Asian Affluence

- **Favorable demographics, rising incomes**
  Fastest growing age group in Asia is people aged 35-59. Not only are these peak earning years, but Asian incomes are growing rapidly too.

- **Changing attitudes**
  Demographic trends and rising incomes have significant implications for Asian attitudes. Many Asians today have grown up in an environment where traditional attributes of austerity and frugality have much less significance than they did for prior generations.

- **Six key changes**
  1) An urban orientation; 2) An emerging middle class; 3) Spending and saving; 4) Working women; 5) More, and smaller, households; 6) Time off/more travel.

- **Manufacturers and retailers respond to Asian Affluence**
  Quality Products—Opening of markets to foreign competitors has stimulated Asian companies to improve product quality, often to “world class” levels. “Brand fervency”—Asian consumers are increasingly brand conscious. Formalization of retailing—Increasing urbanization is key to growth of large retailers.

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![Chart 1: Asian Population Change](source)

**Source:** U.S. Census Bureau – International Database

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**Chart 2: Asian Real Per Capita GDP In U.S. $**

![Chart 2: Asian Real Per Capita GDP](source)

**Source:** Global Insight, Inc
Table 1: Beneficiaries of Asian Affluence

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>UBS Rating</th>
<th>Market Cap U.S. $ (m)</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
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<td>ASII.JK</td>
<td>Neutral 2 (under review)</td>
<td>1,788</td>
<td>An emerging middle class</td>
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<tr>
<td>Ayala Land</td>
<td>ALI.PS</td>
<td>Buy 2 (under review)</td>
<td>1,244</td>
<td>An emerging middle class</td>
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<td>BBCA.JK</td>
<td>Buy 2</td>
<td>1,999</td>
<td>Spending and saving</td>
</tr>
<tr>
<td>BEC World</td>
<td>BEC.BK</td>
<td>Buy 1</td>
<td>1,134</td>
<td>Brand fervency</td>
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<tr>
<td>Chinatrust Group</td>
<td>2891.TW</td>
<td>Buy 1</td>
<td>3,839</td>
<td>Spending and saving</td>
</tr>
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<td>Convenience Retail Asia</td>
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<td>2,669</td>
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<td>Giordano</td>
<td>0709.HK</td>
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<td>462</td>
<td>Working women; quality products; brand fervency</td>
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<td>Glorious Sun</td>
<td>0393.HK</td>
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<td>528</td>
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<td>HSBA.L</td>
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<td>6,462</td>
<td>An urban orientation</td>
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<td>Hyundai Department Stores</td>
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<td>Buy 2</td>
<td>499</td>
<td>Brand fervency</td>
</tr>
<tr>
<td>Hyundai Motor</td>
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<td>Buy 2</td>
<td>6,002</td>
<td>An emerging middle class; quality products</td>
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<td>Buy 2</td>
<td>3,023</td>
<td>An emerging middle class; quality products</td>
</tr>
<tr>
<td>Korea Tobacco</td>
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<td>Suspended</td>
<td>1,945</td>
<td>Formalization of retailing</td>
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<td>LHF.BK</td>
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<td>An emerging middle class</td>
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<td>New Straits Times</td>
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<td>PROT.KL</td>
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<td>QH.BK</td>
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<td>201</td>
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<td>Buy 1 (under review)</td>
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<td>Buy 1 (under review)</td>
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<td>SM Prime</td>
<td>SMPH.PS</td>
<td>Buy 1</td>
<td>1,099</td>
<td>Brand fervency</td>
</tr>
<tr>
<td>Singapore Press</td>
<td>SPRM.SI</td>
<td>Buy 1</td>
<td>4,120</td>
<td>Brand fervency</td>
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<td>SAR.CI</td>
<td>Neutral 2</td>
<td>1,335</td>
<td>Time off/More travel</td>
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<td>Swire Pacific</td>
<td>0019.HK</td>
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<td>7,045</td>
<td>Quality products</td>
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<td>998</td>
<td>Brand fervency</td>
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<td>Tsingtao Brewery</td>
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<td>TVB</td>
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<td>UMW</td>
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<td>Yanzhou Coal</td>
<td>1171.HK</td>
<td>Suspended</td>
<td>1,343</td>
<td>An urban orientation</td>
</tr>
</tbody>
</table>

Source: UBS
Asian Affluence

We recently pointed out that “slowing population growth in the industrialized world, and aging of baby boomers, mean that many companies will be serving stagnant markets,” (see Grayer and Gloomier as Boomers Age March 21, 2003). After growing 3.7% in the early 1990s and 3.0% in the late 1990s, the population of the mature industrial economies of western Europe, the U.S., Canada, Japan, and Australia is forecast to grow just 2.1% over the five-year period 2005-10, or just 0.4% per year (Chart 3).

Chart 3: Annual Population Growth of Developed Countries* Since 1950

By contrast, the demographic outlook for Asia is much more favorable. (As we discuss below, in this report we use “Asia” to refer to China [including Hong Kong], Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.) The fastest growing age group in Asia over the next decade is people aged 35-59 (Chart 4). These generally tend to be high earning, high spending years. Moreover, the incomes of Asian consumers should continue to grow rapidly (Chart 5), thanks to a number of powerful forces. These include a shift from rural to urban areas, a concomitant shift of employment into higher value added industries, and a growing number of working women.

The fastest growing age group in Asia over the next decade is people aged 35-59


Chart 5: Asian Real Per Capita GDP In U.S. $

Note: Unless stated otherwise, all “Asia” charts reflect a weighted average of China (including Hong Kong), Indonesia, Malaysia, Philippines, Singapore, S. Korea, Taiwan, Thailand.
Although these trends are driving growth in most segments of the Asian consumer sector, they are also spurring the emergence of a new consumer segment—the “mass affluent.” While the emergence of this mass affluent segment is partly a result of favorable demographics and rising incomes, lifestyle and behavioral changes are also playing a key role. Specifically, many Asians today have grown up in an environment where the traditional attributes of austerity and frugality have much less significance than they did for prior generations.

Note that we are focusing on the eight Asian countries listed above, because they each share the attractive characteristics of favorable demographics and rising per capita GDP. We are excluding Japan because of that country’s unfavorable demographics and difficult economic environment. And while India and Pakistan are technically part of Asia, we are excluding those countries because many of the forces driving Asian Affluence (e.g. a shift to higher value added industries, a growing number of working women) are not as prevalent in those countries.

