



# Global Economies and Consumers in 2017

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The global economy is entering an increased period of political volatility, particularly in advanced economies. In this briefing, Euromonitor International explores the economic landscape in 2017, taking in top trends within Business Dynamics, Cities, Economy, Finance and Trade, Industrial, Natural Resources, Digital Consumer, Households, Income and Expenditure and Population.



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# INTRODUCTION



## The evolving economic and consumer landscape in 2017

Political instability is a key challenge going into 2017, and surprisingly, two of the biggest risks are in advanced economies. First is the Trump effect; it is hard to ascertain the exact impact a Trump presidency will have on the US and global economies, as much remains unknown about how many of his campaign promises were rhetoric and, of those that do go with him to the White House, how many he could successfully enact. The ramifications of protectionist trade policies and an expansionary fiscal stance are global, with emerging market currencies already suffering from a “Trump tantrum” in late 2016. Brexit is another unknown quantity; outside of Europe, its impact on the global economy is more subdued than a Trump downturn, but it adds another element of unpredictability at a time when political volatility is a key concern.

Consumers enter 2017 to this backdrop of uncertainty. Over the course of the year, Euromonitor International is expecting consumer expenditure to rise by 2.3% in real terms, with every household saving US\$3,609 on average. With the US still accounting for almost one in three dollars spent globally, consumer behaviour in the Trump era matters to the world. Despite a slowing economy, Chinese consumers will continue to see one of the largest increases in spending, and expenditure in emerging and developing economies overall will grow by more than twice that of developed markets.

Authenticity, convenience and experience will continue to be trends to watch regarding the 2017 consumer. New Consumerism will strongly influence behaviour, as consumers reassess their priorities and values.

In this briefing, our experts analyse the most important trends that will shape the world in 2017, discussing diverse themes such as: the risk of increasing trade barriers, increased importance of the circular economy, the rise of multi-tasking appliances and the squeezed middle.

# BUSINESS DYNAMICS IN 2017



## Top trends in Business Dynamics

The business environment globally seems to be influenced by opposing forces. The threat of rising trade barriers imposed by Trump's victory and the outcome of Brexit in the UK referendum seem to be a step back in time. Although the topic of international trade is now at the centre of the political stage, it has yet to be seen how practical these barriers would be from an economic perspective. However, governments in developed countries are also unveiling funds for infrastructural investments to stimulate economic growth. Technological sophistication is also bringing about ground-breaking changes in how people work, making the concept of the permanent desk / office nearly redundant.

The top three trends to watch in 2017 are:

- Risks of increasing trade barriers
- Infrastructure investment to spur economic growth
- Work-life integration

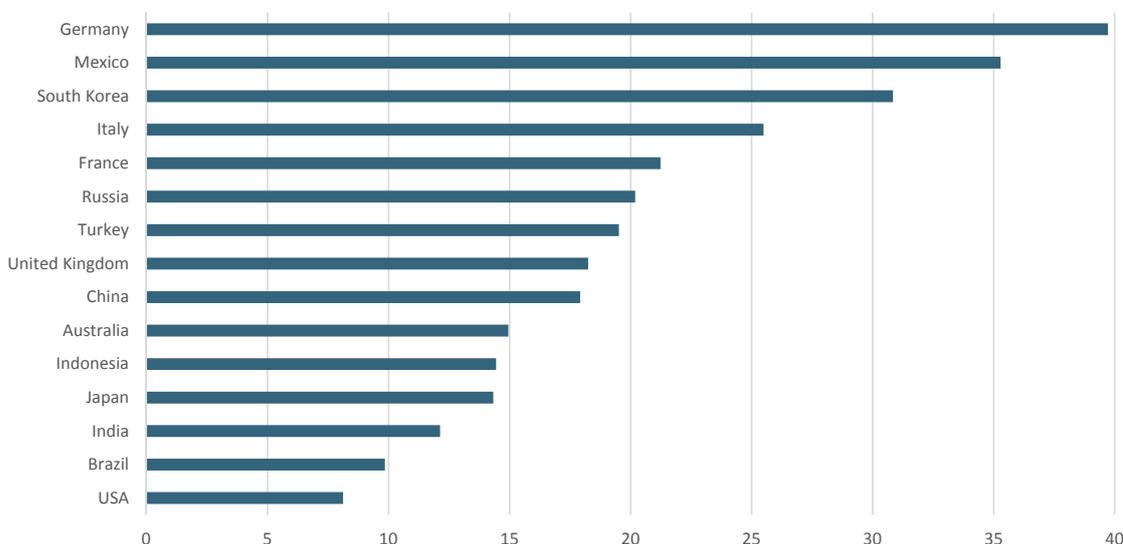
## Risks of increasing trade barriers

The risk of trade barriers and economic isolation is growing in western countries, as popular discontent with globalisation feeds support for populist and far-right parties.

In his election campaign, President Donald Trump expressed his intention to impose a 45% import duty on goods from Mexico and China, renegotiate NAFTA and pull out of the Trans-Pacific Partnership (TPP), as well as the flailing US-EU Transatlantic Trade and Investment Partnership (TTIP). With its decision to leave the EU, the UK risks being cut out of the single European market, a move which would be detrimental to both the UK and EU economies.

The WTO estimates that 2016 saw the slowest growth in trade since the financial crisis. In 2017, Euromonitor International expects trade growth to strengthen somewhat on the back of stronger economic growth, but with increasing downside risks from anti-globalisation sentiment.

### Exports as a % of GDP 2017



Source: Euromonitor International

## Infrastructure investment to spur economic growth

Infrastructure spending has recovered from the financial crisis, as some developed economies—notably, the UK, US and Canada—are planning infrastructure investment with the aim of boosting economic growth; in addition, urbanisation in emerging markets is driving the need for infrastructure development. 2017 sees several major economies focusing further on infrastructure investment.

The UK government has unveiled a £23 billion National Productivity Investment Fund to spend on infrastructure and innovation over a period of five years; it includes investment in affordable housing, roads and broadband infrastructure. The Canadian government plans to invest \$186 billion in infrastructure, which includes trade and transport and public transport to name a few, but the most interesting part is that it includes \$2 billion for Canada's new Clean Water and Wastewater Fund. In the US, it is reported that Trump is planning to invest US\$1 trillion in infrastructure over a period of 10 years. Although it is not yet clear what the exact spending will constitute, it is broadly believed to include airports, highways, bridges and pipelines. Whether this plan can be implemented depends on congressional support, but Trump intends to involve the private sector by enticing them with a tax break.

## Work-life integration

Digital transformation continues to change the way we work. Work-life balance, suggesting a strict separation of work and private lives, has given way to work-life integration, where the boundaries between the two are increasingly blurred.

In 2017, work will be more about what people do, not where or when. The future of work is about results, not the process or the time spent; it's also about connectivity. Workers are expected to be available at any time, not just between the hours of 9–5, and regardless of whether they are in the office. Working life for many is now characterised by short-term contracts, freelance work and entrepreneurship. It often involves work done at home, in public spaces such as coffee shops and in rented offices. For some, this is a positive choice, for others less so. To compete for talent in an era of work-life integration, companies must offer flexible packages as the bare minimum standard. As today's consumers are increasingly interested in trust and authentic relationships with brands, so are today's workers with their employers.



# CITIES IN 2017



## Top trends in Cities

A closer scrutiny of global growth would reveal that cities are pivotal to the economic liveability of any given economic region. In the developed world, cities' populations remain relatively young, and some urban areas continue to develop at a faster rate than the developed world is accustomed to. In emerging and frontier markets, major metropolitan areas account for a large share of the observed economic growth.

