on the other hand, is less than USD 800 (Figure 16). At the same time, we find that the share of online buyers across the developed world averages around 50%, whereas this share is substantially less than 20% for most emerging economies.

If we assume that online penetration in the nine countries of our survey converges to the 50% average for developed countries, and that in the long term, average spending increases to developed country averages, we calculate that the total e-Commerce market may reach annual turnover of USD 2.6–3.5 trillion. This would represent a seven to nine-fold increase over the current online market in our surveyed countries.

Figure 20

Most frequently used payment method

Source: Credit Suisse Emerging Consumer Survey

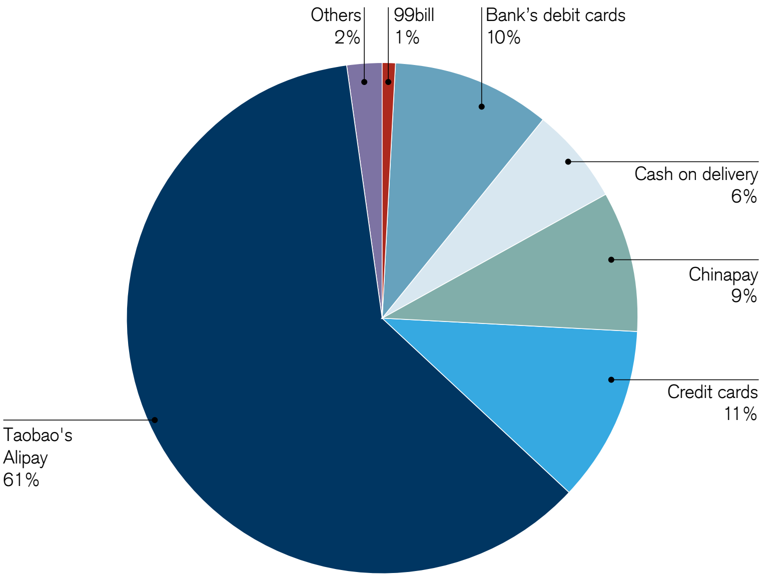
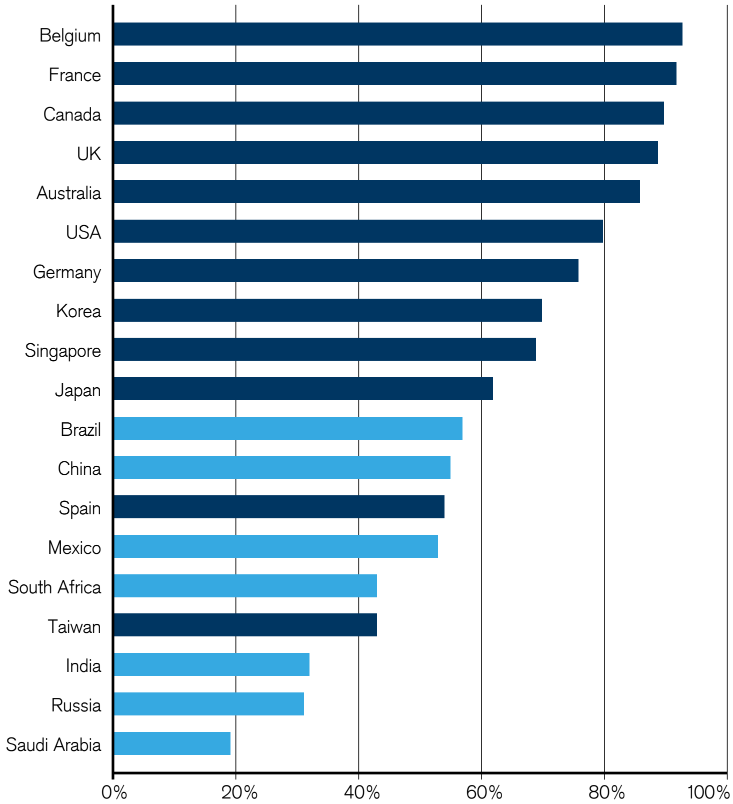


Figure 21

% of non-cash consumer payments

Source: Mastercard Advisors' Cashless Journey, Oct '13



The Chinese online retail market would, based on this calculation, generate long-term revenues of around USD 1.1 trillion, compared to the approximately USD 0.3 trillion generated in 2013. These estimates are not too aggressive, in our view, given that in our recent initiation on Alibaba, we estimate that online shopping volumes in China are likely to increase 2.5x during the next three years and reach an estimated USD 728 billion by 2016.

The above, coupled with smartphone unit growth projected to be 20% year-on-year, means that a variety of end-markets stand to benefit, not only technology hardware and software companies that enable the experience, but also the product providers. These include music, book, electrical and online education producers (Figure 18). We remain very positive on the Chinese e-learning sector, which is underpinned by high employment pressure and a migration to use of mobiles in professional training *(China Internet Sector, Jan 2015).*

Internet security remains a key issue for the future development of the theme

Security-related concerns need to be overcome in order to drive e-Commerce further, in our view. This is corroborated by our survey, which shows that the majority of Chinese consumers, for example, choose their favorite website based on its trustworthiness, rather than a website's product listings, cost or brand type. Continued investment into the expansion of the overall infrastructure (both logistics and payment platforms) related to e-Commerce does help address these concerns.

The successful development of online payment systems appears to correlate strongly with the success of e-Commerce. In the case of China the share of online transactions paid for in cash on delivery has fallen from 16% in 2011 to 6% in our most recent survey. At the same time, the share of transactions executed through Alipay increased from 49% to 61%, while the share of credit/debit card usage increased from 15% to 21%. We expand further on this topic in our chapter on brands.

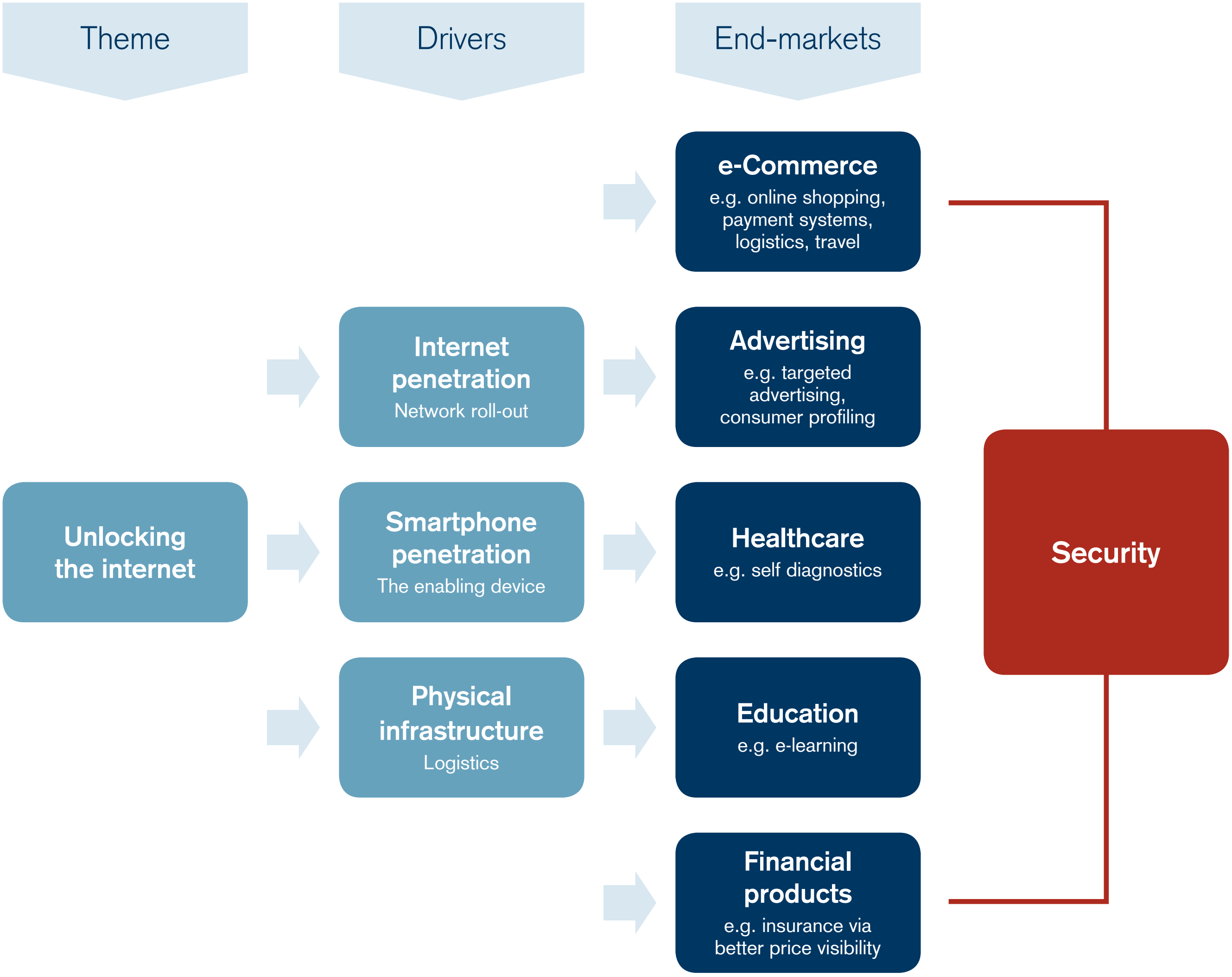
In addition to the product providers, we see companies enabling online payments, including credit card companies, as benefitting from the "The untapped potential of the internet" theme (Figure 21). Of course, we have also seen Alibaba and Tencent gaining banking licences.

In reality, the development of the internet across the emerging world will touch many other areas of development – social and commercial – than we focus on here. Indeed, in the recent investment banking report from Credit Suisse's Thematic Research Team, *Investing for growth,* it was highlighted as still one of the most powerful investment themes both in emerging and developed markets. Figure 22 gives a sense of the areas it can touch with the smartphone the clear agent of change.

Figure 22

The untapped potential of the internet

Source: Credit Suisse Research



Focus on travel

Rising GDP per capita should typically stimulate a desire to travel. The survey suggests the intentions of consumers matches this theory with an overall growth rate of “holidaying” of 13%. Online booking channels will support and deliver leverage on this structural trend.

Tim Ramskill, Ashlee Ramanathan

Ever expanding horizons

A long-dated structural growth story: The long-term structural growth dynamic of travel among emerging consumers of rising GDP per capita and increasing travel continues to be supported by the findings of our survey, despite 2014 being the second year of subdued hotel trading in many emerging markets. Across the countries surveyed since 2010, the propensity to take holidays has risen by a CAGR of 7.6% per annum to 61% in 2014, with Figure 2 highlighting a degree of acceleration in this growth. The 2014 survey responses imply an overall growth rate in holidaying of 13%, with the greatest changes seen in India (propensity to holiday +22% in 2014 versus 2013) and Indonesia (+6%), with only South Africa showing signs of decline (–2%). Based upon 2015 spending expectations, the propensity to holiday should rise to 66%, implying growth of 7%.

Figure 1

Travel demand per capita rises with income

GDP per capita 2012 (x-axis) vs. domestic RPKs per capita 2012
Source: The S-A-P Group reference files, including ICAO, 2012 Annual Report, IMF 2012 GDP and population figures

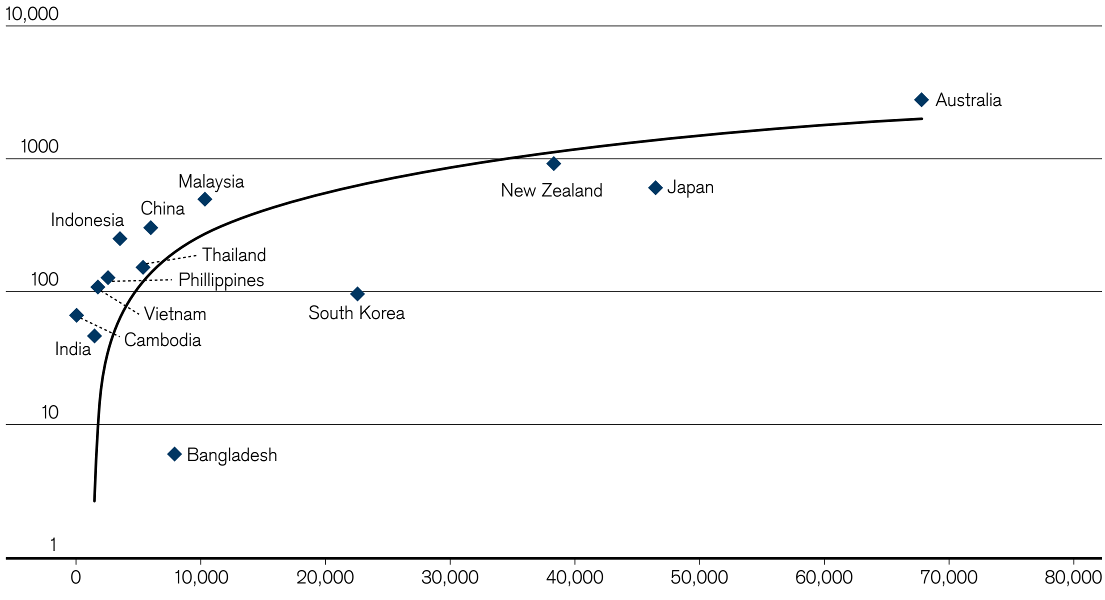


PHOTO: ISTOCKPHOTO.COM/NAJIN

Figure 2

Propensity to take holidays is rising by about 390 basis points per annum

Have you been on holiday in the past 12 months?
Source: Credit Suisse Emerging Consumer Survey

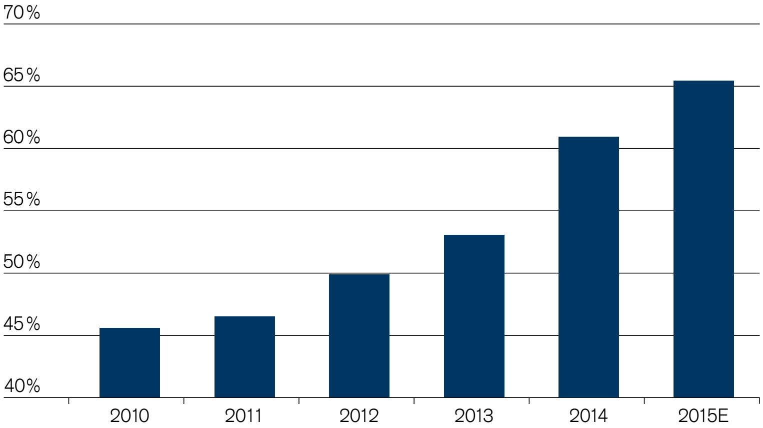


Figure 3

Consumers aspire to travel more in the future

% of respondents planning a holiday in the next 12 months less % of respondents who took in a holiday in the last 12 months Source: Credit Suisse Emerging Consumer Survey

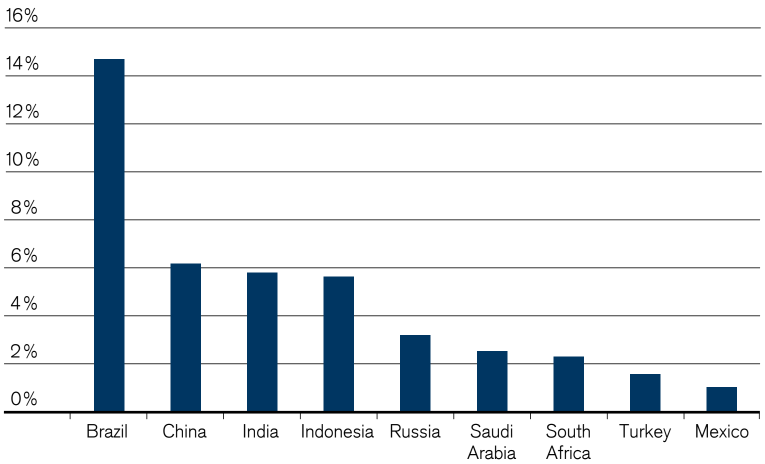
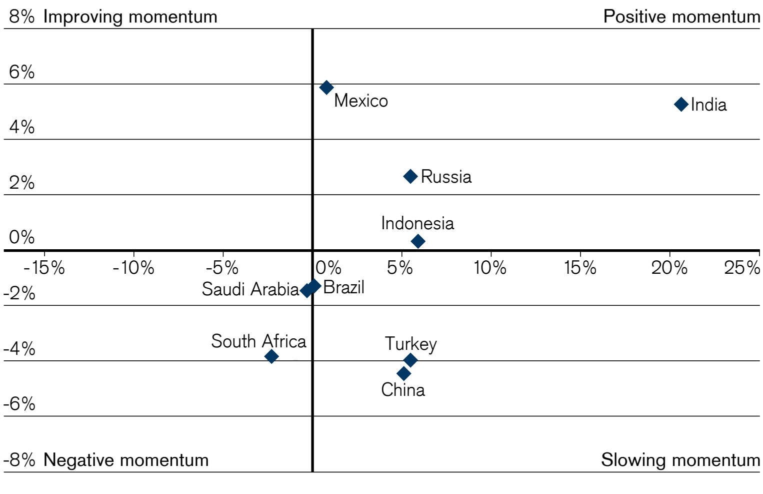


Figure 4

Holiday spending momentum by country

x-axis % respondents who increased spending over the last 12 months;
y-axis % respondents who plan to increase spending over the next 12 months
Source: Credit Suisse Emerging Consumer Survey



Holidays remain a clearly aspirational purchase. The desire to increase future spending on holidays has been a consistent theme of all our previous surveys, and this continues into 2015. Across all country surveys, our respondents expect to increase spending on holidays in the coming year relative to the prior year as shown in Figure 3, where we compare the gap between future spending plans and actual prior year behavior.

Momentum is mixed. As shown in Figure 4, while the overall structural and aspirational drivers may appear clear, the short-term trends manifest themselves differently by country. The desire to travel more has accelerated most meaningfully in Mexico and India but has slowed in China, Turkey and South Africa.

The link between technology and travel is deepening. As discussed separately, our survey highlights momentum in emerging consumer smartphone ownership and web penetration. This is also reflected in the travel sector, where we highlight that 16% of our respondents used travel internet services within the previous six months, up from 12% in 2013. Global travel distribution channels are evolving rapidly, with more emphasis on web-based bookings via both direct (company owned) and indirect channels (third party online travel agents). The associated changes in consumers' chosen booking channel are having profound effects upon the industry value chain, especially for hotels, where margins are coming under pressure.

PHOTO: ISTOCKPHOTO.COM/IZUSEK

Figure 5

Internet-based travel services are rising as smartphone and broadband access increase

Have you used travel internet services in the last six months?
Source: Credit Suisse Emerging Consumer Survey

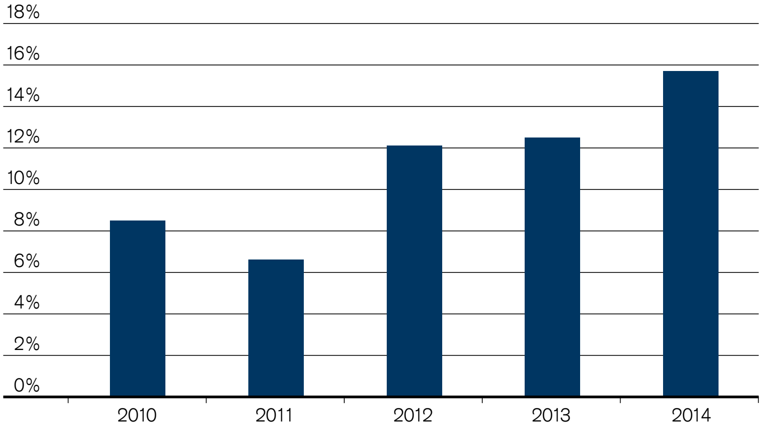


Figure 6

Mix of international travel varies materially, but is accelerating in most markets

Where did you go/plan to go on your last/next holiday? % respondents stating international destination
Source: Credit Suisse Emerging Consumer Survey

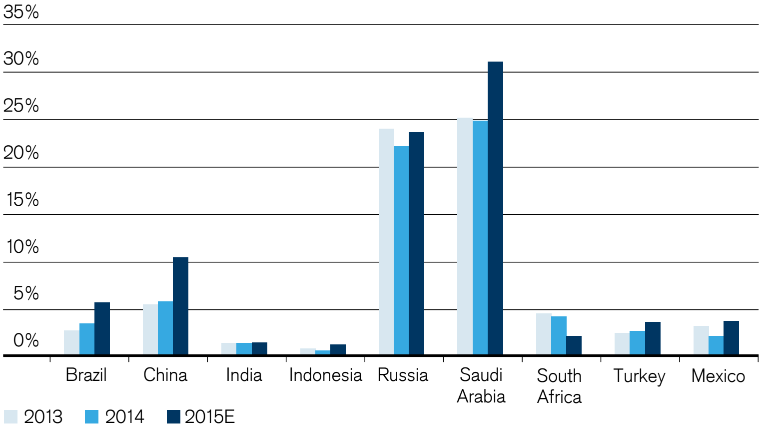
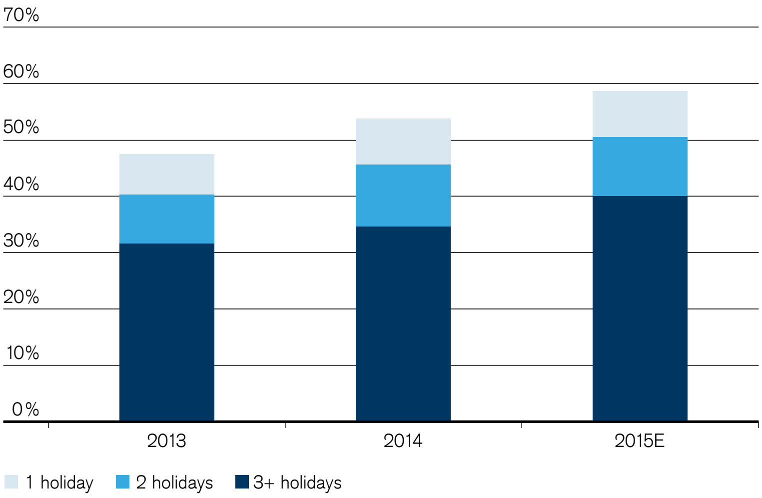


Figure 7

Multiple trips

How many holidays have you been on in the last 12 months?
Source: Credit Suisse Emerging Consumer Survey



Holidays for now do remain a largely domestic activity. Our survey results show 26% of holidays are taken at home, 65% are taken within the home country and just 8% are taken internationally. As shown in Figure 6, Russia and Saudi Arabia demonstrate structurally higher levels of international travel, sustained by higher average incomes and domestic weather-driven push factors (the Russian data of course pre-dates the severity of the currency crisis). That said, our survey also points to material increases in international travel among Brazilian, Chinese and Turkish consumers, suggesting these countries may have passed an important inflection point.

Our survey has focused on the increased frequency of travel. Respondents are asked to quantify the number of holidays taken in the year. As shown in Figure 7, 6% more of our 2014 survey respondents had taken holidays than in the prior year. Of that increase, 3% was driven by more single holidaying consumers, but more interestingly, 3% came from those taking multiple trips. This multi-trip dynamic should support greater travel volume growth in future, as demonstrated by respondents' stated plans for more multiple trips in the coming year.

Income elasticity analysis. The majority of our survey respondents provided us with details of household monthly income, enabling us to assess the income elasticity for holidaying, taking flights and traveling abroad. We note that simplistically (1) the tendency to take holidays is 50% correlated

with income, and a 1% rise in holidaymaking requires an average monthly household income increase of USD 79, (2) we estimate that the propensity to travel by air on holiday is 73% correlated with income levels, with a household income increase of USD 25 per month needed to add 1% to the tendency to fly; and (3) the survey data point to a 53% correlation between income levels and taking international holidays. The highest assessed income elasticity is 0.7x, and we believe a 1% rise in international holidays requires a USD 23 increase in monthly household income.

Using the question from our survey in where we ask "in what way do you expect your household income to change in the next 12 months?", we can calculate a survey average of a 3.85% improvement in income across our emerging market countries in the next 12 months. This translates into an increase of around USD 60 extra a month for those traveling by airplane or internationally. Mechanically, this then suggests a 2% increase in flying and a 3% increase in international travel in the next 12 months.

Figures 8 to 10 plot various measures of travel penetration against monthly income. Each scatter point represents a specific income group in one of the nine countries surveyed. As the charts display, the tendency for each group to travel (the further up they are on the y-axis) is highly correlated to their respective income level (the further down they are on the x-axis). Within the survey, countries with higher GDP per capita levels exhibit a greater propensity to take holidays;

PHOTO: ISTOCKPHOTO.COM/AMR IMAGE

however, plans to increase actual spending show strong momentum in most regions surveyed. (It may be that the true relationships are more than likely non-linear, as Figure 1 would imply, than we have represented in Figures 8 to 10, but the basic implications are the same.)

Conclusion: Domestic travel currently dominates emerging consumer behavior, but the desire to travel further afield and indeed to travel more frequently are well evidenced by our survey. Ultimately, income levels will be the key determinant of realizing those future aspirations, which coupled with increased access to online booking channels, should continue to support the long-dated growth dynamics of the travel sector.

Figure 8

Tendency to take a holiday is 50 % correlated with income levels

x-axis monthly household income (USD) vs. y-axis % taking a holiday in last 12 months
Source: Credit Suisse Emerging Consumer Survey

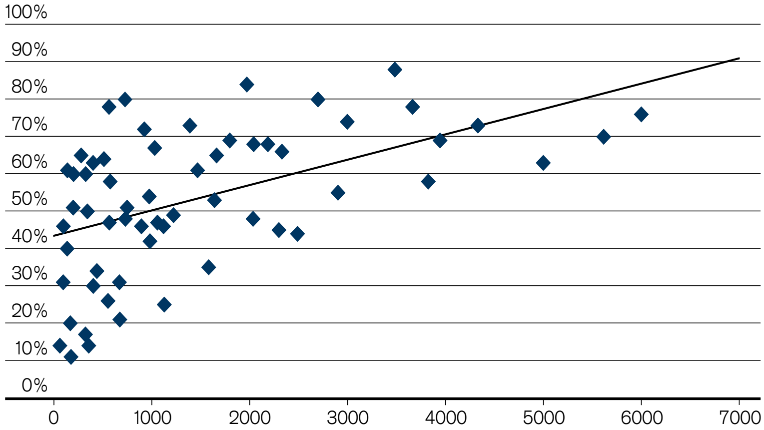


Figure 9

Tendency to fly is 73 % correlated with income levels

x-axis monthly household income (USD) vs. y-axis % flying when going on holiday in last 12 months
Source: Credit Suisse Emerging Consumer Survey

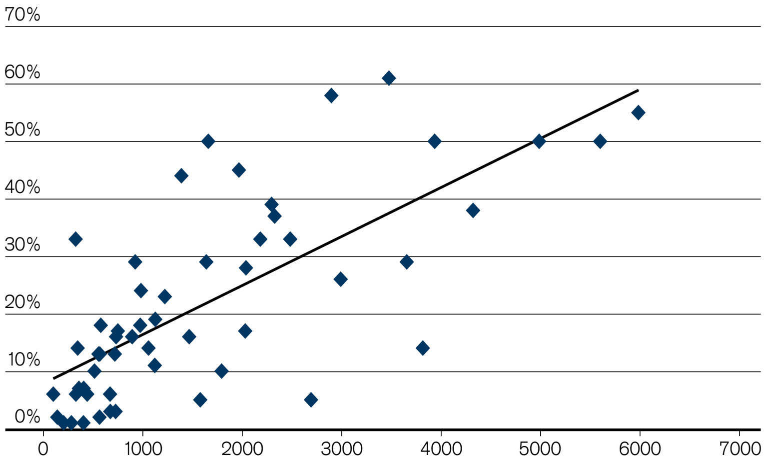


Figure 10

Tendency to take an international holiday is 53 % correlated with income levels

x-axis monthly household income (USD) vs. y-axis % taking an international holiday in last 12 months
Source: Credit Suisse Emerging Consumer Survey

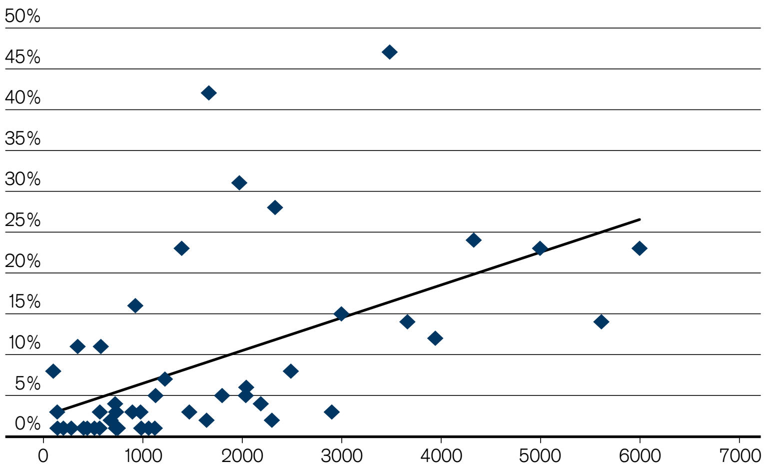


PHOTO: ISTOCKPHOTO.COM/DOMIN_DOMIN

Focus on autos

The emerging world remains a key target market for the auto industry, with low ownership rates in a range of economies. Even if some cyclical momentum has been lost, ownership rates are on the rise as our survey highlights, rapidly so in China and Turkey. However, as much as growth in the market and spending intentions, accompanying regulation is an important consideration.

