

People and Tomorrow's Markets



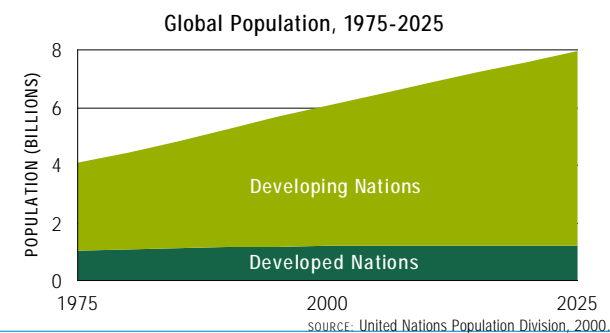
SERVING SOCIETY

- Population
- Wealth
- Nutrition
- Health
- Education

Future consumer markets and labor will be concentrated in the fast-growing, emerging markets where small and large enterprises will find profitable opportunities to help meet health, education, and nutrition needs. These markets will favor businesses that partner with government and civil society to serve basic needs, enhance human skills, increase economic capacity, help remedy inequities, and conserve the environment.

We live in a world of continued population growth, even as fertility rates decline worldwide. In 25 years the population is estimated to reach about 8 billion — a third larger than today.¹ Population dynamics are at the root of almost every world trend shaping tomorrow's markets; population growth affects the environment and the health, nutrition, education, and wealth of the world's citizens. In the next 20 years, populations will shrink or barely grow in the high-income countries (Gross National Income (GNI) per capita \geq US\$9,266) and most of the world's citizens will be born in low- (GNI per capita \leq US\$755) and medium-income economies (GNI per capita US\$756-9,265).² To maximize the potential of low- and medium-income labor and consumer markets will require the development of a skilled work force and products and services tailored to people's basic needs and to the needs of an expanding middle class (see **Wealth**). Developing countries will need to nurture their domestic industries to serve their own population and today's multinational companies will need to develop appropriate strategic, technical, operational, and marketing competencies to operate in these new markets.

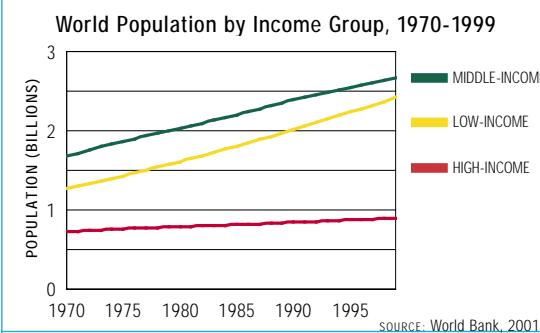
The World's Population Is Growing



Earth's population reached 6 billion in 2000 and is projected, according to the United Nations' medium variant projection, to reach approximately 7.9 billion by 2025 and to be near stable at around 9.3 billion in 2050.³ Declining fertility rates have significantly reduced annual population growth rates, which peaked at 2.04% in 1965-70 and declined to 1.35% between 1995 and 2000. In the next 20 years, 98% of the projected population growth will be in developing countries.⁴



Population Growth Creates New Markets



Rapid population expansion in low-income and medium-income countries is contributing large numbers of potential workers and consumers to the world's economy. The steady population in high-income countries means that few additional workers and consumers are being added in these countries.¹²

Expanding population in developing regions will create large markets dominated by the young.



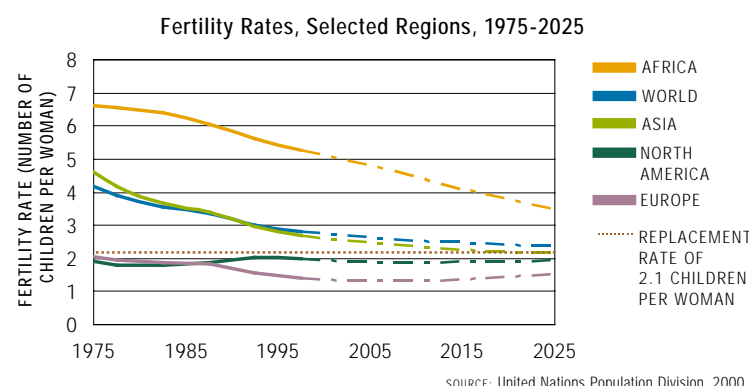
2.4 billion of today's total population of 6.2 billion people are children and teenagers.

