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Emerging Consumer
Survey 2013

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Editorial

We are delighted to publish the third edition of the Credit Suisse Emerging Consumer Survey and its accompanying Databook. At a time when investor confidence in the outlook for global growth is improving, it is opportune to review the dynamics and drivers of what is a key component of the prospects for global growth – the role played by the consumer in the emerging world.

To undertake this project, the Credit Suisse Research Institute has again engaged the leading global market research firm Nielsen to conduct face-to-face interviews with over 14,000 consumers across eight emerging economies to help reflect a granular picture of their spending habits, future intentions and, importantly, the factors that influence them. The detailed analysis of the differing demographic, income and rural/urban characteristics underlines that these emerging consumers are by no means created equal.

The 2013 survey has again been refreshed to address new issues – social and economic – and alongside Brazil, China, India, Indonesia, Russia, Saudi Arabia and Turkey, we have added South Africa. The survey suggests that, after a stalling in 2012 amid rising food prices and weaker global growth, confidence has strengthened. 37% of participants believe their personal finances will improve over the next six months while 9% expect some deterioration. However, our survey casts a spotlight on the striking contrasts across the emerging world.

Optimism is strongest and improving in Brazil, China and Indonesia, whilst the greatest degree of pessimism in financial prospects was recorded in South Africa, Russia and Turkey (albeit improving). Troubling are the effective “fault lines” that still seem to exist between rich and poor in some countries. Our survey revealed that nearly as many South Africans predicted a worse financial position as those who expected some improvement. We do remember – if in a far more extreme manner – how a severe disparity in experience for Egypt stood out in our 2011 survey. A cautionary tale.

The survey highlights three additional findings. First, the outlook for and the distribution of income have replaced the influence of food prices as the determinant of optimism. The countries with the highest income growth expectations display the greatest optimism. However, equally notable is the fact that the highest income earners are the most optimistic in every country and, in a number of instances, these consumers are clustered in the younger age brackets of the working population.

This relates to our second key point. The structural shift towards discretionary spending seems back on track. Meat and protein have a higher profile on the menu. A thirst for technology, smartphones and tablets is supported by ever greater expansion in internet penetration. Bigger ticket items, such as cars and property, display strong prospects though notably without the typical appetite for borrowing that we have historically seen in the West.

Third, the track record being built by the survey is allowing us to delve deeper into our analysis of brands. With the help of our Databook, we can analyze brands displaying momentum, their sensitivity to income and where local brands hold sway over global rivals. It is clear that the improving fortunes of emerging consumers offer plenty of growth potential for local players as well as global. In fact, the M&A trends apparent in consumer markets do suggest an approach by the latter of “if you can’t beat them, buy them.”

Stefano Natella, Co-Head of Global Securities Research,
Investment Banking

Giles Keating, Head of Research for Private Banking and
Wealth Management



2013 Emerging Consumer Survey: Overview

Confidence among emerging market consumers has strengthened over the course of the last year, supporting our long-held positive thesis on the emerging consumer. Of just over 14,200 adults included in the survey across eight countries, 37% thought their personal finances will improve over the next six months and 9% expect some deterioration. However, the contrasts across the emerging world are striking.

Emerging consumption: Top down meets bottom up

The rebalancing of consumer growth between the developed and developing world has been a key pillar of Credit Suisse's Megatrends. The relative and absolute growth in emerging market consumption over the last ten years has been very strong. GDP-weighted real growth in household consumer expenditure for the emerging markets has averaged 5% over the last ten years compared with just over 2% for the developed markets. Taken over the last 30 years, the data suggest a general upward trend in emerging market consumption and a distinctly downward trend in developed market consumption.

We expect these trends to continue. Over the next 12 months, it is likely that the relative outperformance of emerging market consumption will accelerate for four key reasons: (1) as implied by the relative momentum in lead indicators, (2) real wages and income growth in the emerging econo-

Figure 1

Aggregate growth in household consumption

Source: Thomson Reuters, World Bank, Credit Suisse research

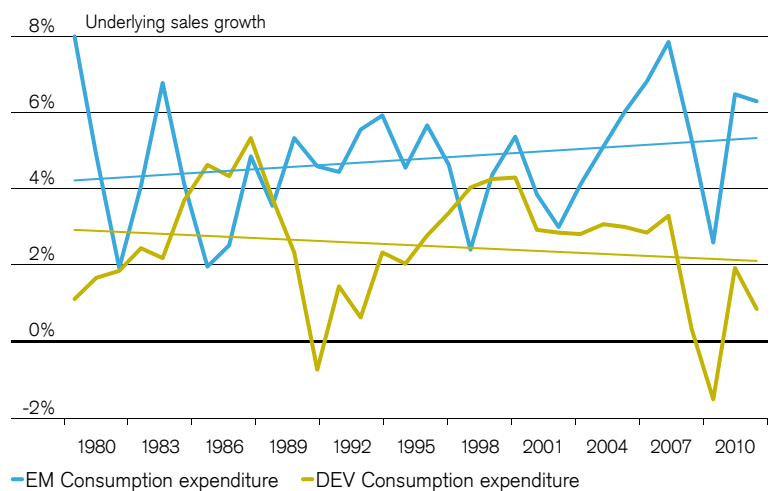


Figure 2
Aggregate emerging market versus developed market PMI readings

Source: Thomson Reuters, Credit Suisse research

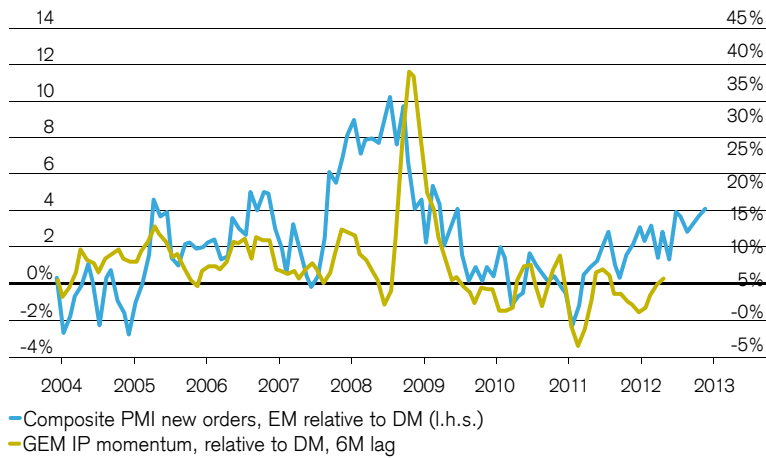


Figure 3
Do you think the state of your own personal finances over the next six months will be better, worse or about the same?

Source: Credit Suisse Emerging Consumer Survey

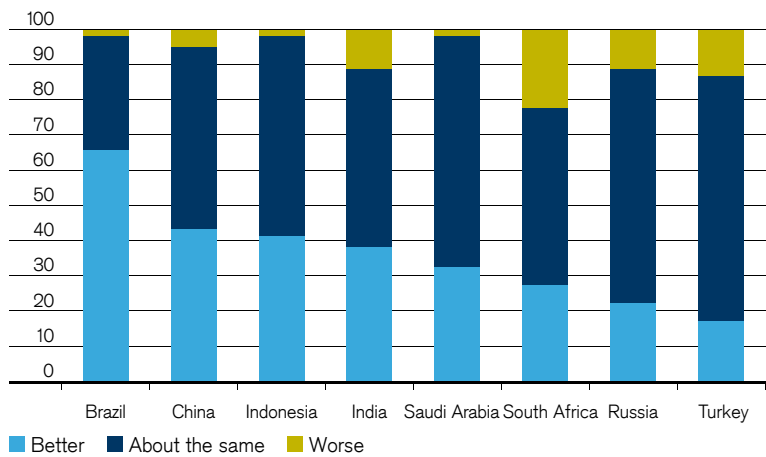
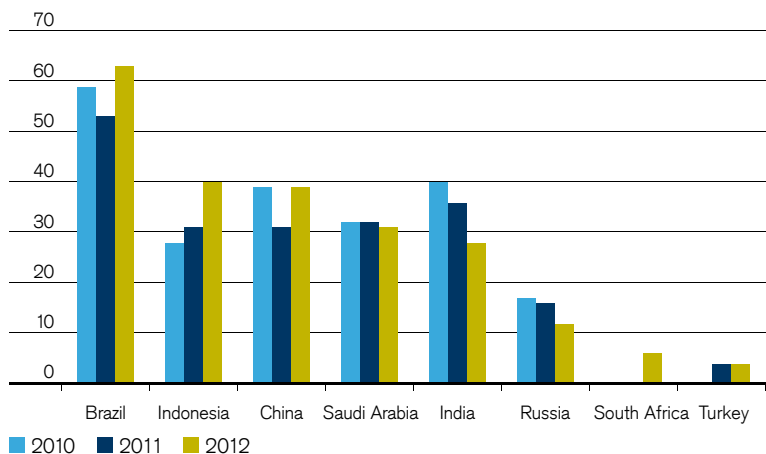


Figure 4
State of personal finances over the next six months; percentage expecting better less percentage expecting worse 2012 versus 2011 and 2010 results

Source: Credit Suisse Emerging Consumer Survey



mies continue to top those in developed markets, (3) China is focused on policies aimed at promoting greater domestic consumption, and (4) ageing and over-leveraged developed markets continue to suffer a downward adjustment to household consumption.

The overall survey results endorse this positive macro view with consumers' optimistic about the immediate outlook continuing to improve. 37% of respondents see an improvement in their financial position in the next six months versus 9% seeing a deterioration, a net 3% improvement on last year. However, the aggregate macro data disguise a picture that is far from uniform within and between the emerging economies. Our survey shines a spotlight on this.

An improving picture but a sum of different parts

Of the eight countries included in the Consumer Survey, optimism on the financial outlook is strongest in Brazil, China, Indonesia and Saudi Arabia. In Brazil, 66% of respondents to the survey said they expected an improvement in their personal finances over the next six months. The proportion of consumers in China, Indonesia and Saudi Arabia who expected an improvement in their personal finances over the next six months came to 44%, 42% and 33%, respectively.

At the other end of the scale, the greatest degree of pessimism in financial prospects was recorded in South Africa, Russia and Turkey. Specifically, our survey results showed that nearly as many South Africans (22%) predicted a worse financial position as those who expected some improvement (28%) over the next six months. In a much milder form, we do recall our 2010 survey with regards to Egypt. Our survey results then showed that 38% of Egyptians expected a deterioration in their financial outlook compared with 12% who expected an improvement. While there is a danger in unduly striking parallels, we do remember the social unrest that subsequently became apparent in Egypt in spring 2011. We now of course have witnessed the widespread strikes that have affected South Africa over the course of H2 2012.

When we compare the aggregate results in our latest survey with last year's survey, we find that consumers, on average, are more optimistic now. In Brazil, the balance of consumers expecting better rather than worse financial prospects over the next six months has increased from 53% in 2011 to 63% in 2012, which is the highest reading for three years. In China, the same statistic has picked up from 31% to 39% in 2012. Indonesia has continued to see strong positive momentum in consumer confidence: a net 40% now expect better financial conditions in the months ahead. The mood has continued to deteriorate in India and Russia. Only 28% of our Indian sample expect some improvement in financial conditions in the next six months compared with 36% in 2011 and 40% in 2010.

Income trends driving relative optimism

Last year, we found that the momentum in consumer optimism was closely aligned with the weight of food in the consumption basket as food prices had risen to relatively high levels. This year, some respite in (trailing) food inflation has meant less drag on consumer sentiment and has left economic growth and wage expectations as the main determinants of the outlook.

Our survey data show that nominal wage expectations are strongest in Brazil, closely followed by Indonesia (which showed a significant improvement over the previous year) and then Saudi Arabia. Wage expectations remain relatively depressed in Turkey, Russia and South Africa. The South African data is interesting: despite a substantial increase in nominal wages on the back of the recent labor unrest, a considerable percentage of the lower income groups expect a significant decline in household income possibly in response to rising unemployment levels (at least within the formal sectors) that now look inevitable given rising labor cost pressures driven by tough wage negotiations and strong growth in minimum wages.

The influence of age

We also note that a common feature of our survey data is that the higher income brackets are consistently more optimistic across all the countries. As we illustrate in Figure 7, the high income groups in all of the eight markets included in our survey expect a brighter future than the low income groups. The outlook presented by the low income groups is a different story. In South Africa, India, Russia and Turkey, the outlook for the low income groups ranges from very poor to lackluster. In Brazil, Indonesia and China, the prospects for the low income groups appear to be much brighter. In Brazil, in particular, the low income groups are nearly as optimistic as their high income peers.

The other common feature that can be observed from our survey data is the age composition of the income brackets. The key takeaway is that, in many markets, the youngest end of the working-age population has achieved the highest income levels. China is a case in point. The average 18–29 year olds in our most recent survey have achieved average monthly incomes of around RMB 9100, which is 7% above those of the 46–55 year olds and 15% above the 56–65 age group.

This is a feature that was also common to Indonesia, Russia and Turkey. In Brazil and India, the difference in earnings between the age groups was relatively flat. In South Africa's case, the youngest group within the working age population earned substantially more than the oldest age group, but, rather than reflecting high earnings at the young end, this appears to be a reflection of very poor earnings for the older age groups. Arguably, very high unemployment rates in South Africa (25.5%

Figure 5

Expected improvement in household income over the next 12 months

Source: Credit Suisse Emerging Consumer Survey

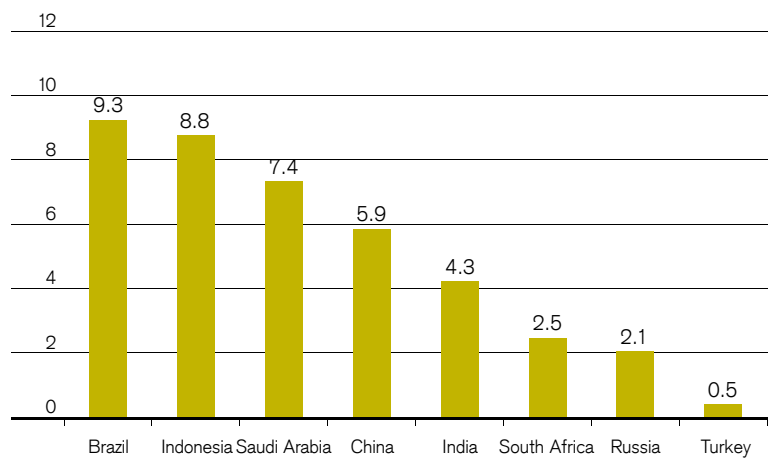


Figure 6

Expected improvement in household income over the next 12 months compared with expectations in previous years

Source: Credit Suisse Emerging Consumer Survey

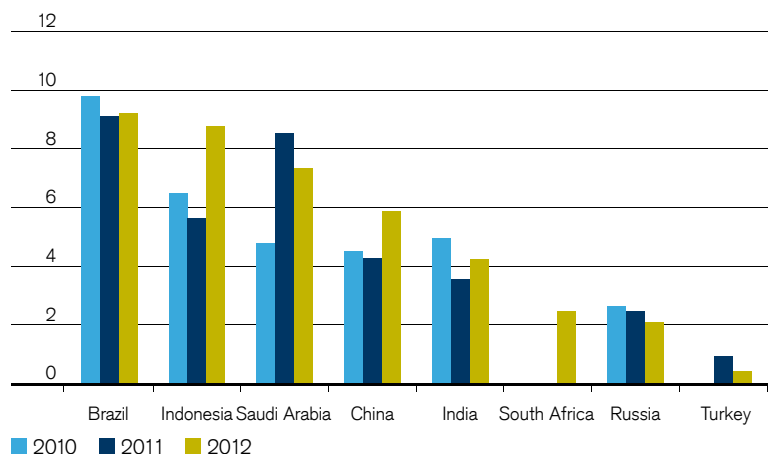


Figure 7

State of personal finances over the next six months; percentage expecting better less percentage expecting worse split by income brackets within each market

Source: Credit Suisse Emerging Consumer Survey

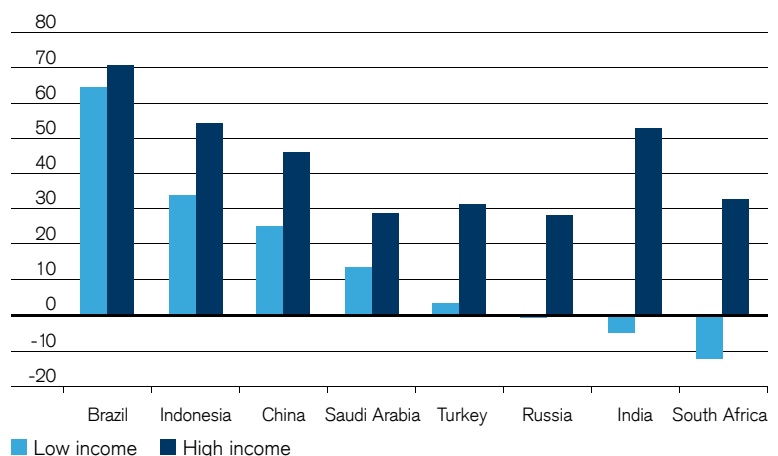




Figure 8
China: Average monthly income levels by age group

Source: Credit Suisse Emerging Consumer Survey

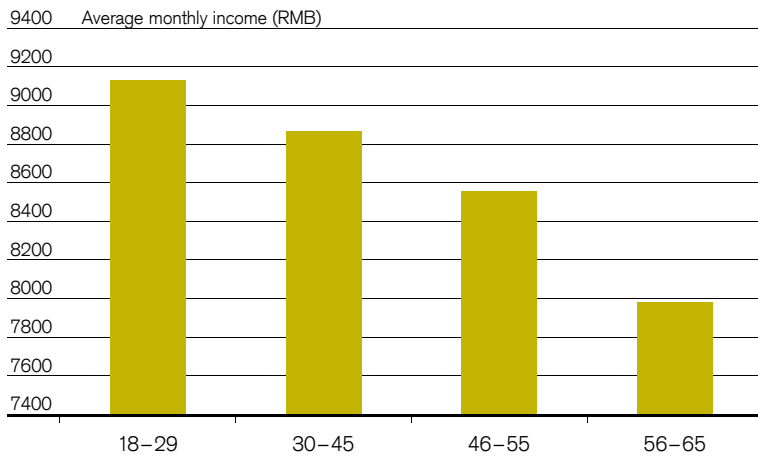
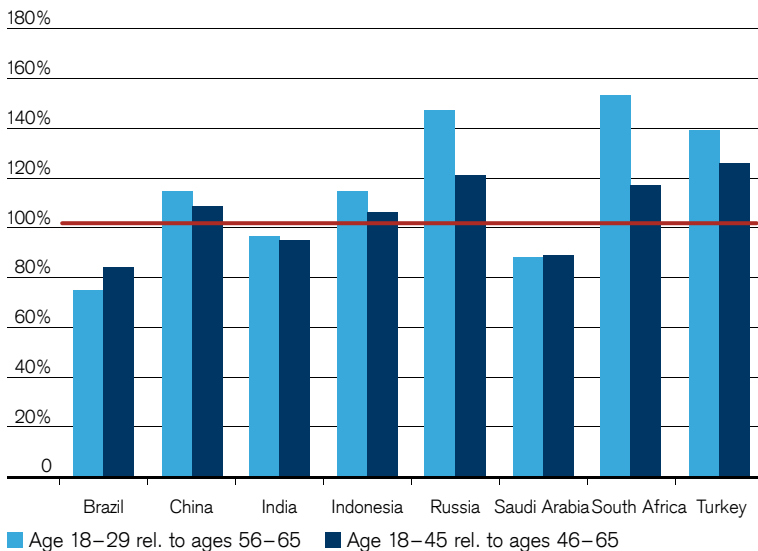


Figure 9
Percentage difference between income brackets according to age groups

Source: Credit Suisse Emerging Consumer Survey



according to the latest data from STATS SA) mean that the effective average working life is much shorter than the legal limit.