It’s important, however, to acknowledge two key factors:

- The eight countries we focus on are not at the same stage of urbanization or economic development.

- The countries also have different cultural characteristics.

That said, as we discuss below, there are several trends that generally hold true across the region, so that it is plausible to discuss the broad theme of Asian Affluence.

**Favorable Demographics, Rising Incomes**

The region made up of these eight Asian countries likely has the best demographic profile in the world today. As Chart 4 illustrates, the fastest growing age group in Asia over the next decade is people in the highly productive 35-59 age group. Importantly, Chart 6 through Chart 13 illustrate that this age group is growing rapidly in most countries in the region, so that it is not just the most populous country (i.e., China) that is driving these demographic trends.
Given that Asians in the 35-59 age group are the fastest growing segment of the population, it’s not surprising that their presence in the overall population has been growing rapidly. As Chart 14 illustrates, in 2000 there were close to 500 million Asians in the 35-59 age group, representing 30% of the total population, with that number forecast to rise to 640 million in 2010 (35% of the total population). Indeed, the number of Asians in this age group is forecast to keep growing well beyond 2010, reaching a peak of over 700 million in 2025.

Chart 14: Millions of Asian 35-59 Year Olds, 35-59 Year Olds as % of Total Population

The fact that a significant percentage of the Asian population is made up of people of working age has three important implications:

- A high level of potential economic output.
- A low dependency ratio (i.e., ratio of non-workers to workers), resulting in high disposable incomes.
- Strong consumer purchasing power.

On this last point, for most individuals worldwide, peak earning and spending years are typically reached between the ages of 35 and 59. That is consistent with the Life Cycle Hypothesis, which is based on the observation that an individual’s economic behavior varies with age. As people get older and take better paid jobs, incomes rise and so do desired levels of expenditure.

Importantly, not only are a large number of Asians moving into their peak earning years but, for the reasons outlined below, per capita incomes are rising too. As Chart 5 and Chart 15 illustrate, average real Asian per capita income is forecast to rise from $1,550 in 2000, to $2,475 in 2010, which is a 50% increase in real incomes in the next decade.
Of course, rising per capita income (defined as GDP per person) can be misleading if GDP is growing rapidly, and if most of that income is accruing to a small percentage of the population. In that regard, the distribution of income in Asia compares favorably with other parts of the world. Chart 16 shows the Gini Index for six Asian countries, and the index for three Western countries. (The Gini Index measures inequality over the entire distribution of income or consumption. A value of 0 represents perfect equality, and a value of 100 perfect inequality.) In several Asian countries, the Gini Index is at or below the level in the western nations.

**Chart 16: Gini Index of Inequality**

0 = perfect equality. 100 = perfect inequality

Source: United Nations
A Post Crisis Rebound in Income Growth

As Chart 14 illustrates, the economically important 35-59 age group has been growing steadily as a percentage of the total population since the 1990s. What’s significant today is that over the next decade the number of Asians in that economically important age group will reach one-in-three of the total population at the same time that per capita incomes continue to grow rapidly.

Not surprisingly, the Asian economic crisis of 1997-98 took a toll on Asian incomes, with average real per capita income dropping from $1,395 in 1997 to $1,380 in 1998 (Chart 5). Since the end of the crisis, however, income growth has rebounded strongly thanks, in large part, to four key factors.

- The easing of regulations and freer markets. The 1997/98 crisis brought to light the poor management of many Asian economies. An example of this was in South Korea, where the government encouraged heavy bank lending to the chaebol conglomerates. An unhealthy bias towards export industries eventually led to a misallocation of resources by the chaebols. Since the crisis, however, there has been a reluctant acceptance by governments throughout the region to let markets decide on more efficient capital allocation. For example, in Korea there has been a shift by banks toward consumer lending, which now accounts for almost one half of loan books (Chart 17). In Malaysia too, corporate loan growth had been anemic because of excess manufacturing capacity, so banks turned to consumer loans as a source of growth.

- Explicit pro-consumption policies. Concomitant with the desire to reduce the reliance of Asian economies on export-driven growth, governments throughout the Asian region, with varying degrees of intensity, have been pursuing policies that explicitly seek to boost domestic demand. Examples of such policies include the move by China in 1999 to discourage saving by taxing interest income on bank deposits, South Korea’s 1999 tax incentives on credit card spending (whereby consumers got tax breaks if their credit-card expenditures exceeded 10% of income), and the announcement, in 2002, of a significant cut in personal income tax rates in Singapore.
Not surprisingly, Asian consumers are now playing a major role in economies throughout the region (Chart 18).

Chart 18: Asian Consumer Spending Share of GDP

Source: Datastream

Foreign direct investment. More relaxed regulations have also allowed foreign companies to increase their presence in Asian economies. One key factor here was China’s accession to the World Trade Organization (WTO) in 2001, which eliminated many restrictions that made it nearly impossible for most foreign firms to make money in China. For the region in general, however, two factors have acted as catalysts for foreign companies to boost their direct investment (FDI) in Asia (Chart 19). The first has been improving Asian competitiveness—both in terms of manufacturing costs as well as the quality of finished products. Better competitiveness, combined with improved technology, have facilitated foreign outsourcing of manufacturing and assembly to Asian companies. The second factor driving FDI has been the desire by foreign companies to take advantage of the region’s burgeoning consumer demand.

Chart 19: FDI in Seven Asian Countries ($ Billions)

China, Indonesia, Malaysia, Philippines, S. Korea, Taiwan, Thailand

Source: IMF
Growing intra-regional trade. As Asian Affluence spreads, these countries are trading more with each other, and are becoming less dependent on trade with other countries, most notably the U.S. (Chart 20). As we discuss below, a growing part of this trade is services i.e., tourism.

![Chart 20: Asian Intra-Regional Trade; Asian Exports to U.S., EU and Japan](image)

Both as a percentage of total trade

Source: IMF Direction of Trade

**Productivity Growth: Long-Term Driver of Asian Income Gains**

Longer term, the key to continued rapid growth in per capita incomes in Asia remains productivity growth, which should continue to outpace that of the major industrialized economies (Chart 21).