Fei Teng, Alexander Haissl, Ashlee Ramanathan

Who holds the keys?

China – the largest car market in the world – shows the strongest purchasing intentions, reflecting its progression up the GDP per capita curve. However, the young consumer is the key growth dynamic, given this is where the greatest purchasing power lies. Understanding the product and brand positioning for this consumer is key. Elsewhere, India and Indonesia have major potential, given their low penetration rates, although the story is more two wheels than four at present, in these two countries.

Figure 1

Clear trend between GDP per capita and car ownership

Source: Credit Suisse Emerging Consumer Survey

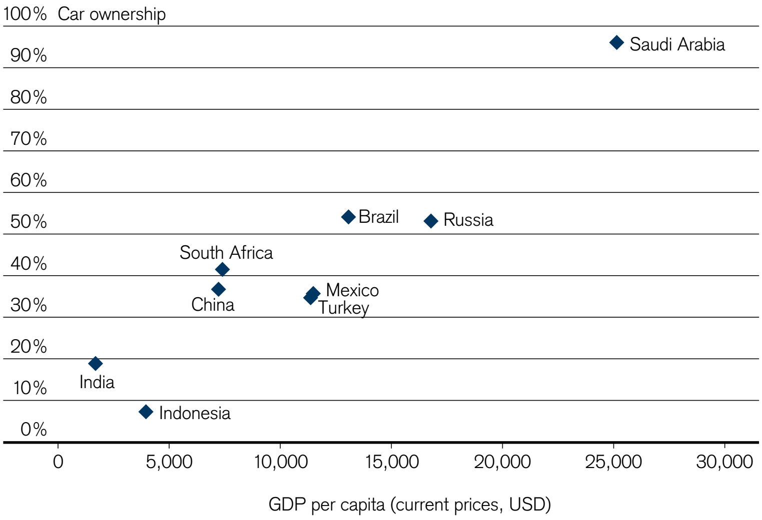


Figure 2

Household car ownership (%, 2010–14 survey)

Source: Credit Suisse Emerging Consumer Survey

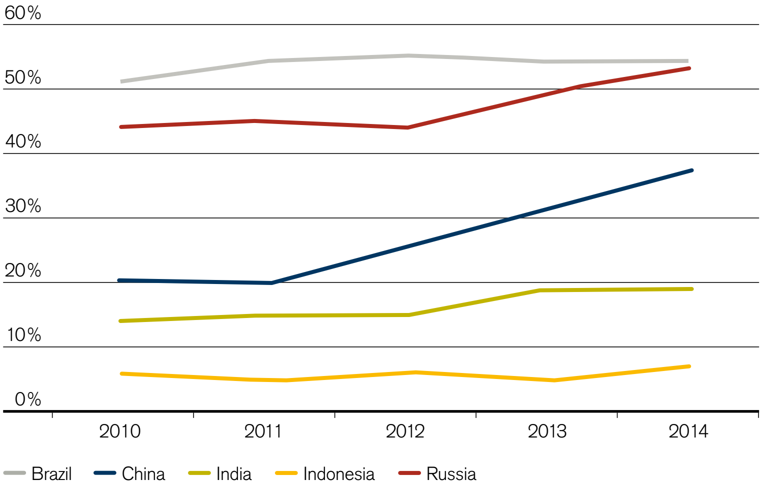


Figure 3

Household car and two-wheeler ownership (%, 2010–14 survey)

Source: Credit Suisse Emerging Consumer Survey

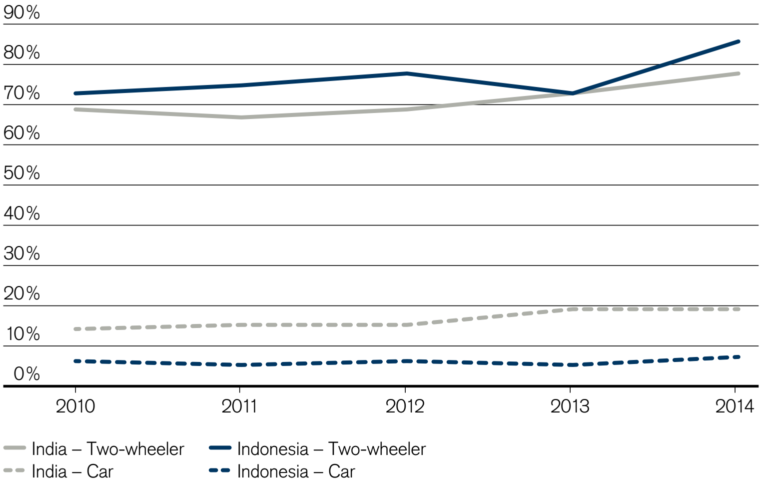
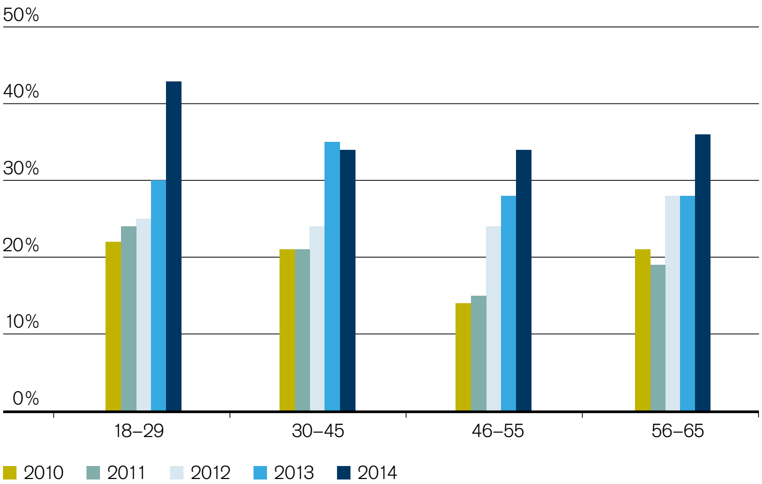


Figure 4

China household car ownership % by age group

Source: Credit Suisse Emerging Consumer Survey



Household car ownership

China has continued its strong positive trend in car ownership, growing at a compound annual growth rate (CAGR) of 13% since our 2010 survey, the strongest growth in our survey. Turkey is also moving up the curve rapidly with a CAGR of 6%. Ownership rates have remained broadly stable in other regions. Note penetration in Saudi Arabia is close to 100%.

Indonesia and India – two wheels rather than four

As Figure 3 highlights, India and Indonesia have the lowest household car ownership rates, at 19% and 7% respectively, and in that respect are a source of great potential. However, two hurdles exist for now. First, India and Indonesia are still low down the notional GDP per capita "S curve". We are not at the tipping point when larger ticket discretionary spending typically kicks in. Second, these countries to an extent still lack the "hard" infrastructure (roads, etc.) to enable car penetration to expand beyond the already-congested major cities. India's ongoing road program, however, will steadily address this in rural areas. At present, it remains more a story of two wheels rather than four for these huge structural growth markets or very low ticket entry models.

China – car ownership highest among 18–29 year olds

China is the largest car market in the world, but has a unique customer profile. As we have shown in other research, it is the young who exhibit the highest income and income growth. This fact is driving through to car ownership as Figure 4 shows. The strongest market segment for growth in ownership is the 18–29 year old bracket. 43% of respondents now have a car in their household, up from 22% in 2010. The growth in ownership of this age bracket in 2014 was 43% versus 19% for China as a whole. This is a stark contrast to a market, such as Saudi Arabia, among others, in the survey where nearly 100% of individuals aged 56–65 own a car. There is an added significance in this spending profile in that these are most likely to be first-time buyers and thus indicative of strong future growth in the Chinese market. Understanding their brand preferences will, of course, be key.

Brand stability

Our brands analysis found later in the report provides granular detail across automotive brands. We find a degree of brand "stickiness" in auto brands. Brands with the largest market shares still tend to be the most referred to in our survey (e.g. VW in China, Fiat in Brazil and Maruti in India). We are not seeing much by way of break through in new brands. Brands, such as VW, have, if anything, strengthened their position, with references to their desirability increasingly steadily. An exception to the rule is in Russia where the biggest selling brand, Lada, only came in third in terms of responses as to its likely future purchase.

What does the young consumer want?

Given the importance of the income/age dynamic in China, what are the young consumers buying? Given Figure 5, VW is high up their list of "wants." VW is a standout brand versus all consumer brands in our brands chapter. Interestingly, after VW, the brand of choice thereafter is Honda rather than the other German car makers. We do find that the position of premium car brands is relatively low in the list of brands most likely to buy. None of the top five brands in any country included a premium brand. In China, BMW came in behind Hyundai, and Mercedes-Benz was 24th on the list. The most desirable premium brand in Brazil, India and Russia, Audi, is only 13th on the list in Brazil; 8th in India, and 7th in Russia. This highlights that the penetration of premium and high-end cars in emerging markets still remains low, which is not surprising given income levels. One would expect the development of the car industry to be among the local brands in low-income economies.

The lowly penetrated market of India underlines this fact, with the dominance of a brand, such as Maruti, so apparent. However, as income levels rise, premium brands will find their place typified by the international marques. Indeed, in a country such as India, while the likes of Maruti and TATA hold greatest sway among the low/middle income consumers, the edge increasingly emerges with Honda and Hyundai, with TATA dropping markedly, as we see in Figure 6, as incomes rise.

Regulation and technology

The development of the car market in the emerging world and particularly in the largest market, China, cannot be looked at in isolation from regulatory developments in areas of pollution control, energy efficiency and also, if to a lesser extent, safety requirements. Where emissions are concerned, in China, 2020 targets for CO2, for example, require a 32% reduction from the 2013 actual level (versus 25% in Europe).

This underlines the significance of technological developments in the auto component field addressing these needs. The recent Credit Suisse Investment Banking report (China: Taking advantage from regulation, January 2015), examined this topic in detail. **The growth stories for companies in this component and technology field are arguably greater than that in the OEMs themselves as car penetration rises.**

Figure 5

Chinese brand preference by age – Ford and Honda favored by the young

Source: Credit Suisse Emerging Consumer Survey

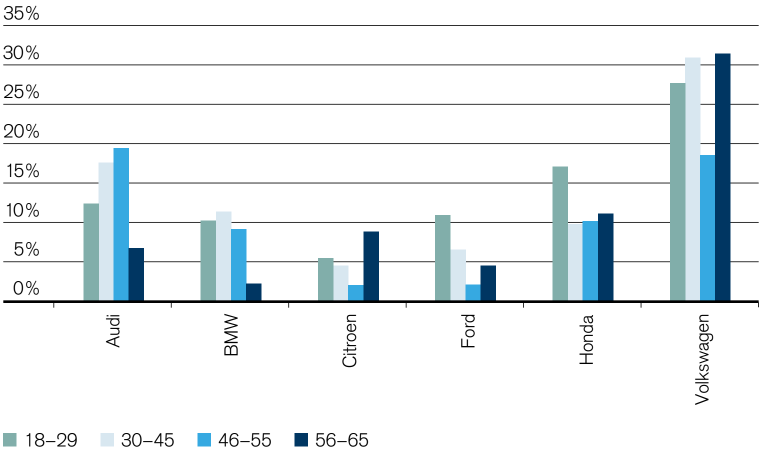


Figure 6

India brand preference – low income earners skewed toward domestic brands (Maruti and TATA)

Source: Credit Suisse Emerging Consumer Survey

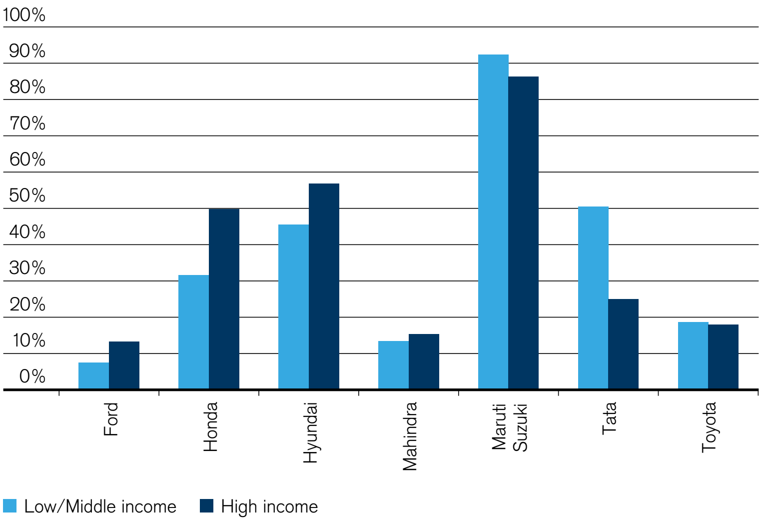
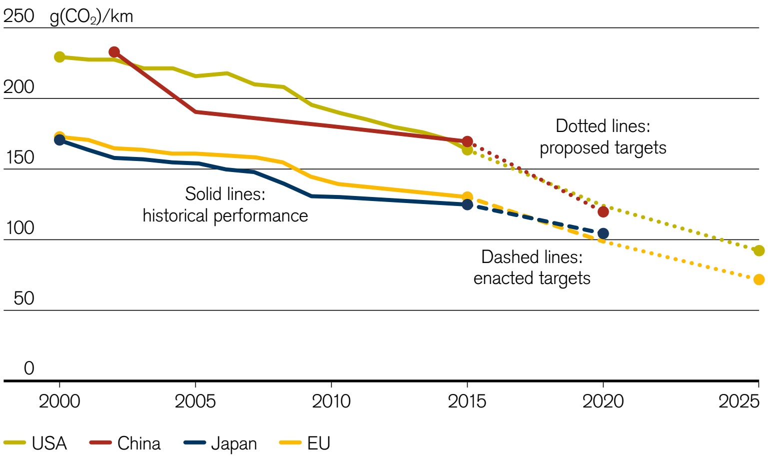


Figure 7

Vehicle CO_2, emission targets

Source: ICCT



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Focus on healthcare

Despite our survey reporting increased access to government-funded healthcare, out-of-pocket spending by consumers has still remained stable. However, we find a decrease in the willingness to pay a Western brand premium. We are cautious as to how the structural growth of healthcare translates to the corporate bottom line.

European Pharma Team, Investment Banking Research

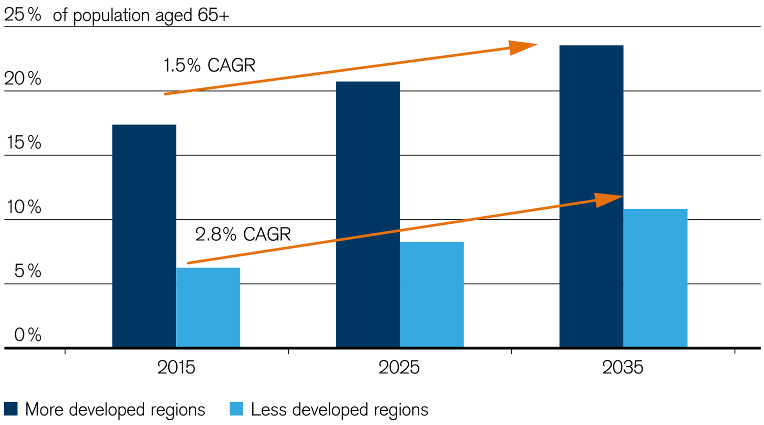
A structural but complex story

Healthcare in emerging markets is seen as a structural growth opportunity by both companies and investors alike. Indeed the relationships between healthcare spending and rising GDP per capita are well established. We highlighted this in our emerging consumer spending matrix in Chapter 2. The emerging world is also seeing rapid aging as Figure 1

Figure 1

Emerging markets 65+ age group looks set to grow at twice the rate of developed markets

Source: United Nations



highlights. The reality is that the picture is far more complicated than the simple relationships would suggest, particularly when translated into the revenue projections for companies. The nature of healthcare provision (public versus private), local versus global brand positioning and who is ultimately paying the bills are key considerations. Our survey provides a perspective on each of these issues.

Access to healthcare growing

In contrast to many other sectors, healthcare is an area with growing government involvement in most countries. Our consumer survey continues to show growth in reported access to state-funded healthcare, with overall access to free medicines increasing from 26% of the emerging market population in 2011 to 48% in 2014. However, theoretical provision and actual usage remain quite different and, over the same time frame, the percentage of reported disposable income spent on healthcare has remained broadly constant at around 5% of income, with 26% of respondents this year reporting self-payment for pharmaceuticals, not significantly different from the 28% in 2012. Of note is the strong increase in reported access to state-funded care in India (see Figure 2). At close to 100%, the high reported access matches our

Figure 2

Reported access to state-funded healthcare over time; note the increase in access in India

Source: Credit Suisse Emerging Consumer Survey

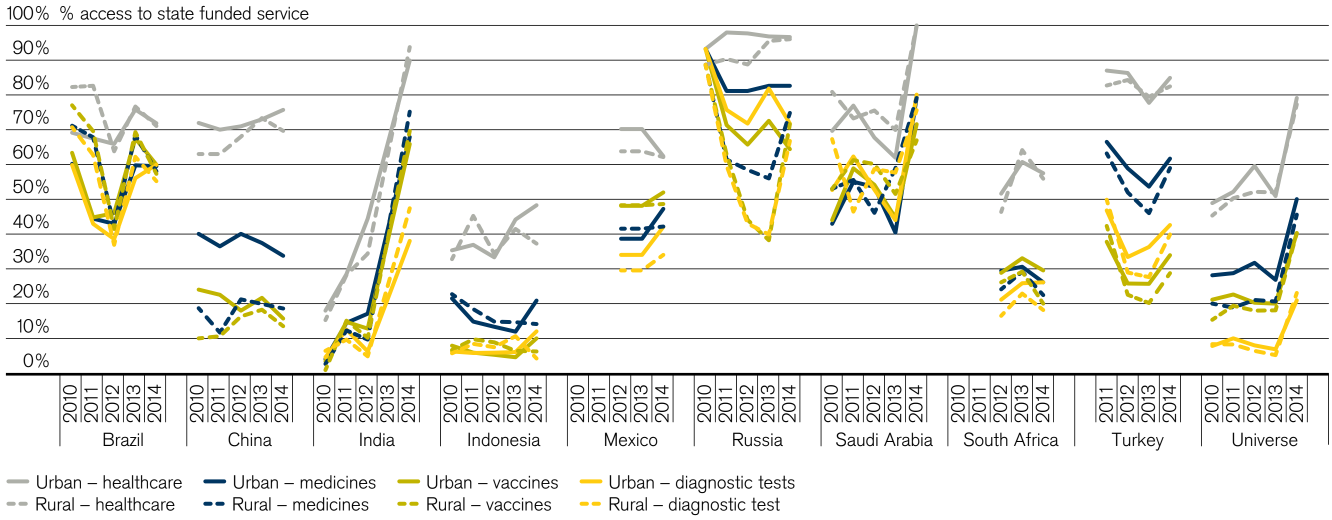
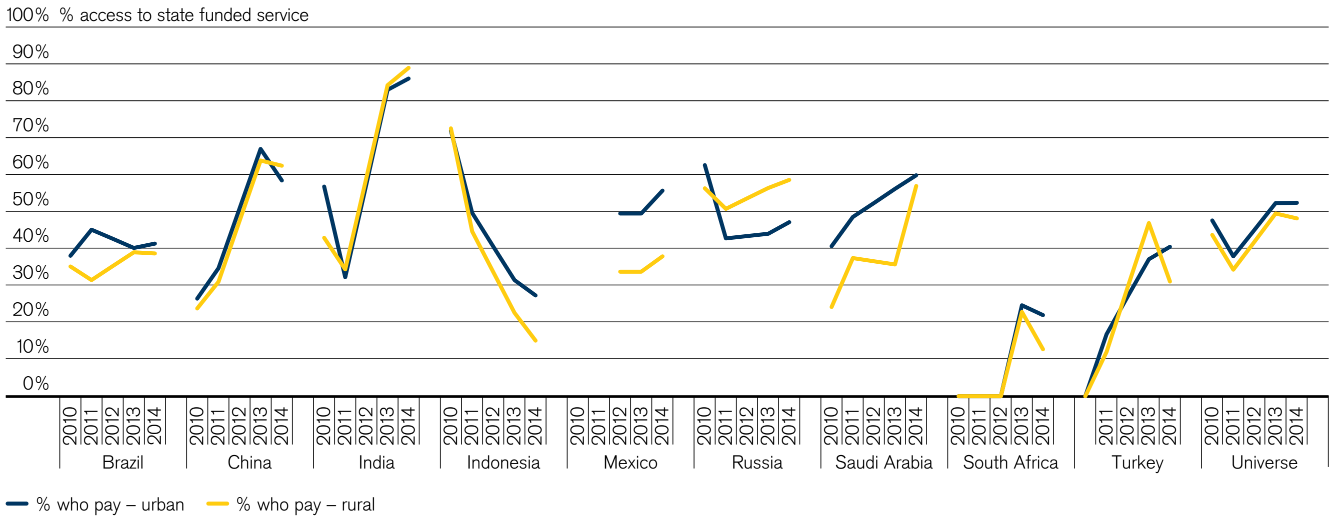


Figure 3

% of respondents who pay out of pocket

Source: Credit Suisse Emerging Consumer Survey



knowledge of government provisioning for some time. But in previous years, we believe that the local questions in India have appeared to focus more on utilization, rather than theoretical access. Widespread local access to government-funded healthcare does not stop individuals spending themselves and, in India, we see both one of the highest levels of government access and the highest proportion of people saying that they pay for some healthcare out of pocket. In contrast, in Indonesia we see a gradual decline in reported out-of-pocket spending, in parallel with increased government spending currently focused on upgrading public hospitals and improving access to primary care.

Out-of-pocket spending remains stable

As a share of overall spending by consumers, out-of-pocket spending on healthcare has remained broadly flat at around 5% of income, but income that is of course growing. There has been higher spending in Brazil, Indonesia, South Africa and Turkey, but lower spending as a percentage of overall income in China and India, the two most populous regions in the survey, and where in both cases spending on food increased.

In each year, we have typically seen a slight excess in people who expect to spend less in the next 12 months than they have in the current

Figure 4

Overall population adjusted spending as % of monthly disposable income

Source: Credit Suisse Emerging Consumer Surveys 2010–14

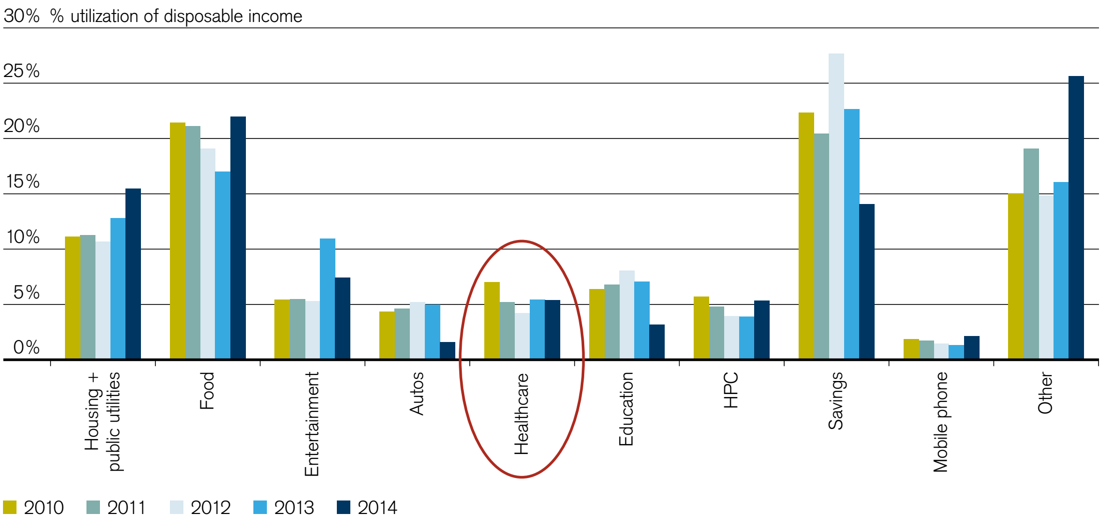
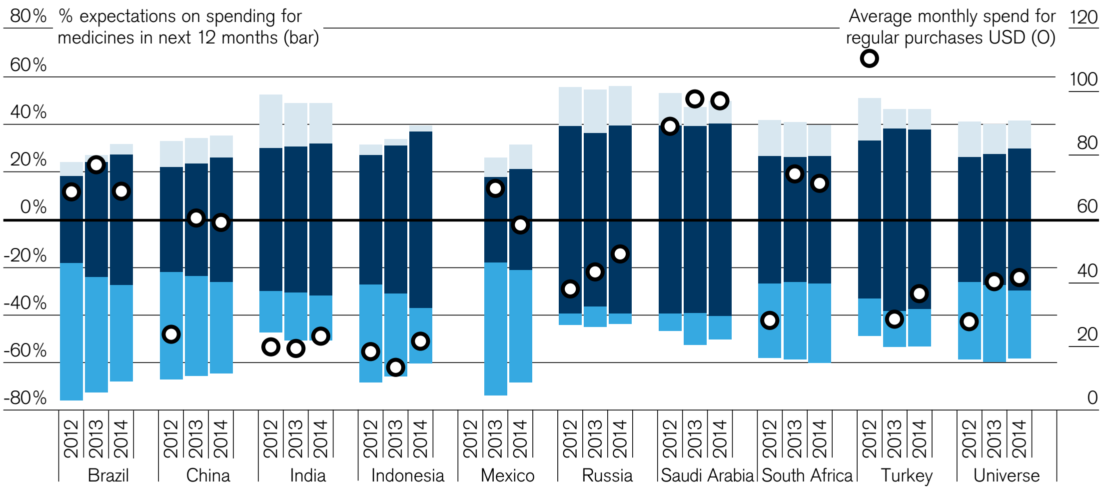


Figure 5

Do you expect to pay more or less over the next 12 months for medicines? (split % spending to expect less, the same and more)

Source: Credit Suisse Emerging Consumer Survey



period, over the number of people who expect to pay more. But the reality of spending in each year has been to show a small increase. For 2014, spending on medicines expressed in dollars actually increased by 3%, thus maintaining this ongoing disconnect in what consumers say they will do and what they actually do.

