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Emerging Market Research Institute

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

Emerging Consumer Survey 2012

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Editorial

We are delighted to publish the second edition of the Credit Suisse Global Emerging Consumer Survey. At a time when investors debate the sensitivity of emerging economies to a potential recession in the western world, the analysis carried in this report, together with the accompanying Global Emerging Consumer Databook, provides insights not available from public sources of economic information to help form their judgements.

The 2012 survey goes further than last year's inaugural edition in extending our survey to eight countries – Brazil, China, Egypt, India, Indonesia, Russia, Saudi Arabia and now Turkey. To undertake this project, the Credit Suisse Research Institute has again engaged the leading global market research firm AC Nielsen to conduct primary research on its behalf, this year interviewing 14,000 consumers across countries that together account for 3.5 billion people.

Credit Suisse analysts have drawn out the key trends and conclusions from the data. The survey highlights the influence of major income and demographic differences and cultural and social drivers across the emerging world. The importance of understanding such factors could not be made clearer than witnessing last year's events in Egypt. Our 2011 survey flagged acute pessimism among Egyptians underscored by the severe inequalities of income overlooked by many.

In this 2012 edition, we find the emerging market consumer still expressing healthy optimism about the year ahead, which is encouraging given the concerns over global growth. However, expectations are undeniably more subdued than last year. Confidence improved in only two of the countries surveyed – Indonesia and Egypt. Egypt's recovery is from an exceptionally low base though. In fact, despite the dramatic political change in Egypt, the Egyptian consumer still remains the most pessimistic in the survey.

Our survey highlights three major findings: First, our analysis in the report suggests two influences behind the more cautious tone in 2011 – dampened expectations for wages and rising food prices. The consumers in countries exposed to either or both of these have typically revealed the most cautious responses. Saudi Arabia is the exception that has proved the rule. Looking into 2012, the cyclical outlook still admittedly poses concern for wage expectations. However, our research suggests that the expected peak in food price inflation can deliver a positive offset for the emerging consumer and help the global outlook.

Second, the survey sheds light on the structural trends at work among consumers in the emerging world. A move away from the essential items of spending towards more useful and discretionary items is showing a structural change in consumer. Two areas have stood out that are symptomatic of this trend - an increased priority on education and the increased penetration of technology, supported by strong growth in mobile phones, smartphones and computers as well as increased affordability and high-speed internet access.

Third, our report reprises a theme the Research Institute analyzed in the 2010 report "The Power of Brand Investing." In our new survey, we look in detail into the growing significance of local brands and the impact of the most powerful global brands. Where do local and regional brands hold the greater traction and have growth potential? Could they be a focus for the acquisitive Western company? Where could they become the new global standard?

Stefano Natella, Head of Global Equity Research, Investment Banking
Giles Keating, Head of Private Banking Global Research

The consumer in 2012

Our survey suggests that confidence among emerging consumers is still reasonably strong. Of just over 14,000 adults included in the survey across eight markets, 35% thought their personal finances would improve over the next six months and 9% expected some deterioration. However, compared to last year, consumer confidence is not as strong as higher inflation and slower growth have taken their toll.

Optimism on the financial outlook is strongest in Brazil, India and China. In Brazil, 58% of respondents to the survey said they expected an improvement in their personal finances over the next six months. The Russian consumer is the most pessimistic of the BRIC countries.

At the other end of the scale, the greatest degree of pessimism in financial prospects was recorded in Egypt and Turkey. Despite the radical change in the political situation, Egyptian consumers remain the most downbeat among the countries included in our survey, with 25% predicting a worse financial position over the next six months compared to 24% expecting some improvement. The picture in Turkey was not much better: 12% of respondents expected their financial position to worsen versus 16% who expected it to improve. When we compare the aggregate results in our latest survey with last year's survey, there is no doubt that consumers, on average, are less optimistic. In Brazil, the balance of consumers expecting better rather than worse financial prospects over the next six months has fallen from 59% in 2010 to 53% in 2011. In China, the same statistic has slipped from 39% to 31%, and in India it has fallen from 40% to 36%. The mood has improved in only two of the markets. In Indonesia, a net 31% now expect personal finances to improve over the next six months compared with 28% last year. While the Egyptian consumer is much more upbeat compared with last year, this is clearly off a very low base and still poor in absolute terms (Figure 2).

Two-fold rationale for overall decline in optimism

1. On average, there has been a moderation in future wage expectations compared with last year. As we illustrate in Figure 3, in the most recent survey compared with last year's survey, wage expectations for the next 12 months have declined considerably in Brazil and have edged down in China. Wage expectations have picked up in Egypt, but, as with most indicators for Egypt, this comes from a very low base. However, the one market where there has been a clear rise in wage expectations is Saudi Arabia. Arguably this reflects the increase in social spending programs and the rise in the minimum wage that the authorities have pursued in the wake of the political upheaval in other North African and Middle Eastern markets. This increase in optimism in Saudi Arabia is the obvious bright spot in what is otherwise a somewhat more subdued consumer story on average.

2. Food inflation has also had a significant impact on consumer sentiment. When we compare the proportion of expenditure that is directed towards food against the optimism embodied in expectations on the state of personal finances, a clear pattern emerges. The least optimistic (consumers in Egypt) allocate over 40% of their total income toward food expenditure, the most optimistic (in Brazil) have the lowest relative expenditure on food.

Figure 1

Do you think the state of your own personal finances over the next six months will be better, worse or about the same?

Source: Credit Suisse Emerging Consumer Survey

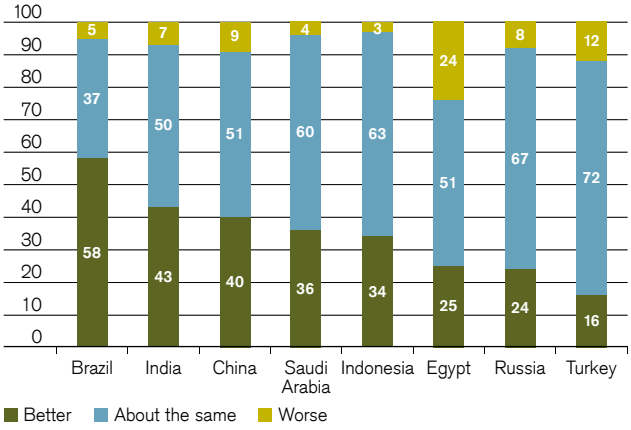


Figure 2

Do you think the state of your own personal finances over the next six months will be better, worse or about the same? 2011 versus 2010 results

Source: Credit Suisse Emerging Consumer Survey

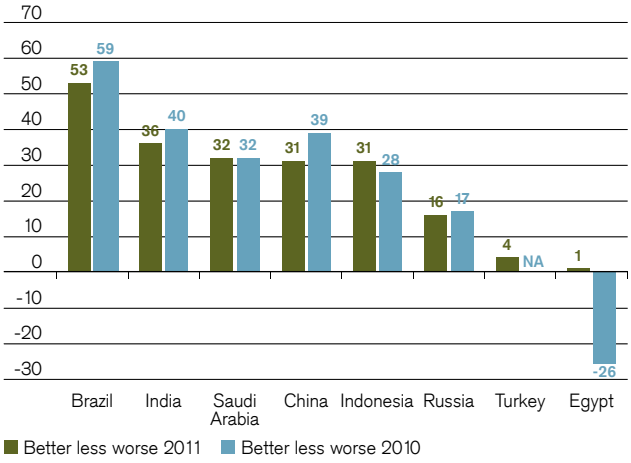


Figure 3

Percentage expecting better less worse household income in 2011 versus expectations in 2010

Source: Credit Suisse Emerging Consumer Survey

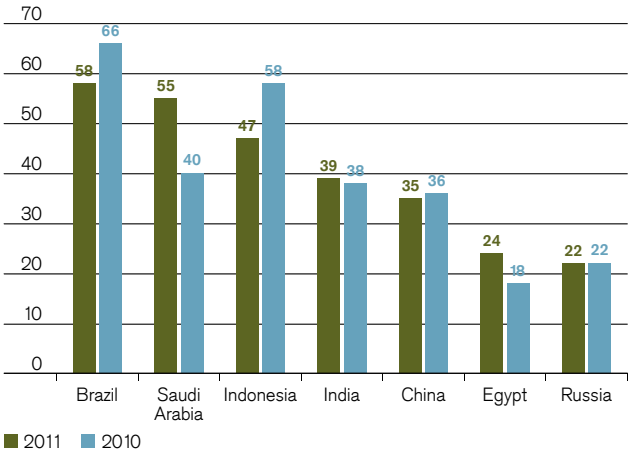
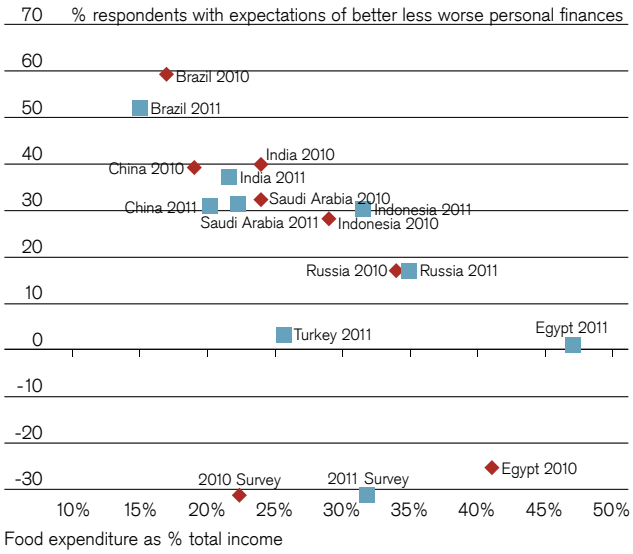


Figure 4

Weight of food expenditure versus optimism on personal finances outlook

Source: Credit Suisse Emerging Consumer Survey



Clearly, food price inflation has negatively impacted consumer sentiment. The extent of the recent food price inflation felt across the emerging economies is illustrated in Figure 4. By our calculation, the annual rate of food price increases for the emerging markets in aggregate was running at 6.6% (in the 12 months ending September 2011) and this comes on top of 8.0% in the year before that. This puts food inflation for the last two years well above the 10-year average of just 4.5%.

What next?

Economic momentum, on average, looks likely to continue to slow. Given that the export to gross domestic product (GDP) ratio for the emerging economies is a relatively high 35%, they are inevitably going to feel the headwinds of the slowdown and contraction in key developed markets. As we illustrate in Figure 5, emerging markets have consistently averaged higher growth rates in industrial production over the past decade but are clearly not independent of developed market trends. The most recent PMI readings are consistent with some contraction in industrial or manufacturing production for both the G4 and the BRIC economies in the months ahead (Figure 6). This suggests there is a risk of further slippage in nominal wage expectations over the next year across our survey markets and thus pressure remaining on confidence.

PHOTO: ISTOCKPHOTO.COM/ILBUSCA

The good news is that the inflation scenario is set to become significantly more supportive over the months ahead. We find that the pattern of emerging market food inflation fits well with changes in soft commodity prices (as proxied by the CRB Foodstuffs index). The CRB index is already down 5% since the start of 2011 and, assuming prices remain flat from here, the implication is for negative readings in annual rates of change over the next six months, given the very high bases established in H1 2011. The implication is that average emerging market food inflation is likely to fall to low levels, in the region of 0%–1% for H1 2012.

Cyclical headwinds slow discretionary spending

The key structural theme that underpins the outlook for emerging markets is how income and demographic drivers could change the make-up of consumer spending in these economies in years to come. Consumer spending, which has been heavily focused around more essential areas of spending, is likely to continue to shift to the more discretionary bias that typifies the developed world. This is the pattern that has typically played out across the developed markets through the last century.

Aggregate emerging market GDP per capita now stands at USD 7,600 in purchasing power parity (PPP) terms. Over the next five years, the IMF forecasts that this will increase to USD 10,100. The USA, France and

Figure 5

Emerging versus developed market industrial production (% YoY)

Source: Credit Suisse research

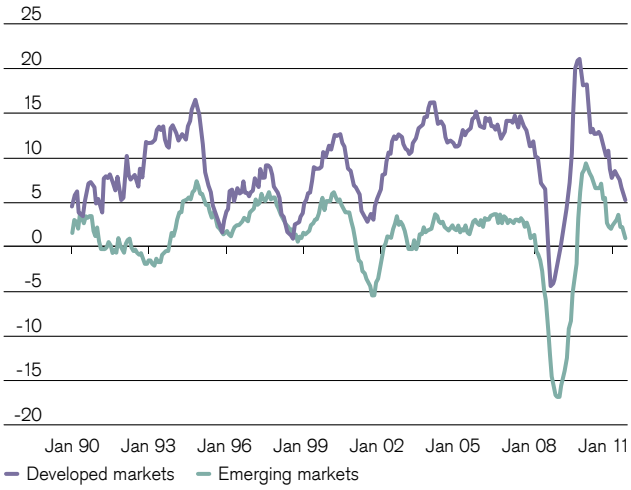


Figure 6

G4 versus BRIC aggregate PMI levels

Source: Credit Suisse research

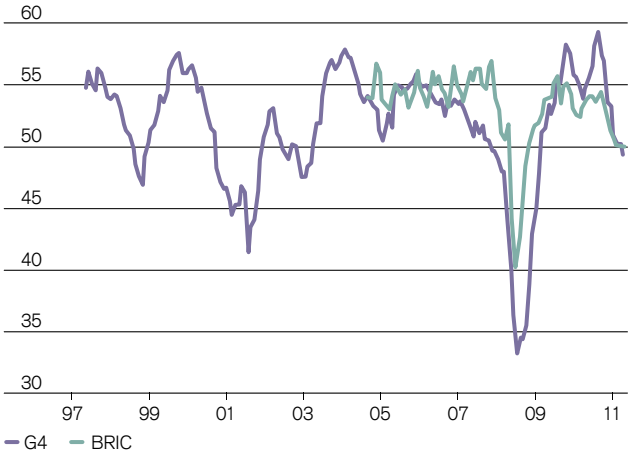


Figure 7

Emerging market food inflation versus the CRB Foodstuffs index (% YoY)

Source: Thomson Reuters, IMF, CRB, Credit Suisse research

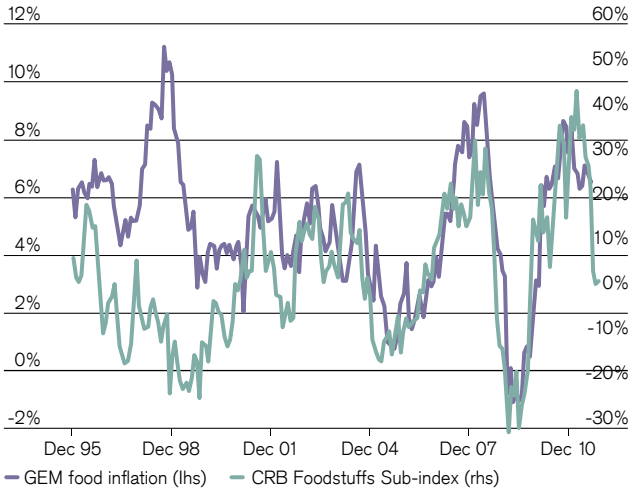
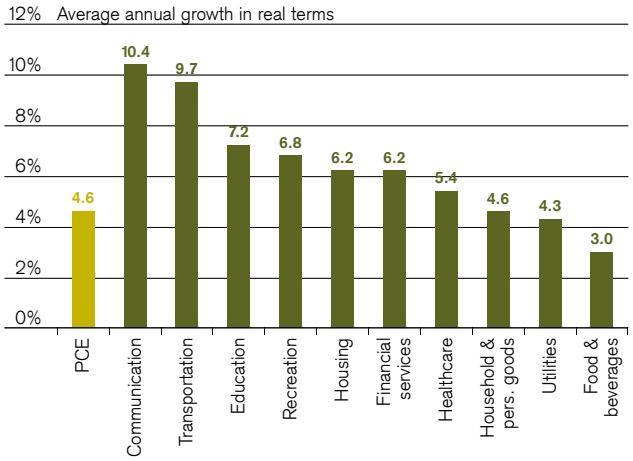


Figure 8

Average* annual real growth in the volume of consumer expenditure as GDP per capita rises from USD 7,500 to USD 10,000

Source: BEA, INSEE, Ministry of Internal Affairs and Communications, Credit Suisse research

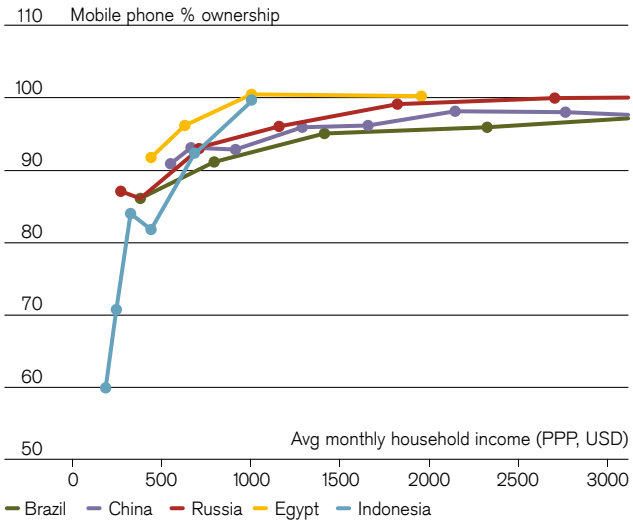


* Taking the average of growth in the components of real consumer expenditure in the USA (1936–1940), Japan (1961–1966) and France (1950–1959). These numbers are approximate to some extent: differences in categorization in expenditure by sector between these markets limits a more precise calculation.