RELATED TRENDS	
Consumption	22
Ecosystems	32
Labor	46

Facts

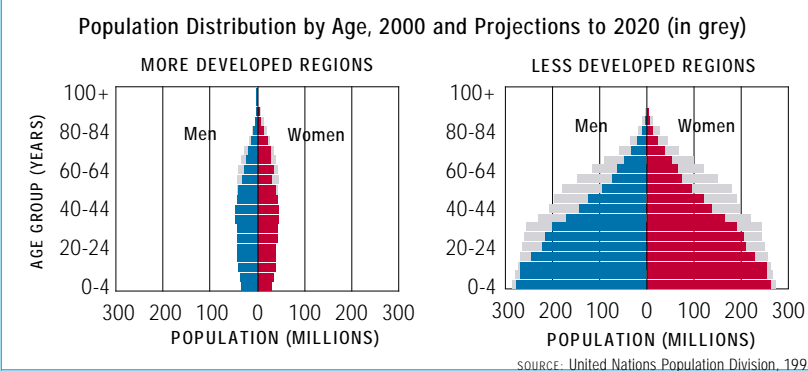
- More than 80% of the world's people currently live in developing countries and 85% will live in developing countries by 2025.⁵
- 2.4 billion of today's total population of 6.2 billion people are children and teenagers.⁶
- Two out of five people in the world live in either China or India.⁷
- World fertility rates have declined from about 4 children per woman in 1975 to less than 3 children per woman in 2000.⁸
- Between 1990-1995, 40% of population growth in high-income countries was due to migration, while in low-income countries, migration reduced population growth by about 3%.⁹

Fertility Rates Are Declining



Fertility rates are low in the developed countries and falling rapidly in most developing regions. Nonetheless, demographic momentum — today's large generation of children reaching their reproductive years — means that world population will keep growing for several more decades before world fertility rates reach the steady state replacement rate of 2.1 children per woman. Fertility is below replacement levels in Europe and North America. In most developing regions, fertility rates are still above replacement, though falling fast, thanks in part to family planning and education (see **Education**). Africa is the only region of the world in which fertility rates are not expected to fall to replacement level by 2025.¹⁰ In many African countries, fertility rates currently range from five to seven — although deaths from HIV/AIDS will offset some of the resulting population growth.¹¹

Changing Age Structures Will Bring Social And Economic Shifts



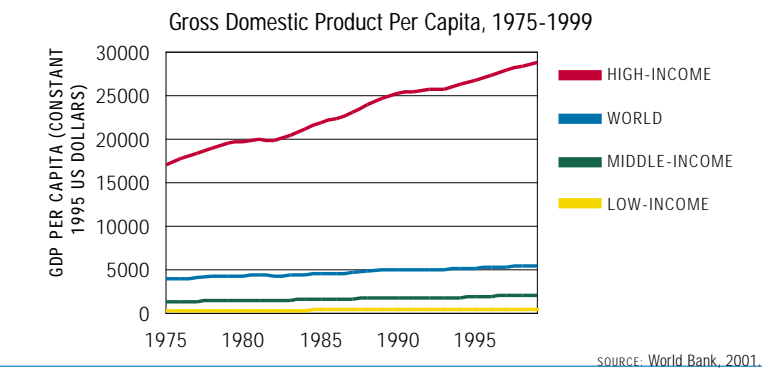
Young people predominate in the current and projected age structure of the developing world. The working age population in developing countries is projected to rise to 70% by 2020 — an increase that could help fuel developing country economies, but also drive emigration or result in high unemployment (see **Labor**). In contrast, the low birth rates and high longevity in industrialized countries will lead to a bulge of people aged 50-90 in 2020.¹³ These large elderly populations will place demands on national systems of pensions, healthcare, and personal services that will be supported by the productivity of smaller populations of younger people.

