

BBVA EAGLEs

Emerging and Growth Leading Economies 2013

The role of 'emerging people'

Annual Report 2013

March 2013

Key messages about EAGLEs

EAGLEs & Nest key takeaways In 2012

- EAGLEs & Nest **succeeded again in managing a challenging external environment in 2012**. Western central banks' actions reinforced capital inflows and challenges for policy-makers in emerging markets ('managing success')
- The dependency on Western countries is still high. There is **no room for complacency despite historical low vulnerability levels** across the EAGLEs

BBVA EAGLEs: a robust group

- The nine emerging countries which had been classified as EAGLEs last year remained this year after revising their long-term projections, namely: **China, India, Indonesia, Brazil, Russia, Korea, Turkey, Mexico and Taiwan**.
- The Nest group is formed by 14 countries, most of them in Asia and Latin America.

The role of 'emerging people'

- Big shifts are already underway for people in emerging countries. Investment and productivity gains are needed to face an **aging population** in some of them.
- **Rapid urbanization, declining household size and a growing middle class** will radically change **consumption patterns** in these countries.

A guide to the 2013 Report

1. EAGLEs and Nest key takeaways in 2012

- A challenging external environment
- How did EAGLEs and Nest fare?

2. New forecasts for the next decade

- Box: EAGLEs methodology and membership robustness
- Long-term vulnerability assessment

3. The role of 'emerging people' in sustainable growth

- Aging is not exclusive of developed economies
- Declining household size
- Migration to cities: rapid urbanization process
- The growing middle class: wealthier and wealthier
- New middle class not only to drive global consumption but to change composition

Summary

Section 1

A challenging external environment

Section 2

BBVA EAGLEs in 2013: results for the 2012-2022 period

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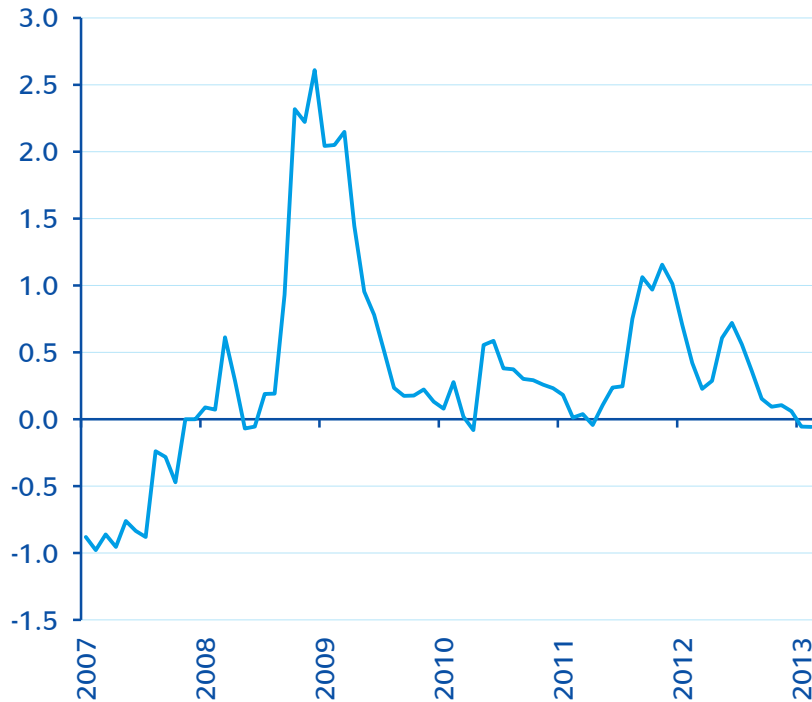
Supporting factors for long-term growth: the role of 'emerging' people

A challenging external environment

A challenging external environment: central banks succeeded supporting capital inflows to EM

BBVA US Financial Tension Index

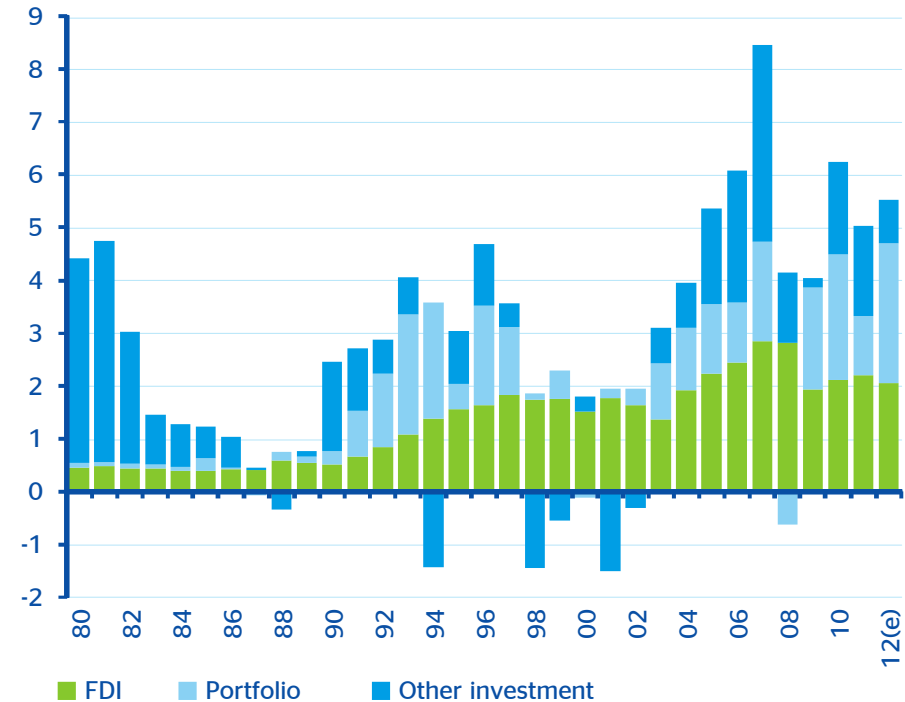
Source: BBVA Research



Capital inflows into EAGLEs countries

(unweighted average in %GDP) (1980-2011)

Source: BBVA Research and IMF



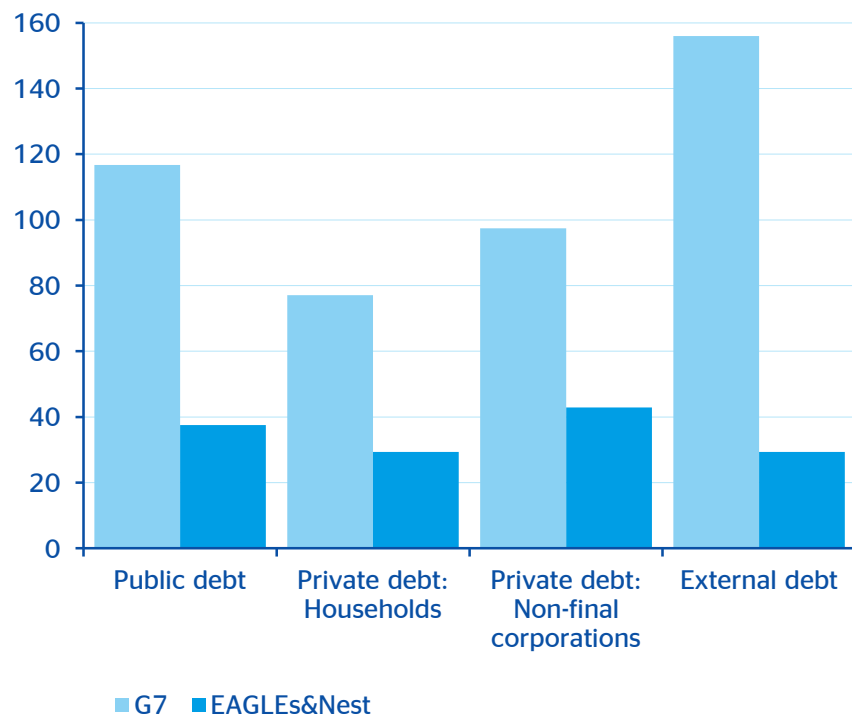
A challenging external environment

This creates some tensions but EAGLEs and Nest are now better prepared ('new risk normal')

Public and private debt-to-GDP ratios

(2012)

Source: BBVA Research

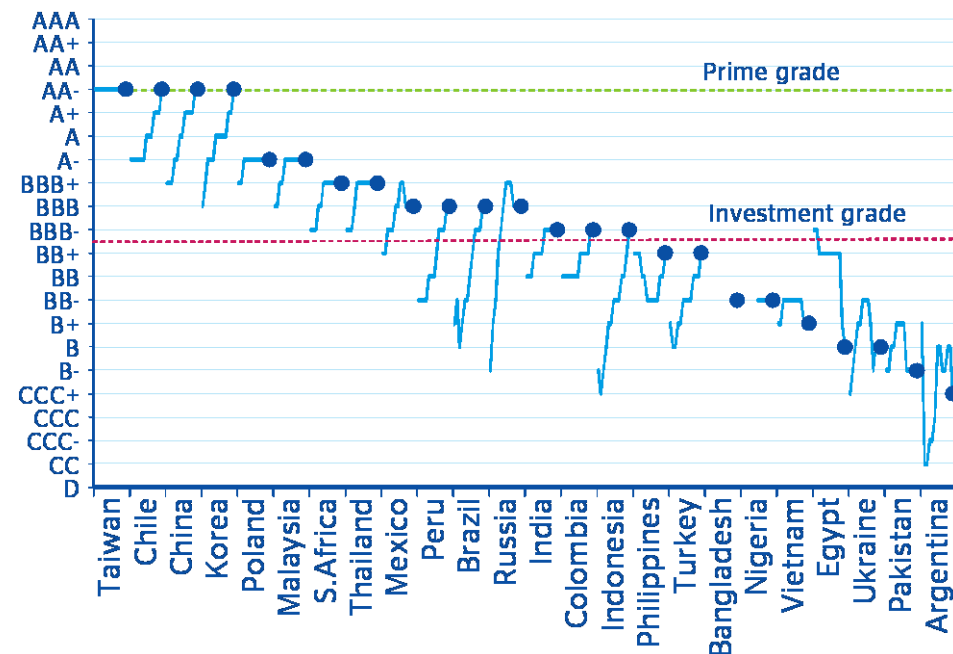


Sovereign rating* for EAGLEs and Nest countries

(end of period) (2000-2012)

*Numerical average for Fitch, S&P and Moody's ratings, rounded-up to zero decimals