Trust in local brands, safety concerns abating in India

We have seen a small increase in overall trust for local brands (57% to 59% on a population-weighted basis, with increased confidence in India and China, not quite offset by a decrease in local confidence in Brazil, Indonesia and Turkey. The correlation between a lack of confidence in local brands and a willingness to pay for international brands continues to be a key feature, illustrated in Figure 6. Confidence in local brands remains highest in Indonesia and lowest in Saudi Arabia and India, although there has been some improvement in confidence in local Indian brands with fewer concerns about safety.

The topic of the perceived safety and efficacy of local brands is of course a key consideration for how one views the pricing power of the international pharma companies and ultimately the revenue projections they and the industry guide toward.

Figure 6

Trust in local brands, % confidence in local brands (excluding "don't knows")

Source: Credit Suisse Emerging Consumer Survey

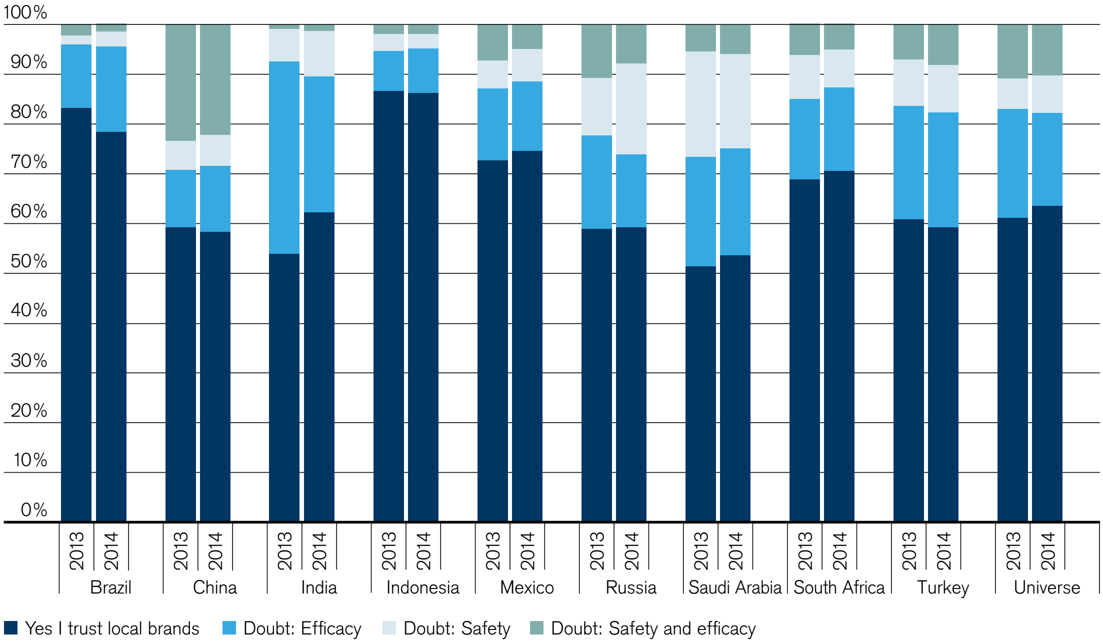
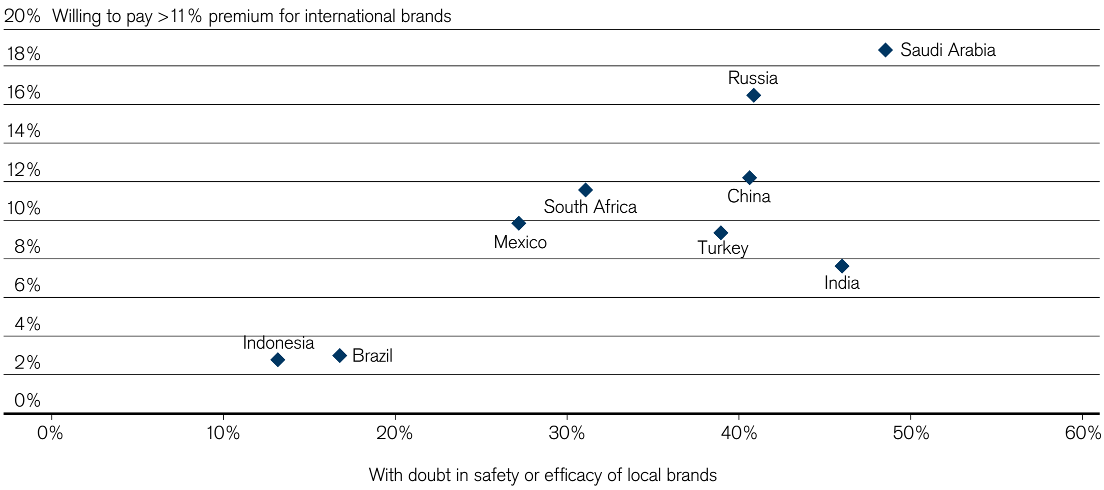


Figure 7

Lack of confidence in local brands correlates with willingness to pay for international brands

Source: Credit Suisse Emerging Consumer Survey



The age/income conundrum

The profiling of the characteristics of the consumer shown in the second chapter of this study focused on who holds the purse strings. One of the features was the relevance of the young. In the majority of countries, the younger consumers typically earn more than the older. This poses a unique issue for healthcare as we have highlighted in previous years.

Both income and spending on pharmaceuticals increase with age in developed markets. The purchasing power and needs are aligned. Our survey continues to suggest that this is not the case in emerging markets in a world where disposable income continues to be more concentrated in the hands of the young. We see no significant increase in out-of-pocket healthcare spending with age as Figure 9 illustrates. There also seems little evidence of the young spending in a manner that provides for their elderly family members.

While this disconnect may be corrected over time as the young wealthy adults age, the onus right now is on suitable public provision/access to healthcare. This can provide a different backdrop for pricing for the healthcare and pharma companies.

A more cautious industry outlook

Our thesis of the market opportunity for global pharma companies in the emerging world has typically been more conservative than the industry, in part stemming from some of the implications for pricing our survey has been pointing toward. IMS Institute, the leading healthcare audit company, continues to forecast global growth in pharmaceutical spending of 4%–7%, with over 40% of overall growth to come from "pharmerging" markets over the 2014–18 time frame. This is illustrated in Figure 10.

However, we would note that IMS Institute has in fact reduced its views of the size of the emerging market revenue pool. Last year, they forecast an emerging market size of around USD 380 billion for 2017 or 33% of the global market. This has since been revised down to USD 340 billion or 27% of the global market.

We think it is right to remain cautious. We continue to expect a loss in market share for international companies in emerging markets to local suppliers, many of whom are advantaged in government tendering, where preference is often reserved for locally sourced products. Russia's requirement for domestic sourcing for generic biotech products is a good case in point. We would stress that it is not a case that healthcare and drugs are not a structural component of emerging market development. It is more a question of how profitable an opportunity it is for Western companies and in what product areas and services.

Figure 8

Income indexed to age 18–29

Source: Credit Suisse Emerging Consumer Survey

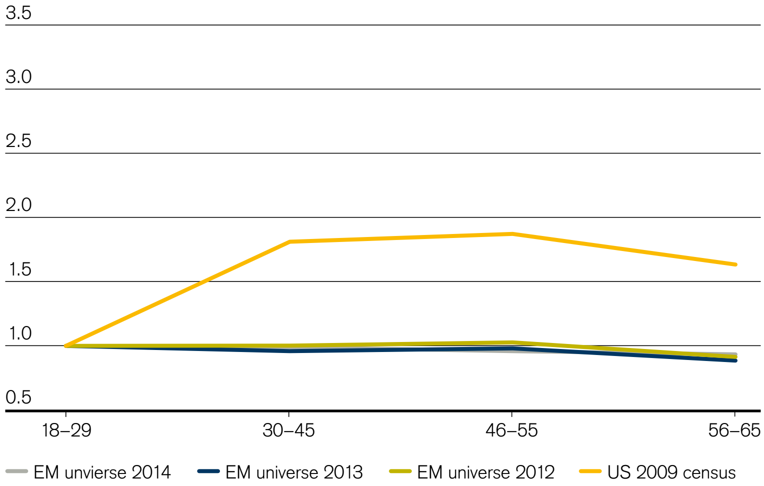


Figure 9

Pharma spending indexed to age 18–29

Source: Credit Suisse Emerging Consumer Survey

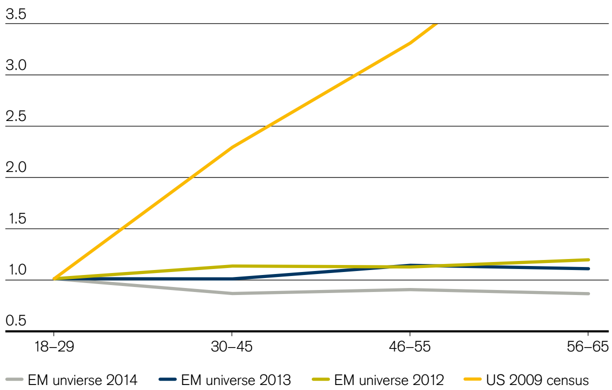
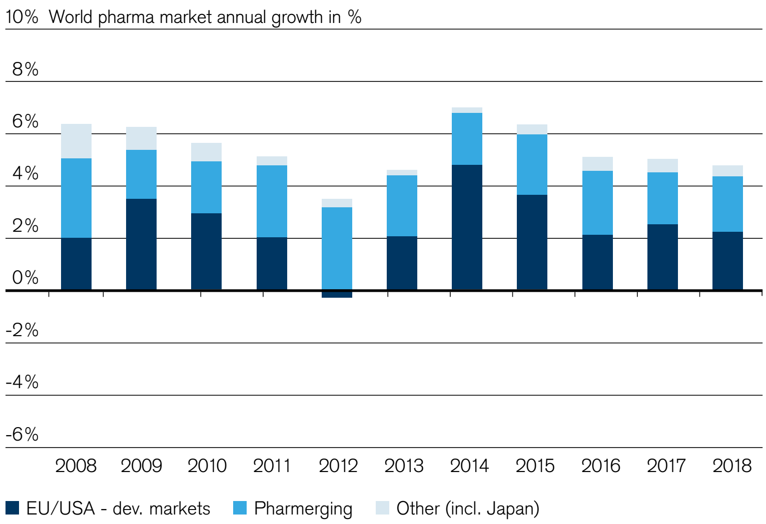


Figure 10

IMS USD forecast growth 2008–18 including generics

Source: IMS Institute, Global Use of Medicines, Nov 2014.



Brands and the emerging consumer in 2015

In this section, we look at how brands fared during 2014 and discuss some of the brand themes that have emerged. The survey notably evidences a shift from luxury to High Street fashion appetite in China and we identify key winners and losers. We look at the dominant Asian brands in the local internet space and again list likely winners within the superior growth segments. Lastly, we consider World Cup sponsorship and whether these campaigns had a discernible impact on sponsors' brands.

Julia Dawson, Catherine Tillson

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BALLY
24

Brand preferences – domestic or foreign?

At an overall level when asked "do you favor domestic brands, or do you favor Western luxury brands?", respondents to the 2014 survey still show a strong preference for domestic brands, except for Russia and Saudi Arabia, the latter showing a 60% preference for Western luxury brands. In fact, across six of the nine countries in our survey, all income groups reflect a domestic brand loyalty, although the percentage preference decreases as income levels increase. In Brazil, we see a marked switch among higher income respondents to a preference for international brands, whereas this occurs at the medium level income bracket in "Russia." In Saudi Arabia, all income groups prefer Western brands. This may be explained in part by the lack of domestic heritage brands and products in the latter two countries.

Looking in terms of item affordability, domestic preferences are skewed toward consumer staples, as would be expected. Western discretionary brands increase their appeal. For more expensive discretionary items, the 2014 survey shows that aspirations to foreign branded goods ownership has increased, with Western brand purchasing intentions rising from 51% in the 2013 survey to 56% for purchases planned in 2015. This is mirrored by a fall in planned domestic brand buying from 35% in the previous survey to 19% for 2015 for these products. There have been increases for Western brand purchasing intentions across all items with the main uplift being for fashion apparel, where spending intentions have risen from 47% for 2014 to 54% in 2015. The only item where consumers continue to prefer domestic brands among more discretionary products is jewelry and in China and Saudi Arabia, the domestic share for jewelry is over 70%. In both Indonesia and Russia, it is zero due to the absence of domestic jewelry brands.

Figure 1

Emerging market consumers still prefer domestic to Western brands …

Source: Credit Suisse Emerging Consumer Survey

% of yes responses	Brazil	China	India	Indonesia	Mexico	Russia	Saudi Arabia	South Africa	Turkey	Average
Mildly or strongly prefer domestic brands	35	55	71	61	60	17	23	44	42	45
Mildly or strongly prefer Western brands	20	15	14	13	13	31	60	22	14	22
Preference by income level										
Low income										
Mildly or strongly prefer domestic brands	51	69	78	58	63	30	27	50	47	52
Mildly or strongly prefer Western brands	9	8	13	11	10	22	54	15	13	17
Medium income										
Mildly or strongly prefer domestic brands	32	61	73	61	64	23	24	48	36	47
Mildly or strongly prefer Western brands	19	10	13	13	17	28	63	23	23	23
High income										
Mildly or strongly prefer domestic brands	18	49	66	67	43	6	7	39	45	38
Mildly or strongly prefer Western brands	46	20	18	23	32	48	73	22	24	34

Figure 2

… and aspirations for Western brand purchases of discretionary items are increasing

Source: Credit Suisse Emerging Consumer Survey

	Average	Brazil	China	India	Indonesia	Russia	Saudi Arabia	South Africa	Turkey	Mexico
Fashion apparel										
% planning to buy domestic brands	**22%**	30%	55%	12%	4.1%	26%	0%	45%	19%	5%
% planning to buy Western brands	**54%**	50%	30%	53%	65%	39%	83%	39%	48%	80%
Leather goods, bags and shoes										
% planning to buy domestic brands	**24%**	17%	41%	62%	37%	0%	2%	7%	44%	1%
% planning to buy Western brands	**46%**	41%	41%	8%	44%	29%	73%	69%	35%	75%
Sports shoes & wear										
% planning to buy domestic brands	**10%**	13%	36%	14%	8.1%	0%	0%	4%	4%	9%
% planning to buy Western brands	**77%**	75%	59%	64%	77%	74%	93%	92%	82%	81%
Jewelry										
% planning to buy domestic brands	**35%**	19%	72%	53%	0%	0%	75%	44%	50%	5%
% planning to buy Western brands	**27%**	26%	15%	1%	34%	18%	15%	42%	33%	60%
Perfume										
% planning to buy domestic brands	**4%**	32%	6%	0%	0%	0%	2%	1%	0%	0%
% planning to buy Western brands	**74%**	64%	81%	64%	61%	75%	87%	83%	70%	86%
Domestic brand average	**19%**									
Western brand average	**56%**									

PHOTO: ISTOCKPHOTO.COM/YMGERMAN

The Brand Landscape

Using the granular detail provided by our survey, we are able to build up a picture of how spending intentions have changed in the consumer discretionary sector and which brands are experiencing the greatest consumer momentum. In Figures 3–5, we look at the spending intentions (i.e. what percentage of consumers indicate they will be purchasing these brands in the next 12 months), the spending momentum (how intentions differ from last year's survey) and the relative size of the market opportunity (the size of the bubbles are in proportion to the GDP of the countries in which these brands are most prominent). In Figures 3 and 4, we look at brands with a momentum greater than 10%.

In Figure 3, we first focus on spending intentions among the lower income consumers in our survey. These are defined as the consumers in the lowest third of the income distribution in each of our nine countries surveyed. The international brands Samsung and Nike stand out here as having strong spending intentions and also strong momentum. The size of the bubble representing Samsung is reflective of it being a prominent brand in six out of our nine countries and eroding the market share of competitor brands in some categories such as Sony and Nokia for example. TATA, the car brand in India, also stands out for its very strong momentum among lower income consumers, stronger than Maruti in 2014.

Figure 4 outlines the spending intentions of higher income individuals. It comes as no surprise that we see more brands known for their big-ticket items, such as Ralph Lauren. Ford exhibits the strongest brand momentum, albeit off a lower base. The presence of brands such as Zara underpins our view discussed later, of the trend towards affordable luxury and changing tastes amongst previously premium brand purchasers.

Figure 5 focuses solely on momentum, bringing together both the lower- and higher-income consumer spending intentions. Here we note that brands such as Samsung, Zara and H&M, which appeared in both Figure 3 and 4, again screen well. Samsung in fact, comes out top in 23 out of 27 tech purchasing segments across the 9 countries surveyed, Figure 6. We also see momentum emerging for Huawei and Micromax. Despite their 32% increase in smartphone unit sales in 2014, Xiaomi is yet to register in purchasing intentions. C&A scores well on momentum for both sets of income groups.

No brand analysis would be complete without mentioning Apple, and once again we see steady improvement in momentum this year among both income groups. The size of the bubble is reflective of Apple's broad penetration in the largest emerging markets, notably China.

Figure 3

Spending intentions for lower* income consumers

Source: Credit Suisse Emerging Consumer Survey   *lower is defined as the lowest third of the income distribution for each country in our survey

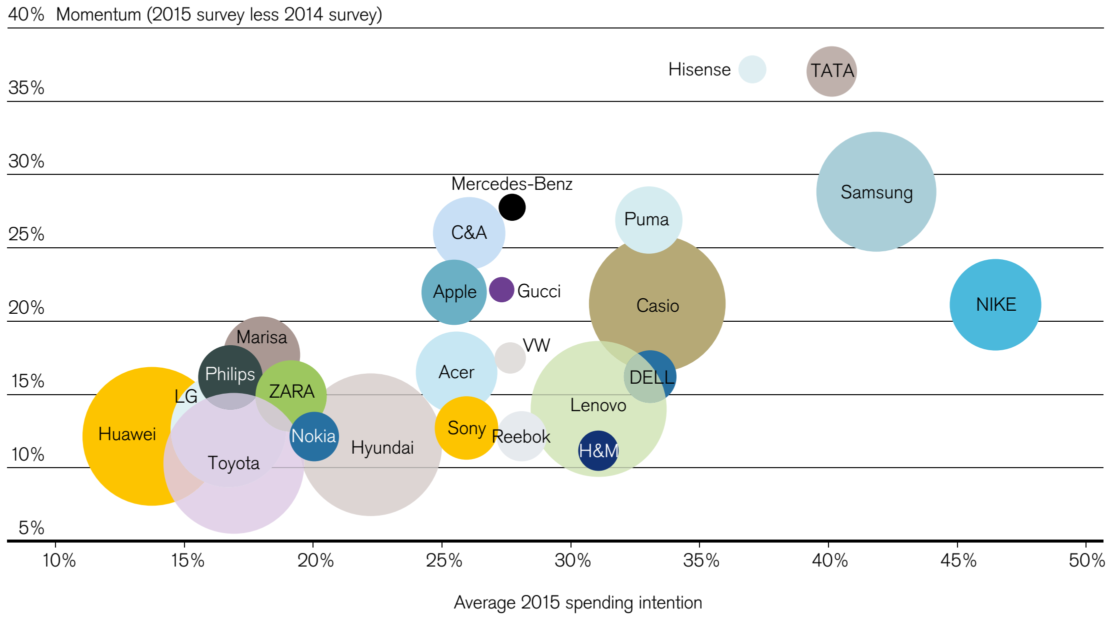


Figure 4

Spending intention momentum by product and regional exposure for higher* income

Source: Credit Suisse Emerging Consumer Survey *top third of surveys by income

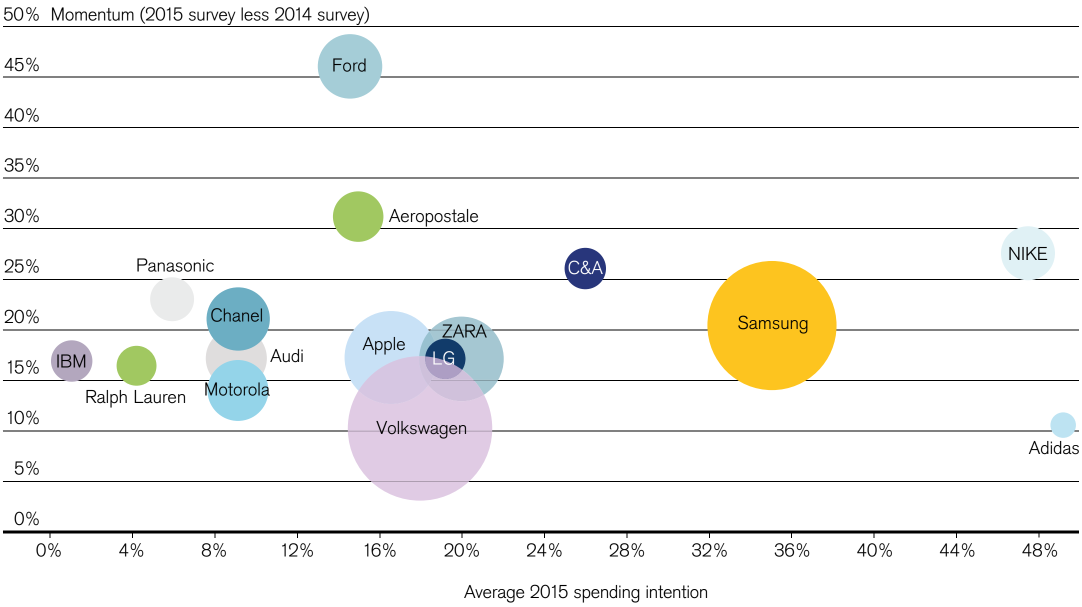


Figure 5

Spending intentions momentum for higher and lower income consumers

Source: Credit Suisse Emerging Consumer Survey

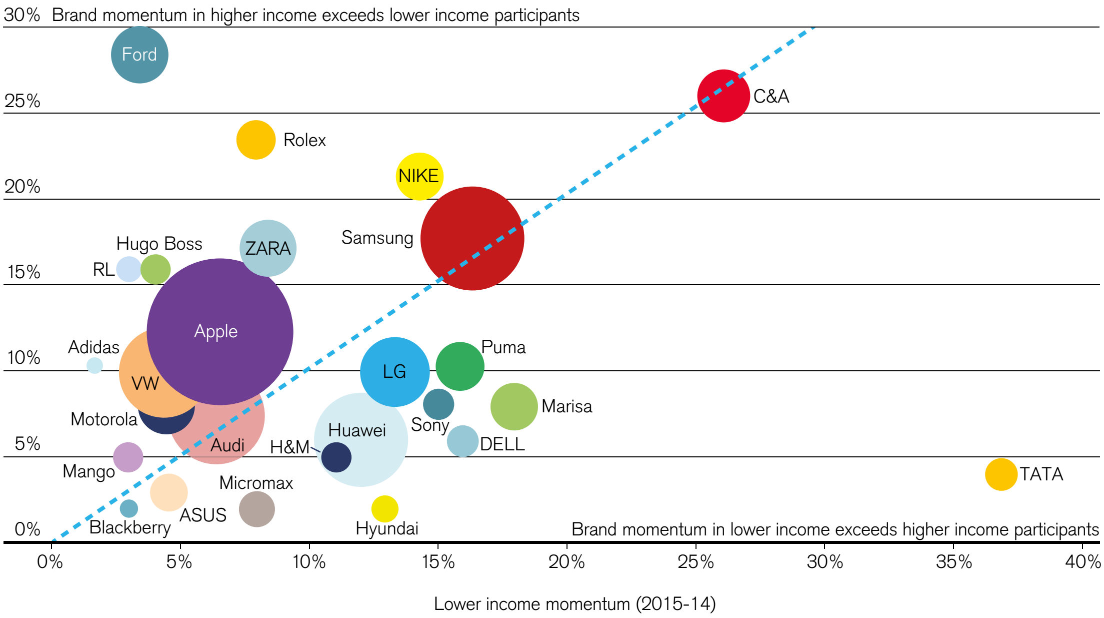


Figure 6

No. 1 brand in purchasing intentions

Source: Credit Suisse Emerging Consumer Survey

	Brazil	China	India	Indonesia	Mexico	Russia	Saudi Arabia	South Africa	Turkey
Handsets	Samsung	Apple	Samsung	Samsung	Samsung	Samsung	Samsung	Nokia	Samsung
PCs	Samsung	Apple	DELL	Samsung	Samsung	Samsung	Samsung/ Apple	Samsung	Samsung
TVs	Samsung	Samsung	Samsung	Samsung	Samsung/ LG	Samsung	Samsung	Samsung	Samsung

Figure 7

Declining Chinese demand for international premium brands

Source: Credit Suisse Emerging Consumer Survey

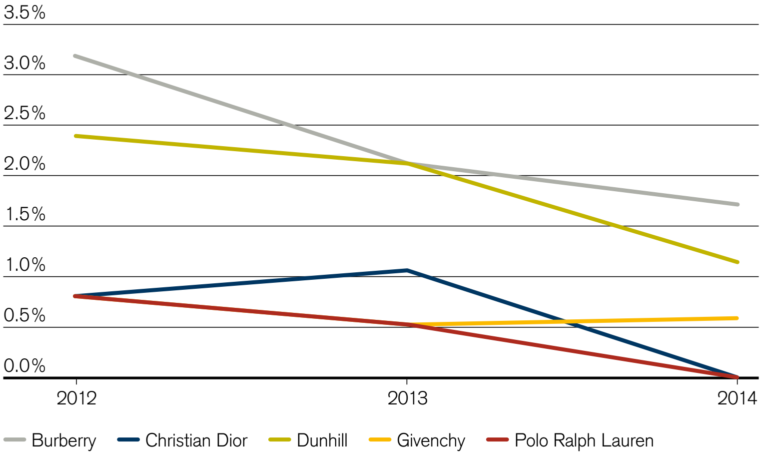


Figure 8

Chinese fashion purchasing intentions over the coming 12 months – High Street brands

Source: Credit Suisse Emerging Consumer Survey

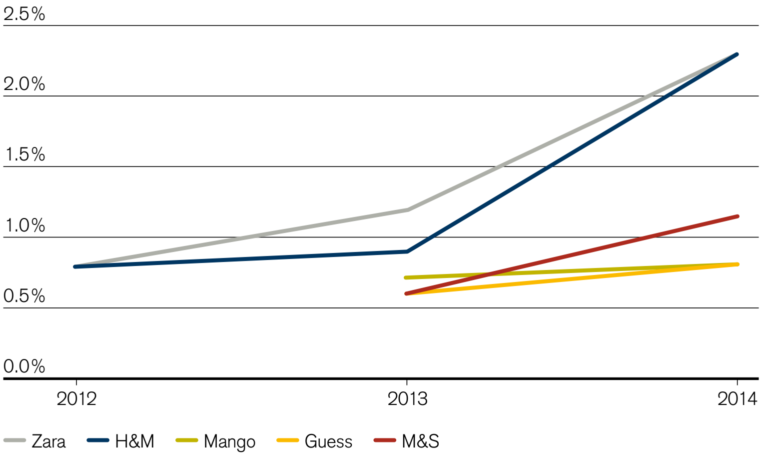
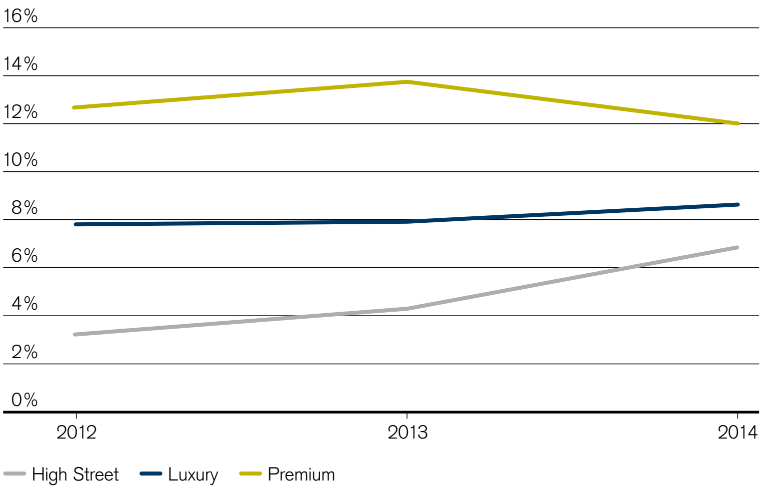


Figure 9

Chinese fashion purchasing intentions over the next 12 months

Source: Credit Suisse Emerging Consumer Survey



China – switching to High Street brands

China is no longer the key growth market for many luxury brands and there have been a number of statements by luxury houses (Mulberry, Burberry, LVMH, Richemont) pointing to the slowdown in the macro environment in Asia, of which China is the key market. In fact, we would note that luxury watches was among the weakest categories in our spending momentum chart on page 15. At the same time, store openings have been rolled out to second tier cities to reach a broader audience. Often these are effectively marketing investments for purchases that are then made abroad rather than becoming sales destinations themselves. Bain & Co report that Chinese consumers now spend three times as much abroad on luxury purchases as they do at home[1]. A soft local trading environment has been compounded by the corruption crackdown led by President Xi that has curtailed the practice of present giving, falling property prices, and street protests in Hong Kong.

