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Emerging markets at the fore - BMI report

According to a newly released report, *Emerging Markets Take Centre Stage: A Dramatic Shift* *Purchasing Power*, from country risk specialists Business Monitor International (BMI), the next decade will see a dramatic rise in the spending power of the emerging markets (EM) consumer.

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The reason being that by 2018, BMI expects EM GDP, in US$ terms, to equal developed world GDP, and therefore equate to around 50% of global GDP, up from roughly 35% today, with all BRIC countries in the top six in the world on a US$ GDP basis. This will cause incomes to rise significantly, thereby propelling E spending power to unprecedented levels.

BMI's optimistic assumptions are based on the fact that EMs are far healthier than ever before. Their abilit to withstand the global credit crunch and ensuing global recession, compared to developed world counterparts, bodes well for EM macroeconomic outperformance in 2010 and over the coming decade.

Key findings in the 59-page BMI special report:

Major rise in levels of GDP per capita in the developing world

The superior fiscal outlook for EM states underpins BMI's view of long-term growth outperformance, especially as government revenues will be able to focus more on investment than paying back debt. By 2018, EM GDP is expected, in US$ terms, to equal developed world GDP, and therefore equate to aroun 50% of global GDP, up from roughly 35% today, with all BRIC countries in the top six in the world on a US GDP basis.

Spending power in China, India and Russia to triple by 2018

Between 2008 and 2018 spending power will triple for China, India and Russia and nearly triple for Brazil i US$ terms. This is a significant outperformance versus developed market counterparts, for whom GDP pe capita increases are not nearly so dynamic. Over the forecast period Australia and the US manage an increase of 43% and 36% respectively, Canada and the UK only gain 23% and 22% and most of Western Europe returns a dismal rise of under 10%.

Strong flow of capital from developed nations to the EM

The increase in EM income per capita will have enormous implications for asset allocation. The higher growth environment, and by consequence, the higher return incentives of EM will become increasingly difficult to ignore for global investors, leading to a strong flow of capital from developed nations to EM. Th global recession has accentuated the relative value potential in EM over the developed world, by highlighti the unsustainable Western European and American imbalances while also indicating the relative robustnes of many emerging markets.

Industry recovery rates in EM differ markedly to those in the developed states

While the global bust may have been synchronised, the industry landscape has firmly decoupled, with industry-specific recovery rates increasingly accompanied by differentiation between regions within industries. Globally, the infrastructure industry has been the most resilient, although pharmaceuticals demand has been the most stable in developed states, with telecoms enjoying this distinction in EM. Of those industries that suffered sharp downturns in 2009, the core consumer-oriented industries of retail anc food and drink will bounce back solidly in 2010, although their annualised growth performance will be eclipsed by the autos industry. Other sectors, notably banking, IT and tourism, will see a delayed recovery

To purchase the full report, go to www.businessmonitor.com.