The top three trends to watch in 2017 are:

The fastest-growing cities will be in the Middle East and Africa

Three-quarters of high-income households will live in the world's major cities

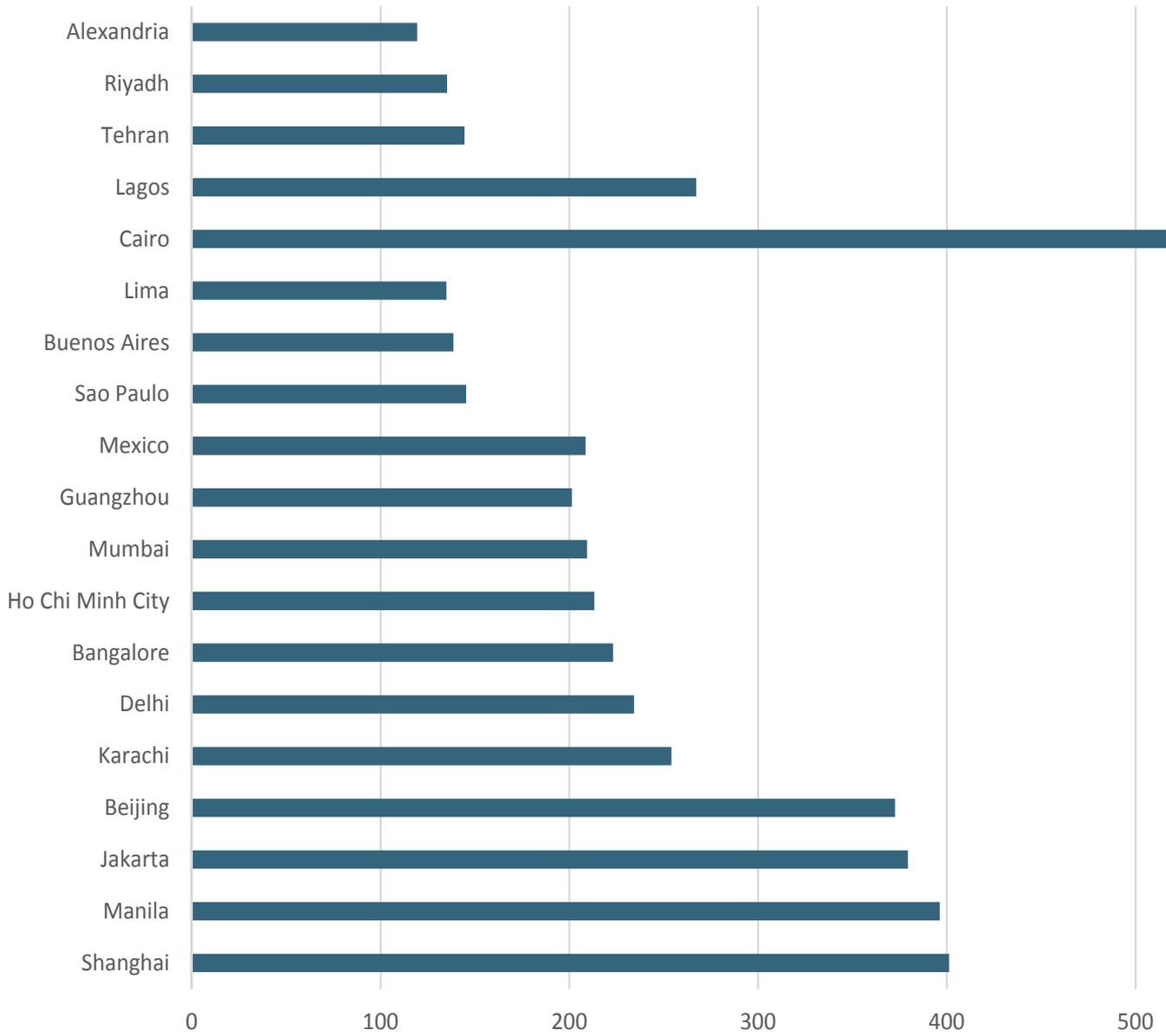
Major cities will drive economic growth

## The fastest-growing cities will be the Middle East and Africa

The world's urban population is growing at 2% annually, but some cities exceed this growth rate by a wide margin. Globally, the most rapidly growing cities are in the Middle East and Africa, as Abuja (Nigeria) is forecast to grow by 4% in one year, and Doha (Qatar) is set to grow at 3% rate. Relatively small metropolises have high growth rates, yet in absolute terms, it is the megacities in emerging markets that will maintain unprecedented population growth. For example, the population of metropolitan Cairo (Egypt) is forecast to grow by 0.5 million in 2017 alone.

**Cities by Total Population Growth, 2016-2017**

'000 people



Source: Euromonitor International

# Three-quarters of high-income households will live in major cities

Over the last couple of decades, economic growth has shifted into emerging and frontier markets. Average household income in many Latin American, Sub-Saharan or Asia Pacific countries is rapidly rising. However, those in luxury goods businesses should still keep their eyes focused on key developed cities. While Buenos Aires is forecast to add 30,000 households with income above US\$100,000, US cities such as New York or San Francisco will easily add over a 100,000 high-income households. The Middle East metropolises will remain world's most affluent hubs too, with Dubai seeing the particularly high growth of high-income households.

**In 2017, there will be 101 million households with over US\$100,000 in annual income. Out of the 100.7 million, 74% will live in 1,150 cities.**



## Major cities will drive economic growth

Most of the cities concentrate GDP growth both due to economic growth and rapid population growth. Per capita GDP growth (a measure of overall welfare) is quite diverse across the cities—some manage to achieve 40–70% more rapid growth than the country overall, while others lag behind.

# ECONOMY, FINANCE AND TRADE IN 2017



## Top trends in Economy, Finance and Trade

Uncertainty is going to be the dominant theme for the global economy in 2017. Ongoing political, policy and economic volatility around the world pose risks of further inertia due to a “wait-and-see” sentiment in the private and public sectors. As such, global companies should be ready for more disruptions that might arise, given the geopolitical uncertainty and financial market volatility in developed and emerging countries.

The top three trends to watch in 2017 are:

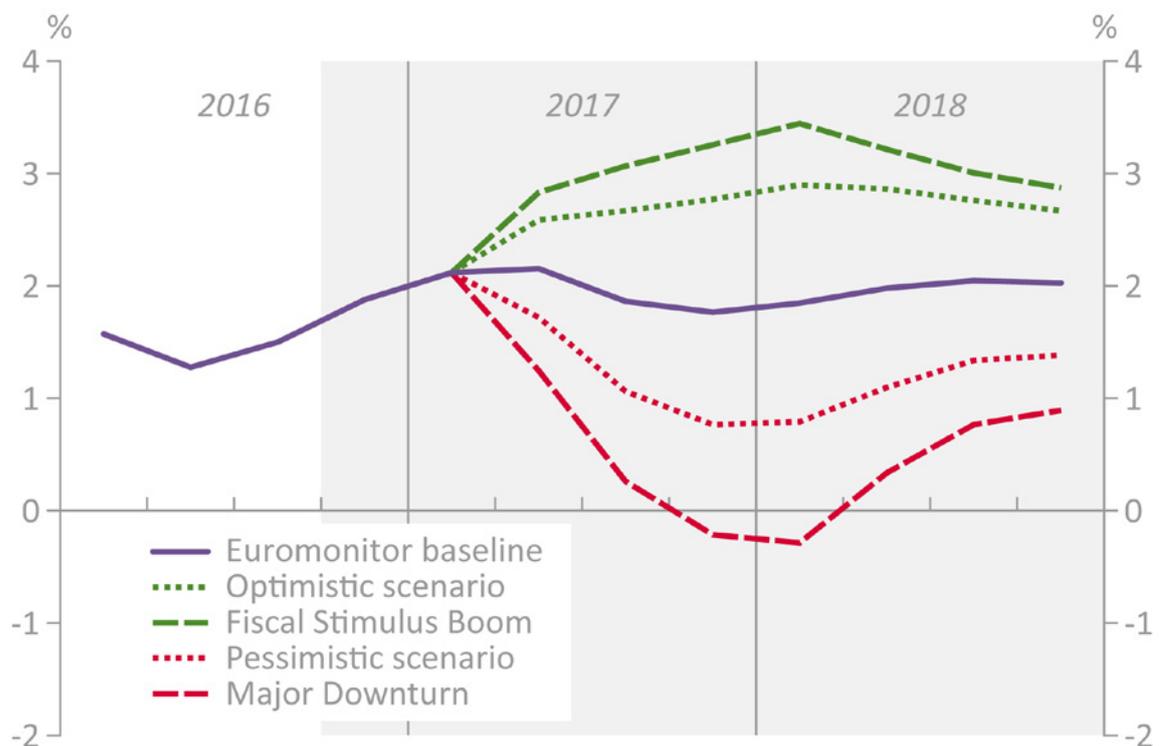
- Unfolding uncertainty after the US elections with global spillovers
- Political risks threatening to impede economic growth in Europe
- Increasing pressure of over-indebted Chinese corporate sector



