



ASIA REPORT 2016

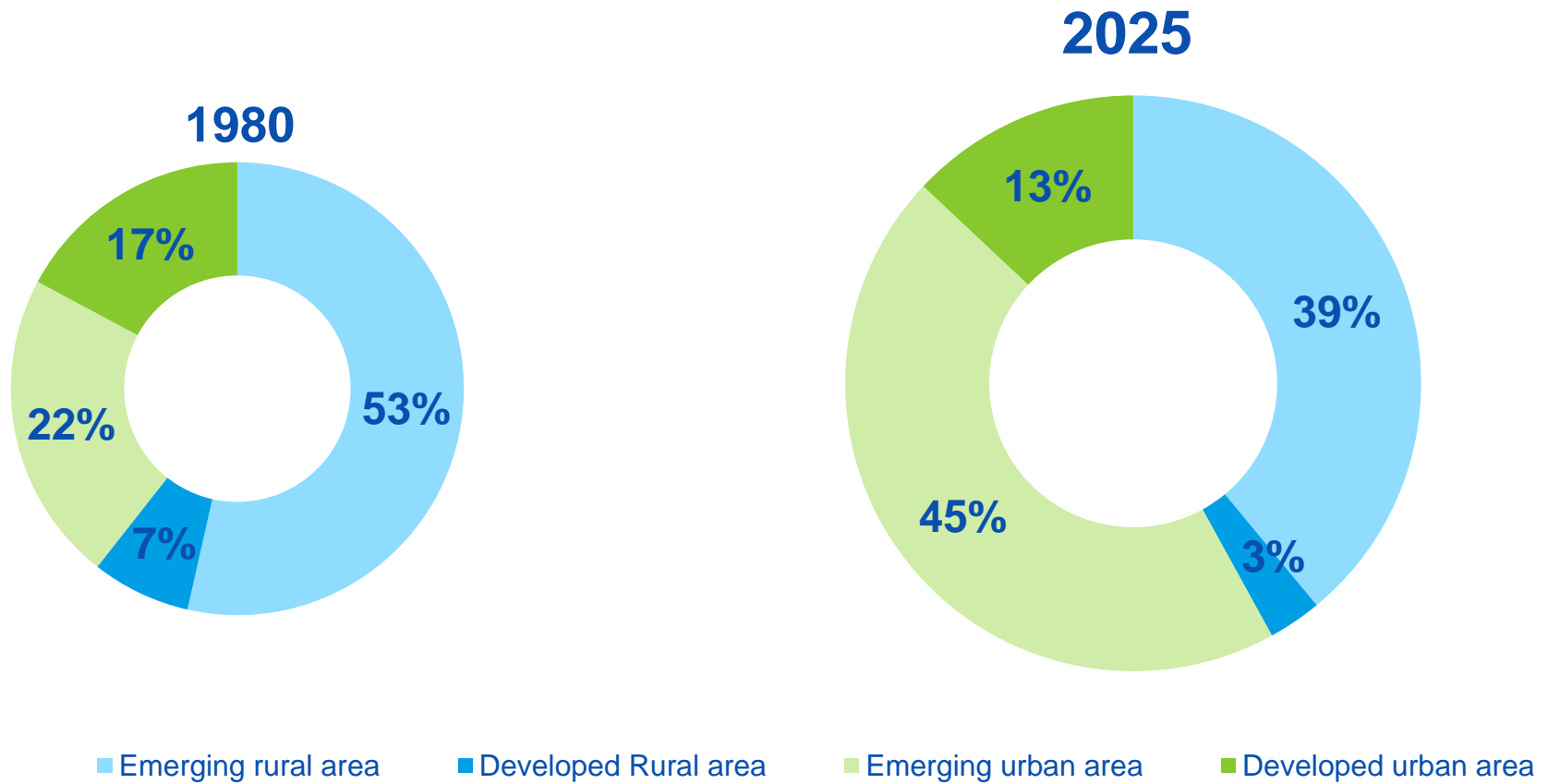
# Asian Urbanization trends

BBVA Research Asia, MENA & Geostrategy Unit

# Key takeaways

- 1 Urbanization phenomenon has increasingly spread over the last years, fostered by Asia and it's expected to continue in the next decade.
- 2 China and India, followed by Indonesia, are leading this urbanization process.
- 3 The rapid pace of urbanization will drive higher income growth and consumption expenditure, as well as a change in consumption patterns.
- 4 Competitiveness levels and the adoption of new technologies will also be triggered by higher urbanization rates.
- 5 Government must be supportive of these social changes with transparent, responsive and dynamic policies to take advantage of it

# Close to 50% of population around the world will live in urban areas by 2025...



# ...and agglomeration in Asia will become increasingly relevant...



The world's cities by size class of urban settlement.



- 10 mill or more
- 5 to 10 mill
- 1 to 5 mill
- 500000 to 1 mill
- 300000 to 500000
- Less than 300000

# ...growing faster than the rest of the world...

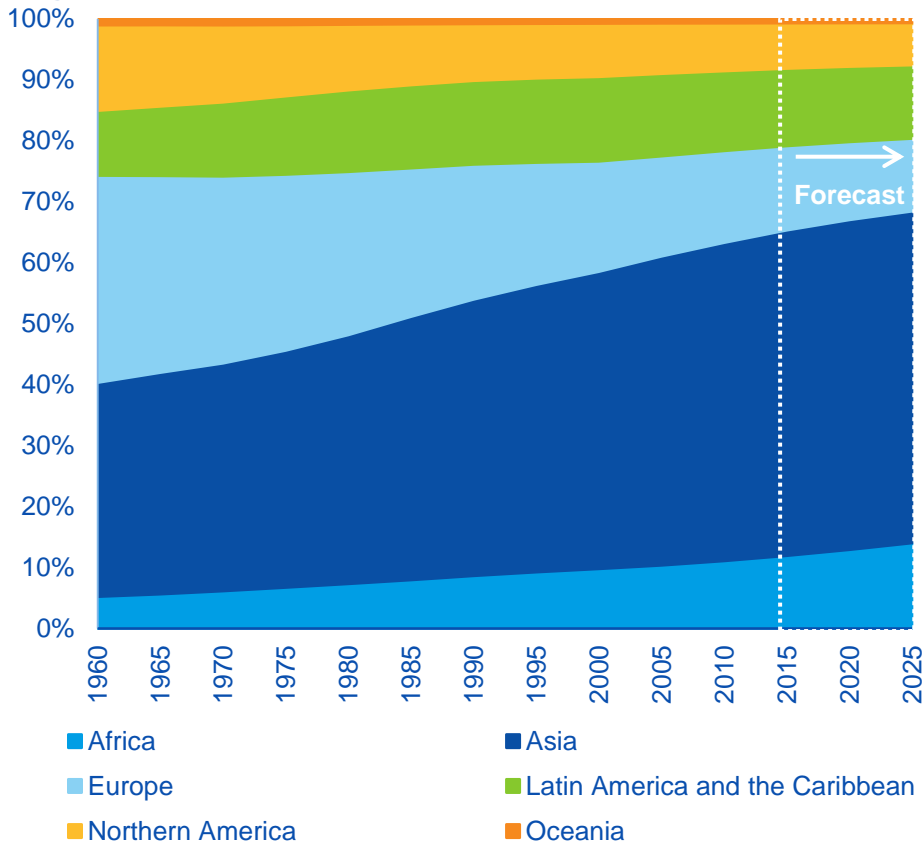
Average annual rate of change of city populations by size class of urban settlement, 1990–2025



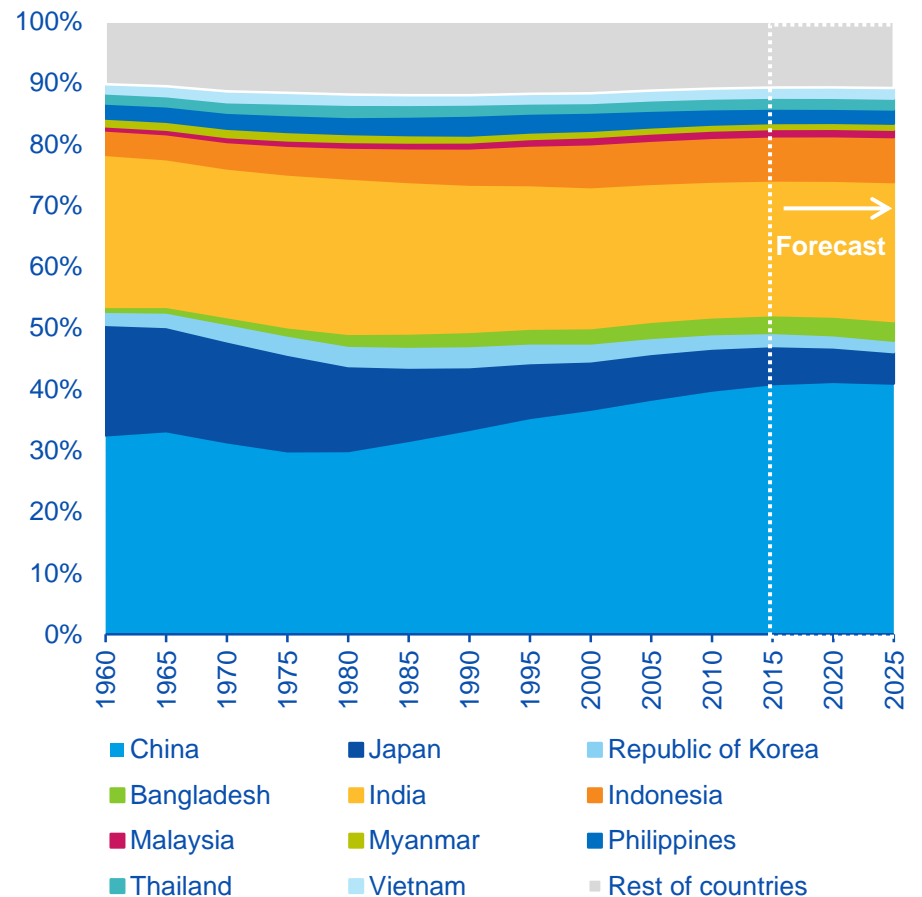


# ... with China as the main contributor...

Distribution of urban population across world regions (1960-2025)

