

The Female Growth Engine Driving Emerging Markets

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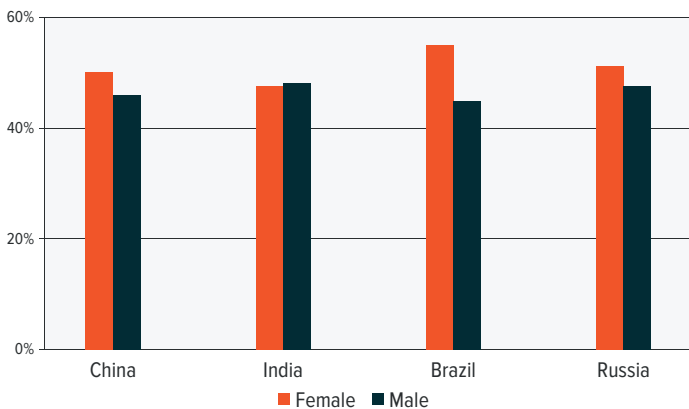


Women in emerging markets (EM) will likely drive future economic growth, with consumption levels predicted to deliver the largest contribution to global GDP growth over the next 10 years.¹ EM's era of export and manufacturing led are behind us. Urbanization and increasing levels of income go hand-in-hand as they lead to higher standards of living (not only in regards to education and healthcare, but also in discretionary spending). This helps generate demand for more services, which creates higher paying service-based jobs, leading to a virtuous positive cycle for EM economies. That said, domestic personal spending should become a crucial component for economic growth.

As EM economies grow and strengthen, women are attaining higher levels of education, participating in the workforce in greater numbers, and seeing improvements in the wage gap. In the US, women control 85% of consumer spending through their buying power and influence.² This pattern is expected to grow exponentially, where increased purchasing power and market access will augment the financial decisions women currently make for themselves and their families.

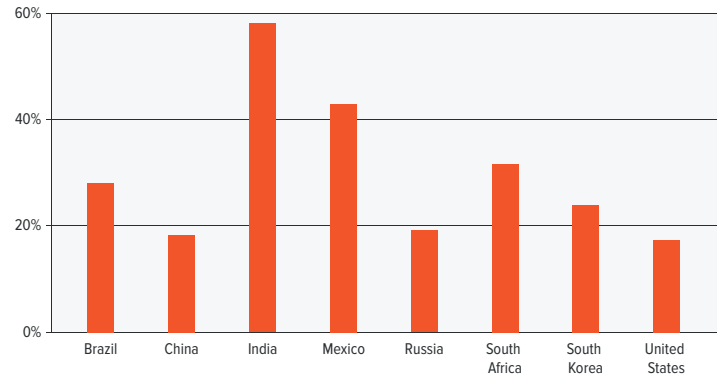
Urbanization and increasing levels of income go hand-in-hand as they lead to higher standards of living

TERTIARY EDUCATION BY GENDER IN SELECT EM COUNTRIES
Sources: UNESCO, based on most recent available data: 2019 for Brazil and Russia.



Looking beyond labor force participation, we can also look to additional future drivers of improving female economic status. Much of this should come from improvements in corporate behavior, such as paid parental leave, schedule flexibility, and enforceable environmental, social and governance (ESG) policies — specifically in regards to diversity and gender pay gaps.

POTENTIAL ECONOMIC GAINS IF PARTICIPATION IS FULLY EQUAL
Sources: Council on Foreign Relations, 2021



More women are working longer, have increased purchasing power, and will have greater amounts of discretionary income to spend on themselves and family members.

In addition, due to structural, secular, and even religious shifts, women are marrying later in life, if at all. The result of this is that more women are working longer, have increased purchasing power, and will have greater amounts of discretionary income to spend on themselves and family members.

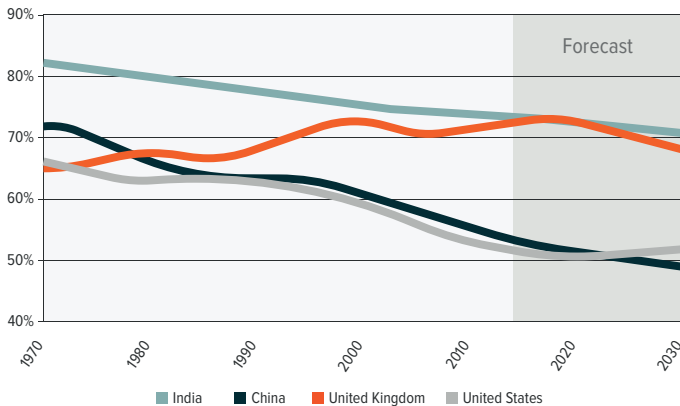
In the US, by 2030, 45% of prime age working women (age 25-44), are expected to be single.³ As we have seen across other trends, including technology, education and healthcare, EM countries should follow the US closely with a faster and more significant uplift.

We anticipate that over 70% should see female spending-to-local economy GDP shares rise over the next decade. Russia, Colombia, India, China, Poland, Chile and Indonesia are all projected to see increases in their shares of female spending to GDP of greater than 100 basis points. Russia, Colombia, and India may see gains exceeding 350 basis points.⁴ This is especially important as we see female spending (as a share of regional GDP) decline across developed markets. This additional contribution to GDP growth could impact all sectors across EMs, but we are keeping a particular focus on education, banking, travel, luxury, and sportswear. Women allocate a higher share of their discretionary income to purchasing luxury goods than men. According to a UBS survey, 97% of Chinese female consumers have purchased luxury goods for themselves over the 12 months ending August 2021, compared with 64% for their partners or 28% for family.