# Unfolding uncertainty after the US elections with global spillovers

Trump winning the US presidential election is another political shock to the economies of the developed world. While the US Congress and Senate are likely to moderate some of Trump's planned policies, if they are fully implemented they could significantly boost the risks of a more severe US recession or increase general stagnation of the global economy. The main downside risks are worse than expected increases in trade tariffs and immigration restrictions, which could cause a downturn in the US economy, with GDP growth falling to 0.9% in 2017. Milder implications, combined with the larger than expected and more effective stimulus of infrastructure spending and tax reforms, could result in US GDP growth of 2.8% in 2017. On the global scale, Trump's victory augments uncertainty in terms of US foreign policy stances, such as trade wars with China, a wall with Mexico, involvement in multinational agreements and attitudes towards some of the EU policies.

## Real GDP y-o-y Growth Forecast in the US under Different Scenarios



Source: Euromonitor International Macro Model

## Political risks threatening to impede economic growth in Europe

The US is not the only country to witness the rise of anti-trade and anti-immigrant populism. Right-wing parties are gaining ground across Europe, adding to significant political uncertainty for many. Continued concern surrounding Brexit is estimated to lower UK demand and add to vulnerability of European economies in 2017; French presidential and general elections in 2017 could play a decisive role in the direction of the EU in the coming years, as anti-EU National Front leader Marine Le Pen stands for election. In Italy, the reformist Prime Minister Matteo Renzi resigned at the end of 2016 after losing the constitutional referendum; this strengthens the anti-EU Five Star Movement in the upcoming 2018 elections. A broader economic stagnation would notably hurt the European outlook. The spread of political populism could raise trade and immigration restrictions and slow down the implementation of structural reforms, leading to falling private sector confidence with negative spillovers on investment and consumer spending.

## Increasing pressure of over-indebted Chinese corporate sector

High credit growth is anticipated to persist in China during 2017, despite the recently introduced government's measures to fight excessive debt levels. China's private non-financial sector debt to GDP was estimated at over 200% in mid-2016, rising nearly two times faster than the country's GDP. Bad loans are a particular cause for concern, adding to a high probability of a banking crisis over the next three years.

The government has recently started taking actions to tackle the growing amount of debt. Heavily indebted firms ("zombie enterprises") are encouraged to file for bankruptcy, with banks urged to write off their loans. Chinese cities have introduced property sales restrictions, and China's top banks were ordered to reduce real estate loans. While the new governmental policy statements may restrain some of the excess lending, they are unlikely to be enough to stabilise China's credit markets.

## Zombie enterprise

**A Company that struggles to overcome immense debt and requires support from banks**

# INDUSTRIAL IN 2017



## Top trends in Industrial

Global production output is to accelerate in 2017, reaching 5% annual growth. Asia Pacific remains at the forefront of top growth areas, expected to hit 40% of the global production output in 2017. Production output in China, India and Philippines is expected to grow by 10%. Category-wise, pharmaceuticals and primary commodities, such as metals, fertilisers and oil, will record the highest global growth.

The top three trends to watch in 2017 are:

Asian Century: Asia Pacific will hit 40% of production output

Pharmaceuticals to accelerate, driven by innovative and specialty medications

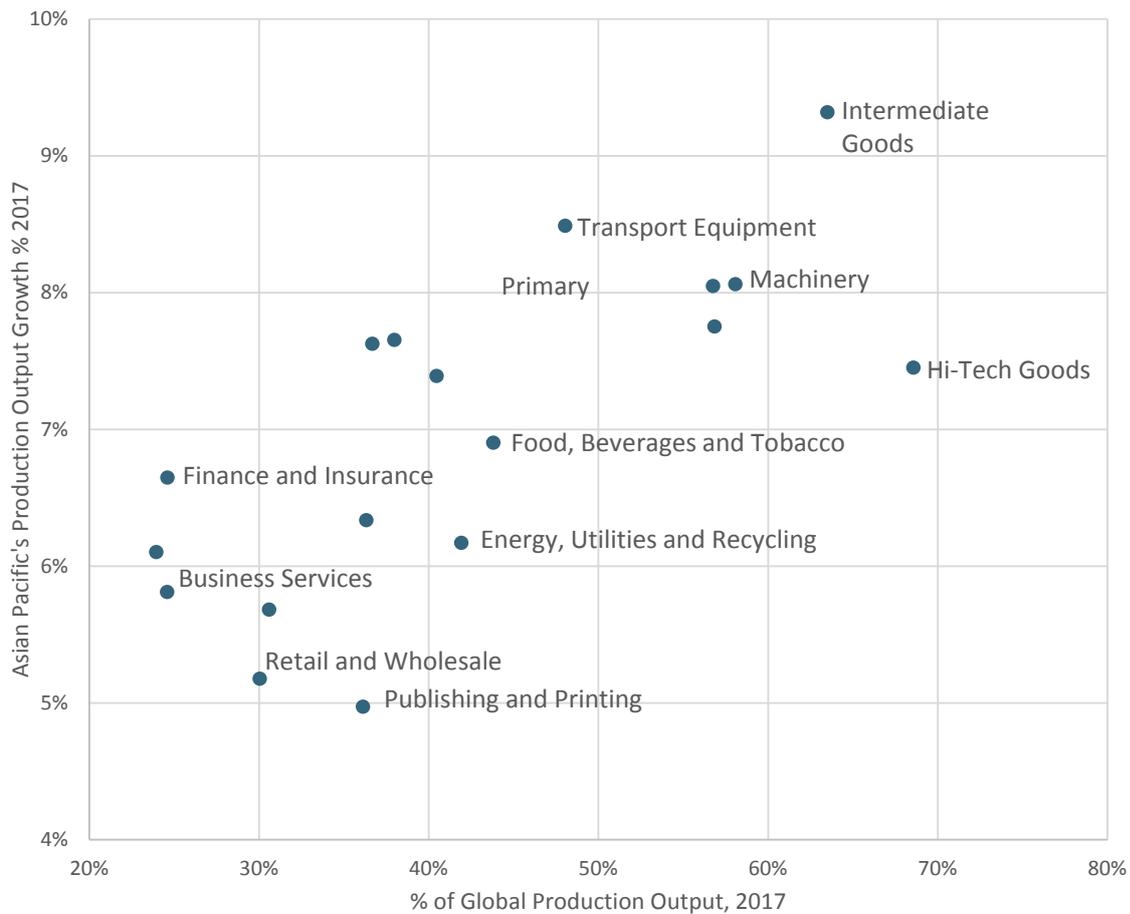
Commodity industries bouncing off the bottom

## Asia Pacific will hit 40% of global production output

In 2017, Asia Pacific is expected to reach a milestone: 40% of global production output will originate in the region. Asia Pacific will account for close to 70% of all high-tech goods produced globally, with virtually all major companies having production capacities in the region. The transport equipment industry is significantly increasing its capacity in Asia Pacific to be closer to the growing customer base, with close to 60% of output produced in the region in 2017 and an expected 75% of transport equipment to be produced in Asia Pacific by 2025. Intermediate goods are expected to record the highest growth, with over 9% in 2017, driven by rubber, plastic, glass, cement and other non-metallic mineral products. As manufacturing approaches its maximum potential, the long term future growth of Asia Pacific lies in the service industries, especially finance and insurance and business services.