Implications for Business

Population dynamics are both a major force shaping the terrain of international markets and are at the root of society's greatest economic and social challenges. The growing population of young people in developing countries represents major new labor and consumer markets for business, particularly as traditional developed country markets shrink with declining populations and become characterized by an increasing proportion of the elderly. To build developing country markets, large and small national and international enterprises must support stable employment and supply people with products and services that meet basic needs, are affordable, accessible, and are culturally appealing.

The world is getting wealthier and the economies of poor countries are developing, yet within regions and within countries, income disparity is often great and the absolute number of people living in poverty is very high. Low- and middle-income countries often lack the resources to eliminate problems such as rapid population growth, inadequate education, high incidence of malnutrition and poor health, corruption and political instability, and destruction of natural resources. High levels of income inequality limit the poverty-reducing effects of growth and it has been estimated that high inequality countries will need to grow twice as fast as low inequality ones to halve poverty by 2015.¹ To make stability and prosperity a global reality will require protecting the resource base and ensuring that people in low-income countries have the opportunities and the freedoms (see **Democracy**) to raise their living standards and to fully participate in the international community and global marketplace.

The World Is Wealthier...

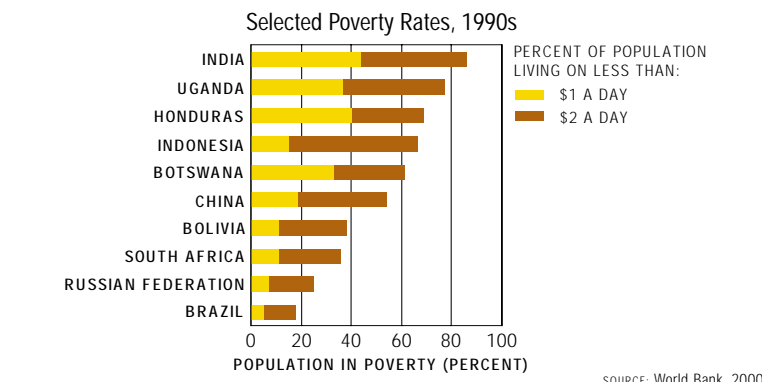


World economic output has averaged 2.9% annual growth since 1975. Citizens in the high-income countries saw their incomes grow on average much more rapidly than those in middle- or low- income countries, leading to an even larger worldwide income disparity today than there was in 1975 (see **Consumption**). Since 1975, per capita gross domestic product (GDP) has increased by about 280% in East Asia and the Pacific, 66% in North America, and 23% in Latin America and the Caribbean, while GDP per capita has decreased by 17% in Sub-Saharan Africa (see **Democracy**).²

Facts

- World economic output more than doubled in the past 25 years, to about US\$33 trillion by 1999.³
- In the 1990s, household consumption (the market value of all goods and services purchased by households) grew annually at 3.7% in low-income countries, 4.1% in middle-income countries and 2.3% in high-income countries.⁴
- The world is 78% poor (average purchasing power parity income less than US\$3,470 annually), 11% middle income, and 11% rich (average purchasing power parity income more than US\$8,000 annually).⁵
- The richest 1% of the population receive as much income as the entire bottom 57%; i.e., less than 50 million richest people receive as much income as 2,700 million poor.⁶

Poverty Remains A Major Problem



Although the number of people living on less than the purchasing power equivalent of \$1 per day in developing and transition economies fell from 28% to 24% of the population between 1987 and 1998, the absolute numbers of people in poverty hardly changed.⁷ The situation is even worse in countries such as India where over 80% of the population lives on less than \$2 per day and over 40% on only \$1 per day. Data in the above graph are from the most recent year available and are converted to international dollars to equalize the purchasing power of different currencies.

Global wealth is rising but the income gap grows wider.