![Chart 21: Productivity growth: Asia Versus Western Industrialized Nations](image)

Year-over year percent change

Source: UBS

Two key factors driving Asian productivity gains are 1) technology transfer—both physical technology as well as business processes,—and 2) steadily improving educational standards.
Technology Transfer

While the risks of early adoption of new technologies tend to be taken by richer countries, Asian economies are typically slow to embrace new technologies. Once they do, however, adoption rates are typically high relative to prevailing income and productivity levels.

Furthermore, later adoption can allow Asian emerging countries to skip to the best technologies, thereby accelerating the productivity process. One example of this is in telecommunications. Chart 22 shows that mobile phone ownership in China is close to surpassing fixed lines.

Chart 22: China's Mobile Phone Penetration Versus Fixed Line Penetration

The other form of technology transfer is via foreign direct investment. Asian economies benefit both directly and indirectly from technology brought into the country by foreign investors. The direct benefit is obvious:

- In Thailand, the arrival in the last decade of six international auto manufacturers, targeting both the domestic and export market, has raised the productivity both of auto workers and of other workers in the local supply chain.

- In China local worker productivity is benefiting from processes and knowledge transfers by Taiwan’s electronics manufacturers.

- In South Korea greater foreign ownership of local banks post 1998 was partly responsible for re-orienting lending towards the household sector.
Indirect benefits from foreign investment can come via competitive pressures. Thus, the entry of foreign retailers—such as Wal-Mart, Carrefour and Tesco—into several Asian markets has forced local competitors such as Big C, Shinsegae, and Park N Shop to raise the standards of their operations. (We discuss the “formalization of retailing” in Asia at length later in this report.)

**Improving Educational Standards**

As educational standards continue to rise in Asia, productivity levels should improve further. Not surprisingly, as Chart 23 illustrates, income per capita in Asia tends to be highly correlated with educational attainment.

**Chart 23: Tertiary Educated As a % of Population 15+ Years Old and GDP Per Capita**

Income per capita in Asia tends to be highly correlated with educational attainment.

![Chart 23](chart23.png)

* China - as % of population 6+ years old

GDP per capita (PPP)

Source: UBS

However, educational standards in Asia still have room to rise further—as Chart 24 illustrates, while 100% of South Koreans receive a secondary education, that is the case for only 65% of Chinese and 37% of Thais.

**Chart 24: Percentage of Males and Females Enrolled in Secondary School Education**

![Chart 24](chart24.png)

Source: UNESCO
Changing Asian Attitudes

As we noted above, while the emergence of a mass affluent segment of Asian consumers is partly the result of favorable demographics and rising incomes, attitudinal changes are also playing a key role. Specifically, the oldest members of the 35-59 age group in Asia were born just before the end of the second World War, while the youngest members of this group were born just as the Vietnam war was getting underway (and well after the Korean war ended). So most of the people in this age group have no memory of the key events that influenced an older generation of Asians.

That older generation, which lived most of their lives in an environment of uncertainty and austerity, is steadily becoming less important, particularly in the important realm of politics. The obvious example of this is China where, in 2002, the 76 year-old President Jiang Zemin handed over the leadership reins to a younger generation, many of whom are in their 50s. This is the so-called “fourth generation” of leaders (after Chairman Mao, Deng Xiaoping and Jiang Zemin).

Consequently, many young Asians today have grown up in an environment where the traditional Asian attributes of austerity, frugality, and saving have much less significance than they did for prior generations. As Chart 5 illustrates, despite the severe economic impact of the 1997-98 crisis, Asian incomes and living standards rose steadily for most of the 1990s (as well as the 1980s). The attitudinal changes associated with rising incomes and a healthy economic environment are manifesting themselves in a number of different ways, and are creating a wide-range of opportunities for companies to benefit from the emerging mass affluent segment.

As part of this most recent research, UBS utilized the expertise of Yankelovich, which has been conducting comprehensive surveys about consumers’ preferences, habits, and lifestyles for over 30 years. Yankelovich's Asian data are collected under the supervision of NFO Trendbox B.V., a part of NFO Worldgroup, one of the most respected names in consumer research, and a subsidiary of The Interpublic Group.

The most recent data reflect surveys conducted during the fourth quarter of 2001 and the fourth quarter of 2002 among over 15,000 Asian consumers primarily based in urban areas of the eight countries listed at the start of this report. Major findings are discussed throughout the report.
Our research into Asian Affluence has uncovered six key themes, which we discuss in detail below:

> An urban orientation
> An emerging middle class
> Spending and saving
> Working women
> More, and smaller, households
> Time off/more travel

## An Urban Orientation

As recently as 1950, only about one-in-five Asians lived in an urban setting (Chart 25). While the number of Asians that live in cities is still relatively low, that number is growing rapidly, so that the number of Asian urban dwellers is forecast to reach one-in-two by 2020. The move by young Asians from rural to urban areas is a reflection of the declining importance of the traditional extended Asian family, as well as the greater opportunities for individuals in cities, thanks to foreign investment and government development programs.

**Chart 25: Urban Population as a percentage of Total Population**

![Chart](chart.png)

Source: United Nations

The United Nations forecasts there will be 58 urban agglomerations with inhabitants of five million or more in the world in 2015 (Table 2). Of those, 12 (accounting for 119 million people) will be in one of the eight Asian countries that we are focusing on, while two others will be located in Vietnam, and two in Japan. Seven mega cities will be in China. Clearly, China is at the forefront of this shift out of the countryside and into the cities—the number of city residents in China will rise from one-in-three in 2000 to one-in-two in 2020.
Thematic Investing  20 June 2003