Of course, we recognize that these results could be influenced by the sample of respondents to our survey rather than being a reflection of the wider consumer base. However, with the help of nationally available demographic statistics, we have endeavored to ensure that the sample polled was an appropriate representation of average income brackets, age groups and geographical location.

The rationale for the greater affluence of the younger age groups comes down to three key factors: (a) education – our survey data also show that the younger age groups have relatively higher educational attainment; (b) urban-rural migration – the younger age groups are much more willing and likely to have migrated toward the higher paid jobs in the urban centers; and (c) technology has also played a role – many of the higher paid jobs have encompassed a greater degree of automation and/or technological input, which has favored the younger age groups on average.

There are important implications of the age distribution of income growth for consumer spending patterns. Generally, we find and expect that the younger age earners are much more likely to spend incremental income on technology and branded consumer goods and are less likely to focus on insurance policies or healthcare expenditure. Of course, over the long term, as these more affluent consumers mature, spending patterns are likely to shift more strongly toward the likes of healthcare.



Discretionary spending back on track

A shift towards discretionary spending and away from spending on simply the essentials of life has been a theme we have been tracking. It now looks back on track.

For the last few years, we have been able to use the data collected in our Consumer Survey to monitor the transition of emerging market household expenditure from a significant focus on consumer staples toward greater expenditure on consumer discretionary items. We have seen that the degree and transition of expenditure toward more discretionary items has depended on the level and growth in real incomes, just as it did for the USA when it too would have been classified as an emerging economy in the 1930s and 1940s.

As we illustrate in Figure 10, as the US transitioned from an emerging economy in 1929 with GDP per capita of only USD 6,500 (in today's price terms), there was a clear shift from spending on consumer staples toward spending on useful items such as transport, education and financial

services and then a greater focus on luxury goods and leisure time.

Last year, our survey results showed that the shift toward greater levels of discretionary spending had largely stalled, particularly for the low income groups, as high rates of food inflation undermined real income growth. This year, we see that the decline in food inflation across the bulk of the emerging markets (see Figure 11) has meant that the trend toward greater levels of discretionary expenditure has been re-asserted.

Among the 120 questions that are included in the survey, we ask how spending patterns for each sector have fared over the last 12 months and what the plans are for the next 12 months. In Figure 12, we show the aggregated results of these questions. Essentially, the chart plots the proportion of respon-

Figure 10

US real household consumption per capita versus US GDP per capita

Source: BEA, Credit Suisse research

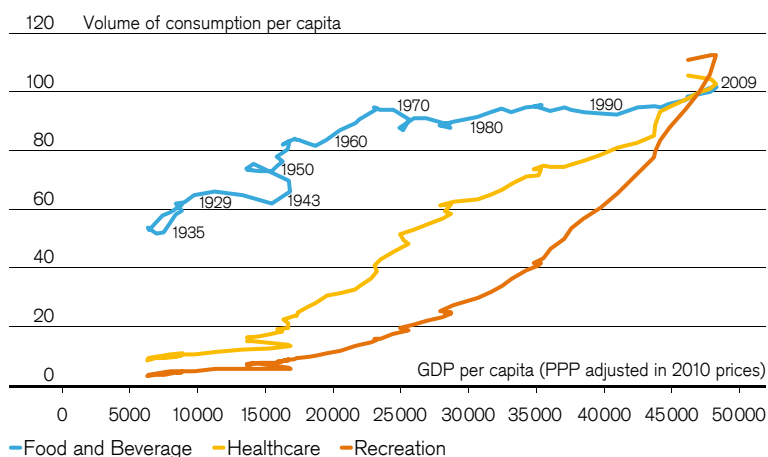


Figure 11

GDP weighted GEM food inflation (% YoY)

Source: BEA, Credit Suisse research

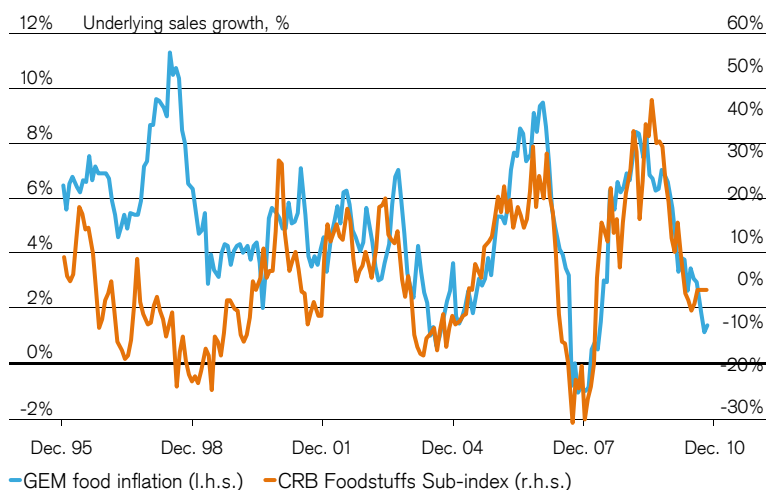
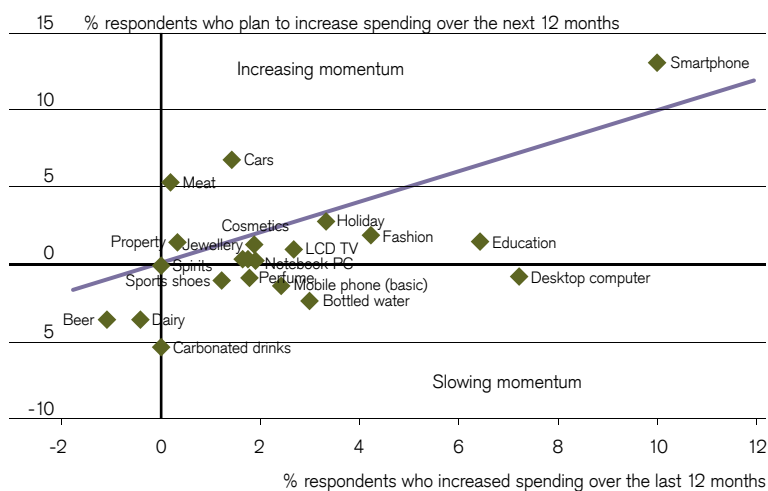


Figure 12

Percentage of respondents that have bought and that plan to buy various goods and services

Source: Credit Suisse Emerging Consumer Survey



dents across the eight markets that have spent and that plan to spend on each item. We can thus assess where relative momentum is the strongest.

Sectors where momentum appears to be slowing include:

- **Consumer staples** – there was a clear decline in the percentage of respondents to our survey that had bought more and that planned to spend more on carbonated drinks, dairy products and beer over the next 12 months. Bottled water had seen an increase in the consumer base over the last year, but survey respondents told us that they did not plan to increase expenditure on this item over the next year.

- **Mobile phones** – basic models have seen another increase in the level of penetration over the course of the last year. This has been driven predominantly by the rise in ownership among the low income groups. However, given that penetration levels are now generally very high, momentum is clearly beginning to slow. When asked whether or not they were likely to purchase a basic mobile phone, far fewer respondents suggested they would be doing so over the next year than was the case last year. The exception to this is in Indonesia. Based on our numbers, basic mobile penetration in Indonesia is only 79% compared with an average for the full survey of 93%. It appears that pent-up demand, even for a basic mobile phone, still appears to be relatively strong in this market.

- **Desktop and notebook PCs** – these items have both enjoyed a fairly strong increase in expenditure over the course of the last year. Consumer expenditure in Russia, Saudi Arabia, Brazil and China on desktop PCs has been particularly strong. However, planned expenditure over the next 12 months looks very weak. None of the markets in our survey is expected to show a net increase in expenditure on desktop PCs over the next year, while spending on notebook PCs is expected to be only marginally positive. Smartphone substitution looks to be a potential explanation

- **Education** – for the last few years, our survey has recorded very strong increases in planned and actual private sector expenditure on education. Indeed, over the last year, there has been another strong increase in the proportion of survey respondents that pay for some form of private sector education. Off this base, it was perhaps inevitable that momentum would slow, and that is exactly what our survey data suggest for the next year. There are bright spots in Saudi Arabia, India and Brazil where a respective 13%, 9% and 2% more respondents said that they expected to spend more rather than less on education over the next year.

Sectors where momentum may be improving include:

- **Smartphones** – the momentum in smartphone expenditure has been particularly strong for the last couple of years, but planned expenditure over the next year, if anything, looks set to be even stronger

supported by increased internet access. It moves hand in hand with increased internet access in the emerging world. To some extent, this growth in smartphone demand comes at the expense of PC and basic mobile phone purchases. Markets where smartphone penetration is expected to grow most quickly are Saudi Arabia, Indonesia and China.

- **Cars** – unlike smartphones, the momentum in car penetration over the last few years has been fairly mediocre. For a consistent sample of our countries within our survey, car penetration has only improved from 38% in 2010 to 39% in 2011 and 40% in 2012. However, plans for purchases are much more positive for the next year than was the case this time last year or the year before. The strongest net increases in expenditure plans are for Brazil, Turkey and China.

- **Meat** – growth in meat consumption has also been fairly depressed for the last couple of years as high food inflation has curtailed the affordability of meat, particularly for the lower income consumers. However, as food inflation has declined over the course of this year (despite the significant mid-year run-up in cereal prices), meat and proteins have gained greater prominence on the menu as the long term structural story for food consumption in the emerging world has suggested it would. In response to whether or not consumers planned to eat more or less meat, the net results showed the strongest improvements are expected in Turkey, China and India over the next 12 months.

- **Property** – ownership rates have crept up tentatively over the course of the last couple of surveys, but plans for the next couple of years look much more bullish. Specifically, in China, 20% of respondents told us that they expected to purchase a property within the next two years (up from 16% last year) and, in Indonesia, 30% of respondents said they planned to purchase within two years compared with 25% last year.

Healthcare: Public spending takes the pressure off private-sector commitment

A perhaps surprising feature of our survey, both this year and last, has been an implicit lower priority seemingly attached to healthcare spending by the consumer. Two factors seem to be at work – the role played by the state and the demographic/income profile of emerging consumers. The survey data reflects an apparent reduction in out-of-pocket spending on healthcare, both in absolute terms and as a percentage of disposable income. On a population-weighted basis, we have seen access to state-funded healthcare apparently rise from around 50% to 57% of the emerging market population over the past two years, although reported access to state-funded pharmaceuticals has risen more slowly from 26% to 28% of coverage, and perceived access to state-funded vaccination programs has shown no apparent progress, stable at around 20%.

Figure 13

Development of government purchasing in emerging markets

Source: Roche Capital Markets Day Slide Sept 2012

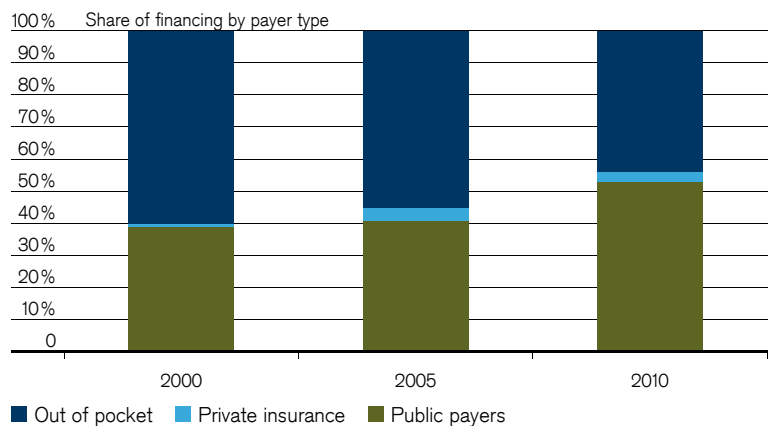


Figure 14

Index of income by age in selected emerging markets and the USA

Source: Credit Suisse Emerging Consumer Survey, US Census 2009

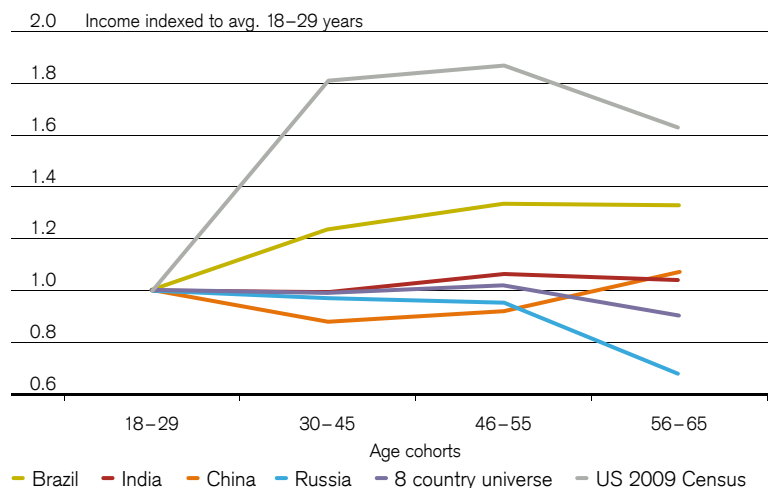


Figure 15

Index of healthcare spending by age in selected emerging markets and the USA

Source: Credit Suisse Emerging Consumer Survey, US Census 2009

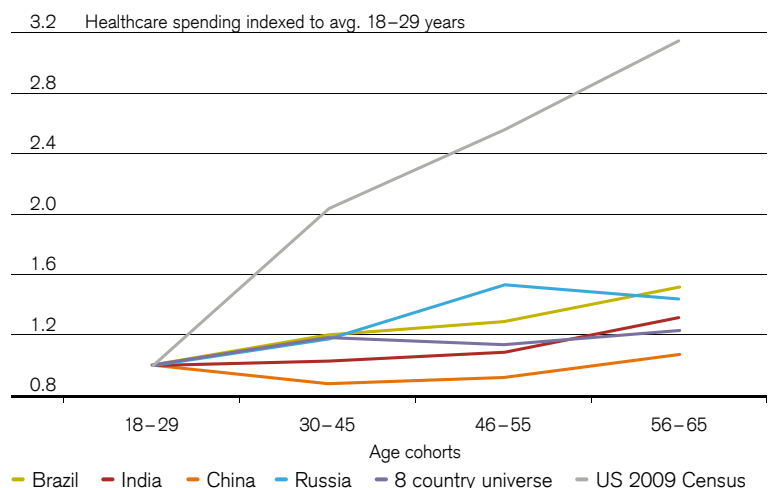


Figure 16

Underlying pharmaceutical sales growth from Q1 2008 to Q3 2012 by region

Source: Company data, Credit Suisse estimates

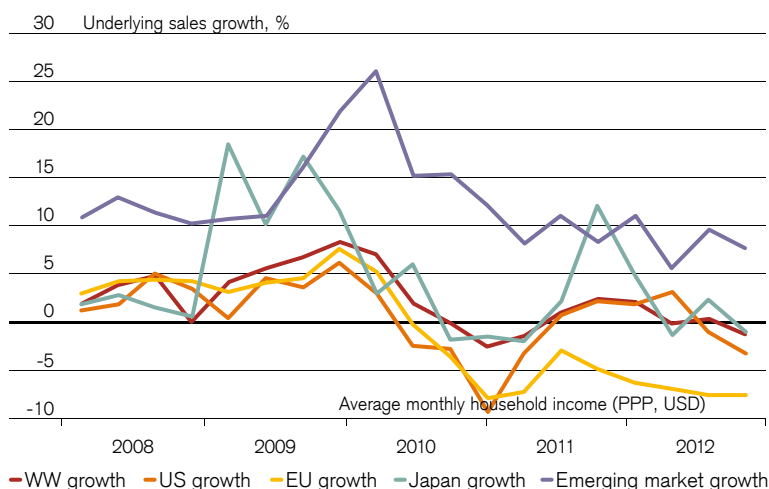


Figure 17

Percentage of spending on credit cards

Source: Credit Suisse Emerging Consumer Survey

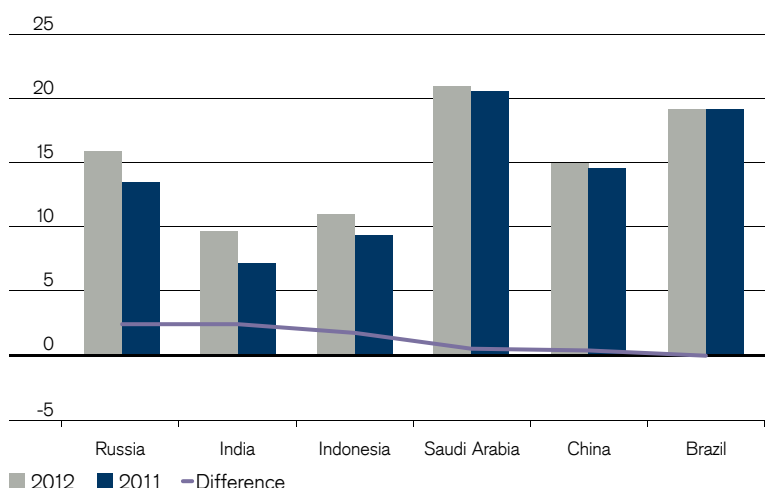
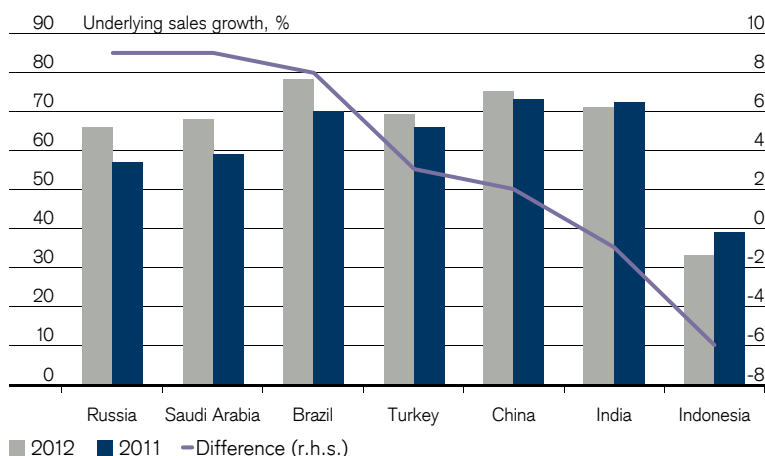