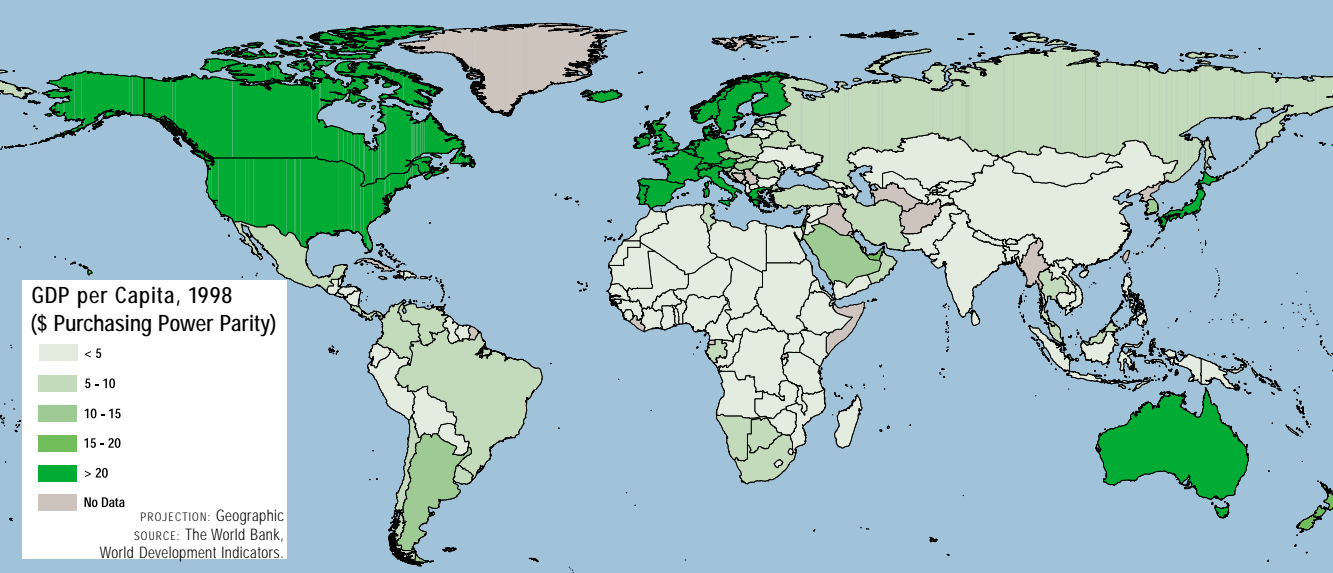


The world is 78% poor, 11% middle income, and 11% rich.



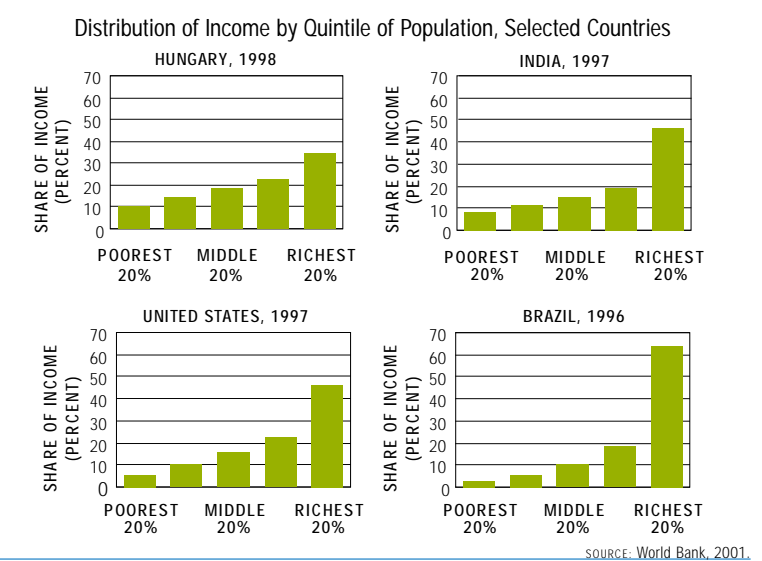
RELATED TRENDS	
Consumption	22
Democracy	50
Urbanization	40

World Map of Gross Domestic Product, 1998



The map above shows gross domestic product in five GDP categories for the world's countries in 1998. A comparison of this map with the map of projected water scarcity in 2025 (see **Water**, page 37) and the map of projected urban growth in 2015 (see **Urbanization**, page 41) hints at the convergence and connection of social, economic, and environmental challenges faced by many countries in Asia, the Middle East, Africa, and South America.

