

Building Domestic Markets...

In light of the looming economic meltdown in Europe and its potential global ramifications, markets are skittish. Investors are wary of making investments that could fail through no fault of their own. Unemployment is up, consumption is down. Fear and worry occupy the media waiting for the next wave of bad news. And yet smart investors can profit even in a zero growth trend. Now is the time to focus on consolidation; on planning for more conservative growth that can weather the business cycle.

The last decade has seen poor business planning or models that capitalize on investors' goals and aspirations rather than creating real market value. We have seen numerous firms with explosive growth (usually in market share or subscription base) that have negative revenue be valued at 8 to 10 times advertising revenue on the chance that they can "do something" with their huge customer base. Businesses that will weather the current zero growth climate will be innovative in maximizing productivity and cautious in their planning.

Political factors will account for much of the risk in the near future. Will Greece be willing to endure the necessary austerity required to shore up its debt crisis and bloated public sector? Will this austerity be sufficient to keep Greece in the Monetary Union? Has Italy taken adequate steps to stave off contagion? Can Southern Europe fix its spending/borrowing problems in a timely enough fashion that risks are not exported to more nations? Will the US get its own borrowing in order? Its exposure to foreign capital, its anemic growth, and political gridlock endanger the already fragile economic recovery.

However the silver lining to the current gloom is that much of the rest of the world is doing OK. Australia, Canada, China, Brazil and India all have excellent growth rates. The latter three are experiencing a down turn in exports as North America and Europe languish in their respective debit and financial crises. Wage pressure and inflation at home will mean a potential slowing of growth. Therefore, China, Brazil, and India (among others) should focus on expanding their domestic markets. With the rapid expansion of the middle class in all three nations, demand for housing, clothing, automobiles, mobile phones, computers, and small luxury goods are booming. All of these consumption items require infrastructure: roads, sewers, factories, electricity. Growth in trade has left a large share of disposable income that can be used for both consumption and investment.

Facilitating domestic market growth has huge potential investment opportunities. These three countries account for 39% of the world total population. As their economies grow and more people are lifted out of poverty, the investment opportunities multiply. The expansion of China's domestic market alone could consume most of the surplus goods it now produces. Euroasian is uniquely suited to help client's realize their project financing goals with creative solutions tailored to their individual needs.