

The eight most promising markets of 2016

Atradius Economic Research – January 2016

Economic conditions across emerging markets deteriorated sharply in 2015. The headwinds facing these markets are likely to continue into 2016. There are, however, some clear bright spots that are bucking the trend and showing strong performance. These are the markets with great opportunities for businesses.

Why are these markets doing so well?

Supportive policies – In general these are all markets that have stable political conditions combined with decent macroeconomic policies. For example Peru has developed strong institutions and Colombia has recently become much safer making government policies more effective.

Commodity importers – Most of these markets benefit from the lower commodity prices, such as oil and metals, as they heavily rely on import. India, for instance, imports 75% of its oil and saved an estimated USD 2.5 billion in 2015 on fuel subsidies.

Growing middle class – These markets show strong internal dynamics with rising investment and a growing middle class. The total population in Kenya, for example, has grown by 50% over the past fifteen years, boosting the domestic economy.

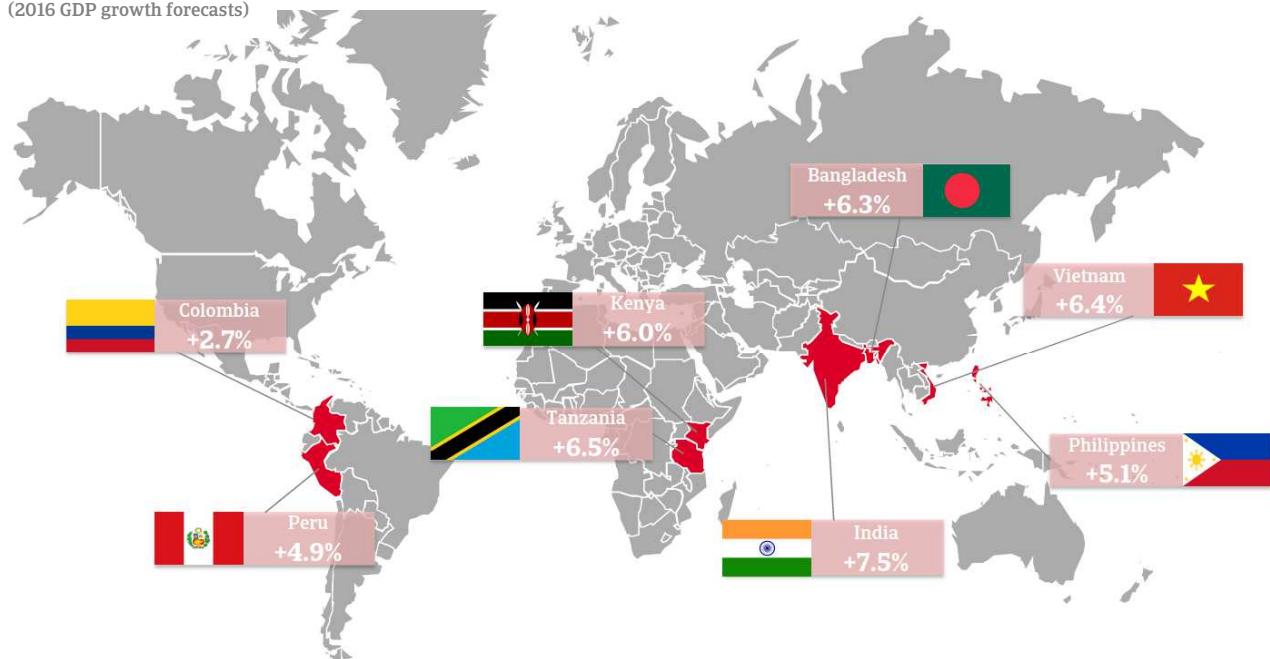
'Emerging' markets in the spotlight

| Country | GDP growth 2016 ^f % | Avg. GDP growth '12-'15 % | Population million |
|-------------|--------------------------------|---------------------------|--------------------|
| India | 7.5 | 6.6 | 1310 |
| Vietnam | 6.4 | 5.8 | 93 |
| Bangladesh | 6.3 | 6.3 | 162 |
| Philippines | 5.1 | 6.3 | 103 |
| Tanzania | 6.5 | 6.5 | 49 |
| Kenya | 6.0 | 5.7 | 45 |
| Peru | 4.9 | 4.5 | 32 |
| Colombia | 2.7 | 4.1 | 49 |

f = forecasts, Source: Atradius Economic Research

Top emerging markets of 2016

(2016 GDP growth forecasts)



Sources: IHS, Atradius Economic Research

Best performing sectors in these markets

Chemicals and plastics

In India, with further growth in industrial activity and an improving performance outlook for key end-user segments, import demand for plastics and chemical goods is expected to remain strong.