Figure 18

Percentage of respondents that plan to finance property purchases through credit

Source: Credit Suisse Emerging Consumer Survey



Evidence of the public promise of increased entitlements is most marked in Brazil, China, Indonesia and South Africa, with all expecting to pay less out-of-pocket for pharmaceuticals next year, though in contrast with respondents in Russia and India expecting to have to pay more. Perhaps surprisingly, given the perception of limited production quality standards, China ranked only fourth out of the eight countries in a ranking of where patients would be prepared to pay a premium for international as opposed to local brands.

However, we believe demographics also plays a key part in demand growth for healthcare. In Figure 14 and Figure 15, as referred to above, we show how income declines with age in emerging markets in contrast to rising income/wealth with age in the west. In developed markets, we see rising income supporting an age-based rise in demand for healthcare, whereas, in emerging markets, wealth is concentrated in younger cohorts where healthcare spending is less of an immediate priority.

Emerging market growth has been seen as a key driver of growth for the major pharma companies in recent years, with EU majors seeing a move from 18% to 22% of healthcare sales over the past three years from emerging markets, as emerging market growth has been unaffected by patent expiries in the EU and the USA. These emerging mar-



kets are often seen as analogous to European markets 10–20 years ago, with a strong educative role for large sales forces and growing wealth/expectations driving pharmaceutical utilization.

As state provision for healthcare rises, we expect governments to be keen to support local producers, supplying commodity/local branded generics that will form the majority of state provision, leaving the multi-nationals to promote the same branded drugs in emerging markets as they do in the west. We expect some companies that are currently looking to “bulk out” their own portfolios with branded generics to rethink this strategy, unless they have a sufficient local footprint to be deemed local themselves.

Spending.... but not borrowing

Finally, with the outlook for spending becoming less cautious in nature, the manner in how it is financed might be expected to have changed, with borrowing becoming a feature. Given the generally healthier household balance sheets and much lower levels of private sector indebtedness relative to GDP that are apparent across the emerging markets, it would be plausible that low nominal rates would start to feed through to higher rates of credit extension in these regions. However, our survey data show that this

typically is not the case. At least not yet. For instance, as illustrated in Figure 17, the proportion of spending on credit cards has hardly moved between 2012 and 2010 in any of the markets included in our surveys. Even in Brazil, where nominal rates have dropped 3.5% since mid-2010 to now, the proportion of spending on credit cards has hardly moved from the 19.2% recorded in 2010.

Studying the trends in car financing over the past couple of years, we can see that the picture is much the same: there has been relatively little change in the degree to which purchases have been financed on credit, despite the shift in interest rates across these markets.

The one area that may benefit from the more benign rate environment is property. In response to a question on plans for financing a property purchase, a greater proportion of respondents indicated that they were more likely to use some degree of credit than was the case this time last year or in 2010. It seems that collateralized credit is the main growth engine for household loan books while risk-averse banks are still shunning higher-risk credit-card debt. That notwithstanding, we would flag that should risk tolerance and financial sophistication rise both in terms of credit supply and credit demand, another dimension of the discretionary consumption story could develop in the years ahead.

Brand recognition

The track record of our survey allows us to chart the momentum and potential of global and local brands. Their positioning in a world of improving incomes will be a key consideration for investors and companies.

Brands and income sensitivity

Over the course of the three surveys, we have been able to use the survey data to analyze the role and impact of brands. Notable themes have emerged. We have found unbranded goods are a key part of consumption at very low income levels, but, as income levels improve, the preference for branded goods picks up. The unbranded market remains significant across many of the more discretionary sectors but, according to our data, is also relatively large within the Russian and Turkish beverages market as well as the dairy sectors in South Africa, Russia and India. This presents an opportunity for branded goods aimed at low income consumers within these sectors and markets.

For consumer staples or essential goods, the preference at higher income levels for international brands over local brands is not particularly strong. Essentially, when it comes to consumer staples, consumers appear to stick to the local brands that they have always used regardless of higher incomes – a powerful reason behind the acquisitive strategies of many global consumer companies. The discretionary segment is a different story. We find that international or premium brands are strong beneficiaries of improving incomes. Figures 20 and 21 illustrate these contrasts well.

The broad conclusion is that, as incomes continue to improve, the growth outlook for local brands can be

as good as international brands for essential goods and services – a driver of cross-border M&A in this area. International brands offer greater growth potential than their local peers in the discretionary segment.

Brand specifics: challenges and opportunities

To explore these themes, we have revisited the specific brand analysis we first displayed last year. As such, in Figure 24 and Figure 25, we display a variety of key brands that consumers highlighted in the survey that they had purchased. Figure 24 shows the results for the consumer staples sectors and Figure 25 does the same for the more discretionary areas of consumer spending. Each table shows the category of spending, a key brand and its penetration in the lowest and highest income groups within the market. We have also shown which company – local and global - owns the brand.

Taken in conjunction with Figure 19, it is possible to discern “trading up” opportunities as consumers shift from unbranded to branded products as their incomes improve. Examples that fit this profile are (i) brands in the Russian dairy segment, such as Domik v Derevne, which has a high (24%) penetration among lower income consumers, but even higher penetration (59%) among the higher income consumers; (ii) soft drink brands in Russia, South Africa and Indonesia: Coca Cola and Pepsi would see ben-

Figure 19

Percentage of purchases by sector that are “unbranded”

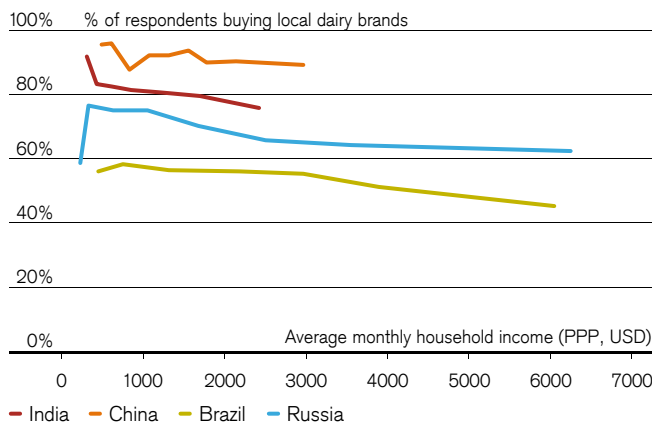
Source: Credit Suisse Emerging Consumer Survey

	Brazil	China	India	Indonesia	Russia	Saudi Arabia	Turkey	South Africa
Dairy	3	8	19	9	30	2	14	20
Soft drinks	2	2	4	8	13	1	4	8
Beer	0	5	2	n/a	10	n/a	3	0
Spirits	3	15	3	n/a	13	n/a	30	17
Cosmetics	4	10	11	27	15	13	10	40
Perfumes	7	30	56	71	39	29	57	42
Fashion	27	37	62	64	65	40	69	66
Leather goods	39	40	36	42	82	38	46	58
Sports shoes and wear	19	9	25	29	34	17	31	23

Figure 20

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

Source: Credit Suisse Emerging Consumer Survey



enefit from a shift away from unbranded goods in these markets; (iii) companies like Adidas and Nike would both benefit from a shift towards branded products in countries like Brazil, Indonesia and Russia.

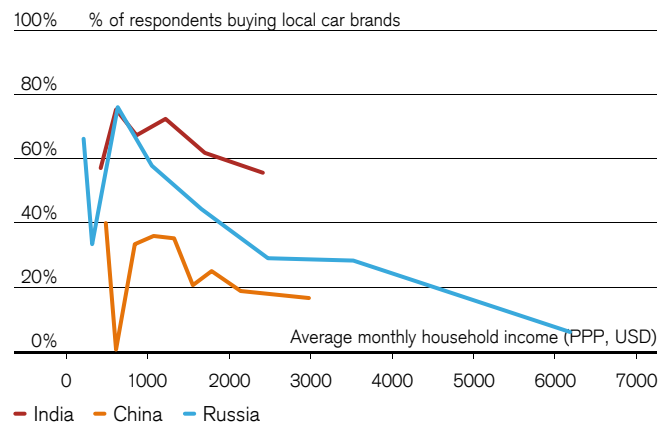
Aspirational brands should also be beneficiaries from fast-growing emerging market incomes, particularly as they rise to significantly higher levels. We can identify brands that have critical mass at the low end, but sustain it or increase it up the income scale. They could prove to be major structural winners. Examples include Domik v Derevne (Russian dairy), Mengniu (Chinese dairy), the Coca Cola brand in almost all markets, Castle Lager (South African beer), Natura (Brazilian cosmetics), Adidas and Nike. We can of course identify the genuine global brands that dominate high income luxury categories in areas, such as spirits (Johnnie Walker) and cars, when a switch from local preferences to global becomes most pronounced.

A potential challenge to a company's brand positioning exists where the appetite for that product seems to decline markedly with income levels – assuming our strategic view that income levels do

Figure 21

Purchases of local car brands as a percentage of total purchases

Source: Credit Suisse Emerging Consumer Survey



rise among emerging consumers. Strategically, brands that show leverage to rising incomes or more than hold their own across the income spectrum ought to be where growth is the greatest in the long term. However, where this is not the case (e.g. cosmetics company Oriflame in Russia, which sees its product penetration fall from 28% to 9% between low and high incomes), a company needs to ensure that a portfolio of brands serves to provide a sufficient overall balance to its offering. Alternatively, they may have to devise a “rebranding” or “reinvention” or run the risk of being left behind as incomes steadily improve.

Lastly, our brand penetration data is now available for three consecutive surveys, which means that very broad trends can be mapped over a number of years. In Figure 22 and Figure 23, we provide just two simple examples of many to illustrate the data. The charts illustrate the rise in market share of Volkswagen and Hyundai at the expense of Honda in China and the momentum in various dairy brands in Russia, interestingly brands that were acquired by Pepsi in 2011.