In our survey, we also see evidence of declining interest in premium luxury brands, including Givenchy, Polo Ralph Lauren, Christian Dior and Dunhill. This reflects, in our view, not just the weaker macro backdrop, but also the shift in demand toward affordable luxury and High Street brands.

[1] Bain & Company: 2014 Annual Global Luxury Study, October 2014

This is due to changing tastes among some luxury goods consumers, a rising share of female wealth and an increase in the number of millennials in the customer mix. This is captured as middle market and lower end brands expand their store rollouts and distribution channels across China. We see this change in demand patterns away from luxury for all income groups, as shown in Figure 10.

Data from Inditex show that the number of stores in China increased 220% between 2011 and 2014 with store penetration now one per 2.9 million population. H&M store penetration in China is now one per 6.5 million population, Mango is one per 32.5 million population. Forty-four percent of Inditex stores are now in emerging markets globally, accounting for 40% of their Zara brand, 39% of the Massimo Dutti label and 48% of Pull & Bear. H&M has 21% of its stores in emerging markets, 33% of these in China. As demonstrated in Figures 11 and 12, we see a clear correlation between rising international High Street brand penetration in purchasing intentions and the increasing store rollout.

We see this across markets, except for India, where purchasing intentions focus on jeans, and where there was a downturn in interest in 2014. We see also saw a downturn in High Street brand interest in Indonesia in 2014, which could possibly be explained by the 20% drop in the rupiah against the US dollar in 2013.

PHOTO: ISTOCKPHOTO.COM/WXIN

Figure 10

Western High Street brand purchasing intentions – China

Source: Credit Suisse Emerging Consumer Survey

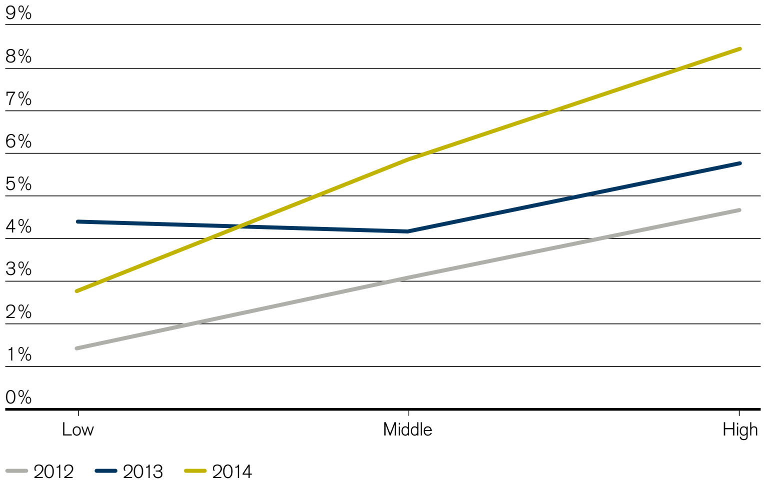


Figure 11

Selected High Street store penetration in emerging markets – 2014

Source: Company data

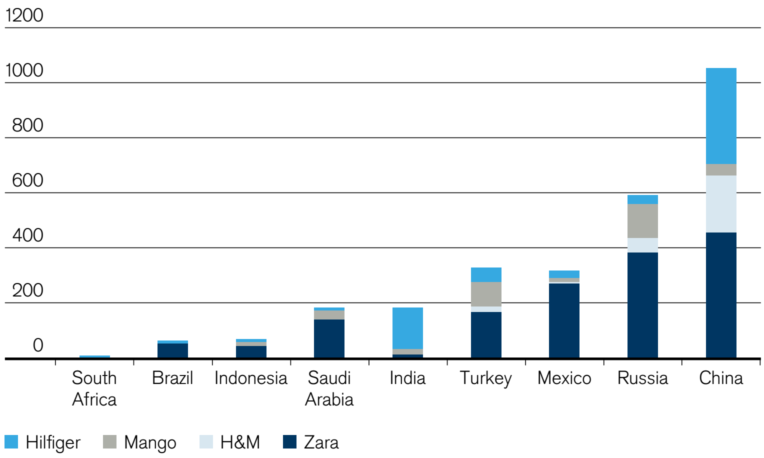


Figure 12

International High Street* brand purchasing intentions in the next 12 months

Source: Credit Suisse Emerging Consumer Survey   *Data for Zara and H&M

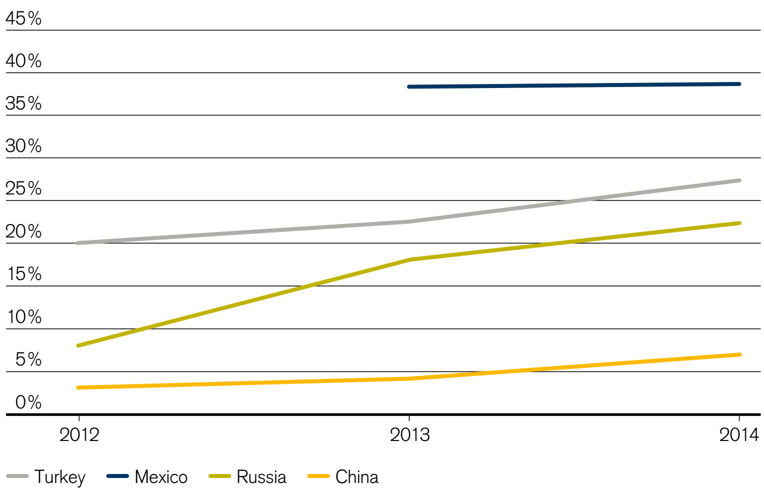


PHOTO: ISTOCKPHOTO.COM/STURTI

Figure 13

Silicon Valley and Asian internet brands

Source: Credit Suisse Emerging Consumer Survey

	Silicon Valley brand	Emerging Asian brand
Search	Google	Baidu (China) Naver (South Korea)
Online retail	Amazon	Alibaba (China) Nimbuzz (India)
Online discount clothing retail	Asos	Vipshop (China)
Social networking	Facebook	Tencent (China) Nimbuzz (India) Renren (China)
Professional networking	LinkedIn	Ushi (China)
Video sharing	YouTube	Tudou (China)
Online retail	eBay	Taobao (China)
Text messaging	What's App/ Facebook Messenger	Line (Indonesia) WeChat (Tencent China)
Online payments	PayPal	Alipay (Alibaba China)
Micro-blogging	Twitter	Weibo (China)
Online travel booking	Priceline.com	Ctrip (China)
Online real estate portal	Zillow/Trulia	SouFun (China)

Figure 14

Use of search engines for purchases in China

Source: Credit Suisse Emerging Consumer Survey

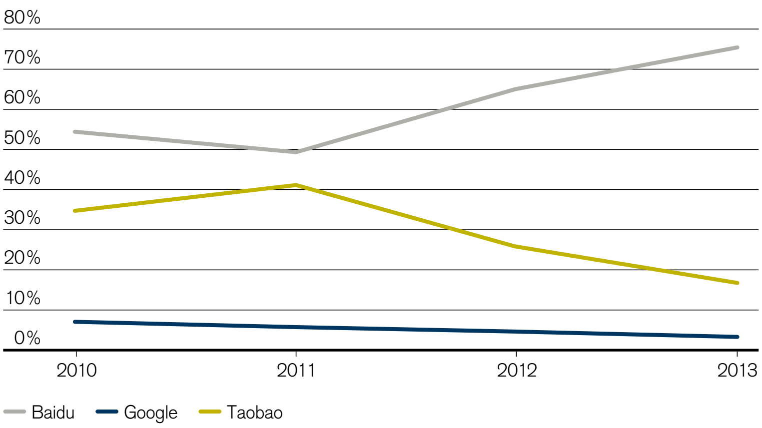
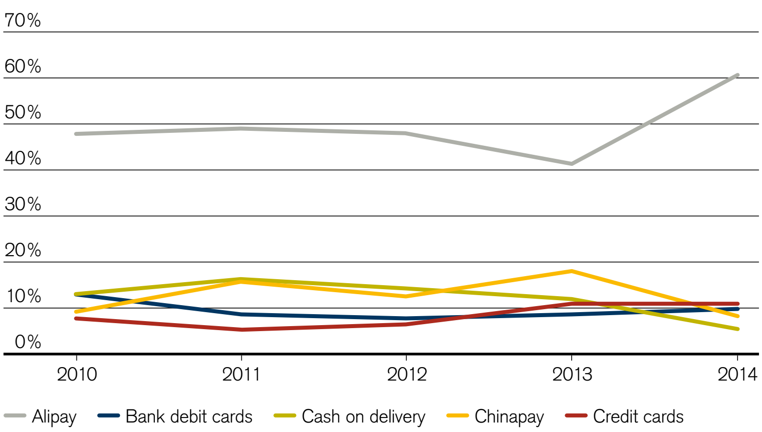


Figure 15

Payment methods for e-Commerce – China

Source: Credit Suisse Emerging Consumer Survey



The dominance of Asian tech brands in local markets

The 2014 IPO of Alibaba has focused attention on the rise of Asian technology "start-ups," many of which now parallel established Silicon Valley brands and market leaders. This industry marks a significant shift away from the old Asian unbranded, low cost, commoditized, manufacturing model to a new phase of consumer capture, brand differentiation and potentially higher return businesses. In some instances, concerns over IP infringement and patent protection limited appetite among Western companies for building out their business in Asia. In most instances, language and alphabet differences have meant significant barriers to rolling out Western business models. This has given Asian entrepreneurs the incentive to develop localized versions that build on different infrastructure, (i.e. Nimbuzz is built for the lower bandwidth environment in India), different cultural preferences and the high usage of mobiles for e-Commerce.

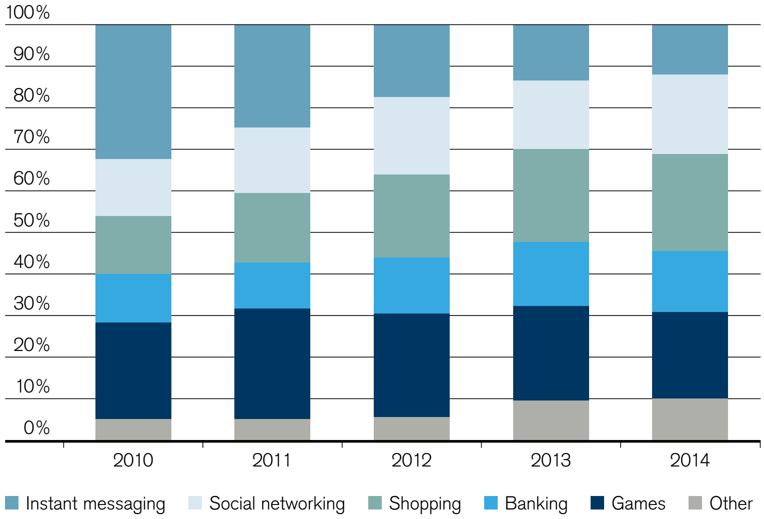
The rapid adoption of mobile e-Commerce by Asian consumers and the development of successful portals, both B2C and B2B, appears to limit the market share possibilities for English language-based tech companies. This is demonstrated in our survey by the fact that the only Western brands named by respondents are Google and Yahoo! under the search engine category and we can see in Figure 14 that Google's share is declining as Baidu continues its clear market dominance.

Our survey also shows the clear and increasing dominance of Alipay for online payments for purchases. The symbiotic relationship with Alibaba, mirroring that of eBay and PayPal in Western markets, has promoted this dominance and enabled Alipay to push out "analog" payment methods, such as cash on delivery, and other digital payment systems, such as China Unionpay. The difference between eBay and PayPal, of course, is that Alipay was established in-house rather than being an acquisition.

Figure 16

What do you use the internet for? – China

Source: Credit Suisse Emerging Consumer Survey



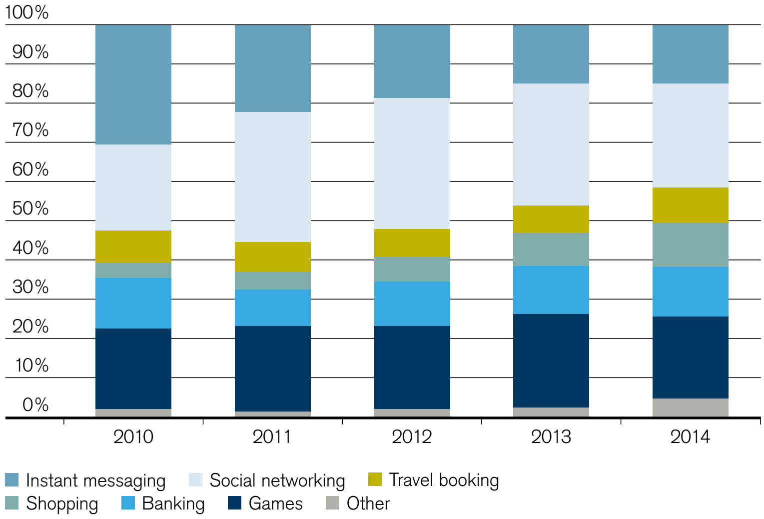
Figures 16 and 17 shows the major category winners so far in different online segments. But which of these brands are set to see the greatest future growth? We see increasing social networking, travel bookings, online purchases and game app usage compared to slower growth in instant messaging and mobile/online banking. This suggests that the likes of Alibaba and Alipay, Baidu, Vipshop, Tencent, Renren and Ctrip will continue to be key Chinese brands.

We see slightly different user patterns and growth drivers in India. One key difference is gambling, which comprises the bulk of the "other" category in India. Online usage in India is seeing superior growth in travel bookings, online retail and mobile/online banking. Online retail brands include Flipkart.com, Snapdeal, Jabong and Myntra. The market leader, though, is Amazon.in.

Figure 17

What do you use the internet for? – India

Source: Credit Suisse Emerging Consumer Survey



An Asian brand – it doesn't always work

There is considerable data in our survey to underpin the likely continuing success of Asian tech brands and also retail brands, such as Luk Fook and Chow Tai Fook jewelry, but Li Ning, the Chinese sportswear brand and competitor of Adidas and Nike, serves as a reminder that not all Asian brands have been the key success stories in their local markets that had been expected, specifically in discretionary categories. Li Ning has seen sales fall from CNY 9.5 billion in 2010 to CNY 5.8 billion in 2013 with net profits of CNY 1.1 billion turning to losses of CNY 392 million over the same period. The share price has fallen from a high of HKD 31.15 in April 2010 to HKD 3.44 at YE 2014. The issue appears to be one of strategy, with products priced close to the aspirational Adidas and Nike brands. The traditional model for Asian manufacturers to drive growth and market share gains from Western brands has been based on exploiting labor cost advantages and undercutting on price. Li Ning has not adopted this strategy and seems to

Figure 18

Sports shoe purchasing intentions over the next 12 months by brand – China

Source: Credit Suisse Emerging Consumer Survey

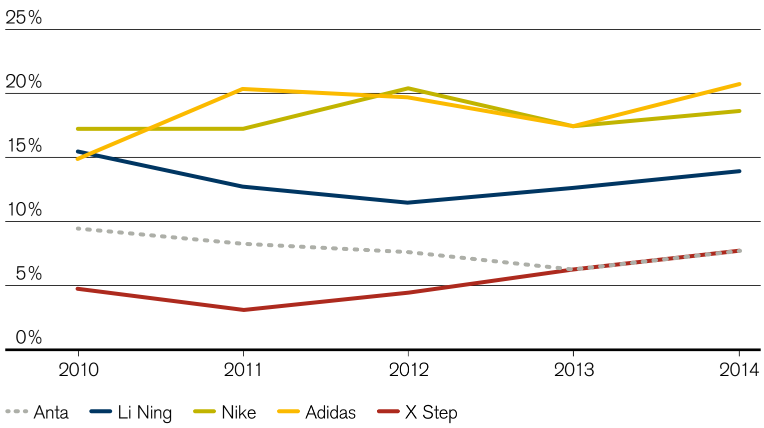


Figure 19

Brazilian purchases of soft drinks in the past 3 months – domestic and international brands

Source: Credit Suisse Emerging Consumer Survey

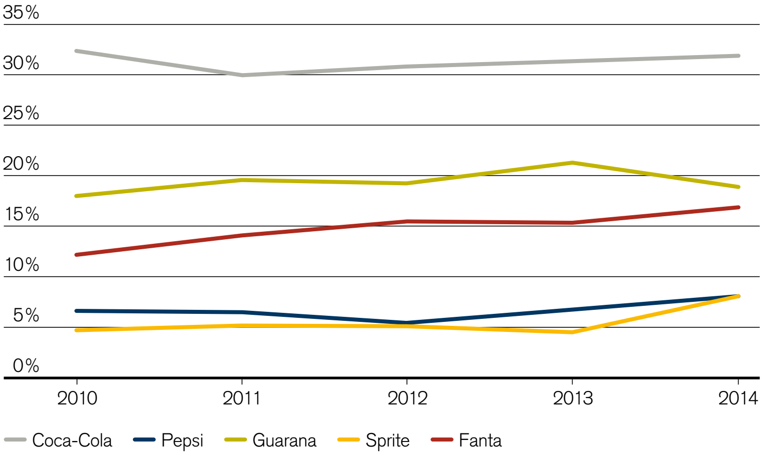


Figure 20

Coca-Cola brand purchases in the past 3 months by country

Source: Credit Suisse Emerging Consumer Survey

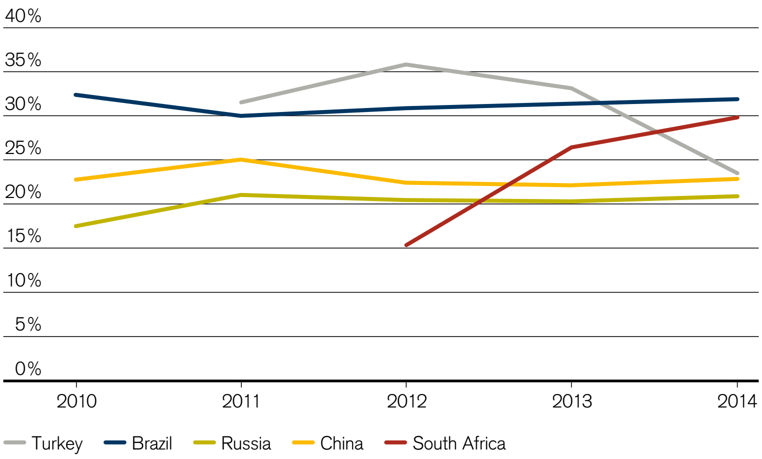


Figure 21

Sports shoe purchasing intentions for Adidas and Nike

Source: Credit Suisse Emerging Consumer Survey

Change in market share of spending intentions (%)	2012–14		2013–14	
	Adidas	Nike	Adidas	Nike
Brazil	5	7	-3	-13
China	1	-2	3	1
Indonesia	7	3	5	4
Russia	1	4	1	-2
Saudi Arabia	4	12	0	11
South Africa	8	9	5	1
Turkey	-2	0	-3	1
Average	4	5	1	0

have fallen between the aspirational demand for Adidas and Nike and low ticket domestic competitors, such as Anta and Xtep.

World Cup in Brazil

Brazil played host to the football World Cup in 2014 and we look to analyze what impact, if any, this has had on the emerging consumer's appetite for Sponsor brands, i.e. Coca-Cola, Adidas, Hyundai, Sony, Budweiser and others. Again, this has had less impact than perhaps expected so far although Coca-Cola and other Coca-Cola Company brands, Sprite and Fanta have both seen some market share gains in Brazil during the year at the expense of local drink, Guarana. Coca-Cola remains the No. 1 soft drinks brand in most markets surveyed, except for India and Saudi Arabia (where Sprite and Pepsi having the highest penetration, respectively), and in some countries, Coca-Cola has a higher market share than all domestic brands combined.

Adidas was also a sponsor of the World Cup and it is interesting that we see limited benefits from World Cup-related advertising on sports shoes purchasing intentions compared to key competitor, Nike, which did not undertake the same brand

PHOTO: ISTOCKPHOTO.COM/MICROGEN

push during the period, although some positive impact could emerge in 2015. Looking at market share changes in our survey, we see inconclusive evidence as to the benefits from this sponsorship for Adidas. Both Adidas and Nike saw market share declines in Brazilian purchase intentions in 2014 despite their differing sponsor status.

There is perhaps some evidence of an impact on purchasing intentions from World Cup-related advertising for Sony, where we can see a notable pick-up in Sony TV purchase plans in India, Saudi Arabia and China, and stable levels in Mexico. This appears to have stemmed the declining trend of previous years, although we do not see a similar positive impact on Sony PC purchasing intensions from World Cup-related advertising. Like Adidas, Sony does not appear to have benefited in Brazil, with both TV and PC purchasing intentions falling further below a 10% share.

Brazil, of course, is hosting the 2016 Olympic Games and Coca-Cola is again one of the key sponsors, along with Samsung, P&G, McDonalds and Panasonic. The limited impact the World Cup seemed to have on the data here, suggests this may be an exercise in sustaining the brand rather than materially enhancing its positioning. We wait for the next Games with interest.

Figure 22

World Cup sponsors' brand purchases intentions – Hyundai

Source: Credit Suisse Emerging Consumer Survey

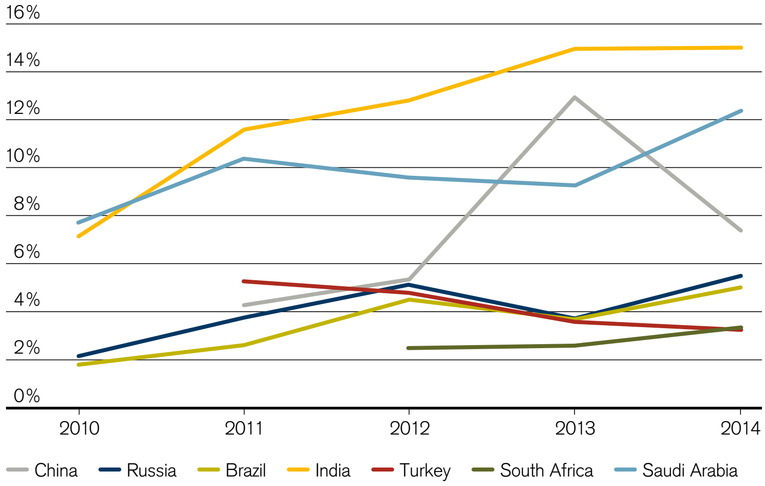


Figure 23

World Cup sponsors' brand purchasing intentions – Sony PCs

Source: Credit Suisse Emerging Consumer Survey

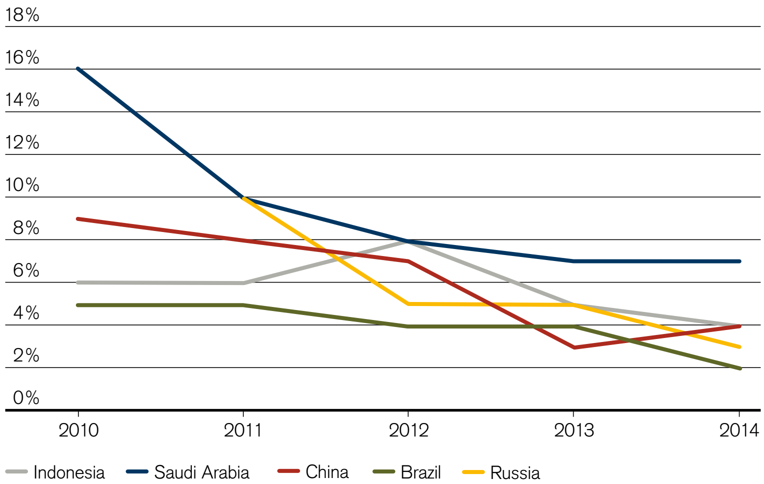
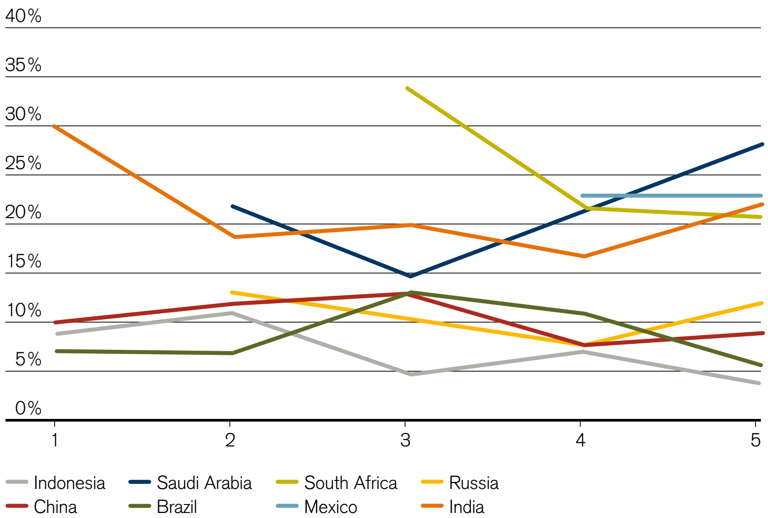


Figure 24

World Cup sponsors' brand purchasing intentions – Sony TVs

Source: Credit Suisse Emerging Consumer Survey



Food and beverages: Brand market penetration according to income group

Source: Credit Suisse Emerging Consumer Survey 2015; Lower income defined as the lowest third of the income spectrum; higher income defined as the top third of the income spectrum.