Table 2: 2015 Urban Agglomerations with Inhabitants of Five Million or more

<table>
<thead>
<tr>
<th>Rank</th>
<th>Urban Agglomeration</th>
<th>Country</th>
<th>2015 Inhabitants (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tokyo</td>
<td>Japan</td>
<td>27,190</td>
</tr>
<tr>
<td>8</td>
<td>Jakarta</td>
<td>Indonesia</td>
<td>17,268</td>
</tr>
<tr>
<td>13</td>
<td>Shanghai</td>
<td>China</td>
<td>13,598</td>
</tr>
<tr>
<td>15</td>
<td>Metro Manila</td>
<td>Philippines</td>
<td>12,579</td>
</tr>
<tr>
<td>16</td>
<td>Beijing</td>
<td>China</td>
<td>11,671</td>
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<td>20</td>
<td>Osaka</td>
<td>Japan</td>
<td>11,013</td>
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<td>21</td>
<td>Tianjin</td>
<td>China</td>
<td>10,319</td>
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<td>22</td>
<td>Seoul</td>
<td>South Korea</td>
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<td>25</td>
<td>Bangkok</td>
<td>Thailand</td>
<td>9,816</td>
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<td>33</td>
<td>Hong Kong</td>
<td>China</td>
<td>8,025</td>
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<td>34</td>
<td>Wuhan</td>
<td>China</td>
<td>7,833</td>
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<td>39</td>
<td>Chongqing</td>
<td>China</td>
<td>7,440</td>
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<tr>
<td>46</td>
<td>Ho Chi Minh City</td>
<td>Vietnam</td>
<td>6,251</td>
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<td>51</td>
<td>Shenyang</td>
<td>China</td>
<td>5,429</td>
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<td>55</td>
<td>Bandung</td>
<td>Indonesia</td>
<td>5,245</td>
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<tr>
<td>56</td>
<td>Hanoi</td>
<td>Vietnam</td>
<td>5,227</td>
</tr>
</tbody>
</table>

Source: United Nations

Rapid growth in Asian cities is particularly bullish for electric utilities, given the multiplier effect that urbanization has on the demand for electricity (city residents need electricity for their home, workplace, shopping centers, movie theaters, restaurants, etc.). Huaneng Power is the largest listed independent power producer in China, with a well diversified generation base. In China, 80% of the electricity is generated from coal, and Yanzhou Coal is the largest Chinese coal-mining company, selling 53% of its output domestically.

**An Emerging Middle Class**

Concomitant with this shift from rural to urban areas there has, not surprisingly, been a shift in employment patterns. In 1980, agriculture still employed a significant portion of the male economically active population in Asia but, in most countries, fewer than one-in-two Asians still worked in agriculture by 2000 (Chart 26). Note that much of that employment in agriculture likely reflected self-employment on family farms. The subsequent rapid growth of employment in the relatively well-paid industrial and services sectors in the 1980s and 1990s, largely reflected the growing importance of corporations in Asia, both private and state owned.
Chart 26: Economically Active Male Population in Agriculture, Industry, Services
As a percentage of total in 7 Asian Countries

Source: Asian Development Bank

Chart 5 illustrated the rapid growth in Asian incomes in recent years that has occurred partly as a result of the shift by Asians into higher-paid employment. In that regard, the World Bank ranks countries based on their respective gross national income per capita (low income, middle income, high income). As Table 3 illustrates, based on 2001 data, Asian countries—with the exception of Indonesia—were classified as falling in the world’s “middle” or “high” income categories. With income levels relatively high (and growing), and with income distribution reasonably equitable, a burgeoning middle class is starting to emerge across Asia. That middle class has growing levels of disposable income to spend on cars, homes, and discretionary items.

Table 3: Ranking of Asian Countries
Based on 2001 Gross National Income per Capita

<table>
<thead>
<tr>
<th>Low Income</th>
<th>Lower Middle Income</th>
<th>Upper Middle Income</th>
<th>High Income</th>
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<td>Indonesia</td>
<td>China</td>
<td>Malaysia</td>
<td>S. Korea</td>
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<td>Philippines</td>
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<td>Singapore</td>
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<tr>
<td>Thailand</td>
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</table>

Source: World Bank

Of course, the word “class” has certain political connotations. In a study of Chinese society published in December 2001, the state-run Chinese Academy of Social Sciences (CASS) shied away from using the word, preferring instead to refer to the “middle stratum.” While the survey found that this “middle stratum” is relatively small in China (amounting to about 15% of the working population), it still amounts to about 110 million people, or about half of the urban population in employment. Furthermore, thanks to fast income growth, that “middle stratum” is growing rapidly. Indeed, China’s State Information Center estimated recently that by 2005 China would have 200 million middle-income consumers.

It’s estimated that by 2005 China will have 200 million middle-income consumers
One of the ultimate symbols of middle class status is, of course, automobile ownership. Not surprisingly, Asian auto sales have been growing steadily (Chart 27).

**Chart 27: Light Vehicle Sales in 7 Asian Countries**  
*Millions of units: China, Indonesia, Philippines, Thailand, South Korea, Malaysia, Taiwan*

Source: JD Power-LMC, UBS estimates

Five factors are stimulating Asian car ownership:

- **A large pool of first-time car buyers.** As evidenced by the demographic and income trends outlined above, there is a relatively young and affluent workforce.

- **Increasing affordability.** A key factor making cars more affordable in China has been that country’s membership of the World Trade Organization (WTO). As tariffs on imported cars tumbled in the wake of China’s accession to the WTO, and a slew of new models have come onto the market, domestic auto makers have been forced to cut their prices. For example, Geely Motor Co., a small private Chinese auto maker, has slashed the price of its Haoqing model to just $4,700.

- **Favorable government policies.** In China, the government realizes that it needs to build a strong domestic car industry to compete with foreign imports. In Malaysia, road taxes, insurance rates, and gasoline prices remain at relatively low prices. More directly, the Malaysian government provides subsidized car loans for civil servants and teachers.

- **Increasing levels of urbanization.** Generally poor levels of public transport services, especially to the outlying areas of urban sprawls, are necessitating private vehicle ownership. Furthermore, elevated highway systems have become the preferred mode for moving traffic quickly through cities.
An expanding network of well-developed roads. China's highway system has formed a basic national network. The expressway network is 30,000 kilometers long and is expanding by 3,000 kilometers every year. Malaysia too possesses a well-developed road network totalling 66,465 kilometers (in 2000) which is expected to expand further with the government’s continued efforts to stimulate the economy. The government has allocated $1.3 billion for the development of new roads, and $2.3 billion for the upgrading of existing roads.

The highest growth rates in the Asian auto sector are likely to remain in the small-to-medium sized entry level saloon market. In that regard, well positioned manufacturers in the region include Proton and UMW (Malaysia), Astra International (Indonesia), Denway Motors (China), and Kia Motors and Hyundai Motor (South Korea).

Rising incomes and low interest rates are allowing Asians to pursue that other middle class dream—home ownership (Chart 28).

