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Media Release

Different demographics of China and India point to favorable outlook for six sectors, says Credit Suisse

Hong Kong, November 17, 2010 **China and India are often spoken of in the same breath, but China is richer, healthier, more economically active and older with slowing population growth, while India is younger, has a faster-growing population but faces a greater challenge from urbanization, says Credit Suisse in a recently published report. The pharmaceutical and health care, financial services, technology, consumer retail and education services sectors will benefit from the demographic dynamics of these two Asian giants, which together account for 37.2% of the world's population.**

Amlan Roy, Head of Global Demographics and Pensions Research at Credit Suisse's Investment Banking Division, said: "We caution against the use of groupings of countries, such as BRIC, which often mask very important underlying fundamental differences. It is more useful to group countries on the basis of GDP per capita than merely on GDP growth." GDP per capita in India stands at US$1,177 in 2010 compared to US$4,243 in China and US$44,278 in G3 nations.

The report examines the differences in the composition of China and India's population, especially their labor force structure, and highlights the followings:

- China is much older and healthier than India but has lower population/labor force growth and higher old-age dependency. China's labor force growth rate has declined significantly and is expected to be close to zero between 2015 and 2020, while India's is high and stable and expected to remain so until 2020.

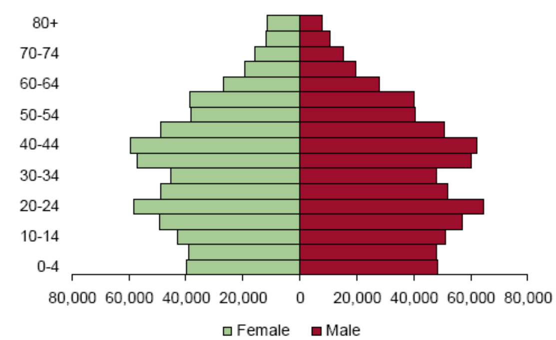
- China has a much higher economic activity rate than India as a result of China's much higher female participation rate. This suggests a better and more equal utilization of the labor force in China than in India.

- Household size is smaller in China than in India, which affects their consumer expenditure patterns. China's and India's consumer expenditure pattern differences have various implications for the sectoral growth of their economies as well as that of their trading partners.

	China	India
Median age (2005-2010)	34.2	25
life expectancy (2005-2010)	73	63.5
Old-age dependency ratio (people aged 65+ per 100 people aged 15-64 in 2010)	11.4	7.7
Economically active population (2010)	74%	58%
Female participation rate (2010)	67%	33%
Household size (2009)	Majority 3 people family (34%)	Majority 5+ people family (58%)

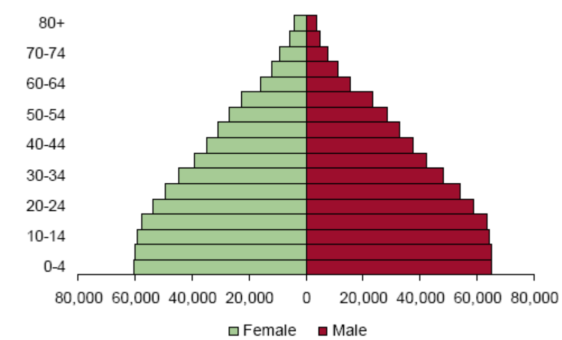
"The pension and health implications of aging will be faced more acutely by China than India in the near future given China's older and healthier population. China can learn from the Western pension systems by not making unsustainable promises while it increases its pension coverage," added Dr. Roy.

Population Pyramid – China (2010)



Source: Credit Suisse, UN

Population Pyramid – India (2010)



Source: Credit Suisse, UN

India, on the other hand, faces a larger urbanization challenge than China on account of its higher population density. This has implications for infrastructure and commodities demand.

The report acknowledges that, while China and India have striking demographic differences, six sectors will benefit from positive demand in light of China and India's demographic profile:

- **Pharmaceuticals, biotech and healthcare**: as a result of aging, health and increased incomes.
- **Financials** (banking, fund management and insurance): given the retirement, savings and insurance-related demand by the middle classes and others over the life cycle and the increased need for financial penetration and access in rural areas, maybe through microfinance initiatives.
- **Consumer retail including leisure and luxury**: as a result of income and middle-class growth, combined with an increase in the number of ultra-rich, and changes in family structure, leading to more non-durable consumption demand.
- **Infrastructure and commodities**: given rural to urban migration, combined with a transition from agriculture to manufacturing/services and from manufacturing to services, leading to demands for new infrastructure, which in turn leads to higher commodity demands.
- **Technology**: as a result of decreasing population growth rates, offset partly by increased labor and total factor productivity, as this could necessitate better work practices and use of modern technology.
- **Education**: given that education is arguably the most important sector to guide sustained long-term balanced growth.

Information

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