Source: BBVA Research and rating agencies



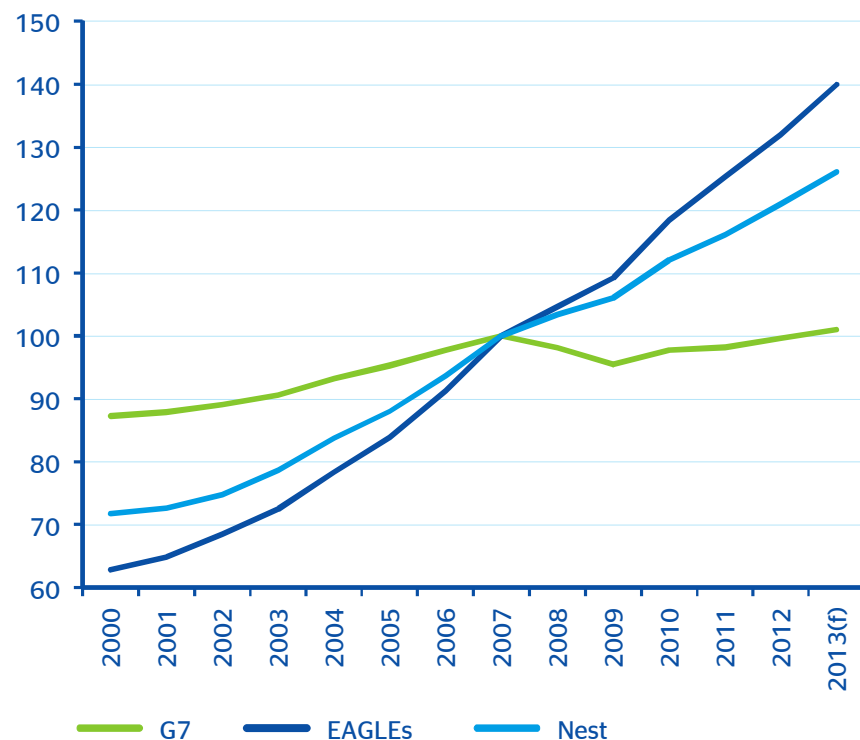
A challenging external environment

Weakness in developed economies extended to EM in 2012 and the 'level gap' widened

G7, EAGLEs and Nest: GDP levels

(net balance in percentage points) (0-100 range)

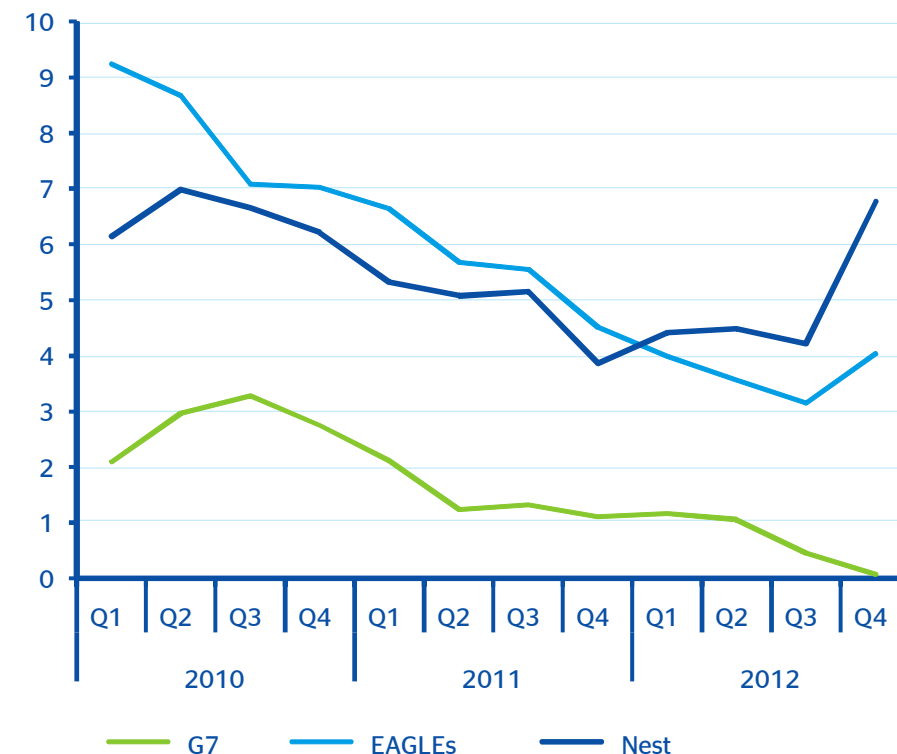
Source: BBVA Research and Haver



GDP growth

(unweighted average of %yoy change)

Source: BBVA Research and Haver



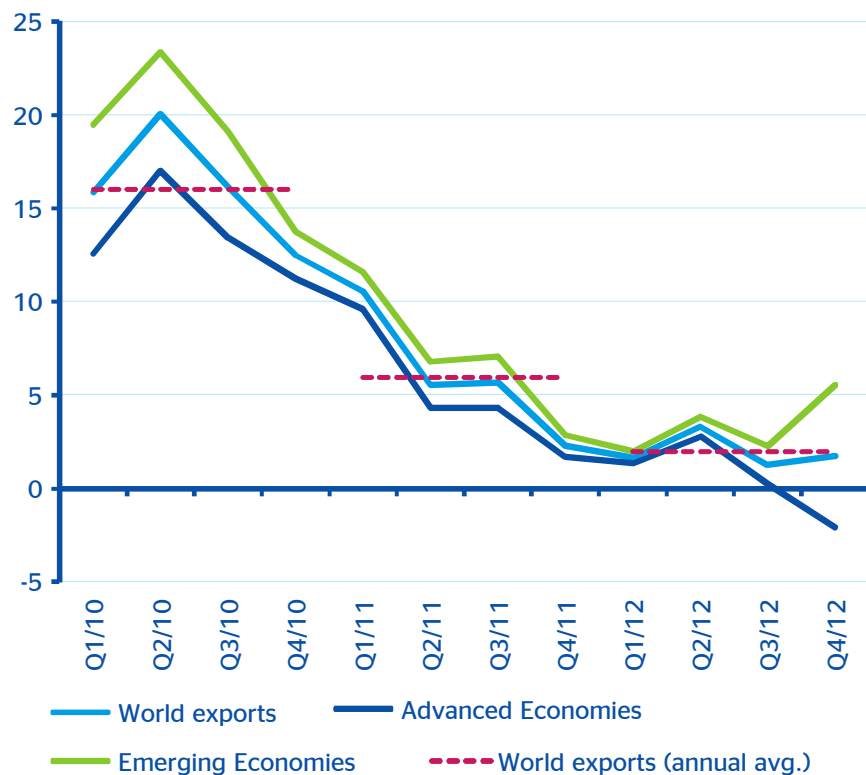
A challenging external environment

Some signs of recovery in world trade are appearing and South-South trade dominates

Exports momentum 2010-2012

(sa %yoy moving average 3months)

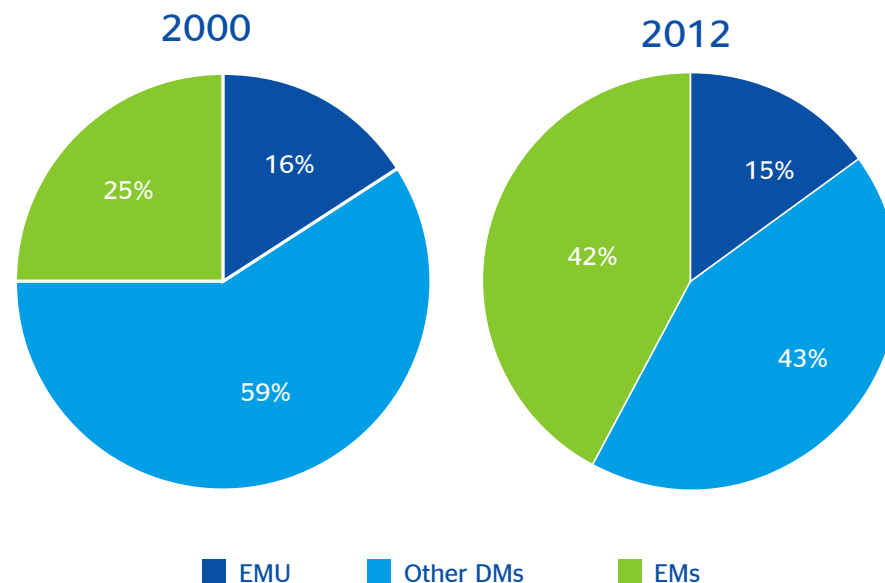
Source: BBVA Research and CPB



EAGLEs and Nest: exports destination

(% of total EAGLEs and Nest exports)

Source: BBVA Research and CPB



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BBVA EAGLEs in 2013: results for the 2012-2022 period

Criteria for the 2012-2022 period: the new thresholds

**Incremental GDP between 2012
and 2022 measured in PPP-
adjusted 2012 USD**

EAGLEs

G6 economies - average

NEST countries

G6 economies - minimum

Rest of emerging economies candidates

**446 bn
USD**

**G6
avg.**

**194 bn
USD**

Italy

BBVA EAGLEs in 2013: results for the 2012-2022 period

EAGLEs and Nest 2013: geographically balanced

EAGLEs
China
India
Indonesia
Brazil
Russia
Korea
Turkey
Mexico
Taiwan

Nest
Egypt
Nigeria
Thailand
Colombia
Vietnam
Malaysia
Poland
Bangladesh
South Africa
Philippines
Peru
Argentina
Pakistan
Chile