**Chart 28: “It is important to me that I own my own home.”**

![Chart 28](chart.png)

Source: NFO Trendbox B.V. / Yankelovich

Beneficiaries of rising levels of home ownership in Asia include:

- **Ayala Land**, the largest property developer in the Philippines;
- **Hanssem**, a South Korean company that is pioneering the manufacture and sale of fitted kitchens using western-style showrooms;
- **Land & Houses**, the premier residential developer in Thailand;
- **Quality Houses**, a builder of houses for Bangkok's middle and high income groups;
- **Siam Cement**, a leading supplier of construction materials in Thailand.
**Spending and Saving**

A key insight into Asian attitudes is that about two-in-three Asians think that “life will improve over the next five years,” a much higher percentage than in rich industrialized nations (Chart 29).

**Chart 29: “Life will improve over the next five years.”**

![Chart 29: “Life will improve over the next five years.”](chart)


Similarly, a majority of Asian agree that “the future always offers more and new possibilities” (Chart 30).

**Chart 30: “The future always offers more and new possibilities.”**

![Chart 30: “The future always offers more and new possibilities.”](chart)

Source: NFO Trendbox B.V. / Yankelovich
And, reflecting this optimistic outlook, many Asians think that “in a few year’s time I will be financially better off than I am now” (Chart 31).

**Chart 31: “I think that in a few year’s time I will be financially better off than I am now.”**

![Chart 31: I think that in a few year’s time I will be financially better off than I am now.](image)

Source: NFO Trendbox B.V. / Yankelovich

A high degree of confidence about the future has important implications for consumption patterns. In particular, many young Asians are proving to be much less conservative than previous generations, whose parsimoniousness was engendered both by necessity and by government policies. Today, younger Asians—raised in a far healthier economic environment—want to own things now.

Three in four Asians say that “if you work as hard as I do, you also have to spoil yourself from time to time” (Chart 32).

**Chart 32: “If you work as hard as I do, you also have to spoil yourself from time to time.”**

![Chart 32: If you work as hard as I do, you also have to spoil yourself from time to time.](image)

Source: NFO Trendbox B.V. / Yankelovich

Confident young Asians, raised in a healthy economic environment, want to own things now.
Similarly, the percentage of Asians who deny themselves something has been declining (Chart 33), although that percentage still remains at quite high levels.

**Chart 33:** “These days you have to deny yourself something now and then because you have to think of a financially secure future.”

*China, Hong Kong, Thailand, Taiwan*

This desire for a financially secure future likely explains why Asians have been saving heavily at the same time that rising incomes have boosted consumption levels. As Chart 34 illustrates, Asian savings rates have remained stable at relatively high levels.

**Chart 34:** Gross Domestic Saving as a Percentage of GDP

*Savings rates have remained stable at relatively high levels*

Source: NFO Trendbox B.V. / Yankelovich

Source: Asian Development Bank, Global Insight, Inc
High savings rates reflect that, primarily for the two reasons outlined below, Asians view saving as a key financial strategy (Chart 35).

**Chart 35: “I think it is very important to save a fixed amount each month.”**

![Chart 35](image)

Source: NFO Trendbox B.V. / Yankelovich

- First, inadequate social security systems mean that Asians need to save for old age (Chart 36).

**Chart 36: “It is important to save money for retirement now.”**

![Chart 36](image)

Source: NFO Trendbox B.V. / Yankelovich

- Second, the high cost of education—especially third level education—also necessitates a high level of saving. As we discussed above, Asians are acutely aware that per capita income is strongly correlated with educational attainment. In many countries, although state education is provided free of charge, or at very low cost, it is not considered adequate by many parents. *The South China Morning Post* recently reported that “parents in cities insist that their only child has the best education money can buy.” Reflecting this, “spending on education takes up 12.6% of urban household budgets in
China, second only to food” according to the Post. And Singapore’s trade minister recently observed that “the demand for higher education among the growing middle class in Asia will increase faster than the gross domestic product growth rate, much of which will have to be provided by the private sector because the state sector cannot grow fast enough.”

**A Preference for Cash**

Importantly, a significant portion of Asian household savings continues to be held in the form of cash and bank deposits (Chart 37).

**Chart 37: Allocation of household financial assets**

*Hong Kong, South Korea, Singapore, Taiwan. Year-end 2001*

This preference for cash likely reflects high levels of risk aversion (Chart 38 and Chart 39), and a general lack of interest in investing as a financial strategy (Chart 40).

Banks that are well positioned to benefit from high levels of savings in Asia are those that have leading market shares and that offer a well developed range of consumer banking products. They include BCA in Indonesia, Chinatrust Group in Taiwan and HSBC in China.
Chart 38: “When it comes to money, I don't like to take risks.”
South Korea, Indonesia, Malaysia, Singapore, Philippines

![Bar chart showing percentage of people who don't like to take risks in 2000, 2001, and 2002.]

Source: NFO Trendbox B.V. / Yankelovich

Chart 39: “I feel comfortable having my money in the stock market.”
South Korea, Indonesia, Malaysia, Singapore, Philippines

![Bar chart showing percentage of people who feel comfortable with their money in the stock market in 2000, 2001, and 2002.]

Source: NFO Trendbox B.V. / Yankelovich

Chart 40: “Very or quite interested in financial investment opportunities.”
S. Korea, Indonesia, Malaysia, Singapore, Philippines, China, Hong Kong, Thailand, Taiwan

![Bar chart showing percentage of people interested in financial investment opportunities in 2000, 2001, and 2002.]

Source: NFO Trendbox B.V. / Yankelovich
Working Women

Another key attitudinal change involves women in the workforce. Importantly, attitudes in Asia today are supportive of working women (Chart 41).

**Chart 41: “A woman has just as much right to a career as a man.”**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>66%</td>
<td>77%</td>
<td>82%</td>
<td>83%</td>
</tr>
<tr>
<td>China</td>
<td>83%</td>
<td>83%</td>
<td>83%</td>
<td>88%</td>
</tr>
<tr>
<td>Singapore</td>
<td>86%</td>
<td>87%</td>
<td>88%</td>
<td>89%</td>
</tr>
</tbody>
</table>

Source: NFO Trendbox B.V. / Yankelovich

Reflecting the trend toward working women, many female Asians have been opting to delay the age at which they get married (Chart 42), which suggests an increased focus on career development.