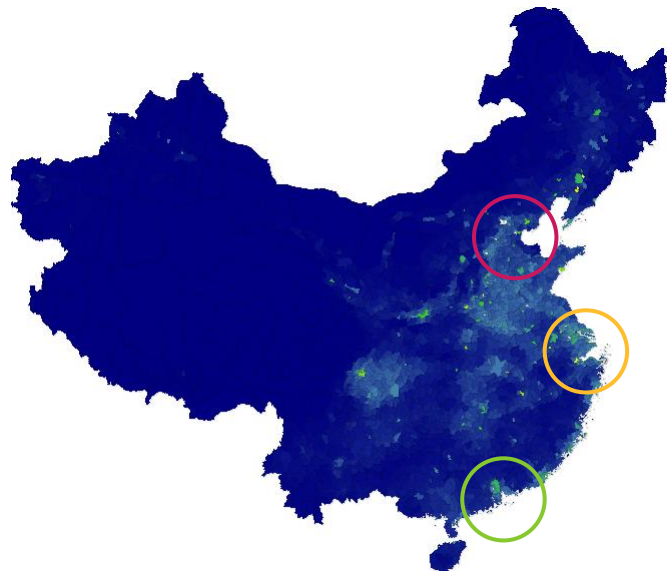


Distribution of urban population across Asian countries (1960-2025)

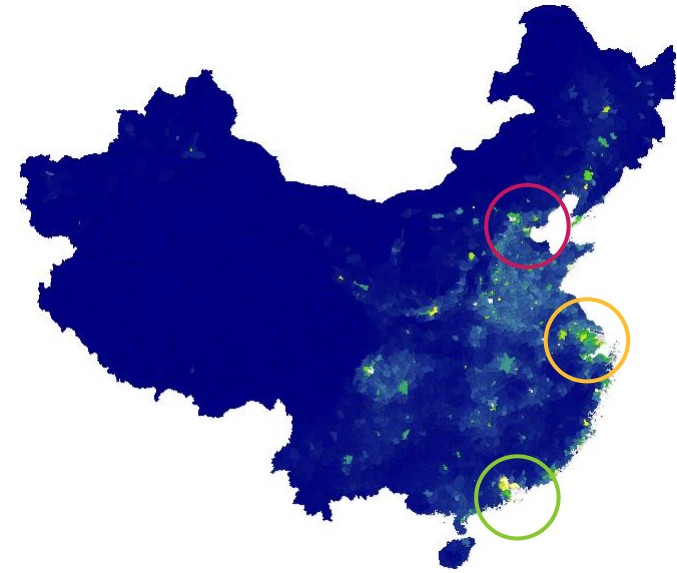


# ... following its rapid urban expansion between 2000 and 2010

China population density 1990



China population density 2010



Beijing

Shanghai

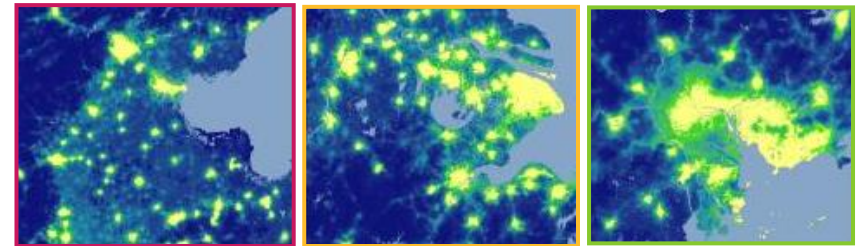
Guangzhou



Beijing

Shanghai

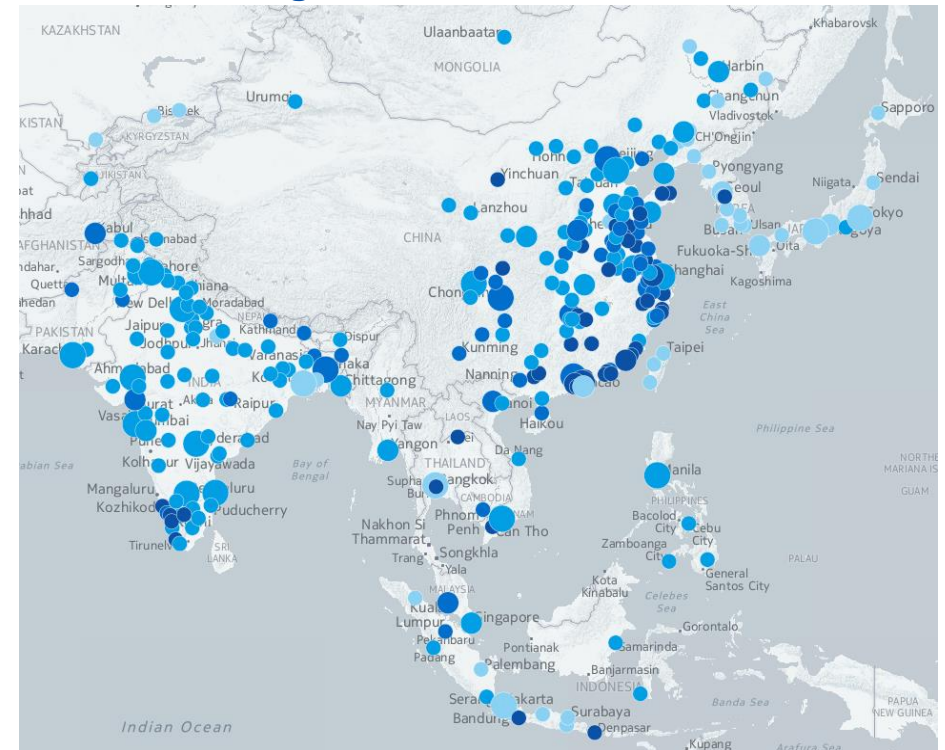
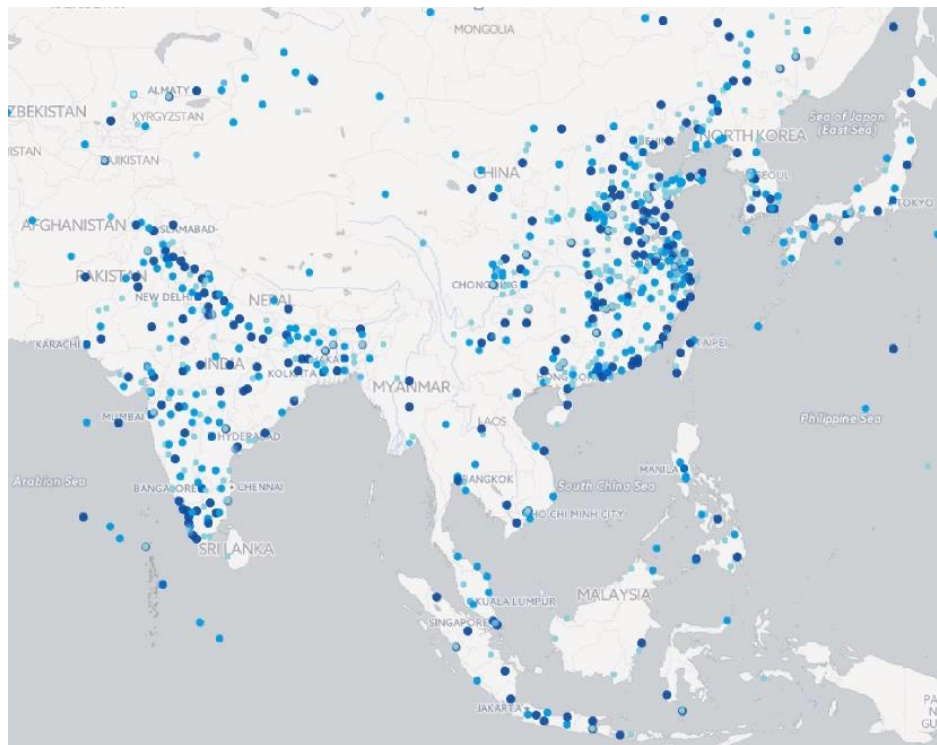
Guangzhou



# Asia will concentrate 21/37 world megacities...

Evolution of cities by size class of urban settlement in the Asia- Pacific region during 1990-2025

Average annual rate of change of city populations by size class of urban settlement, 1990–2025 in the Asia- Pacific region



