

Insights —

# Cities are the Powerhouse of the Modern Economy

More than 85% of global GDP comes from the world's cities, and their importance will continue to rise.



**More than 85% of global GDP comes from the world's cities, and their importance will continue to rise.**

People living close together in urban environments has been the driver of innovation and economic development since the beginning of civilization. As the modern world becomes wealthier and more technologically advanced, the importance of cities to the economy is increasing even further.

Mega-cities like Shanghai, Beijing, New York and London are global hubs for technology, culture, fashion, financial services and innovation. As their relative importance in these fields rises, this further cements their importance and draws even more capital and talented people to them.

**The continued growth of the world's major cities offers the chance to invest in those companies and business models that will benefit from the increasing wealth of urban areas.** Wealthier urban citizens will demand luxury goods, entertainment, education for their children and comfortable places to live. Businesses operating in these cities require high-quality infrastructure and communications to allow them to trade in a globalized economy. These needs create a myriad of routes for us to search for long-term exposure to those businesses meeting these needs.

Much of this future growth will come from emerging markets. The majority of the populations of Asia and Africa still live in rural locations. Developed world nations like the UK are heavily urbanized, with 80-90% of populations living in cities. We can expect to see the percentage of populations in Africa and Asia living in cities to move to this level in the coming decades. What this means in practice is 2 billion new urban citizens by 2040. That also means 2 billion new urban consumers who **will be demanding the same products and services enjoyed by today's city dwellers.**

As this long-term theme continues to power ahead, we are invested in multiple sectors with exposure in our Luxury Consumer and Managed Funds. Our Global Trends philosophy has long-term and sustainable growth at its core, and the trend of urbanization offers these characteristics to our funds.



## Disclaimer —

The views expressed in this article are those of the author at the date of publication and not necessarily those of Dominion Fund Management Limited. The content of this article is not intended as investment advice and will not be updated after publication. Images, video, quotations from literature and any such material which may be subject to copyright is reproduced in whole or in part in this article on the basis of Fair use as applied to news reporting and journalistic comment on events.

Copyright © 2024 Dominion Fund Management Ltd, All rights reserved