**Chart 42: Average Age at First Marriage**

Source: United Nations Department of Economic and Social Affairs

Moreover, when they do get married, Asian women are opting to have fewer children, which gives them greater freedom to return to the workforce. As Chart 43 illustrates, between 1990 and 2000 the total fertility rate (births per women) fell sharply in each of the eight Asian countries that we are focusing on.
Not surprisingly then, the participation rate of Asian women in the workforce has been rising (Chart 44).

A rising female participation rate is positive for retailers that cater to working women, including Giordano, whose products are relatively high-end, fashionable outfits for young, white-collar females in China. The company has 471 stores in China, 100 of which are managed by Giordano, with the rest being franchisees.
More, and Smaller, Households

Because of the declining fertility of women and the migration by young people to cities, the average number of people per household in Asia has declined sharply (Chart 45). That number could well fall further, given that the typical household size in most Asian countries is still well above the U.S. average of 2.5, or the European average of 2.4.

Chart 45: Average Number of People per Household

Moreover, as Chart 45 illustrates, household size correlates roughly with the level of economic development, so that more developed economies—such as South Korea—have smaller households than less developed economies—such as the Philippines. As the level of economic development increases across the region, that should be another factor reducing average household size.

This trend toward smaller households is significant for two reasons:

- First, smaller households tend to be richer. A reduction in the size of the household is generally due to a reduction in the number of dependents, leaving the same level of income to be shared by fewer recipients. (We discussed above the trend toward lower dependency ratios in Asia.)

- Second, it is the number of households—rather than the absolute number of people—which drives many consumption patterns. (If Mom and Dad, Grandma and Grandad, and two teenagers live together, they can all share one microwave. If Grandma and Grandpa move out to an apartment, and the two teenagers both leave home for college, that necessitates the purchase of at least two more microwaves.)

A growing number of Asian households is positive for a range of companies, including the homebuilding and real estate companies discussed above.
Thematic Investing  20 June 2003

**Time Off/More Travel**

In another break from tradition, generally Asians are working less.

- South Korea is planning on replacing the current five-and-a-half day week with a five-day workweek.

- Taiwan too is moving to a five-day workweek.

- China moved to a five-day workweek in the early 1990s. In addition, the three so-called “golden weeks” around lunar New Year, May Day and China’s National Day on October 1 have become, more or less, three weeks of national vacation in China.

Tourism seems likely to be a key beneficiary from these trends, given the expressed desire by Asians to travel more (with that desire generally increasing with the degree of economic development)—Chart 46 and Chart 47.

**Chart 46: “I wish I could travel more.”**

<table>
<thead>
<tr>
<th>Country</th>
<th>Philippines</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>S. Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire (%)</td>
<td>49%</td>
<td>53%</td>
<td>81%</td>
<td>84%</td>
<td>87%</td>
</tr>
</tbody>
</table>

Source: NFO Trendbox B.V. / Yankelovich

**Chart 47: “I would rather travel abroad than stay in my own country.”**

<table>
<thead>
<tr>
<th>Country</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Malaysia</th>
<th>S. Korea</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire (%)</td>
<td>11%</td>
<td>34%</td>
<td>35%</td>
<td>66%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Source: NFO Trendbox B.V. / Yankelovich
In particular, the Asian tourist market should benefit from liberalization in China, which is making it easier for its citizens to go on sightseeing tours abroad. For political reasons, mainland Chinese tourists are still restricted on the countries they can visit, with most tourists flocking to Hong Kong, or a handful of other South Asian destinations that have “Approved Destination Status.” Under the current system, there are quotas limiting the number of mainland Chinese permitted to go on package tours organized by state-owned travel agencies. However, recent Chinese policy reforms include:

- **Lifting the cap on Hong Kong tour numbers.** Until January 2002, only 1,500 mainland China visitors were allowed to visit Hong Kong per day. On the first day the quota was lifted, at least 110 tour groups with over 2,500 visitors entered Hong Kong. On the following day, 160 groups with over 4,000 visitors entered.

- **Increasing the number of travel agents.** Effective January 2002, the Chinese government increased the number of travel agents allowed to offer Hong Kong tours from 4 to 67.

- **More destinations for Chinese citizens.** Currently the average Chinese citizen can only visit a small number of (primarily Asian) approved destinations for leisure trips. However, following China’s December 2001 entry into the World Trade Organization, that is starting to change, and more countries are soon expected to be on the approved list for Chinese tourists.

- **Cutting red tape on passport issuance.** Since April 2001, several Chinese cities have been experimenting with issuing passports upon presentation of ID cards and Residency Registration Cards, thereby scrapping the previous requirements of exit permits and employers’ “opinion” letters. The aim is to issue passports within 15 days of application. In 2002 the government extended the program to more cities, and has targeted the adoption of the new procedures in “all large and medium sized cities” by 2005.

The above reforms, and others to come, should further stimulate the desire of mainland Chinese to travel abroad. Indeed, the World Tourism Organization forecasts that China will become the world’s fourth largest tourist originating country by 2020, with 100 million departures per annum.

Hong Kong is a key beneficiary of these trends, given that the city is both a stopover point for Chinese tourists on their way to other destinations, and a destination in its own right (Chart 48). 79% of visitors to Hong Kong are from other parts of Asia.
Of the three listed Hong Kong centered chains, **Hong Kong & Shanghai Hotels** has the greatest percentage of Hong Kong earnings and should be a long-term beneficiary from these trends.

In Malaysia, **Genting** is one of the country’s most successful conglomerates, with interests in casinos, cruise ships, and hotels. The leisure and hospitality division contributes about 80% of the conglomerate’s pre-tax profits. Singapore-based **Star Cruises** is the world’s fourth largest cruise operator. In Asia, where its brand is well recognised, it enjoys 70% market share in terms of berth capacity.
Responding to Asian Affluence

In the sections above we discussed the changes in consumer attitudes associated with Asian Affluence. Not surprisingly, manufacturers and retailers have been responding to these attitudinal changes, both in terms of the products they offer and in the way those products are sold. As we discuss below, three key changes involve 1) the quality of products that Asian consumers can buy, 2) the brand image of those products and 3) the increasing formalization of retailing across Asia.