Figure 9

Mobile phone ownership

Source: Credit Suisse Emerging Consumer Survey



Japan saw similar changes in the level of their GDP per capita in the 1930s, the 1950s and the 1960s, respectively. If we look back at the shifts in their spending patterns during this transition, it is clear that growth in spending on the more discretionary items was far stronger than the growth in expenditure on basic essentials. Figure 8 serves to illustrate these trends.

We can see that growth in volume demand for **"essential items"** (such as food and beverages and utilities) was, on average, still positive, but not as strong as the growth in discretionary spending. Consumption of what we might describe as **"useful items"** (such as transportation, education, financial services or healthcare) proved to be much more sensitive to the rising income levels. We note that strong growth in household demand for communication services largely reflected the shift in technology that was taking place at the time, as well as the substantial decline in prices that took place as the technology gained scale. Indeed, the fall in communication costs to date now means that the pattern of demand for basic mobile services is very much in line with that of other essential utilities. We noted that the data from the survey last year confirmed that similar patterns of consumer expenditure were visible across the emerging economies. These trends are still clearly visible in the data from the recent survey.

Demand for small-ticket, basic essentials (such as protein consumption or mobile phones) increases rapidly from very low income levels, but beyond an average monthly household income of around USD 1,000 (PPP-adjusted), consumption of essential goods and services tends to stagnate in favor of more discretionary items. However, this long-term structural shift across the emerging economies towards greater discretionary spending has stalled, on average, over the past year as the slowdown in economic momentum and high food inflation has impacted confidence.

Consequently, when we compare the growth in spending rates between 2010 and 2011 for a range of goods and services, we can see that household consumption contracted for many of the more discretionary areas of expenditure over the course of the year. Figures 11 and 12 illustrate these changes. In these charts, we aggregate the survey results from all the markets to show how consumption or ownership of different types of goods and services changed this year compared with last year.

We note the reduction over the course of the last year in average consumer exposure to:

- Sport shoes and fashion apparel – these sectors have borne the brunt of the decline in consumer sentiment and higher average food prices. Both categories were down strongly across nearly all of our survey markets, including Saudi Arabia where consumer sentiment still appears to be relatively strong.
- Private healthcare – four out of the seven markets (where we can compare the recent data against last year's survey) recorded a decline in the number of households who allocated spending to private healthcare. Theoretically, this could simply reflect an improvement in state provision of healthcare services. How-

ever, in practice, since the detailed data show the decline was most obvious across the lowest income groups, it suggests that healthcare spending was forfeited to offset high food prices.

• Property ownership also declined on aggregate in this survey versus the last survey. At the country level, the data show that ownership remained flat in China and Russia, but declined slightly in India and Brazil. As a clear sign of the prevailing economic turmoil, property ownership levels in Egypt were down significantly compared with last year.

Meanwhile, consumer penetration rates picked up on average for:

• Mobile phones – this is predominantly driven by the rise in ownership across the lower income markets (India, Egypt, Indonesia and Brazil). Growth rates continue to hold the greatest potential in Indonesia (29% of our sample still do not have a mobile phone) followed by Egypt (15%) and Turkey (11%).

• Smart phones – at the opposite extreme to the basic mobile phone, the higher income markets have been the key drivers of the rise in ownership of smart phones. Saudi Arabia tops the list with a penetration rate of 68% (a 22% increase on last year). The survey shows that smart phones have also proved popular in Brazil and China.

• Computers and internet access – have also enjoyed strong growth in penetration rates over the year. Interestingly, this has not been driven by China (where computer ownership and internet access is already relatively high). Instead, the key drivers over the last year have been Brazil and Saudi Arabia.

• Cosmetics – demand appears to have picked up marginally over the last year. Closer inspection of the data shows that the low income groups in Brazil were important drivers of this trend. This follows the well-established spending patterns of the higher income groups in Brazil. The country as a whole has one of the highest recorded spending rates on cosmetics and skincare (86% of our sample said they had spent on this item in the past three months) in contrast to China, with one of the lowest rates (only 43% of our Chinese sample said they had spent money on cosmetics over the same period).

• Education – a more significant proportion of respondents in six out of seven markets said they had allocated money to private education courses this year compared with last year. The exception was Egypt where the economic disruption has clearly undermined routines. But, Egypt aside, it is remarkable that the growth in education is so consistent across markets that differ so much in terms of consumer preference in so many other areas. And moreover, that education increased in prioritization in a year that was far from supportive from a cyclical perspective. There is a substantial weight of historical evidence that suggests this strategy is highly likely to pay economic dividends and deliver sustainably higher GDP per capita in the long run. Thus, this strongly underpins the continued outperformance of emerging market economic growth.

Figure 10

Expenditure on entertainment

Source: Credit Suisse Emerging Consumer Survey

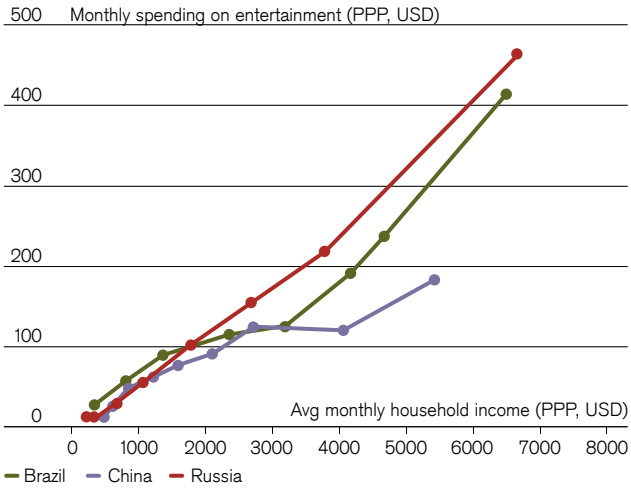


Figure 11

Percentage of respondents that have bought various goods and services in 2011 and the change versus 2010

Source: Credit Suisse Emerging Consumer Survey

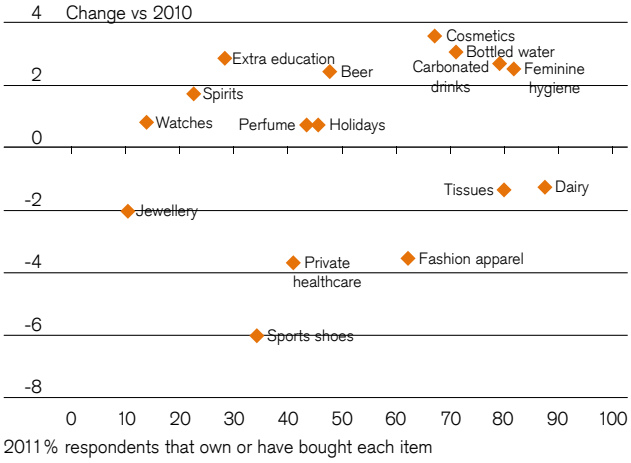
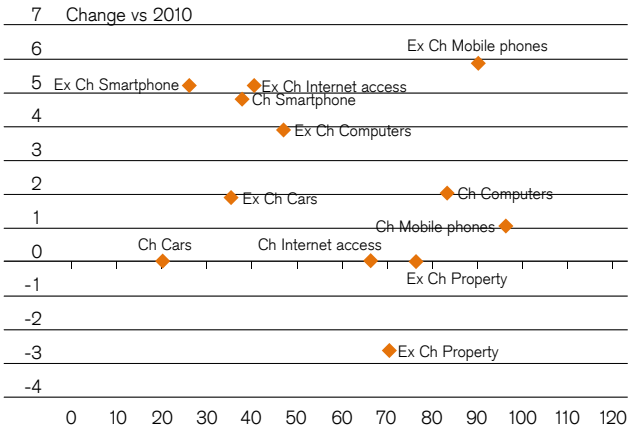


Figure 12

Percentage of respondents that own various goods/assets in 2011 and the change versus 2010

Source: Credit Suisse Emerging Consumer Survey



The appetite for technology

As noted above, the appetite for technology across our consumer universe appears to be very strong. However, we note that the strength of this demand varies according to income group as well as market. As an example, the data show that the penetration of smart phones is greater in the low-income groups in Saudi Arabia than it is for the high-income groups in Brazil and Russia. The ownership of computers is higher for the mid-income brackets in China than it is for the high-income brackets in Saudi Arabia, Russia or India. Figures 13 and 14 illustrate the point.

The possible explanations for this are threefold:

1. Strength and sophistication of the distribution network – the greater this is, the higher the penetration rate. Churn rates are one potential indicator of the scope and reach of the distribution network. Our survey data show that where mobile and smart phone penetration rates are highest, a mobile handset has a relatively short life (only 14 months on average in Saudi Arabia). In markets where phone penetration rates are lowest, the average length of time that a handset is owned is much longer (22 months on average in Russia and 24 months in India).
2. Relative prices are an obvious factor to explain relative penetration rates. The prevalence of low-cost smart phones in China and the competitive nature of that market has arguably boosted consumer access to the product.
3. Relative development of broadband infrastructure helps explain computer ownership. We find there is a clear correlation between broadband access and household computer penetration: where broadband access is low (notably Egypt, India and Indonesia) the average computer ownership is also low.

However, the structural position is only part of the story. Our survey data also highlight changes in technology consumption over the past year. Figures 15 and 16 illustrate some of the main trends. Not surprisingly, we find that the fastest rates of growth in standard mobile penetration are in the low income markets (India and Egypt) where penetration rates are still relatively low. Growth in smart phone ownership has been fastest across the higher income groups in the higher income markets (notably Saudi Arabia and the richer end of the Brazilian consumer).

China has witnessed exceptional growth in computers and internet access over the past ten years. Partly because these penetration rates are now already high, we find that growth rates in this area over the last year have been better for the other markets. Specifically, the survey data show that Brazil and Saudi Arabia have enjoyed the strongest take-up of computers and internet access over the last year.

What next?

Growth in mobile phone penetration looks set to be relatively strong in Indonesia (still 29% of our survey sample said they did not own a mobile), India (6% in total had no mobile rising to 12% at the lower income brackets) and Brazil (where 11% of the lower income groups had no mobile).

Momentum in smart phone penetration is likely to continue to be strong in Brazil and China. Saudi penetration rates also look likely to continue upward, albeit the potential growth is somewhat diminished by the exceptionally strong take-up over the past year. Supporting factors are (1) growth in real wages and relatively more optimistic outlook of these consumers, (2) size and affluence of the mid-to-high income groups in each of these markets, (3) existing momentum (smart phone penetration increased by 22%, 11% and 5% for Saudi, Brazil and China respectively over the last year).

For similar reasons, computer sales look likely to be strongest in Brazil and Saudi Arabia. Momentum has been strong in the past year but penetration rates are still only 67% and 63% for these two markets respectively compared with 83% in China.

Figure 13

Percentage of households (according to income bracket) owning at least one computer

Source: Credit Suisse Emerging Consumer Survey

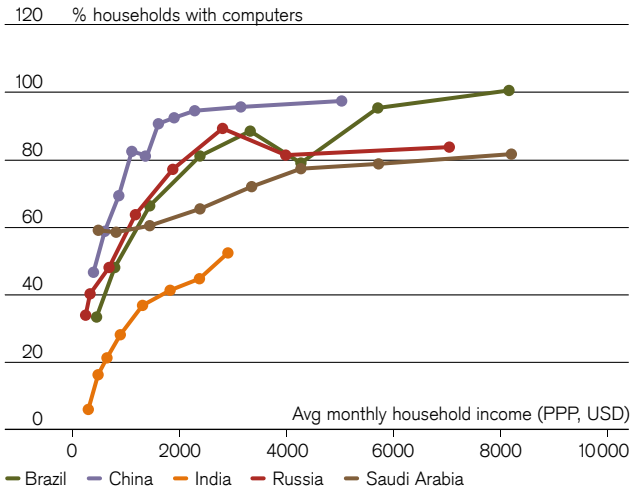


Figure 14

Percentage of households (according to income bracket) owning smart phones

Source: Credit Suisse Emerging Consumer Survey

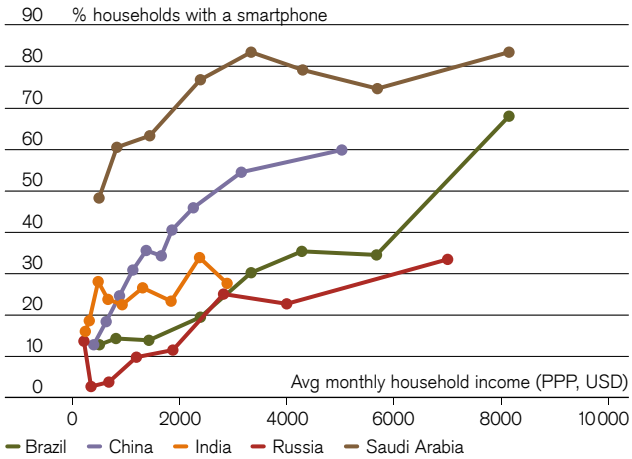


Figure 15

Change in mobile phone and smart phone ownership 2011 versus 2010

Source: Credit Suisse Emerging Consumer Survey

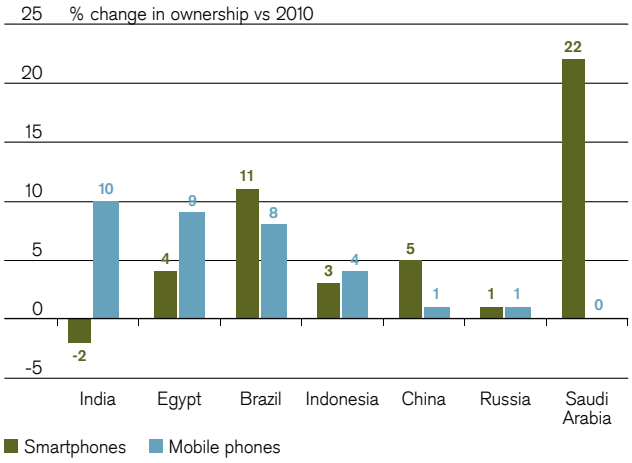


Figure 16

Change in computer ownership and internet access 2011 versus 2010

Source: Credit Suisse Emerging Consumer Survey

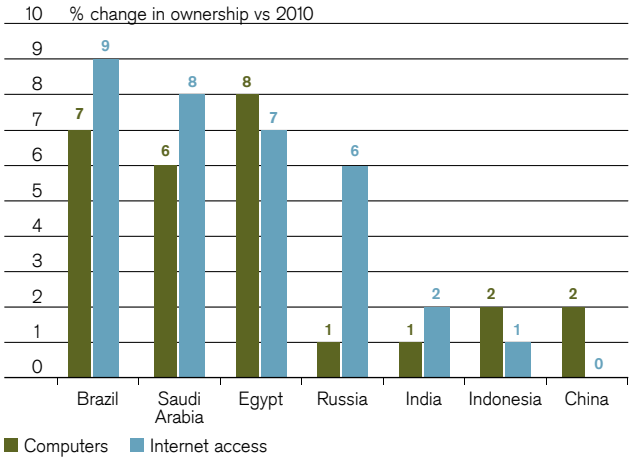
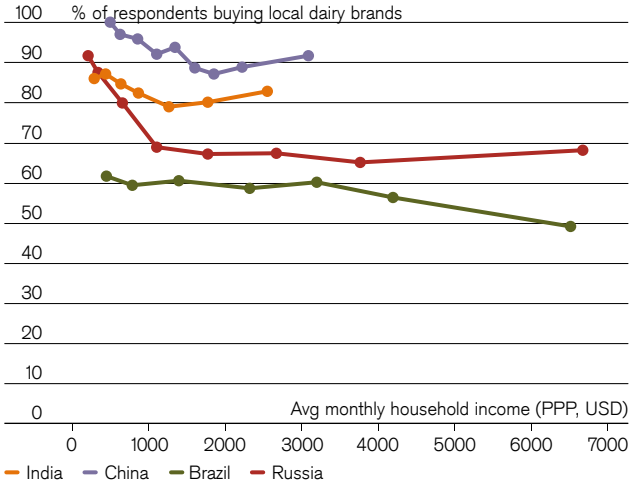


Figure 17

Purchases of local brands/dairy as a percentage of total purchases

Source: Credit Suisse Emerging Consumer Survey



The role of brands

Running alongside the structural story of the transition of emerging market consumption from essential items toward discretionary spending, there are important implications for consumer brands. In last year's survey, we flagged three specific themes which were very much apparent in the data. First, at relatively low levels of household income, unbranded goods are a significant feature of total consumption. Second, as income levels improve, preferences for branded goods pick up; and third, as income moves to relatively affluent levels, premium brands attract a greater market share. Traditionally, international brands have had the upper hand in the premium ratings while local brands have tended to appeal to the lower income mass market. Our data support this thesis for most of the goods we surveyed at the discretionary end of the spectrum.

