
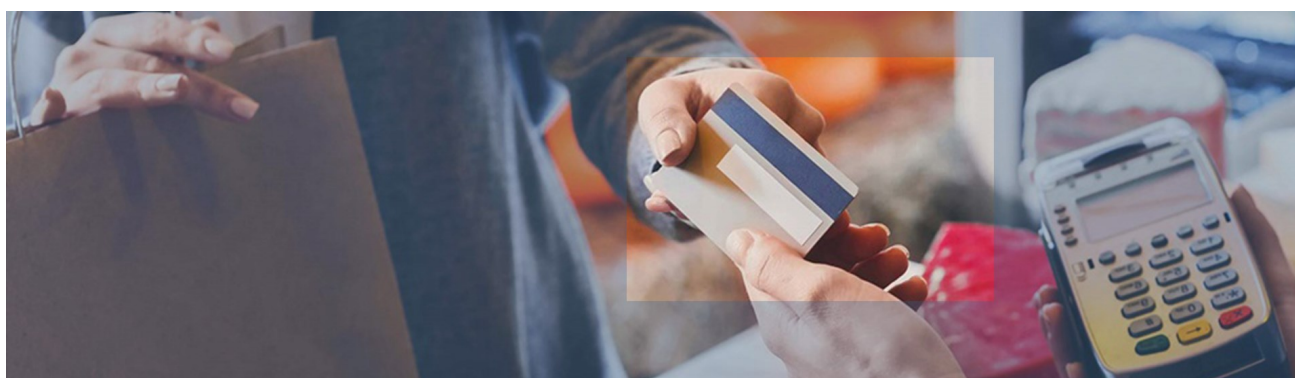



Active is: Conducting proprietary research

Emerging-market consumers show growing optimism

by Aggie Wong | 05/07/2018  

Summary

We recently surveyed consumers in China, Brazil, Mexico and Germany to get their views on planned spending, financial priorities and more. From big-ticket items to smaller purchases, emerging-market consumers seem willing to spend – and they want to travel more frequently.

Key takeaways

- With household consumption representing around 60% of global GDP, consumer sentiment is a factor investors should incorporate into their decision making
- More than 70% of emerging-market consumers plan to buy property and vehicles in the next five years
- More than 8 out of 10 consumers in emerging-market countries said name brands are important when purchasing a consumer product, food or cosmetics
- Chinese consumers we polled said positive economic growth is the reason they expect to travel more in the next 12 months

Consumers have long been the engine that powers the global economy. As global growth returned to solid levels in the years since the financial crisis, household consumption rose to around 60% of global GDP, according to the World Bank, making consumer sentiment a factor investors can't afford to ignore.

A new study from Grassroots[®] Research – Allianz Global Investors' proprietary in-house research division – reached 1,000 consumers in China, Brazil, Mexico and Germany to get their views on planned spending, financial priorities, travel and more.

Emerging-market consumers plan big purchases

The study revealed that more than 8 out of 10 respondents in emerging-market nations – China, Brazil and Mexico – plan to purchase a vehicle in the next five years. Meanwhile, almost three-quarters plan to buy furniture or appliances in the next 12 months, and more than 71% plan to purchase property in the next five years.

The picture was different in Germany, highlighting the cultural and socioeconomic differences between Germany and the emerging-market countries we surveyed. Just under one-third of German respondents hoped to buy property in the same five-year time frame, while around the same number said they considered property ownership unimportant. This is in line with statistics showing that Germany has one of the lowest homeownership rates among developed nations, according to the OECD. Consumers in Germany also showed a lower intention to buy a vehicle, furniture or appliances compared with their counterparts in emerging-market countries.