Quality Products

According to official Chinese reports carried by Xinhua (the news agency) and People’s Daily (the newspaper) imitation products, ranging from fake alcohol to garments and even medicine, have become a serious problem in China. The Pharmaceuticals Research and Manufacturers of America estimates that more than half of some pharmaceuticals sold in China are fake.

With the rise in the number of consumer complaints—and, in some cases, litigation—about fake products, many Chinese general retailers (i.e., non-specialized) have started to distance themselves from the products they carry. Specifically, these retailers

- Rarely stock products that carry the retailer’s brand;
- Do not usually advertise, and do not make a significant effort to create brand equity;
- Rent retail counters and even whole floors to suppliers on a long-term basis.

This, however, creates a vicious circle: the less Chinese retailers are willing to do to ensure the quality of the merchandise they carry, the less influence they have over their suppliers, who then have little incentive to supply quality products. In overseas markets, retailers generally make an effort to create brand equity by selecting the best quality products for their customers. In Western countries, a sticker or label carrying the retailer’s name conveys certain quality assurances, but Chinese retailers are, in general, avoiding this crucial role.

It is for this reason that the (still limited number of) specialty retailers in China have an advantage. Unlike general retailers, which sell thousands of different products, specialist stores focus on just one or two product lines, and deal with just a few manufacturers and suppliers. This makes it easier for them to control product quality, making some of them (including Giordano, mentioned above, and Glorious Sun, a manufacturer/retailer of apparel) confident enough to put the store’s stamp of approval on a product.
Not surprisingly, the mainland Chinese tourists who are flocking to Hong Kong in growing numbers (Chart 48), are spending heavily on the wide range of high quality goods that are available there. In 2001, the average American tourist spent HK$5,232 in Hong Kong, with 60% of that spent on accommodation and the remaining 40% mostly on food. By contrast, the average mainland Chinese tourist spent HK$5,169 in Hong Kong, with just 40% spent on accommodation and food and fully 60% on shopping (i.e., consumer electronics and fashion).

It is estimated that, in 2002, spending by mainland tourists accounted for 17% of total retail sales in Hong Kong. While the direct or indirect revenue consequences to Hong Kong retailers and retail landlords are as yet modest, long term beneficiaries that stand to benefit from this trend include Giordano in the retail sector, and landlords such as Swire Pacific (retail leases account for 14% of revenue).

The Chinese market is still relatively closed in terms of foreign competition, which is a critical factor limiting the supply of quality products to Chinese consumers. By contrast, in other countries, the opening of markets to foreign competitors has stimulated Asian companies to improve the quality of their products to preserve their domestic market share. As Chart 49 illustrates, Asian consumers are willing to pay up for quality products—today, four-in-five Asians say that it is worth paying more for higher quality.

Chart 49: “Believe that it’s worth paying a little more for higher quality.”
South Korea, Indonesia, Malaysia, Singapore, Philippines

Four-in-five Asians say that it is worth paying more for higher quality

Source: NFO Trendbox B.V. / Yankelovich
In several instances, the quality of those Asian products is now so high, that they compete head-to-head with the world’s top brands in global markets.

- **Samsung Electronics.** According to Interbrand, one of the world's leading branding consultancies, Samsung increased its brand equity by 22% in 2001 and 30% in 2002. This was the second-highest growth rate globally in 2001, and the highest in 2002. Strong brand recognition thanks, in large part, to high quality products has contributed to Samsung’s high ASPs (average selling prices) and high margins for products such as handsets, DVDs, ultra-thin laptops, and PDAs.

- **Hyundai Motor** and **Kia Motors.** The Korean auto industry has been slowly transforming itself in the last few years, and has emerged as a serious contender in the U.S. market, the world’s largest, at the expense of second-tier Japanese players and the U.S. Big Three. Korea’s largest and second-largest car companies, Hyundai Motor and Kia Motors, have aggressively targeted the middle segments in the U.S. over the past few years (Chart 50). In that regard, a recent UBS survey of U.S. auto dealers found that “Hyundai-Kia are well placed” to remain “strong contenders” in the U.S. (see Auto Dealer Survey, April 3, 2003).

**Chart 50: Hyundai and Kia U.S. Sales**

*In thousands*

![Chart 50: Hyundai and Kia U.S. Sales](image)

Source: Wards, UBS estimates
Brand Fervency

As we discussed above, a burgeoning Asian middle class has growing levels of disposable income to spend on homes, cars, and a variety of discretionary items. Reflecting their desire for quality products and, also, for status symbols (that confirm their middle class status), Asian consumers are very brand conscious.

Yankelovich defines “brand fervents” as consumers who give high ratings to all branding-related questions (as opposed to “brand indifferents,” who give low ratings to all branding-related questions).

- Yankelovich gauges that, in the U.S., 23% of the adult population 16+ are brand fervents (Chart 51).

- In Europe, brand fervents are fewer, at about 22% of the adult population.

- In Asian markets, the “brand fervency” percentage ranges from 24% to 38%. At the upper end of that range are China, Taiwan, Indonesia and Malaysia. At the lower end of that range is South Korea. The other markets are in the middle—Singapore, Thailand, Philippines, and Hong Kong. (Note that, for Asia, these percentages are approximate calculations based on a limited dataset. They are not precise estimates and should be interpreted as directional only.)

Chart 51: Brand fervency

Source: Yankelovich
Growing brand awareness is positive for a range of companies including:

- **Media companies.** The leading players in most of Asia’s media markets enjoy commanding market shares, positioning them strongly to benefit from burgeoning ad spending. This is true for print media—**New Straits Times** (Malaysia) and **Singapore Press** (Singapore)—and broadcast media—**BEC World** (Thailand), and **TVB** (Hong Kong).

- **Retailers.** One of the best ways to play burgeoning demand for luxury brands is via the retail outlets they are sold in. In Korea, the largest discount retailer, **Shinsegae**, still generates roughly one third of its sales in high-end department stores. **Hyundai Department Stores** is more of a pure play on luxury brands, with many high-end Western labels (Gucci, Prada) represented on its sales floors. In the Philippines, **SM Prime** develops and operates the country’s premium shopping malls.

- **Brand owners.** In addition to **Giordano** and **Glorious Sun** mentioned above, another retail brand owner is **Texwinca**, which targets the urban Chinese market for mid-end casual wear clothing using its main Baleno brand, as well as two newly launched brands, Samuel & Kevin and IP Zone. In the area of “fast moving consumer goods” (FMCG), beer manufacturers across the region enjoy strong brand identities—they include **Hite Brewery** in Korea and **Tsingtao Brewery** in China.