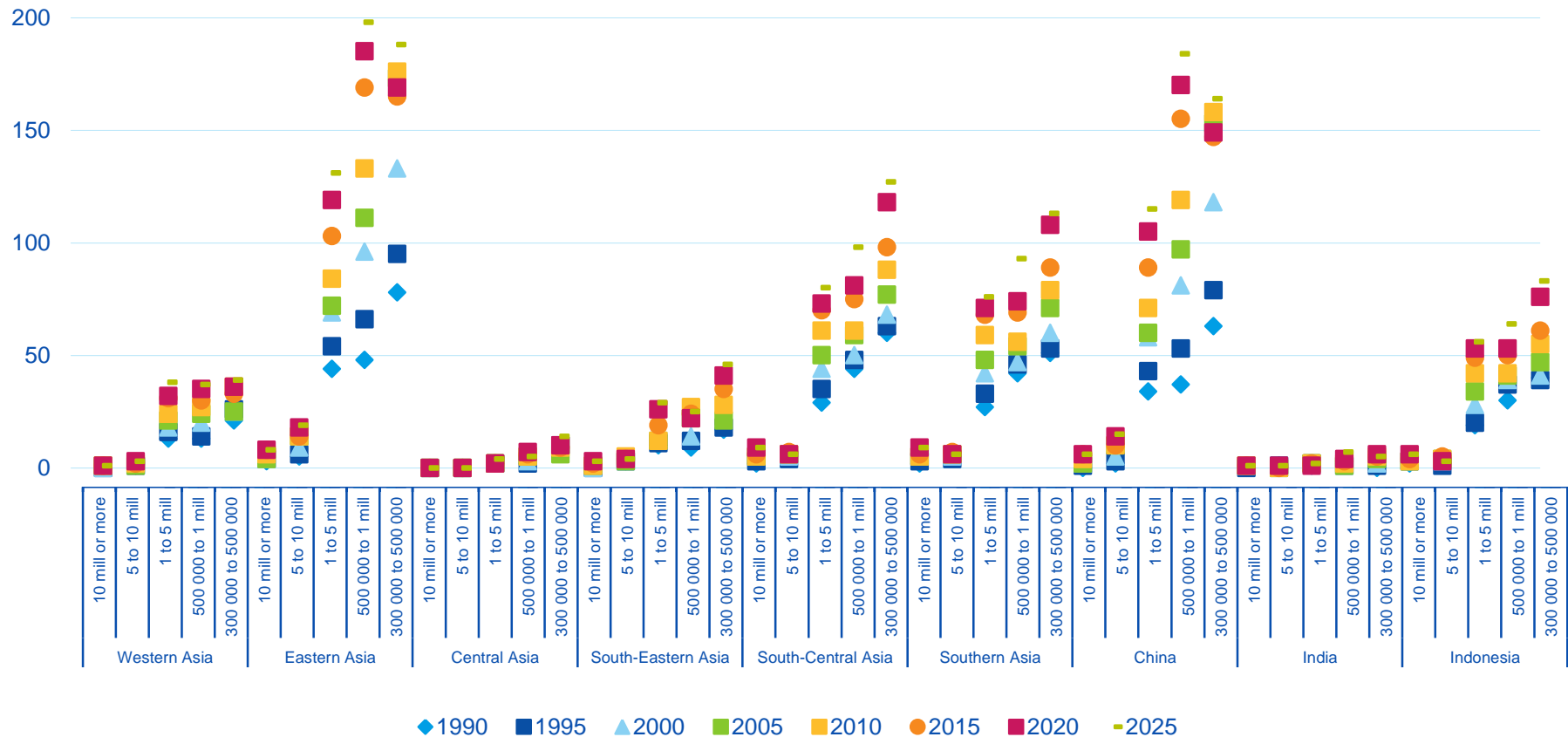
- 10 mill or more
- 5 to 10 mill
- 1 to 5 mill
- 500000 to 1 mill
- 300000 to 500000
- Less than 300000

- Growth rate**
- 5%+
  - 3-5%
  - 1-3%
  - <1%
- City size by population**
- 10 mill or more
  - 5 to 10 mill
  - 1 to 5 mill



# ...with heterogeneities between regions

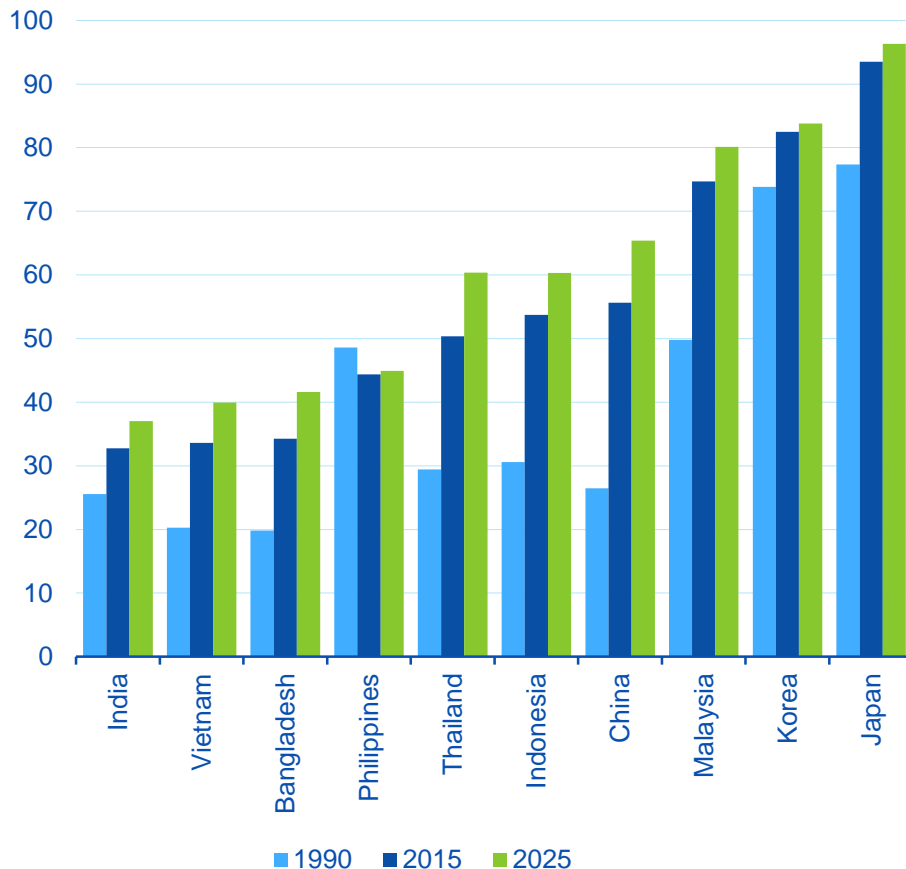
Number of Cities Classified by Size Class of Urban Settlement, Region and Country in Emerging Asia, 1990 to 2025



