

## Shifting Demographics and Where To Look for Future Growth

Every minute of every day, 255 babies are born. As a result, the world's population is estimated to reach 7 billion early this year. What's surprising to many is not the number of births, but that the vast majority occur in less developed countries. Consequently, by 2020, almost 90 percent of the world's population will live in less developed countries.<sup>1</sup>

For American exporters and investors, this information, combined with a plethora of global demographic data, can identify various trends, where tomorrow's target consumers will live, how much they are able to spend, and the goods and services they are likely to buy. All this information is important in establishing short and long-term global trade and investment strategies.

### The Significance of the Median Age

By 2015, Germany will have the world's highest median age of 46.5 years old. This means one half of the German population will be older and one half younger. Japan will follow, at 46.4, while the median age of the United States will be 37.3.<sup>2</sup> What is the significance?

According to Harry S. Dent, Jr., an author and expert of demographic trends, over the last decade Americans entered the workforce, on average, at age 19, got married at age 25.5, had their first children two years later, and purchased their first homes at age 34. They typically traded up to the largest homes they would own by age 44, and fully furnished them by age 46.5.

Although the patterns associated with American spending habits that Dent observed are somewhat different in other countries, understanding demographic data, such as a country's medium age, can help companies determine which markets to pursue, and what products and services to offer.

### Emerging Markets Are Growing Considerably Faster

Population growth rates are not the only things increasing faster in developing countries. While the economies of advanced nations are projected to grow 1.2 and 1.9 percent in 2012 and 2013, respectively, those of emerging and developing countries are projected to expand by 5.4 and 5.9 percent over the same period.<sup>3</sup> In turn, demand will continue to rise in emerging and developing markets faster than in advanced countries.

The result: the American share of world consumption, at approximately 27 percent in 2010, is expected to decline to 21 percent by 2020. During the same period, China's share of world consumption is estimated to climb from 10 to 21 percent; India's share is expected to double to 5.3 percent, and Asia's overall share, with the exception of Japan, is predicted to rise from 17 to 32 percent.<sup>4</sup>

How important is it to pursue faster-growing markets abroad? Robert Doll, Chief Equity Strategist at BlackRock Inc., the world's largest money manager, says over the next few years, 70 percent of incremental earnings growth of S&P 500 companies will come from outside the United States.



## **Foreign Consumers Can Afford Your Products**

Compared to the United States, average per capita incomes in developing countries are low. For example, U.S. gross domestic product per person was estimated to be about \$47,000 in 2010. However, it was approximately \$4,500 in China, \$1,300 in India, and \$10,600 in Brazil.<sup>5</sup> At first glance, U.S. producers are likely to assume that consumers in these countries can't afford their products. This could be a mistake.

When considering the current and projected size of the middle class in developing countries, per capita income figures are far less significant. For example, today India is estimated to have a middle class of approximately 200 million people with a purchasing power similar to that in the United States. Compared to the entire U.S. population of 313 million, many would agree that an additional market of 200 million consumers with substantial buying power is worth pursuing.

## **Consumer Demand by the Elderly Is Increasing**

Due to medical breakthroughs and improved diets, the elderly are living longer, healthier lives. As a result, this demographic group is becoming the fastest growing portion of the world's population. According to the United Nations, "As fertility rates decline, the proportion of persons aged 60 and over is expected to double between 2007 and 2050, and their actual number will more than triple, reaching 2 billion by 2050. In most countries, the number of those over 80 is likely to quadruple to nearly 400 million by then."

What does this mean? As world populations shift, older age groups will make up an increasingly larger portion of consumers. As such, travel and other leisure-related services, and purchases of second homes and furnishings likely will increase. This is expected to result in greater exports of U.S. products and services designed to satisfy these demands.

## **Consider U.S. Shifting Demographics**

From 2000 to 2011, the U.S. population grew by 10 percent. In fact, every state in the Union, except Michigan, expanded. Overall, the South and West grew by 14.3 and 13.8 percent, respectively; the Midwest and Northeast grew by 3.9 and 3.2 percent.

By 2020, total U.S. population is projected to reach 336 million.<sup>6</sup> This includes immigration, which is anticipated to contribute about 1.2 million each year.<sup>7</sup> What is the benefit? A growing population, whether in an American state or foreign country, typically will translate into increasing consumer demand and a contribution to economic output.

For more information on fast-growing markets abroad, financing your international deals, contact your Fifth Third Bank Global Trade Solutions Representative or visit us at [www.53.com/InternationalBanking](http://www.53.com/InternationalBanking)

### Footnotes

1. U.S. Census Bureau., 2. United Nations, Department of Economic and Social Affairs., 3. International Monetary Fund, January 2012 update., 4. Credit Suisse., 5. United Nations Conference on Trade and Development., 6. U.S. Census Bureau., 7. Ibid