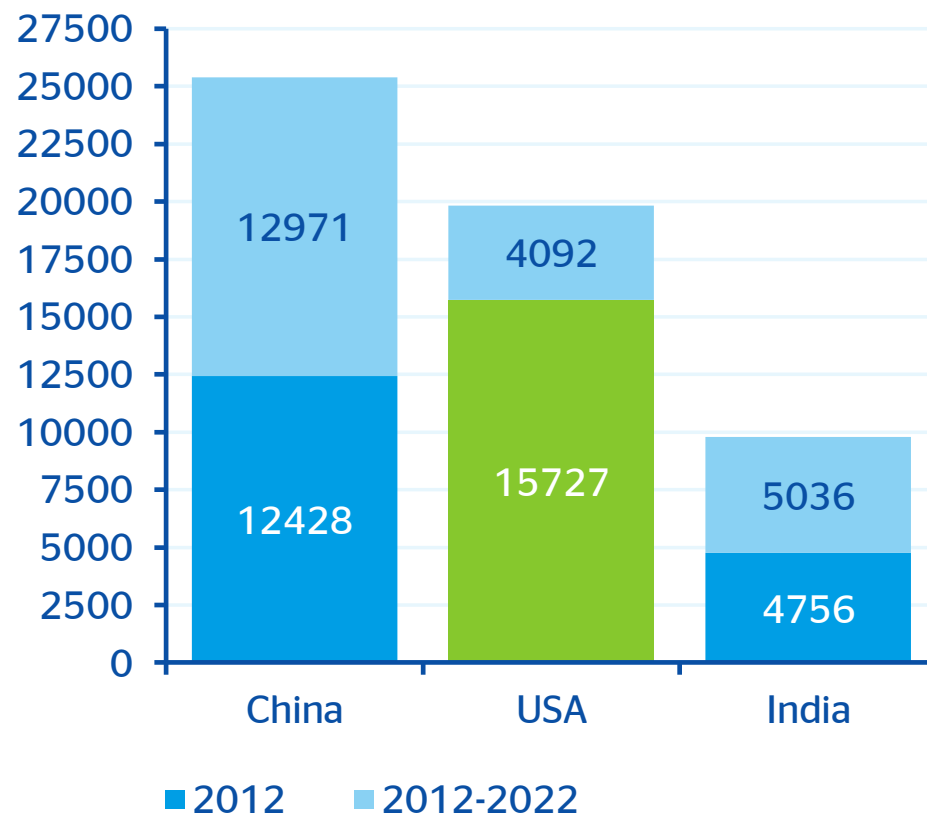
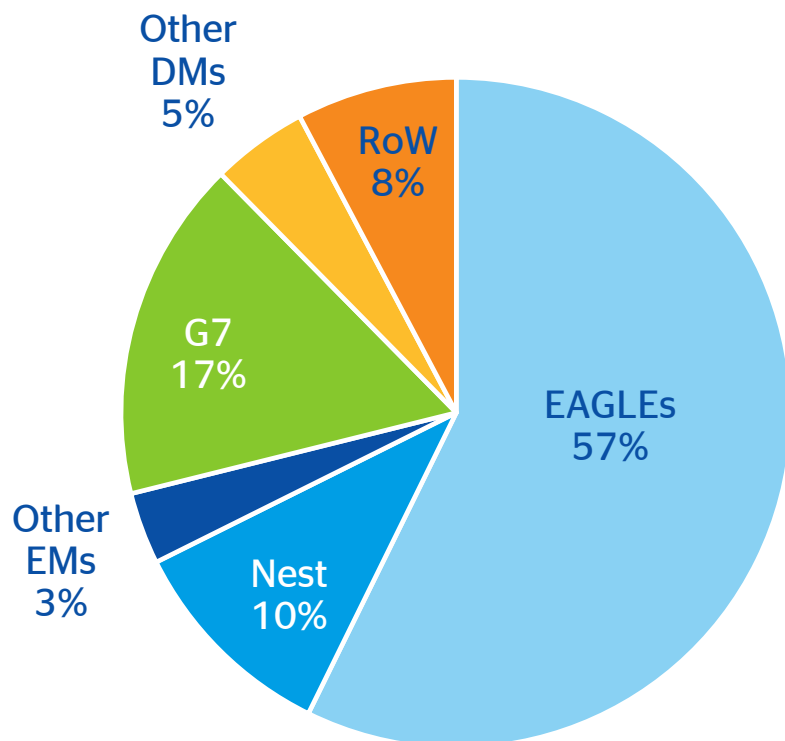
BBVA EAGLEs in 2013: results for the 2012-2022 period

China and India continue playing in another league

Incremental GDP between 2012 and 2022

(% share of world growth and bn USD for the 3 big players)

Source: BBVA Research and IMF/WEO



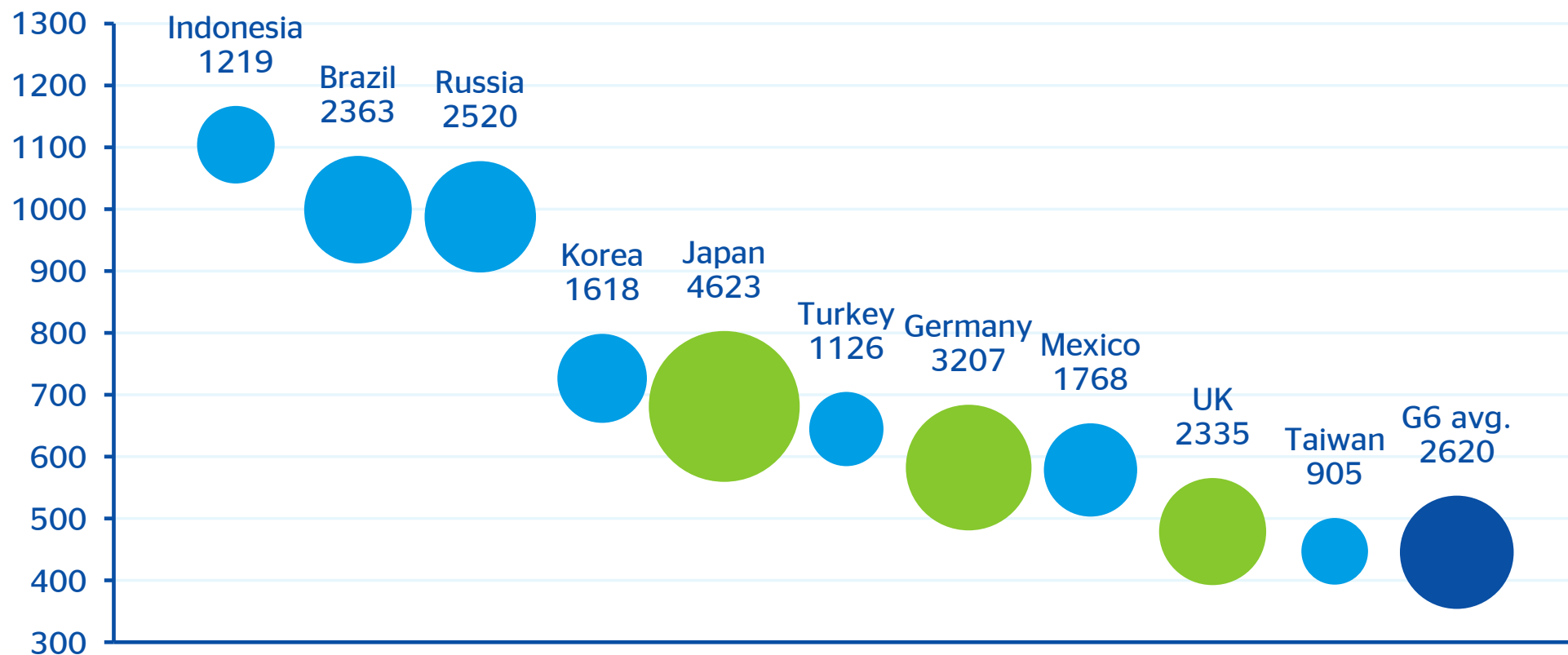
BBVA EAGLEs in 2013: results for the 2012-2022 period

Other relevant players in Asia, as well as in Latin America and Europe

Incremental GDP between 2012 and 2022 and GDP level in 2012 [EAGLEs]

(bn USD) (incremental GDP in y-axis and 2012 level below country labels) (bubbles are proportional to 2012 level)

Source: BBVA Research and IMF/WEO



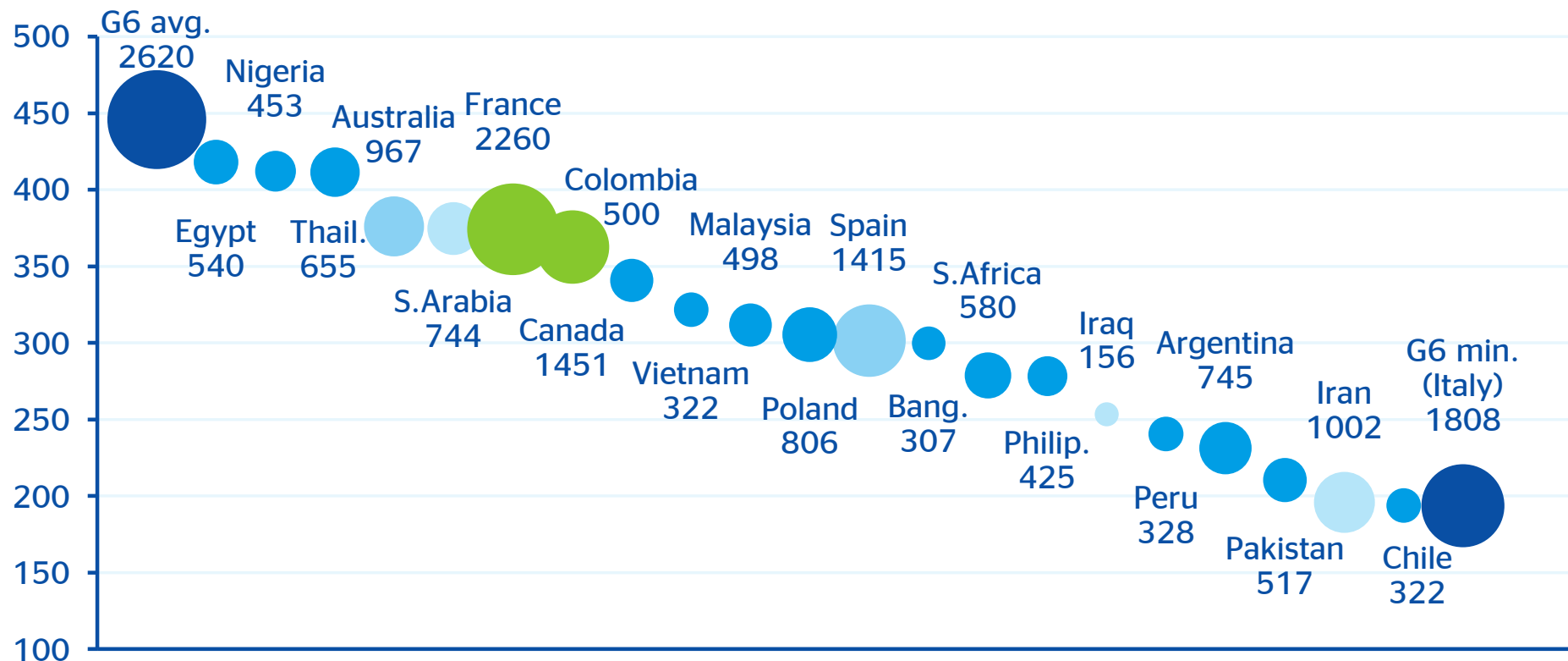
BBVA EAGLEs in 2013: results for the 2012-2022 period