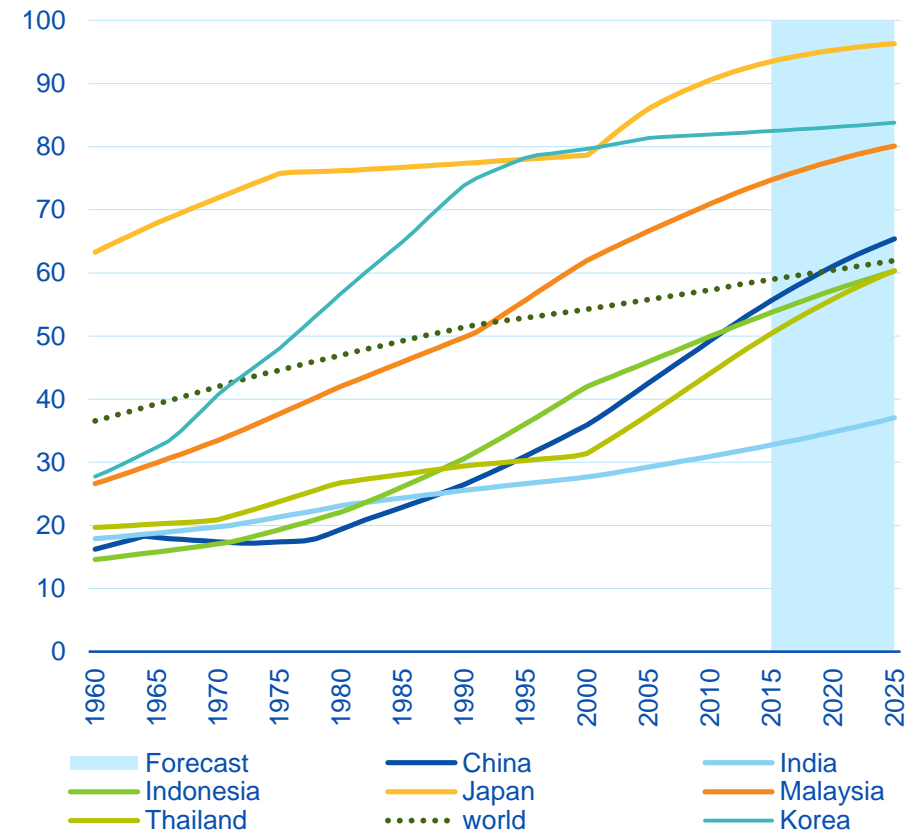
Source: BBVA Research, UN

# Urbanization trends will continue...

Urbanization evolution over time in the Asia- Pacific region, 1990, 2015, 2025



Percentage of the Population in Urban Areas

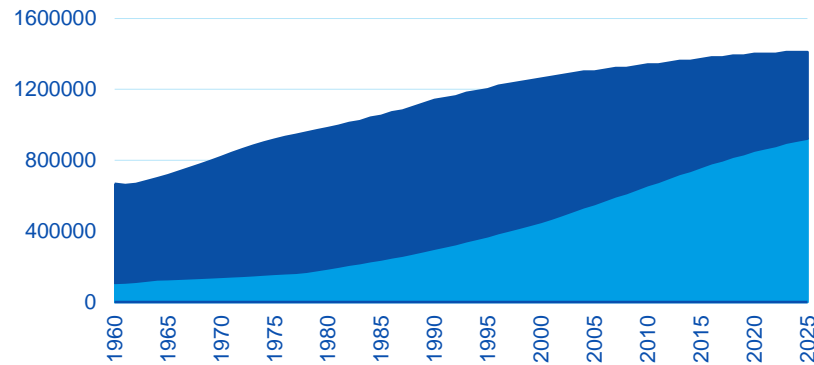


Source: BBVA Research, World Bank and UN

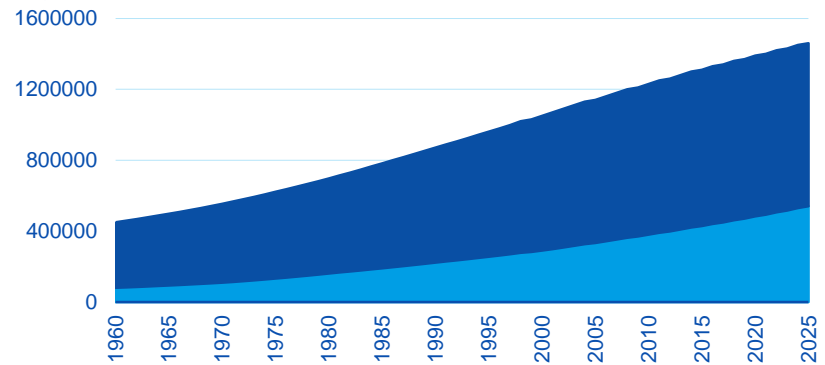
Source: BBVA Research, World Bank and UN

# ... but at different pace in each country...

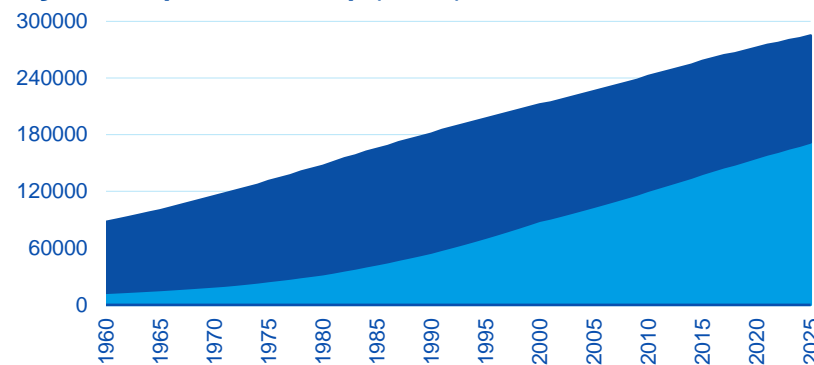
**China' Population distribution by area (1960-2025) ('000)**



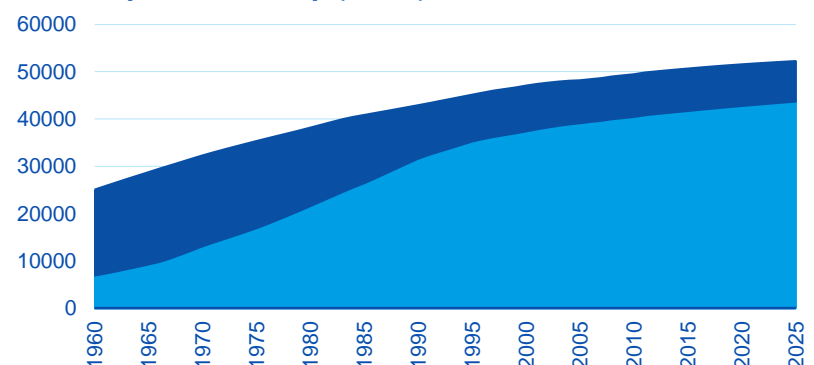
**India' Population distribution by area (1960-2025) ('000)**



**Indonesia' Population distribution by area (1960-2025) ('000)**



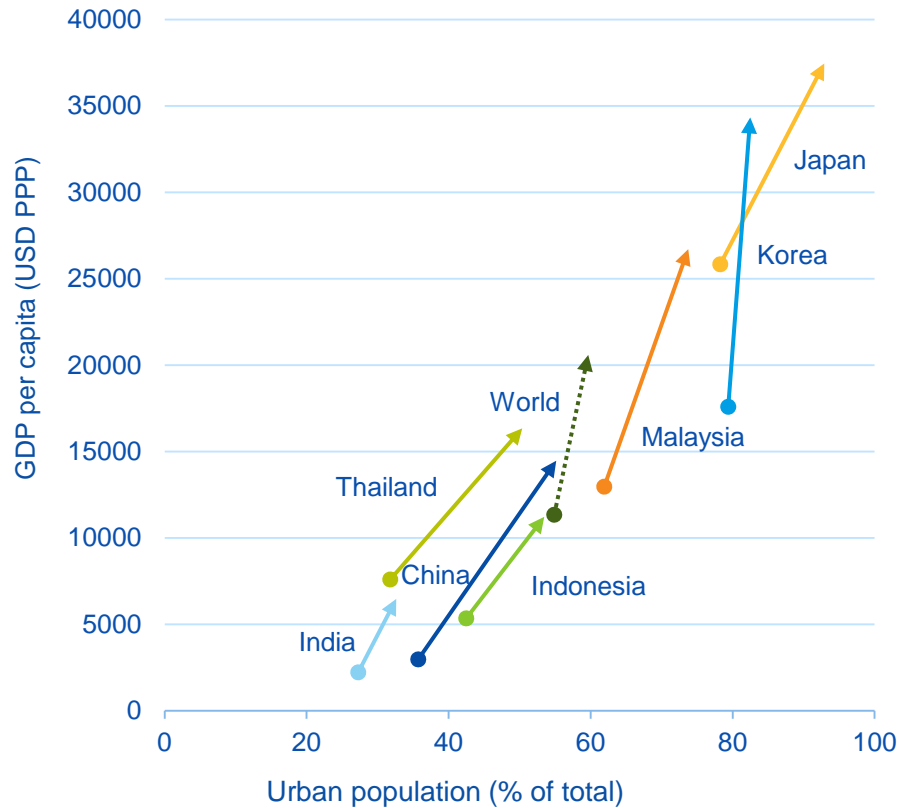
**Korea' Population distribution by area (1960-2025) ('000)**