However, our survey also shows that for goods that could be classified broadly as essential items, the preference at higher income levels for international brands over local brands is not particularly strong. To illustrate this simple point, Figures 17 and 18 plot the relative demand for local versus international brands by income bracket for dairy and cars. The stability in the appetite for an unbranded/domestic essential item such as dairy across the income scale contrasts with the rapid deterioration in the brand value of a domestic car as income levels become progressively higher. The same pattern can be seen across a large number of other product categories that fall into the essential versus discretionary brackets (for instance, bottled water or perfumes).

We see three likely explanations:

1. Local manufacturers for essential goods and services also offer attractive premium brands and can compete successfully with the internationals. There are numerous examples of this, particularly in the dairy market.
2. Emerging consumers are happy to stick with their local brands for essential items, partly out of inertia, but perhaps also as they offer no "status" benefit in consumption terms.
3. Brand power for essential items is not as strong as it is for discretionary items. Even international brands are often marketed on price and value.

The broad conclusion is that as incomes continue to improve international brands offer greater growth potential than their local peers in the discretionary space. However, the growth outlook for local brands should be at least as good as international brands for essential goods and services. This suggests continued strong M&A potential in the essentials sectors as international companies may be moved – indeed in some cases have already been moved – to acquire these local brands.

Who are the winners?

If this is the broad picture, what are the specific illustrations of brand potential or vulnerability? The survey allows us to isolate specific brands at a very granular

level by category of spending, by country and by the nature of the consumer concerned, whether by income or a wide range of demographics. The Credit Suisse Research Institute report "The power of brand investing" published in February 2010 underlined the significance for investors in understanding the drivers of brand development and positioning.

When taken to the micro level, we see three specific themes already at work and that might develop further:

1. The scope for industry consolidation and mergers and acquisitions (M&A) activity.
2. "Trading up" opportunities as consumers shift from unbranded to branded products when their incomes improve.
3. The potential structural global and local winning brands alongside those that may see their brand status challenged.

To explore these themes, Figures 20 and 21 display a number of key country brands that consumers highlighted in the survey. This is a small, but significant, subset of the data from the hundreds of brands in the survey as a whole. The two tables split the brands into food and beverages to include some lower ticket and essential items, and then discretionary spending.

Figure 18

Planned purchases of local car brands as a percentage of total purchases

Source: Credit Suisse Emerging Consumer Survey

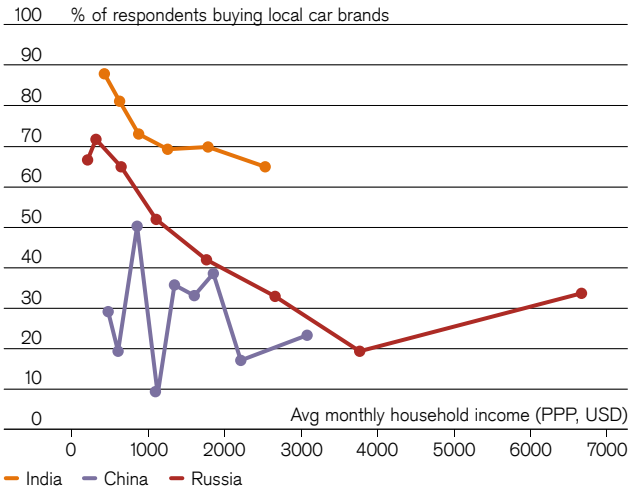


PHOTO: ISTOCKPHOTO.COM/ELDADCARIN

Each table shows the category of spending, a key country brand and its penetration in the lowest and highest income groups within the market. Our thinking here was to illustrate how strong the market positioning of certain brands was should income rise amongst emerging consumers. We have also shown which company owns the brand, which helps identify whether the brand is local or global in nature.

The brands selected fall into one of three categories and are color coded accordingly – brands in the survey that see their market penetration among consumers increase as we move from low to high income (blue); those that decrease as income rises (orange); and those that hold their own across the income scale (yellow).

Mergers and acquisitions

M&A activity is proving to be a major ongoing theme in emerging markets. Global consumer companies have taken advantage of the growth opportunities in emerging versus developed markets and also the relaxation of regulatory constraints that permit it. The sectors that are more fragmented and where local brands proliferate look most likely to benefit from greater M&A activity in the future.

Taking the two tables together, the dairy and cosmetics space provide good illustrations of M&A potential, albeit for different reasons. As our earlier work suggested, global brands such as Nestle, Danone and Kraft gain limited traction in "essential" items. The dominance, and indeed resilience across the income scale, of companies like Mengnui and Yili in China illustrate how the strength lies domestically. Unlisted companies and co-operatives (e.g. Mother Dairy and Amul in India and Botavo in Brazil) also play a major role. Beyond the likes of the co-operatives, the ownership of local brands by major global companies is still low (in contrast to much of the beverages segment). However, Pepsi's Wimm-Bill-Dann acquisition in Russia and its ownership of two dairy brands shows that this need not be the case. There is every reason for more. The global companies' own brands meet with limited appetite; they may be better off buying the local brands and perhaps leveraging their superior capabilities in brand awareness and distribution to create value.

Cosmetics are a different story. Global players are present and income sensitivity does impact their attraction. However, as in dairy, the data from our survey would suggest that there are well-positioned local brands that offer strong market position, growth potential and that are not already in the hands of the global players, for example, Natura in Brazil, Parachute in India and Chistaya Linia in Russia.

Trading up: Unbranded to branded and beyond

While the process of how consumers shift from low-end brands to premium brands captures plenty of consideration; the reality is that many consumers across the emerging world still buy unbranded products in many categories. In the discretionary areas, this is at its extreme among low-income earners but, as we have highlighted, can also be widespread in essential items. Being well positioned to exploit the shift from unbranded to branded products offers sizeable potential gains for companies.

Figure 19 breaks down by country and by category the proportion of respondents suggesting they bought unbranded products. The relevance of unbranded purchases seems greatest among the discretionary areas and in essentials like dairy.

If we consider a scenario where incomes improve at the low end and the appetite for branded products grows, there should be immediate benefits for those well positioned among the lowest income earners. Linking this into specific brands included in our survey, Figures 20 and 21 would highlight the strong position within the lower income groups in fashion/retailing for brands such as Bata in India, Hering and Marisa in Brazil; in cosmetics, again, for Natura and Parachute; in sportswear Action In India and Lining in China. The data suggests that Pepsi's dairy acquisition in Russia also looks strategically well placed.

We are somewhat sceptical about the quality of the low responses to the questions on unbranded alcohol. Buying unbranded alcohol may be deemed illegal in some areas (also note that the question was not asked in Indonesia, Saudi Arabia and Egypt for cultural reasons.) However, even taking the data at face value, we can see a read through to relative position of beer brands such as

Figure 19

Percentage of purchases by sector that are "unbranded"

Source: Credit Suisse Emerging Consumer Survey

	Brazil	China	Egypt	India	Indonesia	Russia	Saudi Arabia	Turkey
Dairy	9	7	68	15	14	32	0	23
Soft drinks	6	1	1	2	2	16	0	4
Beer	1	4	-	5	-	20	-	7
Spirits	13	19	-	6	-	16	-	34
Cosmetics	6	13	38	8	68	14	7	15
Perfumes	9	23	72	45	81	32	31	66
Fashion	46	43	78	53	72	67	38	80
Leather goods	67	43	79	31	46	76	35	68
Sports shoes and wear	24	13	54	19	37	29	10	37

Figure 20

Food and beverages: Brand market penetration according to income group

Source: Credit Suisse Emerging Consumer Survey

Sector	Country / Brand	% penetration at LOWER income	% penetration at HIGHER income	Difference	Parent company (if applicable)	Listed / Private
Dairy	Juhayna (EGYPT)	35%	73%	38%	Juhayna Food Industries	JUFO EY
	Domik v Derevne (RUSSIA)	27%	50%	23%	PepsiCo Inc.	PEP US
	Chudo (RUSSIA)	13%	29%	16%	PepsiCo Inc.	PEP US
	Batavo (BRAZIL)	30%	44%	13%	Batavo Cooperativa Agroindustrial	Private
	Parmalat (BRAZIL)	39%	48%	9%	AEP Investments, Ltd.	Private
	Nestle (INDIA)	2%	11%	9%	Nestlé S.A.	NESN VX
	Danone (SAUDI)	7%	15%	8%	Danone	BN FP
	Yili (CHINA)	55%	63%	8%	Inner Mongolia Yili Industrial Group Co., Ltd.	600887 CH
	Mengniu (CHINA)	63%	68%	4%	China Mengniu Dairy Company Limited	2319 HK
	Pinar (TURKEY)	41%	44%	3%	Yasar Holding	Private
	Anchor (SAUDI)	20%	21%	1%	Fonterra Co-operative Group Limited	Private
	Mother Dairy (INDIA)	26%	25%	-1%	National Dairy Development Board	Private
	Kraft (SAUDI)	30%	28%	-2%	Kraft Foods Inc.	KFT US
	Tirumala (INDIA)	16%	7%	-9%	Tirumala Milk Products (P) L	Private
Soft drinks	Guaraná Antarctica (BRAZIL)	46%	64%	18%	Anheuser-Busch InBev NV	ABI BB
	Mirinda Pepsi-Cola (SAUDI)	41%	53%	12%	PepsiCo Inc.	PEP US
	Coca-Cola (INDIA)	25%	33%	8%	The Coca-Cola Company	KO US
	Limca (INDIA)	29%	33%	4%	The Coca-Cola Company	KO US
	Guozhiguole (CHINA)	10%	9%	-1%	China Huiyuan Juice Group Limited	1886 HK
	Chernogolovka (RUSSIA)	10%	9%	-1%	OST Group	Private
	Dolly (BRAZIL)	19%	13%	-6%	Dolly	Private
Beer	Budweiser (TURKEY)	6%	23%	17%	Anheuser-Busch InBev NV	ABI BB
	Carlsberg (INDIA)	0%	12%	12%	Carlsberg Group	CARLB DC
	Heineken (BRAZIL	0%	11%	11%	Heineken	HEIA NA
	Brahma (BRAZIL)	12%	19%	7%	Anheuser-Busch InBev NV	ABI BB
	Tsingtao (CHINA)	23%	26%	3%	Tsingtao Brewery Company Limited	600600 CH
	Yanjing (CHINA)	11%	13%	2%	Yanjing Beer (Guilin Liquan) Co., Ltd.	Private
	Haywards (INDIA)	11%	12%	1%	SAB Miller	SAB LN
	Kingfisher (INDIA)	42%	37%	-5%	UB Group	Private
	Baltika (RUSSIA)	23%	18%	-5%	Carlsberg Group	CARLB DC
	Klinskoe (RUSSIA)	16%	10%	-6%	Anheuser-Busch InBev NV	ABI BB
	Snow (CHINA)	30%	16%	-14%	SABMiller	SAB LN
	Skol (BRAZIL)	45%	30%	-15%	Anheuser-Busch InBev NV	ABI BB
	Efes Pilsen (TURKEY)	85%	58%	-26%	Anadolu Efes	AEFES.IS
Spirits	Johnnie Walker (BRAZIL)	5%	24%	19%	Diageo plc	DGE LN
	Bacardi (BRAZIL)	9%	18%	9%	Bacardi Limited	Private
	Niulanshan (CHINA)	17%	24%	7%	Beijing Shunxin Agriculture Co., Ltd	000860 CH
	Smirnoff (BRAZIL)	31%	38%	7%	Diageo plc	DGE LN
	Royal Stag (INDIA)	11%	13%	2%	Pernod Ricard	RI FP
	5 Ozer (RUSSIA)	11%	11%	0%	Alcohol Siberian Group, Inc	Private
	Bagpippers (INDIA)	14%	13%	-1%	UB Group	Private
	Jack Daniels (TURKEY)	22%	18%	-4%	Brown-Forman Corporation	BF/B US
	Xifeng (CHINA)	10%	3%	-7%	Shaanxi Xifeng Liquor Co., Ltd	Private
	Mc'Dowells No.1 (INDIA)	42%	27%	-15%	UB Group	Private
	Absolut (TURKEY)	35%	14%	-21%	Pernod Ricard	RI FP

Brands increasing share from low to high income Brands maintaining share Brands seeing decreases in market share

Figure 21

Discretionary spending: Brand market penetration according to income group

Source: Credit Suisse Emerging Consumer Survey

Sector	Country / Brand	% penetration at LOWER income	% penetration at HIGHER income	Difference	Parent company (if applicable)	Listed/Private
Autos	GM (CHINA)	8%	12%	4%	General Motors Co	GM US
	Maruti Suzuki (INDIA)	38%	41%	4%	Maruti Suzuki India Limited	MSIL IN
	TATA (INDIA)	40%	41%	1%	Tata Motors	TTM US
	Toyota (SAUDI)	23%	23%	0%	Toyota Group	7203 JP
	Lada/VAZ/Zhiguli (RUSSIA)	17%	11%	-5%	Renault SA	RNO FP
	Volkswagen (CHINA)	22%	16%	-6%	Volkswagen AG	VOW3 GY
	Fiat (BRAZIL)	38%	22%	-16%	Fiat S.p.A.	F IM
Cosmetics	Boticário (BRAZIL)	15%	50%	35%	O Boticário	Private
	Nivea (RUSSIA)	14%	31%	17%	Beiersdorf AG	BEI GR
	Pond's (INDONESIA)	27%	43%	16%	Unilever Indonesia	UNVR JK
	Natura (BRAZIL)	51%	62%	11%	Natura Cosmeticos SA	NATU3 BZ
	Parachute (INDIA)	33%	42%	8%	Marico Limited	MRCO IN
	Santoor (INDIA)	14%	15%	1%	Wipro Limited	WPRO IN
	L'Oreal (SAUDI)	10%	10%	0%	L'Oreal SA	OR FP
	Chistaya Linia (RUSSIA)	19%	17%	-3%	Kalina	KLNA RU
	Fair & Lovely (INDIA)	46%	32%	-14%	Unilever	UNA NA
	Viva (INDONESIA)	26%	7%	-19%	SkinFood	Private
	Oriflame (RUSSIA)	61%	20%	-42%	Oriflame Cosmetics S.A.	ORI SS
Fashion	Chow Taifook (CHINA)	5%	28%	23%	Chow Taifook Co.	Private
	Hering (BRAZIL)	4%	20%	16%	Cia. Hering	HGTX3 BZ
	Burberry (SAUDI)	4%	16%	12%	Burberry Group PLC	BRBY LN
	Zara (RUSSIA)	2%	13%	11%	Industria de Diseno Textil, S.A. (Inditex)	ITX SM
	Fast Track (INDIA)	12%	22%	10%	Titan Industries Ltd	TTAN IN
	Allen Solly (INDIA)	1%	11%	10%	Aditya Birla Grasim	GRASIM BO
	Renner (BRAZIL)	21%	28%	8%	Lojas Renner S.A.	LREN3 BZ
	Omega (CHINA)	4%	11%	7%	Swatch Group	UHR VX
	LVMH (CHINA)	1%	6%	5%	LVMH S.A.	MC FP
	Zara (SAUDI)	16%	17%	1%	Industria de Diseno Textil, S.A. (Inditex)	ITX SM
	Marisa (BRAZIL)	41%	33%	-8%	Maris Lojas SA	AMAR3 SA
Sportswear	Adidas (RUSSIA)	27%	42%	15%	Adidas AG	ADS GY
	Nike (SAUDI)	12%	14%	2%	Nike, Inc.	NKE US
	Lining (CHINA)	20%	20%	0%	Li Ning Company Limited	2331 HK
	Anta (CHINA)	12%	12%	0%	Anta Sports Products Limited	2020 HK
	X step (CHINA)	10%	4%	-6%	Xtep International Holdings Limited	1368 HK
Handsets	Apple (CHINA)	13%	28%	15%	Apple Inc.	AAPL US
	Apple (BRAZIL)	5%	17%	12%	Apple Inc.	AAPL US
	Samsung (BRAZIL)	26%	33%	7%	Samsung Group	005930 KS
	Huawei (INDONESIA)	10%	9%	-1%	Huawei Technologies Co. Ltd	Private
	LG (BRAZIL)	15%	12%	-3%	LG Corp.	066570 KS
	Nokia (BRAZIL)	37%	28%	-9%	Nokia Corporation	NOK1V FH
TV/Computers/Internet/ Telecoms	Sony (RUSSIA)	8%	30%	22%	Sony Corp.	6758 JP
	Apple (SAUDI)	11%	21%	10%	Apple Inc.	AAPL US
	Tata Photon (INDIA)	13%	23%	10%	Tata Teleservices Limited	TTLS IN
	HCL Technologies (INDIA)	3%	12%	9%	HCL	HCLT IN
	Airtel (INDIA)	11%	11%	0%	Bharti Airtel Limited	BHARTI IN
	Lenovo (CHINA)	29%	24%	-5%	Lenovo Group Limited	992 HK
	Hewlett Packard (INDIA)	11%	6%	-5%	Hewlett-Packard Company	HPQ US
	Dell (INDIA)	19%	13%	-6%	Dell, Inc.	DELL US
	Acer (INDIA)	17%	4%	-13%	Acer Incorporated	2353 TT

Brands increasing share from low to high income Brands maintaining share Brands seeing decreases in market share

Baltika and Klinskoe in Russia. If you believe that the beer/spirits responses below underestimate the local non-branded consumption, it is worth noting the local brands that dominate the low income brackets such as the likes of Snow in China and Skol in Brazil.