Inequality Within Countries Also Persists



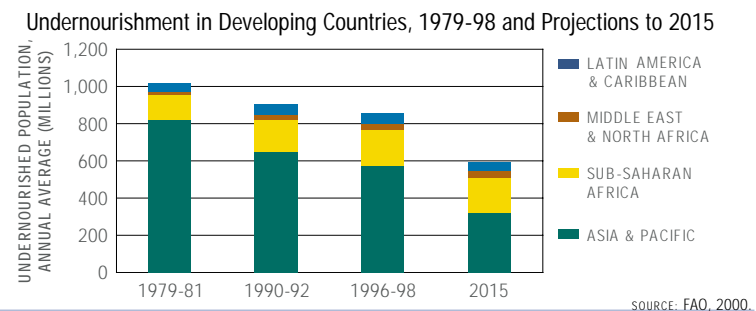
In addition to the unequal distribution of income among countries, distribution within countries is also unequal. For example, the poorest fifth of Brazilians receive only 3% of the income while the richest fifth have access to more than 60%. The poorest fifth of the United States receive 5% of the national income while the richest 20% receive about 46% of national income.⁸

Implications for Business

Long-term business growth and fair access to opportunity requires bringing millions of people into the global economy and narrowing the income gap between citizens in high- and low-income countries. The expanding middle- and lower-income consumers represent potential markets, and developing affordable goods and services for those markets can drive innovation, new business models, and business growth. Examples include emerging markets for photo-voltaic generators and renewable energy for small scale applications, fuel efficient stoves, water sanitation and personal hygiene products, mobile communications, and Internet access in low-income country markets. However, the conditions for free markets may be threatened by widening income inequalities and economic failures that foster violent conflict and erode democracies and the rule of law. Enduring worldwide progress — economic as well as social — depends on alleviating poverty.

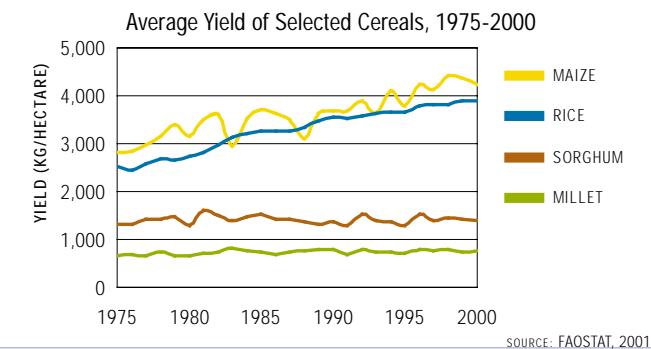
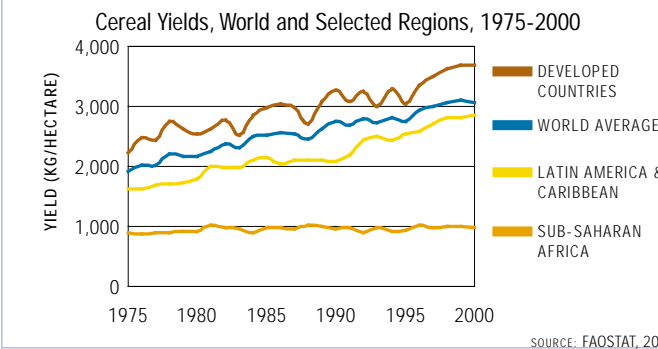
Although world food supplies have grown faster than population, millions of people who might be engaged in learning, commerce, and building a stronger society are malnourished and spend their lives on basic survival. The most widely recognized cause of malnutrition is poverty — lack of the means, land ownership, and knowledge to produce or obtain food. Yet there are other environmental and social factors at work, too, including land scarcity and degradation, water scarcity, drought, and war. Political factors strongly influence the distribution of food and subsidies and trade protection may also hinder the development of resource-efficient agriculture and food distribution. Meeting food needs in poor countries will require new and creative investments in agriculture and food production and distribution. The international business community has and will be called upon to play both a commercial and a humanitarian role in solving the problems of malnourishment.