Construction

In Peru, construction is a growth sector due to continued investment by the Peruvian Government. In Kenya and Tanzania dedicated construction businesses from abroad could benefit from infrastructure growth, including the building of new ports.

Retail, consumer durables and electronics

The Asian markets of Bangladesh, India and Vietnam all provide business opportunities for exporters in the consumer durables and electronics segments, due to increasing disposable incomes, urbanisation and rising living standards. India's retail market is expected to nearly double to USD 1 trillion by 2020 from USD 600 billion in 2015. In Vietnam there is a perceived preference for foreign brands, deemed to be of better quality and hygiene standards.

Colombia is expected to be the most attractive retail market in Latin America for foreign investors over the next five years, with private consumption forecast to remain a major driver of economic growth and as formalisation in the industry will increase (about 50% of total food retail still account for the informal retail sector).

At the same time ICT is one of the most promising growth sectors in Peru, as the penetration rate in this market is still low: only 30% of population have access to internet service. In Vietnam, the government supports the increase of household PC penetration in rural areas.

Machinery and capital goods

A growing economy and increased infrastructure investments provide export opportunities for machinery and capital goods businesses in India, Vietnam, Kenya and Tanzania. However, in the two latter markets price competition from Asian machinery businesses is high.

Pharmaceuticals and medical devices

Vietnam is expected to become a growth market for pharmaceuticals, as the government aims to improve the health system. Vietnam has a large, yet unmet need for healthcare and medical devices, and continued major investment is required.

Opportunities by sector

| Sector | Country |
|---|--|
| Chemicals and plastics | India |
| Construction | Peru, Kenya, Tanzania |
| Retail, consumer durables and electronics | India, Bangladesh, Vietnam, Colombia, Peru |
| Machinery and capital goods | India, Vietnam, Kenya, Tanzania |
| Pharmaceuticals and medical devices | Vietnam |

Source: Atradius Economic Research

'Emerging' markets in the spotlight

| Country | GDP growth 2016f % | Avg. GDP growth 2012-'15 | Population mln | GDP bln | Private consumption (y-on-y, % change, 2016f) | Real fixed investment (y-on-y, % change, 2016f) | Political risk rating | |
|-------------|--------------------|--------------------------|----------------|---------|---|---|-----------------------|--------------------|
| India | 7.5 | 6.6 | 1,310 | 2,297 | 8.2 | 5.5 | 4 negative | Moderate-Low risk |
| Vietnam | 6.4 | 5.8 | 93 | 213 | 7.5 | 9.8 | 5 negative | Moderate risk |
| Bangladesh | 6.3 | 6.3 | 162 | 217 | 6.1 | 7.2 | 6 stable | Moderate-High risk |
| Philippines | 5.1 | 6.3 | 103 | 304 | 5.6 | 7.2 | 5 positive | Moderate risk |
| Tanzania | 6.5 | 6.5 | 49 | 44 | 6.5 | 6.2 | 6 positive | Moderate-High risk |
| Kenya | 6.0 | 5.7 | 45 | 64 | 5.8 | 5.7 | 6 positive | Moderate-High risk |
| Peru | 4.9 | 4.5 | 32 | 212 | 3.3 | 2.6 | 4 stable | Moderate-Low risk |
| Colombia | 2.7 | 4.1 | 49 | 284 | 3.0 | 5.1 | 4 stable | Moderate-Low risk |

f = forecast, Sources: IHS, EIU, Atradius Economic Research

Disclaimer

This report is provided for information purposes only and is not intended as a recommendation or advice as to particular transactions, investments or strategies in any way to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided. While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied. In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages, even if advised of the possibility of such damages.

Copyright Atradius N.V. 2016

Atradius Credit Insurance N.V.
 David Ricardostraat 1 · 1066 JS
 P.O. Box 8982 · 1006 JD
 Amsterdam
 The Netherlands
 Telephone: +31 20 553 9111
 Fax: +31 20 553 2811
www.atradius.com