### Global Significance of Asia Pacific Production by Industry

% of Global Production vs. Production Output growth, % in 2017



Source: Euromonitor International

## Pharmaceuticals to accelerate, driven by innovation

Global pharmaceuticals production will accelerate in 2017, with value growth to stem from the booming supply of innovative drugs and speciality medications. Recent introductions of new cures for cancer, hepatitis and scleroses are expensive but effective treatments that add to industry's growth. However, producers will continue to face increasing competition and pricing regulations. Focus on R&D (e.g., genomics and personalised medicine) to remain key for long term success.

**Global production to recover and expand 6% to US\$1.2 trillion in 2017 with Asia Pacific and North America posting the fastest growth.**

# Commodity industries bouncing off the bottom

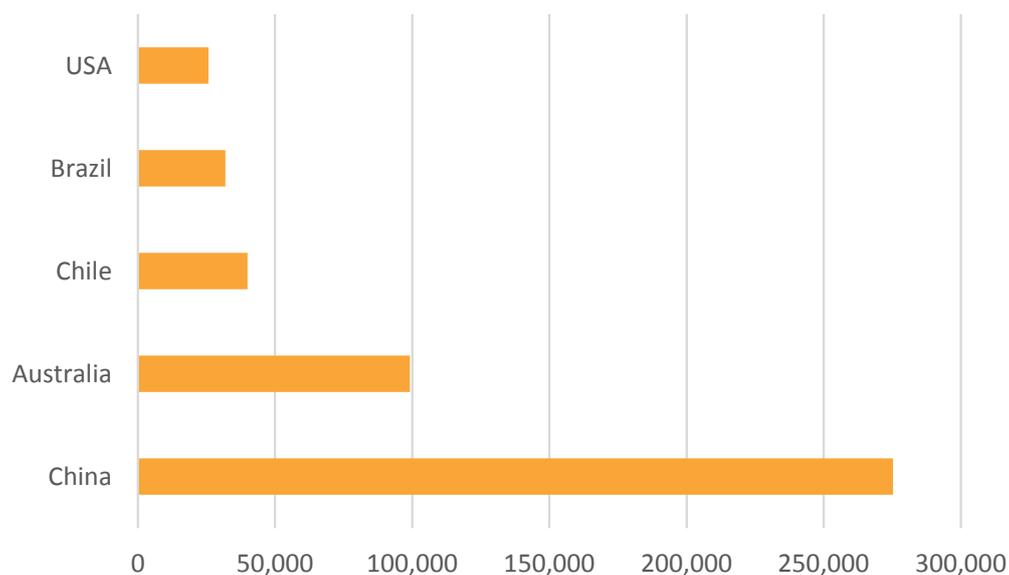
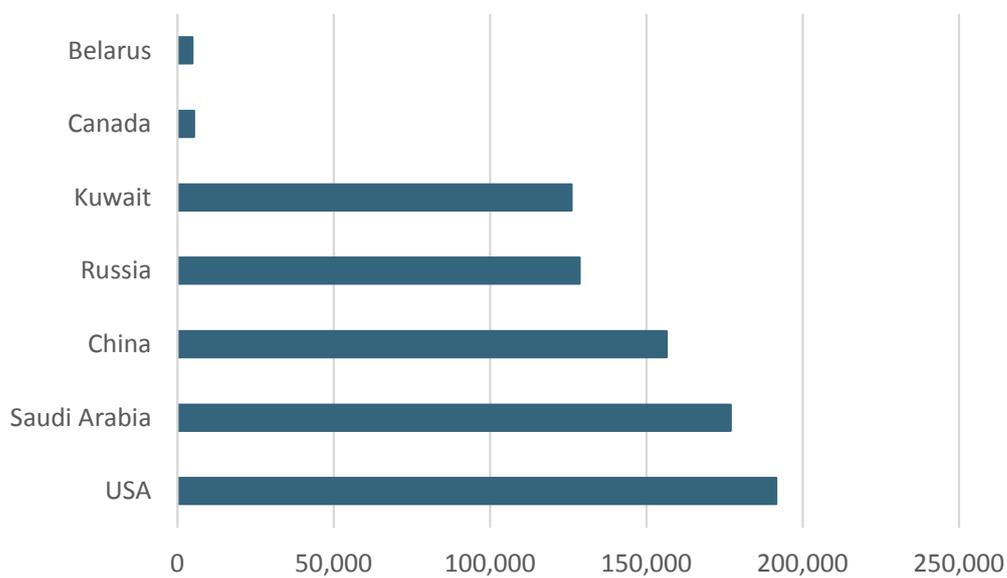
Oil and gas prices are expected to recover in 2017, thanks to declining extraction activities in non-OPEC countries and recovering global demand for oil products. However, oil prices will remain at the relatively low level of US\$50 per barrel, eroding profits.

## Top Commodity Producers

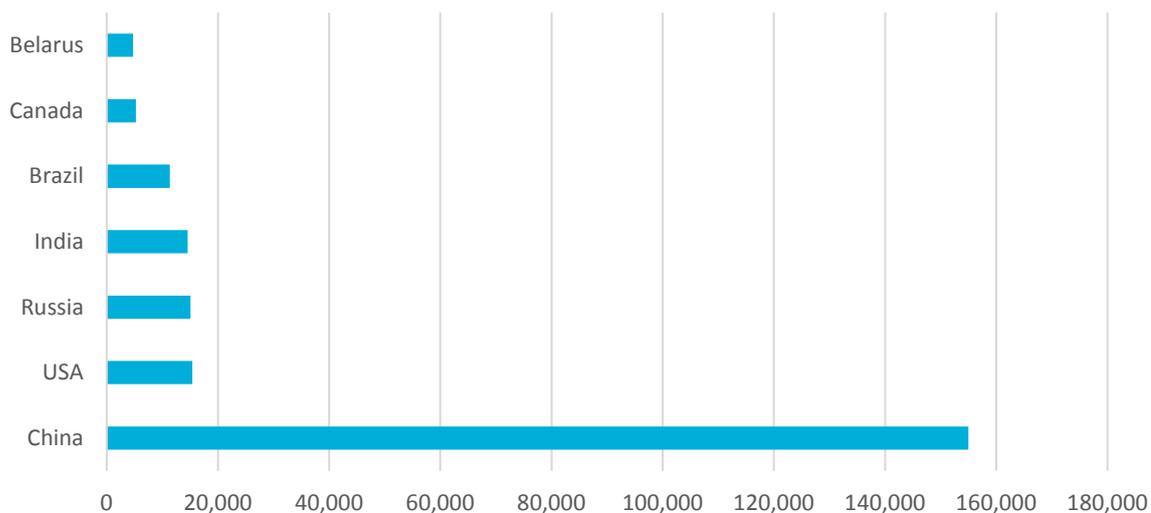
production value US\$ million, 2017

### Oils and Gas

### Metal Ores



## Fertilizers



Source: Euromonitor International

Metal ore extraction is also forecast to improve in 2017. Improving demand in the US and China, as well as the closure of less efficient mines, will drive up prices of metal ores. Production of fertilisers will be boosted by increasing food prices and higher crop yields. Potassium and urea are forecast to witness the highest demand growth in 2017.