And there are more candidates, some of them really close to the threshold

Incremental GDP between 2012 and 2022 and GDP level in 2012 [Nest]

(bn USD) (incremental GDP in y-axis and 2012 level below country labels) (bubbles are proportional to 2012 level)

Source: BBVA Research and IMF/WEO



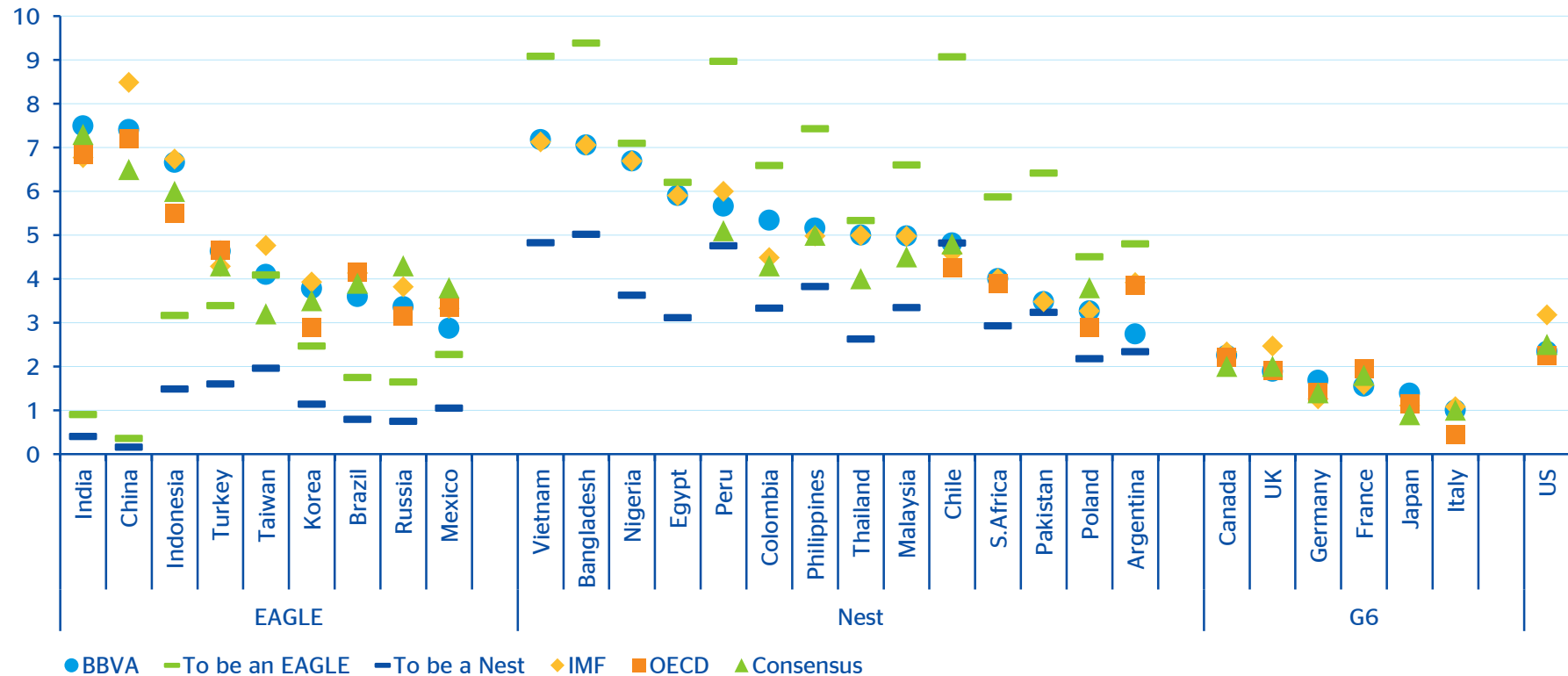
BBVA EAGLEs in 2013: results for the 2012-2022 period

A robust and “fair” approach: countries decide

Growth forecasts and thresholds over the 2012-2022 period

(annual average growth in %)

Source: BBVA Research, IMF/WEO, OECD and Consensus



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BBVA EAGLEs in 2013: the changing map of world growth

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Supporting factors for long-term growth: The role of Emerging People

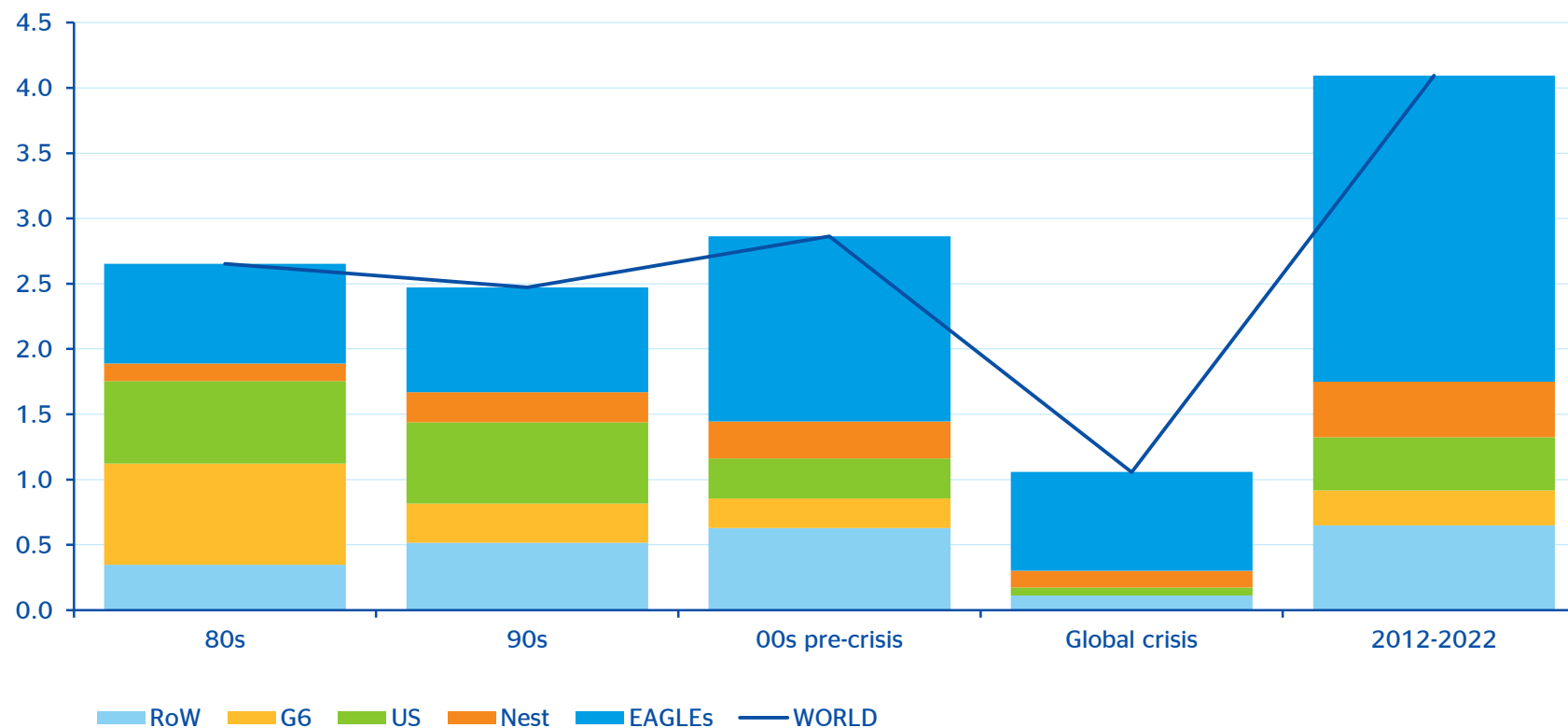
BBVA EAGLEs in 2013: the changing map of world growth

Emerging world to lead growth in the next decade

Contribution to GDP world growth

(percentage points) (over PPP-adjusted 2012 USD)

Source: BBVA Research and IMF/WEO

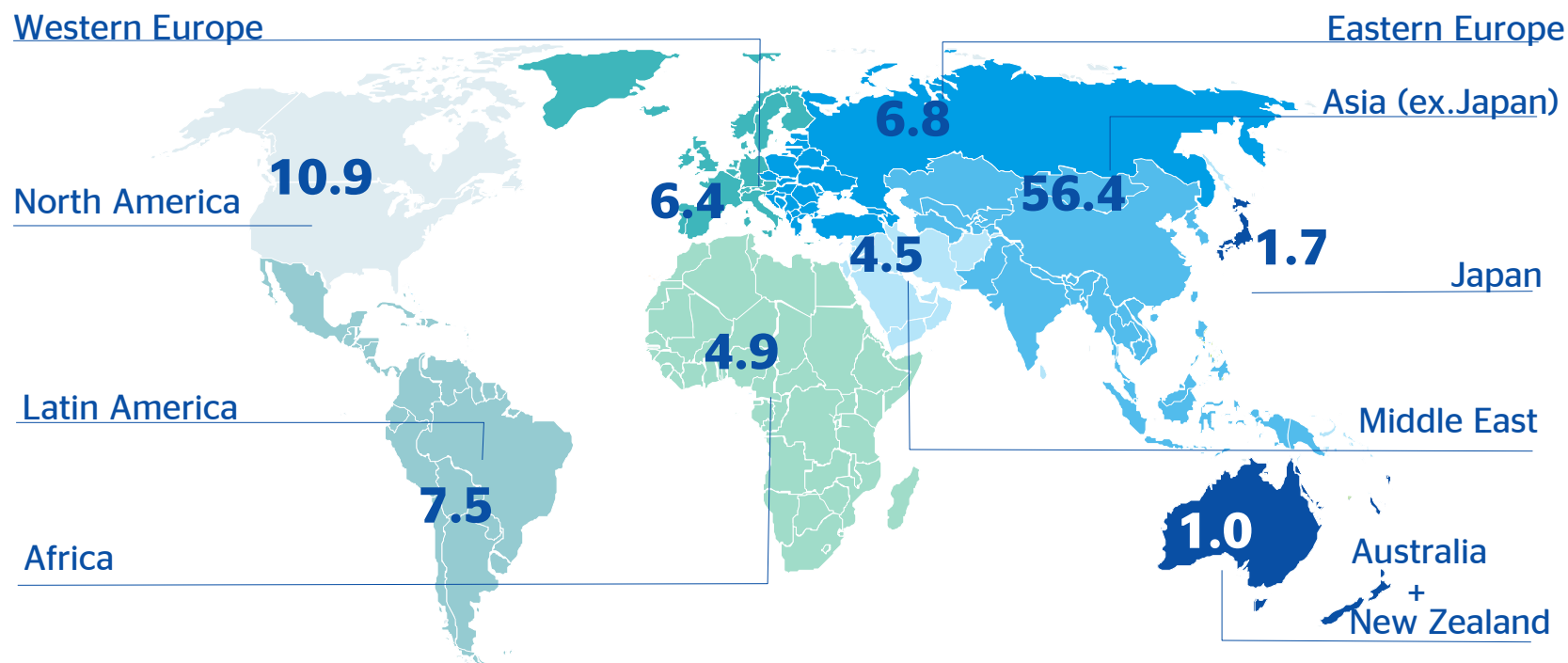


BBVA EAGLEs in 2013: the changing map of world growth

The Pacific connection: Asia and America

Incremental GDP between 2012 and 2022 by region (%)