Progress In The Fight Against Hunger



Improved technology, higher incomes, and better policies have helped enhance nutrition for many who could not meet their daily nutrition needs (undernourished) and the decline in the number of undernourished is projected to continue in the coming decades. However, where incomes have been stagnant and population growth rapid, as in Sub-Saharan Africa, the actual number of malnourished people has grown. Countries with improved nutritional status also had larger increases in secondary school enrollment of women.¹ Under-nutrition and food insecurity is also persistent in the Central Asian states of the former Soviet Union due to economic crises.² The disparity in supplies of protein-rich meat and milk products is particularly acute between rich and poor.³

Is The 30-Year Increase In Grain And Cereal Yields Ending?



Between 1961 and 1990, global cereals production increased 120%. The average yield per hectare rose 90% in developed countries and 120% in developing countries, though yields in developing countries remain about one third lower than in developed regions. However, to meet nutritional needs, production increases are shared by a growing population and yields per capita grew about 60% in developed countries and only about 10% in developing countries from 1961-1990. In Sub-Saharan Africa, per capita cereal production for food, feed, and seed has

actually fallen 11% since 1975. African farmers often cannot afford inputs like fertilizers, and many traditional African crops, such as millet and sorghum, have not been the focus of public and private research as have maize and rice (see **Agriculture**). Since about 1995, cereal production and yields have been relatively stable worldwide, raising concerns that the modern agricultural inputs of fertilizers, irrigation, mechanization, selective breeding, and pesticides have reached their limits to increase production.¹¹



Millions are malnourished amidst an abundance of food.



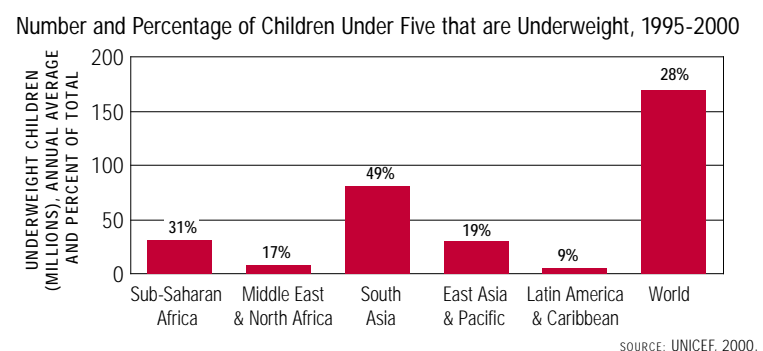
RELATED TRENDS

Agriculture	34
Ecosystems	32
Health	16

Facts

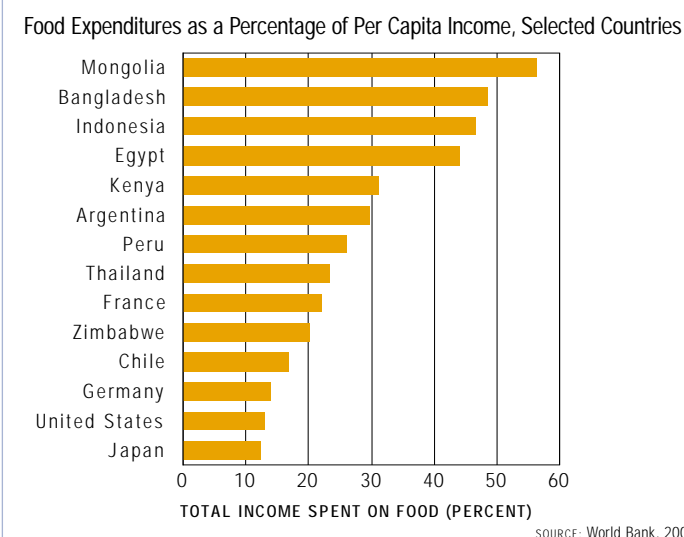
- Although individual consumption levels vary enormously, the world produces enough protein to supply everyone with about 75 grams per day.⁴
- In 1998, 791 million of the 826 million undernourished people lived in the developing world.⁵
- Worldwide, about 160 million children under the age of five were malnourished in 1995, a total that is expected to decline only about 15 percent to 135 million by 2020.⁶
- Iron deficiencies in children and adults result in economic losses equal to 1% of GDP in Pakistan, and 2% of GDP in Bangladesh.⁷