Many of these brands that target the low income consumer, particularly beverages, have been acquired by the global consumer companies such as ABI and SAB Miller. Tsingtao in China is one notable that still rests outside of global ownership. Unilever owns strong low income local brands in India and Indonesia. However, none of the cosmetics and fashion brands is as yet owned by global companies.

Structural winners and structurally challenged

While this potential positioning for a "low-end" opportunity has an immediate relevance in some areas, the long-term theme in this report is to consider a multi-year shift to discretionary spending that extends well beyond the lowest of income earners. Consumers who have moved from unbranded to effective low-end or value-branded products are not going to stop there if their incomes improve further. Brands that have critical mass at the low end, but sustain it or grow it up the income scale could prove to be major structural winners.

For example, as strong as the appetite may be for Snow and Skol at the low end, it tails off rapidly beyond the low income earners. Snow's effective penetration halves between low and high income earners. In the cosmetics segment in Russia, Oriflame sees its penetration fall from 61% to 20% between low- and high-income groups. As much as they are missing out on the potential structural shift up the income scale, they are very dependent on one income segment today. Oriflame has found this a painful experience in the last year, given the pressure on the real incomes of low-income Russian consumers.

Many of the brands that display the ideal mix of being strong across the board are in the portfolios of the global companies above, e.g. ABI's soft drink brand Guarana Antarctica or beer brand Brahma. The global players owning brands such as these will generally continue to benefit. However, a number of the local brands we have mentioned above that stood out for their low-income attractions and sitting in unconsolidated sectors emerge here as well.

For example, our survey shows that just as around a quarter of consumers purchase Tsingtao in the low-income band, a quarter at the high end do likewise. Natura enjoys shares of 51% and 62%, respectively, between low- and high-income bands and Lining has a stable 20% from top to bottom. Brands that do not enjoy the same income resilience would ultimately have to devise a "rebranding" or "reinvention" or run the risk of being left behind as incomes steadily improve beyond the most basic levels.

A final thought is to what extent can these local brands supplant the global players in the bigger ticket areas? High-end luxury seems unlikely. Brands such as Burberry continue to grow apace. Technology seems to be an area to watch. We have highlighted the structural growth that the sector continues to experience even in the currently weak cyclical environment. The Western brands are in many areas tiring. Brands such as Dell and HP have a declining appeal in India among higher earners, while Lenovo dominates across the board in China. Nokia's share is declining in most markets as Huawei establishes itself in a number of them. Of the major global technology brands, our survey shows that only Apple displays strong market positioning and growth. There seems every reason to believe that domestic brands can erode the brand value developed companies have enjoyed in this area.

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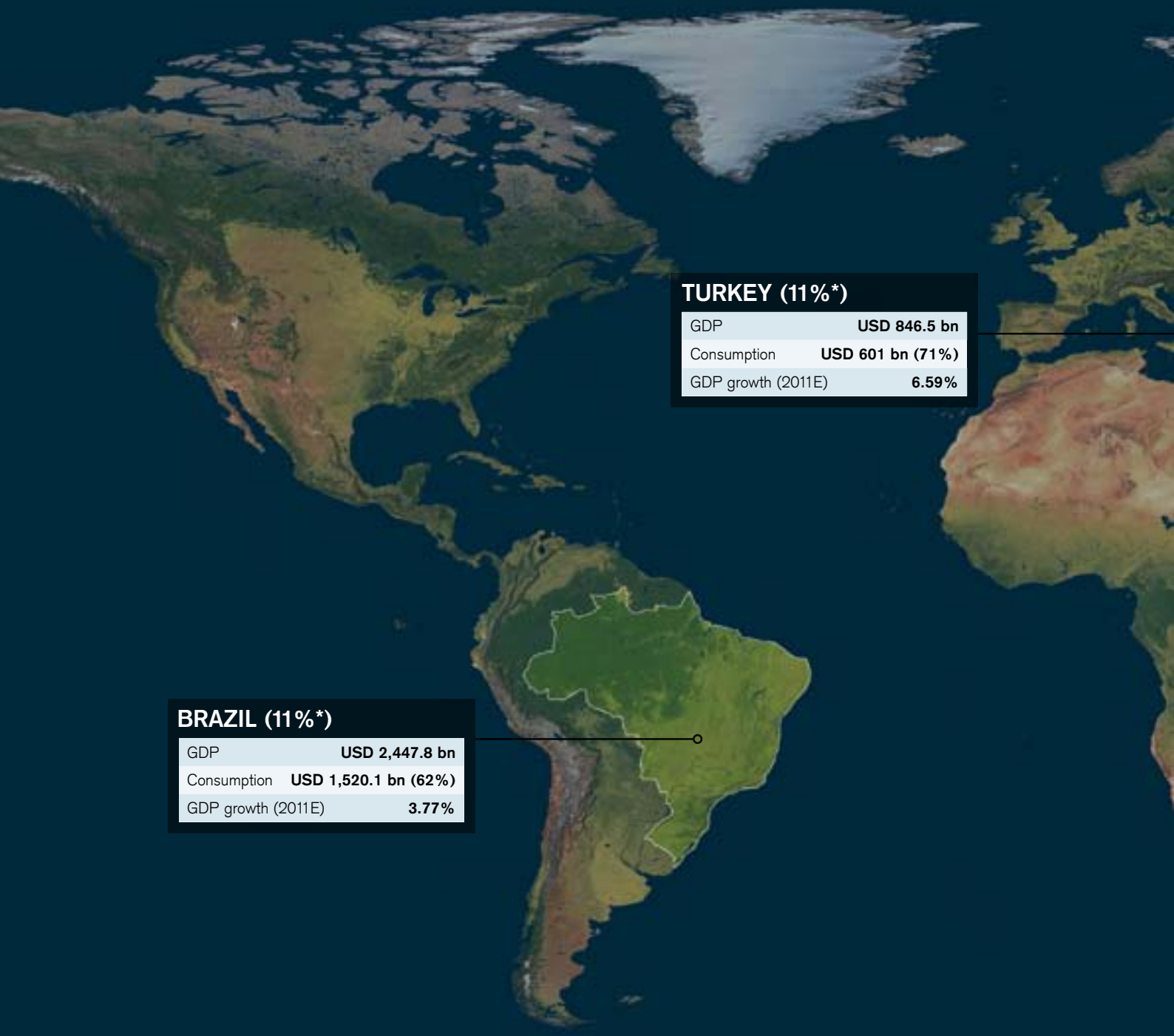
Credit Suisse Emerging Consumer Survey 2012

Number of respondents: 14,232
Across 8 countries
70% in urban areas; 30% in rural areas



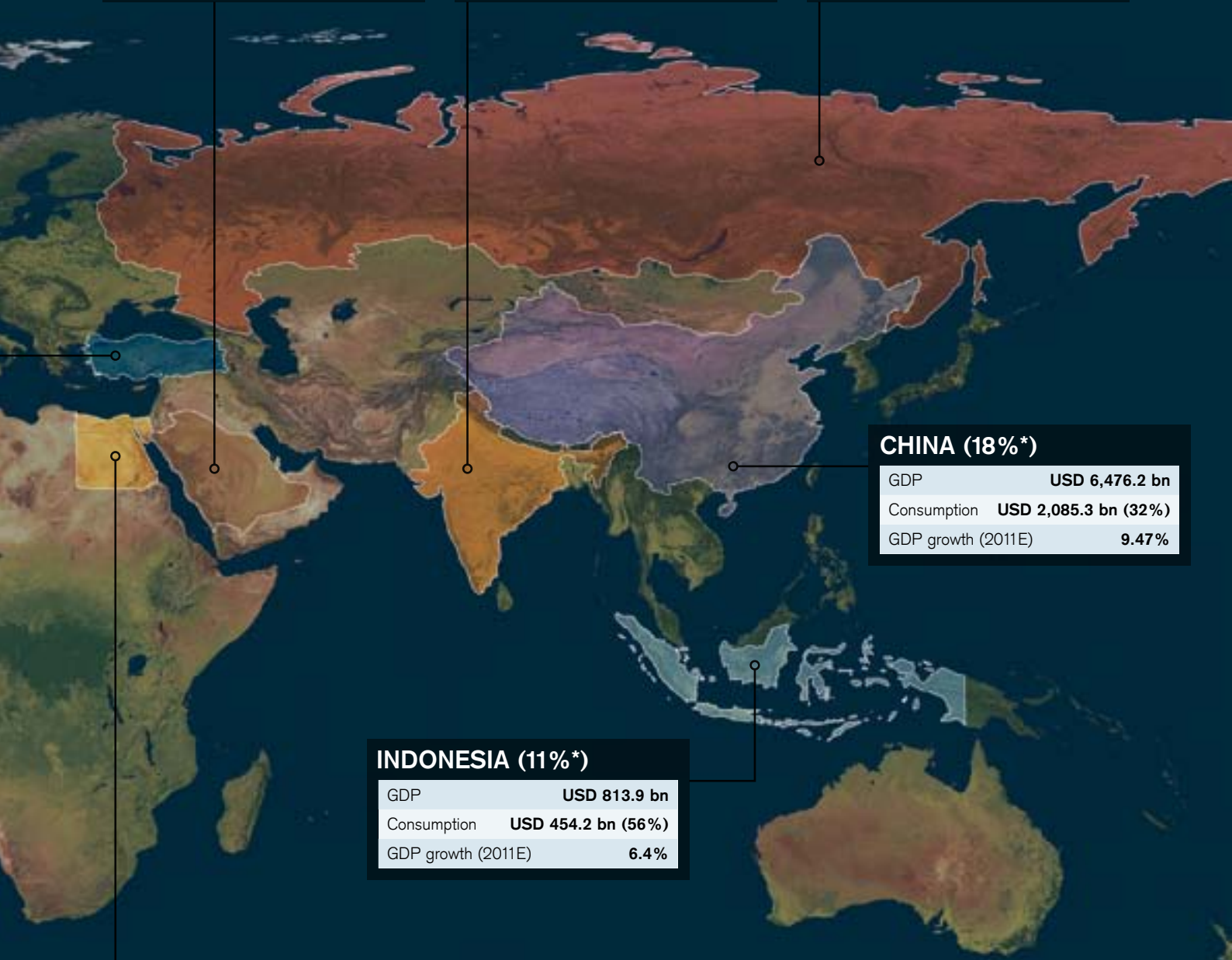
TURKEY (11%*)

GDP	**USD 846.5 bn**
Consumption	**USD 601 bn (71%)**
GDP growth (2011E)	**6.59%**

BRAZIL (11%*)

GDP	**USD 2,447.8 bn**
Consumption	**USD 1,520.1 bn (62%)**
GDP growth (2011E)	**3.77%**

Note:
1. Total GDP for the country shown in nominal USD (2011E)
2. * % of survey sampled from this country
3. Country GDP from IMF
4. Consumption from UN data



SAUDI ARABIA (11%*)

GDP	**USD 580.7 bn**
Consumption	**USD 153.3 bn (26%)**
GDP growth (2011E)	**6.47%**

INDIA (18%*)

GDP	**USD 1,700 bn**
Consumption	**USD 827.9 bn (49%)**
GDP growth (2011E)	**7.84%**

RUSSIA (11%*)

GDP	**USD 1,894.3 bn**
Consumption	**USD 945.3 bn (50%)**
GDP growth (2011E)	**4.29%**

CHINA (18%*)

GDP	**USD 6,476.2 bn**
Consumption	**USD 2,085.3 bn (32%)**
GDP growth (2011E)	**9.47%**

INDONESIA (11%*)

GDP	**USD 813.9 bn**
Consumption	**USD 454.2 bn (56%)**
GDP growth (2011E)	**6.4%**

EGYPT (11%*)

GDP	**USD 248.6 bn**
Consumption	**USD 174 bn (70%)**
GDP growth (2011E)	**1.22%**

Brazil

Living for today

The Brazilian consumer continues to stand out as the most optimistic across our survey. The momentum of income growth provides an underpinning to discretionary spending as it has over the last year. The Brazilian typically spends not saves. There is an appetite for real assets such as property if not financial assets.

At 58%, the weighted average balance of respondents is more positive in Brazil than in any other country. In addition, this measure of optimism has seen only a minor step down at the lower-income end relative to last year's survey. The general breadth of the optimism across the overall population looking ahead tends to set Brazil apart, notwithstanding the historical unequal income distribution.

Income expectations are underpinning this sense of optimism. On average, Brazilian consumers expect one of the highest rates of household income growth among the countries surveyed, with the majority expecting increases in excess of 10%, or around 5% in real terms. Strong nominal income growth in the last year also shielded the consumer in Brazil from inflation more than in other countries.

The survey reveals that spending behavior proved more robust in the last year than elsewhere, including spending in the more discretionary areas. Sub-zero readings on the vertical axis in Figure 23 reflect the number of categories seeing lower readings in spending behavior in this survey compared with 2010. It contains the fewest categories compared with other countries. This chart also highlights that technology penetration in Brazil is seeing strong positive readings. We also find the momentum behind the readings on holidays – backward and forward looking – is very strong.

Finally, among the wealthier consumers in the survey (GDP per capita of USD 12,400), the savings behavior is striking in that so little of income is saved. Barely 7% of household income is registered as saved and over a half of respondents suggest they have no extra cash for savings. Given the strength of projected real income growth, this is extraordinary. It is more typical of the countries where the consumer is being seriously squeezed than one where finances seem robust.

Perhaps an answer lies in perception of property as an asset. Property purchase intentions are higher here than for other countries and have increased over the year. Moreover, 73% of respondents expect house prices to rise – higher than any of the BRIC countries. Coupled with a history of high inflation, real assets perhaps command more of a structural attraction.