Source: BBVA Research and IMF/WEO



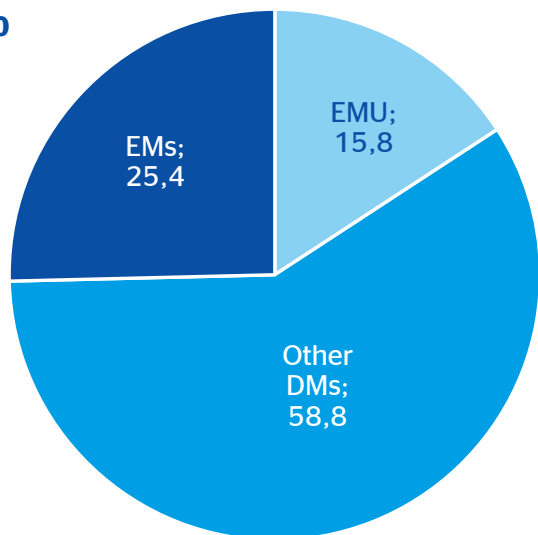
BBVA EAGLEs in 2013: the changing map of world growth

Increasing South-South trade

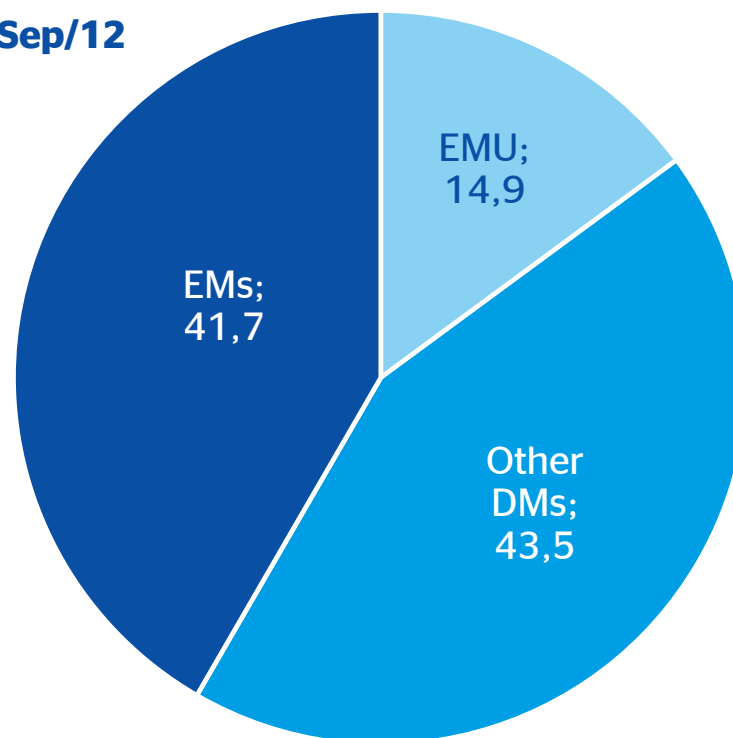
EAGLEs and Nest export share by country groups

Source: BBVA Research and IMF

2000



Jan-Sep/12



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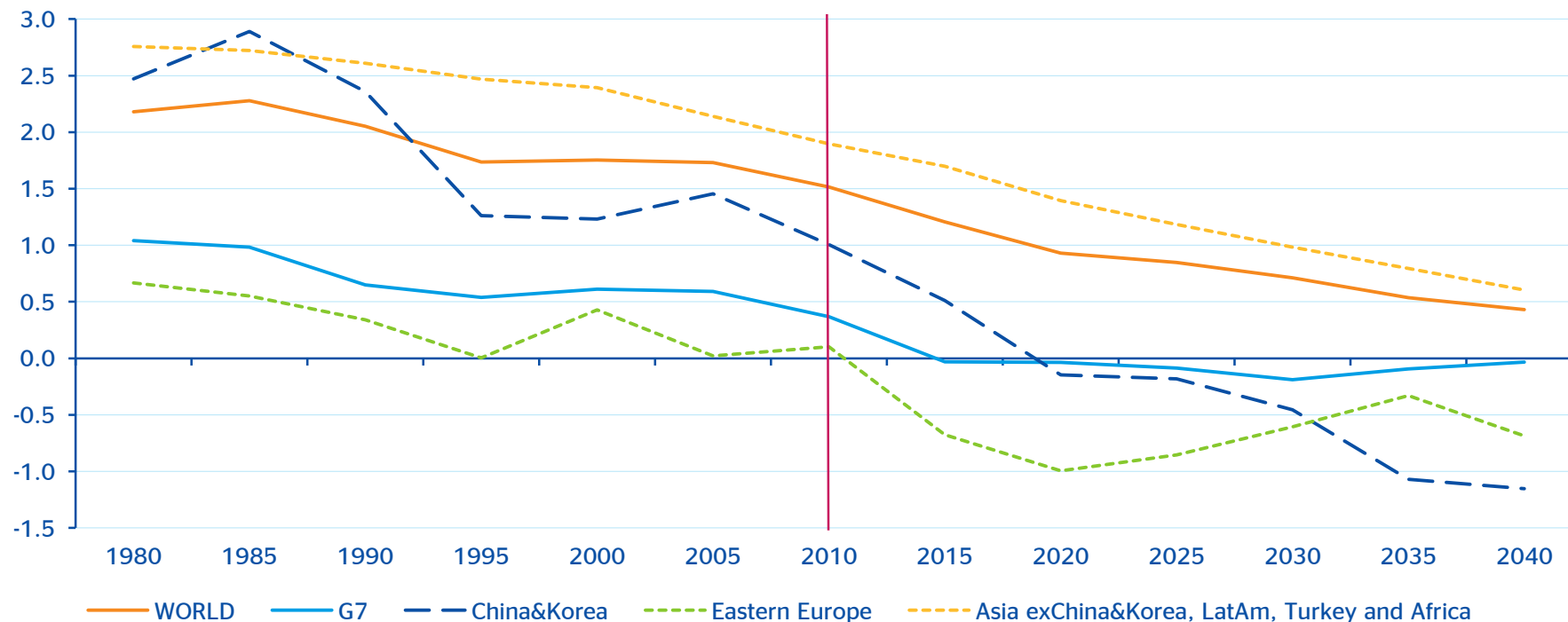
Supporting factors for long-term growth: the role of 'emerging people'

Aging is not exclusive of developed countries

Working-age population growth (1980-2040)

(average annual % change)

Source: BBVA Research and UN



Supporting factors for long-term growth: the role of 'emerging people'

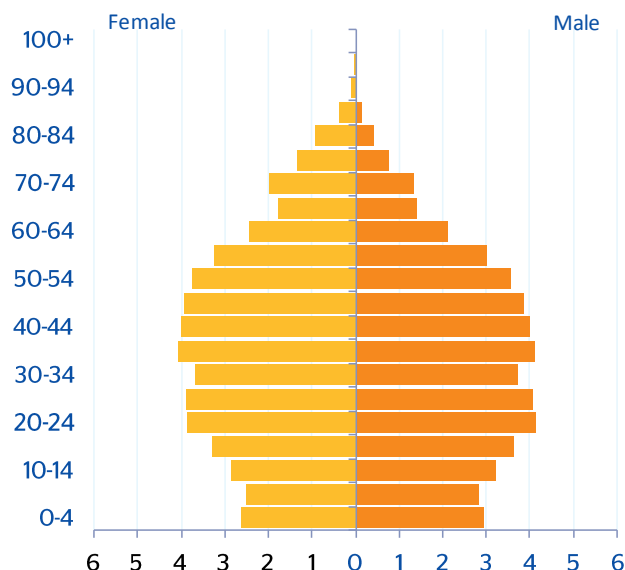
However, there are significant differences across countries

Population pyramids (2010)

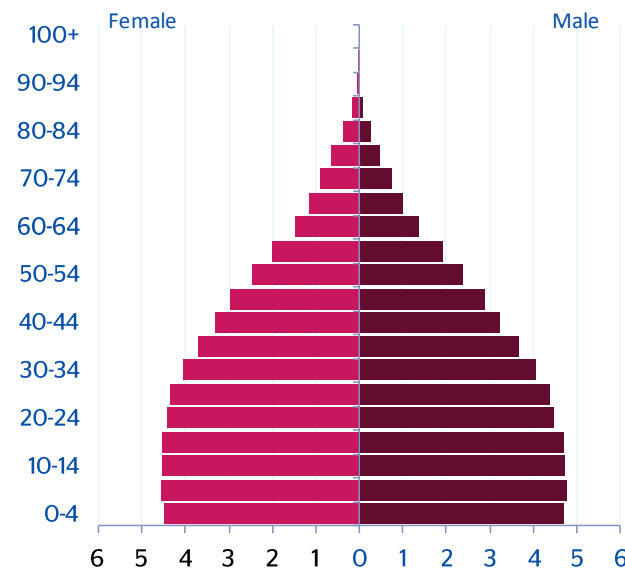
(% of total population)