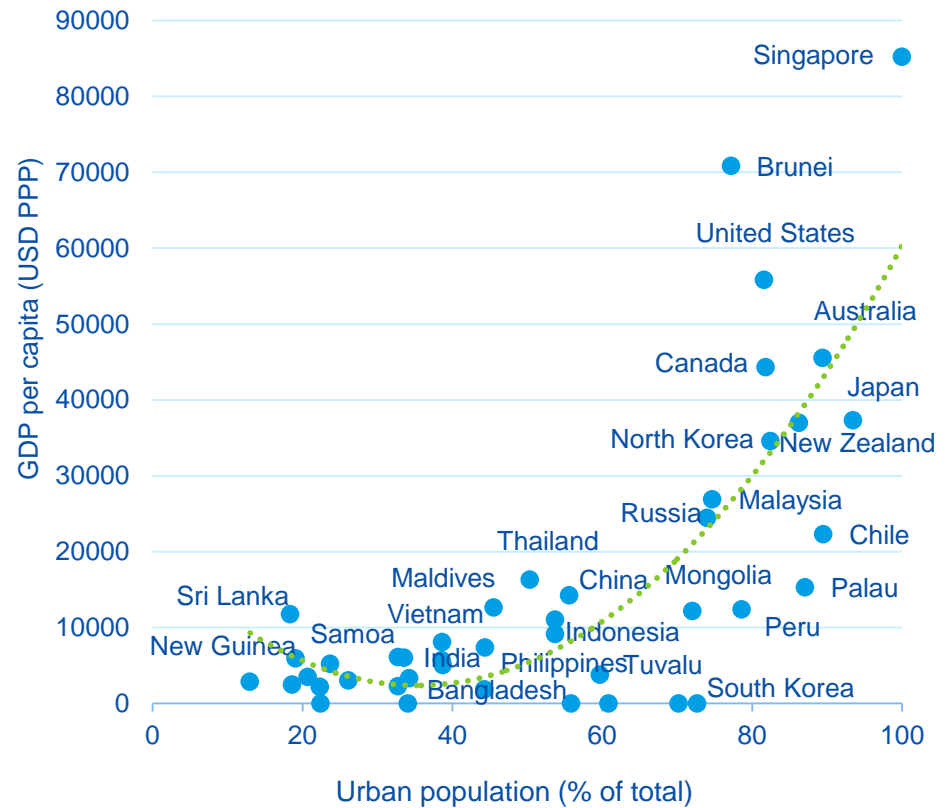
■ Urban area ■ Rural area

# ... and having a positive impact on income growth...

**Level of urbanization and GDP per capita in the Asia- Pacific region in 2000-2015**



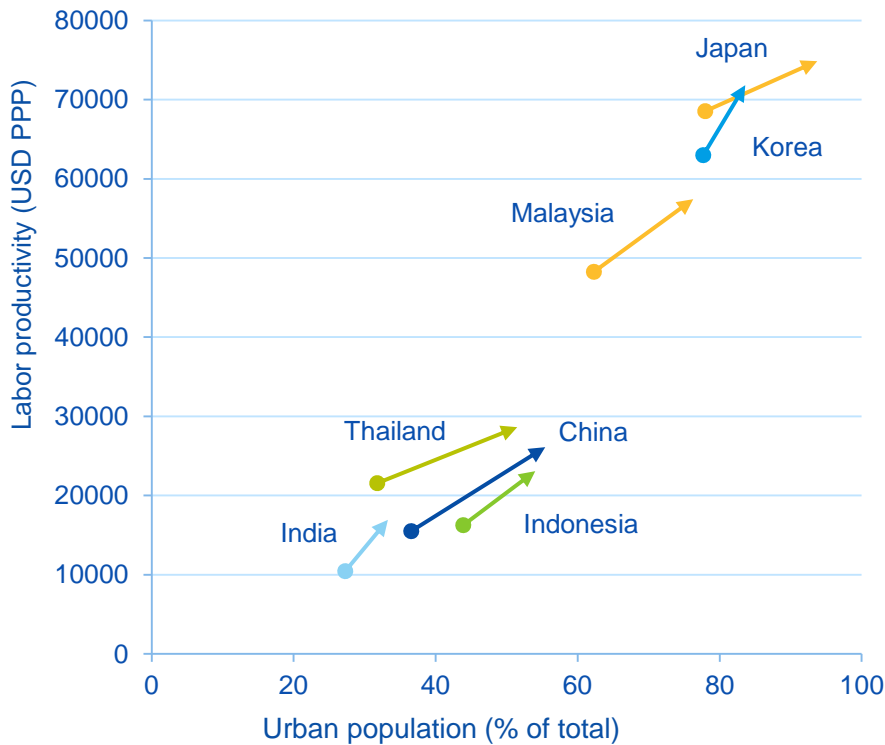
**Level of urbanization and GDP per capita in the Asia- Pacific region in 2015**



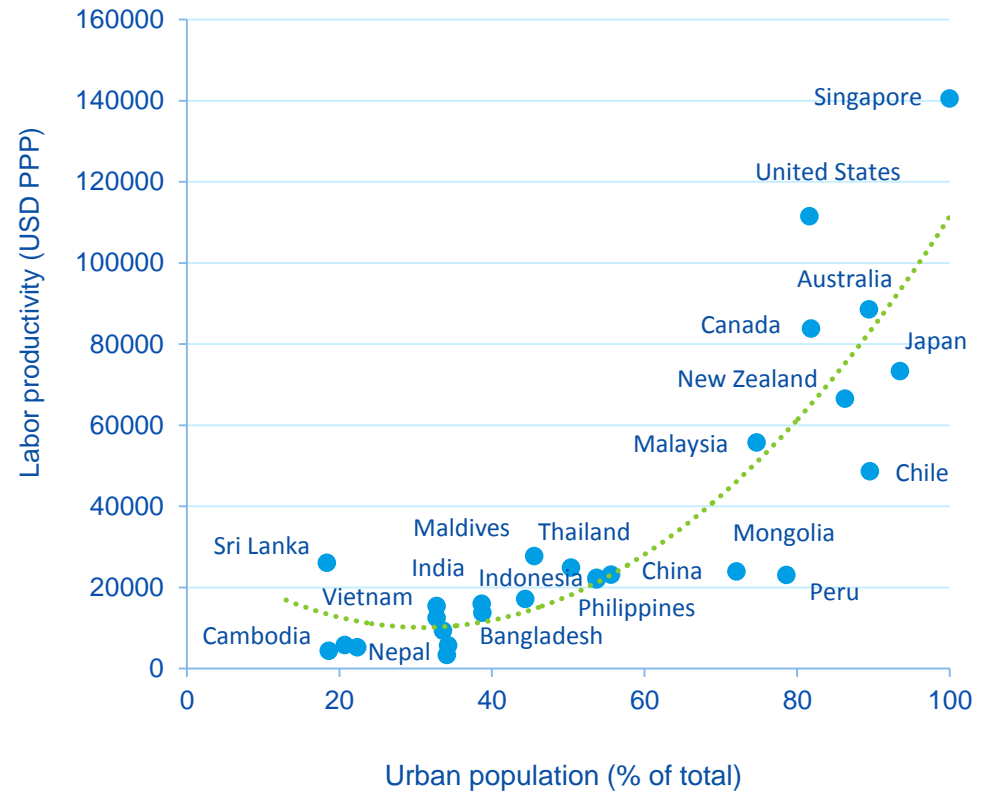


# ... labor productivity...

Level of urbanization and labor productivity in the Asia- Pacific region in 2000-2015

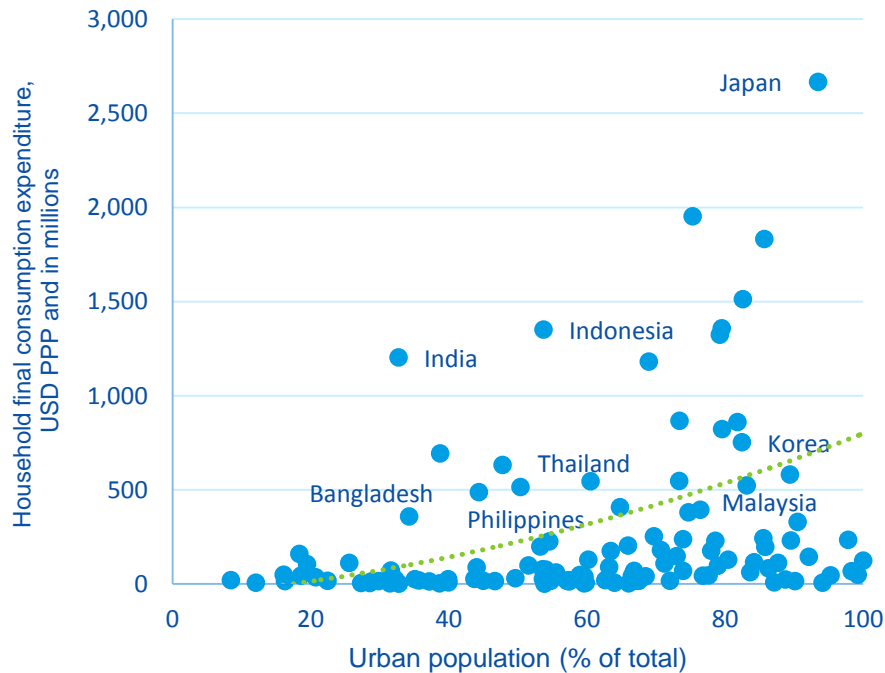


Level of urbanization and labor productivity in the Asia- Pacific region in 2015

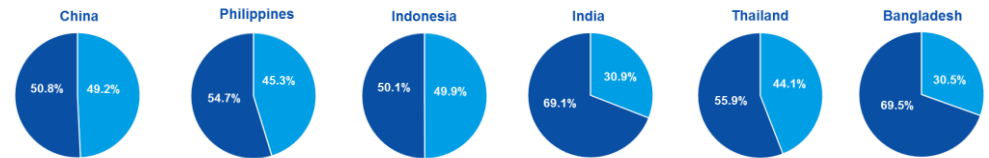


# ...and on consumption...

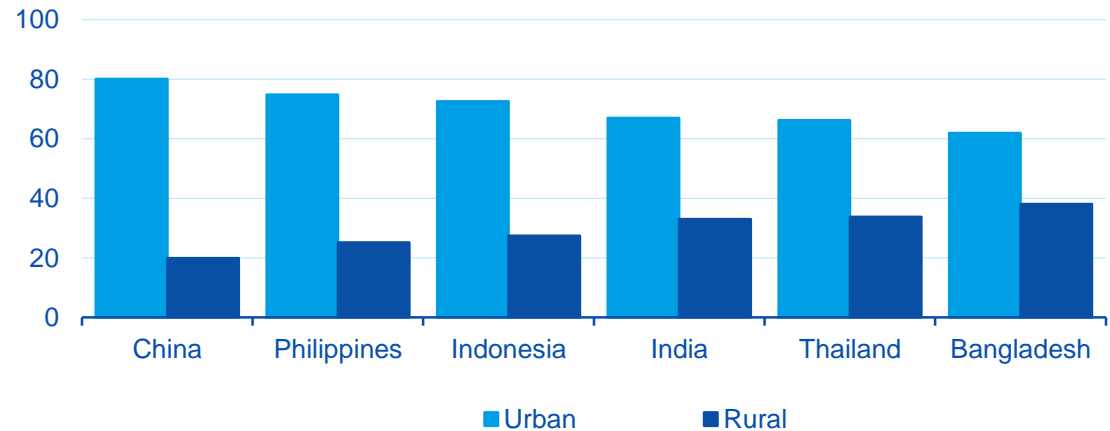
**Level of urbanization and household final consumption expenditure in the Asia-Pacific region in 2015**