Emerging Consumer Survey 2012
Number of respondents: 1,500
Across 5 geographic locations
70 % in urban areas; 30 % in rural areas

Figure 22

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 2,447.8 billion
GDP per capita (2011)	USD 12,423
Population (2011)	197.04 million
Geographical area	8.51 million km^2
Number of cities (in excess of 2 million people)	6
Gini coefficient (2009)	55.0
Average inflation (2011E)	6.6 %
Average inflation (2012E)	5.2 %
Real GDP growth (2011E)	3.8 %
Real GDP growth (2012E)	3.6 %
Current account % of GDP (2011E)	-2.3 %
Current account % of GDP (2012E)	-2.5 %
Consumption as a % of GDP (2011)	62.1 %

PHOTO: ISTOCKPHOTO.COM/CELSOPUPO

Figure 23

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

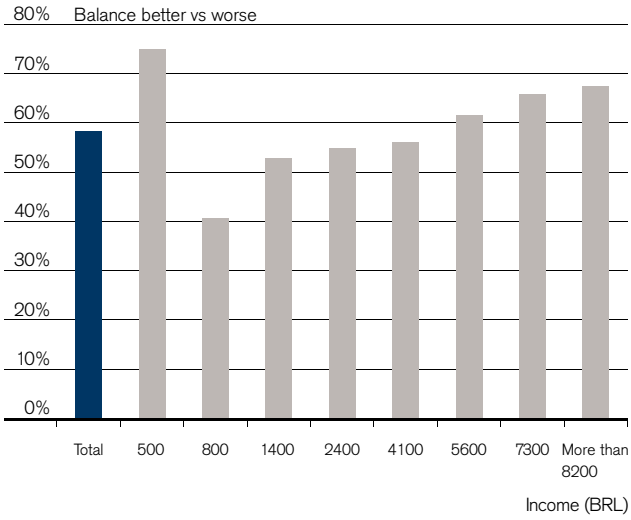


Figure 24

Personal finances – 2011 versus 2010 (%)

Source: Credit Suisse Emerging Consumer Survey

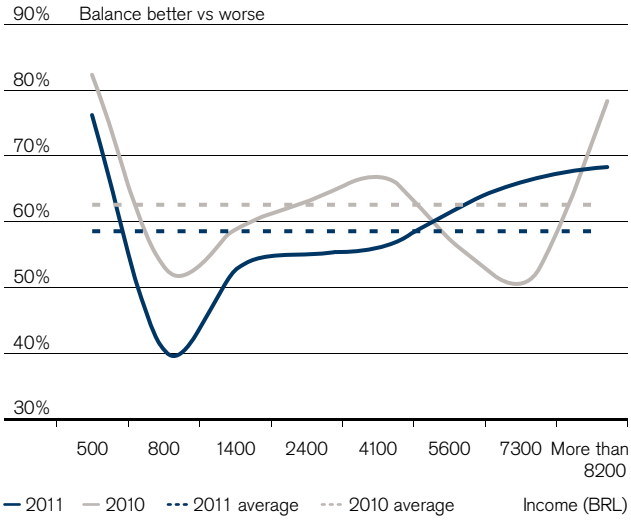


Figure 25

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

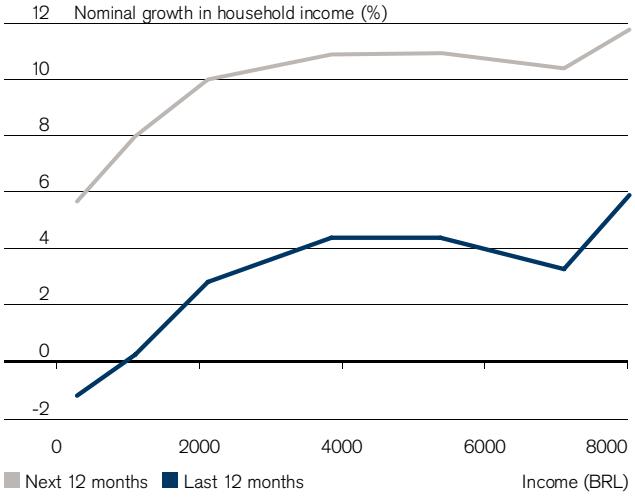


Figure 26

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

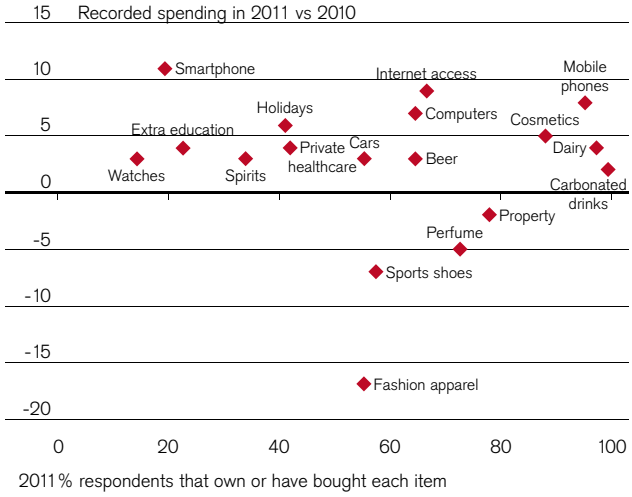


Figure 27

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

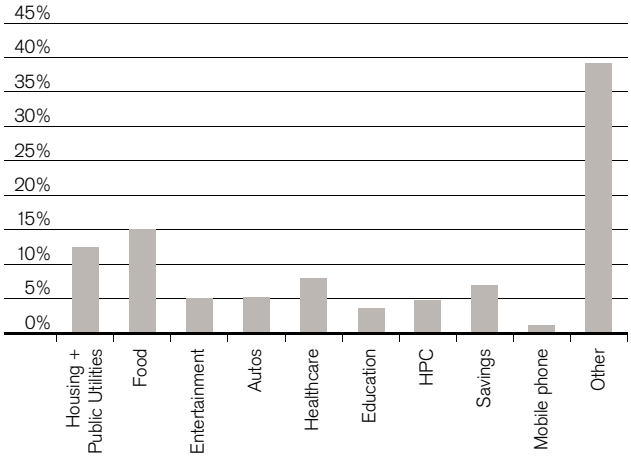
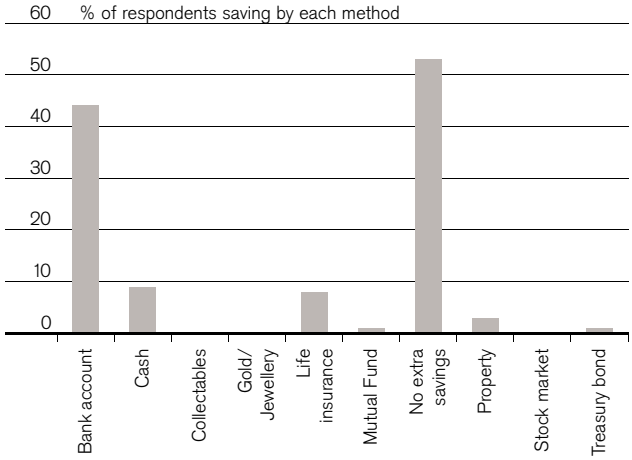


Figure 28

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



China

A savings culture

The outlook for the Chinese consumer is robust though expectations have softened in the last 12 months. The expectations of the rich and poor remain a marked contrast, despite government policy initiatives aimed at addressing the imbalances. For now, the higher-income consumers look likely to remain the preserve for discretionary spending and the acquisition of higher-ticket items.

At 38%, the weighted balance of respondents expecting to see their financial positions improve is still robust – though we would note softening somewhat from last year and below that of Brazil and India. As Figure 31 shows, the step down has been pretty uniform from rich to poor. In that respect, we would also note that nothing has changed to close the sizeable gap between the outlook of the rich and poor.

The implied patterns of spending over the last year reflected in Figure 34 are of lower spending on a range of staples such as dairy and beverages as well as more discretionary items such as fashion apparel, cosmetics and perfumes.

The areas of spending that have seen upward momentum are still relatively muted in their degree though the strength of technology spending is clearly apparent. However, the two categories that stand out are healthcare and education. The only country with comparable momentum in healthcare spending is Saudi Arabia. Only Saudi and India had stronger readings on extra educational spending.

The savings behavior of the Chinese consumer is also a notable feature. Last year we highlighted the high propensity to save. This remains unchanged. Any pressure on incomes has not been offset by a reduction in savings. At nearly 30% of monthly income, it is the highest in the survey. However, as Figure 35 illustrates there is plenty of scope to diversify into other savings channels.

Emerging Consumer Survey 2012
Number of respondents: 2,595
Across 10 geographic locations
71 % in urban areas; 29 % in rural areas

Finally, we note the interesting responses in China to some additional questions included in our latest survey. When asked about the importance of environmental protection relative to economic growth, a net 28% of respondents thought that the environment should take priority over growth, well above any other countries surveyed. This suggests that wealth accumulation is also tempered by concerns about the common good and a degree of social conscience is emerging. At the same time, Chinese consumers think their government is very effective. Specifically, 62% of people thought that their government was quite effective or very effective at solving their problems, second only to Saudi Arabia.

PHOTO: ISTOCKPHOTO.COM

Figure 29

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 6,476.2 billion
GDP per capita (2011)	USD 4,833
Population (2011)	1.34 billion
Geographical area	9.59 million km^2
Number of cities (in excess of 2 million people)	25
Gini coefficient (2009)	41.5
Average inflation (2011E)	5.5 %
Average inflation (2012E)	3.3 %
Real GDP growth (2011E)	9.5 %
Real GDP growth (2012E)	9.0 %
Current account % of GDP (2011E)	5.2 %
Current account % of GDP (2012E)	5.6 %
Consumption as a % of GDP (2011)	32.2 %

Figure 30

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

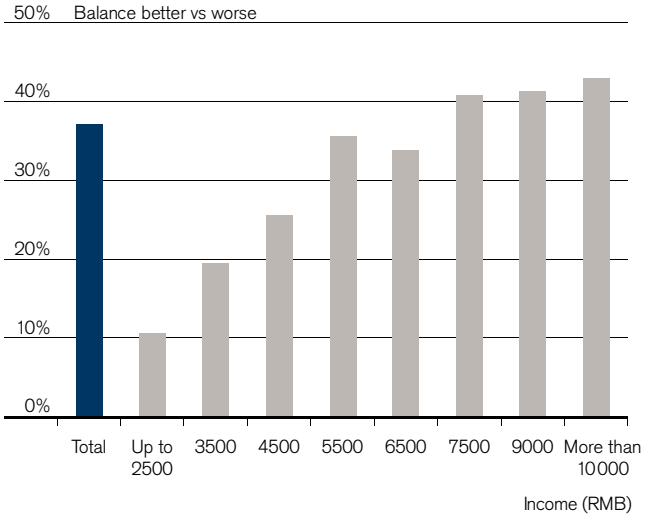


Figure 31

Personal finances – 2011 versus 2010 (%)

Source: Credit Suisse Emerging Consumer Survey

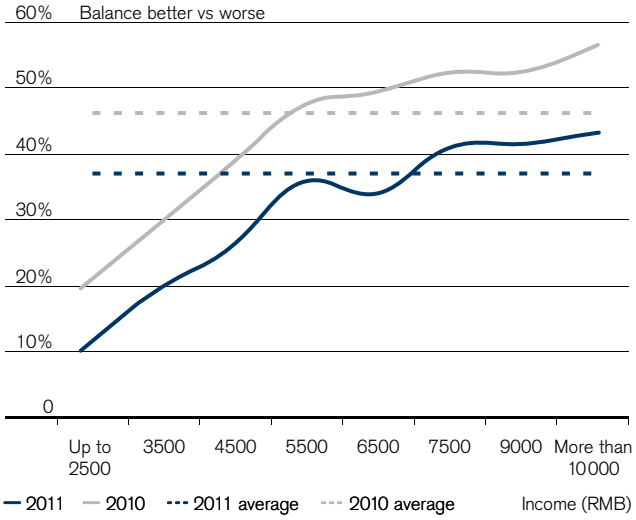


Figure 32

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

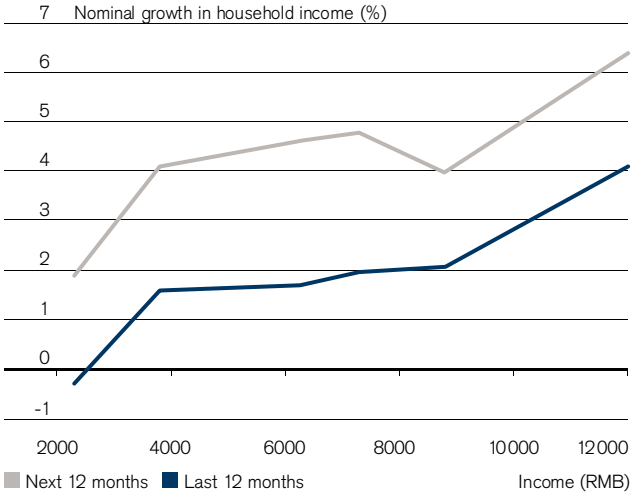


Figure 33

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

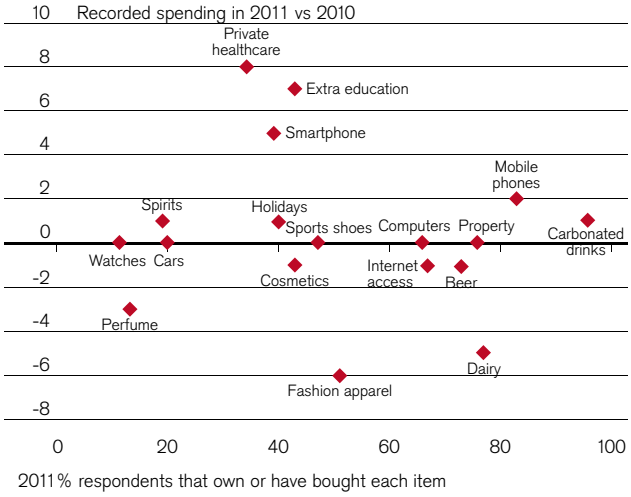


Figure 34

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

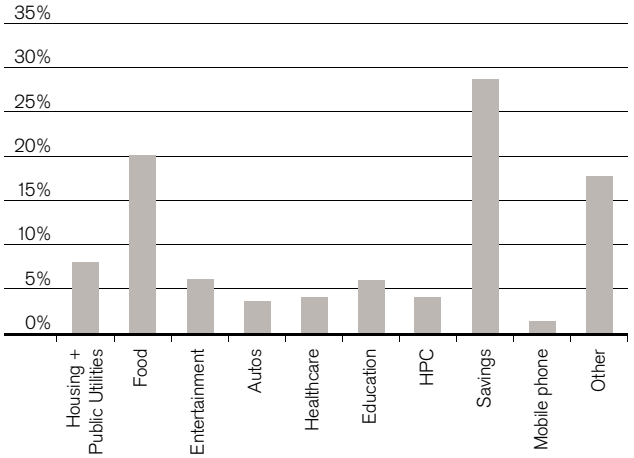
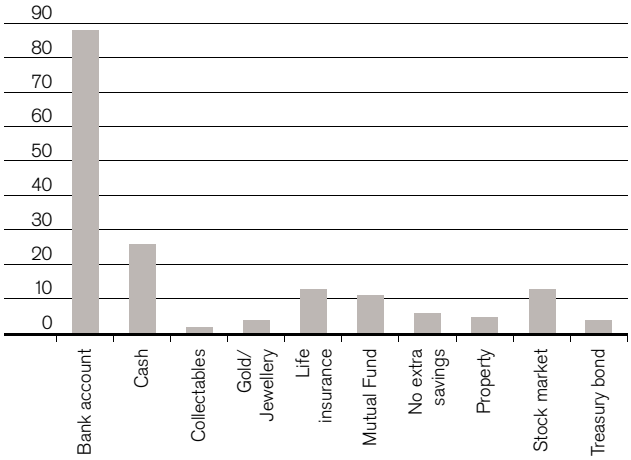


Figure 35

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Egypt
Change but no change

Egypt notably stood out as by far the most negatively positioned in last year's consumer survey. Drawing any definitive conclusions from our survey for Egypt this year is clearly hazardous, given a political backdrop that is so fluid. However, we can illustrate what changes are visible in this year's data. The reality is less has changed than one might have hoped. In fact, the prevailing household financial position looks worse than it did a year ago.

While we would make no claims as to perfect foresight, we would note that last year's survey for Egypt generated by far the most negative readings of any country in the survey across every barometer of sentiment. An extreme inequality of income and a household budget consumed by ever more expensive food prices eroding its real value were hard data points. What's changed?

The outlook of the consumer has improved with our weighted readings of optimism moving from –5% to +8%. However, this is still the lowest in the survey. How the readings have changed across income groups as shown in Figure 36 are noteworthy. The poorest and middle-income earners have seen an improvement from the very negative perceptions a year ago, while the rich have seen a corresponding decline, having arguably been the greater beneficiaries of the old regime.

Current political events perhaps now call into question the durability of the improvement at the bottom end of the scale. There is also the ongoing red flag raised by exposure to food with its near 50% claim on the household income of Egyptian consumers. Ironically, plans to cut government spending on food subsidies to strengthen state finances, could in itself increase inflation and undermine consumer sentiment.

What we have seen during the period this survey catches has been a pick-up in buying in the lower-ticket discretionary items, e.g. fashion and cosmetics.

Emerging Consumer Survey 2012
Number of respondents: 1,507
Across 4 geographic regions
52 % in urban areas; 48 % rural

This is perhaps reflective of the improved confidence among low-income earners. This contrasts with retrenchment in property. Property ownership has fallen by 13% this year to 57% on average. Also striking, and perhaps concerning, there have been major reductions in areas of healthcare and education provision by individuals.

The structural bullish story that exists for the consumer in Egypt is that spending levels are so low. Recorded activity in almost every category is lower than other countries. The key is finding the stability and impetus to unlock it. At present, and politics aside, low nominal-income expectations which, if delivered, will still be significant real declines are not the right platform.