Source: BBVA Research and UN

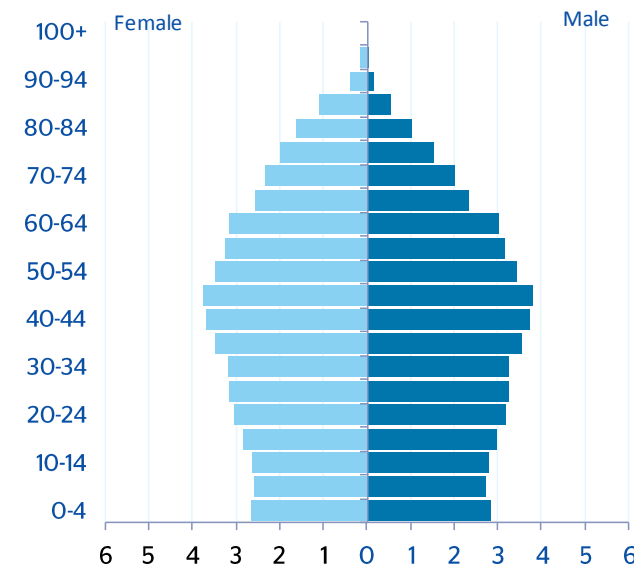
China, Russia and Korea



India, Indonesia, Brazil, Mexico & Turkey



G7 countries

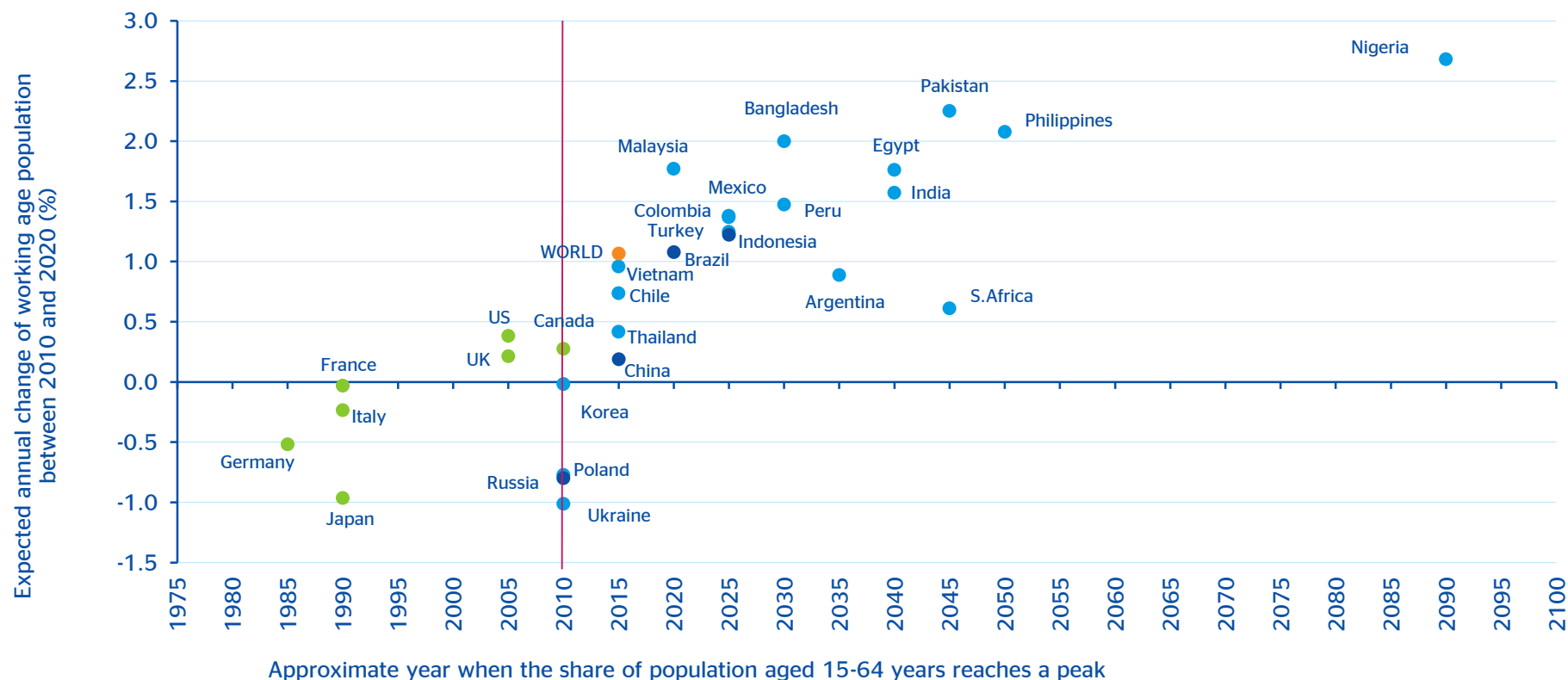


Supporting factors for long-term growth: the role of 'emerging people'

The population premium will still be relevant for most EMs

Stage of demographic transition referenced to working-age population

Source: BBVA Research and UN

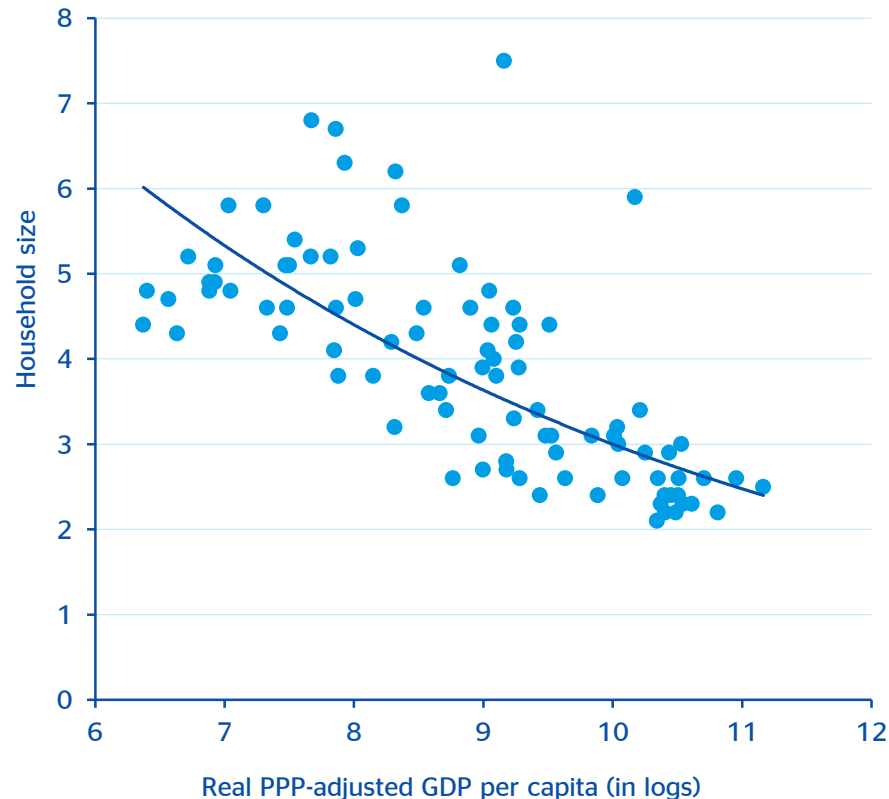


Supporting factors for long-term growth: the role of 'emerging people'

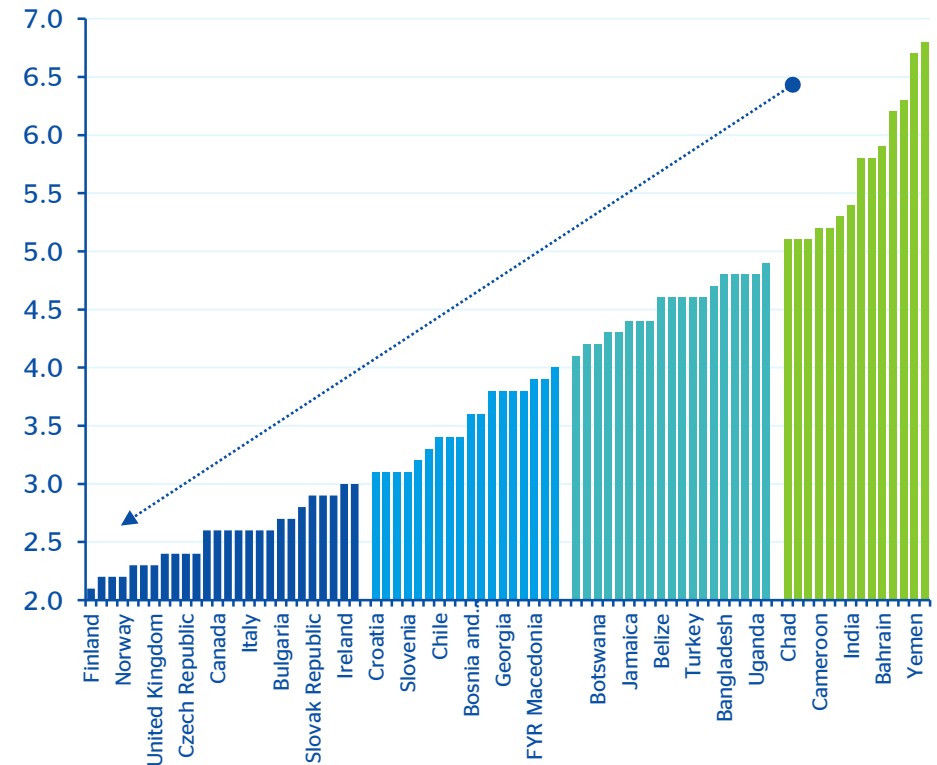
The reduction in the household size will soften the effects of aging

Income per capita and household size (c.2000)

Source: BBVA Research, IMF, UN and WB



World Household size



Supporting factors for long-term growth: the role of 'emerging people'

