Standard Chartered

press release

Standard Chartered research says Thai and Chinese are "growing old before getting rich"

- One in five Thais and Chinese will reach 65 by 2035, making the countries statistically 'hyper-aged'
- Investing in education, maintaining low government debts and raising female participation rates in labour market could mitigate the impact of ageing
- There is considerable growth potential in senior consumer markets in emerging Asia, particularly China

5 April 2017, Bangkok - In the West, ageing populations has been a theme for decades, but in future the most rapidly ageing societies will be in Asia.

Already, China has 131 million citizens over 65, more than twice as many as Japan, Germany and Italy put together. And Asia is getting old much faster than Europe and the US did last century.

This means that some countries in Asia, such as Thailand and China, will grow old before they get rich. These countries need to find ways to manage their already rapidly ageing populations or they will end up stuck in the middle-income trap, **said Samantha Amerasinghe, Economist, Standard Chartered Bank.**

Korea and Singapore are already ageing, which means that between 7 and 14 per cent of the population is 65 and over. By 2030, more than one in five Koreans and Singaporeans will be seniors, making the countries statistically 'hyper-aged', like the UK and Germany. Thailand and China will be hyper-aged by 2035.

Ageing impacts economies, primarily because it reduces the supply and quality of labour. After decades of enjoying a demographic dividend, China, Korea, Hong Kong and Thailand will start to see an economic drag from ageing before 2020, and Singapore before 2025.

Despite multiple new policies, attempts to raise fertility rates across Asia have so far proven unsuccessful. For the major economies, including China, Thailand, Japan, Singapore and Korea, fertility rates remain well below the 2.1 it would take to replace the current population.

However, whilst the greying of Asia is unavoidable, the economic effects may not be.

By making even modest improvements in the quality of labour through investing more in education, China could postpone the effect of ageing on economic growth by as much as ten years.

On current trends, China is set to have the world's biggest pool of educated workers within the coming decades, which will help underpin economic growth, before the impact of ageing sets in, but more investment would stave off the effects for longer.

Asian countries – with their relatively low government debts – can also help by taking on some of the increased costs of ageing through the pension system. Pension systems remain unsustainable in many parts of Asia, with China's nationwide pensions possibly running deficits as early as 2030. Governments need to also step up their efforts to support ageing populations, through health care provision and social security.

Raising female participation rates will have the biggest immediate impact. Countries like Korea, Singapore, China and Japan have launched various initiatives – including child-care subsidies and allowances and employer incentives – to become more family friendly. This is likely to be the quickest way of mitigating the impact of ageing.

A greying population could also affect consumption and investment, though, again, this need not be the case. There's a considerable growth potential in the senior consumer markets in emerging Asia, particularly in China.

The trend in more developed markets may point the way. In the US, for example, by 2020, only 11 per cent of investable assets will be held by people younger than 45. As their economies develop, we should expect spending patterns to mirror more closely what is happening in the West.

While governments in Asia have shown willingness to tackle the challenges of ageing demographics, their continued attention to balancing the negative effects with rising consumption among the 'silver economy' will prove crucial over the longer term.

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