

WOMENOMICS: THE GLOBAL FEMALE CONSUMER

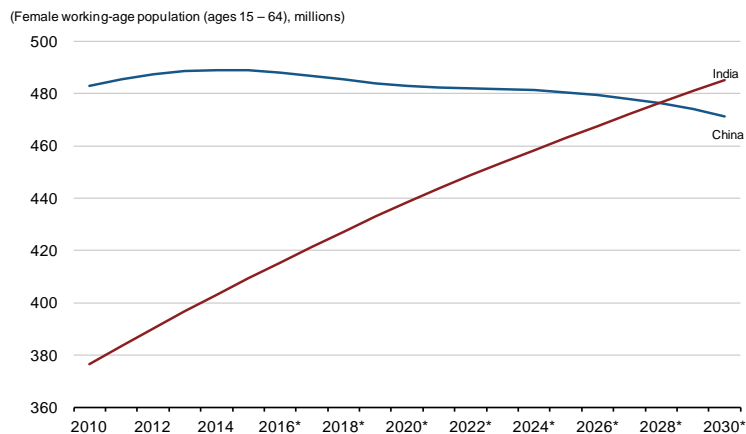
The power and momentum are growing

Between 2010 and 2020, Chinese and Indian household consumption of goods and services will more than triple to \$10 trillion. That's greater than the entire current household consumption in Latin America, the Caribbean, the Middle East and Africa combined. *Furthermore, women's earnings in China and India will surge from \$1.6 trillion in 2010 to nearly \$5 trillion in 2020.*¹ The opportunities in this future, where the emerging market consumer meets womenomics, are vast for those companies who can successfully cater to the dynamic needs and desires of women. Developing countries offer the largest potential for higher growth in female disposable income, but, as we'll discuss, developed markets offer ways for investors to gain exposure to this long-term investment trend as well.

The female 'Chindian' economy

Exhibit 1 illustrates a major driver of female consumption trends in the emerging markets. China currently represents the largest female market in the world. India is quickly catching up with a female working-age population currently in excess of the entire U.S. population, and it is forecast to surpass China in size by 2028. Furthermore, between 2015 and 2030, China's female working-age population will actually decrease by 4%, while India's will rise by over 18%.

Exhibit 1: The Present and Future Markets for Female Consumers.



*2015 – 2030 forecasts.
 Source: United Nations.
 Data as of May 6, 2015.

The growth potential for China's and India's female economies is undeniable; however, their respective labor market dynamics have some stark differences. While women in China and India each constitute 49% of their populations, participation in their respective labor markets is anything but similar. According to figures from the International Labor Organization (ILO),

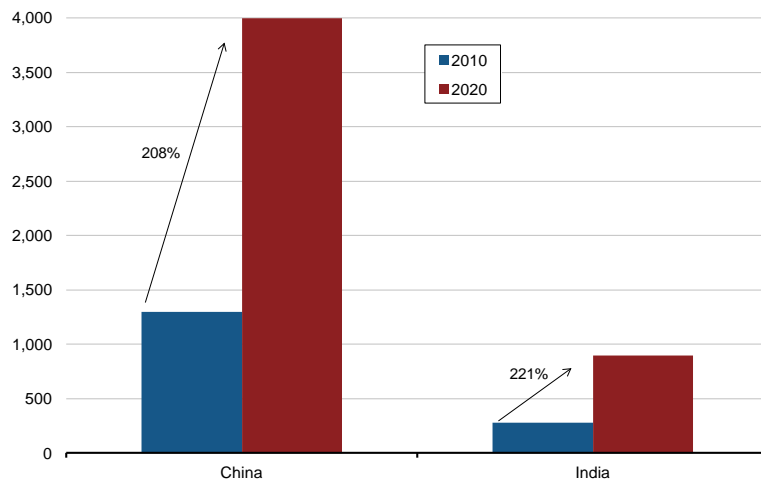
¹ *The \$10 Trillion Prize: Captivating the Newly Affluent in China and India*, Boston Consulting Group. 2012.

China's ratio of women to men actively engaged in the labor market is 0.85; India's is 0.36. Since the years of the Cultural Revolution, China's female population has enjoyed a head start on its bumpy path to greater equality. Within India's more fragile female economy, equality is reserved for the most affluent, urban women while the rest still suffer from significant gender discrimination, lower wages, and limited access to education. To the last point, the literacy rate among Indian men is 82.1% and among Indian women is 65.5%, according to the latest data from the India Census.

Having said that, an increasing number of Chinese and Indian women are enrolling in all levels of education, setting the stage for the next wave of well-equipped spenders, and helping to account for some of the declines we see in female labor force participation. Also contributing to recent declines in female participation rates—rising household incomes (women in wealthier households tend to have lower participation rates) and increased competition for scarce jobs following the financial crisis. Occupational segregation also plays a factor, especially in India, where women tend to be grouped into occupations that have lacked significant employment growth over the years. However, a solid education pays dividends, and it will be one of the most significant factors allowing women in China and India to compete for a better mix of higher-paying jobs. For all these reasons and more, China's female economy could grow from \$1.3 trillion in 2010 to \$4 trillion in 2020 and India's female economy could grow from \$280 billion to \$900 billion (Exhibit 2).²

Exhibit 2: Projected Earnings of Women in China and India.