# NATURAL RESOURCES IN 2017



## Top trends in Natural Resources

The most recent UN summit on climate change, COP22, is helping to build the focus on the Sustainable Development Goals as both governments and businesses commit to work collaboratively towards greater sustainability. Euromonitor International expects to see more progress in these initiatives in 2017, despite some present challenges. In line with greater commitment to the SDGs, we expect to see resource management becoming a key priority to safeguard the reserves of finite raw materials. The Circular Economy is going to continue to gain traction as a viable option, which can help to ease pressure on key inputs.

The top three trends to watch in 2017 are:

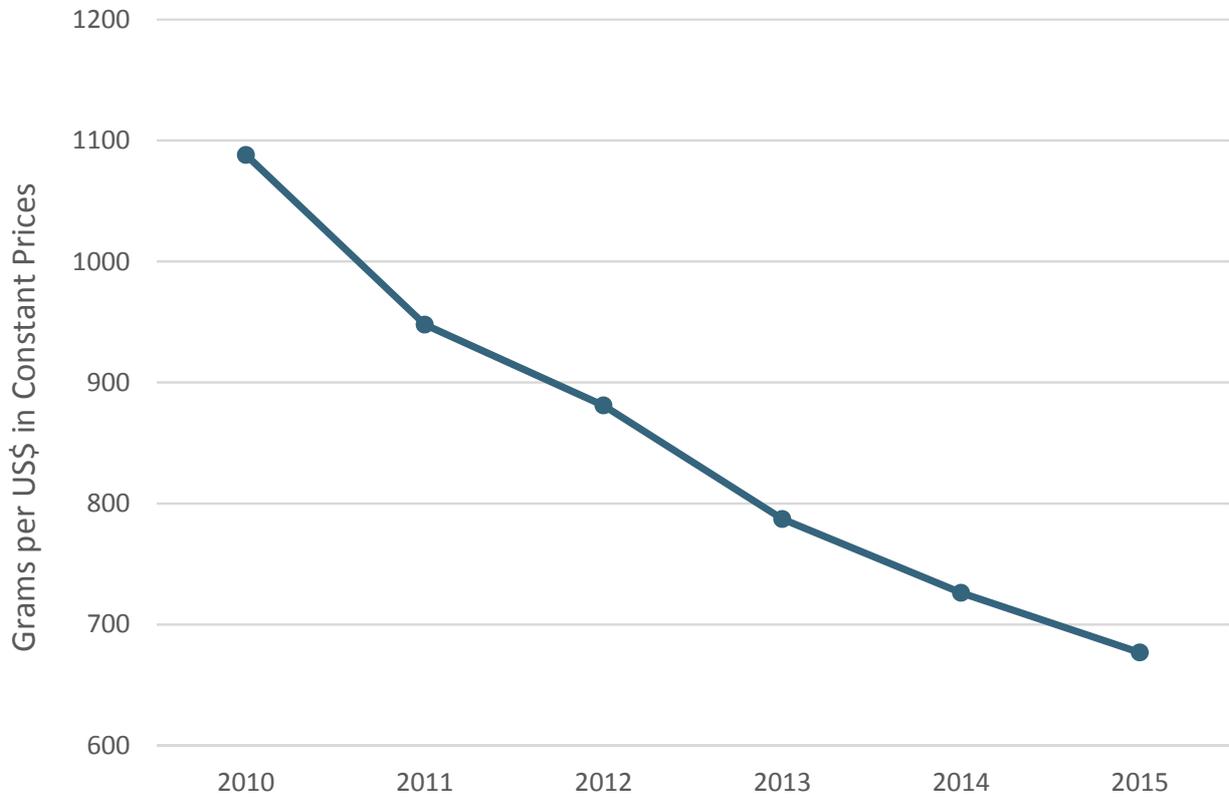
- No rollback on climate initiatives
- The new era of sustainability
- The Circular Economy gains traction

## No rollback on climate initiatives

With a Trump presidency, there is a looming fear that future initiatives to combat global warming would be severely affected. Trump has been sceptical about the issue and has said he wants to pull out of the Paris Agreement. This would create a sizeable setback, particularly given that the US has so far disbursed US\$500 million of the total US\$3 billion promised to support poorer countries in implementing environmentally friendly infrastructure. China, however, seems to be stepping in and may be able to fill the funding gap. Less financially powerful countries, including Bangladesh and the Philippines, are concerned about the impact of climate change on smaller economies and have also pledged full support to combat global warming.

Thanks to consumer pressure for green credentials and supported by technological advancement, leading companies, including Walmart and Google, have already invested heavily in more sustainable business models.

**World CO2 Emissions per Unit of Output**



Source: Euromonitor International

## The new era of sustainability

The momentum to make resource management a key priority is growing and ushering in a new normal, driven by both demand and supply sides. From the demand side, growing eco-awareness is leading consumers to pressure companies for stronger green credentials. On the supply side, fast depletion of resources triggered by population and economic growth, as well as fears over security of supplies, mean that key inputs are under stress. The impact on the bottom line through supply chain disruptions or reputational damage can be extremely high.

In 2017, we expect to see more companies taking a proactive stance on resource management and sustainable sourcing. The whole supply chain is increasingly coming under the spotlight. It is no longer enough for the core business to be sustainable; suppliers and partners also need strong credentials and consumers require support to manage the end-of-life of their products. The imperative to change patterns of production and consumption will only grow, and those that are ahead of the curve by educating and leading consumers will benefit.



## The Circular Economy gains traction

The Circular Economy will gain traction as a viable alternative business model; it is the antithesis of the current “build, buy, bury” model, consisting of a system in which everything is reused and nothing is wasted.

The cost-saving options in the Circular Economy form a key pull factor for businesses. There are also reputational benefits, as consumers increasingly base their purchasing decisions on brands’ green credentials. The Circular Economy closely resonates with The New Consumerism, which sees consumers reassessing their priorities—conscious consumption replacing conspicuous consumption. We expect more and more multinationals to embrace the Circular Economy in 2017.

## Case study: IKEA goes circular

IKEA is working towards prolonging its products’ lifecycles. The company’s goals include using recycled, recyclable and renewable materials, offering a repair service, buying back used IKEA products and selling them at no profit and investing in renewable energy. It is also exploring ways to use waste as a raw material in its products.

# DIGITAL CONSUMER IN 2017



## Top trends in Digital Consumer

Technological advances, including the arrival of smartphones to the masses, are forever altering the way consumers browse and buy all types of products and services. As the global populace becomes more digitally connected, new technology is opening the doors to brands being able to better target their end-consumer and offer new ways of conducting commerce.

