

# Asia by Numbers

## Asia: the world's growth engine

April 2017

Asia's rising economic importance makes it impossible to ignore. The region is home to around half of the world's population. It is growing twice as fast as the global average and China is the leading trade partner to the US and the European Union. A huge domestic market, young workforce and growing middle class underpins the region's vast potential. At the corporate level, the wide choice of quality companies makes Asia a stock-picker's haven. The MSCI AC Asia Pacific Index has over 1,000 constituents across five developed countries and eight emerging economies.

### Growth is moderating but remains solid

Asia's % of global GDP	
2012	2050
29%	49%

In 2012, Asia accounted for 29% of global GDP. This is projected to grow to **49% by 2050**.

Source: World Bank January 2015, IMF World Economic Outlook October 2015



China's economy may be slowing, but expected growth of 6.4% in 2017 remains decent by global standards.

Meanwhile, India is zipping ahead with a growth forecast of around 7.6% in 2017.

Source: OECD, January 2017

### Projected growth in 2017



Altogether, developing Asian countries are projected to grow by **6.3% in 2017**, ahead of the global economy's 3.4%.

Source: IMF, World Economic Outlook, October 2016

### Asia's consumer boom



Asia will host **over 60%** of the world's middle class population by 2030 and account for over half of global middle class spending.

Source: Kharas, Homi (2010), "The Emerging Middle Class in Developing Countries", OECD Publishing

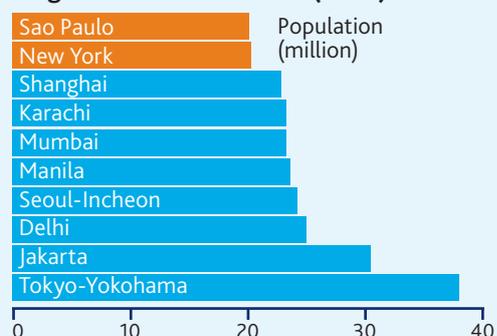
Asean represents a huge domestic market with rising middle class wealth. The number of households with an income of between US\$20,000 and US\$70,000 (in 2005 purchasing power parity terms) is projected to double to **23 million by 2025**.

Source: McKinsey Global Institute Cityscope database; McKinsey Global Institute analysis, May 2014



### Eight out of 10 of the world's largest cities are in Asia

#### Largest cities in the world (2016)



Source: Demographia World Urban Areas, 12<sup>th</sup> Annual Edition 2016

## Increasingly connected

### Mobile subscribers in Asia Pacific

2015	2020
2.5bn	3.1bn

In 2015, there were 2.5 billion unique mobile subscribers in the Asia Pacific. This number will jump to 3.1 billion by 2020. Mobile internet penetration will also rise to **63% by 2020**, from 45% in 2015 as costs fall and infrastructure improves.

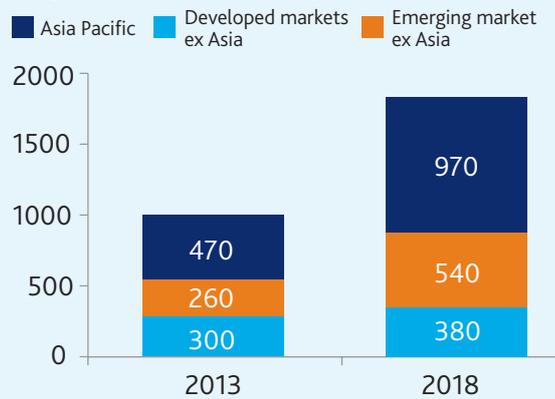


The mobile industry is a significant contributor to the region's **economic growth**, accounting for 5.4% of GDP in 2015. By 2020, this sector will account for approximately US\$1.7 trillion (**5.9% of the region**).

Source: The Mobile Economy - Asia Pacific 2016

Smartphone shipments to Asia will more than double to **970 million by 2018**, from 470 million units in 2013. This growth benefits regional telecommunication services providers, such as **Bharti Airtel** (India), **Digi** (Malaysia) and **Singtel** (Singapore).

### Shipments of new smartphones (millions)



Source: Lenovo, The Economist Corporate Network 2015. Figures for 2018 are estimates

## Reforms: slow but steady progress



Countries including India, China, and Indonesia are focusing on **structural reforms for sustainable growth**.

The **removal of costly fuel subsidies in India and Indonesia** is helping to free up government finances and redirecting it towards much-needed infrastructure, housing and healthcare spending.