Figure 22

Percentage penetration of car brands among the high income earners in China

Source: Credit Suisse Emerging Consumer Survey

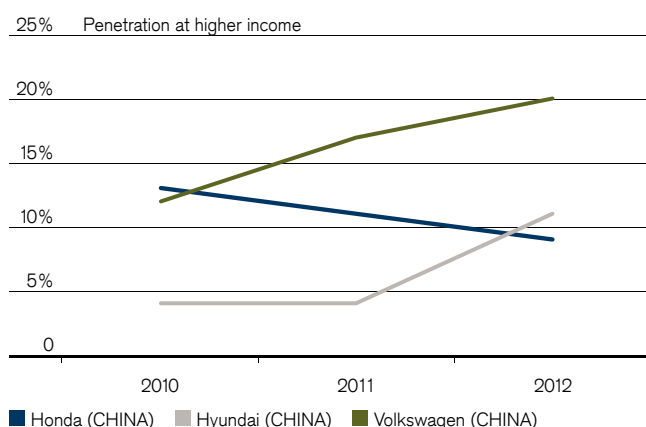


Figure 23

Percentage penetration of dairy brands among the high income earners in Russia

Source: Credit Suisse Emerging Consumer Survey

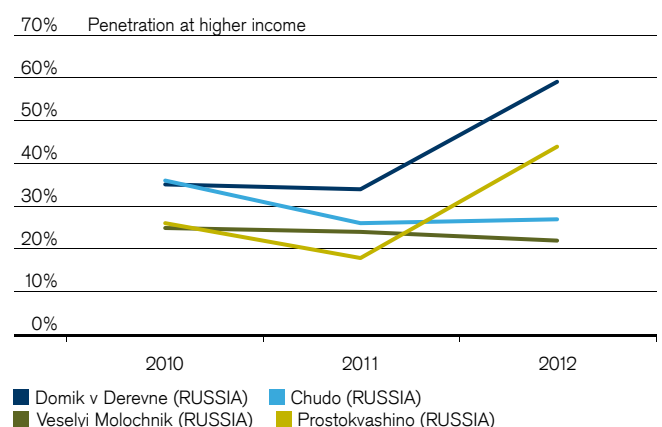


Figure 24

Food and beverages: Brand market penetration according to income group

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

Sector	Country / Brand	% penetration at LOWER income			% penetration at HIGHER income			Parent company (if applicable)	Listed/ Private	
		2010	2011	2012	2010	2011	2012			
Dairy	Danone (BRAZIL)	33%	32%	45%	46%	50%	46%	Danone	BN FP	
	Nestle (BRAZIL)	39%	64%	55%	66%	78%	78%	Nestle S.A	NESN VX	
	Batavo (BRAZIL)	29%	31%	39%	32%	44%	32%	Batavo Cooperativa Agroindustrial	Private	
	Parmalat (BRAZIL)	40%	37%	29%	45%	48%	47%	Lactalis Group	PLT.MI	
	Domik v Derevne (RUSSIA)	21%	27%	24%	35%	34%	59%	PepsiCo Inc.	PEP US	
	Chudo (RUSSIA)	19%	7%	18%	36%	26%	27%	PepsiCo Inc.	PEP US	
	Britania (INDIA)	5%	24%	12%	7%	27%	33%	Britannia Industries Limited	500825	
	Cadbury's (INDIA)	5%	20%	12%	15%	21%	30%	Mondeléz International	MDLZ	
	Mother Daily (INDIA)	20%	29%	16%	13%	26%	25%	National Dairy Development Board	Private	
	Frissian Flag (Bendera, dll) (INDONESIA)	65%	52%	51%	53%	34%	56%	FrieslandCampina	Private	
	Kraft (SAUDI ARABIA)	34%	30%	33%	46%	29%	37%	Kraft Foods Group	KRFT	
	Mengniu (CHINA)	68%	63%	67%	69%	68%	63%	China Mengniu Dairy Company Limited	2319 HK	
	Yili (CHINA)	64%	56%	51%	58%	63%	59%	Yili Group	State	
	Bright (CHINA)	20%	11%	16%	35%	33%	36%	Bright Food (Group) Co., Ltd	State	
Cigarettes	Nestle (SOUTH AFRICA)	-	-	57%	-	-	65%	Nestle S.A	NESN VX	
	Clover (SOUTH AFRICA)	-	-	87%	-	-	96%	Clover Industries Limited	CLR SJ	
	Marlboro (BRAZIL)	-	-	7%	-	-	28%	Philip Morris International Inc.	PM	
	Hollywood (BRAZIL)	-	-	18%	-	-	14%	British American Tobacco	BATS	
	Gold Flake (INDIA)	-	-	45%	-	-	41%	ITC Limited	ITC IN	
	Dji Sam Soe (INDONESIA)	15%	18%	17%	26%	35%	24%	Philip Morris International Inc.	PM	
	Gudang Garam Surya (INDONESIA)	20%	17%	22%	36%	11%	23%	Gudang Garam	GGRM IJ	
	Sampoerna A Mild (INDONESIA)	12%	9%	15%	43%	33%	51%	Philip Morris International Inc.	PM	
	L&M (SAUDI ARABIA)	-	-	25%	-	-	7%	British American Tobacco	BATS LN	
	Peter Stuyvesant (SOUTH AFRICA)	-	-	60%	-	-	62%	British American Tobacco	BATS LN	
	Soft Drinks	Coca-cola (BRAZIL)	71%	73%	91%	88%	94%	99%	The Coca-Cola Company	KO US
		Guarana Antarctica (BRAZIL)	36%	42%	43%	55%	68%	74%	Ambev PN	AMBV4 BZ
		Dolly (BRAZIL)	25%	24%	22%	13%	10%	8%	Dolly	Private
		Pepsi Cola (RUSSIA)	25%	17%	19%	22%	32%	30%	PepsiCo Inc.	PEP US
Mirinda (INDIA)		25%	27%	27%	37%	46%	40%	PepsiCo Inc.	PEP US	
Sprite (INDONESIA)		48%	55%	48%	48%	35%	86%	The Coca-Cola Company	KO US	
Coca-Cola (SAUDI ARABIA)		21%	30%	23%	28%	42%	30%	The Coca-Cola Company	KO US	
Mirinda (SAUDI ARABIA)		39%	40%	44%	44%	62%	48%	PepsiCo Inc.	PEP US	
Coca-Cola (TURKEY)		-	77%	77%	-	89%	83%	The Coca-Cola Company	KO US	
Pepsi Cola (TURKEY)		-	29%	25%	-	14%	37%	PepsiCo Inc.	PEP US	
7-Up (CHINA)		13%	10%	16%	29%	22%	23%	Dr Pepper Snapple Group	DPS US	
Pepsi Cola (CHINA)		46%	35%	33%	53%	49%	51%	PepsiCo Inc.	PEP US	
Sparletta (SOUTH AFRICA)		-	-	56%	-	-	77%	The Coca-Cola Company	KO US	
Beer	Skol (BRAZIL)	63%	75%	44%	72%	72%	62%	Anheuser-Busch InBev NV	ABI BB	
	Brahma (BRAZIL)	35%	21%	23%	46%	43%	42%	Anheuser-Busch InBev NV	ABI BB	
	Antarctica (BRAZIL)	19%	22%	18%	10%	11%	43%	Ambev PN	AMBV4	
	Nova Schin (BRAZIL)	22%	17%	55%	5%	7%	6%	Brasil Kirin	Private	
	Itaipava (BRAZIL)	15%	18%	24%	27%	18%	29%	Grup Petropolis Ltda.	Private	
	Baltika (RUSSIA)	39%	21%	28%	18%	7%	22%	Carlsberg Group	CARL A	
	Zhigulevskoe (RUSSIA)	27%	26%	21%	6%	5%	23%	Carlsberg Group	CARL A	
	Haywards (INDIA)	5%	23%	34%	4%	19%	18%	SABMiller	SAB LN	
	Kingfisher (INDIA)	77%	78%	84%	70%	56%	62%	United Breweries Ltd	UBBL IN	
	Tuborg (TURKEY)	-	0%	22%	-	0%	43%	Turk Tuborg Bira ve Malt Sanayii A.S.	TBORG TI	
	Efes Pilsen (TURKEY)	-	90%	84%	-	45%	70%	Anadolu Efes	AEFES TI	
	Budweiser (CHINA)	7%	3%	6%	32%	24%	31%	Anheuser-Busch InBev NV	ABI BB	
	Tsingtao (CHINA)	37%	39%	40%	40%	50%	51%	Tsingtao Brewery Co.	168 HK	
	Yanjing (CHINA)	37%	18%	22%	28%	26%	25%	Beijing Yanjing Brewery	State	
	Snow (CHINA)	37%	49%	44%	35%	31%	39%	SABMiller/China Resources Enterprise	State	
	Amstel (SOUTH AFRICA)	-	-	7%	-	-	43%	Heineken	HEIA NA	
	Castle Lager (SOUTH AFRICA)	-	-	31%	-	-	56%	SABMiller	SAB LN	
Spirits	Johnnie Walker (BRAZIL)	28%	4%	10%	33%	31%	45%	Diageo plc	DGE LN	
	Absolut (BRAZIL)	2%	5%	7%	5%	9%	25%	Pernod Ricard	RI FP	
	Barcardi (BRAZIL)	1%	7%	8%	3%	18%	12%	Bacardi Limited	Private	
	5 Ozer (RUSSIA)	10%	10%	19%	13%	14%	31%	Alcohol Siberian Group, Inc	Private	
	Putinka (RUSSIA)	4%	6%	9%	9%	9%	11%	Moscow Distillery Cristall	State	
	Mc'Dowells No.1 (INDIA)	17%	39%	22%	55%	19%	13%	United Breweries Ltd	UBBL IN	
	Royal Stag (INDIA)	38%	4%	14%	8%	16%	18%	Pernod Ricard	RI FP	
	Absolut (TURKEY)	-	26%	18%	-	8%	41%	Pernod Ricard	RI FP	
	Jack Daniels (TURKEY)	-	14%	18%	-	20%	41%	Brown-Forman Corporation	BF/A US	
	Binboa (TURKEY)	-	14%	13%	-	6%	33%	Diageo plc	DGE LN	
	J&B (SOUTH AFRICA)	-	-	13%	-	-	28%	Diageo plc	DGE LN	
	Jack Daniels (SOUTH AFRICA)	-	-	10%	-	-	24%	Brown-Forman Corporation	BF/A US	
Bottled water	Bonafont (BRAZIL)	3%	6%	26%	16%	29%	18%	Groupe Danone	BN FP	
	Aqua Minerale (RUSSIA)	28%	23%	22%	39%	39%	34%	PepsiCo Inc.	PEP US	
	Aquafine (INDIA)	32%	34%	43%	32%	53%	34%	PepsiCo Inc.	PEP US	
	Nestle (SAUDI ARABIA)	33%	26%	31%	41%	33%	42%	Nestle S.A	NESN VX	

Figure 25

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			Parent company (if applicable)	Listed/ Private
		2010	2011	2012	2010	2011	2012		
Autos	Fiat (BRAZIL)	40%	26%	48%	26%	19%	32%	Fiat S.p.A.	F IM
	Volkswagen (BRAZIL)	30%	16%	18%	29%	13%	18%	Volkswagen AG	VOW3 GY
	Ford (BRAZIL)	12%	10%	9%	3%	22%	10%	Ford Motor Company	F US
	GM (BRAZIL)	15%	13%	7%	17%	12%	8%	General Motors Co	GM US
	Lada/VAZ/Zhiguli (RUSSIA)	32%	45%	24%	12%	8%	21%	Renault SA	RNO FP
	Honda (INDIA)	0%	0%	0%	2%	5%	4%	Honda Motor Co Ltd	HMC US
	Hyundai (INDIA)	4%	17%	26%	15%	12%	18%	Hyundai Motor Co	005380 KS
	Maruti Suzuki (INDIA)	71%	56%	64%	46%	37%	43%	Maruti Suzuki India Ltd	MSIL IN
	TATA (INDIA)	0%	4%	5%	16%	13%	9%	Tata Motors Ltd	TTM US
	Daihatsu (INDONESIA)	8%	17%	0%	37%	17%	8%	Daihatsu Motor Co., Ltd.	7262 JP
	Maruti Suzuki (INDONESIA)	19%	0%	11%	37%	42%	43%	Maruti Suzuki India Ltd	MSIL IN
	Toyota (INDONESIA)	11%	28%	11%	23%	8%	17%	Toyota Motor Corporation	7203 JP
	Ford (SAUDI ARABIA)	11%	8%	8%	13%	11%	13%	Ford Motor Company	F US
	Toyota (SAUDI ARABIA)	34%	22%	36%	27%	20%	31%	Toyota Motor Corporation	7203 JP
	Fiat (TURKEY)	-	18%	15%	-	3%	11%	Fiat S.p.A.	F IM
	Renault (TURKEY)	-	21%	19%	-	15%	8%	Renault S.A.	RNO FP
	Honda (CHINA)	11%	4%	0%	13%	11%	9%	Honda Motor Co Ltd	HMC US
Hyundai (CHINA)	2%	7%	19%	4%	4%	11%	Hyundai Motor Co	005380 KS	
Volkswagen (CHINA)	9%	25%	21%	12%	17%	20%	Volkswagen AG	VOW3 GY	
Toyota (SOUTH AFRICA)	-	-	14%	-	-	24%	Toyota Motor Corporation	7203 JP	
Cosmetics	Dove (BRAZIL)	33%	19%	15%	40%	36%	38%	Unilever	ULVR
	Natura (BRAZIL)	32%	45%	44%	54%	59%	69%	Natura Cosméticos SA	NATU3 BZ
	Oriflame (RUSSIA)	28%	33%	28%	16%	4%	9%	Oriflame Cosmetics S.A.	ORI SS
	L'oreal (RUSSIA)	5%	4%	13%	12%	8%	17%	L'Oreal SA	OR FP
	Avon (RUSSIA)	18%	37%	16%	12%	5%	8%	Avon Products	AVP
	Fair & Lovely (INDIA)	52%	30%	30%	44%	29%	46%	Hindustan Unilever Limited	HUVR IN
	Garnier (INDIA)	6%	12%	7%	12%	15%	20%	L'Oreal SA	OR FP
	Dove (SAUDI ARABIA)	39%	50%	49%	48%	70%	56%	Unilever	ULVR LN
	Nivea (SAUDI ARABIA)	33%	19%	35%	29%	26%	33%	Beiersdorf AG	BEI GR
	Avon (TURKEY)	-	42%	36%	-	59%	29%	Avon Products	AVP US
	Nivea (TURKEY)	-	25%	23%	-	11%	22%	Beiersdorf AG	BEI GR
	L'oreal (CHINA)	13%	10%	11%	30%	18%	27%	L'Oreal SA	OR FP
	Dabao (CHINA)	23%	18%	24%	7%	15%	13%	Johnson & Johnson	JNJ US
Dove (SOUTH AFRICA)	-	-	38%	-	-	35%	Unilever	ULVR LN	
Fashion	Hering (BRAZIL)	3%	2%	11%	13%	27%	31%	Cia. Hering	HGTX3 BZ
	C & A Marisa (BRAZIL)	49%	27%	65%	25%	19%	42%	Marisa Lojas SA	AMAR3
	Renner (BRAZIL)	19%	14%	20%	27%	22%	32%	Lojas Renner	LREN3
	Bata (INDIA)	26%	21%	7%	43%	24%	16%	Bata India Ltd	BATA IN
	Polo Ralph Lauren (INDONESIA)	0%	4%	2%	17%	6%	12%	Ralph Lauren Corporation	RL
	Burberry (SAUDI ARABIA)	2%	4%	7%	5%	13%	7%	Burberry	BRBY LN
	Givenchy (SAUDI ARABIA)	3%	8%	7%	3%	16%	13%	LVMH	LVMH
	H&M (SAUDI ARABIA)	6%	8%	8%	13%	7%	11%	Hennes & Mauritz AB	HM B
	Zara (TURKEY)	-	7%	8%	-	13%	31%	Inditex	IDEXY US
	Calvin Klein (SOUTH AFRICA)	-	-	9%	-	-	17%	PVH Corp	PVH US
Guess (SOUTH AFRICA)	-	-	7%	-	-	17%	Guess	GES US	
Sportswear	Adidas (INDIA)	13%	18%	15%	33%	33%	30%	Adidas AG	ADS GY
	Reebok (INDIA)	7%	24%	15%	30%	33%	26%	Adidas AG	ADS GY
	Nike (TURKEY)	-	28%	26%	-	31%	45%	Nike, Inc	NKE US
	Nike (CHINA)	18%	13%	15%	36%	34%	38%	Nike, Inc	NKE US
	Adidas (SOUTH AFRICA)	-	-	44%	-	-	33%	Adidas AG	ADS GY
	Puma (SOUTH AFRICA)	-	-	30%	-	-	15%	PPR	PP FP
TV/Computers/Internet/Telecoms	Motorola (BRAZIL)	16%	17%	13%	37%	19%	12%	Google	GOOG
	Nokia (BRAZIL)	35%	33%	55%	25%	28%	28%	Nokia Corporation	NOK
	Samsung (BRAZIL)	12%	19%	16%	20%	22%	32%	Samsung Group	SMSD LI
	Samsung (INDIA)	9%	9%	21%	10%	17%	28%	Samsung Group	SMSD LI
	Blackberry (INDONESIA)	0%	1%	2%	0%	31%	22%	Research In Motion Limited	RIMM US
	Apple (SAUDI ARABIA)	0%	4%	10%	4%	9%	30%	Apple Inc.	AAPL US
	Blackberry (SAUDI ARABIA)	7%	23%	28%	13%	33%	31%	Research In Motion Limited	RIMM US
	Nokia (SAUDI ARABIA)	82%	52%	36%	73%	36%	15%	Nokia Corporation	NOK1V FH
	Apple (TURKEY)	-	1%	4%	-	8%	15%	Apple Inc.	AAPL US
	Apple (CHINA)	1%	2%	1%	4%	6%	15%	Apple Inc.	AAPL US
	Samsung (CHINA)	10%	11%	12%	15%	10%	21%	Samsung Group	SMSD LI
Nokia (SOUTH AFRICA)	-	-	49%	-	-	30%	Nokia Corporation	NOK1V FH	
Handsets	LG (INDIA)	12%	48%	14%	49%	13%	29%	LG Corp.	066570 KS
	Acer (INDONESIA)	73%	34%	22%	67%	38%	37%	Acer Inc.	ACID LI
	LG (SAUDI ARABIA)	-	14%	27%	-	15%	34%	LG Corp.	0066570 KS
	Apple (CHINA)	5%	7%	31%	11%	29%	37%	Apple Inc.	AAPL US
	Lenovo (CHINA)	24%	34%	21%	18%	25%	16%	Lenovo Group Limited	992 HK
	DELL (SOUTH AFRICA)	-	-	18%	-	-	14%	Dell Inc.	DELL US

■ Brazil ■ Russia ■ India ■ Indonesia ■ Saudi Arabia ■ China ■ South Africa ■ Turkey

Credit Suisse Emerging Consumer Survey 2013

Number of respondents: 14,204

Across 8 countries

70% in urban areas; 30% in rural areas

TURKEY (11%*)

GDP	USD 783.1 bn
Consumption	USD 547.4 bn (70%)
GDP growth (2012E)	1.1%

BRAZIL (11%*)

GDP	USD 2,425.1 bn
Consumption	USD 1,486.6 bn (61%)
GDP growth (2012E)	-2.7%

Note:

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

SAUDI ARABIA (11%*)

GDP	USD 657.0 bn
Consumption	USD 202.4 bn (31%)
GDP growth (2012E)	10%

INDIA (18%*)

GDP	USD 1,946.8 bn
Consumption	USD 1,082.4 bn (56%)
GDP growth (2012E)	6.6%

RUSSIA (11%*)

GDP	USD 1,953.6 bn
Consumption	USD 990.5 bn (51%)
GDP growth (2012E)	5.6%

CHINA (18%*)

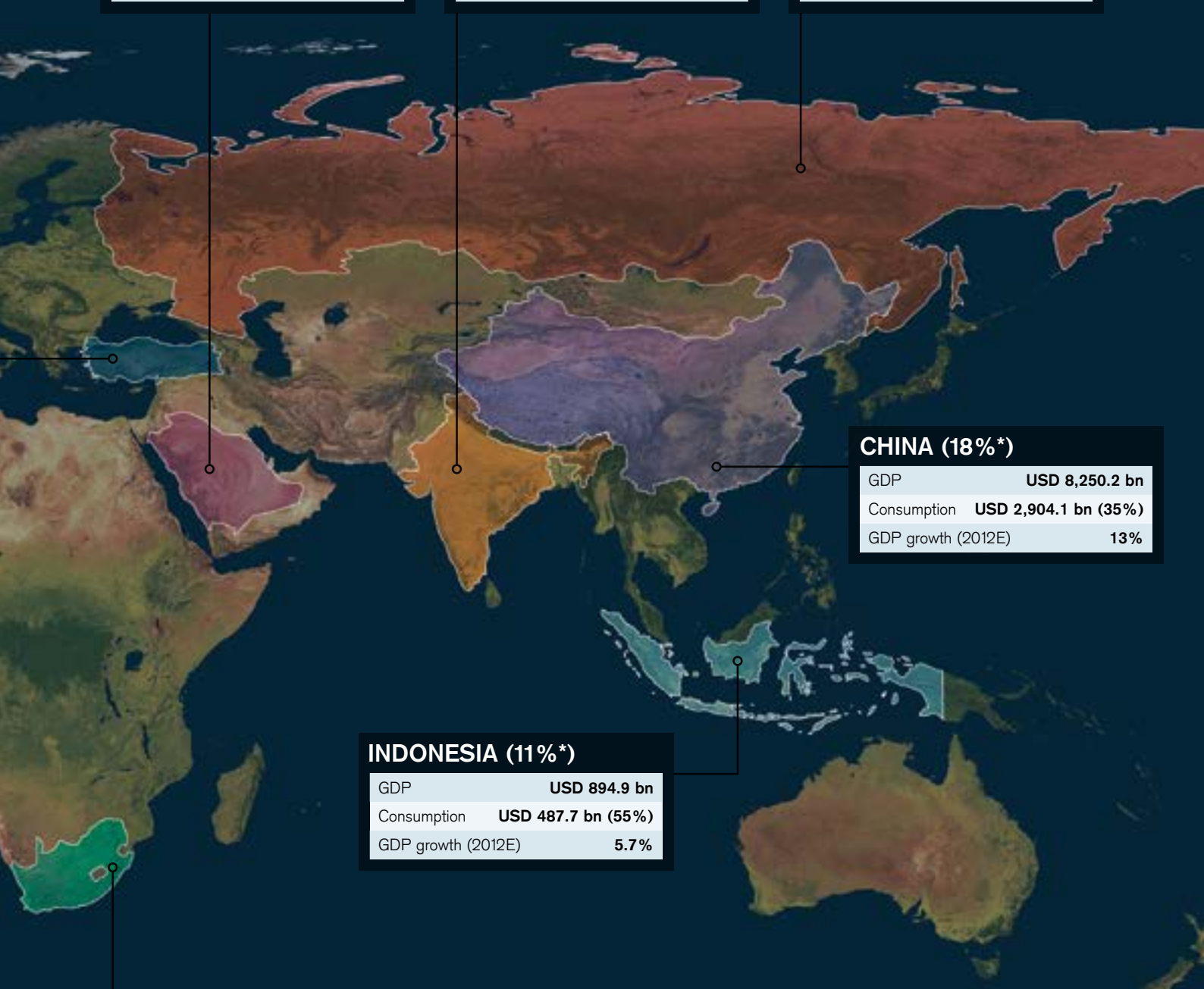
GDP	USD 8,250.2 bn
Consumption	USD 2,904.1 bn (35%)
GDP growth (2012E)	13%

INDONESIA (11%*)

GDP	USD 894.9 bn
Consumption	USD 487.7 bn (55%)
GDP growth (2012E)	5.7%

SOUTH AFRICA (11%*)

GDP	USD 390.9 bn
Consumption	USD 231.8 bn (59%)
GDP growth (2012E)	-4.3%



Brazil

The beat goes on

The Brazilian consumer is and remains the most optimistic in our survey, with a net balance of close to 68% of income-weighted respondents seeing their personal finances likely to improve in the next six months. Moreover, this optimism has increased since our last survey in a relatively broad-based fashion.