(Billions of \$)



Source: Boston Consulting Group, *The \$10 Trillion Prize*, 2012.

Data as of 2012.

What women want

As we have detailed in previous pieces, women will increasingly help determine the political and financial future, and for companies looking to capitalize on this trend in China and India, they must understand what women want. Take a look at some of these spending behaviors of women for their families:

- Compared to women across the globe, Indian women spend more time shopping for food and household items.
- Due to the one-child policy in China, it is common for a family to spend roughly 30% to 40% of household income on raising its child.
- Urban Indian women tend to have smaller families (and higher wages) than rural women, and devote a higher proportion of their household income to their children.

Companies who understand this maternal instinct and create high-quality, healthy and safe household products, stand to gain the most market share.

² Ibid.

Even though women tend to put their families first, in China and India they are spending more money on themselves as well, and will drive their luxury markets in the years to come. According to Credit Lyonnais Securities Asia (CLSA), while men account for 55% of the luxury goods market in China as compared to the global average of 40%, the share of women is rising as their purchasing power increases. In the end, companies that will likely outperform must have a fine-tuned strategy geared to the dynamic markets of China and India, and to the emerging female markets at large. For example, in India women continue to favor traditional clothing and spent \$1.5 billion on saris and other traditional apparel in 2010, up from \$1.0 billion in 2005. This represents 55% of the women's retail market in India, according to figures from the Boston Consulting Group (BCG). In China, skin care and facial products are hot tickets, but Chinese women don't like to copy the beauty products in the West, forcing most companies to have an indigenous strategy. Those companies who succeed can hope to take home some of the \$5 billion that was spent in the Chinese cosmetics market in 2010. This \$5 billion was just 16% of the \$31 billion Chinese consumers spent on personal luxury.

The three growth engines in womenomics

Womenomics is a long-term trend—not a fad—and the investment opportunities are as dynamic as the interests of women themselves. Women are spending more across the board and they're increasingly being targeted by companies that recognize them as the main household financial decision maker. Thus, when investing in womenomics, it is helpful to consider equity exposure within the context of three major demographic trends.

1. **The emerging market consumer:** As more people enter the middle class, they prefer to trade up and spend money on products that go beyond bare necessity. Brands, both local and international, are the bread and butter for this cohort as their products are generally perceived as healthier or more sophisticated or reliable. Developing countries have diverse cultures and different tastes when it comes to the products women purchase, but in general, demand is growing for healthier foods (as well as cocoa/sugar), safe personal care products, cell phones with high-speed internet access, e-commerce platforms and durable goods like refrigerators and cars. China and India are two of the leading markets for the emerging market female consumer
2. **Millennials:** In light of the recent global economic downturn, it is not surprising to see marriages and fertility rates decrease, but even before the recession, there was a general global trend toward delaying childbirth. Combined with rising trends in education and employment, young female professionals have rising disposable incomes with positive future trajectories. They drive expenditures on everything from leisure and travel to personal care products and apparel, all while using mobile payments and apps to drive their purchases.
3. **Baby boomers:** Of the three groups, this one has the greatest disposable income and is increasing demand for financial planning/services, travel, luxury and healthcare products and services. While the developed world is generally perceived as the home of the world's elderly population, China's population is peaking and driving healthcare expenditures on what's typically been perceived as Western non-communicable diseases—cardiovascular diseases, chronic respiratory diseases, cancers and diabetes.

Although there is no single pure play on our womenomics theme, there is an array of companies across nearly all sectors that have exposure to the growing needs and wants of women. Think U.S. global brand leaders across multiple sectors—ranging from automobiles to technology to high-end luxury. These firms are some of the best positioned to tap one of the world's most powerful macro forces: the economic ascent of women in both the developed and developing world.



This report is provided for informational purposes only and was not issued in connection with any proposed offering of securities. It was issued without regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not contain investment recommendations. Bank of America and its affiliates do not accept any liability for any direct, indirect or consequential damages or losses arising from any use of this report or its contents. The information in this report was obtained from sources believed to be accurate, but we do not guarantee that it is accurate or complete. The opinions herein are those of U.S. Trust, Bank of America Private Wealth Management, are made as of the date of this material, and are subject to change without notice. There is no guarantee the views and opinions expressed in this communication will come to pass. Other affiliates may have opinions that are different from and/or inconsistent with the opinions expressed herein.

This publication is designed to provide general information about economics, asset classes and strategies. It is for discussion purposes only, since the availability and effectiveness of any strategy are dependent upon each individual's facts and circumstances. Always consult with your independent attorney, tax advisor and investment manager for final recommendations and before changing or implementing any financial strategy.

Other Important Information

Past performance is no guarantee of future results.

All sector recommendations must be considered in the context of an individual investor's goals, time horizon and risk tolerance. Not all recommendations will be suitable for all investors.

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments.

International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments.

Investing in emerging markets may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

U.S. Trust operates through Bank of America, N.A., and other subsidiaries of Bank of America Corporation.

Bank of America, N.A., Member FDIC.

This report may not be reproduced or distributed without prior written consent.

© 2015 Bank of America Corporation. All rights reserved. | ARJJSPN | 05/2015