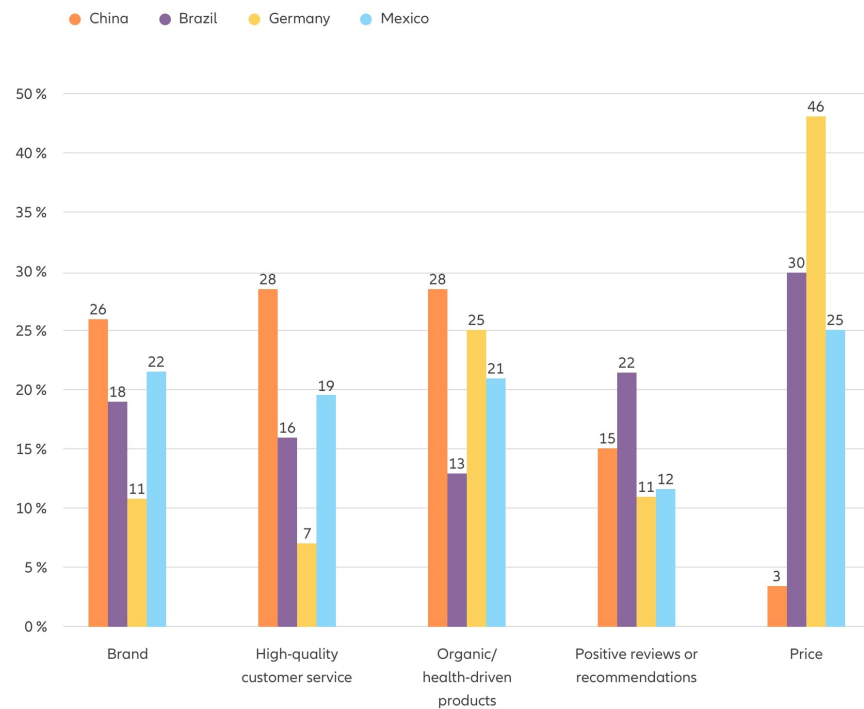
Aspirations for trading up are strong in emerging markets

Emerging-market consumers also showed clearly positive sentiment around smaller-ticket items, according to our survey, and people in Brazil, China and Mexico were much more drawn to name-brand products than were value-conscious German consumers.

For example, in Germany, price was by far the most important factor cited when considering purchasing a consumer product, food or cosmetics, and a mere 46% were concerned with name brands. Meanwhile, 83% or more of emerging-market respondents rated name-brand items somewhat to extremely important when making such purchases.

Value is paramount for consumers in Germany

Question: Which attribute/factor do you consider most when making a purchasing decision about a consumer product/food/cosmetics, assuming product quality is acceptable?



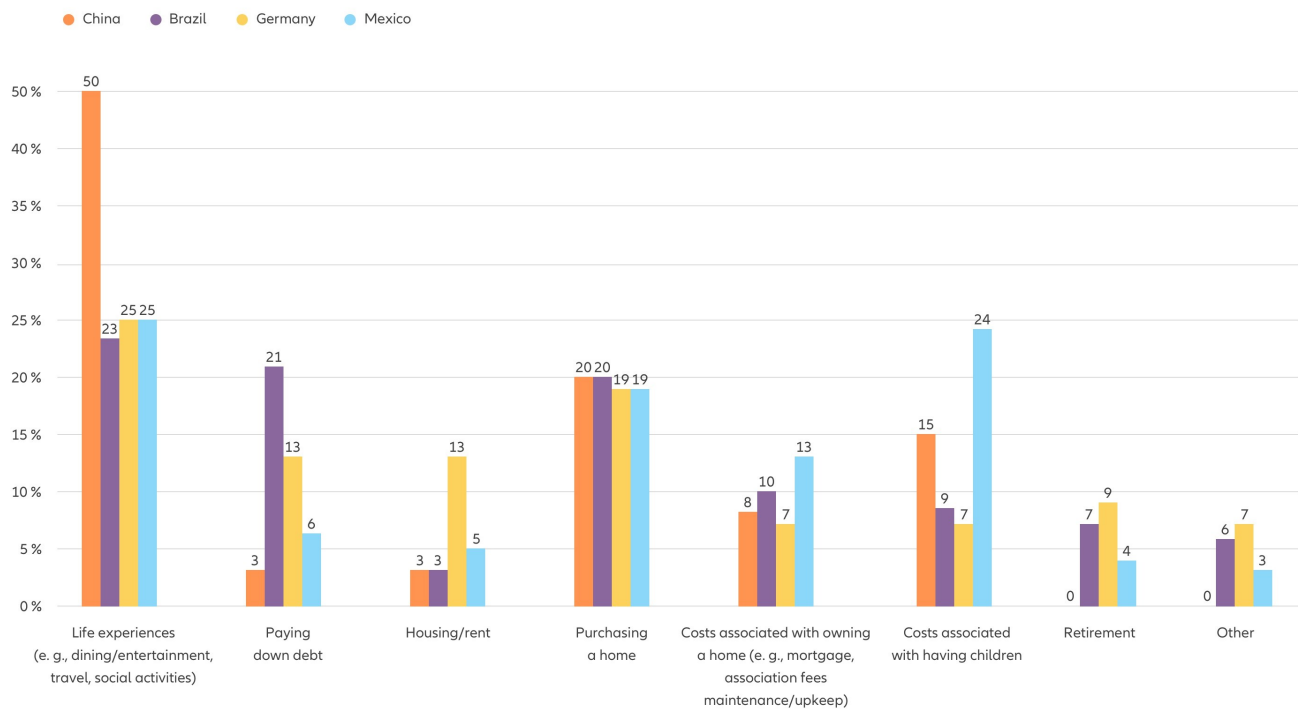
Source: Grassroots[®] Research. Data as at May 2018.