This might be surprising given a slower growth performance in Brazil in 2012. However, it has been less a feature of the personal sector, where the labor market has remained healthy and fiscal initiatives have been targeted to support consumption, and monetary policy to stimulate credit growth.

This breadth of optimism is another feature that distinguishes Brazil, as we saw earlier on. High income and low income consumers alike display confidence in the future in a way that, for example, the other major BRIC (Brazil, Russia, India and China) economy India fails to do. Backing both the level and spread of confidence are expectations of

income growth expressed by consumers. While this may prove too optimistic, a range of 8%–12% income growth serves as a backdrop to their thinking.

In previous reports, we have highlighted that the spending patterns of the Brazilian consumer center around discretionary spending with less of a focus on savings. While responses to the latter have increased in this survey, they are still well below the average for the survey and strikingly so when contrasted with the larger economies, such as China and India. This is equally mirrored in their appetite for credit, where the use of credit in property and car purchases can be shown to be the highest. 13% of respondents indicated that their property had been an “all credit” purchase and 28% expected it to be the means of financing the next – by far the highest of the larger countries. Car purchases are a similar story.

The focus on discretionary items is typical of the categories of spending

Emerging Consumer Survey 2013

Number of respondents: 1,500

Across 5 geographic locations

70% in urban areas; 30% in rural areas

showing the greatest momentum – technology, fashion and spirits. Growth in staple products is less impressive. The growth in internet penetration stands out, having risen from 56% to 76% in the last two years. Importantly, this is across the income scale. This has underpinned growth in computing. We would expect penetration in smartphones to similarly accelerate.

For fear of leaving the impression that the Brazilian consumer is purely focused on more material items, we would flag that healthcare and education represent a higher-than-average share of typical spending. Essentially, there is a focus on both services and goods – a longer and structural theme in our research.



Figure 26

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 2,425.1 billion
GDP per capita (2012)	USD 12,340
Population (2012)	196.53 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 (2012E)	5.2%
Average inflation (2013E)	4.9%
Real GDP growth (2012E)	1.5%
Real GDP growth (2013E)	4.0%
Real private consumption growth (2012E)	2.95%
Real private consumption growth (2013E)	4.33%
Consumption as a % of GDP (2012)	61.3%

Figure 27

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

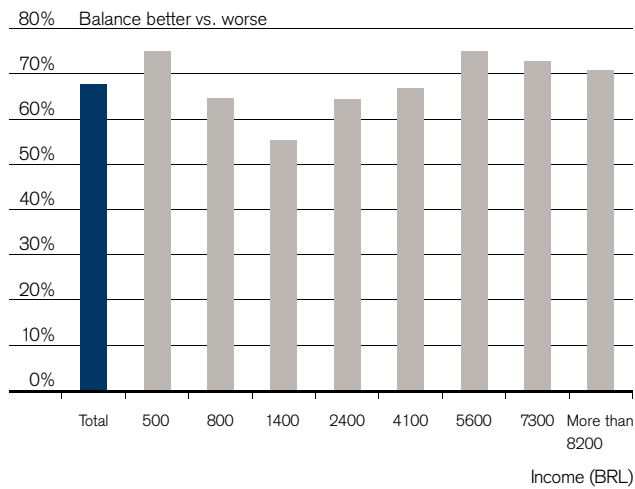


Figure 28

Personal finances – 2012 versus 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

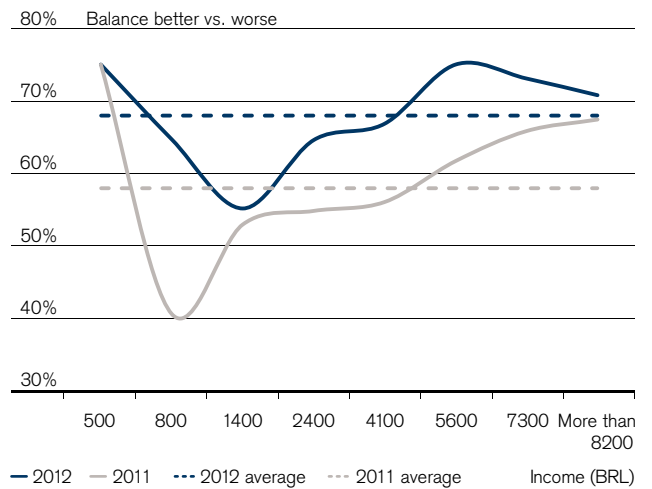


Figure 29

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

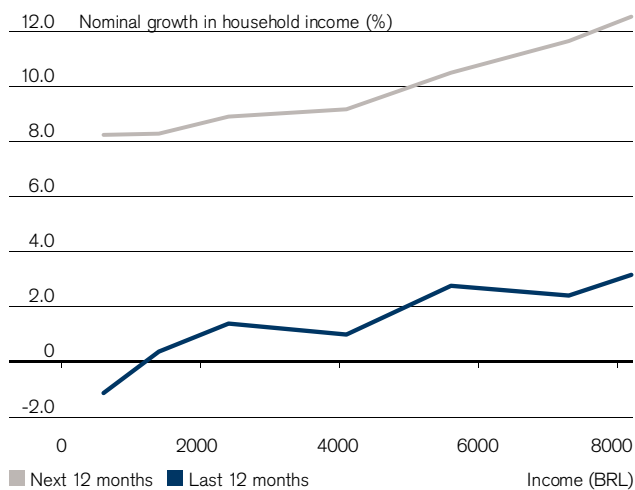


Figure 30

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

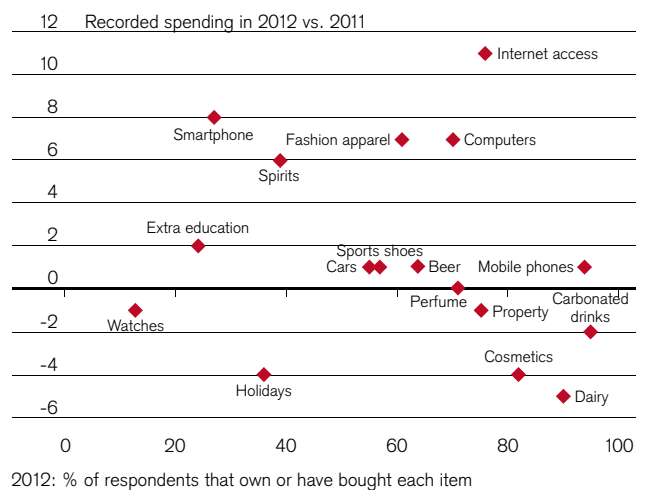


Figure 31

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

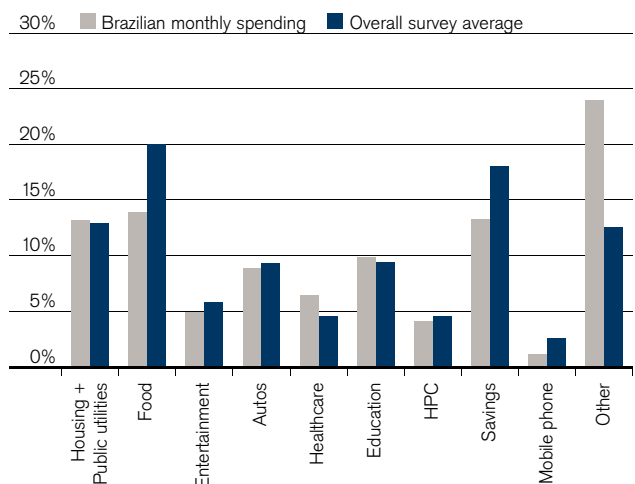
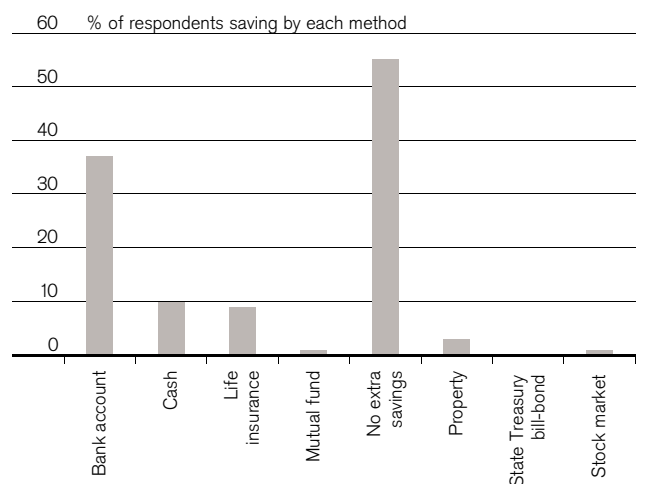


Figure 32

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



China

An educated consumer

Optimism among consumers in China has remained relatively robust. This may come as a surprise given the performance of the economy, its stock market and the political transition. However, this story reflects an uplift in sentiment in the low income brackets rather than a major change of outlook among the richest of consumers.

The weighted net balance of respondents expecting an improvement versus deterioration in their financial circumstances increased from 37% to 43%. However, Figure 35 highlights the substantial change in fortunes among the poorer consumer, with net responses increasing by 10%–20%. This would of course tie in with the initiatives flowing from the Five Year Plan to boost real incomes among the poor.

However, this is not to say that the fortunes of higher income earners have gone into reverse. Household income is estimated as having grown at 4%–5% and expected by the same consumers to

be closer to 6%–7% looking forward. In this regard, the disparity of incomes focused on by policymakers is not disappearing in a hurry.

In terms of the allocation of income, one feature remains unchanged and that is the attitude toward savings, which still represents an overwhelming home for income, with around a third of income recorded as heading for savings. Only Saudi Arabia comes to close to this.

The manner in which the Chinese consumer saves and how this has changed this year is notable. The role of the stock market gains plenty of focus, though beyond the highest income brackets, direct investment represents a modest role in savings in the wider population. It has also fallen substantially among high income brackets since 2010. In contrast, life products have seen substantial growth, with 23% of respondents registering that they have bought a policy – almost double last

Emerging Consumer Survey 2013

Number of respondents: 2,550

Across 5 geographic locations

70% in urban areas; 30% in rural areas

year's level. This has been a phenomenon across the income scale, if more so at the high end.

There are two themes apparent in terms of spending (rather than saving) – technology and education. The increase in spending on smartphones is stronger than in any country in the survey, with numbers showing purchases up 18% versus a year ago. Moreover, the level of ownership and internet penetration suggests further scope for growth. Spending on education runs closely behind with a 13% increase. While a perception of conspicuous consumption is often associated with the Chinese consumer, the reality is a “smart consumer” who is increasingly well educated and technologically advanced.



Figure 33

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 8250.2 billion
GDP per capita (2012)	USD 6,094
Population (2012)	1.35 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 (2012E)	3.0 %
Average inflation (2013E)	3.0 %
Real GDP growth (2012E)	7.8 %
Real GDP growth (2013E)	8.2 %
Real private consumption growth (2012E)	8.38 %
Real private consumption growth (2013E)	9.34 %
Consumption as a % of GDP (2012)	35.2 %

Figure 34
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

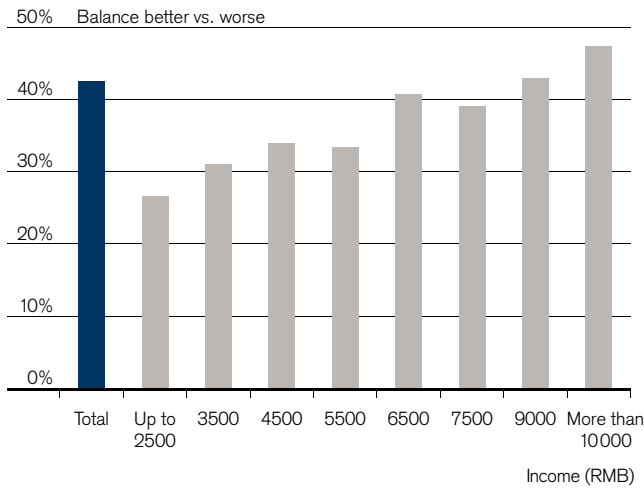


Figure 35
Personal finances – 2012 versus 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

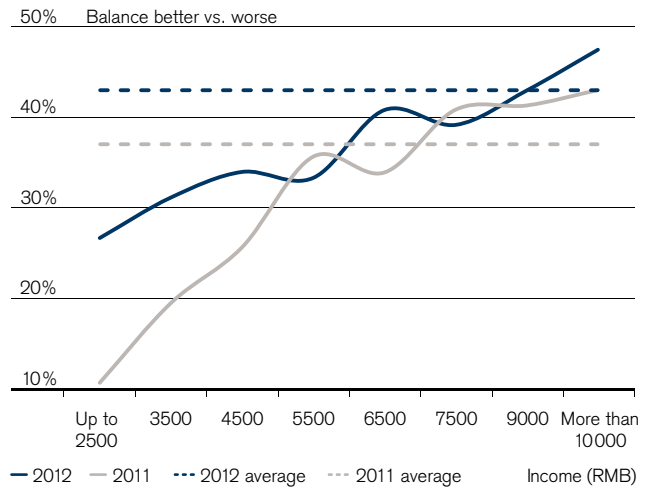


Figure 36
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

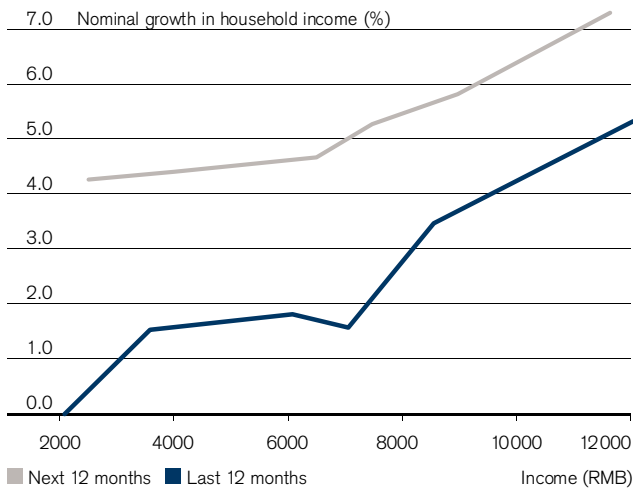


Figure 37
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

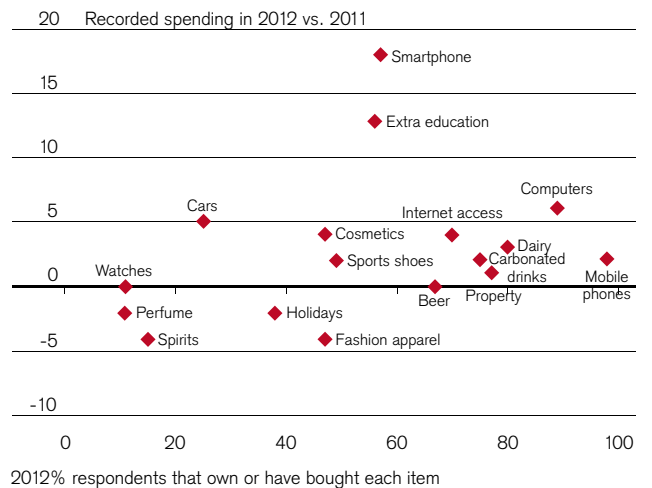


Figure 38
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

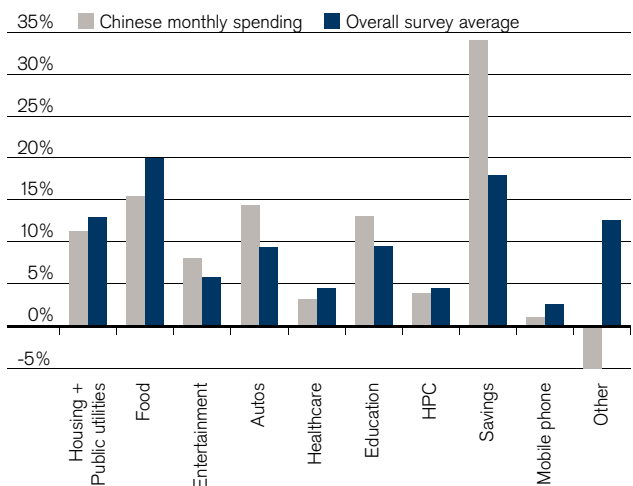
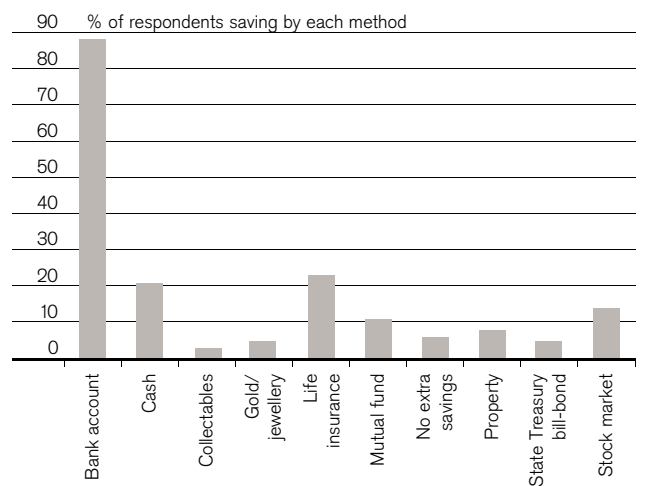


Figure 39
Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



India

A sum of different parts

Our overall barometer of optimism for India is relatively robust, though it represents the sum of very different parts with the outlook seen among the wealthy not shared among the poor. For the survey as a whole, the net balance of consumers expecting their personal finances to improve rather than deteriorate stands at a healthy 38%, though slightly lower than 42% last year. However, as Figure 43 highlights, there has been a sharp decline among the poorest. The broader, if not uniform, levels of optimism we see across the income scale in Brazil and China is not reflected here. Its profile is more like Russia than these other members of the BRIC community.