The top three trends to watch in 2017 are:

New digital services will propel digital commerce growth

Apparel will drive product-based digital growth

Bank-led mobile proximity payments will expand

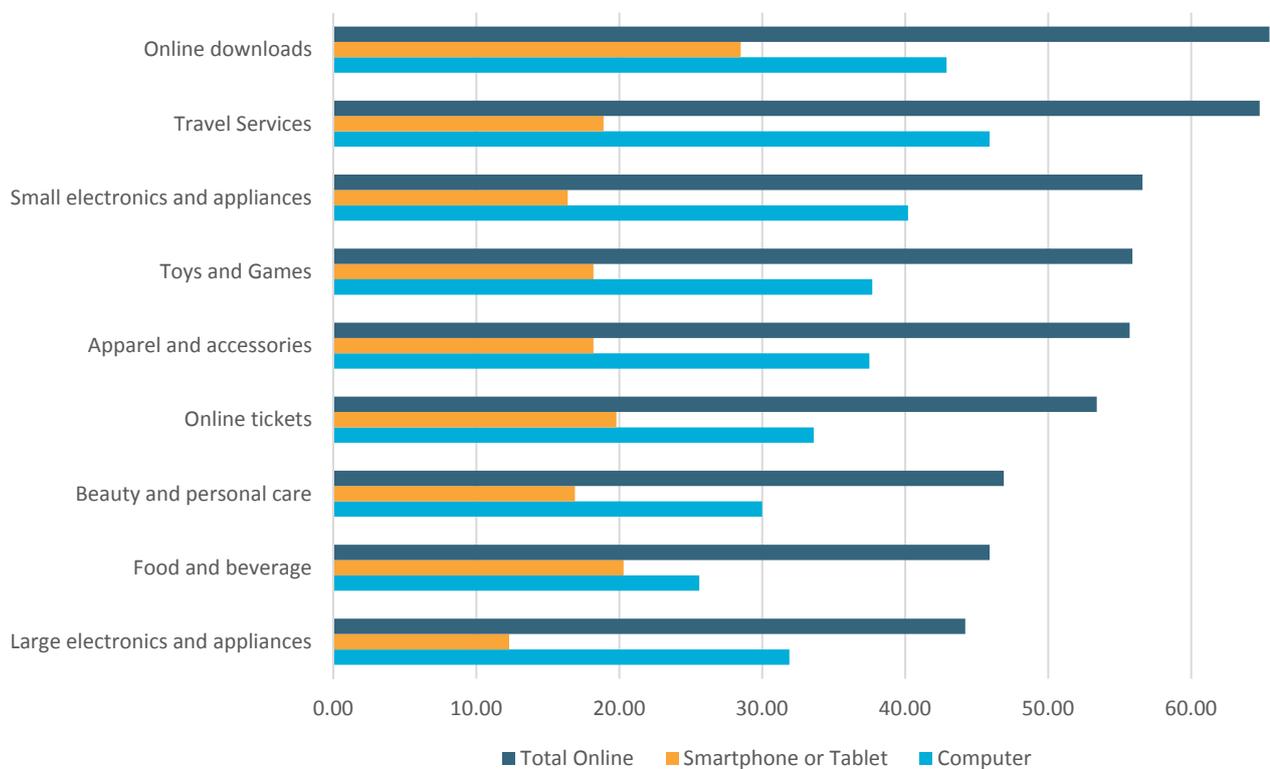
## Rise of services will continue to propel digital commerce uptake

According to Euromonitor International's 2016 Global Consumer Trends Survey, consumers turn to digital channels for purchases like travel, which can be easily researched and purchased at lower prices online. Such service-oriented purchases are helping to propel digital commerce growth and will continue to do so in 2017.

In the same survey, global consumers reported that more service-oriented purchases, including media downloads, online tickets and foodservice online orders, were their most frequent mobile purchases. In particular, the variance between devices used for a foodservice online order was the narrowest of all categories, with 26% of global consumers reporting having made such a purchase on a computer as compared with 20% on a mobile.

Digital has enabled new forms of commerce, including digital streaming services, the sharing economy and subscription services. These services would have not been possible before the widespread adoption of digital devices and will be important drivers to digital commerce expansion.

### Most Frequent Purchase Channel by Category, 2016



Source: Euromonitor International's 2016 Global Consumer Trends Survey

## Apparel will drive product-based digital commerce growth in 2017

A decade ago there was scepticism at the idea of selling clothes online; today apparel is one of the biggest growth stories on the product-based side of the digital commerce universe. Euromonitor International estimates that US\$1.3 trillion in goods will be purchased over the internet in 2017, representing 9.6% of all goods sold. Of all product-based digital purchases, the apparel and footwear category will contribute most in terms of absolute value sales, with an estimated US\$31.4 billion expected to be added in 2017.

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**Euromonitor International estimates that US\$1.3 trillion in goods will be purchased over the internet in 2017, representing 9.6% of all goods sold.**

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Western European and North American consumers are comfortable with the multi-channel strategy by key players and the continual integration of physical and digital operations. As a result, services like click-and-collect, store pick-ups and store returns are the “new normal”. That being said, Asia Pacific, with its rising middle-class and mobile-first mindset, is a key region driving this category’s digital expansion. While online sales represent only a small percentage of total sales in many Asian nations, about one-fifth of apparel and footwear sales in China and South Korea are now made in digital channels. In particular, China has grown rapidly and sales are now higher than the US.



## Coming next in the proximity mobile wallet wars: Bank-led apps

Although third-party apps like Apple Pay have garnered the proximity mobile payments headlines, that does not mean banks plan to sit on the sidelines. Banks have had success with mobile banking, but far fewer offer in-person mobile payments. Not more than three years ago, such a feat would be a long-shot. Like all aspiring providers, banks would have had to negotiate with mobile operators to gain access to the phone's secure element to execute tap-and-go Near Field Communications payments. That all changed in 2013 with the arrival of Host Card Emulation, a tech that enabled these details to be stored in the cloud.

Banks are well positioned to compete. They know how to send money safely and efficiently and have had success in this mobile-first world. Nearly three-fourths of consumers in Euromonitor International's 2016 Global Consumers Trends Survey reported using a mobile to access a banking service, with 39% doing so weekly. Consumers may have a love-hate relationship with them, but banks have a future in this space. Already there are a handful of banks enabling consumers to pay for in-person purchases with an issuer mobile wallet. More are expected to do so in 2017.

# HOUSEHOLDS IN 2017



## Top trends in Households

Households worldwide are being influenced by global factors such as urbanisation, ageing and digitalisation, thereby creating conditions for new trends and behavioural patterns. In 2017 the number of households globally will reach 2.1 billion, driven by growth in emerging markets. The year ahead will continue to be shaped by long-term demographic shifts.

The top three trends to watch in 2017 are:

Multi-tasking appliances

Increasingly educating households

Boomerang kids

## Multi-tasking appliances

Household durables that perform more than one core task have been around for a while. But recently they have become affordable, well-designed and mainstream. 2017 is the year that multi-tasking appliances become the norm for new, on-the-shelf options, changing fundamental perceptions of what a refrigerator, for example, should be.

Products likely to be in demand, particularly in developed markets, include products like the Black + Decker MC1100S 6.5 Quart Multi-Cooker that can bake, roast, sear, stew and dispense drinks and multi-blenders like the Ninja Master Prep series that chop, puree, liquefy and crush ice. In addition, Smart TVs with streaming, gaming, app, payment and screen-sharing capabilities are gaining popularity, as well as kitchen draws with storage and cooling capabilities, such as Fisher & Paykel's innovative CoolDrawer.

## Increasingly educated households

The world is seeing a surge in education, as rising incomes, better standards of living and fewer gender-based barriers are encouraging people to pursue academia. By the year 2017, the number of household heads with secondary education will be well above 1.0 billion worldwide, the highest total in human history. Better-educated heads of households are driving rising consumption in some of the world's most dynamic emerging markets. In countries such as China, Vietnam and Nigeria, a new middle class is able to afford education, a market that is booming on the back of surging demand. The growing number of university-educated homes is creating better-skilled workers, many of whom are IT-literate and bilingual, thereby improving domestic business environments and enhancing the knowledge economy.



