While urbanization has peaked in some developed markets, it continues to rise across emerging ones...

...bringing new demand for AC in cities and megacities...

...with emerging markets offering significant growth potential.

Source: IEA May 2018. (2020-2050 figures are forecasts).

Megacities are predicted to multiply by 2030, and this growth is likely to come from emerging economies, including Mexico, Indonesia, Brazil, India and China. Over the next decades, we are likely to see a collision of what could be two of the most powerful structural trends in the global economy: on the one hand, huge swaths of the population will continue to migrate from rural to urban areas; on the other, our awareness of, and willingness to take action on, climate change will reach unprecedented levels.

So what does all this have to do with air conditioning? Nearly 40% of all energy-related CO2 emissions globally come from buildings,¹ and of that the vast majority is demand for heating and air conditioning (AC). And this trend is set to continue. According to the International Energy Agency (IEA), energy demand for building cooling will triple by 2050 in the IEA’s baseline scenario and double in the most efficient cooling scenario (assuming all end markets adopt the most efficient AC units available).

AC is a vital ingredient to boost economic growth in rapidly urbanizing emerging markets – the long-term demand case is clear. But if we look at current AC penetration levels, it is also apparent that in the countries that are predicted to experience the highest urbanization growth, which also have some of the hottest and most humid climates, penetration is extremely low! The opportunity for more energy-efficient AC systems to gain share in these rapidly urbanizing and hot climates is evident over the longer term.

Ed Geall, thematic analyst, Newton Investment Management
All investments involve risk, including the possible loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing. Investing in [in bold-foreign denominated and/or domiciled securities] involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

Charts are provided for illustrative purposes and are not indicative of the past or future performance of any BNY Mellon Investment Management product.

"Newton" and/or the "Newton Investment Management" brand refers to the following group of affiliated companies: Newton Investment Management Limited and Newton Investment Management (North America) Limited (NIMNA Ltd). In the UK, NIMNA Ltd is authorized and regulated by the Financial Conduct Authority in the conduct of investment business and is a wholly owned subsidiary of The Bank of New York Mellon Corporation. Registered in England no. 2675952. NIMNA Ltd is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. NIMNA Ltd’s investment business is described in Form ADV, Part 1 and 2, which can be obtained from the SEC.gov website or obtained upon request.

BNY Mellon Investment Management is one of the world’s leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon’s affiliated investment management firms, wealth management organization and global distribution companies. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the corporation as a whole or its various subsidiaries generally.

Views expressed are those of the manager stated and do not reflect views of the other managers or the firm overall. Views are current as of the date of this publication and subject to change. This information should not be construed as investment advice or recommendations for any particular investment. Certain information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Please consult a legal, tax or investment advisor in order to determine whether an investment product or service is appropriate for a particular situation. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. BNY Mellon Securities Corporation and Newton Investment Management are subsidiaries of BNY Mellon.

Not FDIC-Insured | No Bank Guarantee | May Lose Value

MARK-92373-2019-12-16