These contrasting perceptions of fortunes across the income scale seem somewhat out of step with some of the recorded data for growing rural incomes and related government initiatives. It may well be that the latter have yet to shift perceptions decisively. A key feature that stands out in terms of the behavior of

Indian consumers relative to other countries is a high absolute and relative allocation of income to education, representing 12% of monthly income in our survey. This is not a new feature from last year, though the momentum behind education spending continues to increase publicly (supported by various government initiatives) and privately. If one examines the responses for spending on education in its broadest sense, the amount saying they will spend more rather than less is twice the level of a year ago.

In discretionary categories, momentum in spending appears quite lackluster when compared to other countries. In fact, no category has seen increases in recorded spending of over five percentage points. The technology story is cast in a very different light. The low levels of internet penetration (though up from a year ago) look to have hampered the technology story seen elsewhere. India is the only country in our survey to see fewer respondents referring to buying a

Emerging Consumer Survey 2013

Number of respondents: 2,602

Across 10 geographic locations

70% in urban areas; 30% in rural areas

smartphone compared to last year's reading. If we look at the relative priorities of the consumers, there is an additional notable difference, cultural or otherwise, in that watches and jewelry rank highly. The latter may be more implicit saving than simple consumption. In fact, saving continues to make up a high proportion of income, second to food. This has proven to be a consistent theme, though two features seem notable in terms of savings channels – an increase in responses on gold and jewelry (backing up the above point) and property. Property investment continues to be supported by aggressive promotion and the offering of home loans by the banks. Expectations for the direction of property prices in the survey are uniformly positive.



Figure 40

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 1,946.8 billion
GDP per capita (2012)	USD 1,591
Population (2012)	1.22 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 (2012E)	10.3%
Average inflation (2013E)	9.6%
Real GDP growth (2012E)	4.9%
Real GDP growth (2013E)	6.0%
Real private consumption growth (2012E)	4.13%
Real private consumption growth (2013E)	6.46%
Consumption as a % of GDP (2012)	55.6%

Figure 41

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

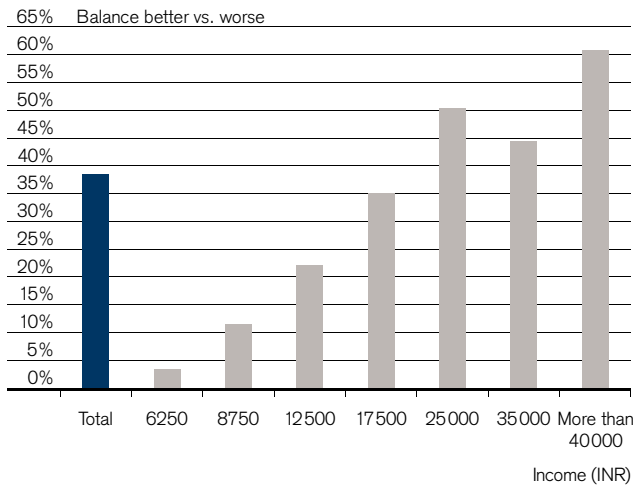


Figure 42

Personal finances – 2012 versus 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

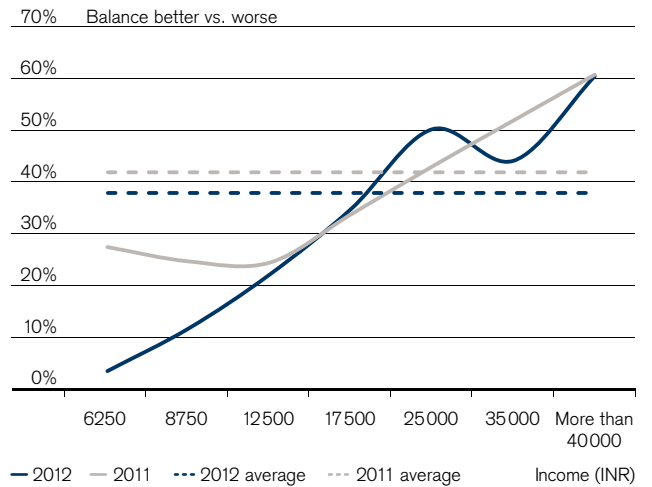


Figure 43

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

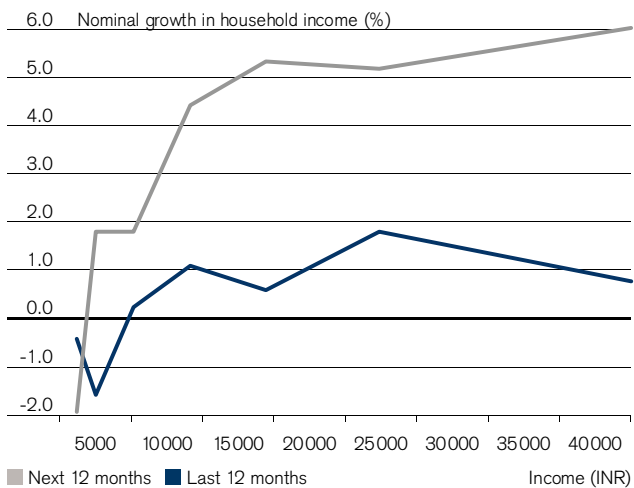


Figure 44

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

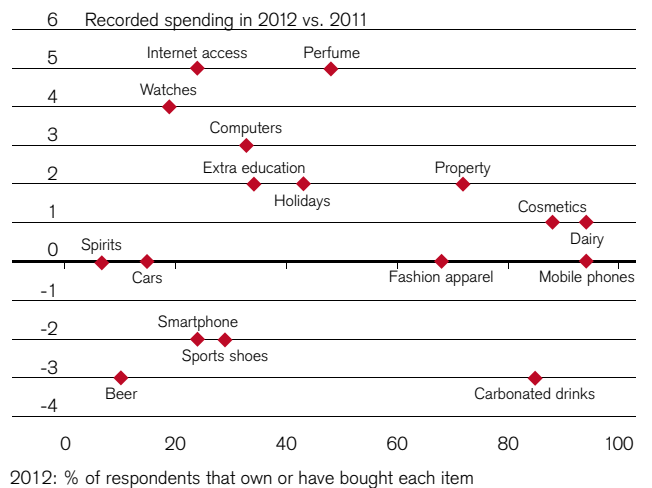


Figure 45

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

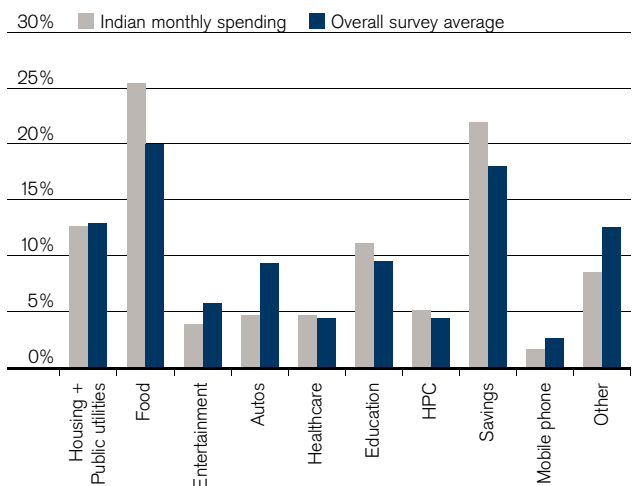
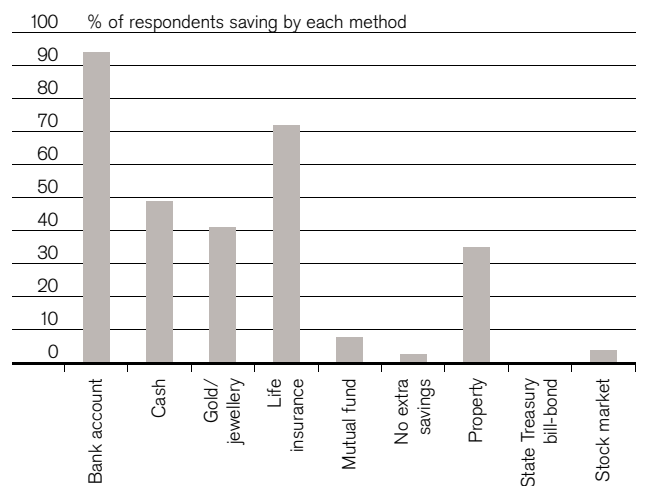


Figure 46

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Indonesia

BRIC becoming BIIC?

Confidence among Indonesian consumers has increased in our survey, continuing the steady improvement we saw in 2011. With a weighted-average net balance of 43% expecting their personal finances to improve in the next six months, consumers' optimism comes only second to Brazil in the survey. As we flagged last year, Indonesia increasingly displays more characteristics of a rapidly growing BRIC/emerging consumer story than Russia – with a population twice the size and better demographics.

While the improvement in overall optimism is notable, arguably more significant is the nature of the improvement and what represents a marked change from last year. The increase is typified among low/middle income earners as Figure 49 displays, with in fact higher income earners less positive. Of course, by number, far more Indonesians reside in the lower bracket. A backdrop to this has been the 10% increase in the mini-

mum wages across the provinces, ranging from 3% to 19% versus 2011. This doubtless shapes the income expectations looking forward in Figure 48.

The role of food prices is always an important issue in an emerging economy. It is no more relevant than in Indonesia, with around 30% of the household budget consumed by food. 2012 has seen more moderate food price inflation than in 2011, which, while perhaps less helpful for farmers, does ease the burden on consumer incomes more generally and we would again believe has helped optimism among low income earners.

The combined effect of enhanced incomes and lower food prices has more than likely driven a substantial increase in spending on more discretionary items. Spending on fashion apparel is recorded as having increased by close to 25% and holidays by 15%. In contrast, the more staple spending on an item such as dairy declined.

Emerging Consumer Survey 2013

Number of respondents: 1,531

Across 10 geographic locations

66 % in urban areas; 34 % in rural areas

Technology has been a theme across the survey, though, in Indonesia, low internet penetration hampers growth in computers and smartphones. This offers long-term potential, but the nearer-term story lies more in conventional mobile phones.

Finally, as one might expect, the proportion of income saved in a low income economy is relatively low. However, we note that it has risen slightly from last year. This is also reflected in the increase of around 5% in respondents registering that they have a bank account and a fall of around 15% in those suggesting they have no extra money for savings. All things being equal, this should bode well for retail banking.



Figure 47

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 894.9 billion
GDP per capita (2012)	USD 3,660
Population (2012)	244.5 million
Geographical area	1.90 million km ²
Number of cities (in excess of 2 million people)	5
Gini coefficient (2009)	39.4
Average inflation (2012E)	4.4 %
Average inflation (2013E)	5.1 %
Real GDP growth (2012E)	6.0 %
Real GDP growth (2013E)	6.3 %
Real private consumption growth (2012E)	5.39 %
Real private consumption growth (2013E)	5.61 %
Consumption as a % of GDP (2012)	54.5 %

Figure 48
State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

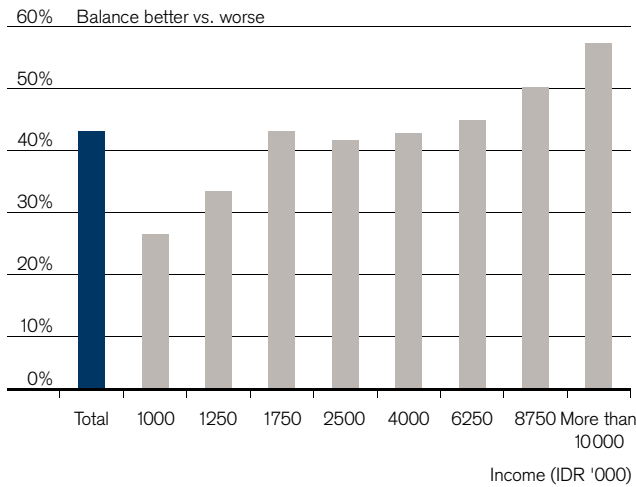


Figure 49
Personal finances – 2012 versus 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

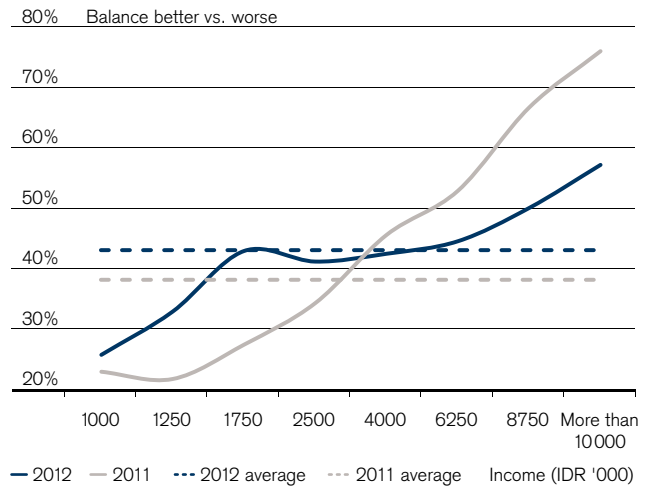


Figure 50
Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

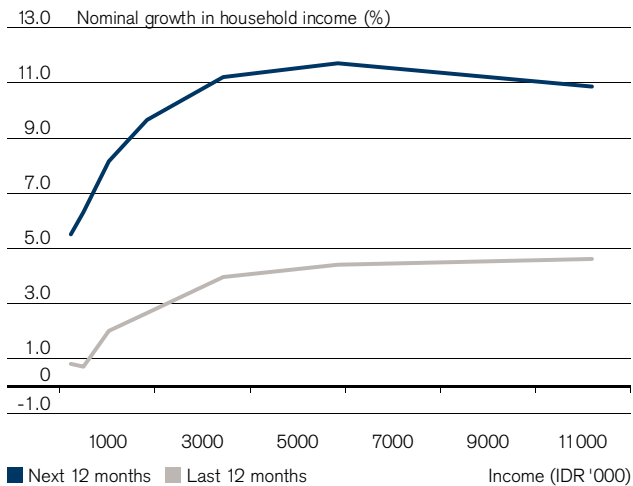


Figure 51
Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

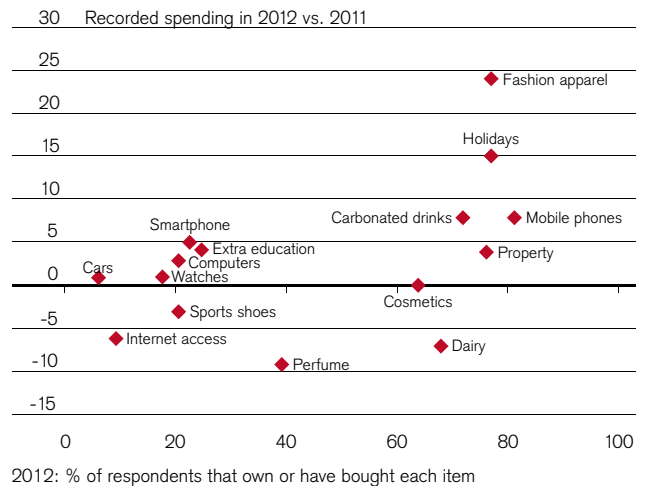


Figure 52
Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

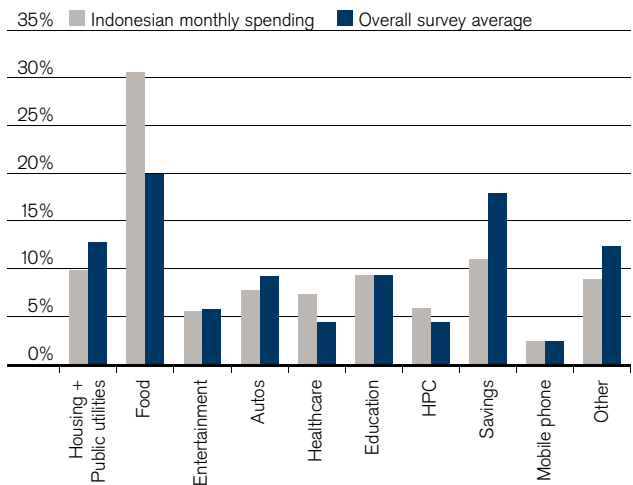
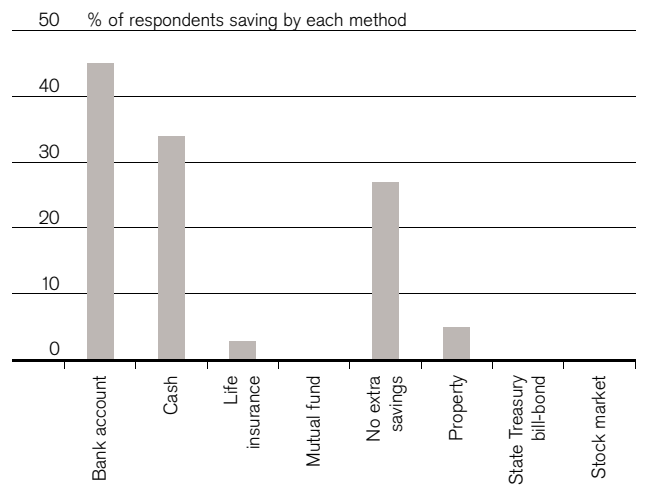


Figure 53
Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Russia

The poor BRIC relation

While being part of the BRIC acronym, Russia displays few of the characteristics common to the others. Optimism is far lower, income growth poorer and there is a far greater disparity between the expectations of the rich and poorer respondents.

The net percentage expecting an improvement versus a deterioration in their financial conditions has fallen again in 2012 from 20% to 16%. To put this in the context of other BRIC countries, Brazil stands at 68%. The decline has been fairly uniform across the income scale also from a starting point of considerable disparity in expectations.