**Population distribution by area in 2010**

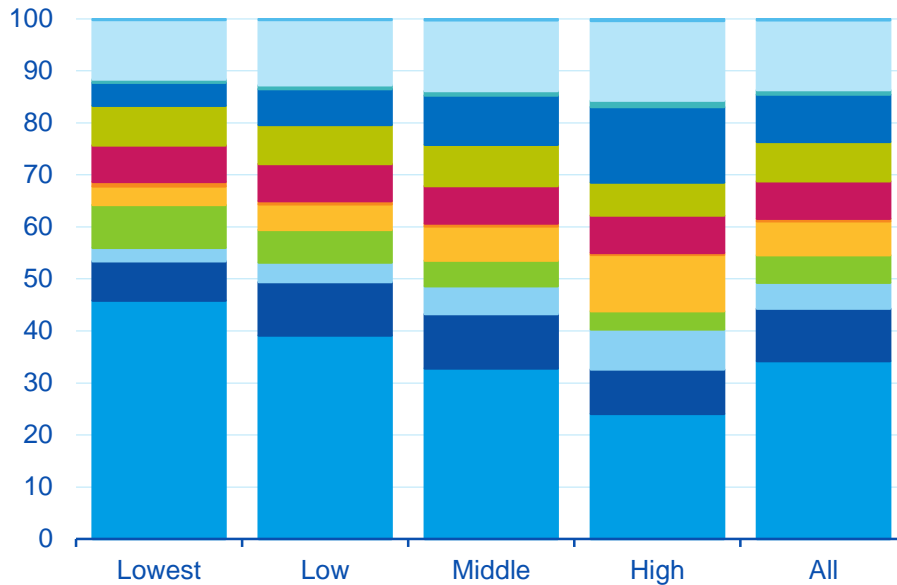


**Household consumption distribution by area in USD PPP in 2010**



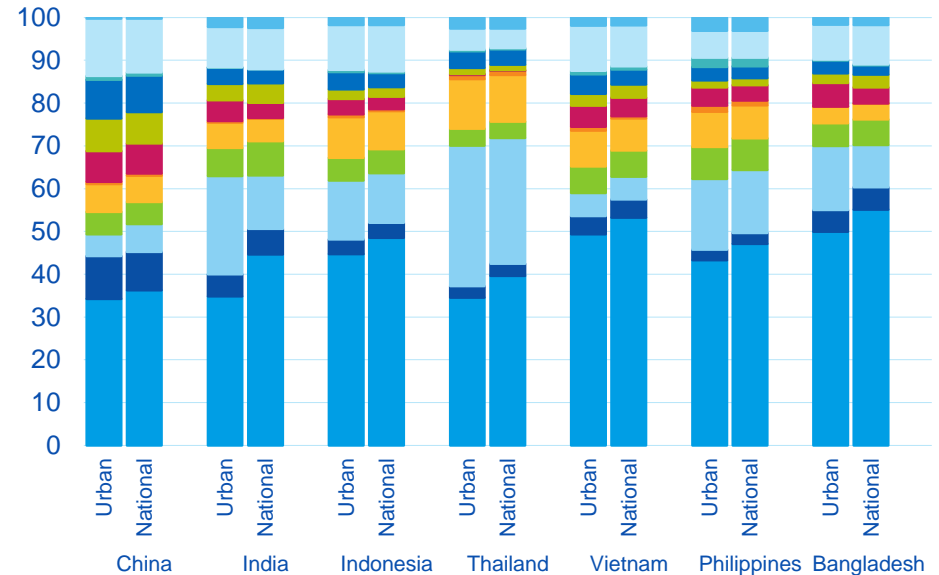
# ...leading to a change in the consumption patterns...

**Consumption Pattern by consumption segment in China (2010)**



**Urban VS National Consumption Pattern in Asia-Pacific region**

(GDP per capita, % en consumer price index basket, 2010)

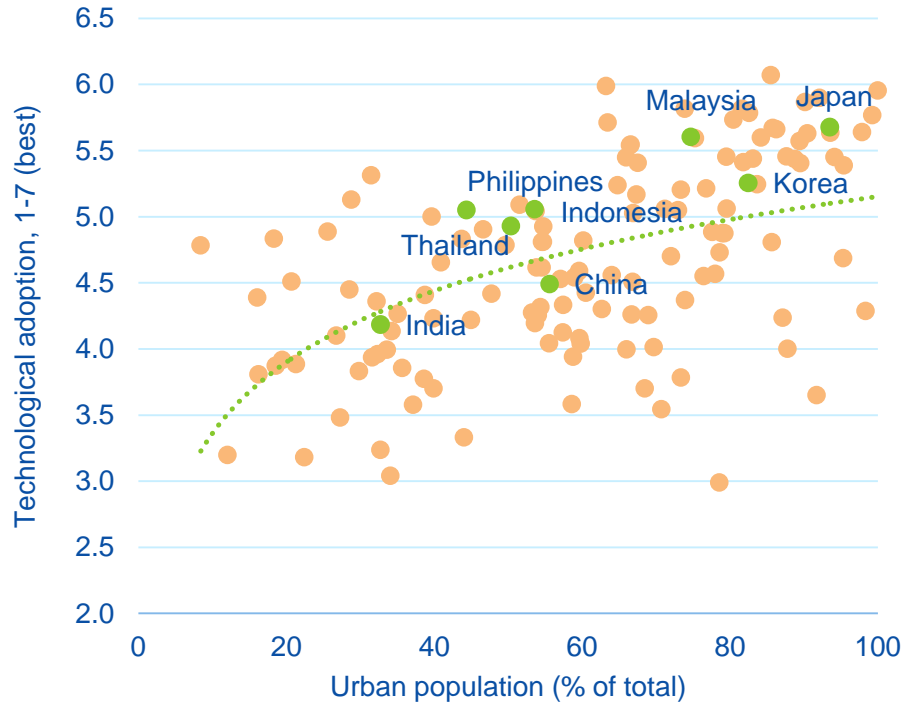


- Food and Beverages
- Clothing and Footwear
- Housing
- Energy
- Transport
- Water Utility
- Education
- Health
- ICT
- Financial Services
- Others
- Personal Care

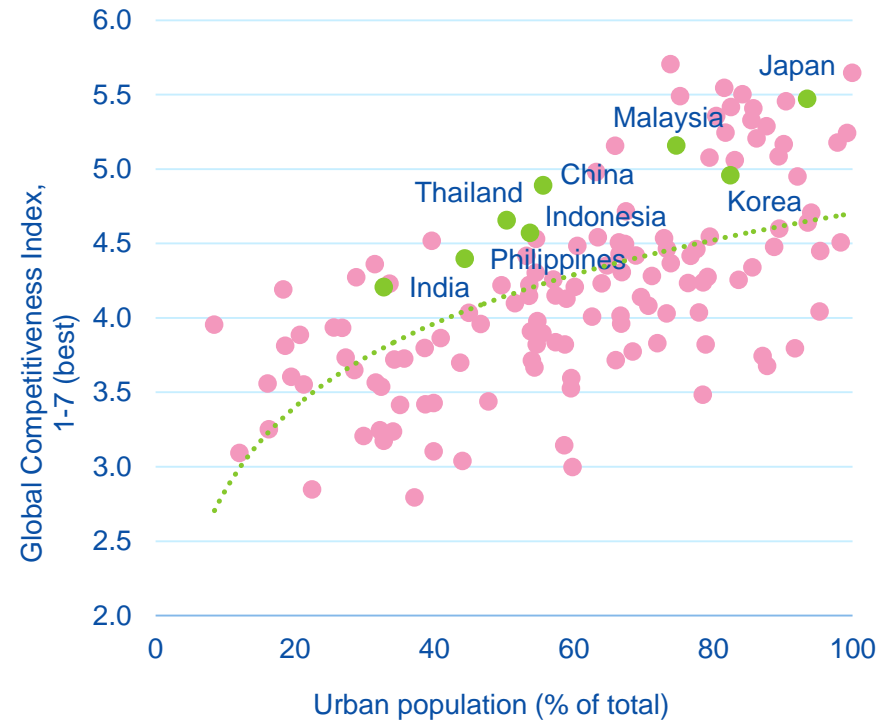
- Food and Beverages
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- Others
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# ... and triggering competitiveness...

