Emerging Asia: The Next Frontier

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Asia’s Global Relevance

There are more people living inside this circle than outside of it

Things to Consider

Not all emerging markets are created equal—Emerging Asia is growing faster

**EMERGING GDP GROWTH %**

- Emerging Asia: 8%
- Global Emerging: 6%
- Emerging Europe: 3%
- Emerging Latin America: 2%
- G7*: 1%

*Note: G7 countries includes Canada, France, Germany, Italy, Japan, U.K. and U.S.
Source: World Bank, 2014
Asian Economies Can be on a Path Towards Greater Prosperity

Asia is the only region that has achieved “Economic Take Off”

GDP per capita relative to the U.S. (2010)

Source: Angus Maddison, MICM
Asia’s Consumption Still Has a Long Way To Go…

Asia per capita GDP in historical context to the U.S.

GDP per capita (US$)
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0

U.S.  Asia Countries

Sources: Maddison Historic GDP, IMF, MICM calculations; Data as of 2012

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Pillars of Sustainable Growth

- Manufacturing capacity migration to Frontier Asia
- Remittances
- Foreign Direct Investment (FDI)
- Urbanization/Demographics
- Rising Wealth
- Technology/ Pace of Change
EM Consumption is an Asia Story
Global middle class consumption (2000 – 2050)*

Notes: Global middle class consumption is defined here as household consumption between USD 10 and USD 100 Purchasing Power Parity (PPP)/day. Projections hold most recent distribution constant (from PovcalNet database) and assume consumption equals income growth (projected by a Cobb-Douglas production function, a model of Real Exchange Rate (RER) convergence based on the Balassa-Samuelson model, and UN population projections). Source: Organisation for Economic Co-operation and Development (OECD) 2011, Perspectives on Global Development 2012: Social Cohesion in a Shifting World; Data as of November 2011

*Data represented beyond November 2011 are estimates only.
Evolution on Consumption
Real household consumption vs. GDP per capita

Source: BEA Credit Suisse Research, MICM estimates, 2013

Source: BEA Credit Suisse Research, MICM estimates, 2013
Speed of Change in Frontier Markets

CAMBODIA 2011

CAMBODIA 2015
How You Invest in Growth Matters

- MSCI Frontier Index is over 50% Kuwait, Argentina and Nigeria
- Over 45% of the countries within the MSCI Frontier Index are forecasted to grow at less than 3% per annum
- The MSCI Frontier Index is over 50% Financials and only 8.1% Consumer Staples and Health Care
- The MSCI EM Index is now 69% Asia calling for increased specialization

**MSCI FRONTIER INDEX**

- Kuwait 26%
- Argentina 13%
- Nigeria 13%
- Pakistan 11%
- Kenya 6%
- Oman 5%
- Morocco 5%
- Romania 5%
- Bangladesh 3%
- Vietnam 3%
- Kazakhstan 3%
- Sri Lanka 2%
- Mauritius 1%
- Jordan 1%
- Other 1%

**MSCI EM INDEX**

Note: The MSCI Frontier Index is represented by the iShare MSCI Frontier ETF (FM), and the MSCI EM Index is represented by the iShare MSCI EM Equity Index (EEM). All country and sector weights are shown as of 9/9/15.

Source: IMF World Economic Outlook 2015, Bloomberg, BlackRock Inc., MSCI, CLSA

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Matthews Asia Resources
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Frontier Asia: Their Path to Prosperity

Matthews Asia believes that Asia’s frontier markets are poised to follow on the well-worn path to prosperity that many of their neighbors in the region have taken. In our special Frontier issue of our AsiaNow Report we explore why we are optimistic about frontier economies.

Visit matthewsasia.com to access AsiaNow and other special reports for insights and analysis into recent market events, broad economic developments and topics relevant to Asia’s markets.

Opportunities in Frontier Asia

Matthews Emerging Asia Fund Managers Taizo Ishida and Robert Harvey, CFA, discuss the opportunities they see for investors in the growing frontier markets of Asia.

Reflections on Frontier Markets

Matthews Emerging Asia Fund Manager Robert Harvey, CFA, reflects on the growth he’s seen in frontier markets such as Vietnam and Myanmar, and what that means for investment opportunities in these developing economies.