Childhood Nutrition Varies By Region



Twenty-eight percent or about 170 million of the world's children under five years old are severely or moderately undernourished.⁸ Malnourished children are more vulnerable to many childhood diseases, including diarrhea and measles.⁹ Research has found that improved food availability and women's education is the best approach to reducing child malnutrition (see **Education**).¹⁰ Childhood undernourishment and its link to impeded development and a lifetime of health problems has long-term negative effects on the productivity of families and economies (see **Health**).

Feeding The Family Strains Some Budgets



In many developing countries, food purchases account for a huge proportion of family income, often 40-70% in the poorest countries.¹² While there are no standards by which to measure welfare based on expenditure, it is likely that when food exceeds one third of family income, health, education, leisure, transport, and housing suffer (see **Wealth**). The poor are also extremely vulnerable to food price shocks that can occur when crops or markets fail or when governments become unstable. Better nutrition, in turn, can mean greater income at the household and the national levels.

Implications for Business

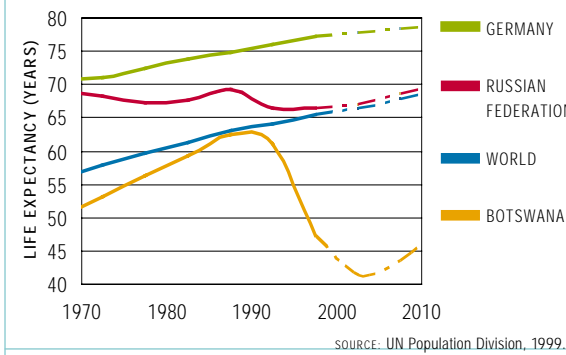
Economies and individuals cannot achieve their potential unless adequate nutrition is met. Food production, transport, and distribution is one of the largest business activities in the global economy but the food system is neither environmentally sustainable nor yet meeting all people's needs. Eliminating hunger will require major policy changes by national governments and the international community, and private sector investments in the food system. General private sector investment in economic development creates jobs and higher incomes to allow people to purchase food. For the broad array of industries involved directly in the food supply chain, supporting the development of markets in countries with high malnourishment is a critical contribution to worldwide economic growth and opportunity.

Despite a century of rapid progress in improving human health, many people do not have access to basic healthcare and basic hygiene to protect them from infectious agents in the environment. Infectious diseases conquered long ago in the industrialized world continue to kill millions in poor countries and to thwart the growth of fledgling economies. Many infectious diseases are exacerbated by environmental degradation ranging from urban air pollution and flooding, to contaminated water sources (see **Water**). The newest preventable worldwide killer is Acquired Immune Deficiency Syndrome (HIV/AIDS). In the 20 years since it was identified, HIV/AIDS has killed more than 21 million people and devastated the social fabric of some of the world's poorest nations.¹ HIV/AIDS is a grim reminder of the cost of disease: AIDS undermines economies by decreasing life expectancy, killing productive adults, raising costs for training and healthcare services, and reducing labor productivity due to absences for illness, caring for family members, and funerals.