Sector	Brand/country	% penetration at LOWER income			% penetration at HIGHER income			Average % penetration		Parent company (if applicable)	Listed/private
		2013	2014	3-year growth	2013	2014	3-year growth	2013	2014		
Beer	Itaipava	16 %	22 %	6 %	16 %	19 %	1 %	21 %	31 %	Cervejaria Petró	Private
	Brahma	47 %	20 %	-2 %	41 %	48 %	3 %	44 %	40 %	AmBev	AMBV4 BZ
	Snow	54 %	61 %	8 %	43 %	33 %	2 %	49 %	42 %	CR Snow(SAB-CRE)	JV
	Tsingtao	37 %	49 %	7 %	46 %	38 %	-9 %	42 %	40 %	Tsingtao Brewery	168 HK
	Kingfisher	49 %	72 %	-2 %	42 %	58 %	1 %	60 %	64 %	United Breweries	UB IN
	Knock Out	5 %	22 %	8 %	15 %	15 %	85 %	9 %	16 %	SAB Miller	SAB LN
	Tuborg	2 %	3 %	N/A	10 %	25 %	34 %	3 %	17 %	Carlsberg Group	CARLB DC
	Haywards	14 %	6 %	-38 %	13 %	10 %	-20 %	11 %	15 %	SAB Miller	SAB LN
	Sol	21 %	19 %	-10 %	7 %	38 %	414 %	16 %	17 %	Heineken Intl.	HEIA NA
	Indio	14 %	24 %	78 %	23 %	22 %	-4 %	17 %	26 %	Cervecería Cuauhtémoc	Private
	Dos Equis	3 %	15 %	389 %	6 %	7 %	22 %	3 %	16 %	Cervecería Cuauhtémoc	Private
	Zhigulevskoe	22 %	71 %	41 %	12 %	9 %	65 %	22 %	19 %	Carlsberg Group	CARLB DC
	Lowenbrau	0 %	34 %	224 %	5 %	6 %	78 %	6 %	5 %	Anheuser-Busch	ABI BB
	Staryi Melnik	3 %	35 %	126 %	20 %	3 %	-31 %	6 %	6 %	Anadolu Efes	AEFES TI
	Efes Pilsen	71 %	74 %	-6 %	67 %	78 %	33 %	70 %	76 %	Anadolu Efes	AEFES TI
Dairy	Bright	17 %	15 %	12 %	33 %	39 %	6 %	27 %	31 %	Bright Food	600597 CH
	Mengniu	55 %	68 %	3 %	57 %	56 %	-6 %	57 %	62 %	China Mengniu	2319 HK
	Yili	41 %	38 %	-12 %	45 %	46 %	-10 %	43 %	45 %	Inner Mong. Yili	600887 CH
	Danone	0 %	0 %	-37 %	8 %	8 %	15 %	5 %	6 %	Danone	BN FP
	Amul	45 %	56 %	2 %	56 %	69 %	-1 %	60 %	61 %	Gujarat coop	Coop
	Frissian Flag	43 %	41 %	-7 %	31 %	61 %	21 %	44 %	51 %	PT Frisian Flag Indonesia	Private
	Nestle	21 %	15 %	8 %	23 %	20 %	-1 %	21 %	19 %	Nestlé	NESN VX
	Lala	53 %	56 %	5 %	49 %	80 %	62 %	50 %	58 %	Grupo Lala	LALAB MX
	Sek	12 %	13 %	13 %	17 %	8 %	23 %	12 %	17 %	Sek	SEK AU
	Veselyi Molochnik	49 %	16 %	0 %	21 %	27 %	10 %	33 %	26 %	PepsiCo	PEP US
	Inkomazi	27 %	50 %	N/A	12 %	16 %	N/A	26 %	34 %	Clover Industries	CLR SJ
	ALMARAI	59 %	89 %	N/A	57 %	95 %	N/A	59 %	91 %	ALMARAI	ALMARAI AB
Cigarettes	Derby	27 %	19 %	N/A	5 %	6 %	N/A	22 %	20 %	Souza Cruz (BAT)	BATS LN
	Hollywood	18 %	14 %	N/A	21 %	28 %	N/A	24 %	28 %	Souza Cruz (BAT)	BATS LN
	Hongtashan	21 %	21 %	N/A	14 %	16 %	N/A	15 %	18 %	Hongta Tobacco	Private
	Gold Flake	12 %	31 %	N/A	56 %	50 %	N/A	50 %	44 %	ITC	ITC IN
	Benson & Hedges	16 %	0 %	N/A	20 %	3 %	N/A	14 %	1 %	Philip Morris Intl	PM US
	Classic	19 %	2 %	N/A	21 %	13 %	N/A	16 %	11 %	ITC	ITC IN
	LD	3 %	33 %	N/A	6 %	2 %	N/A	9 %	7 %	Japan Tobacco In	2914 JP
	Marlboro	41 %	45 %	N/A	57 %	36 %	N/A	47 %	35 %	Philip Morris In	PM US
	Winston	27 %	25 %	N/A	50 %	20 %	N/A	29 %	30 %	R. J. Reynolds T	RAI US
Soft drinks	Pepsi Cola	29 %	42 %	6 %	49 %	42 %	-5 %	43 %	42 %	The Coca-Cola	KO US
	Mountain Dew	5 %	18 %	-2 %	11 %	24 %	21 %	8 %	11 %	PepsiCo	PEP US
	Thums up	47 %	54 %	-3 %	25 %	43 %	6 %	40 %	43 %	The Coca-Cola Co	KO US
	Pepsi Cola	31 %	40 %	32 %	32 %	18 %	-45 %	29 %	41 %	The Coca-Cola	KO US
	Sprite	8 %	17 %	126 %	13 %	18 %	39 %	8 %	17 %	The Coca-Cola	KO US
	7Ya	42 %	0 %	N/A	7 %	9 %	41 %	9 %	5 %	TD Intergorg OOO	Private
	Coca-Cola	68 %	76 %	5 %	81 %	79 %	-3 %	79 %	81 %	The Coca-Cola	KO US
	7-Up	70 %	68 %	10 %	68 %	68 %	16 %	71 %	71 %	PepsiCo	PEP US
	Pepsi Cola	30 %	39 %	10 %	5 %	52 %	56 %	26 %	36 %	The Coca-Cola	KO US
	Fanta	26 %	39 %	-6 %	5 %	51 %	26 %	24 %	42 %	The Coca-Cola	KO US
	Yedigün	13 %	26 %	55 %	0 %	16 %	90 %	12 %	28 %	Pepsico	PEP US
Spirits	Johnnie Walker	8 %	9 %	37 %	42 %	65 %	28 %	24 %	31 %	Diageo	DGE LN
	Niulanshan	14 %	27 %	34 %	21 %	18 %	-8 %	19 %	20 %	Beijing Shunxin	000860 CH
	Royal Stag	0 %	38 %	N/A	25 %	27 %	20 %	25 %	31 %	Pernod Ricard	RI FP
	Mc'Dowells No.1	46 %	22 %	-17 %	35 %	17 %	-4 %	37 %	37 %	United Breweries	UB IN
	Royal Challenge	10 %	23 %	N/A	8 %	23 %	23 %	13 %	21 %	United Breweries	UB IN
	Jose Cuervo	12 %	27 %	128 %	25 %	5 %	-82 %	18 %	24 %	Teq Cuerv La Rojeña	Private
	5 Ozer	6 %	26 %	46 %	9 %	8 %	3 %	17 %	16 %	Alcohol Siberian	Private
	Myagkov	2 %	18 %	49 %	8 %	7 %	71 %	10 %	10 %	Myagkov	Private
	Captain Morgan	2 %	21 %	N/A	2 %	11 %	114 %	10 %	13 %	Diageo	DGE LN
	Yeni Raki	42 %	63 %	N/A	28 %	26 %	N/A	45 %	61 %	Mey İçki (Diageo)	DGE LN
Bottled water	Crystal	31 %	37 %	36 %	44 %	49 %	33 %	33 %	52 %	Cervejaria Petró	Private
	C'estbon	12 %	13 %	-3 %	29 %	30 %	26 %	24 %	25 %	C'estbon Food	291 HK
	Aqua	11 %	32 %	54 %	21 %	22 %	6 %	15 %	21 %	The Coca-Cola	KO US
	Nova	35 %	61 %	N/A	45 %	65 %	N/A	38 %	64 %	NOVA Water Tech	Private
	Erikli	27 %	43 %	13 %	28 %	77 %	38 %	28 %	46 %	Nestlé	NESN VX
Cosmetics	Lux	35 %	24 %	-8 %	18 %	18 %	5 %	24 %	26 %	Unilever	ULVR LN
	L´Oreal	12 %	13 %	9 %	29 %	30 %	17 %	22 %	24 %	L'Oréal	OR FP
	Ponds	17 %	34 %	-2 %	22 %	32 %	0 %	28 %	43 %	Unilever	ULVR LN
	Fair & Lovely	37 %	48 %	17 %	36 %	33 %	5 %	41 %	36 %	Hind. Unilever	HUVR IN
	Parachute	49 %	24 %	8 %	44 %	46 %	2 %	43 %	44 %	Marico	MRCO IN
	Chistaya Linia	18 %	32 %	46 %	10 %	14 %	72 %	26 %	27 %	Chistaya Linia Ltd	Private
	Dove	48 %	32 %	-14 %	63 %	38 %	-19 %	49 %	41 %	Unilever	ULVR LN
	Nivea	11 %	19 %	-35 %	42 %	40 %	-14 %	28 %	30 %	Beiersdorf	BEI GR
	Avon	34 %	37 %	-4 %	52 %	26 %	-24 %	35 %	39 %	Avon Products, I	AVP US
	Nivea	16 %	24 %	-2 %	4 %	52 %	142 %	17 %	27 %	Beiersdorf	BEI GR

Brazil · Russia · India · Indonesia · Saudi Arabia · China · South Africa · Turkey · Mexico

Note: Penetration of brands is measured as the percentage of respondents who purchased that brand over the last year. 'Lower income' refers to the bottom third of income earners for that region, 'higher income' refers to the top third. Average penetration is an unweighted average of lower and higher income penetration levels.

Discretionary spending – brand market penetration according to income group

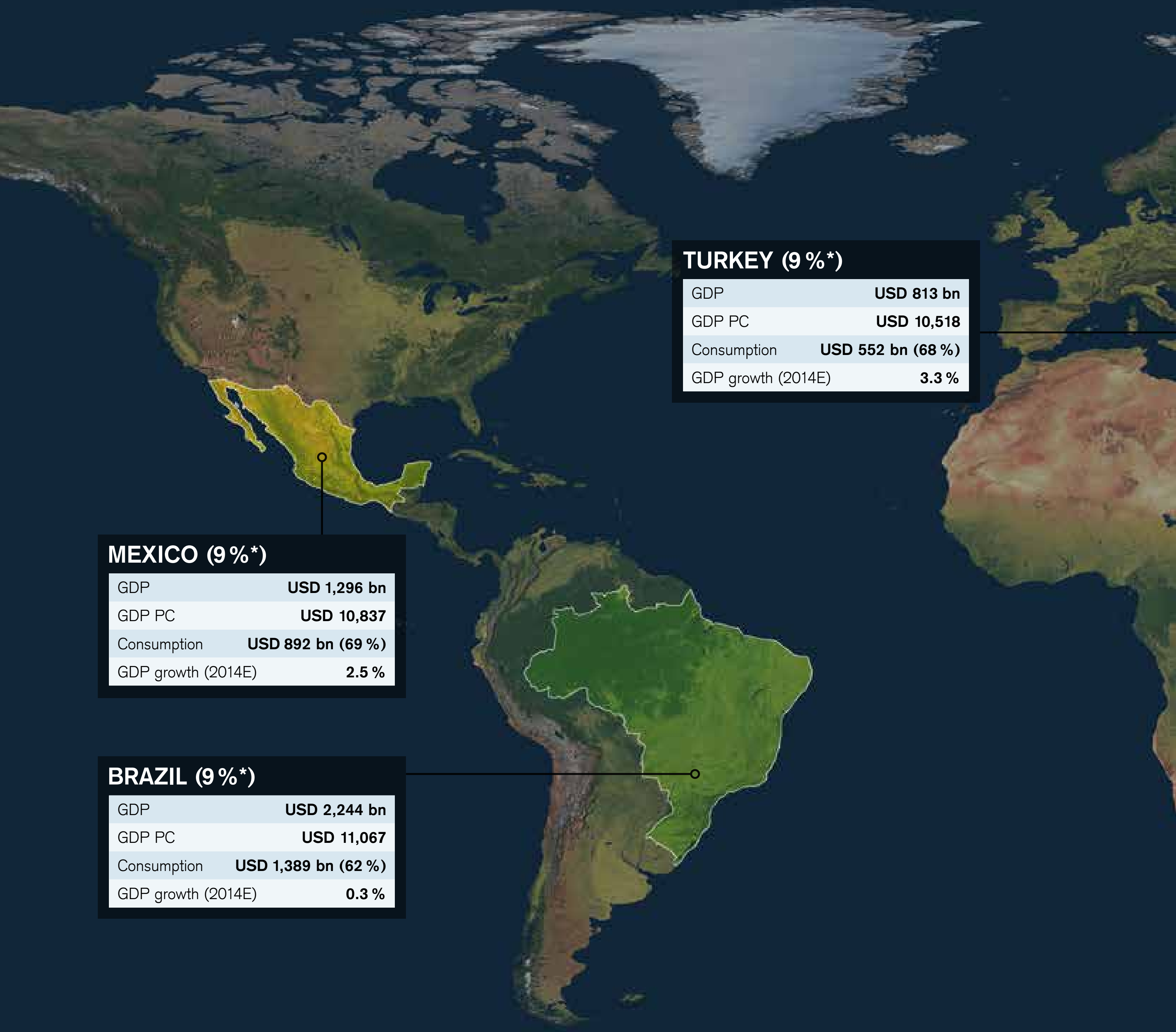
Source: Credit Suisse Emerging Consumer Survey 2015; Lower income defined as the lowest third of the income spectrum; higher income defined as the top third of the income spectrum.

Sector	Brand/country	% penetration at LOWER income 2013	% penetration at LOWER income 2014	% penetration at LOWER income 3-year growth	% penetration at HIGHER income 2013	% penetration at HIGHER income 2014	% penetration at HIGHER income 3-year growth	Average % penetration 2013	Average % penetration 2014	Parent company (if applicable)	Listed/private
Autos	Fiat	30 %	28 %	-2 %	13 %	27 %	24 %	30 %	29 %	Fiat S.p.A	F IM
	Volkswagen	56 %	10 %	-21 %	23 %	15 %	-15 %	31 %	21 %	Volkswagen	VOW3 GR
	Toyota	7 %	17 %	95 %	14 %	11 %	-8 %	14 %	11 %	Toyota Motor	7203 JP
	Volkswagen	16 %	22 %	22 %	20 %	30 %	11 %	20 %	28 %	Volkswagen	VOW3 GR
	Maruti Suzuki	42 %	30 %	25 %	26 %	37 %	10 %	28 %	39 %	Maruti Suzuki India	MSIL IN
	Hyundai	3 %	13 %	45 %	18 %	25 %	26 %	16 %	21 %	Hyundai Motors	005380 KS
	TATA	3 %	40 %	47 %	6 %	10 %	-18 %	14 %	17 %	Tata Motors	TTMT IN
	Honda	25 %	12 %	-10 %	8 %	40 %	34 %	22 %	25 %	Honda Motors	7267 JP
	BMW	2 %	0 %	N/A	10 %	18 %	N/A	5 %	1 %	BMW	BMW GR
	Nissan	30 %	27 %	N/A	25 %	9 %	N/A	30 %	26 %	Nissan Motors	7201 JP
	Lada / VAZ / Zhiguli	10 %	8 %	-13 %	0 %	2 %	-5 %	10 %	8 %	Renault SA	RNO FP
	Hyundai	16 %	29 %	16 %	4 %	6 %	44 %	11 %	15 %	Hyundai Motors	005380 KS
	Toyota	46 %	26 %	-2 %	21 %	24 %	-12 %	35 %	32 %	Toyota Motors	7203 JP
	Volkswagen	10 %	28 %	N/A	25 %	16 %	109 %	23 %	18 %	Volkswagen	VOW3 GR
	BMW	3 %	9 %	89 %	8 %	0 %	N/A	4 %	8 %	BMW	BMW GR
	Opel	17 %	14 %	-1 %	8 %	0 %	N/A	16 %	18 %	General Motors	GM US
Fashion	C&A	0 %	26 %	N/A	0 %	26 %	N/A	0 %	37 %	C&A	Private
	Gucci	1 %	0 %	N/A	12 %	8 %	28 %	4 %	1 %	Gucci Group	GUCG US
	Levi's	2 %	0 %	N/A	16 %	0 %	N/A	7 %	0 %	Levi Strauss & Co	Private
	Semir	9 %	13 %	26 %	11 %	14 %	61 %	10 %	15 %	The Semir Group	002563 CH
	Lee Cooper	7 %	13 %	242 %	16 %	20 %	19 %	16 %	15 %	Lee Cooper Brand	ICON US
	Aeropostale	12 %	15 %	N/A	10 %	41 %	N/A	12 %	18 %	Aéropostale, Inc	ARO US
	Hugo Boss	5 %	9 %	N/A	22 %	38 %	N/A	7 %	10 %	Hugo Boss AG	BOSS GR
	Calvin Klein	1 %	0 %	N/A	6 %	22 %	138 %	2 %	3 %	Phillips-Van Heusen	PVH US
	Store Brand: H&M	3 %	0 %	N/A	14 %	7 %	21 %	6 %	7 %	Hennes & Mauritz AB	HM B
	Foschini	11 %	26 %	N/A	16 %	28 %	N/A	17 %	21 %	Foschini Group	TFG SJ
	Levi's	28 %	1 %	-82 %	28 %	3 %	-72 %	23 %	1 %	Levi Strauss & Co	Private
	Truworths	7 %	26 %	N/A	36 %	33 %	N/A	25 %	28 %	Truworths	TRU SJ
Sportswear	Penalty	5 %	0 %	-37 %	9 %	0 %	N/A	4 %	1 %	Penalty	Private
	Bata	14 %	0 %	N/A	8 %	0 %	N/A	17 %	0 %	Bata India	BATA IN
	Nike	26 %	7 %	26 %	57 %	44 %	22 %	33 %	31 %	Nike,	NKE US
	Adidas	38 %	10 %	-16 %	24 %	51 %	32 %	41 %	44 %	Adidas	ADS GR
	Puma	6 %	33 %	109 %	6 %	13 %	28 %	8 %	12 %	Puma SE	PUM GR
	Nike	23 %	50 %	106 %	34 %	62 %	77 %	28 %	53 %	Nike,	NKE US
	Billabong	15 %	5 %	-13 %	9 %	13 %	16 %	6 %	7 %	Billabong Intl	BBG AU
Handsets	Nokia	34 %	14 %	2 %	16 %	6 %	-2 %	15 %	12 %	Nokia	NOK1V FH
	Huawei	2 %	14 %	N/A	2 %	8 %	188 %	2 %	9 %	Huawei Tech	002502 CH
	Blackberry	22 %	11 %	10 %	25 %	6 %	-50 %	22 %	8 %	BlackBerry	BBRY US
	Samsung	15 %	34 %	93 %	28 %	50 %	N/A	21 %	46 %	Samsung Electronics	005930 KS
	Nokia	37 %	19 %	-33 %	33 %	16 %	-16 %	33 %	18 %	Nokia	NOK1V FH
	Samsung	12 %	46 %	44 %	15 %	31 %	104 %	27 %	27 %	Samsung Electronics	005930 KS
	Apple	20 %	23 %	84 %	32 %	63 %	73 %	26 %	36 %	Apple	AAPL US
	Blackberry	20 %	9 %	-33 %	35 %	17 %	-41 %	30 %	16 %	BlackBerry	BBRY US
	Samsung	8 %	27 %	48 %	8 %	38 %	134 %	11 %	28 %	Samsung Electronics	005930 KS
	Apple	17 %	26 %	29 %	33 %	42 %	12 %	29 %	36 %	Apple	AAPL US
PCs	Samsung	21 %	64 %	78 %	28 %	19 %	-4 %	19 %	36 %	Samsung Electronics	005930 KS
	Acer	3 %	13 %	35 %	0 %	0 %	N/A	4 %	8 %	Acer	2353 TT
	Lenovo	2 %	8 %	N/A	0 %	17 %	N/A	2 %	7 %	Lenovo Group	992 HK
TVs	Sony	2 %	0 %	N/A	17 %	23 %	8 %	11 %	6 %	Sony	6758 JP
	Panasonic	35 %	2 %	21 %	5 %	0 %	N/A	2 %	1 %	Panasonic	6752 JP
	Samsung	28 %	25 %	7 %	51 %	56 %	15 %	45 %	50 %	Samsung Electronics	005930 KS
	Changhong	33 %	14 %	23 %	9 %	5 %	-20 %	17 %	9 %	Sichuan Changhon	600839 CH
	LG	26 %	26 %	-19 %	29 %	26 %	24 %	26 %	22 %	LG Electronics	066570 KS
	Samsung	13 %	57 %	177 %	29 %	29 %	-7 %	34 %	40 %	Samsung Electronics	005930 KS
	LG	38 %	45 %	5 %	42 %	23 %	41 %	35 %	22 %	LG Electronics	066570 KS
	LG	33 %	23 %	N/A	26 %	43 %	N/A	30 %	26 %	LG Electronics	066570 KS
	Samsung	56 %	6 %	-49 %	28 %	13 %	-34 %	40 %	37 %	Samsung Electronics	005930 KS
	Samsung	36 %	38 %	5 %	36 %	55 %	39 %	36 %	43 %	Samsung Electronics	005930 KS
	Hisense	0 %	37 %	371 %	3 %	16 %	207 %	3 %	9 %	Hisense	600060 CH
	Samsung	37 %	28 %	3 %	17 %	8 %	N/A	35 %	39 %	Samsung Electronics	005930 KS
Watches	Dumond	3 %	10 %	71 %	17 %	28 %	N/A	16 %	10 %	Compagnie Financière Richemont SA	CFR SJ
	Technos	N/A	13 %	N/A	N/A	18 %	N/A	0 %	17 %	Technos SA	TECN3 BZ
	Mormaii	N/A	3 %	N/A	N/A	22 %	N/A	0 %	8 %	Mormaii Group	Private
	Casio	12 %	33 %	N/A	14 %	9 %	N/A	14 %	15 %	Casio Computer Company	6952 JP
	Rolex	4 %	14 %	32 %	24 %	16 %	-8 %	19 %	16 %	Montres Tudor SA	Private
	Titan	28 %	35 %	-10 %	46 %	41 %	-1 %	36 %	26 %	Titan Industries Limited	TTAN IN
	Sonata	5 %	30 %	49 %	21 %	22 %	41 %	18 %	17 %	Titan Industries Limited	TTAN IN
	Casio	6 %	12 %	N/A	11 %	8 %	N/A	11 %	12 %	Casio Computer Company	6952 JP
	Swatch	2 %	7 %	N/A	3 %	8 %	N/A	3 %	10 %	Swatch Group Ltd	UHR SW
	Gucci	5 %	27 %	49 %	18 %	7 %	-29 %	15 %	18 %	Gucci Group	GUCG US
	Swatch	1 %	8 %	124 %	14 %	17 %	80 %	10 %	8 %	Swatch Group Ltd	UHR SW
	Rolex	3 %	12 %	27 %	11 %	28 %	N/A	6 %	20 %	Montres Tudor SA	Private

Brazil Russia India Indonesia Saudi Arabia China South Africa Turkey Mexico

Credit Suisse Emerging Consumer Survey 2015

Number of respondents: 15,835
Across 9 countries
71 % in urban areas; 29 % in rural areas



TURKEY (9 %*)

GDP	**USD 813 bn**
GDP PC	**USD 10,518**
Consumption	**USD 552 bn (68 %)**
GDP growth (2014E)	**3.3 %**

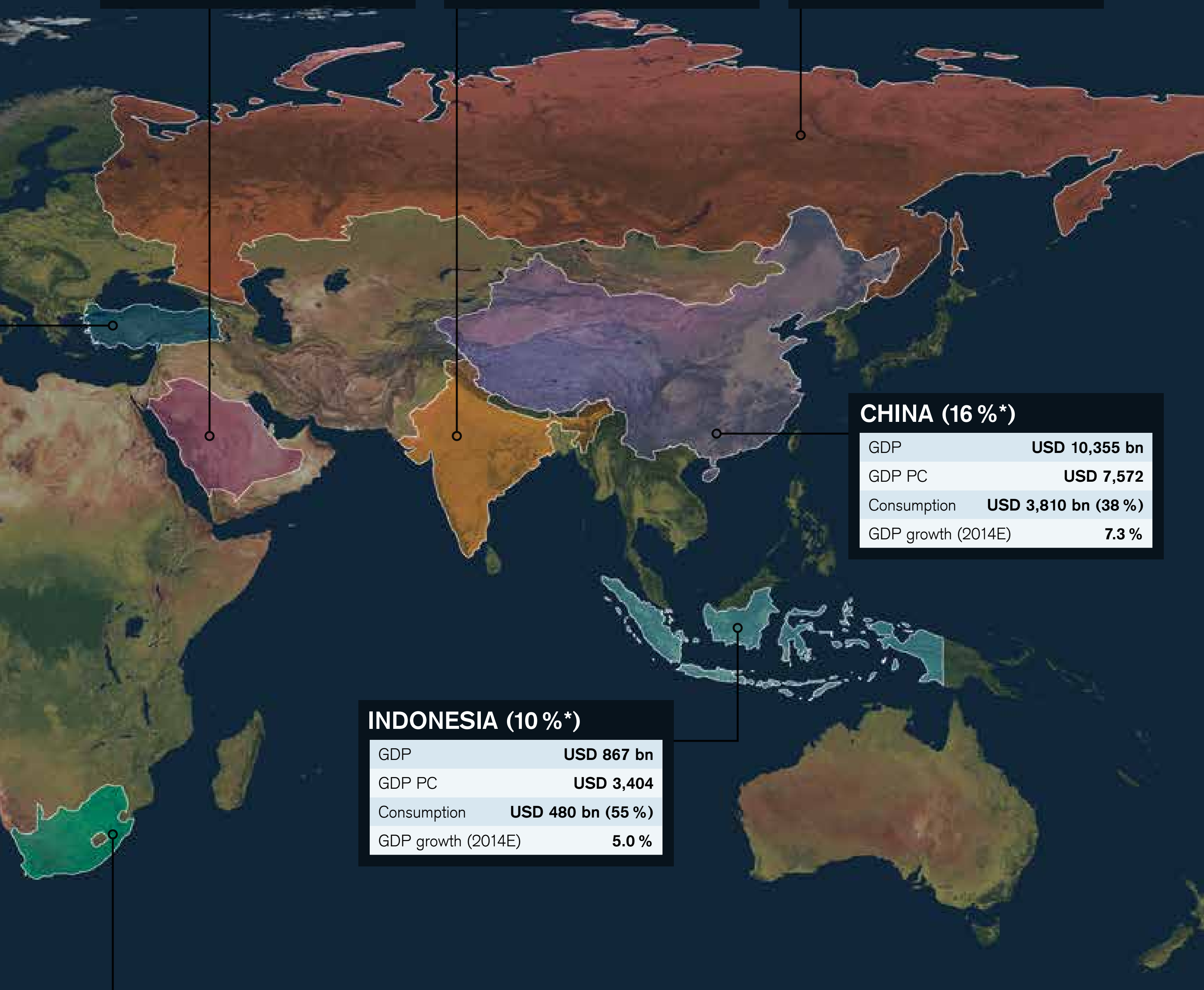
MEXICO (9 %*)

GDP	**USD 1,296 bn**
GDP PC	**USD 10,837**
Consumption	**USD 892 bn (69 %)**
GDP growth (2014E)	**2.5 %**

BRAZIL (9 %*)

GDP	**USD 2,244 bn**
GDP PC	**USD 11,067**
Consumption	**USD 1,389 bn (62 %)**
GDP growth (2014E)	**0.3 %**

Note:
1. Total GDP for the country shown in nominal USD
2. * % of survey sampled from this country
3. Country GDP from IMF
4. Consumption from Oxford Economics



SAUDI ARABIA (10 %*)

GDP	USD 778 bn
GDP PC	USD 25,401
Consumption	USD 239 bn (31 %)
GDP growth (2014E)	4.3 %

INDIA (16 %*)

GDP	USD 2,048 bn
GDP PC	USD 1,626
Consumption	USD 1,155 bn (56 %)
GDP growth (2014E)	6.0 %

RUSSIA (9 %*)

GDP	USD 2,057 bn
GDP PC	USD 14,317
Consumption	USD 1,020 bn (50%)
GDP growth (2014E)	0.2 %

CHINA (16 %*)

GDP	USD 10,355 bn
GDP PC	USD 7,572
Consumption	USD 3,810 bn (38 %)
GDP growth (2014E)	7.3 %

INDONESIA (10 %*)

GDP	USD 867 bn
GDP PC	USD 3,404
Consumption	USD 480 bn (55 %)
GDP growth (2014E)	5.0 %

SOUTH AFRICA (10 %*)

GDP	USD 341 bn
GDP PC	USD 6,354
Consumption	USD 204 bn (60%)
GDP growth (2014E)	1.2 %

Brazil

Steady decline continues

Tobias Stingelin, Alexandre Amson

A cursory examination of some of the headline measures of confidence in the survey might suggest the Brazilian consumer is in rude health. However, much has changed versus previous surveys and indicators below the surface resonate with pressures on the consumer.