## Boomerang kids

More millennials, or Generation Y kids, will be staying in their parental households in 2017 than in previous generations, as rising real estate prices, steep costs of higher education and rising indebtedness is encouraging them to cut costs. In Australia, they are called “boomerang kids”, because they move out but keep returning home. In Japan, they are named “parasite singles”, since they don't contribute to the household in a financial sense and live off their parents well into adulthood.

For example, house prices in Australia have doubled over the 2004–2017 period, yet the average gross income among 25–29 year-olds has risen by only 65.0% in current terms over the same timeframe. The disparity is particularly evident from 2012 onwards. This trend will drive opportunities in household refurbishments / DIY (as parents look to adapt their home to grown-up children), demand for mortgages (as young people look to move out eventually) and weaker rental markets.

# INCOME AND EXPENDITURE IN 2017



## Top trends in Income and Expenditure

Households worldwide are being influenced by global factors such as urbanisation, ageing and digitalisation, thereby creating conditions for new trends and behavioural patterns. In 2017 the number of households globally will reach 2.1 billion, driven by growth in emerging markets. The year ahead will continue to be shaped by long-term demographic shifts.

The top three trends to watch in 2017 are:

Stagnant global consumer expenditure growth prospects

The bottom of the pyramid (BOP) is gaining strategic importance

The squeezed middle is not to be overlooked, despite rising in inequality

## Stagnant global consumer expenditure growth prospects

Euromonitor International forecasts that global real growth in consumer expenditure is projected to stagnate at 2.3% in 2017, slightly down on 2016.

The 2017 forecast reflects decelerating growth in consumer expenditure in developed markets (with a forecast growth of 1.5% in 2017, down from 2.0% in 2016) as a result of dampened consumer confidence and greater uncertainties in the face of the Brexit vote and Trump's victory in the US presidential election.

In emerging and developing markets, real consumer spending growth is expected to strengthen in 2017 to 3.8% (from 3.3% in 2016), but the overall trend is for continuing weak growth following six consecutive years of deceleration. Emerging Asia, with markets such as China, India and the ASEAN, will be the main drivers of growth, but elsewhere prospects will be uneven due to widely diverging recoveries and persistently low commodity prices. Against this background, commercial opportunities will be hard to come by, and the competitive landscape will intensify further in 2017.

## The BOP is gaining strategic importance

In the context of the subdued growth outlook, especially in advanced economies, and increasing uncertainties, the BOP is gaining importance as a new growth avenue for companies. Reaching consumers at the BOP can be a smart strategic move, because it can help businesses establish a new, substantial consumer base.

Multinationals can gain traction and build consumer trust by offering products and services that are safer and cleaner to use, provide better information and help the poor increase productivity and incomes. In doing so, companies will not only yield profits and win tomorrow's consumers, but also actively help to eradicate poverty, reduce income inequality and improve the business environment.

India, Nigeria, China, Indonesia and South Africa are the top five markets due to the large size of their BOP both in absolute terms and as a share of the adult population.



## The squeezed middle not to be overlooked despite rising inequality

As income inequality is expected to worsen in 2017, across 66 out of 85 major economies which Euromonitor International tracks, companies need to strategise for the increasing polarisation of consumer markets. However, it is vital not to overlook the middle class so as to retain this important consumer base.

While enticing the “squeezed middle” with big discounts was top of the agenda in the aftermath of the global financial crisis, businesses have come to realise that price promotions are not the only way. Instead of racing to the bottom and eroding brand value, businesses will need to innovate to offer good quality at a good price as a smarter strategy in order to retain the loyalty of the squeezed middle and revive their demand. Discounters Aldi and Lidl, for example, are growing their premium lines twice as quickly as the rest of their ranges, while Waitrose launched its “Waitrose 1” premium range in 2016 in an effort to win back middle-class customers who had drifted away to rival supermarkets. 2017 will see an acceleration of this premiumisation trend.

# POPULATION IN 2017



## Top trends in Population

Population trends have far-reaching implications, as they affect economic development, employment, income distribution and consumer market potential. They also affect efforts to provide universal access to health care, education, housing, sanitation, water, food and energy, which have implications for consumer market trends. In 2017, the world's population will reach 7.4 billion, with 55.2% concentrating in Asia Pacific.

The top three trends to watch in 2017 are:

55% of the global population will live in urban areas in 2017

The median age of the global population will hit 30 years

Nearly one in ten adults will suffer from diabetes

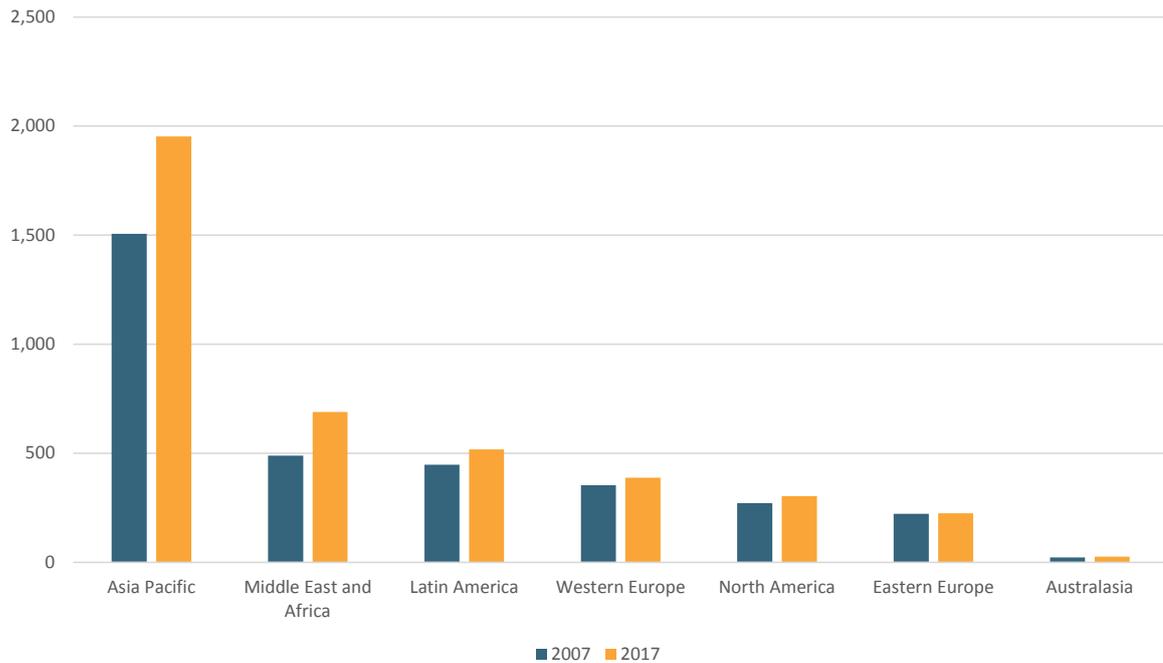
## 55% of the global population will live in urban areas in 2017

In 2017, 55% of the total global population will live in urban areas, five percentage points higher than in 2007 when the global urban population exceeded the rural population for the first time.

In absolute terms, the global urban population will reach 4.1 billion in 2017, from 3.3 billion in 2007. Most of this growth will come from the Middle East / Africa and Asia Pacific, where the urban population growth rate is set to reach 40.7% and 29.6%, respectively.

Urbanisation creates significant challenges, including overcrowding, housing shortage, lack of urban jobs, increasing pollution and associated health risks. On the other hand, opportunities brought by urbanisation are substantial, especially since urban households tend to have higher purchasing power. The transition to smaller-sized households in cities compared to rural areas will further give rise to new consumption trends and boost demand for goods and services. Urbanisation can also spur economic growth, as cities draw in diverse businesses which in turn generate investment and economic activity.