Income growth expectations are very modest by the standards of the survey. Even though there may be over-optimism expressed in a number of these countries, income growth expectations peaking at 2.5% in Russia compare to double that in Brazil and twice that again in China and Indonesia (11%). Against this backdrop, one of the highest forecast inflation

rates in our survey (after India and Turkey) should render growth very much negative in real terms. As much as the growth in income, a major constraint for many consumers comes from the proportion of income that is devoted to food (close to 30%), with the survey average a far lower 20%. Every other specific category, except for entertainment, registers lower spending per month than average. Categories geared to the poor (e.g. carbonated drinks) are generally doing worse, while discretionary spending areas more typical of the rich are holding up well. The momentum in smartphones and internet access – which effectively go hand-in-hand – is stronger than any other category of spending.

Alcoholic consumption is still among the highest compared to other markets, specifically with spirits. However, the raft of measures aimed at curbing sales has clearly been effective with a 7% and 3% drop in beer and spirits, respectively. Introduced two years ago, the leg-

Emerging Consumer Survey 2013

Number of respondents: 1,500

Across 8 geographic locations

67% in urban areas; 33% in rural areas

islation will go further to restrict alcoholic sales from kiosks in 2013.

Finally, the under-penetration of sophisticated financial investments highlighted last year remains. Access to bank accounts has increased marginally, yet the use of other channels of investment – such as life insurance, mutual funds and the stock market – remains very elusive. The relatively high level of income does not, unfortunately, coincide with a high level of saving either (far less than the survey average). Russia though is a sum of very unequal parts in this respect as well as others. While savings behavior may seem primitive, the Credit Suisse Global Wealth Report 2012 highlighted that only China had more ultra high net worth individuals across emerging economies.



Figure 54

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 1,953.6 billion
GDP per capita (2012)	USD 13,765
Population (2012)	141.92 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 (2012E)	5.1 %
Average inflation (2013E)	6.6 %
Real GDP growth (2012E)	4.3 %
Real GDP growth (2013E)	4.1 %
Real private consumption growth (2012E)	6.24 %
Real private consumption growth (2013E)	4.86 %
Consumption as a % of GDP (2012)	50.7 %

Figure 55

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

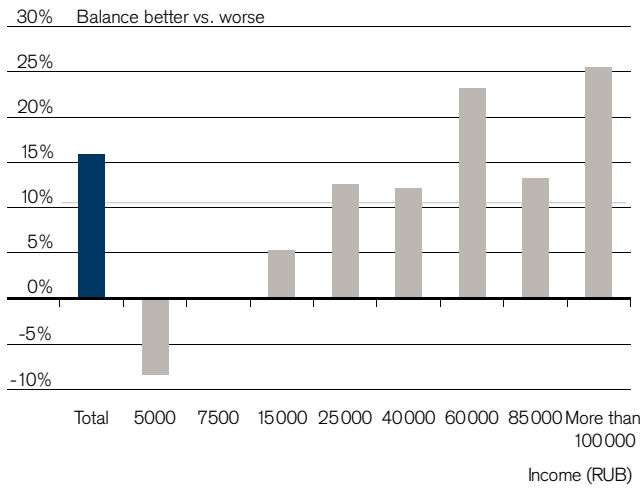


Figure 56

Personal finances – 2012 versus 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

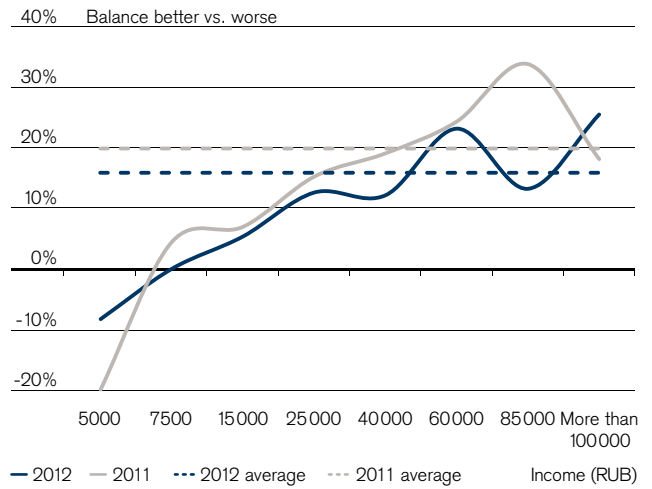


Figure 57

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

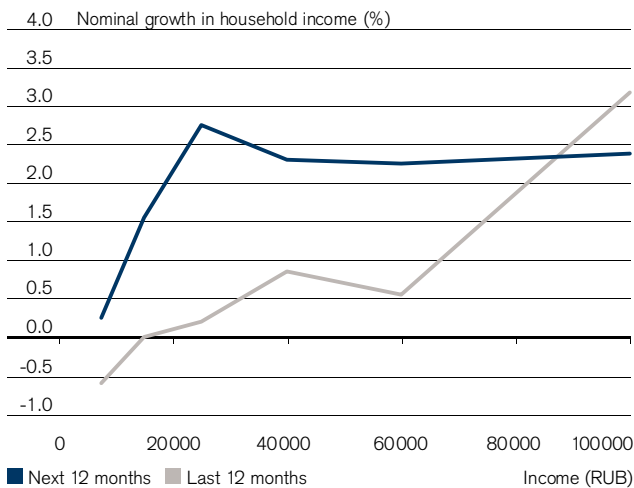


Figure 58

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

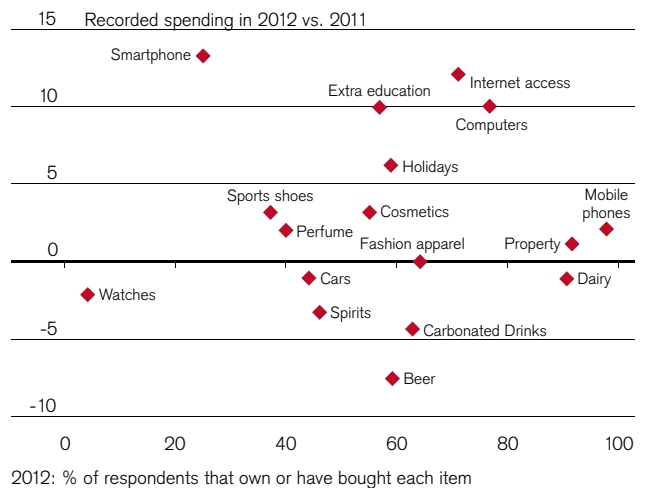


Figure 59

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

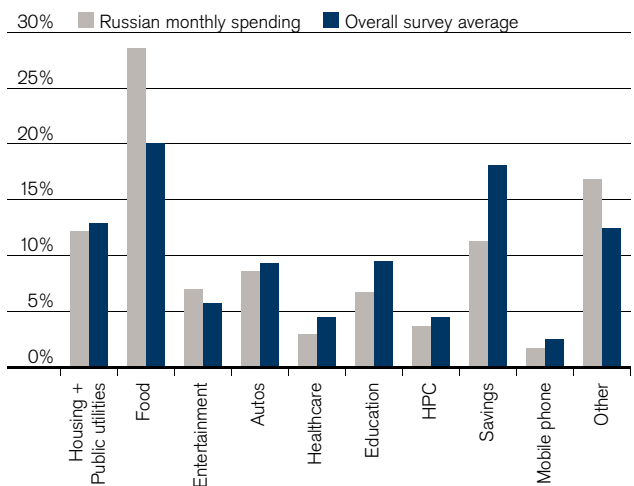
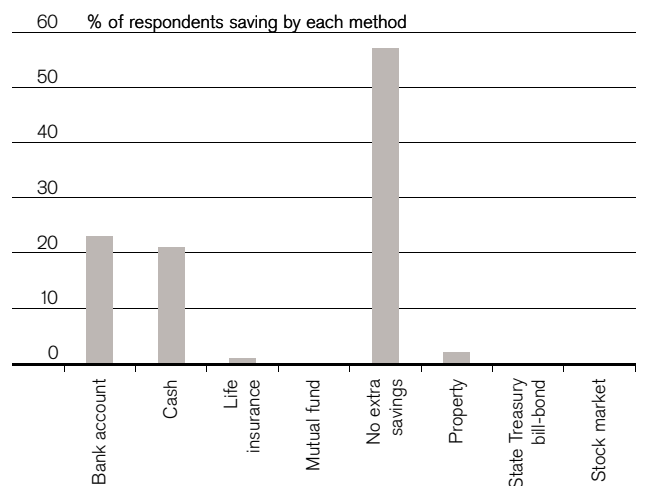


Figure 60

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Saudi Arabia

Contrasting fortunes

The Saudi Arabian consumer remains one of the most optimistic, with a net of 33% of respondents expecting to see improvements in the state of their personal finances. However, this optimism has slipped slightly from last year. More significantly, we have seen a reversal of what had been a rather broadly based level of optimism in 2011 to a more obvious contrast between expectations for the rich and poor. Optimism is among the highest in the survey, touching on 56% of respondents expecting a financial improvement for the richest before falling away to less than half of that and at worst negative among the poorest.

In 2011, we saw significant increases in public sector incomes, which provided the backdrop to the nature of the survey for Saudi Arabia. The minimum wage for government employees was nearly quadrupled – a figure matched in the private sector. This coincided with a range of job creation initiatives and other social provision. It not only contributed to a buoyant

consumer position, but notably also increased optimism among the lower and middle income earners. It appears as if the momentum has now declined and optimism has slipped in keeping with this.

This notwithstanding, the picture among low/middle incomes is still far superior to a number of other countries in the survey, such as Russia and South Africa. Incomes are expected to grow across the board and toward the high end of the experience elsewhere, though the pattern is of the rich becoming even richer given that incomes are expected to grow fastest where they are highest.

High growth in highly penetrated markets could suggest rapid replacement cycles. Against this backdrop, computers, smartphones, fashion apparel and perfumes stand out. In contrast, low ticket and essential spending such as food and dairy remain low. The implied saturation of the mobile market leaves this displaying limited growth and also offers little aspirational value. One oddity

Emerging Consumer Survey 2013

Number of respondents: 1,500

Across 14 geographic locations

89% in urban areas; 11% in rural areas

in the survey is the decline in the momentum of property spending. The surprise comes despite the enhanced access to credit as part of the 2011 reforms.

In our view, there remains a huge structural opportunity in the financial industry as the pool of savings deepens further and if it can be tapped effectively. The implied savings rate stands at around 30% of growing incomes, only a whisker away from the trend rate of savings in China. The focus remains predominantly on savings held in bank accounts (the bulk of which offer zero returns on deposits) or in cash itself. The numbers recording gold as a means of savings has increased by 5% from last year. More attractive investment products have a target market in Saudi Arabia.



Figure 61

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 657.0 billion
GDP per capita (2012)	USD 22,823
Population (2012)	28.79 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 (2012E)	4.9%
Average inflation (2013E)	4.6%
Real GDP growth (2012E)	6.0%
Real GDP growth (2013E)	4.2%
Real private consumption growth (2012E)	7.05%
Real private consumption growth (2013E)	5.21%
Consumption as a % of GDP (2012)	30.8%

Figure 62

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

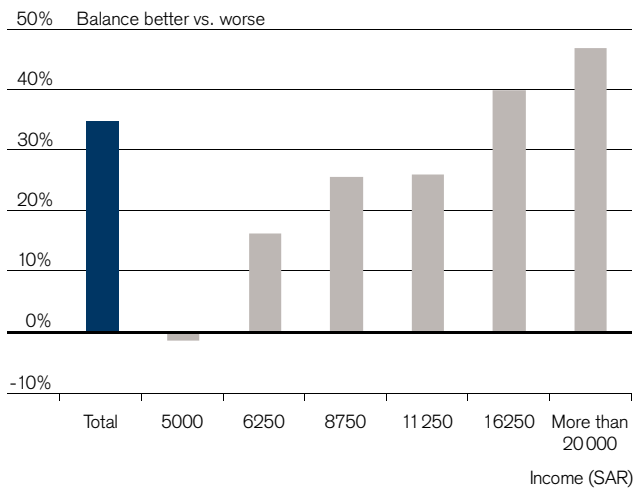


Figure 63

Personal finances – 2012 versus 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

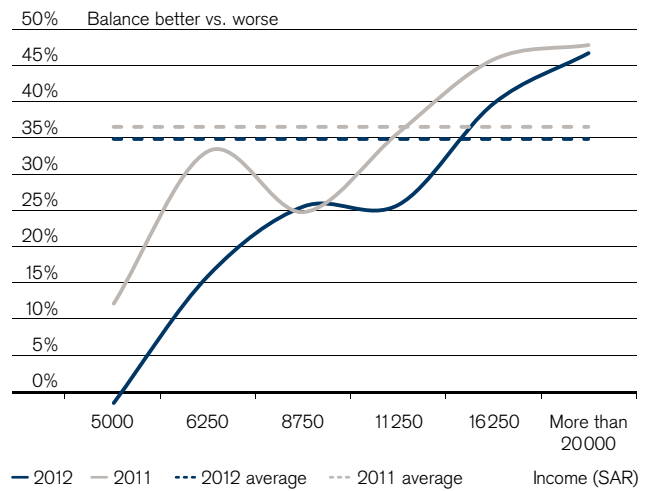


Figure 64

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

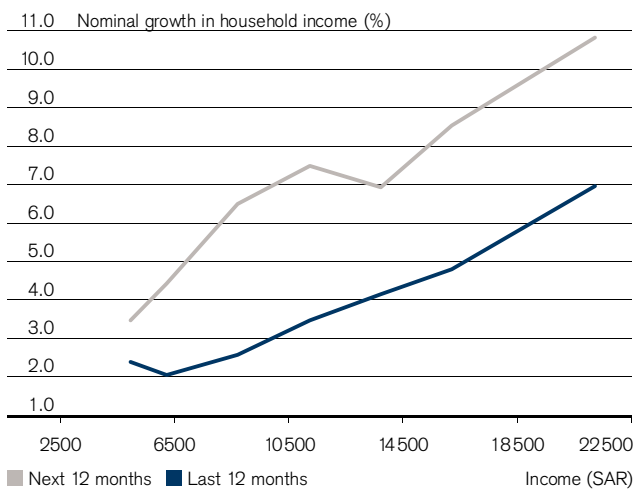


Figure 65

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

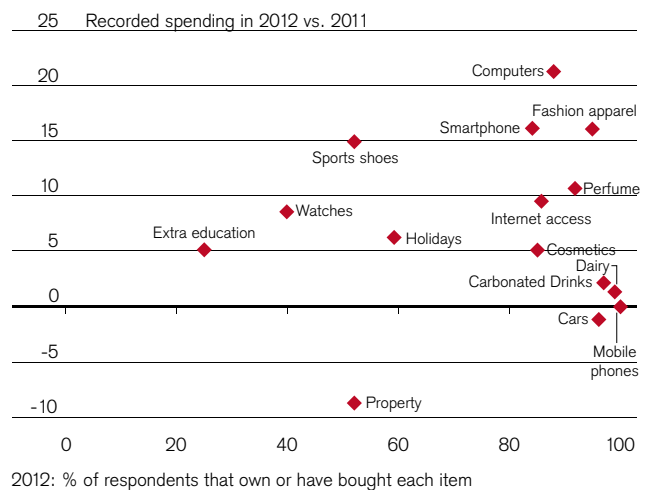


Figure 66

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

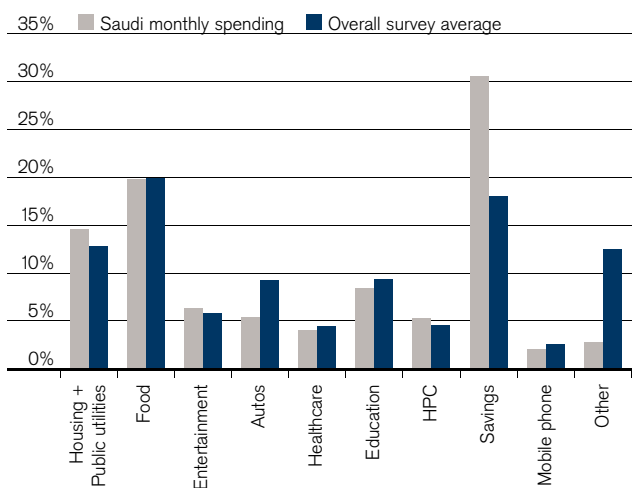
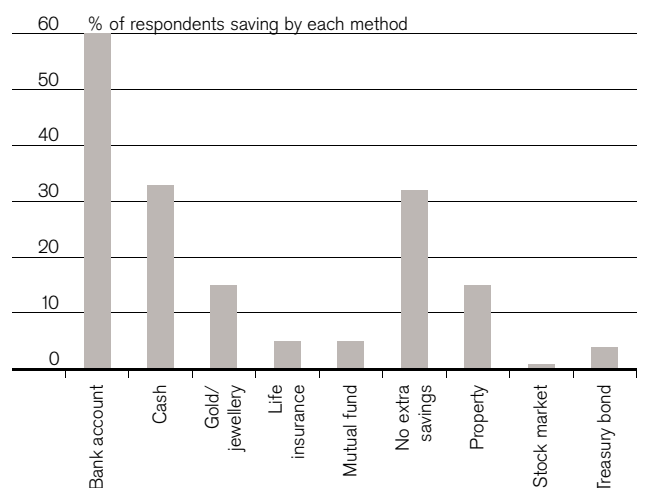


Figure 67

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



South Africa

Challenges and opportunities

South Africa is a new addition to the Credit Suisse Emerging Consumer Survey for 2013. Consumer optimism levels in South Africa fall toward the lower end of the survey spectrum. There is a pronounced degree of disparity in the outlook from the low income groups compared to the mid- and upper-income earners. Higher earners appear optimistic, with the highest expecting over 30% improvement, while low income earners are consistently the most pessimistic in our survey, with the lowest income brackets believing financial prospects will deteriorate by around 10%–15% on average. With the labor unrest that began in summer spreading to other sectors of the economy, and a high degree of unemployment, the scepticism is perhaps unsurprising.