## Bridging the infrastructure gap



Asia has little choice but to spend on better roads, railways, power plants, air and sea ports, in order to grow. The Asian Development Bank (ADB) estimates that developing Asia needs to spend up to **US\$1.7 trillion** a year, or **US\$26 trillion** through 2030 to meet its infrastructure needs.

Better quality infrastructure relieves supply-side bottlenecks and lowers business costs. This is important for attracting **long-term private investment**.

Cement companies are good proxies for infrastructure development.



Examples include **Lafarge** (Malaysia), **Siam Cement** (Thailand), **Ultratech Cement** (India) and **Indocement** (Indonesia).

Source: Asian Development Bank, February 2017

## Asia Inc. has healthy fundamentals



Asia is home to plenty of well-run companies with **strong balance sheets and cashflow**.

Tight controls on costs will help them improve profitability amid tougher operating conditions.

Despite the challenging global outlook, merger and acquisition (M&A) activity involving companies in Asia Pacific hit a record high in 2015, with deals

**worth US\$1.16 trillion** announced over the period.

Source: Thomson Reuters, Mergers & Acquisitions Reviews, Full Year 2015



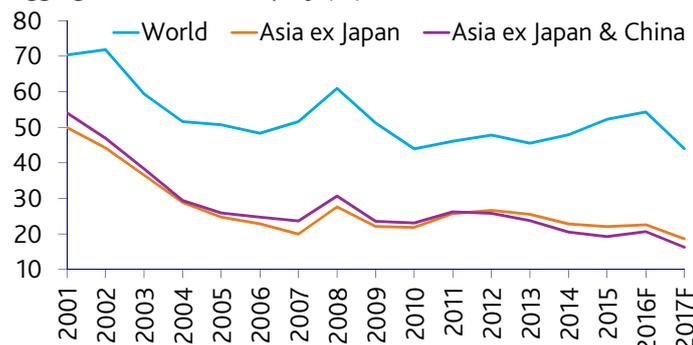
## Exposure to quality companies

Asia's household names include the likes of **Samsung** and **AIA Group**; but also local champions, such as **City Developments** (Singapore) and **HDFC Bank** (India).

The best companies characteristically have **good core franchises** and focus on **doing one thing very well**.

## Asian debt (ex-China) has never been lower

Aggregate net debt to equity (%)



Source: CLSA, Factset, September 2016

## Asia has built up its defences



Government finances are in better shape than they were at the time of the Asian Financial Crisis in 1997.

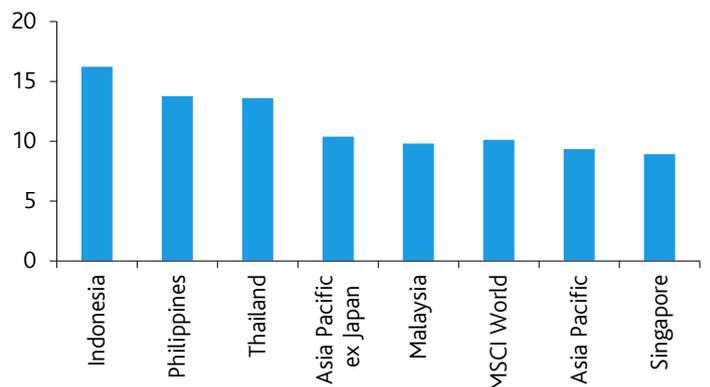
## Central bank reserves (in US dollar, billions)



Central banks are **well-funded** and policymakers are **fiscally prudent**.

Source: Bloomberg, 28 February 2017

## Good return on equity (ROE)



Source: Bloomberg, MSCI, February 2017

## Aberdeen knows Asia

Having first invested in Asia from the UK in 1985, our Singapore office opened in 1992. It is now the hub of a regional business that spans **13 offices in ten markets**.

We have **46 equity managers and analysts** operating from Singapore, Sydney, Kuala Lumpur, Bangkok, Hong Kong, Tokyo and Jakarta.

Our Asia Pacific **fixed income team with 26 managers and analysts** is similarly well-resourced. The team includes macro and credit specialists who cover the region's dozen or so fixed income and currency markets, from Australia to China.



Number of staff	512
Assets under management	US\$70.4bn

Source: Aberdeen Asset Management, 31 December 2016  
\* Subject to regulatory approval

## The Aberdeen investment team is experienced and well-resourced.



Aberdeen has been in Singapore since 1992, touting solid research and a prudent investment process



Team approach means decisions are made collectively – we don't believe in star fund managers



At Aberdeen, we only ever invest in companies that we know inside out. No maybes, no second choices, and no compromise

## The **Aberdeen Pacific Equity Fund** holds the companies in **orange**.

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