### Urban Population by Global Region, 2007 and 2017



Source: Euromonitor International

Note: Data for 2017 are forecast.

## The median age of the global population will hit 30 years

The median age of the global population has been rising steadily and will hit 30.1 years for the first time in 2017 (up from 27.9 years a decade earlier). Western Europe will continue to lead global ageing, as the trends of delaying marriage and childbirth, higher female labour participation and improvements in life expectancy are the most prominent in this region. The median age of the population in Western Europe is set to reach 41.1 years, more than double that of Africa and the Middle East in 2017. Globally, the 65+ age group will be the fastest-growing of all the key age cohorts. In the decade to 2017, the population aged 65 and over will rise by 31.4%, while the number of under-15s will creep up by just 6.1%.

Population ageing hugely impacts consumer goods industries, presenting them with a plethora of opportunities to provide senior consumers with goods and services to meet their changing lifestyles, shopping and spending habits, widely varying income and wealth levels, expectations and needs.

#### Key Sectors Benefitting from an Ageing Demographic:

- Nutrition
- Healthcare
- Technology
- Financial Services
- Transportation
- Household Goods
- Wellness and Fitness
- Beauty and Personal Care
- Leisure and Recreation

## Nearly one in 10 adults will suffer from diabetes

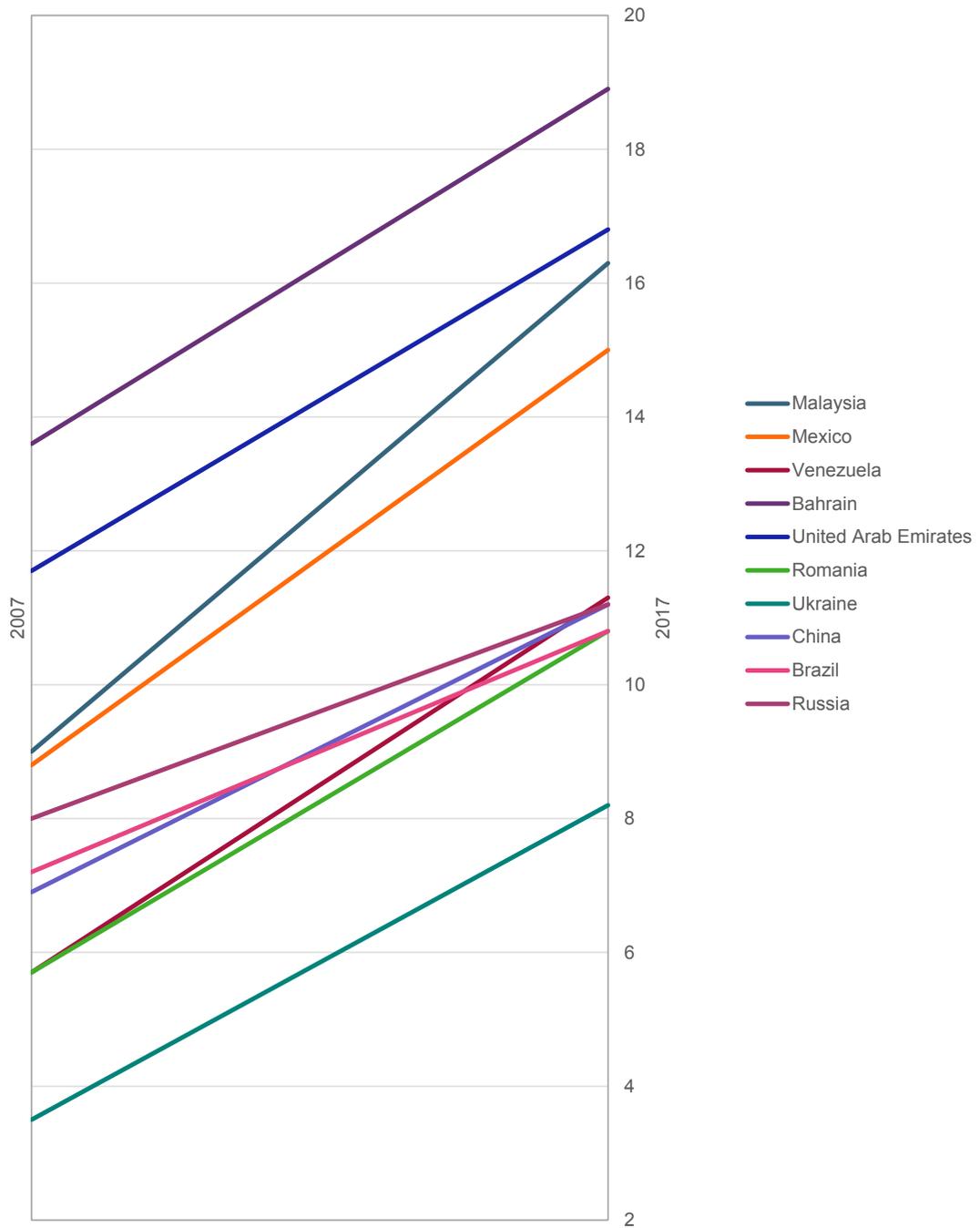
People are living healthier for longer, thanks to rising incomes, improved standards of living and better healthcare. On a global average, a baby born in 2017 can expect to live to the age of 72.2 years, of which 63.7 years will be in “full health”.

While life expectancy and healthy life expectancy improve across the globe, a number of lifestyle health issues like obesity and diabetes are on the rise, as people around the world consume more calories and become increasingly sedentary.

In 2017, 9.0% of the global population aged 20-79 is expected to suffer from diabetes. People with diabetes have an increased risk of heart disease, high blood pressure, stroke and cancer. This undesirable trend will fuel both government and consumer spending on healthcare, but higher expenditure on health goods and medical services can affect consumer spending on other discretionary categories as well as weigh on government finance. 2017 will see many companies increase their efforts to capitalise on the rising need for diabetes prevention and treatment and healthier living.



**Diabetes Rise in Selected Countries, 2007 and 2017**



Source: Euromonitor International

# CONCLUSION



## 2017: A year of uncertainty

Uncertainty is the main theme for 2017. In advanced economies, the key risk is political volatility stemming from the Trump presidency and Brexit. In addition, with many countries struggling to raise productivity, weighed down by debt and ageing populations, stagnation is a threat. The eurozone will continue to see anemic growth, with all major economies seeing growth slow down next year.

On the other hand, growth in emerging and developing markets is expected to strengthen, but there are several key downside risks stemming from the Trump presidency, with those reliant on capital inflows and weak economic fundamentals most at risk. We see both Brazil and Russia returning to growth next year, albeit weak; India should continue to perform well, with the strongest growth in all major markets, although, downside risks stemming from demonetisation are apparent here.



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# THE AUTHORS



**KASPARAS ADOMAITIS**

Cities Manager  
Euromonitor International, Vilnius



**SARAH BOUMPHREY**

Global Lead, Economies and Consumers  
Euromonitor International, London



**INDRE CESNIENE**

Head of Industrial  
Euromonitor International, Vilnius



**MICHELLE EVANS**

Digital Consumer Manager  
Euromonitor International, Chicago



**AN HODGSON**

Income and Expenditure Manager  
Euromonitor International, London



**PAVEL MARCEUX**

Households Specialist  
Euromonitor International, London



**ORU MOHIUDDIN**

Strategy Analyst  
Euromonitor International, London



**UGNE SALTENYTE**

Macro Analysis Manager  
Euromonitor International, Vilnius