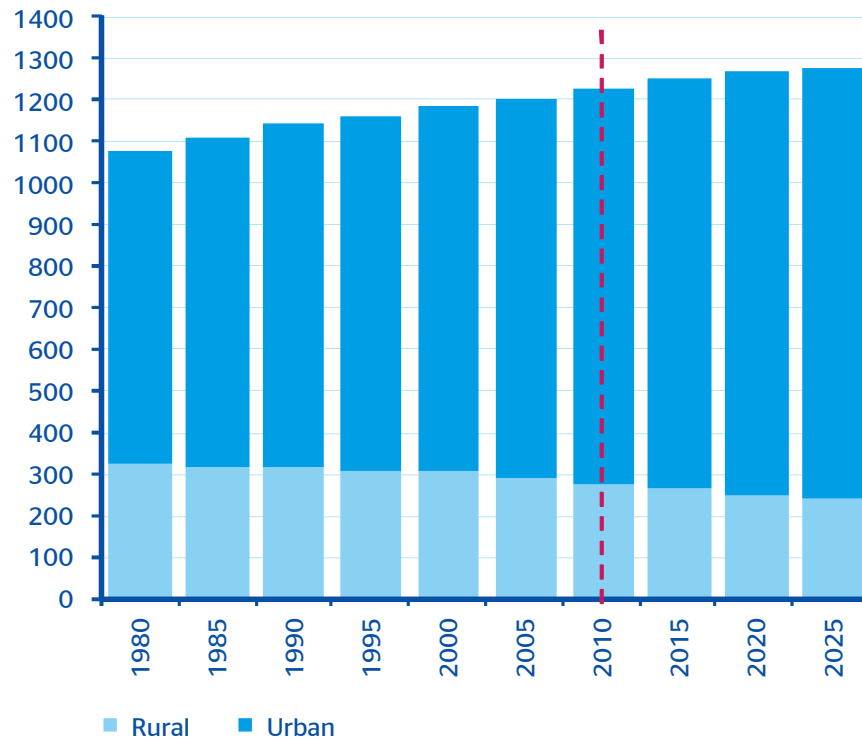
EM population is moving to cities... very fast

Population according to residence area

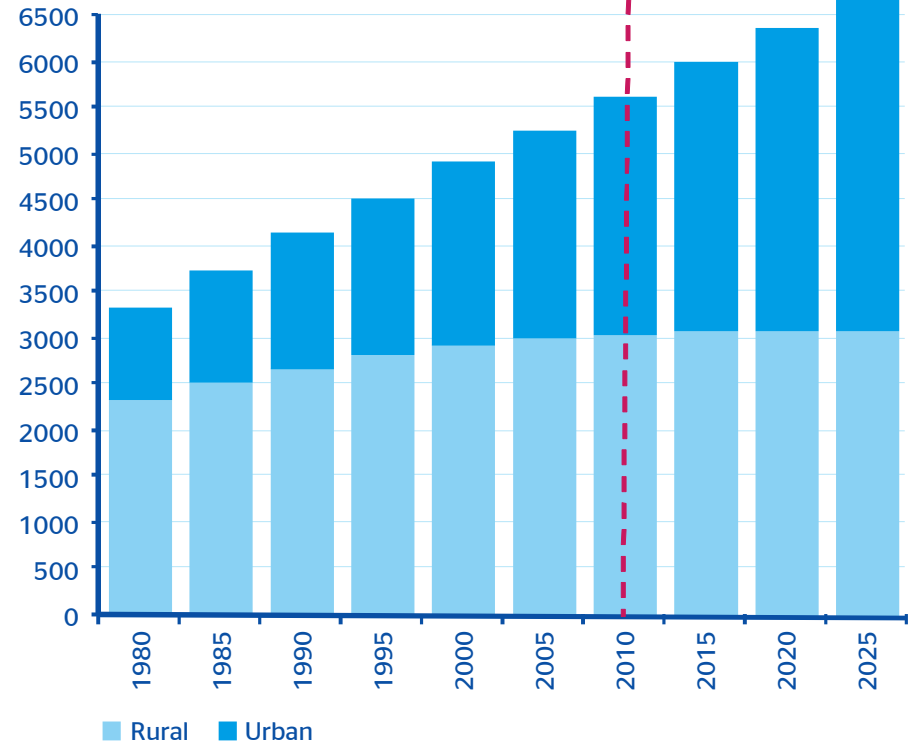
(millions of people)

Source: BBVA Research and UN

Developed economies



Emerging economies

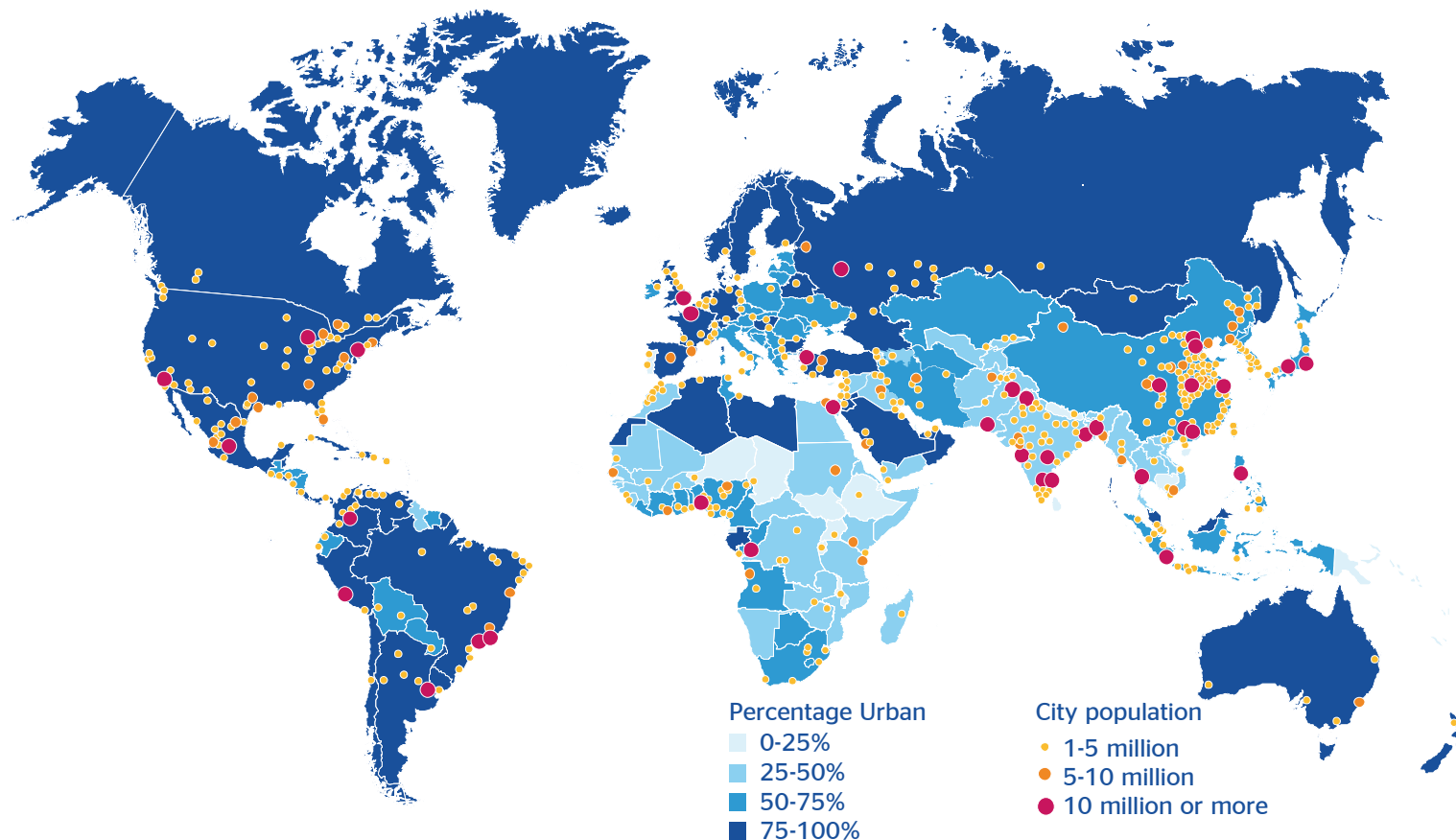


Supporting factors for long-term growth: the role of 'emerging people'

With an increasing number of urban agglomerations

Percentage of urban population and agglomerations by size class (2025)

Source: BBVA Research and UN



Supporting factors for long-term growth: the role of 'emerging people'

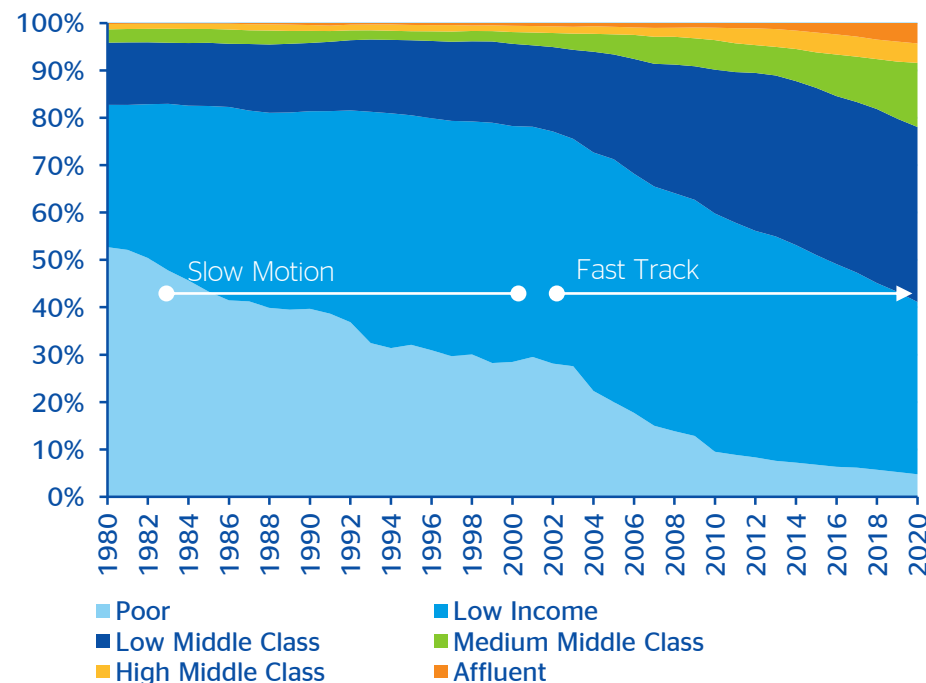
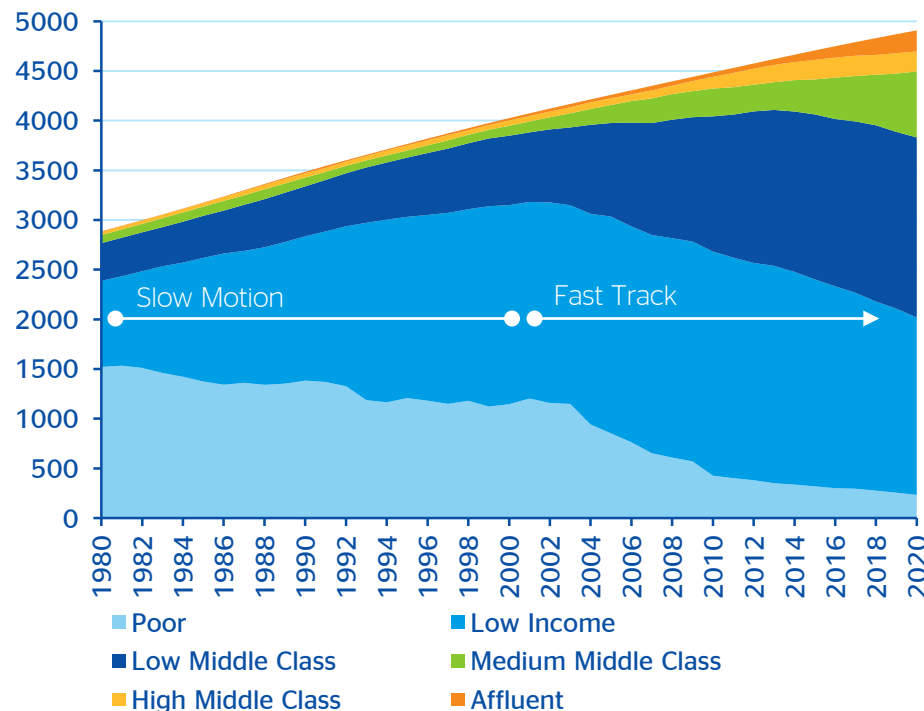
Emerging middle class already in 'fast track mode' since the beginning of this century