**Technological adoptions in 2015**  
(scale ranges from 1 to 7, best)



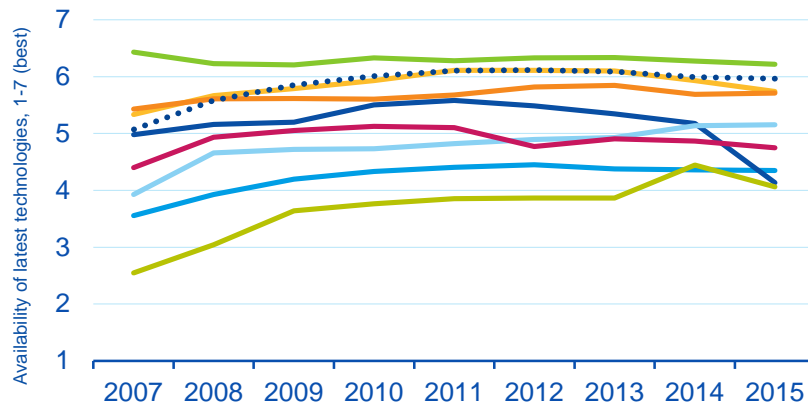
**Global Competitiveness Index in 2015**  
(scale ranges from 1 to 7, best)



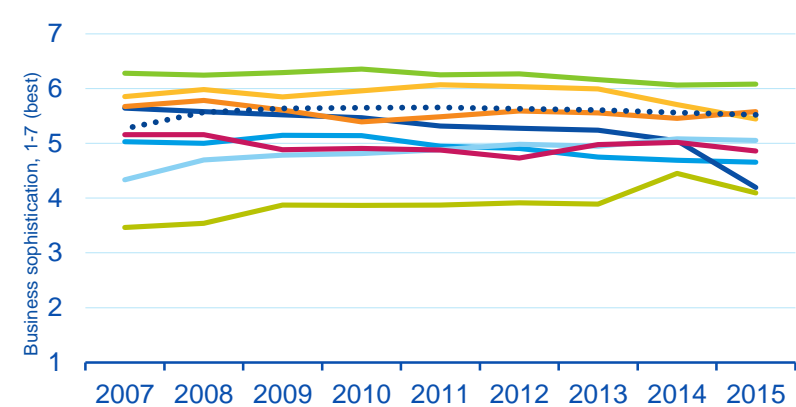


# ...although there's still room for improvement in some Asian countries

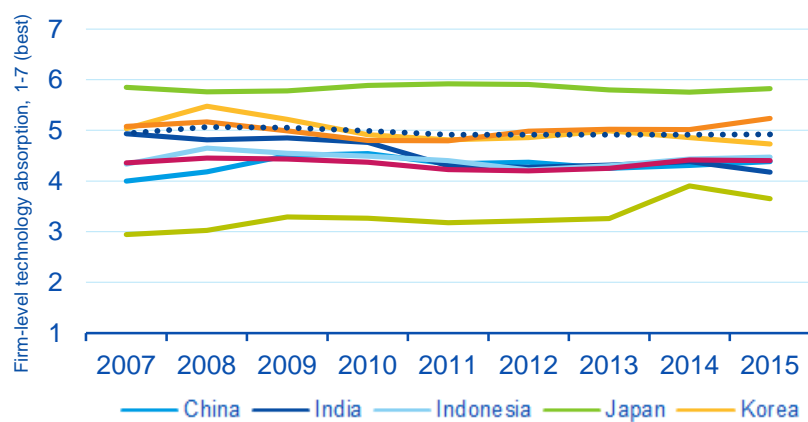
**Availability of latest technologies**



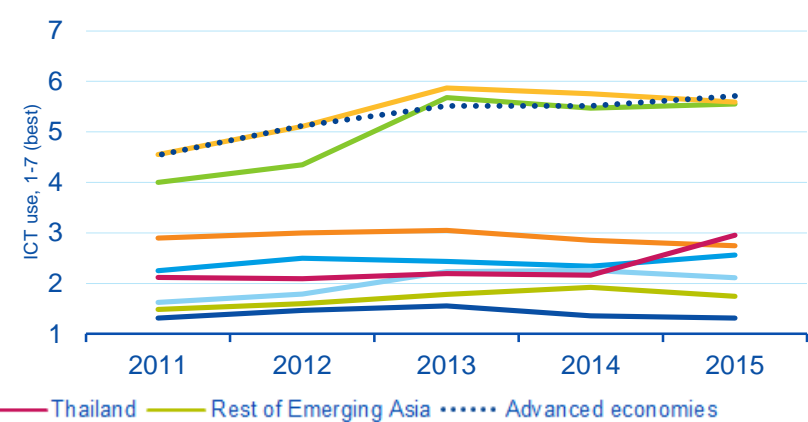
**Business sophistication**



**Firm-level technology absorption**

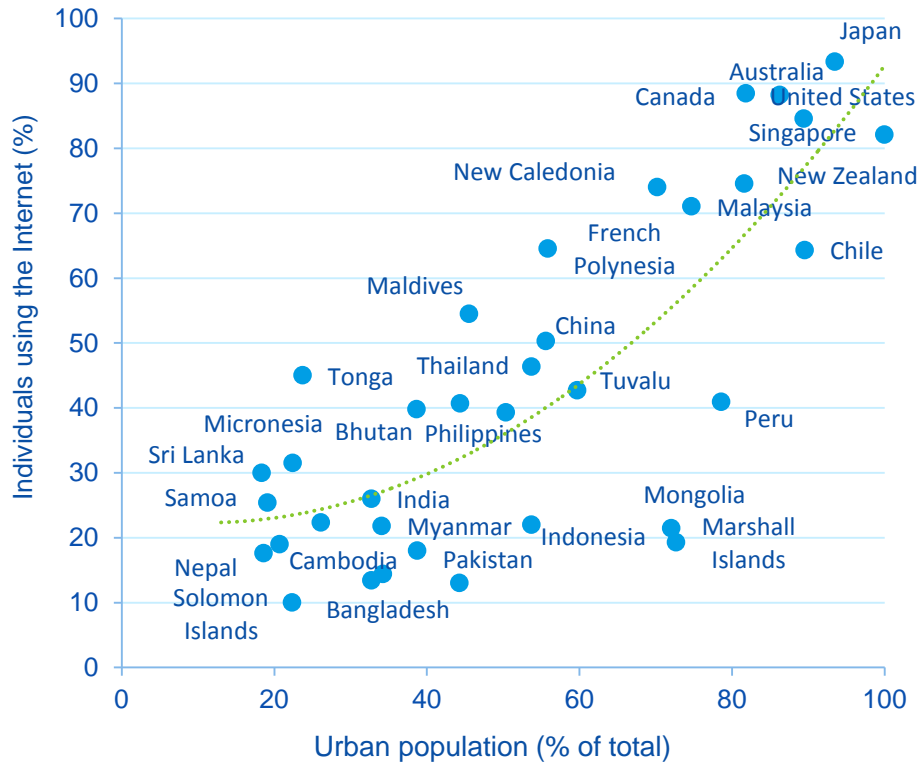


**ICT use**

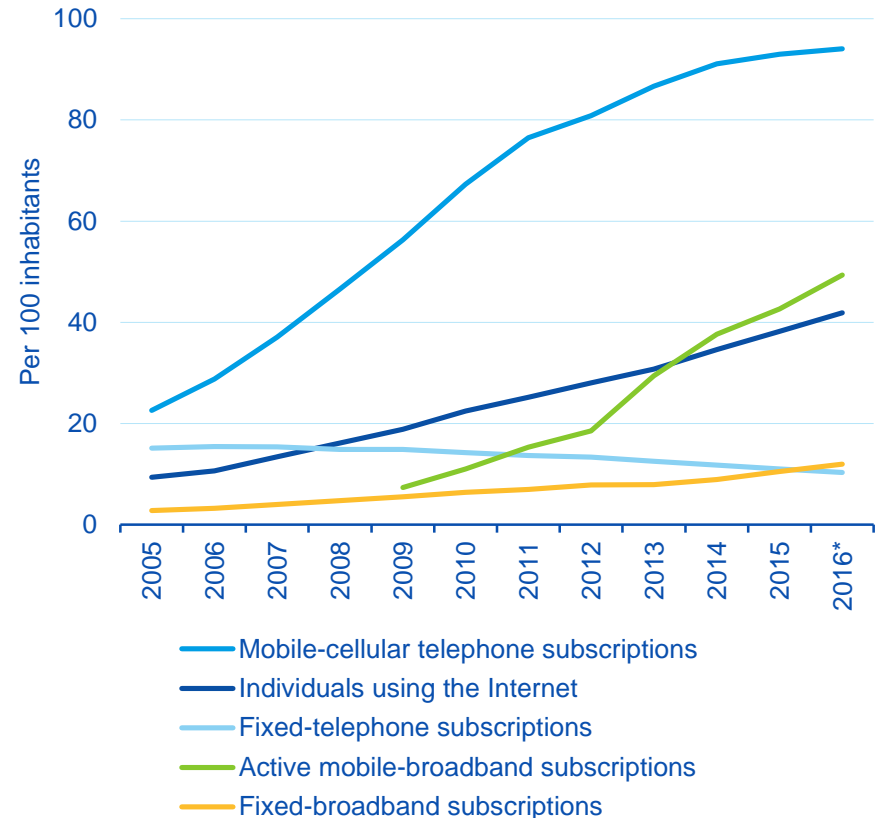


# Higher levels of urbanization also lead to the spread of ICT

Level of urbanization and internet use in the Asia-Pacific region in 2015



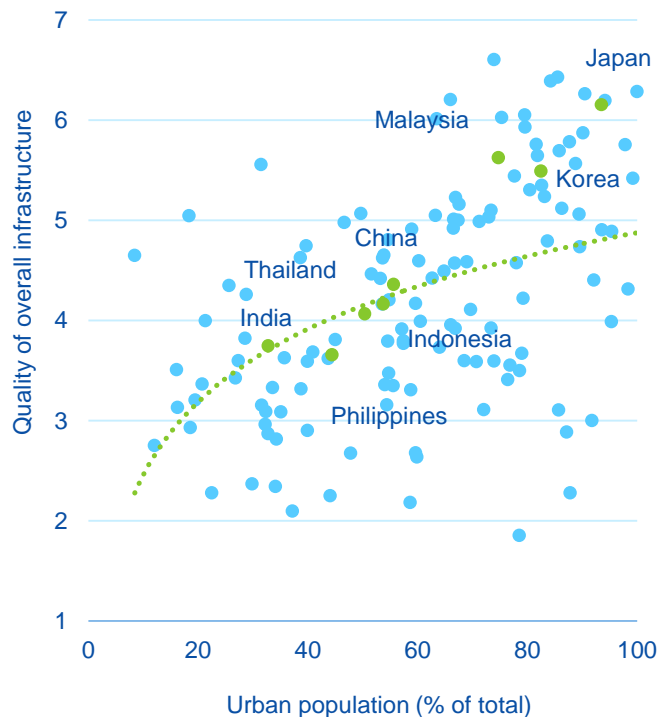
ICT developments in the Asia-Pacific region in 2005-2016\*



