

## The Possibility of Expanding Consumer Markets in Promising ASEAN Countries

Vietnam currently poised to take advantage of its demographic dividend

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The population of Japan started to decline in 2010, and in contributing to sluggish consumption, it has become increasingly important for Japanese companies to seek entry into neighboring Asian countries where their demographics hold potential for expanding consumer markets. This report uses China as a benchmark from the perspective of demographics and policy implementation to analyze the future of consumer markets in major ASEAN countries.

China's demographic dividend period of a growing young generation lasted up until 2010 during which China took advantage of the situation to maintain high consumption growth. This was likely made possible by investment promotion policies that enhance employment generation, raise productivity and increase income. By 2002, however, the percentage of China's population over the age of 65 increased to over 7%, and the high per capita growth of personal consumption gradually began to decline, leaving companies to seek the next frontier after China.

The candidates for the next frontier after China are Indonesia, the Philippines, and Vietnam ("three target countries"), which have relatively young and large populations.

This report estimates the extent to which consumption in these three countries will change over the next 20 years based on per capita annual consumption data by age and the change in demographics. In 20 years, China's population will concentrate at older ages, making the growth in consumption in the country reach a plateau at around 5%, while the three target countries will experience double-digit growth in consumption due to the largest proportion of the population in these countries continuing to be the high-spending younger generations in 20 years. This suggests that the three target countries may be the next frontier after China.

According to previous research, to achieve high consumption growth that takes advantage of favorable demographics, it is necessary to increase the capacity of the labor supply through policy and expand labor demand by attracting companies. As mentioned above, China has been able to expand income and consumption by promoting investment and raising productivity. And, given the preceding research and the experience of China, of the three target countries, Vietnam seems to have the most potential to see growth of consumer markets that take advantage of its present demographic dividend due to its past efforts to expand investment by attracting foreign companies and to enhance education for developing human resources.

However, in terms of their demographic conditions, Indonesia and the Philippines also has the potential for significant increase of their consumer market, and each of these countries has measures in their medium term economic plans to promote investment that can leverage their demographic dividend. How those policies will be implemented will determine the future growth potential of their consumer markets.

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