**Formalization of Retailing: From Mom and Pop to Multinationals**

In many Asian countries, mom and pop operations still have the lions share of retail sales, although the Asian retail landscape is slowly being changed by the combination of three factors:

- Rising affluence, which is increasing overall spending power, as well as changing spending patterns.

- Increasing urbanization. This is key to the growth of large retailers, whose operations are only viable in large cities.

- Changing attitudes. Time-starved consumers (Chart 52)—harried women especially (Chart 53)—appreciate the convenience of modern shopping formats.
Indeed, the growing “time drought” is spurring the development of the convenience retail sector. In Korea, convenience stores are spreading rapidly—“Buy the Way” is a chain co-owned by Korea Tobacco. Elsewhere in the region, Convenience Retail Asia (operating “Circle K” in Hong Kong) has been given the go-ahead to operate in China. And even in less prosperous Indonesia, HM Sampoerna has sidelines in convenience store operations.

In general, the structure of the Asian countries’ retail sectors is strongly correlated with each country’s level of economic development. In that regard, Asian retail markets can be classified as falling into one of three categories:
A fragmented market, with no real concentration of power (e.g., China).

A strong/growing multinational presence (e.g., Malaysia, Thailand). In Malaysia, companies such as Carrefour (France), Royal Ahold (Netherlands) and Jusco (Japan) pioneered the concept of hypermarkets, modern supermarkets and department stores. Local companies (sometimes in partnership with foreign companies) followed their lead and established competing retail formats. In Thailand, the split between multinationals and local companies is much more one sided. The top three foreign players control almost 40% of the Thai market—Tesco Lotus, a unit of Britain's biggest supermarket chain, has 31% of the Thai market, while Big C, part of France's Casino group, has 24%, and France’s Carrefour has 14%.

A number of big retailers, both domestic and multinational (e.g., Korea). In Korea, there has been rapid growth of large discount stores since the government began to liberalize restrictions on the opening of such stores in 1996. (Discount stores in Korea have a product mix of 50% food and beverages, and 50% apparel and household goods.) The number of discount stores has grown from less than 10 in 1994 to around 250 today, because of the aggressive expansion plans of three or four major players, including Shinsegae (the market leader in the segment via its E-Mart grocery chain), Carrefour and Tesco.

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Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.
### Global ratings: Definitions and allocations

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<th>UBS rating</th>
<th>Definition</th>
<th>UBS rating</th>
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<th>Rating category¹</th>
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<td>Buy 1</td>
<td>Excess return potential &gt; 15%, smaller range around price target</td>
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Excess return: Target price / current price - 1 + gross dividend yield - 12-month interest rate. The 12-month interest rate used is that of the company's country of incorporation, in the same currency as the predicted return.


UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

1: UBS Buy 1/Buy 2 = Buy; UBS Neutral 1/Neutral 2 = Hold/Neutral; UBS Reduce 1/Reduce 2 = Sell.
2: Percentage of companies under coverage globally within this rating category.
3: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 31 March 2003.

### Companies mentioned

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<thead>
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<th>Company Name</th>
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<th>Rating</th>
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<td>2891.TW</td>
<td>Buy 1</td>
<td>NT$28.50</td>
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<tr>
<td>CRA</td>
<td>8052.HK</td>
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<td>Courts</td>
<td>CRTO.L</td>
<td>Not rated</td>
<td>234p</td>
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<tr>
<td>Denway Motors</td>
<td>0203.HK</td>
<td>Buy 2 (under review)</td>
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<tr>
<td>Genting</td>
<td>GENT.KL</td>
<td>Buy 2</td>
<td>RM14.40</td>
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<td>Giordano</td>
<td>0709.HK</td>
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<td>Glorious Sun</td>
<td>0393.HK</td>
<td>Buy 2 (under review)</td>
<td>HK$1.89</td>
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<td>Hanssem</td>
<td>09240.KS</td>
<td>Buy 2</td>
<td>Won11,700</td>
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<td>Hite Brewery</td>
<td>00140.KS</td>
<td>Neutral 1</td>
<td>Won65,700</td>
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<td>HK &amp; Shanghai Hotels</td>
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<td>HM Sampoerna</td>
<td>HMSP.JK</td>
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<td>Rp4,300</td>
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<td>HSBC</td>
<td>HSBA.L</td>
<td>Neutral 1</td>
<td>732p</td>
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<td>0902.HK</td>
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<td>HDS</td>
<td>69960.KS</td>
<td>Buy 2</td>
<td>Won27,150</td>
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<td>Hyundai Motor²¹</td>
<td>05380.KS</td>
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<td>Kia Motors</td>
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<td>Won8,950</td>
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<td>Company Name</td>
<td>Reuters</td>
<td>Rating</td>
<td>Price</td>
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<td>Korea Tobacco &amp; Gins&lt;sup&gt;3a,7,10,13c&lt;/sup&gt;</td>
<td>33780.KS</td>
<td>Suspended</td>
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<td>Land &amp; Houses</td>
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<td>Buy 1 (under review)</td>
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<td>New Straits Times</td>
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<td>Proton</td>
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<tr>
<td>Shinsegae</td>
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<td>Buy 1 (under review)</td>
<td>Won186,000</td>
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<tr>
<td>Siam Cement</td>
<td>SCCf.BK</td>
<td>Buy 1 (under review)</td>
<td>Bt155.00</td>
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<td>SPRM.SI</td>
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<td>S$19.50</td>
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<td>SM Prime Holdings</td>
<td>SMPH.PS</td>
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<td>P5.90</td>
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<td>Star Cruises PLC</td>
<td>SARC.SI</td>
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<tr>
<td>Swire Pacific&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0019.HK</td>
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<tr>
<td>Tesco&lt;sup&gt;10&lt;/sup&gt;</td>
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<td>Neutral 1</td>
<td>208p</td>
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<td>Tsingtao Brewery</td>
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<td>TVB</td>
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<td>HK$27.20</td>
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<td>UMW</td>
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<td>RM7.95</td>
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<td>Yanzhou Coal Mine</td>
<td>1171.HK</td>
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<td>HK$3.60</td>
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* As of June 19, 2003.  Source: UBS.

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