Figure 36

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 248.6 billion
GDP per capita (2011)	USD 2,892
Population (2011)	85.95 million
Geographical area	1.00 million km^2
Number of cities (in excess of 2 million people)	3
Gini coefficient (2009)	32.1
Average inflation (2011E)	11.1 %
Average inflation (2012E)	11.3 %
Real GDP growth (2011E)	1.2 %
Real GDP growth (2012E)	1.8 %
Current account % of GDP (2011E)	-1.9 %
Current account % of GDP (2012E)	-2.2 %
Consumption as a % of GDP (2011)	69.7 %

Figure 37

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

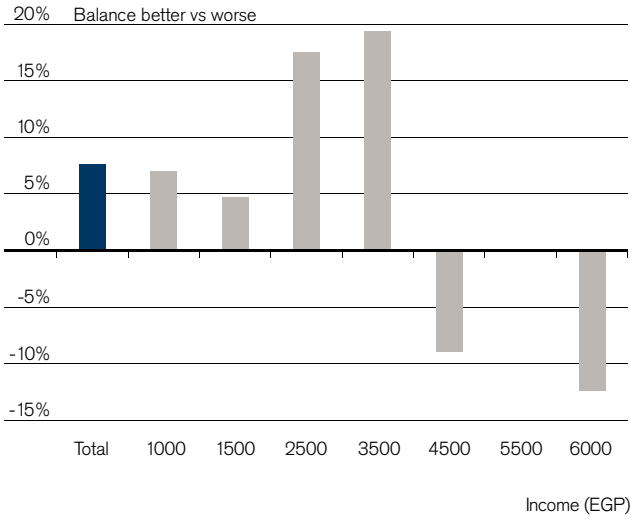


Figure 38

Personal finances – 2011 versus 2010 (%)

Source: Credit Suisse Emerging Consumer Survey

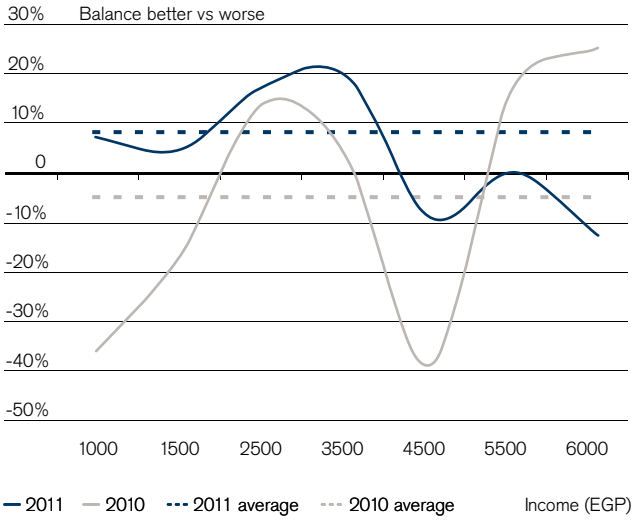


Figure 39

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

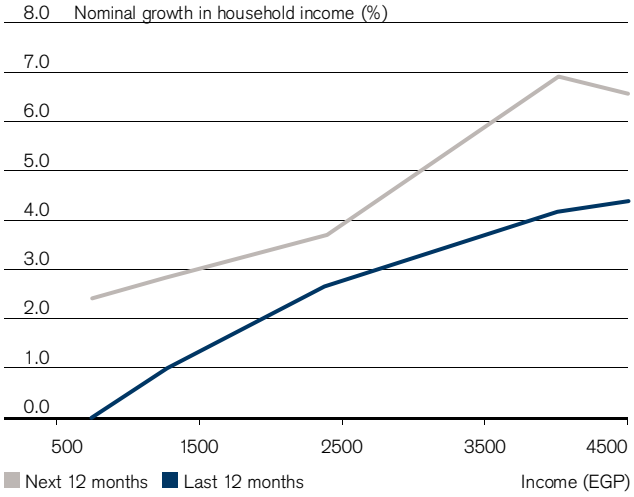


Figure 40

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

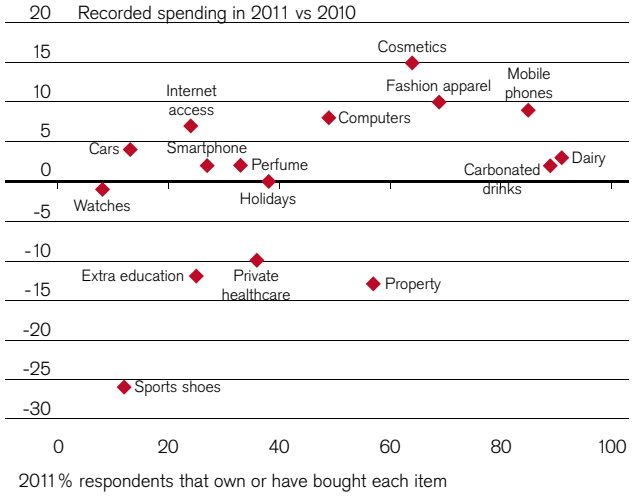


Figure 41

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

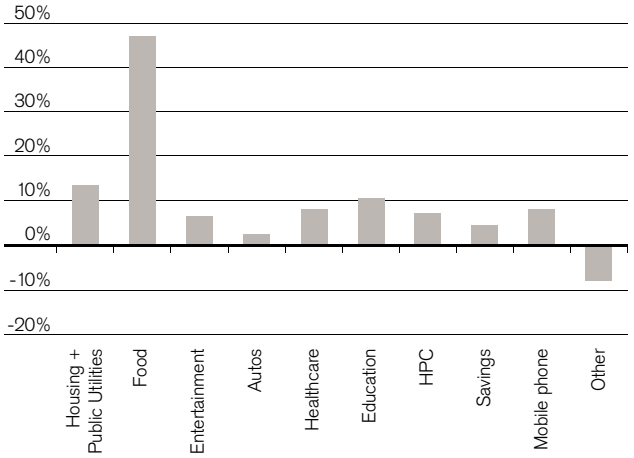
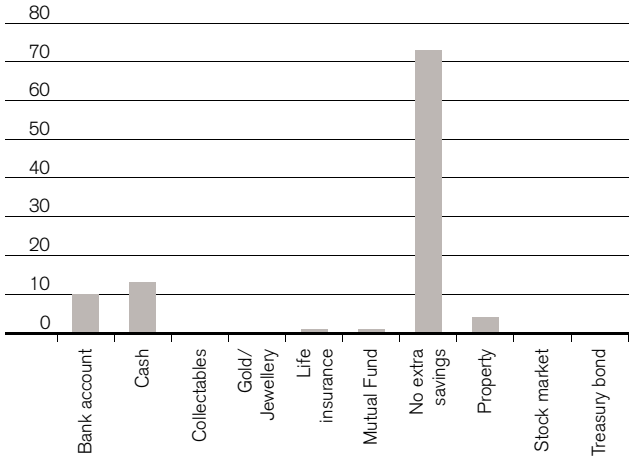


Figure 42

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



India

Going back to school

Optimism among Indian consumers is only surpassed by that of Brazil. However, the spending priorities have been lower ticket. Distinguishing features of the Indian consumer are a continued appetite for extra educational expenditure and a propensity to save. There is a structural opportunity in technology spending.

The Indian consumer remains the second most confident in his/her personal finances looking forward (after Brazil). On a weighted basis, this has strengthened over the year, but the detailed breakdown shows this shift was driven by the highest income earners.

The vast majority of categories we illustrate have shown an increase in activity above the rates seen elsewhere. They are tending to be lower-ticket in nature – cosmetics, clothing, beverages, mobile phones (not smart phones), for example. In contrast to other countries, technology spending has been more muted (if still positive). However, a strong structural story exists in technology, with ownership and recent purchases of technology still low compared with elsewhere.

70% of Indians say they have no computers in the home. Only 19% of respondents register having access to the internet. Both measures are the second lowest in the survey after Indonesia. If we begin to see a shift away from spending on essential items (housing and food make up around 35%), this should be one of the areas to benefit, particularly if we see increased infrastructure spending in telecoms.

We highlighted last year the high share of spending the consumer sets aside for education. At close to 10% of the household budget, this remains a feature. In fact spending on extra education is recorded at a greater rate in this survey compared with last, both in absolute terms and relative to other countries. 32% of children participate in education outside of typical schooling versus 23% last year. Adult participation in extra courses has risen from 3% to 12%. This micro story underpins a long-term bullish macro story for India.

Finally, the savings culture we highlighted last year remains apparent. The survey registers the highest bank account penetration and the fewest number of people claiming they have no extra money for saving. The life insurance industry (via tax incentives) and real assets such as gold and property are the main non-cash homes for the rupee. This mix sets India apart from the other great saver – China.

Emerging Consumer Survey 2012
Number of respondents: 2,512
Across 10 geographic locations
70 % in urban areas; 30 % in rural areas

Figure 43

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 1,700 billion
GDP per capita (2011)	USD 1,382
Population (2011)	1.23 billion
Geographical area	3.28 million km^2
Number of cities (in excess of 2 million people)	13
Gini coefficient (2009)	36.8
Average inflation (2011E)	10.6 %
Average inflation (2012E)	8.6 %
Real GDP growth (2011E)	7.8 %
Real GDP growth (2012E)	7.5 %
Current account % of GDP (2011E)	-2.2 %
Current account % of GDP (2012E)	-2.2 %
Consumption as a % of GDP (2011)	48.7 %

Figure 44

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

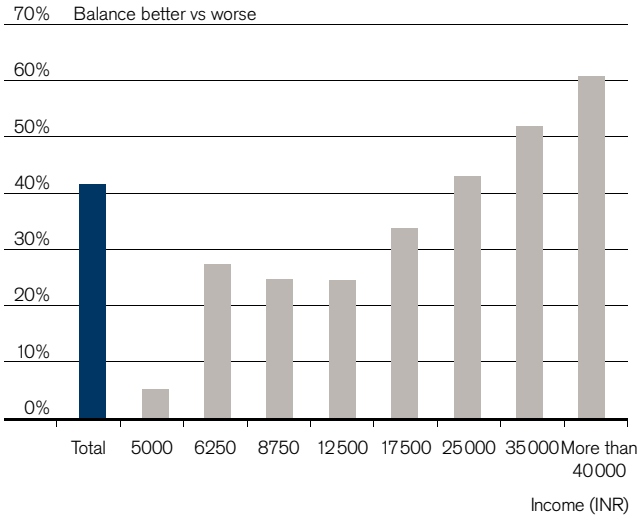


Figure 45

Personal finances – 2011 versus 2010 (%)

Source: Credit Suisse Emerging Consumer Survey

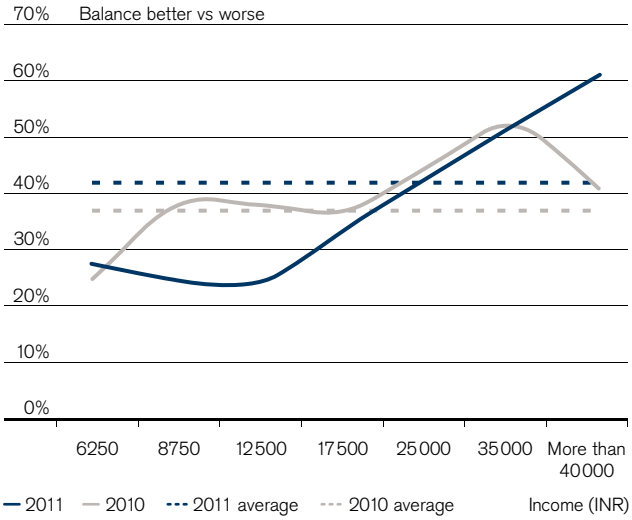


Figure 46

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

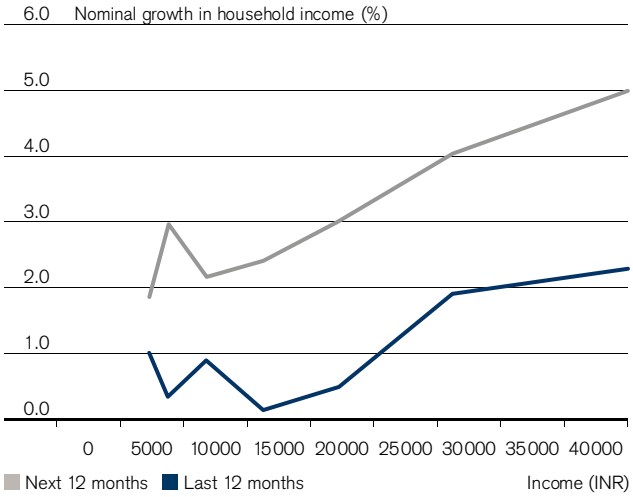


Figure 47

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

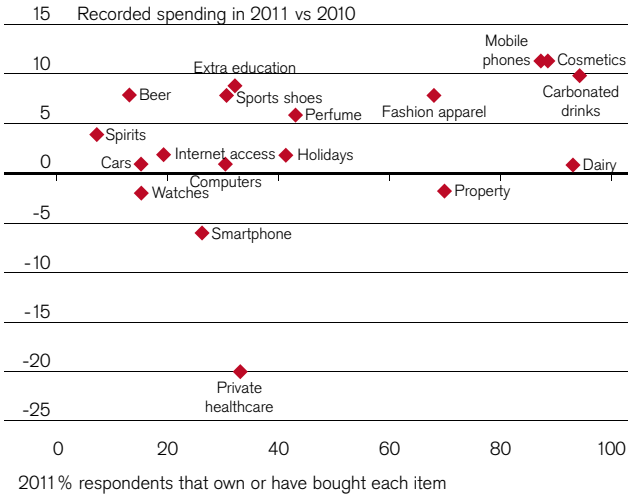


Figure 48

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

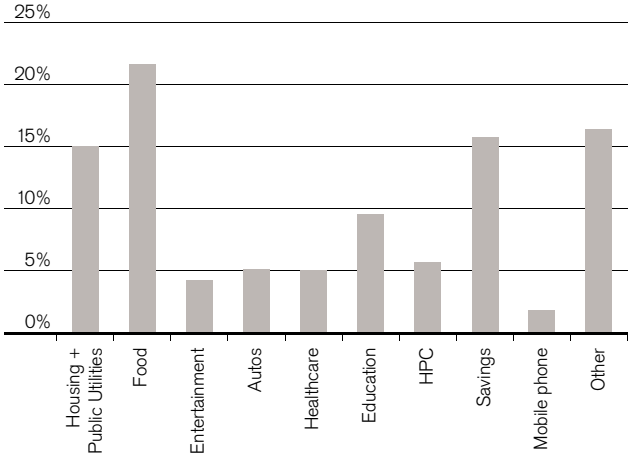
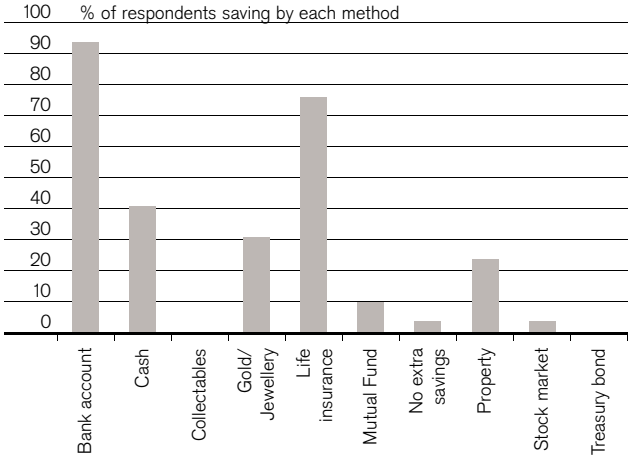


Figure 49

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Indonesia
On a fast track

The Indonesian consumer offers a strong structural growth story, with arguably more BRIC characteristics than the Russian. GDP per capita may be the third lowest in the survey, but optimism is the third highest. If food prices are removed as a hurdle, under-penetrated discretionary sectors offer considerable growth potential as incomes continue to grow.

Indonesia may rank as one of the poorer countries in the survey, but it ranks among the most optimistic and also shows optimism that is rising year on year. Optimism in the region comes third highest in our survey (just below India and Brazil), with a weighted net 38% of respondents expecting their position to improve in the coming six months. This is up four percentage points from last year and has risen across every income category.

While the richer display the greatest confidence – close to the highest in the whole survey – the poorer end of the scale shows robust levels of confidence in the 20%–30% range. The driver of income is a supportive one. It may be an unequal one in terms of progression, but again the expectations of the poorest levels in the income scale are improving more rapidly than elsewhere, albeit from an income level that is low in absolute terms.

The risk that always exists for the Indonesian consumer is the sensitivity of food prices. As in any of the poorer economies, food consumes a large proportion of the household budget. Our survey suggests it is close to a third. Hence, upward pressure on prices would threaten to crowd out other discretionary spending.

We can arguably see an element of this in comparing this survey to last year – a period when food prices have been an issue. Recorded spending activity is positive in a wide range of sectors, but in a more modest fashion than other countries where optimism is recorded at a similarly high level. However, if food prices become less of an impediment, there is considerable potential to unlock under-penetrated markets such as autos (cars and motorcycles) and technology.

As one would probably expect, the development of financial services is small. However, we have seen small rises in the number of respondents professing to own a bank account and life insurance policies (39% and 3%, respectively), though holding cash is still the main form of savings.