When asked to identify their top financial priorities, life experiences – dining/entertainment, travel and social activities – dominated in all four countries. However, Chinese consumers showed a very low preference (3%) for paying down debt and a very high preference (50%) for putting money to work on life experiences. Spending on life experiences also ranked highest among Brazilian consumers, even though respondents there were also focused on paying down debt.

Brazil and Mexico, despite their high levels of aspirational spending, also stood out for wanting to be able to spend a little more on everyday items, suggesting some potentially pent-up demand for consumer staples.

Half of respondents in China value life experiences the most

Question: What is your current top financial priority?



Source: Grassroots* Research. Data as at May 2018.

Travel outlook is positive but influenced by cultural factors

Travel intentions also seemed to reflect the ambitions and optimism of the emerging-market consumer, with 81% of respondents in China citing a positive economic outlook as the reason they expect to travel more in the next 12 months.

Alec Patterson, Sector Head of the US Consumer Research team at Allianz Global Investors, found it notable that a lower number of Germans (40%) than emerging-market respondents (57%) travel multiple times per year. "This was somewhat surprising, as was the fact that a majority of Germans seem to want to maintain the status quo. Meanwhile, consumers in Brazil, China and Mexico showed a high desire to travel more frequently."

Still, conclusions about consumer sentiment cannot be based on travel results alone, since travel is often influenced by tradition and culture. Research Analyst Bianca Schnieder, who specializes in European consumers, noted that Germans still generally scored high in terms of their overall desire to travel. "This needs to be seen in the context that Germans – in particular, German families – often take a long summer holiday of two or more weeks," said Schnieder. "Chinese consumers tend to prefer shorter-duration holidays, and they can increasingly afford to travel multiple times per year."

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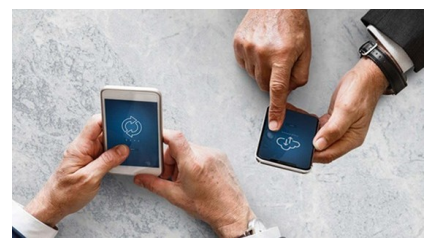


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by [Hans-Peter Rathjens](#) | 06/07/2018



Summary

Trade is a growing concern for financial markets, with Brexit and a new US-induced trade war triggering a debate about how closely nations must be integrated to trade well together. Yet the reality is nuanced, so it helps to understand the seven types of economic integration and how they benefit the nations involved.

Key takeaways

- International trade has become a key component of global GDP in the last 30 years, thanks in large part to falling tariffs – yet fears of a trade war are growing
- To boost their economies, countries can enter into trade agreements that place them into one of seven categories of economic integration
- TPP and NAFTA are two examples of trade pacts that lower or eliminate tariffs, but they are low on the economic-integration spectrum
- The euro zone and the United States both offer the free movement of goods, capital, services and labour – but only the US can boast complete economic integration

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