The percentage of consumers expecting their personal finances to improve appears a heady 49%. However, this net balance has dropped 9% since last year and is the lowest reading since our 2010 Survey, with the severity of the decline matched only by Russia this year. The fall at the low income level was sharpest. This is more in keeping with the level of the official statistics on consumer confidence when judged against their own history.

Income expectations are ranked highly in the survey. However, a caveat here to note is that the trailing momentum to income growth is at a less impressive fifth place in the survey and far lower than we have seen from Brazil in the past. Moreover, we also note that, within the positive future income expectations, there has been a sharp decline for consumers earning up to BRL 1,100 per month. This deterioration, combined with uncertainties on the macro front (i.e. fiscal austerity, tariff increases, etc.) might also explain why Brazil ranked "only" fourth on whether now was a "good time to make a major purchase." The net balance was negative.

As to a sentiment measure such as this, it is worth noting that Brazilian respondents were recorded as having experienced the second-highest level of food and beverage price inflation in the survey at 6.3%, something specifically unhelpful for low-income consumers.

We believe some of the more optimistic readings, particularly with regard to income, might be explained by the still record-low unemployment rates (which stood at 4.7% in October 2014), which continue to contribute to real wage bill growth (2.9%). Moreover, the Brazilian economy is still relatively indexed. The minimum wage will grow by 2.5% in real terms in January 2015. Although it represents less than one third of the total wage bill, it is the trigger for wage (and price) increases across the economy.

Emerging Consumer Survey 2015
Number of respondents: 1,500
Across 5 geographic locations
70 % in urban areas; 30 % in rural areas

Structural changes in the marketplace continue to drive demand for specific categories such as smartphones (+26% increase YoY), internet access (+5% YoY) and computers (+5% YoY). On the other hand, we were surprised to find that demand for extra education (–4%), holidays (+0%) and property (–1%) lost momentum during 2014, which might be a function of the sluggish economic environment impacting other areas of discretionary activity versus staples.

In our view, the consumer market will continue to be pressured by rising unemployment rates, monetary tightening, relatively high inflation rates, less credit growth and, even the tail risk of energy rationing.

PHOTO: ISTOCKPHOTO.COM/RICAGUIAR

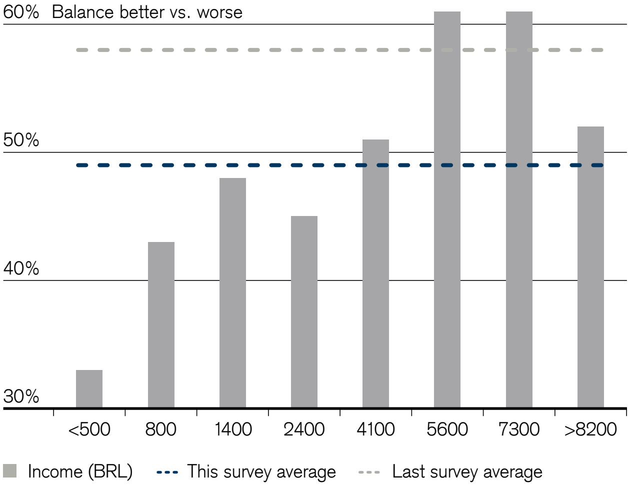
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 2,154 billion
GDP per capita (2014E)	USD 11,067
Population (2014)	203 million
Geographical area	8.51 million km^2
Number of cities (in excess of 2 million people)	13
Gini coefficient (2012)	52.7
CPI Inflation (2014E)	6.4 %
CPI Inflation (2015E)	6.5 %
Real GDP growth (2014E)	0.3 %
Real GDP growth (2015E)	0.6 %
Real private consumption growth (2014E)	1.4 %
Real private consumption growth (2015E)	0.7 %
Consumption as a % of GDP (2014E)	61.9 %

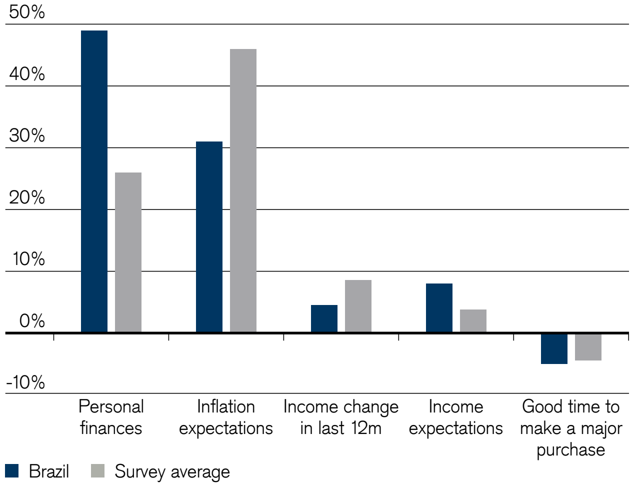
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



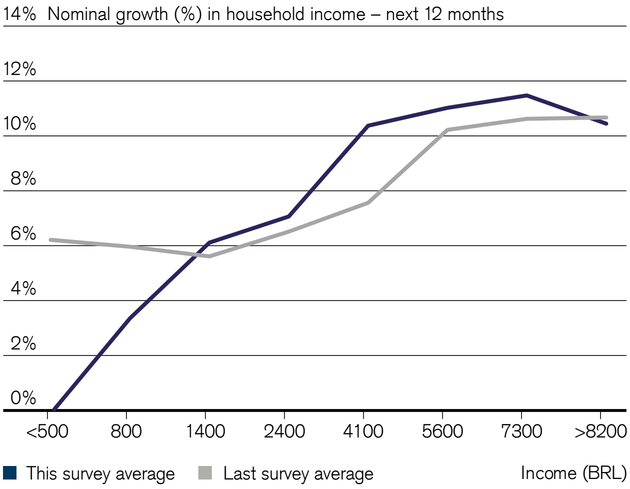
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



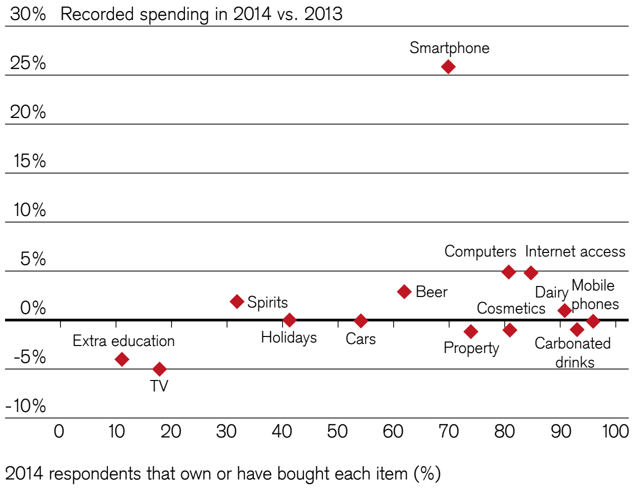
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



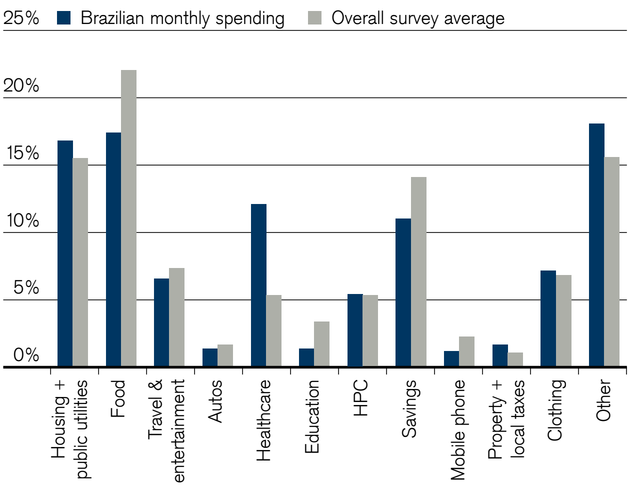
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



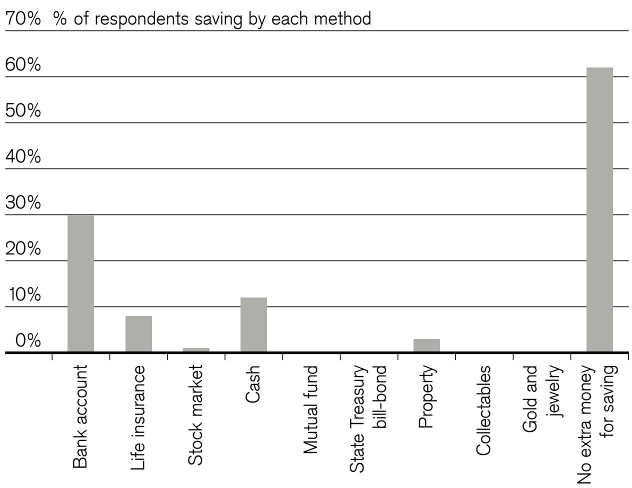
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



China

A life online

Kevin Yin, Sophie Chiu

While the structural story for the consumer in China remains robust, 2014 has not proved to be a good year for China's consumers. In our survey, China has fallen from top place to fourth in our consumer confidence scorecard, with most barometers slipping closer to mid-range among emerging market countries.

The prevalence of anti-corruption measures has doubtless had a significant impact on "grey income" and related expenditures, resulting in the declining optimism of personal finance improvement over the next six months. Implicit "hidden welfare" like expenditure coupons, holiday allowances and other subsidies has been largely removed, especially in the state-owned enterprises, which account for over 20% of retail sales.

Only 39% of respondents believe their personal finances will improve, lower than over 40% in the last two surveys. Among the different income groups, the middle-class earner with income in the range of RMB 5,500–9,000 showed the greatest change, with optimism declining 7%–16%, while other income groups proved to be less affected. We believe the anti-corruption measures also affect broader expenditure sentiment where only 9% of respondents acknowledged now as a "good time to make a major purchase," compared to 15% the year before.

A notable exception is the rising expenditure on automobiles in 2014, with 37% respondents having bought or owned automobiles. The category has reflected the second-strongest rate of momentum in growth.

We have seen the implementation of car purchase quota controls in Hangzhou in March, and afterward in Beijing and Shanghai. This has a ripple effect to other cities and hence nationwide sentiment, which has had the effect of bringing forward future consumption. Elsewhere, we would note that, as throughout the survey, smartphone growth is showing relative strength in China, though off a higher base and thus at a slower growth rate.

Looking ahead, we see the increase in minimum wages enhancing household income, which was set as a the key target in the Twelfth Five-Year plan in late 2010, as a long-term structural improvement. Our survey has seen obvious evidence of this, given improving sentiment among the low-income household versus the middle-class and high-come brackets. China also retains the cultural differentiation and structural positives of higher spending on extra education and higher savings than other emerging market countries.

We expect the anti-corruption impact to be milder in 2015. Rising minimum wages should gradually strengthen consumer sentiment along with lower inflation expectations. A more accommodative monetary policy should also increase liquidity in the market and hence provide a healthier economic environment in 2015.

Emerging Consumer Survey 2015
Number of respondents: 2,579
Across 11 geographic locations
71 % in urban areas; 29 % in rural areas

PHOTO: ISTOCKPHOTO.COM/OSTILL

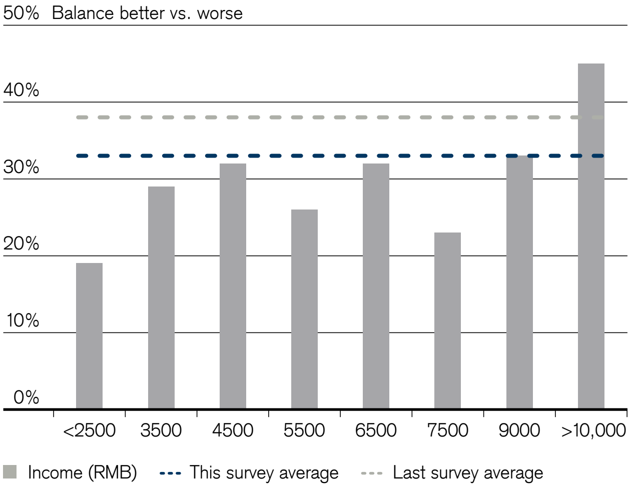
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 10,148 billion
GDP per capita (2014E)	USD 7,572
Population (2014)	1.36 billion
Geographical area	9.59 million km²
Number of cities (in excess of 2 million people)	46
Gini coefficient (2010)	42.1
CPI Inflation (2014E)	2.4 %
CPI Inflation (2015E)	3.3 %
Real GDP growth (2014E)	7.3 %
Real GDP growth (2015E)	6.8 %
Real private consumption growth (2014E)	8.3 %
Real private consumption growth (2015E)	7.2 %
Consumption as a % of GDP (2014E)	36.8 %

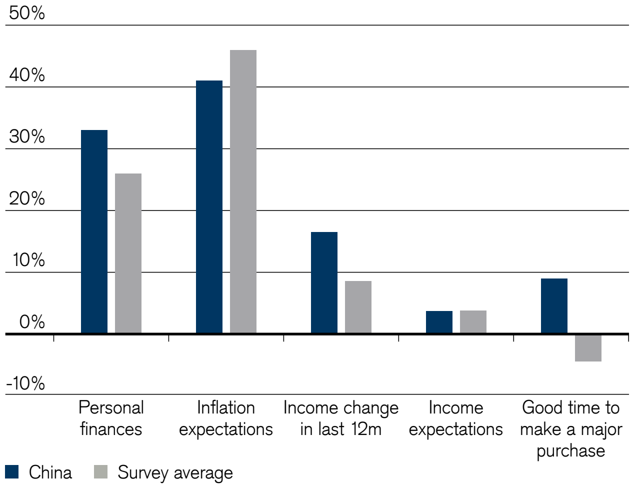
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



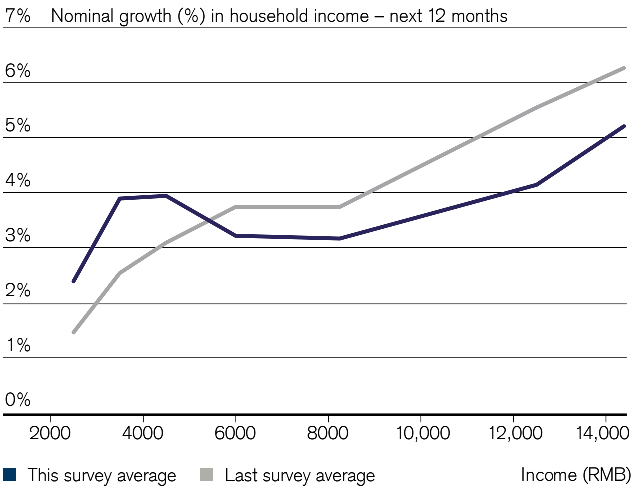
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



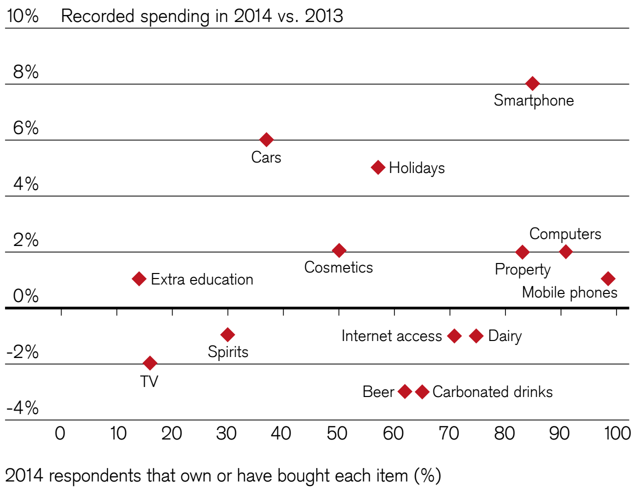
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



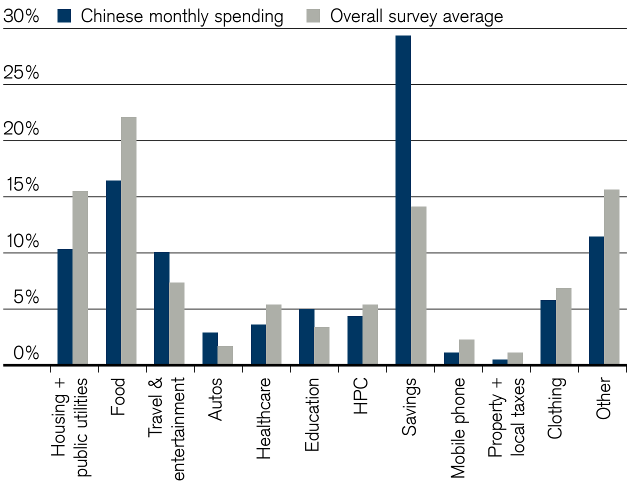
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



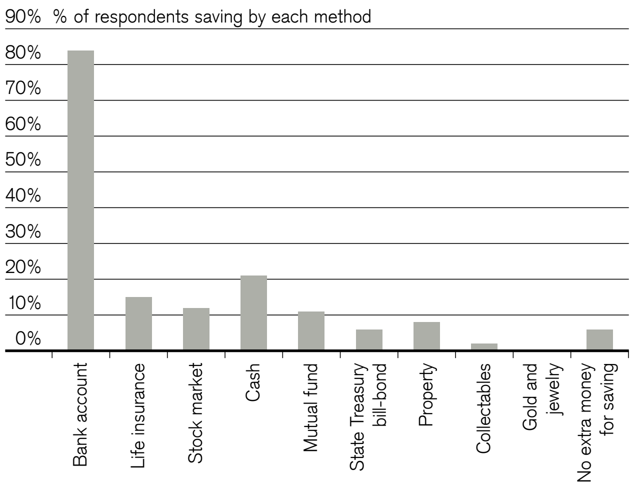
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



India

New government, strong consumer

Arnab Mitra, Akshay Saxena

Consumer optimism has seen a sharp turnaround in 2014, after a few years of adverse macro conditions (e.g. high inflation, slowing growth) led to a steady decline. The formation of a strong government at the center (the first single party majority in 30 years) has triggered a major revival in consumer sentiment. India ranks first on our scorecard – a big improvement over the year before when it was ranked fourth. More people believe this is a good time for making big ticket purchases as average household income increased by around 10% in 2014 after being relatively steady the two previous years. There has also been an increase in breadth as a greater percentage of respondents have seen their incomes increase. There was a sharp increase in the proportion of respondents who expect both salary to increase and the state of their personal finances to improve in 2015. Fewer people are expecting inflation to increase – a sign that high entrenched inflation expectations have finally started moderating.

Another pattern that emerged in previous years was the sharp divergence between rural and urban India, with rural India booming and urban India deteriorating. In 2014, while the rural areas continued to do well, there was considerable improvement in urban India too. This revival in consumer sentiment has primarily been driven by urban India as parameters such as the expectations of increasing incomes, moderating inflation expectations, improvement of personal finances, etc., resulted in a sizable jump for urban respondents. Urban household income also increased at around 12% in 2014 after remaining stagnant for two years.

There was also a reversal in the trend of declining consumption and downtrading in discretionary items – a sign that discretionary growth is set to see a sustained acceleration. On items such as apparels, leather goods, perfumes, watches, etc.; more people bought these in 2014 and more expressed their willingness to buy them in the future. Moreover, for many of these items, consumers' wishing to buy unbranded products remained low, indicating that the Indian consumer has come of age and become more brand conscious. More people are buying smartphones and fewer people are buying entry level cars.

Emerging Consumer Survey 2015
Number of respondents: 2,602
Across 10 geographic locations
70 % in urban areas; 30 % in rural areas

As we highlighted in our previous survey; the long-term structural growth potential of India remains intact as it has one of the lowest penetration rates across categories in the nine emerging markets surveyed. With the exception of selected countries like Indonesia, most other emerging markets are well ahead of India in terms of market maturity. India is one of the countries with the lowest consumption of items such as beer, spirits, meat, cigarettes and the lowest ownership of cars as well as the lowest access to internet. While we have seen an improvement in penetration levels in some of these categories in 2014; there is still a long way to go.

PHOTO: ISTOCKPHOTO.COM/FERRANTRAITE

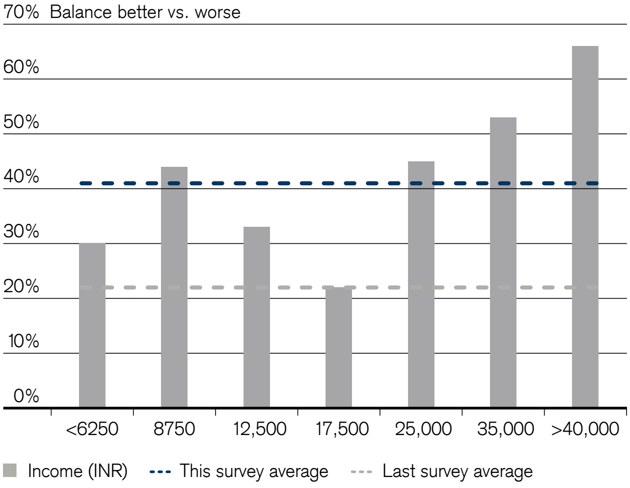
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 2,101 billion
GDP per capita (2014E)	USD 1,626
Population (2014)	1.26 billion
Geographical area	3.28 million km^2
Number of cities (in excess of 2 million people)	18
Gini coefficient (2010)	35.6
CPI Inflation (2014E)	6.3 %
CPI Inflation (2015E)	6.0 %
Real GDP growth (2014E)	6.0 %
Real GDP growth (2015E)	6.8 %
Real private consumption growth (2014E)	6.0 %
Real private consumption growth (2015E)	3.8 %
Consumption as a % of GDP (2014E)	56.4 %

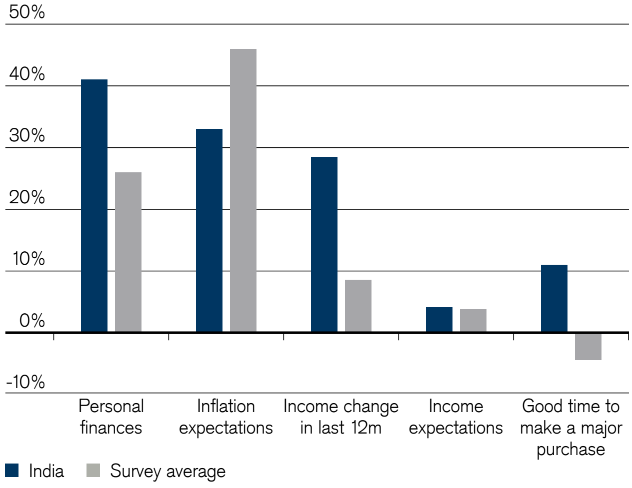
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



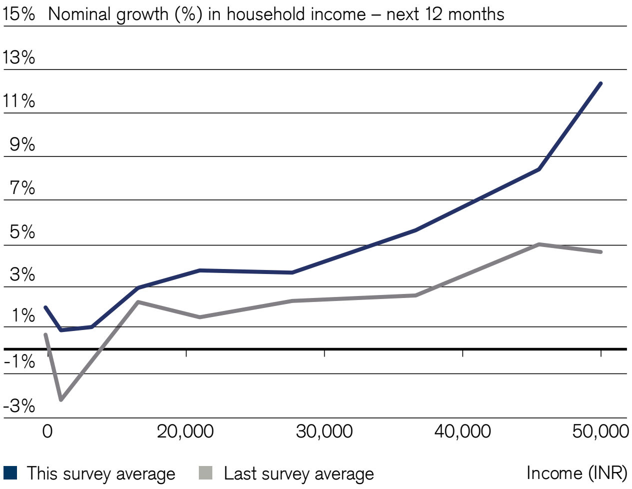
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



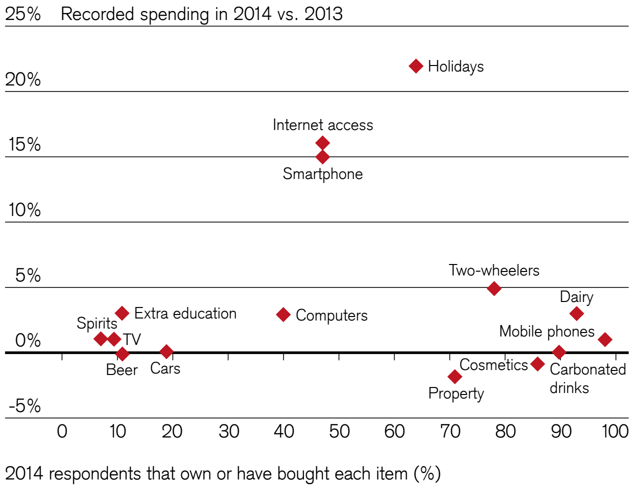
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



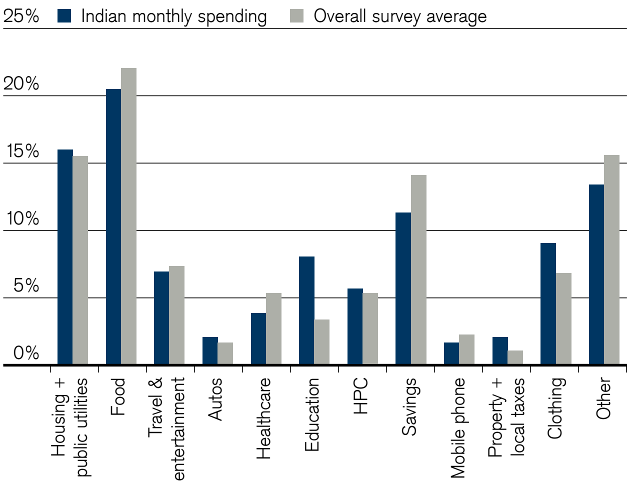
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



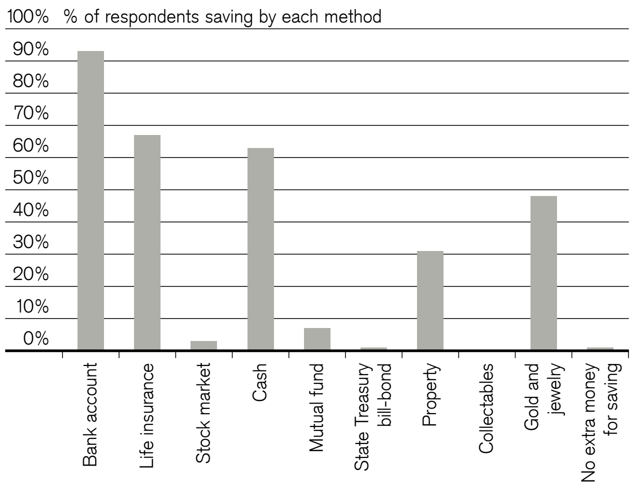
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Indonesia

An under-penetrated market

Ella Nusantoro, Christy Halim

Indonesia has maintained its No. 3 ranking in our scorecard. Indonesians have remained relatively optimistic versus their emerging market peers despite experiencing a slowdown in the economy in 2014. At an expected 5% in 2014, GDP growth is at its lowest in the last five years. The most unhelpful reading in our scorecard is the higher expectations for price increases than in other countries. While income optimism going into 2015 has moderated, Indonesians are ranked second in terms of expectations of future income and personal finances.