MARRIAGE RATES DECLINE ACROSS THE WORLD

Source: HSBC, United Nations, Department of Economic and Social Affairs, Who Are Married, 2020 Revisions. Forecast numbers are projections only and not guarantees.



Saudi Arabia has recently embarked on a multi-year journey to greatly reduce its reliance on oil-linked revenues. As part of this change, Saudi Arabia has begun to undertake social reforms within the Kingdom that are changing domestic consumer habits. In particular, women are benefitting from initiatives such as Vision 2030, which includes specific targets such as increasing the participation of women in the work force from 22% to 30% by 2030, and increasing their discretionary spending by 7% per year. Recent changes such as increased mobility and allowing intersex group dining at public restaurants lift both social and economic restrictions. This means that simple, but important, changes will have a profound effect on gender equality and, ultimately, economic impact. These reforms help open new service sectors of the economy to women, help upskill the Saudi workforce, allow for an increase in domestic tourism, and enrich the overall quality of life in Saudi Arabia. Over the medium-term, we anticipate household incomes to grow as a result of these social reforms and that consumption growth will act as a powerful driver for Saudi Arabia's economy.

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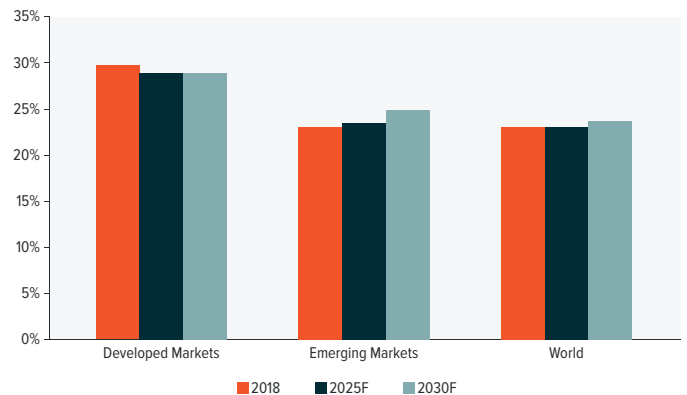
Considering the relatively high awareness of luxury brands in China and combined with the Chinese female consumer's willingness to treat themselves to luxury products, it is easy to see the forthcoming potential impact of increased spending power on the luxury goods industry. In Mexico, women are the main recipients of remittances, but only 46% have a bank account,⁵ creating opportunities to increase digital payments and access to financial services for women. In Brazil, roughly 60% of university students are female.⁶ This figure implies a future workforce led by women, with growing leadership, and more disposable income. With that said, it is important to monitor themes that will benefit from female shopping patterns.

For example, female shoppers tend to compare prices more than their male counterparts. Female consumers value health benefits more and are more willing to pay a premium for such quality.⁷ In addition, women are more willing to shop online and take advantage of mobile shopping experiences. Women are less influenced by television marketing, but often more drawn to recommendations from friends and social media.

Women are more willing to shop online and take advantage of mobile shopping experiences than men.

GLOBAL FEMALE SPENDING AS A PERCENTAGE OF REGIONAL GDP

Source: MacroPro, OECD, and Citi Research. F=Forecast. Forecast numbers are projections only and not guarantees.

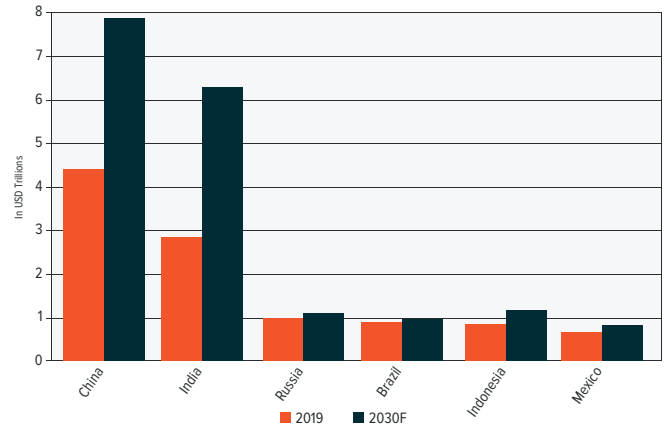




Rising incomes and consumption across all sectors represent a key driver of growth in EMs. Consumption is a fundamental backdrop across our investment process and we remain cognizant of structural shifts within this theme that will lead to opportunities for positive earnings revisions. As consensus continues to fear diminishing traditional global growth, we look to new drivers for prosperity. With EM societies continuing to modernize, we note that these countries boast a vast, in some cases untapped resource, in the form of gender equality and female consumption.

GLOBAL FEMALE SPENDING

Source: Marketpro and Citi Research. F=Forecast. Forecast numbers are projections only and not guarantees.



¹ Citi, Global Economics View, October. 2019

² HSBC Global Research, Women, Asians and the Young: Tomorrow's Consumers, April. 2019

³ Morgan Stanley, The SHEconomy, August. 2019

⁴ ibid.

⁵ Womens World Banking, ENIF (National Survey of Financial Inclusion). 2019

⁶ World Economic Forum, Global Gender Report 2021: Brazil.

⁷ UBS, September 2021.

Information provided by Global X Management Company LLC.

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