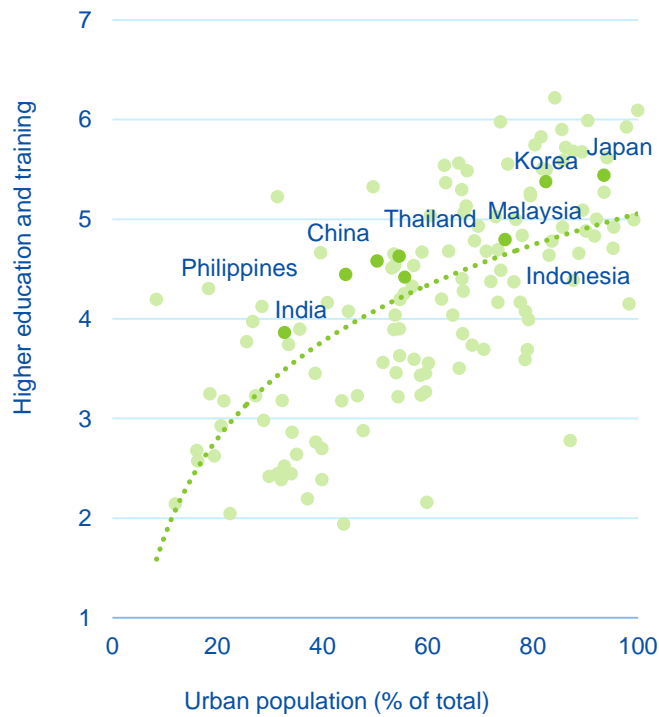
\* Estimate  
Source: BBVA Research, ITU World Telecommunication /ICT Indicators database

# Urbanization also leads to higher quality of infrastructures and workforce

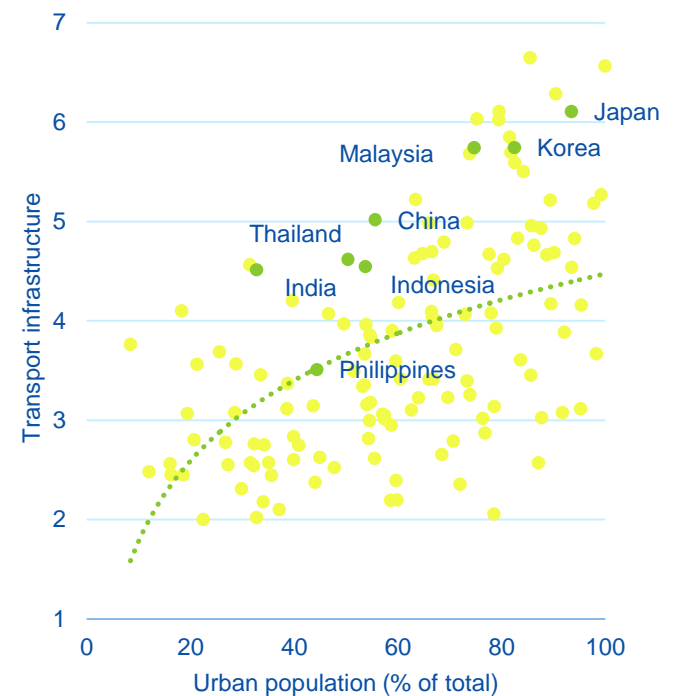
**Global Quality of Infrastructures in 2015**  
(scale ranges from 1 to 7, best)



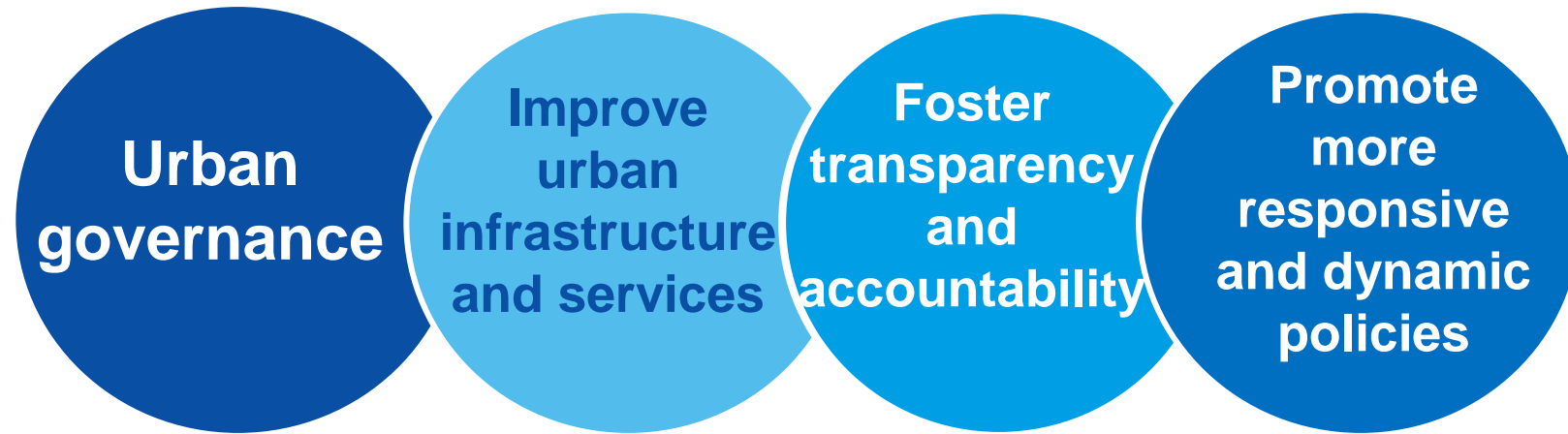
**Education and training in 2015**  
(scale ranges from 1 to 7, best)



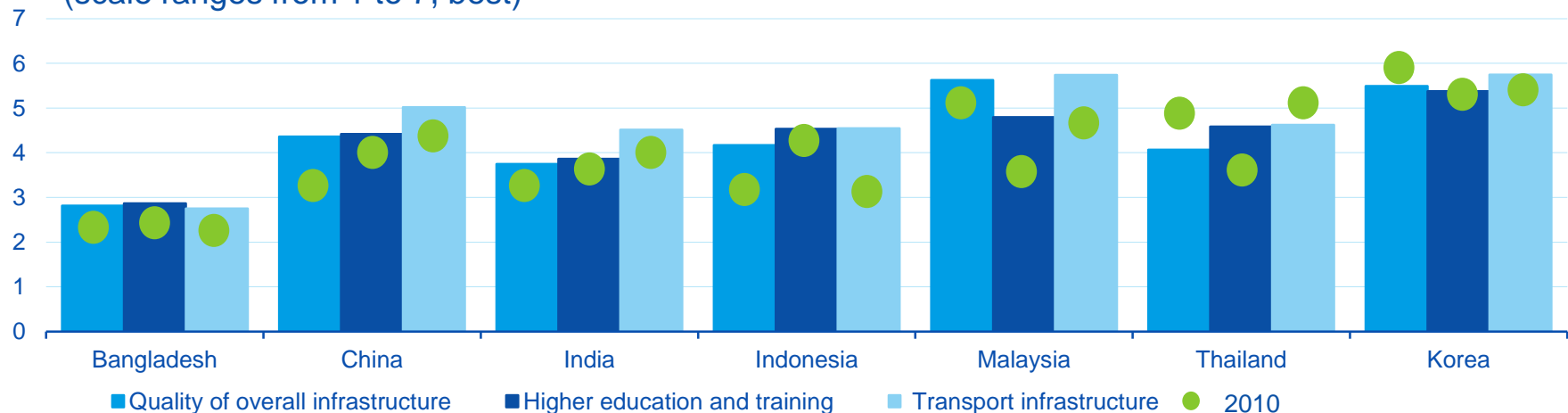
**Transport infrastructure in 2015**  
(scale ranges from 1 to 7, best)



# It will depend on government policies to take advantage of it



**Infrastructure and education indices across Asian countries, 2010-2015**  
(scale ranges from 1 to 7, best)





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