Emerging Consumer Survey 2012
Number of respondents: 1,548
Across 10 geographic locations
66 % in urban areas; 34 % in rural areas

PHOTO: ISTOCKPHOTO.COM

Figure 50

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 813.9 billion
GDP per capita (2011)	USD 3465
Population (2011)	234.9 billion
Geographical area	1.90 million km^2
Number of cities (in excess of 2 million people)	5
Gini coefficient (2009)	39.4
Average inflation (2011E)	5.7 %
Average inflation (2012E)	6.5 %
Real GDP growth (2011E)	6.4 %
Real GDP growth (2012E)	6.3 %
Current account % of GDP (2011E)	0.2 %
Current account % of GDP (2012E)	-0.4 %
Consumption as a % of GDP (2011)	55.8 %

Figure 51

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

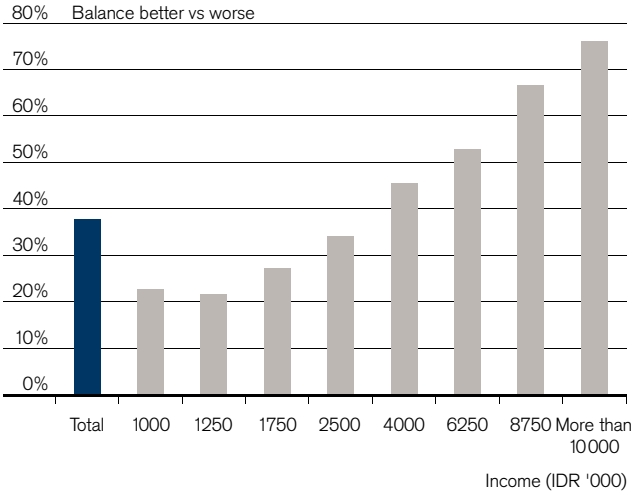


Figure 52

Personal finances – 2011 versus 2010 (%)

Source: Credit Suisse Emerging Consumer Survey

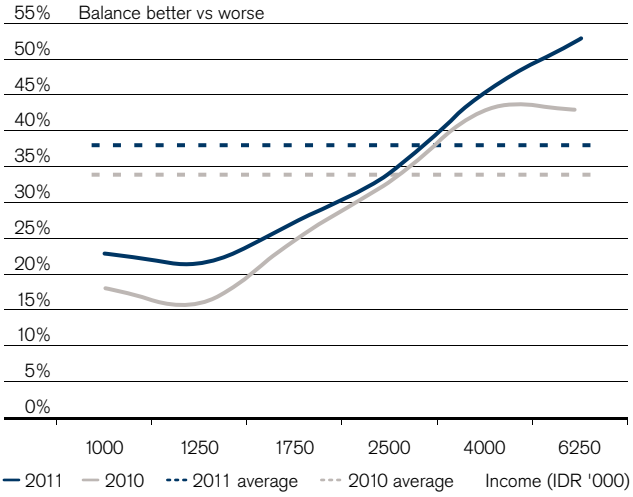


Figure 53

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

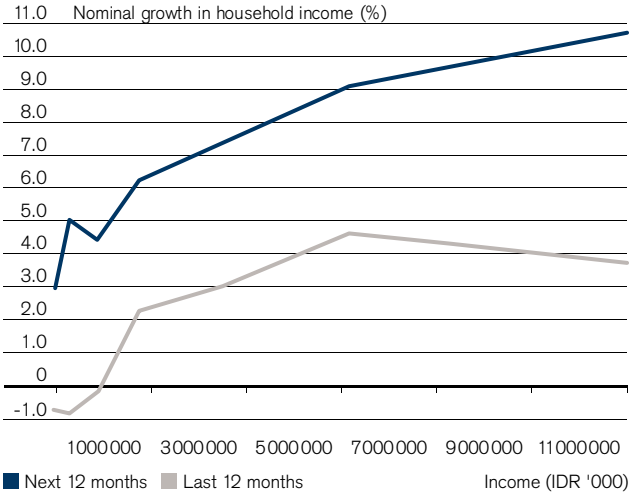


Figure 54

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

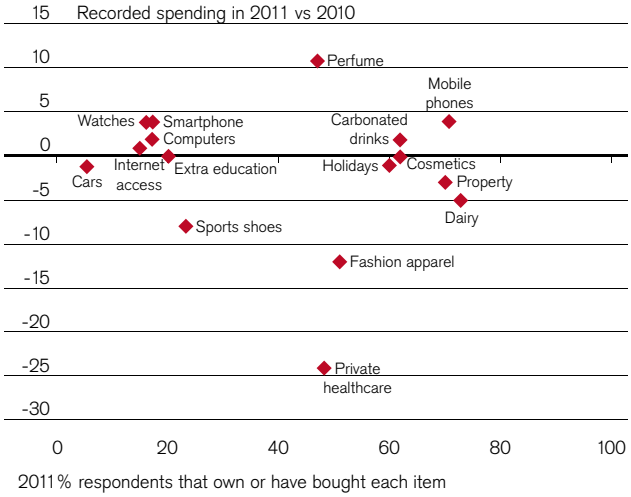


Figure 55

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

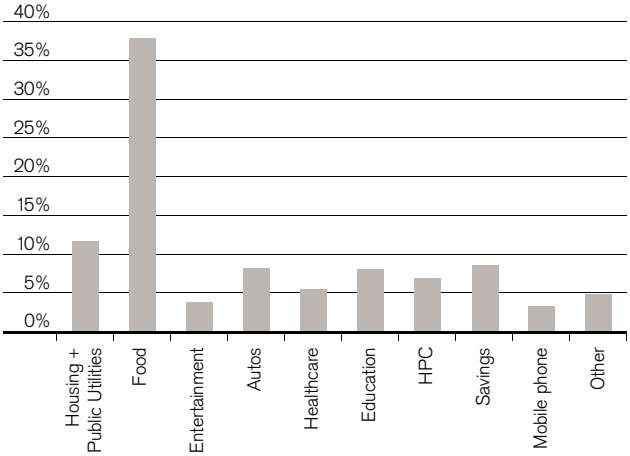
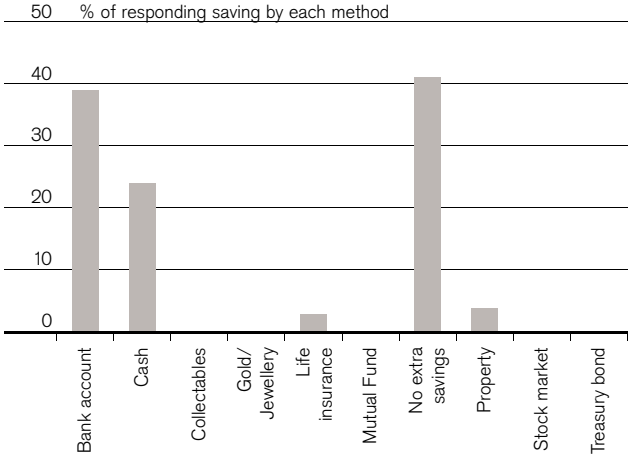


Figure 56

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Russia

The weakest BRIC in the wall

Despite the structural support there has been for the Russian economy in recent years from commodity prices, there has not been a notable trickle down to the average consumer. Optimism remains the lowest of the BRICs. The inequality of income suggests that growth opportunities are played mainly at the high-income end in Russia.

At a net weighted balance of only 20% viewing their financial position improving in the six months ahead, the reading in Russia is barely a third of the level seen in Brazil. In fact, only Turkey and Egypt rank lower in terms of financial optimism within the survey.

The simple explanation stems from income growth – nominal and real. With the former very modest, the latter was very negative to the tune of –7% as inflation eroded nominal gains. With inflation forecast to remain at similar levels, this lid on optimism will not be removed easily (a tightening in government spending and postponing pension indexations are also unhelpful). Against this backdrop, it is interesting and perhaps surprising to note that we have seen increased positive readings of activity in some areas of discretionary spending, particularly high-ticket items, including technology and luxury goods. We would offer two explanations. First, a severe inequality of income prevails in Russia and, at the high end, support remains for strong for large-ticket purchases. Second, higher-ticket goods such as watches and smart phones remain under-penetrated in Russia further supporting structural growth.

Russian consumption of alcoholic drinks is still one of the highest compared with the other markets. The penetration of beer (66% of our Russian survey respondents purchased beer in the last three months) is similar to China (67%) and Brazil (63%), but Russian consumption of spirits is by far the highest (49% of respondents bought spirits in the last three months compared to Brazil in second place at 33%). However, alcohol consumption has not grown over the past year, according to our survey data. The raft of measures aimed at curbing alcohol consumption introduced by President Medvedev in 2011 is likely to lead to further declines in beer and spirit sales as they are phased in over the next couple of years.

The story of low banking penetration we highlighted in the last survey persists, with little improvement in bank account access. Less than a fifth of those surveyed reported having a bank account, and other channels of investment – life insurance, mutual funds, government bonds – again registered negligible overall uptake.

Emerging Consumer Survey 2012
Number of respondents: 1,508
Across 8 geographic locations
70 % in urban areas; 30 % in rural areas

PHOTO: ISTOCKPHOTO.COM/MORDOLFF

Figure 57

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 1,894.3 billion
GDP per capita (2011)	USD 13,543
Population (2011)	139.87 million
Geographical area	17.09 million km^2
Number of cities (in excess of 2 million people)	2
Gini coefficient (2009)	37.5
Average inflation (2011E)	8.9 %
Average inflation (2012E)	7.3 %
Real GDP growth (2011E)	4.3 %
Real GDP growth (2012E)	4.1 %
Current account % of GDP (2011E)	5.5 %
Current account % of GDP (2012E)	3.5 %
Consumption as a % of GDP (2011)	49.9 %

Figure 58

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

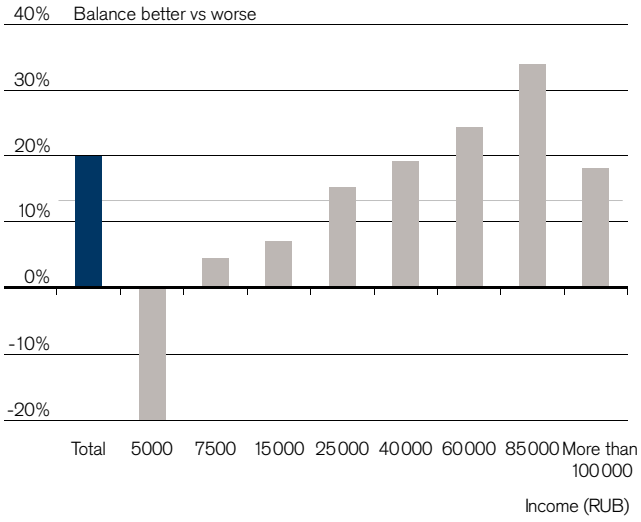


Figure 59

Personal finances – 2011 versus 2010 (%)

Source: Credit Suisse Emerging Consumer Survey

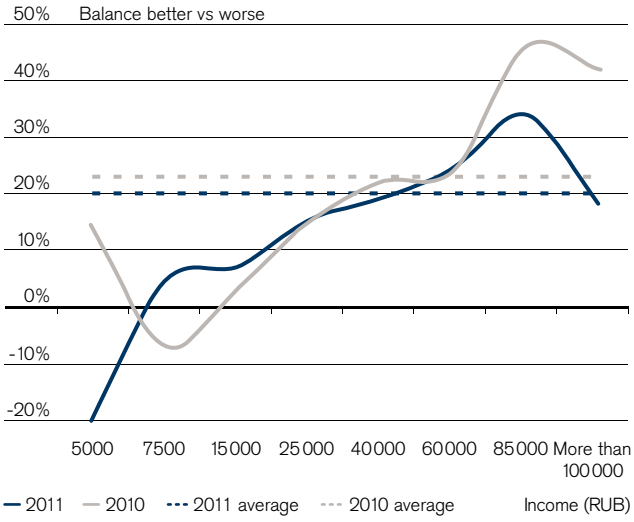


Figure 60

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

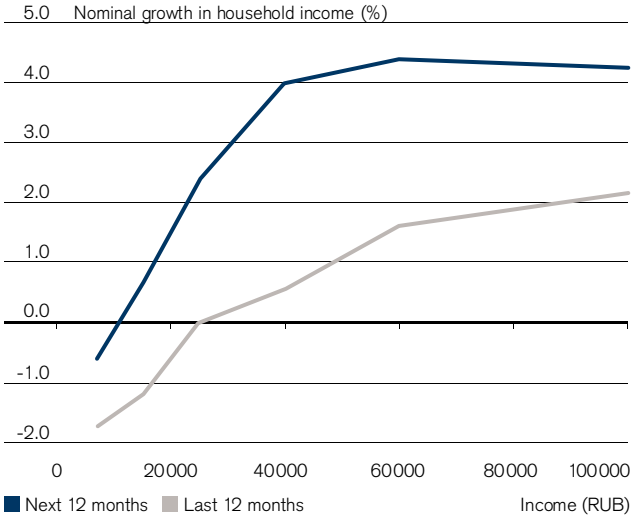


Figure 61

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

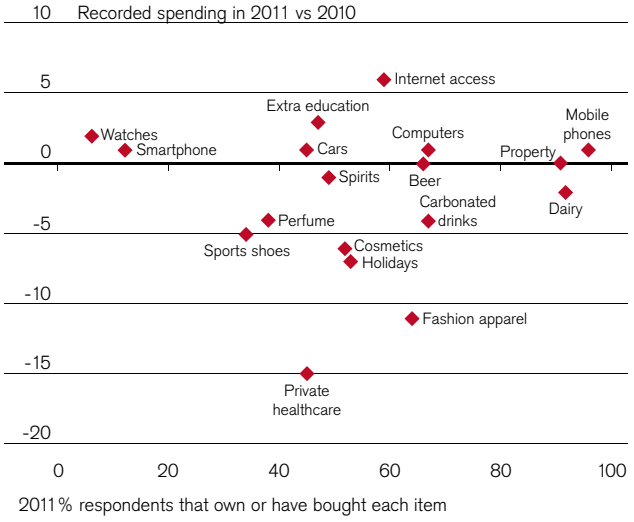


Figure 62

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

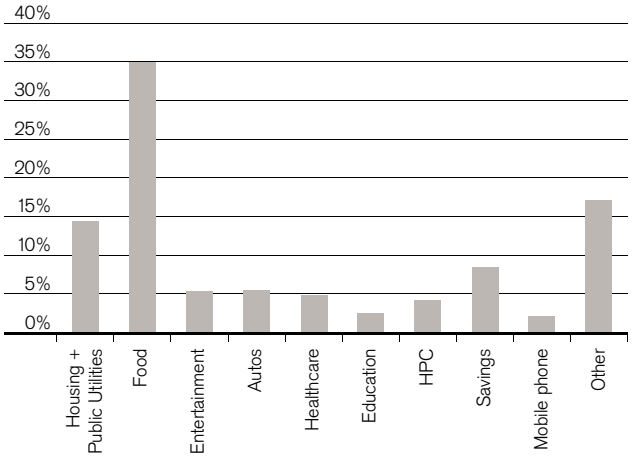
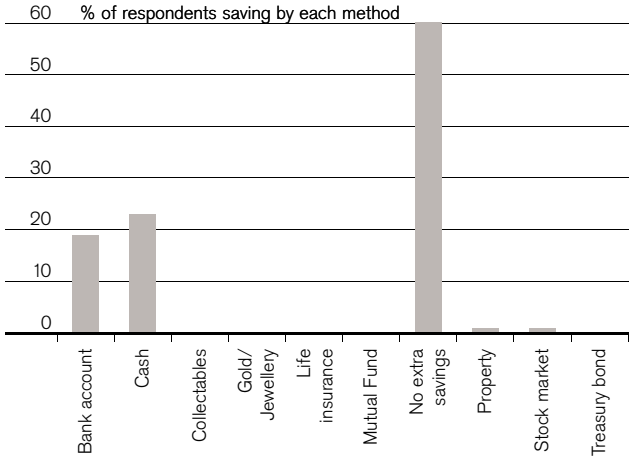


Figure 63

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Saudi Arabia

The oil price hedge

The strength of income expectations underpins the high level of optimism of the Saudi consumer in the survey. Oil prices that are a hindrance elsewhere are conversely a help here. The outlook for discretionary spending thus remains very strong after what has been a year of considerable momentum. However, there is also plenty of potential for a change in what is relatively unsophisticated savings behavior.

With a weighted balance of respondents expecting to see their financial positions improve in the next six months at 37%, the Saudi consumer is among the most optimistic in the survey. While optimism is at its strongest among the highest earners, the level is relatively high across a broad swathe of the population.

Optimism goes hand in hand with income growth. Saudi real household-income growth over the next 12 months is uniformly positive, and on average the highest in our survey. The upper end of earners expect their incomes to grow by 9% in real terms – a level unseen elsewhere. The picture has been, and is, less rosy for the lowest earners, but again nominal and real incomes are expected to grow.

While inflation has been a negative factor in our emerging economies surveyed, including Saudi Arabia, there is a stabilizing effect from government policy. Robust oil revenues (a driver of inflation for others) have provided government spending with the firepower to support public sector incomes and boost spending more generally. We have seen a government pledge to spend USD 130 billion on housing and job creation this year.

The spending momentum in the last year and the outlook is discretionary focused. Smart phones, computers, property, cars and holidays have all seen more robust trends in activity than elsewhere. Looking forward, 25% of respondents see now as an excellent time to make a big-ticket purchase, with intentions to buy cars and property rising across the income scale. Away from shorter-term consumption decisions, healthcare and extra educational spending has also been stronger than elsewhere, with government spending to supplement this.