Wage growth expectations are better for the high income groups (around 5% growth expected over the next 12 months) than they are for the low income groups (around 1% growth). However, with 2013

inflation expectations running over 5%, most consumers are set to see real income remaining flat or falling. Almost a third of the population survives on social grants, a situation unlikely to leave them sanguine about their short-term future.

Spending at the discretionary end of the spectrum remains challenged. While mobile phones penetrate the market more highly than any other product, absolute saturation remains below the survey average. Smartphones, however, are above average, perhaps suggesting a “maturity” in the more well-established mobile market. Smartphone ownership is, understandably, greatest among the richest households, and has ownership on average 20% higher than that for computers. Almost all other products, however, have a lower-than-average penetration, as can be seen in Figure 72.

Spending patterns reveal that South Africans spend less on traditional staples, on average, than their emerging market counterparts. Relative to autos, mobile

Emerging Consumer Survey 2013

Number of respondents: 1,500

Across 6 geographic locations

70% in urban areas; 30% in rural areas

phones and “other” (partly constituting high local property taxes), respondents spend considerably less on basics such as food, education and savings. Higher-than-average discretionary spending on autos is reflected by industry statistics showing 10% domestic volume growth this year (source: NAAMSA).

Bank accounts appear to be the primary channel of savings, with 88% of those surveyed opting for this route. Life insurance is also a popular choice, with 57% using this as method to save. Interestingly, 25% of South Africans also use the stock market as a savings channel, the highest rate seen. This characteristic is unique to the region. Financial investment uptake in the region looks extensive and established.



Figure 68

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 390.9 billion
GDP per capita (2012)	USD 7,636
Population (2012)	51.2 million
Geographical area	1.22 million km ²
Number of cities (in excess of 2 million people)	5
Gini coefficient (2009)	63.1
Average inflation (2012E)	5.6%
Average inflation (2013E)	5.2%
Real GDP growth (2012E)	2.6%
Real GDP growth (2013E)	3.0%
Real private consumption growth (2012E)	3.44%
Real private consumption growth (2013E)	3.25%
Consumption as a % of GDP (2012)	59.3%

Figure 69

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

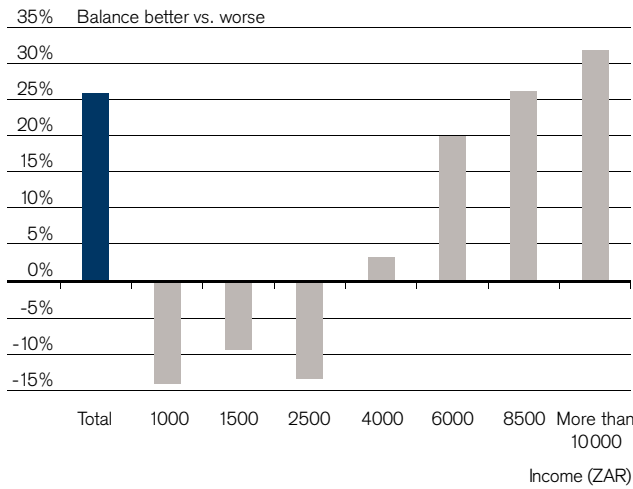


Figure 71

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

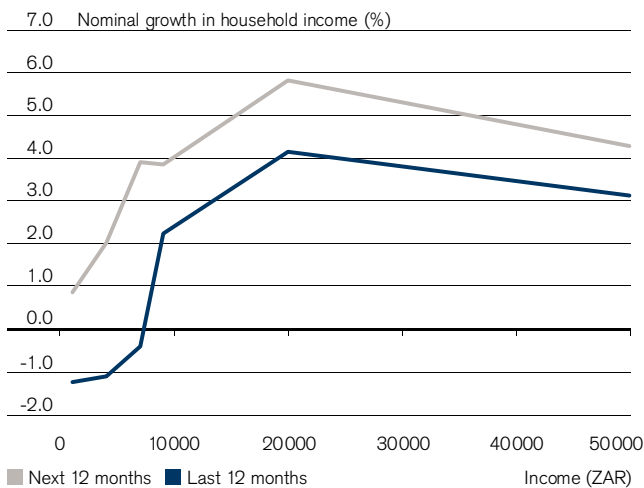


Figure 73

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

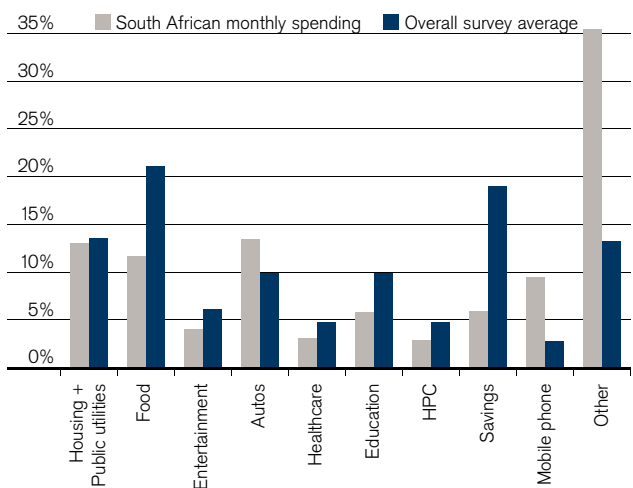


Figure 70

Electronic ownership – 2012

Source: Credit Suisse Emerging Consumer Survey

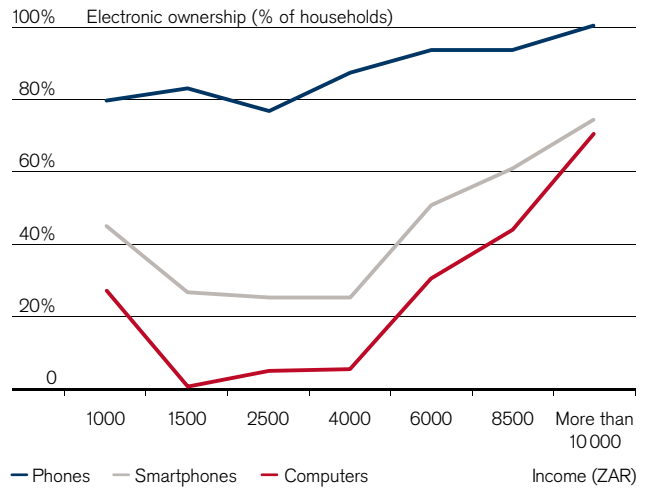


Figure 72

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

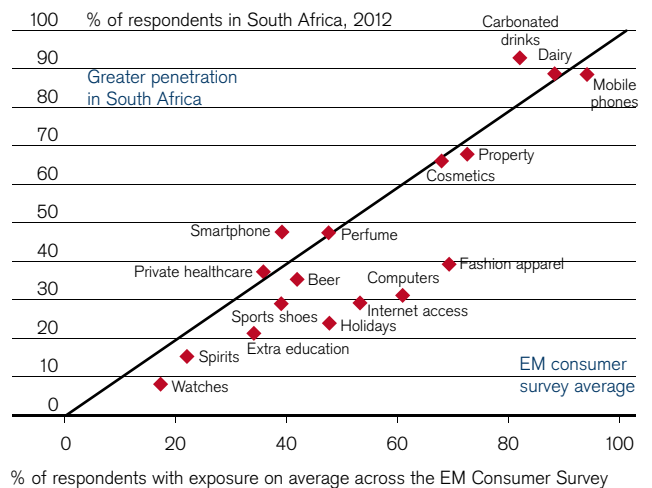
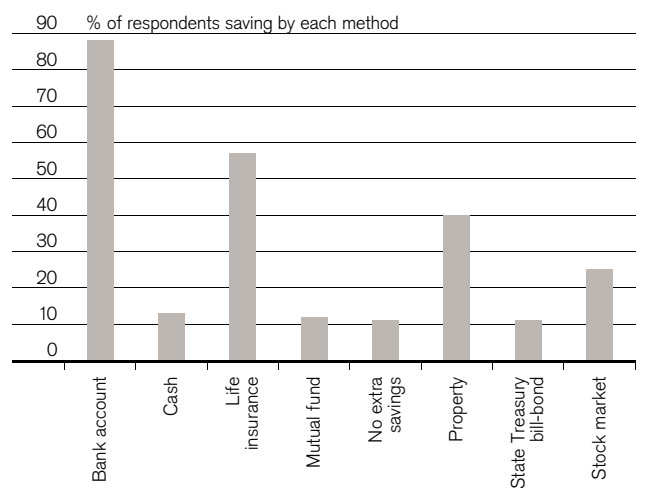


Figure 74

Savings by distribution channel (%)

Source: Credit Suisse Emerging Consumer Survey



Turkey

Potential emerging

The picture for Turkey last year (Turkey's first appearance) was weak. The mood now seems to be turning. Overall optimism has improved, most markedly at the higher end of the income scale, while those at the very bottom remain far less positive. Spending patterns now look closer to those of a middle-income country, with expenditure on housing and food falling, and that on autos and education rising. Lower inflation and higher growth support more discretionary spend.

Although Turkey registers the lowest level on confidence in our survey, with 11% of weighted respondents expecting their financial conditions to improve rather than deteriorate, we would highlight the overall improvement since last year. Pessimism may still be acute at the low end, but at the high end the level of optimism in Turkey is consistent with that seen in Saudi Arabia. Income expectations are not at the highest level of countries in the survey, but they are also not the lowest, and middle/high income earners expect

nominal gains of around 5%. The caveat to highlight against this is that only 24% of respondents suggested that now was a good time to make a major purchase – the lowest across the countries. Recent consumer tax hikes could play a role, particularly with respect to larger ticket purchases, such as cars.

The momentum of recorded spending and ownership is not in the order of that seen in the high-growth countries in the emerging world. However, the pattern of spending momentum in our survey has become more discretionary focused. Last year, there was an implicit squeezing out of such spending by the large shares taken by food and housing costs. Both have declined to provide more leeway for other activities – saving and spending.

In terms of the mix of spending, there is a familiar theme with others. Smartphones, computers, internet access, cars and holidays have seen some of the strongest gains. The modest level of

Emerging Consumer Survey 2013

Number of respondents: 1,521

Across 14 geographic locations

69% in urban areas; 31% in rural areas

internet penetration suggests further scope for growth. Interestingly, recent taxes on alcohol and spirits have not impacted the spending habits of the consumer here and growth has continued – a feature consistent with other published data where beer volumes posted increases despite the steep tax hikes.

In terms of savings, one feature that remains striking is the relative under-penetration of banking services. With only a fifth of respondents having access to a bank account (the lowest reading in the survey in fact), we would suggest that a structural opportunity exists here as long as deposit rates become more reasonable. Unattractive time-deposit rates have been incentivizing consumers to spend as an alternative to saving.



Figure 75

Key economic and demographic indicators

Source: IMF, EIU, UN

GDP (2012)	USD 783.1 billion
GDP per capita (2012)	USD 10,457
Population (2012)	74.89 million
Geographical area	783,562 km ²
Number of cities (in excess of 2 million people)	3
Gini coefficient (2009)	43.2
Average inflation (2012E)	8.7%
Average inflation (2013E)	6.5%
Real GDP growth (2012E)	3.0%
Real GDP growth (2013E)	3.5%
Real private consumption growth (2012E)	-0.23%
Real private consumption growth (2013E)	4.67%
Consumption as a % of GDP (2012)	69.9%

Figure 76

State of personal finances over next six months

Source: Credit Suisse Emerging Consumer Survey

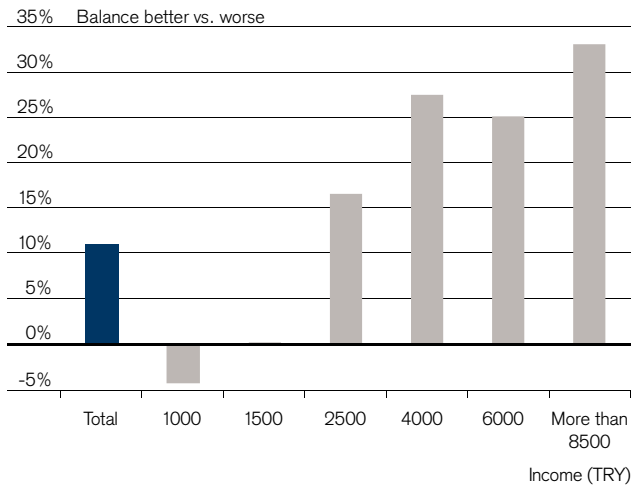


Figure 77

Personal finances – 2012 versus 2011 (%)

Source: Credit Suisse Emerging Consumer Survey

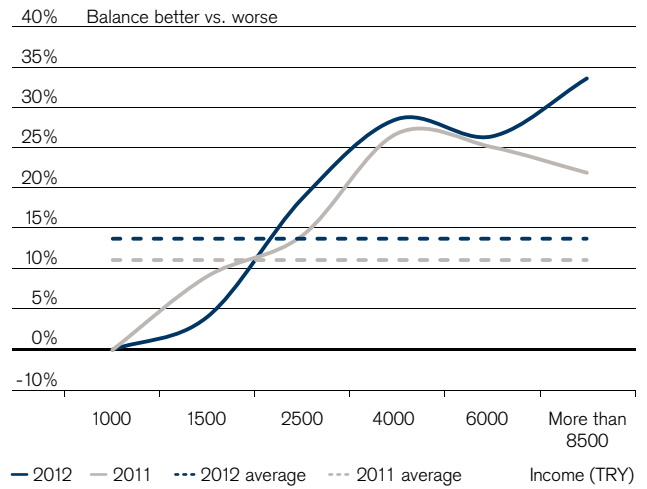


Figure 78

Nominal growth in household income (%)

Source: Credit Suisse Emerging Consumer Survey

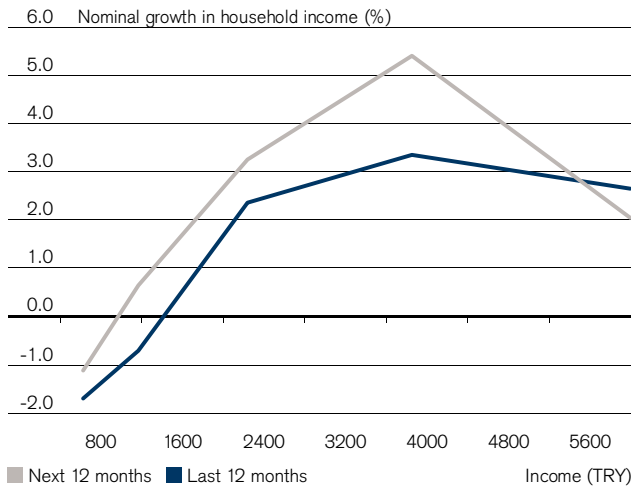


Figure 79

Spending momentum and market penetration

Source: Credit Suisse Emerging Consumer Survey

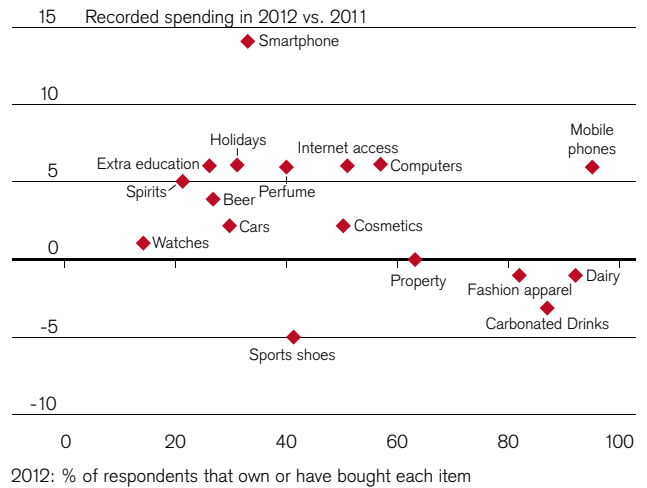


Figure 80

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey

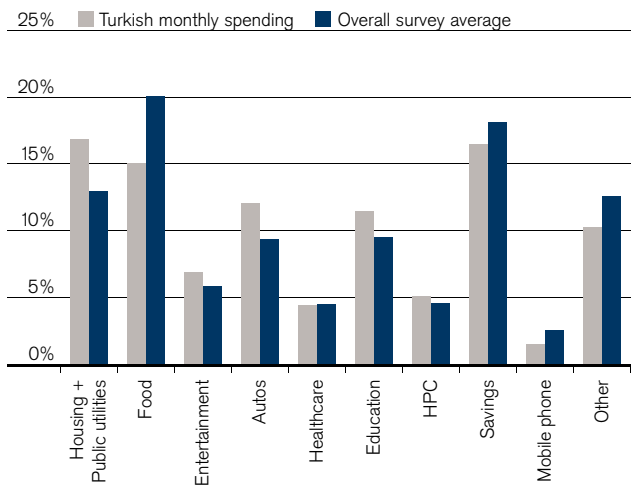
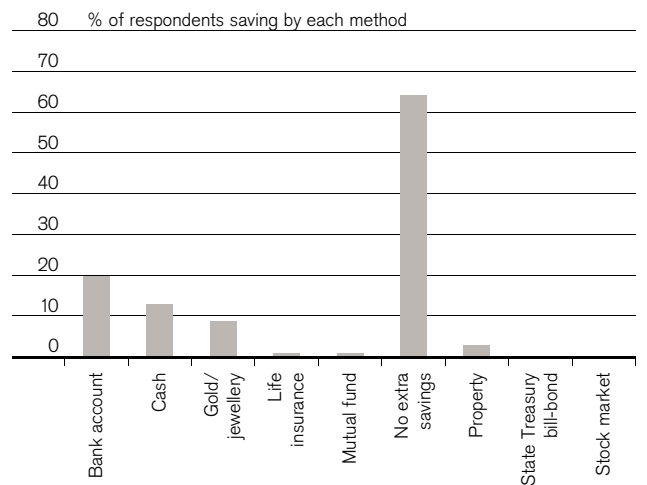


Figure 81

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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