Population according to GDP per capita range* in EAGLEs and Nest countries

(millions of people and % share)

**Affluent are over 40,000 PPP-adjusted 2010 USD per year, High Middle Class between 25,000 and 40,000, Medium Middle Class 15,000-25,000, Low Middle Class 5,000-15,000, Low Income 1,000-5,000 and Poor below 1,000.

Source: BBVA Research



Supporting factors for long-term growth: the role of 'emerging people'

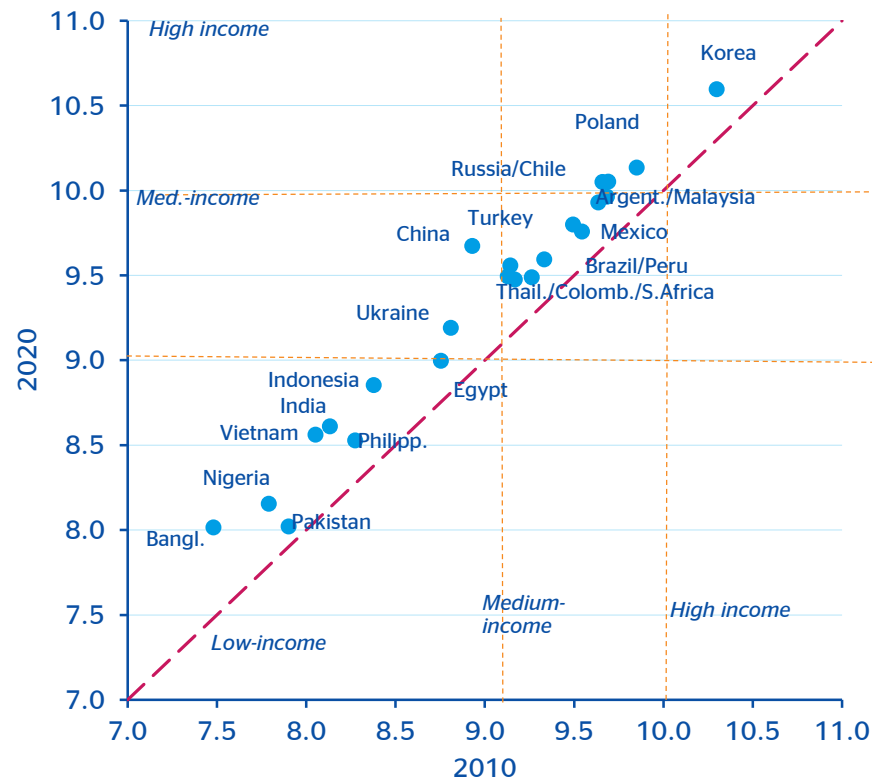
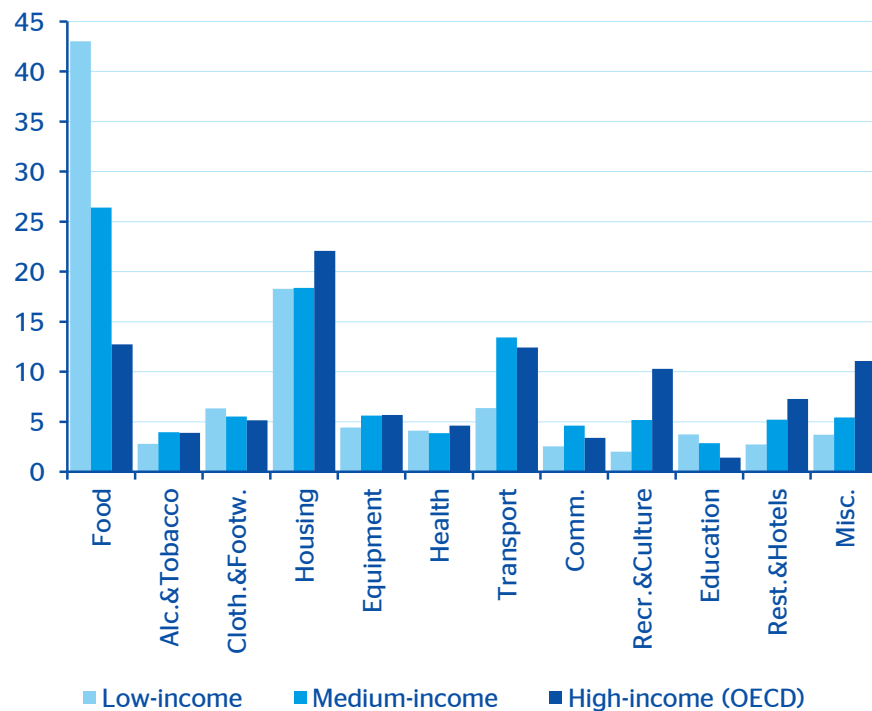
EM middle classes will change consumption patterns... significantly

Consumption patterns and income transition* in EMs

(% of CPI basket and GDP per capita)

*Low-income include countries with GDP per capita between 2,000 and 8,000 PPP-adjusted 2010 USD (up to 9 in log terms), medium-income comprise the income range between 8,000 and 22,000 USD (between 9 and 10 in log terms) and high-income countries are those above 22,000 USD.

Source: BBVA Research and Haver

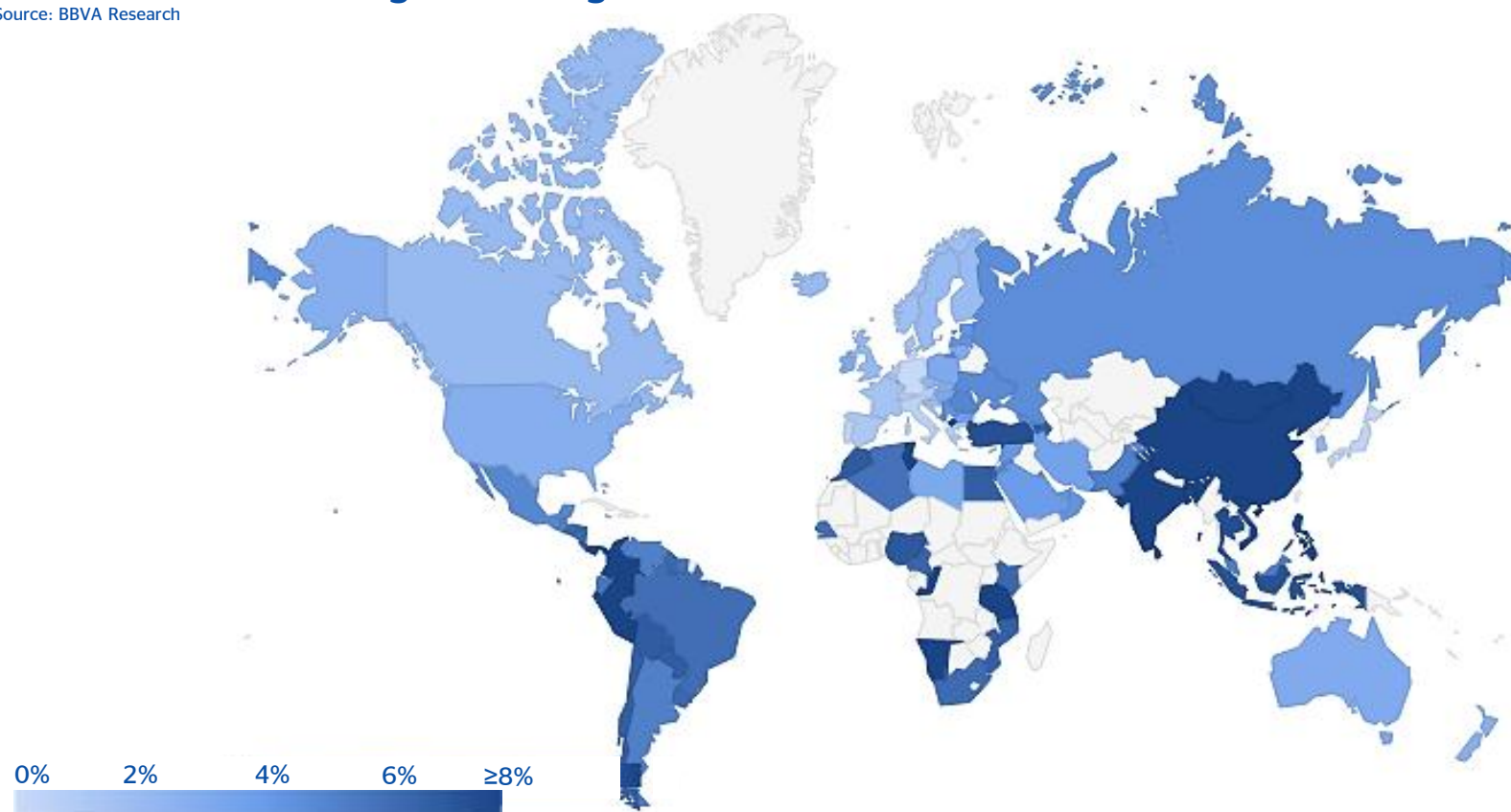


Supporting factors for long-term growth: the role of 'emerging people'

Some industries to benefit from booming demand...
generating some challenges

World markets according to annual growth of the car fleet between 2010 and 2020

Source: BBVA Research



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