A structural opportunity remains in the financials services industry. The pool of savings is exceptionally large. High levels of income coincide with a high savings rate (15%). The Credit Suisse Global Wealth Report 2011 estimated that total wealth in Saudi Arabia increased from USD 0.4 trillion to USD 0.6 trillion in the last year. Financial wealth per capita increased 27.5%. Still the savings culture is far from sophisticated. Gold/jewellery commands more of a focus than financial markets.

Emerging Consumer Survey 2012
Number of respondents: 1,500
89 % in urban areas; 11 % in rural areas

Figure 64

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 580.7 billion
GDP per capita (2011)	USD 21,685
Population (2011)	26.78 million
Geographical area	2.15 million km^2
Number of cities (in excess of 2 million people)	2
Gini coefficient (2009)	N.A.
Average inflation (2011E)	5.4 %
Average inflation (2012E)	5.3 %
Real GDP growth (2011E)	6.5 %
Real GDP growth (2012E)	3.6 %
Current account % of GDP (2011E)	20.6 %
Current account % of GDP (2012E)	14.2 %
Consumption as a % of GDP (2011)	26.4 %

PHOTO: ISTOCKPHOTO.COM

Figure 65

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

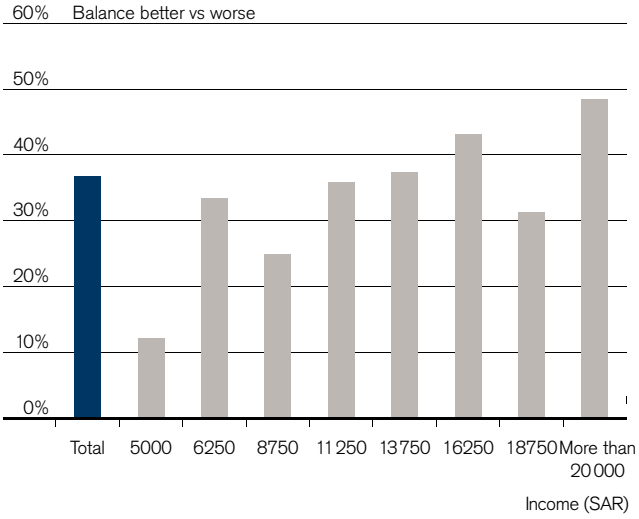


Figure 66

Personal finances – 2011 versus 2010 (%)

Source: Credit Suisse Emerging Consumer Survey

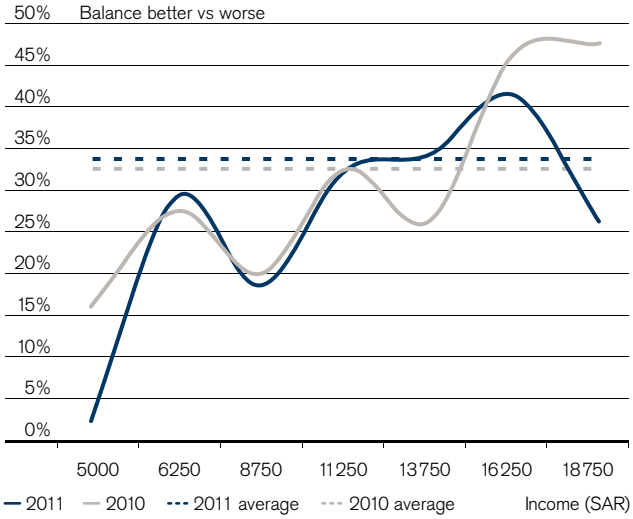


Figure 67

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

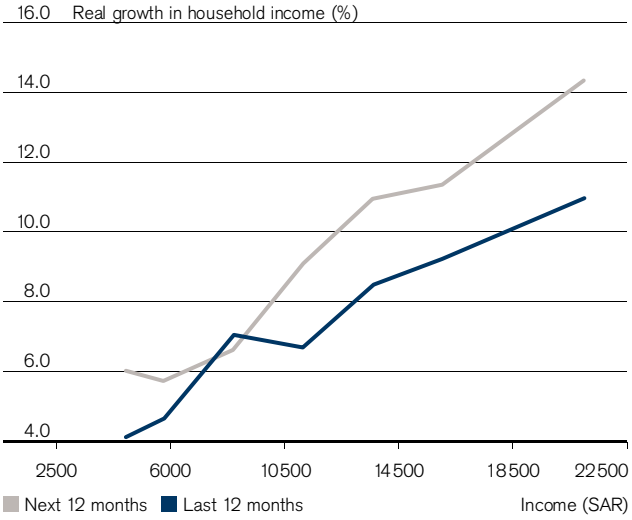


Figure 68

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

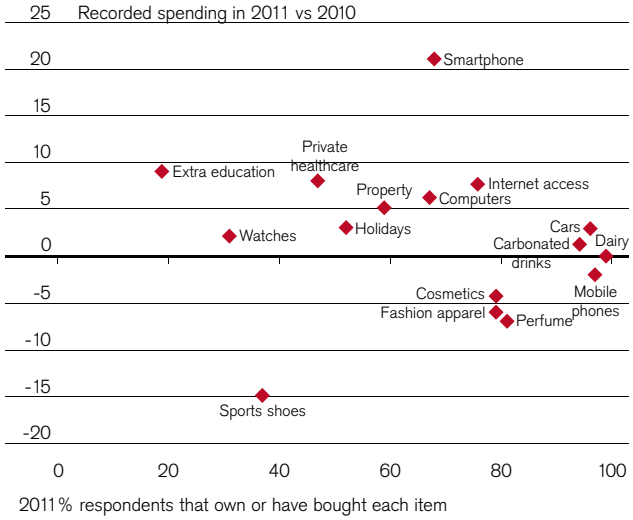


Figure 69

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

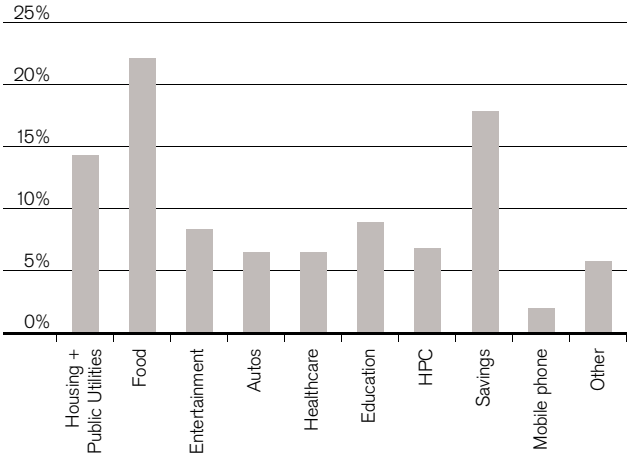
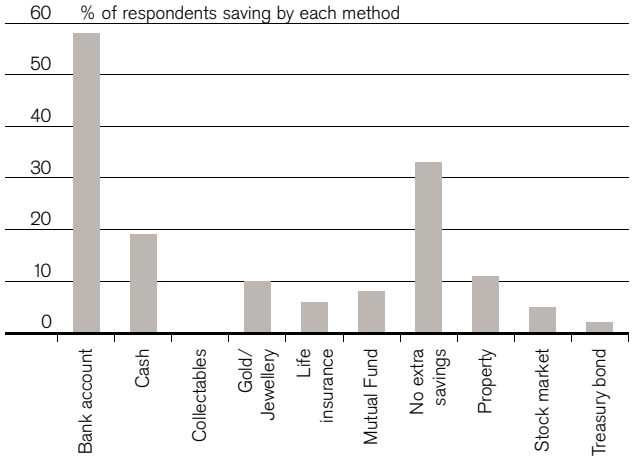


Figure 70

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Turkey
Feeling the squeeze

Turkey is a new edition to the Credit Suisse Emerging Consumer Survey for 2012. Unfortunately, it joins at a time when emerging market consumers have little confidence in their immediate outlook. Despite GDP per capita in keeping with the middle-income bracket, its spending patterns are more typical of the low-income countries, with food and housing costs posing a severe constraint.

After Egypt, Turkey registers a low level of confidence in the survey with only 7% of respondents registering net positive prospects for the six months ahead. The pessimism is most acute in the low-income areas, though even at the high end optimism is well below that expressed by the high end of the income distribution elsewhere.

While Turkey is a new edition and we lack a 2010 survey, we would confidently suggest that 2011 has been a year of relative difficulty for the consumer. Nominal-income growth has been meager – less than 3% even at the high end. Inflation will have more than wiped this out at every income level. With consumers suggesting that nominal incomes will grow at a similar rate next year, real incomes look set to erode further.

Two categories dominate the spending patterns of the Turkish consumer – food and housing/utilities. Collective spending on these items represents nearly half of total income. As we have shown elsewhere, the countries where food has posed a large claim on consumers' income have been among the most depressed. Turkey is no different.

Housing is a more distinctive feature. Expenditure in this area (at an estimated 24%) is the highest of any country in the survey. This looks to be more out of necessity than desire. The proportion of people registered as renting their property is among the highest in the survey. Turkish economic growth over the past decade, and the ensuing urbanization, has led to high inflation in the housing sector.

Emerging Consumer Survey 2012
Number of respondents: 1,562
Across 14 geographic locations

Taken together with the food component, the most basic needs are arguably crowding out many other areas of spending. The survey data show that the ownership and implicit penetration of discretionary products in Turkey is much lower across the board when set against the survey average, despite GDP per capita in the mid-range compared with the other survey markets.

Consumers have a limited engagement with the financial sector. Bank account penetration is among the lowest in the survey, with only 14% having access to one. While this presents a structural opportunity, we would equally note that, worryingly, 73% of respondents claim they have no additional income to save.

Figure 71

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2011)	USD 846.5 billion
GDP per capita (2011)	USD 11,054
Population (2011)	76.58 million
Geographical area	783,562 km^2
Number of cities (in excess of 2 million people)	3
Gini coefficient (2009)	43.2
Average inflation (2011E)	6.0 %
Average inflation (2012E)	6.9 %
Real GDP growth (2011E)	6.6 %
Real GDP growth (2012E)	2.2 %
Current account % of GDP (2011E)	-10.3 %
Current account % of GDP (2012E)	-7.4 %
Consumption as a % of GDP (2011)	71 %

Figure 72

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

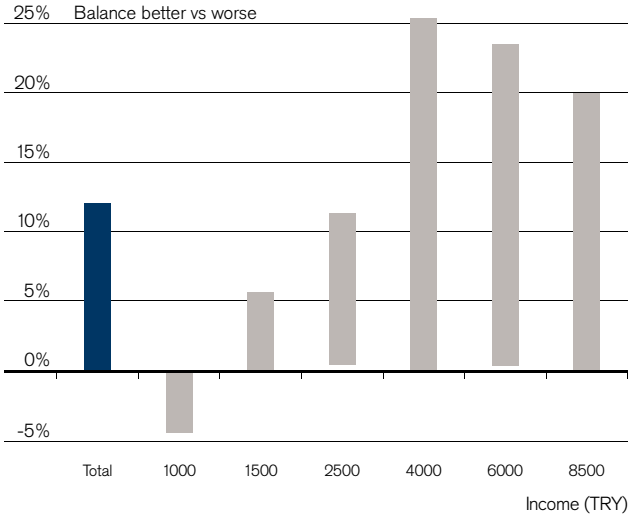


Figure 73

Ownership of mobiles/computers/smartphones

Source: Credit Suisse Emerging Consumer Survey

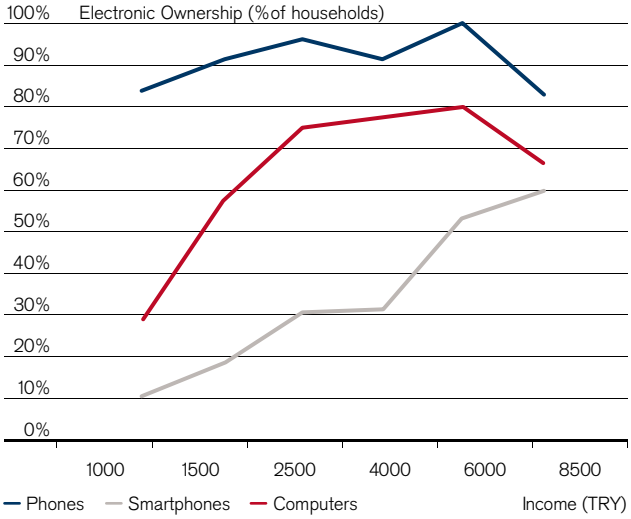


Figure 74

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

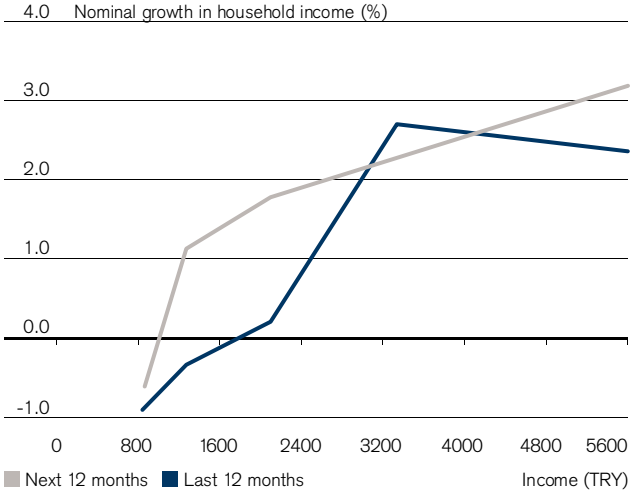


Figure 75

Major purchase intentions – 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

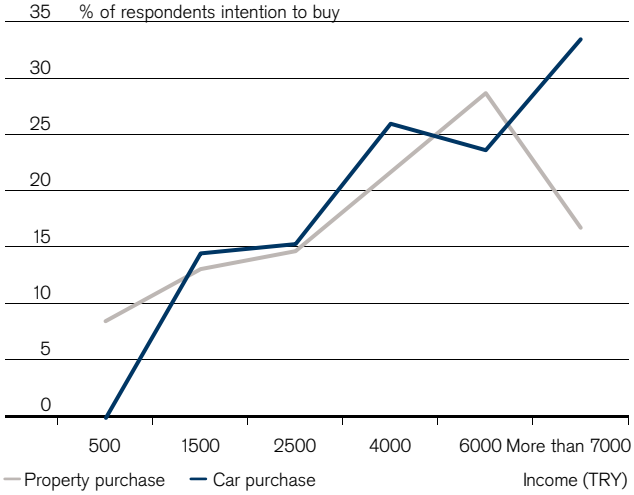


Figure 76

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

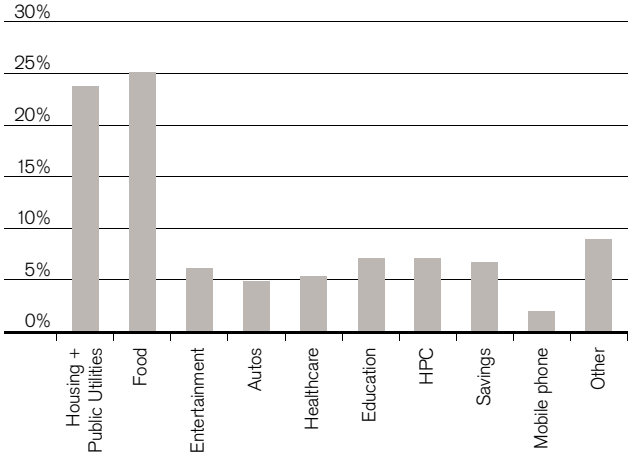
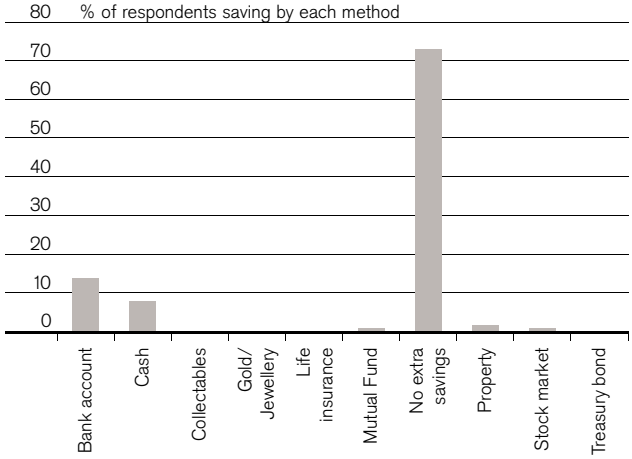


Figure 77

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



About the survey

This report has been produced using market research gathered by AC Nielsen. 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.

AC 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.

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 AC Nielsen for their invaluable assistance in this project.

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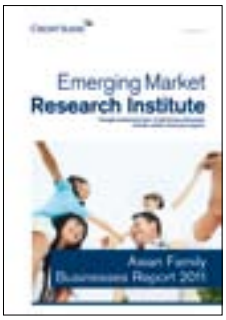

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