The depreciation of the rupiah since August 2013 and the subsidized fuel price hike in June 2013 (with another round of increases in subsidized fuel in November 2014) will have affected overall purchasing power. Indonesians' higher optimism is most likely due to the successful parliamentary (April 14) and presidential (July 2014) elections, with the new government taking office in October 2014.

While the currency and fuel price hikes will have impacted purchasing power, more Indonesians have seen their incomes increase in 2014 compared to 2013 (40% versus 38%), particularly the middle-to-higher-income earners, which is perhaps itself an adjustment to the weak rupiah against the US dollar. The lower-income earner, however, has seen less of an increase as the Indonesian government did not raise minimum wages to the same degree due to the base effect. The government increased the minimum wage rate by an average of 16% in 2014 compared to 18% in 2013 (in 2015, we expect it to be at around 13%).

Consistent with other low-GDP-per-capita countries, food still represents the highest share of Indonesians' monthly income even though, in proportion, this figure is lower compared to the previous survey. Food and beverage inflation has moderated since 2013 as most of the consumers (71% versus 66% in the previous survey) have seen an increase in prices for basic food and drinks of below 7%, and hence below the wage increases many will have experienced.

Emerging Consumer Survey 2015
Number of respondents: 1,531
Across 10 geographic locations
66 % in urban areas; 34 % in rural areas

The second largest amount of spending has been on housing and public utilities, most likely given the increase in electricity tariffs and rising housing prices. Our 2015 survey shows Indonesians are spending more on smartphones, internet access, property, two-wheelers, and mobile phones, compared to the previous year's increase in spending on internet access, dairy products, carbonated drinks, TV and smartphones.

Indonesians remain cautious on immediate spending plans, ranking only fourth in terms of "time to make a major purchase," which may reflect the prevailing macro environment. After all, in terms of US dollars, owing to the weakness in the country's exchange rate and economic slowdown, Indonesia's GDP per capita is estimated to increase only 4% year-on-year in 2014.

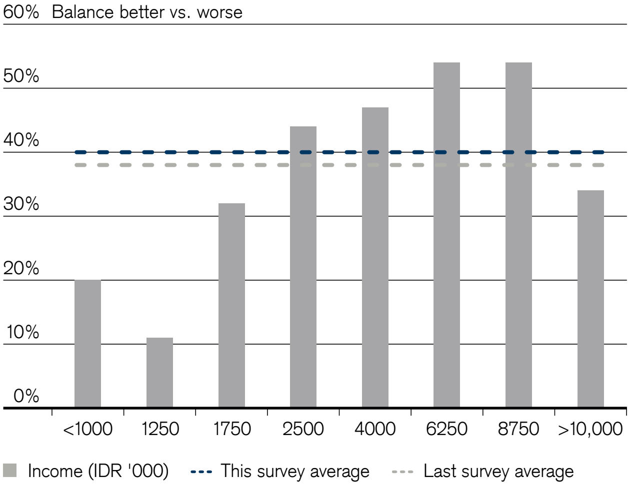
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 825.4 billion
GDP per capita (2014E)	USD 3,404
Population (2014)	251 million
Geographical area	1.90 million km^2
Number of cities (in excess of 2 million people)	4
Gini coefficient (2009)	33.9
CPI Inflation (2014E)	7.2 %
CPI Inflation (2015E)	4.1 %
Real GDP growth (2014E)	5.0 %
Real GDP growth (2015E)	5.2 %
Real private consumption growth (2014E)	5.6 %
Real private consumption growth (2015E)	5.8 %
Consumption as a % of GDP (2014E)	56.1 %

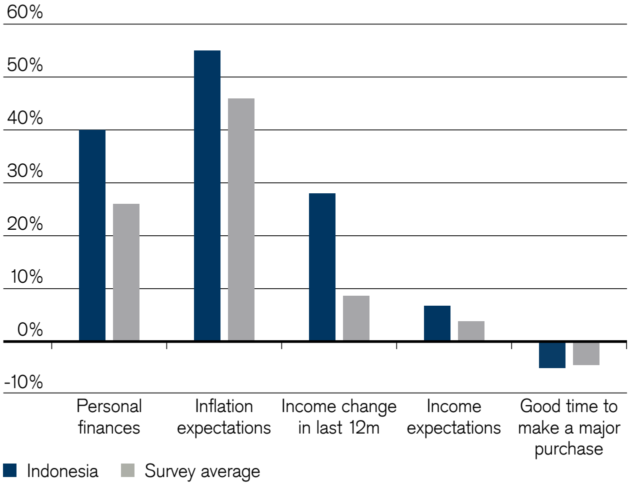
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



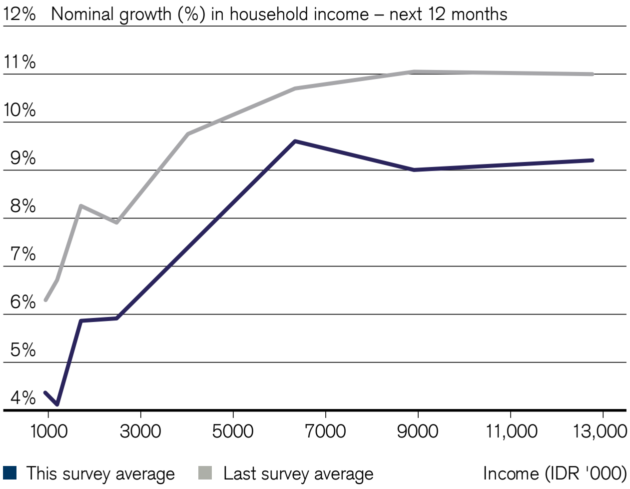
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



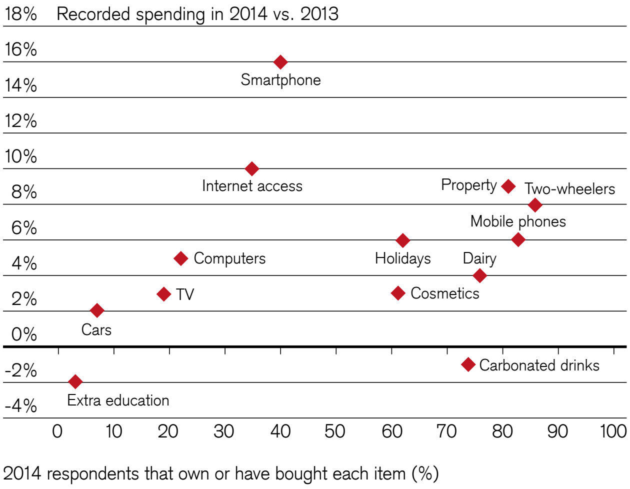
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



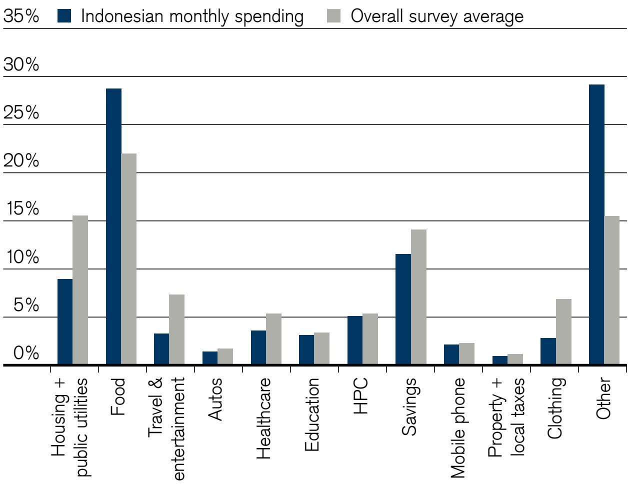
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



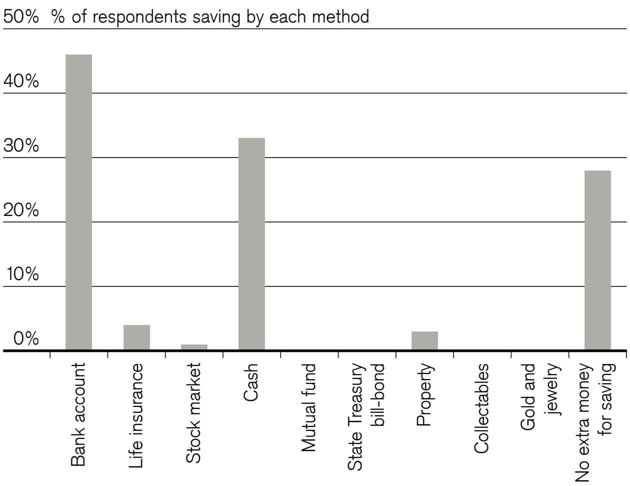
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Mexico

Structural potential, cyclical hurdles

Antonio Gonzalez Anaya, Armando Pérez

Emerging Consumer Survey 2015
Number of respondents: 1,513
Across 5 geographic locations
70 % in urban areas; 30 % in rural areas

Our survey points toward a weak consumer environment in the short term. Mexico ranks as the country with the second-lowest consumer confidence indicators. Most consumer-related companies agree that the much-awaited recovery in consumption is only expected to happen gradually. According to our survey, only 18% of respondents expected an improvement in their personal finances over a six-month period (the third-lowest figure after Turkey and South Africa).

Importantly, expectations for improvement diminish as income levels decrease (from 64% of respondents in the highest-income segment who expect a better state of personal finances in the next six months to none in the lowest-income segment), which may be the result of the implementation of excise taxes on certain basic items (sugary drinks, high-calorie food) at the beginning of 2014. Presumably, lower-income households, which allocate a larger percentage of disposable income to these categories, have been more affected. According to our survey, food represents 28% of Mexicans' monthly spending. We believe the weakness among lower-income consumers explains the low spending recorded in 2014 versus 2013 in most non-discretionary categories such as carbonated drinks and beer.

However, discretionary categories such as smartphones, computers and cars performed relatively better. We think the middle- and high-income consumers in Mexico have been relatively less affected by the fiscal reforms.

Similar to last year, a large percentage of consumers are reporting that they have no extra money for savings (47%). Only Brazil (62%), Turkey (59%) and Russia (55%) have a higher percentage. Mexicans allocate 11% of their monthly spending to savings (up from 4% last year), but still significantly below our survey average of 14%.

Most economists agree that socio-economic factors and demographics in Mexico can sustain an expansion of the middle-income class similar to the one that Brazil experienced in the past decade. Although important structural reforms (labor, education, and energy) have been approved in the past two years, real GDP growth forecasts have been revised down in the same period (from 4% to 1.1% in 2013 and from 3.6% to 2.5% in 2014).

To date, economic indicators are mixed and it is not clear whether a recovery in consumption will come in the short term. On the one hand, formal job creation has expanded (around 5%), but on the other hand, consumer credit continues to slow down (around 7% growth versus 15% in 2013). Furthermore, some companies have reported losing market share throughout 2014 to the informal channel, as consumers have shifted to cash to the detriment of credit and debit cards, probably driven by the tax reform enacted in 2014.

PHOTO: ISTOCKPHOTO.COM/MAITEALI

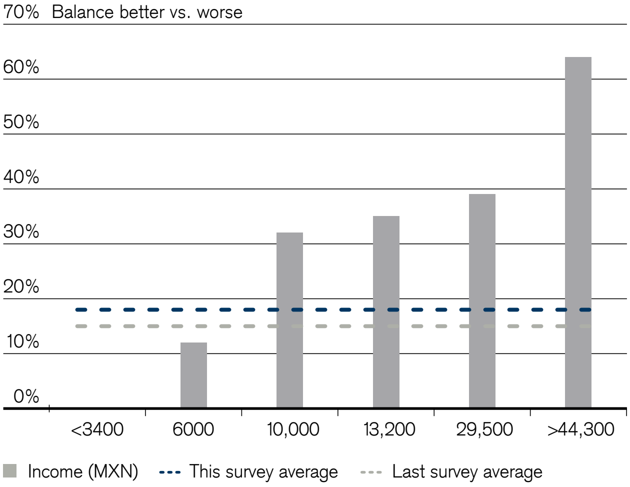
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 1,281 billion
GDP per capita (2014E)	USD 10,837
Population (2014)	120 million
Geographical area	1.90 million km^2
Number of cities (in excess of 2 million people)	5
Gini coefficient (2012)	48.1
CPI Inflation (2014E)	4.2 %
CPI Inflation (2015E)	3.7 %
Real GDP growth (2014E)	2.5 %
Real GDP growth (2015E)	4.1 %
Real private consumption growth (2014E)	2.1 %
Real private consumption growth (2015E)	3.5 %
Consumption as a % of GDP (2014E)	68.8 %

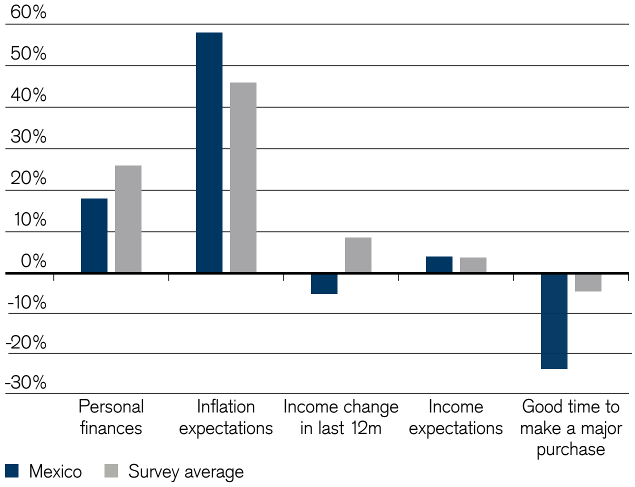
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



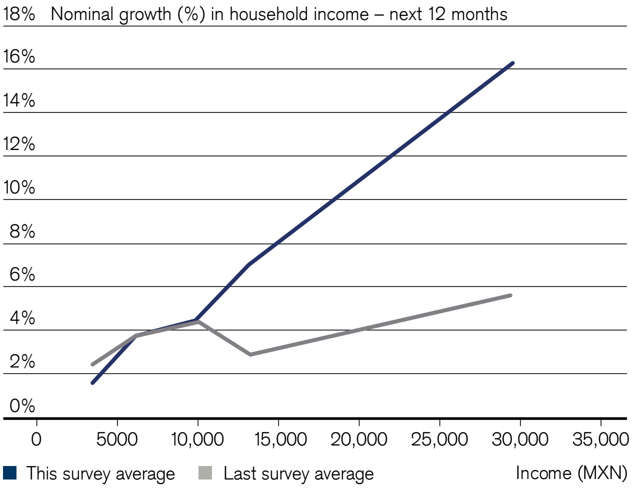
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



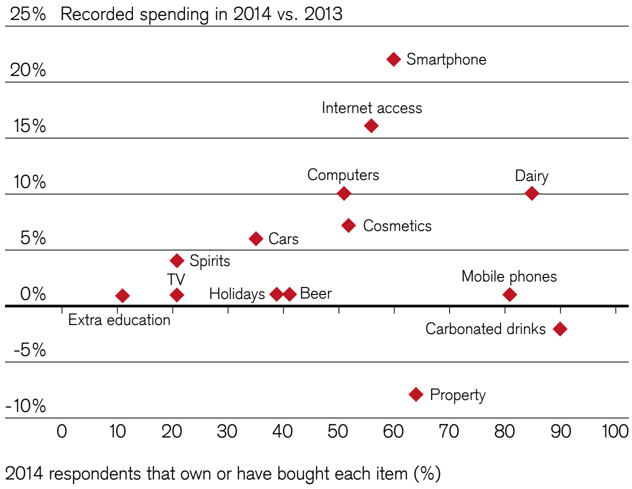
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



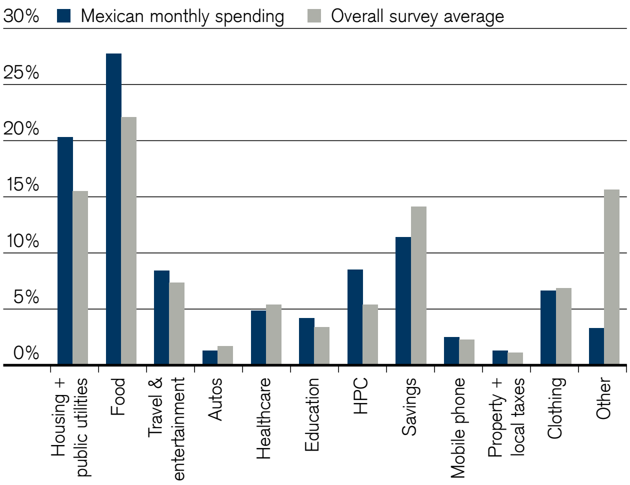
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



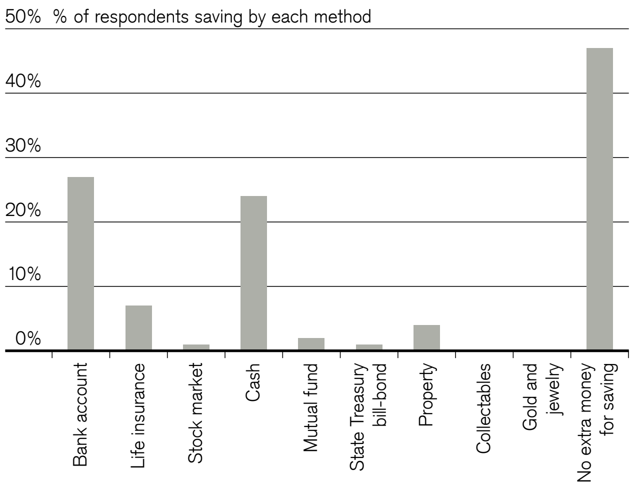
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Russia

Dark clouds gather

Victoria Petrova, Artem Tokarenko

Against the backdrop of significant political tension and related economic pressures, the survey readings for Russia are, not surprisingly, weak. Russia is now 8th on our scorecard. The perception of future personal finances and inflation expectations are particularly weak, ranked eighth and ninth, respectively. The net balance for expectations of future personal finances has more than halved from 17% to 8%. Note, the survey was conducted before the most severe period of currency crisis and, major for such an important oil exporter, the most recent leg down in the oil price.

The ruble's devaluation must clearly be weighing heavily on the adverse perceptions of future inflation. Where inflation and the currency are concerned, we note that consumers suggest that they experienced on average over 7% inflation in food and beverages in 2013. Food consumes the largest share of monthly income among Russians and is thus a major negative factor.

Russia remains the sum of very unequal parts, specifically rich versus poor, with sanctions weighing more heavily on the lower end of the income scale. The "middle classes" have seen the biggest changes since last year's survey. Of course, the negative effect of rising food prices is probably amplified for those lower down the income scale. In keeping with the lower levels of optimism, income expectations for 2015 have fallen markedly compared to a year ago. On average, income is expected to grow at a nominal rate of 2.5%, which, with inflation running at 8.8%, represents a significant erosion in real terms, again before any Ruble weakness feeds through.

The somber tone of the survey may seem at odds with consumer spending trends in Russia during 2014. Despite the latest round of sanctions recently imposed by Western countries, as well as ruble weakness, higher inflation and interest rates, household spending remained resilient in the third quarter. Indeed, the sector mix of spending in the survey does not portray any material declines in spending. In fact, discretionary categories such as smartphones and to a lesser extent holidays have shown upward momentum.

However, we believe these robust trends have been supported by front-loaded purchases of discretionary goods in fear of further ruble devaluation and its impact on inflation along with some appreciating accumulated savings in dollars. In our view, the negative nature of the macro indicators accompanied by higher uncertainty about continuing geopolitical tensions will ultimately see weak real incomes pressuring consumer behavior in the future. There has been evidence of down-trading in the hitherto defensive food segment, which would be consistent with the signals provided in the survey responses. Going forward, the outlook will of course be heavily dependent upon the resolution of geopolitical uncertainty and the easing of sanctions.

Emerging Consumer Survey 2015
Number of respondents: 1,500
Across 8 geographic locations
67 % in urban areas; 33 % in rural areas

Key economic and demographic indicators

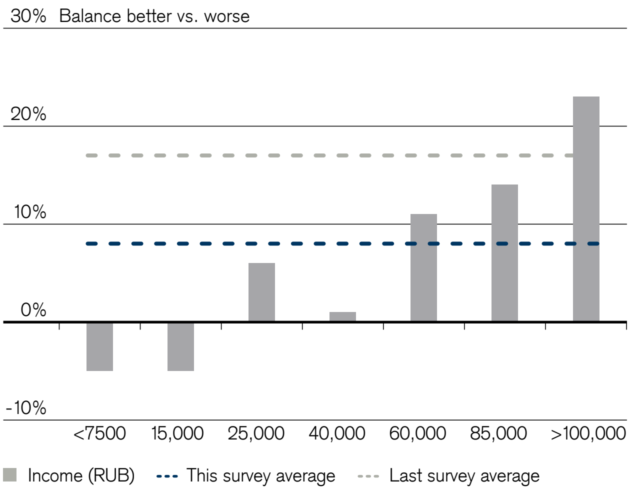
Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 1,800 billion
GDP per capita (2014E)	USD 14,317
Population (2014)	144 million
Geographical area	17.09 million km²
Number of cities (in excess of 2 million people)	2
Gini coefficient (2009)	39.7
CPI Inflation (2014E)	7.7 %
CPI Inflation (2015E)	14.3 %
Real GDP growth (2014E)	0.5 %
Real GDP growth (2015E)	-5 %
Real private consumption growth (2014E)	0.4 %
Real private consumption growth (2015E)	-10 %
Consumption as a % of GDP (2014E)	49.6 %

PHOTO: ISTOCKPHOTO.COM/EFESENKO

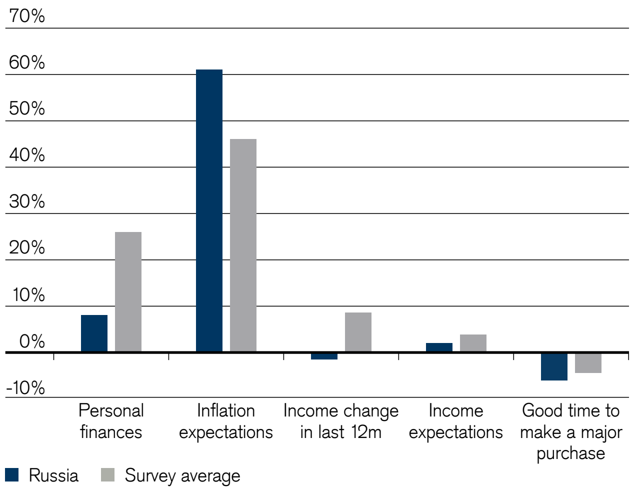
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



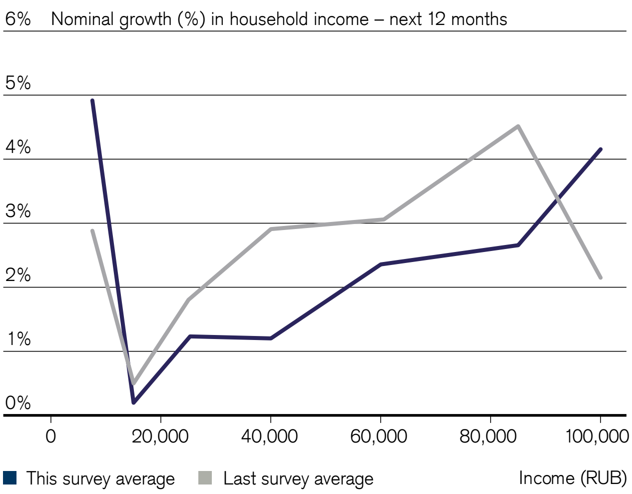
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



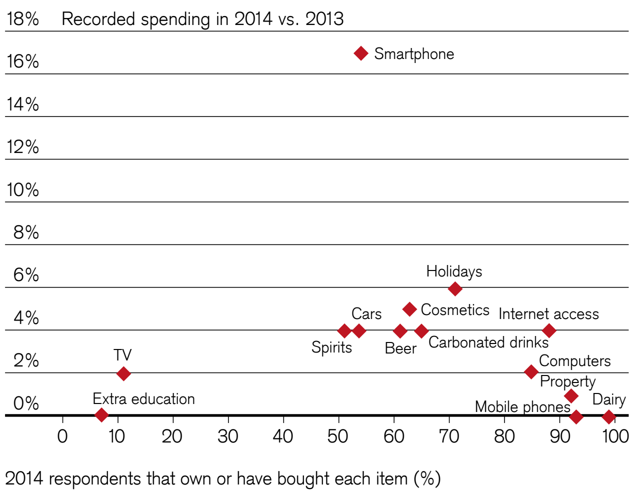
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



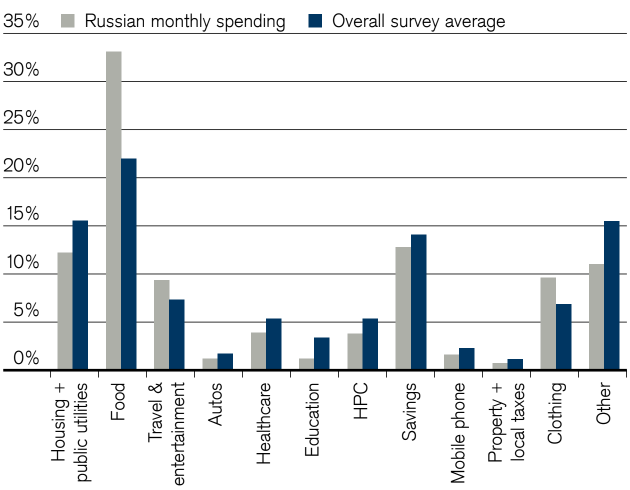
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



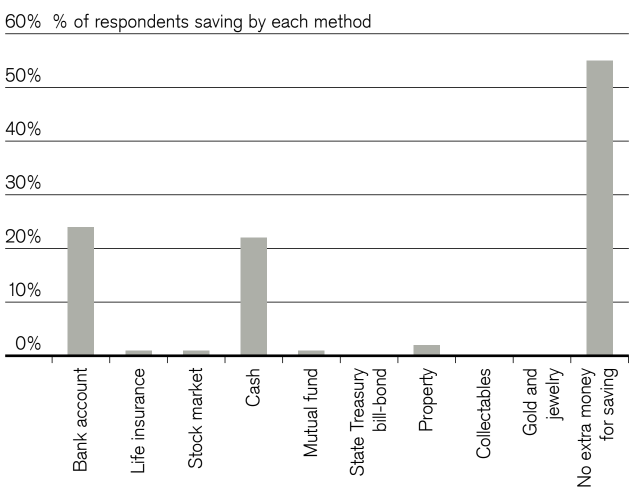
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Saudi Arabia

The petro-dollar

Ashlee Ramanathan

The Saudi Arabian consumer remains No. 5 in our consumer confidence scorecard, though we note this survey was conducted at the time of the fourth-quarter drop in the oil price, with the full effects still likely to impact consumers residing in an economy whose fate is intrinsically tied to the commodity. This mid-table ranking is the result of a set of mixed responses from Saudi Arabian consumers, reflective of the wider socioeconomic imbalances present in a population with around 30% immigrants.

The vast disparity of responses from the Saudi Arabian consumer is best evidenced by the answer to the question "is now a good time to make a major purchase?" After scoring consistently in the lower half of countries on the other metrics in our scorecard, Saudi scores highest with regard to major purchases. Not surprisingly, this is perhaps heavily skewed by the top income earners (those earning more than SAR 25,000 a month), where a net 21% stated that now is an "excellent" time to make a major purchase. This compares with a net 2% for those earning less than SAR 5000 a month.

In this year's survey, we see a continuation of the trend where the highest income earners are most optimistic about the state of their personal finances. This group has been a net 15%–20% more optimistic than the lowest income earners for three consecutive surveys going back to the 2012 survey data.

Interestingly, we see a slight jump in the expectations of the lowest earners in society, with a net 24% of those earning less than SAR 5,000 expecting their personal finances to improve over a six-month period. This can arguably be attributed to the Ministry of Labor's initiative from early 2014 to raise the minimum wage for Saudis under the Nitaqat program, an extension of the policy first implemented in 2012.

Market penetration in Saudi across the board is once again the highest in our survey, with above 90% penetration in items such as computers, cars and smartphones. In fact, all 1,583 respondents surveyed in Saudi confirmed that they own a mobile phone. This 100% penetration rate is the only one in the entire survey.

High penetration rates such as these lead us to believe that the market opportunity now lies in the trading up of goods. This can be observed by the continued strong momentum in smartphone penetration, which has risen from 68% in our 2012 survey to 96% this year.

We note that the survey was conducted before the sharp fall in oil prices, with the subsequent government financial implications worth flagging in the context of the continued evaluation of government efforts to increase Saudi employment in the private sector (Saudization). In addition to succession concerns, these remain key considerations in 2015.

Emerging Consumer Survey 2015
Number of respondents: 1,583
Across 14 geographic locations
89 % in urban areas; 11 % in rural areas

PHOTO: ISTOCKPHOTO.COM/SALEM

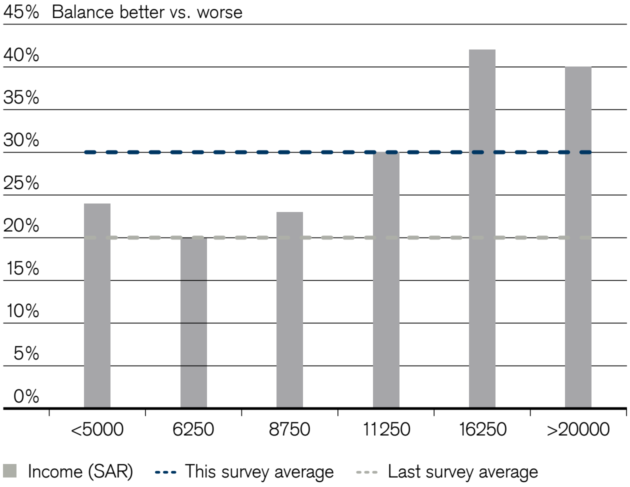
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 784 billion
GDP per capita (2014E)	USD 25,401
Population (2014)	31 million
Geographical area	2.15 million km^2
Number of cities (in excess of 2 million people)	3
Gini coefficient	N.A.
CPI Inflation (2014E)	2.8 %
CPI Inflation (2015E)	3.0 %
Real GDP growth (2014E)	4.3 %
Real GDP growth (2015E)	3.9 %
Real private consumption growth (2014E)	5.3 %
Real private consumption growth (2015E)	5.0 %
Consumption as a % of GDP (2014E)	30.8 %

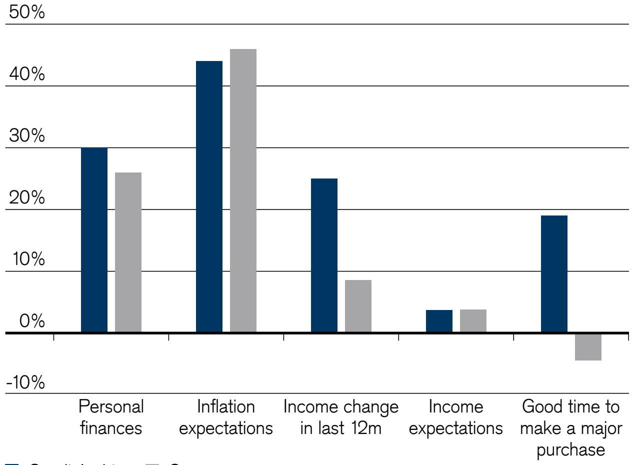
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



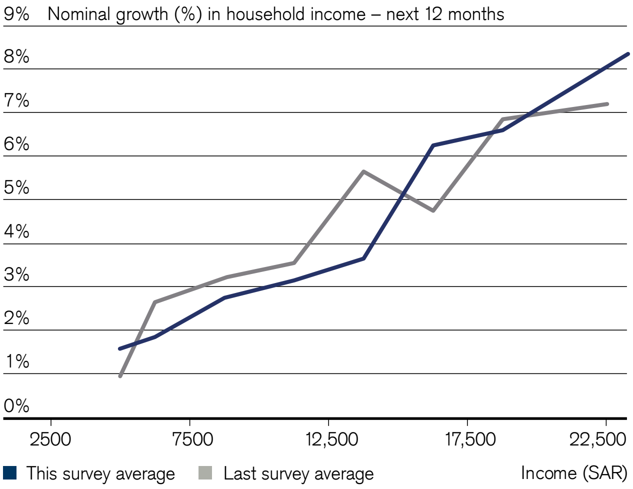
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



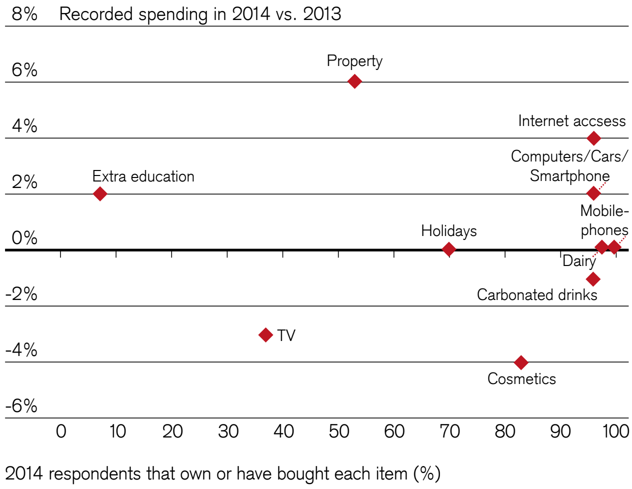
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



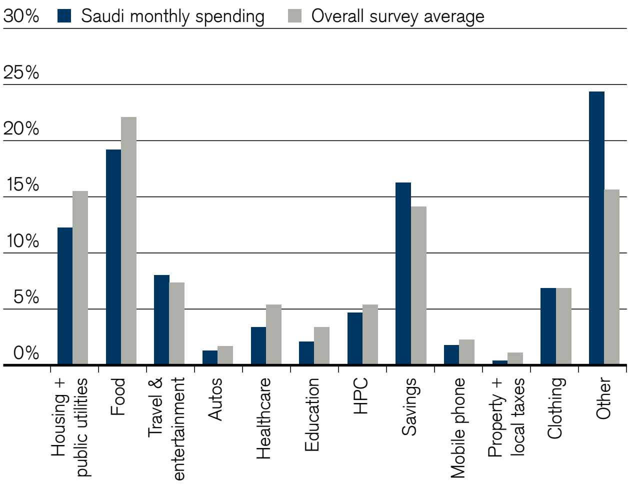
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



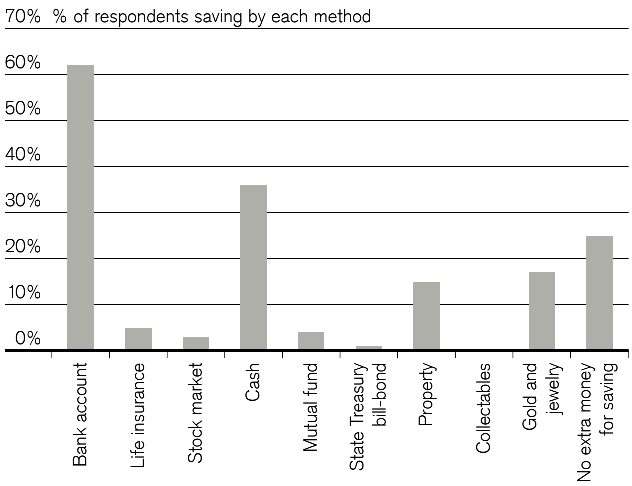
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



South Africa

Reduced optimism

Pieter Vorster, Carlos Teixeira

Emerging Consumer Survey 2015
Number of respondents: 1,500
Across 6 geographic locations
70 % in urban areas; 30 % in rural areas

South Africa remains toward the bottom of the range of the survey's indicators and scorecard, but with the issues of income disparities written large. In 2014, overall consumer sentiment in South Africa declined modestly, with higher income groups remaining more optimistic than lower income groups. In our survey, a net 11% of respondents expected their personal finances to improve over a six-month period, compared with 12% in the previous survey and 26% for the survey average. However, at the low end of the income spectrum (household incomes less than ZAR 3,000 per month), more respondents expect their finances to deteriorate rather than improve. This degree of negativity among low-income earners is worse than in any other country surveyed.

Inflation expectations remain high, with a net 60% of respondents expecting higher inflation, compared with the survey average of only 46%. Against this, the weighted average expectation for income growth is only 1.4%, which is less than half the unchanged 3.8% survey average. Furthermore, a net 21% of respondents do not believe it is a good time to make a major purchase; well down from last year's 9% and much worse than the survey average. Lastly, a continued deterioration of the savings rate is a concern, with 38% stating that they had no extra money for saving, which represents a significant increase from the already high 29% the year before.

With regard to spending, internet access and smartphones continue to grow, albeit at lower rates than the previous year, with internet access penetration increasing to 53% in 2014 from 46% in 2013 and 29% in 2012, and smartphones increasing to 60% from 56% in 2013 and 47% in 2012. South Africans' low propensity to spend on education is still a concern, with only 14% of respondents in 2014 reporting spending in this area; down from 17% in 2013 and 23% in 2012.

Consumer sentiment and expenditure in 2015–16 are likely to be influenced by the following positive developments. First, monetary policy looks likely to remain accommodative through most of 2015, with interest rates expected to increase only marginally after September 2015. Second, real wage growth is likely to accelerate as inflation drops sharply in H1 2015. Third, net wealth is likely to remain high, if the value of financial assets (pension funds, etc.) is sustained (the formal savings industry in South Africa is a unique feature of the emerging market countries).

The negative developments that may curb some of these positive stimuli are: first, hikes in tax rates (personal and corporate); and second, continued anemic growth in the rate of credit extension to households. Our economists estimate that household consumption expenditure will grow by a real 2.1% in 2015 and 2.9% in 2016, compared to an estimated 1.9% in 2014 and 2.5% in 2013.

PHOTO: ISTOCKPHOTO.COM/ANDREAWILLMORE

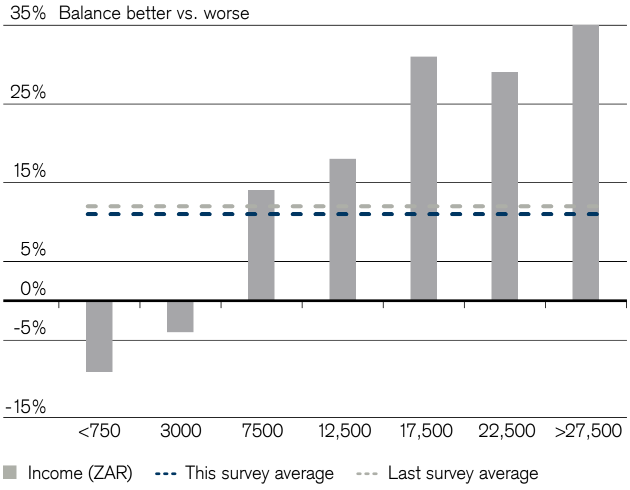
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 336 billion
GDP per capita (2014E)	USD 6,354
Population (2014)	54 million
Geographical area	1.22 million km^2
Number of cities (in excess of 2 million people)	4
Gini coefficient (2011)	65
CPI Inflation (2014E)	5.6 %
CPI Inflation (2015E)	6.1 %
Real GDP growth (2014E)	1.2 %
Real GDP growth (2015E)	2.5 %
Real private consumption growth (2014E)	1.7 %
Real private consumption growth (2015E)	2.0 %
Consumption as a % of GDP (2014E)	59.9 %

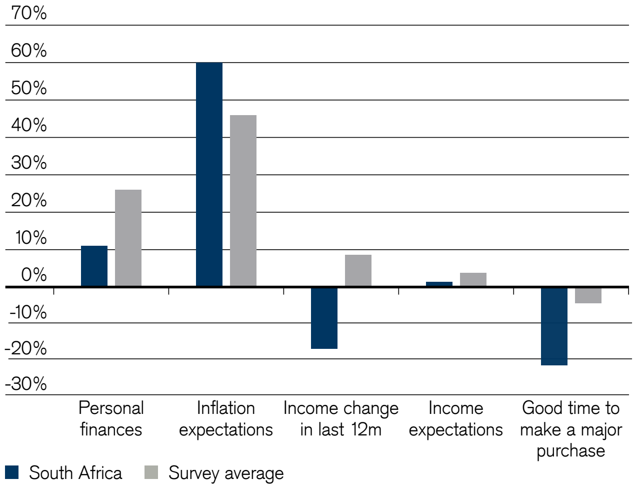
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



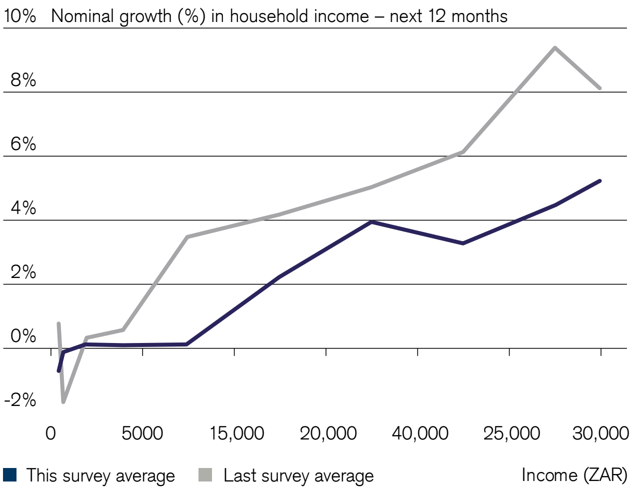
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



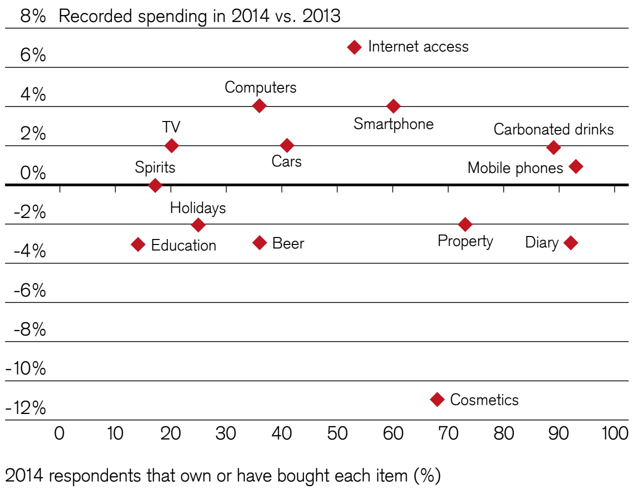
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



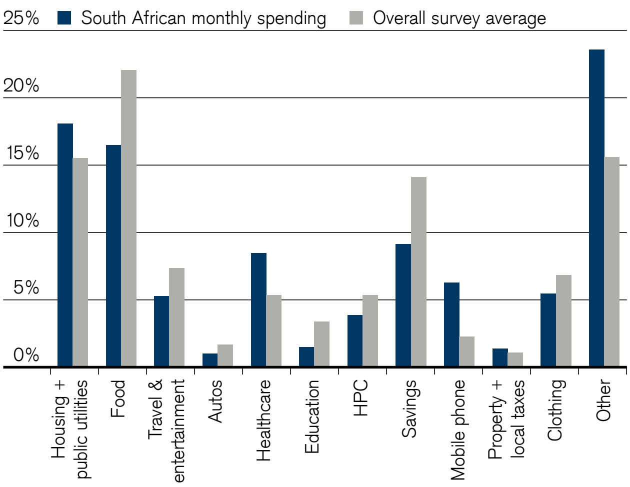
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



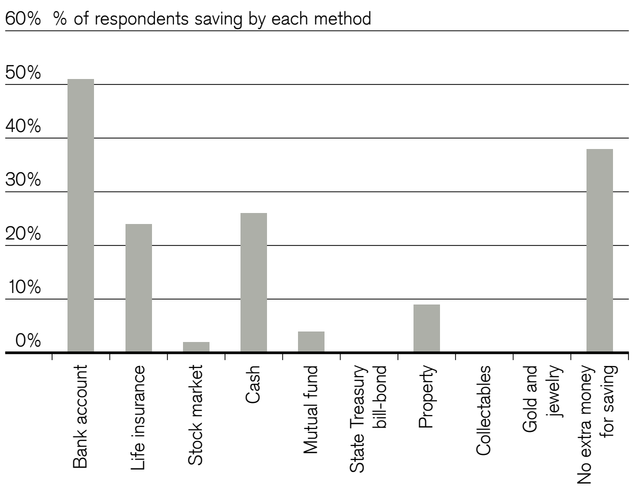
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Turkey

Subdued but stable

Onur Muminoglu, Atinc Ozkan

Turkey remains toward the lower end of our scorecard, though moving up from last year. It's low position is due to the readings on personal finances. We believe the engrained pessimism on this benchmark is a legacy response for Turkish consumers, whereas the GDP growth outlook for 2014–15 is in fact more constructive than other countries in the survey. Factors such as inflation are notably less negative.

The Turkish consumer had a difficult start to 2014. First, there was the political uncertainty ahead of municipality elections at the end of March 2014, accompanied by the harsh TRY depreciation against hard currencies. There was some post-election relief, but then came the upheaval with the IS Jihadist threat emerging in Syria and Northern Iraq in mid-May. However, sentiment is improving as the fall in commodity prices has already helped the macro balances in Turkey, supporting the TRY and lower interest rates. Cyclical demand has already reacted positively, with both automobile and appliance sales picking up since mid-Q3 2014. We expect a better first half in 2015. Although the government introduced some restrictions to cut consumer electronics imports in Q1 2014, this has not curbed the strong Turkish consumer appetite for smartphones, with operators offering attractive long-term payment alternatives for affordable low-cost smartphones. In our view, this was the main driver of the 19% increase in smartphone spending, the highest in any of the consumer categories in the survey. Note that leading mobile operator TKC improved smartphone penetration in its subscriber base from 30% in Q4 2013 to 37% in 9M 2014.

The lower-income segment, as is broadly the case across the survey, is less constructive on household incomes. This could be hindering the diffusion of under-owned cyclical items, such as cars, leisure and flat TVs among the more populous lower-income segments. But, on the other hand, it signals a good income support for branded premium products in the discretionary sector.

Emerging Consumer Survey 2015
Number of respondents: 1,527
Across 14 geographic locations
70 % in urban areas; 30 % in rural areas

There is a strong trend for modern accommodation standards among Turkish consumers, which explains the recent construction boost. As most of the recent purchases are on long-term instalments, we believe this segment will sustain its high share within the consumption matrix and may crowd out some other discretionary spending.

Policy-wise, Turkey's regulators introduced a few prudential measures in February 2014 by limiting instalment sales in a number of cyclical, import-driven sectors (such as mobile handsets) given the structural current account pressures from rising demand. With falling energy prices easing the burden on Turkey's current account deficit, policymakers will likely have more tolerance for leaving short-term demand high, at least until general elections in June 2015.

PHOTO: ISTOCKPHOTO.COM/IMAGEDEPOTPRO

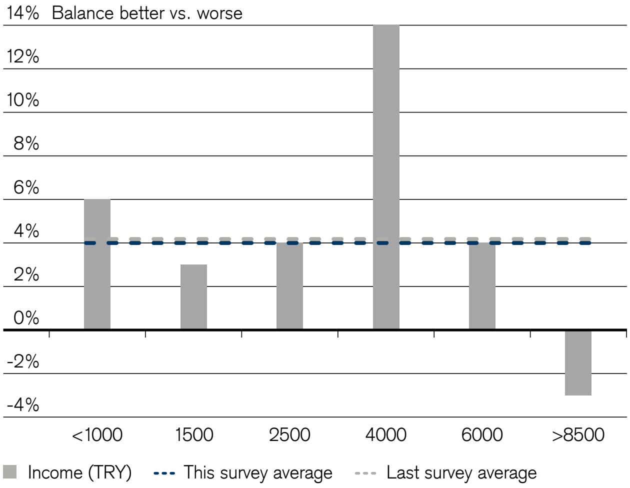
Key economic and demographic indicators

Source: IMF, EIU, UN, Credit Suisse estimates

GDP (2014E)	USD 817 billion
GDP per capita (2014E)	USD 10,518
Population (2014)	77 million
Geographical area	783,562 km²
Number of cities (in excess of 2 million people)	3
Gini coefficient (2011)	40
CPI Inflation (2014E)	9.1 %
CPI Inflation (2015E)	6.8 %
Real GDP growth (2014E)	3.3 %
Real GDP growth (2015E)	3.1 %
Real private consumption growth (2014E)	0.9 %
Real private consumption growth (2015E)	3.4 %
Consumption as a % of GDP (2014E)	67.8 %

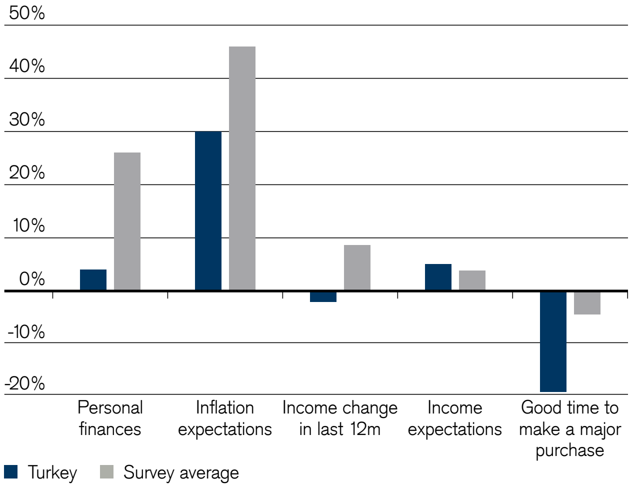
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey



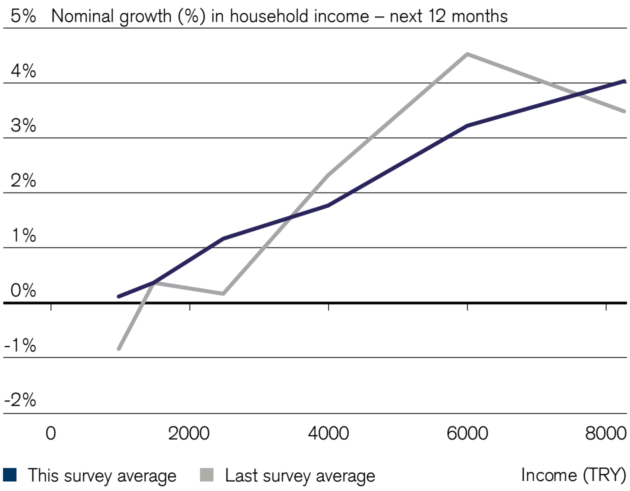
Consumer confidence indicators

Source: Credit Suisse Emerging Consumer Survey



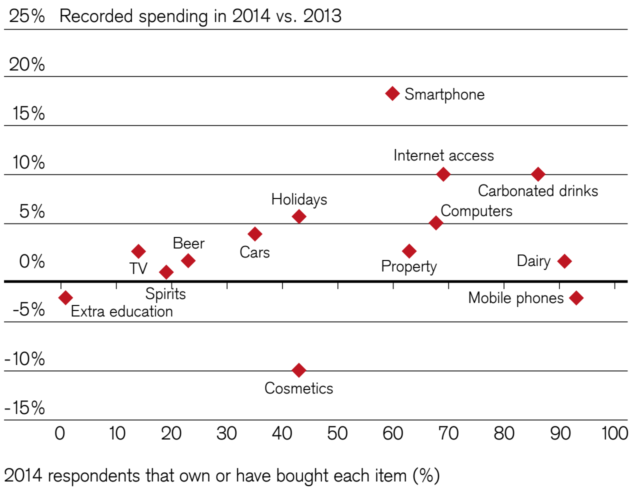
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey



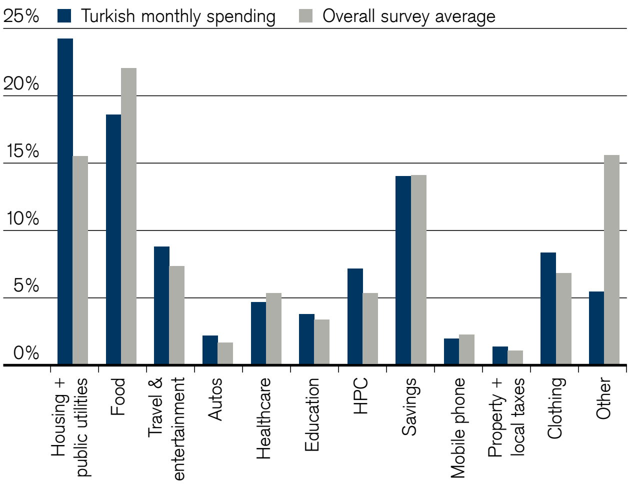
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey



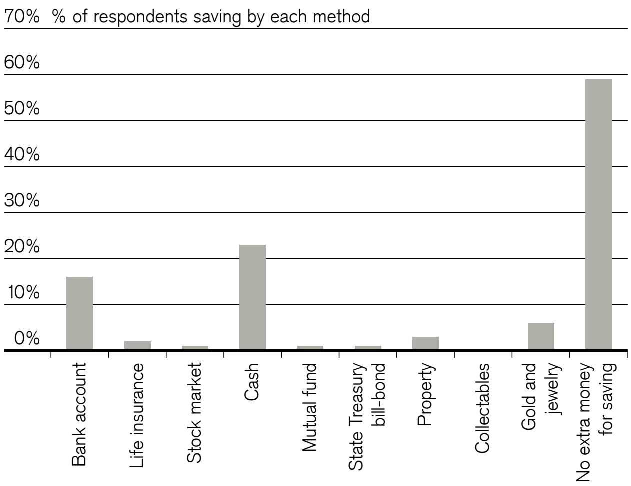
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



About the survey

This report has been produced using market research gathered by The Nielsen Company. This has given the Credit Suisse Research Institute the ability to conduct a consistent multi-region survey while also incorporating questions specific to the countries surveyed in the report.

Nielsen is a leader in data measurement and information across a wide range of industries and regions. Their expertise has complemented the analysis the Research Institute has conducted in this report. Nielsen's input has helped develop a more complete view of the competitive consumer landscape across emerging markets.

The original AC Nielsen was founded in 1923 by Arthur C. Nielsen, Sr., who invented an approach to measuring competitive sales results that established the concept of "market share" as a practical management tool. For nearly 90 years, they have advanced the practice of market research and audience measurement for the benefits of their clients in a constantly evolving marketplace. Nielsen has a presence in approximately 100 countries, and holds positions within established and emerging markets. Their operating model is grounded in a simple, open and integrated approach that delivers a broad portfolio of services and solutions for their clients.

The Credit Suisse Research Institute would like to thank The Nielsen Company for their invaluable assistance in this project.

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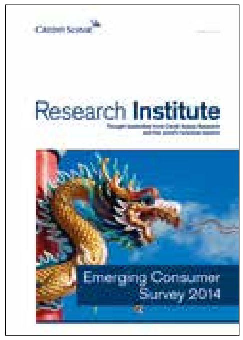

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