On Average, We're Living Longer

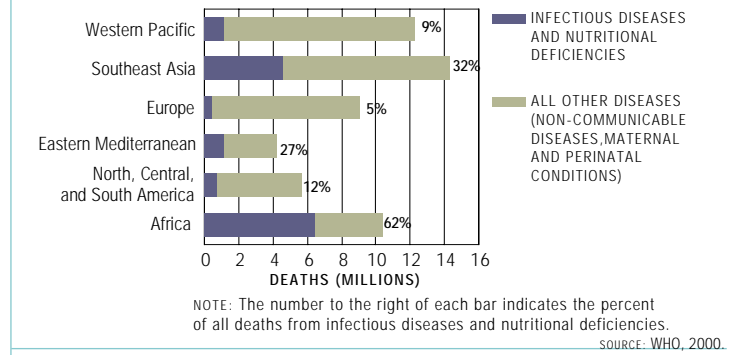
Life Expectancy, World and Selected Countries, 1970-2010



Average life expectancy has increased continuously since the 1950s, rising by about nine years since 1970. However, economic hardship and infectious disease can quickly halt or reverse progress. Life expectancy in Botswana was rising until HIV/AIDS took hold; declines in the Russian Federation are due to the impacts of economic downturns on healthcare, standard of living, and social institutions.

Disease Takes A Heavy Toll In Developing Countries

Cause of Death in Selected Regions, 1999



Improved nutrition, sanitation, water treatment, and insect control have virtually eliminated many previously deadly infectious diseases in wealthier countries, and education, medicines, condom use, and clean needles control the spread of HIV/AIDS. In many developing countries, where disease vectors are more prevalent and where governments cannot afford investments in public health and education, infectious diseases remain major causes of death (see **Water**).

Life expectancy rises, yet preventable disease continues to limit development.

World life expectancy rose from 47 years in 1950 to an estimated 66 years in 2000.



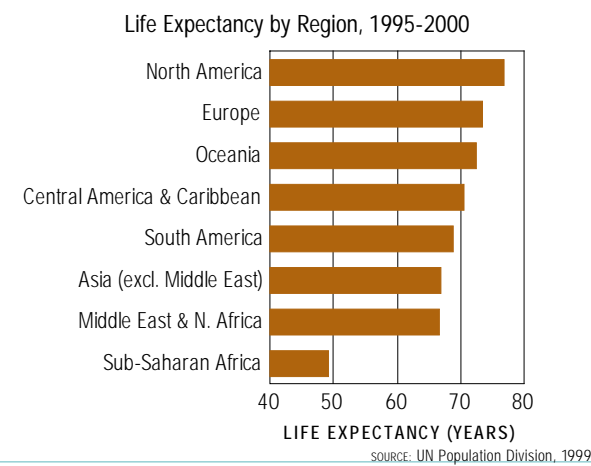
RELATED TRENDS

Emissions	26
Water	36
Mobility	42

Facts

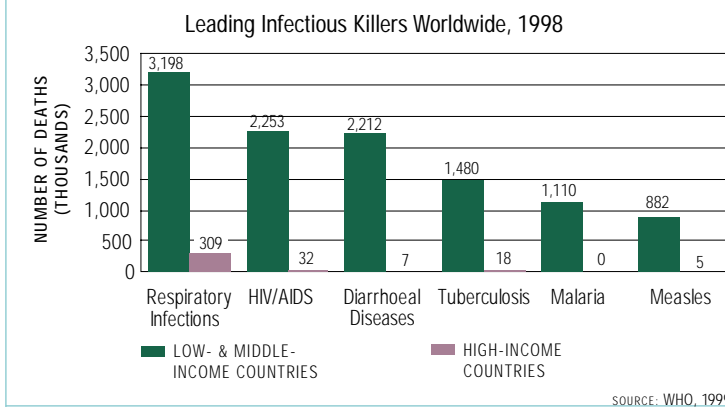
- World life expectancy rose from 47 years in 1950 to an estimated 66 years in 2000.²
- Cholera, almost eliminated by water treatment in the industrialized countries, is on the rise in poor countries. About 371,000 cases per year were reported in the mid-1990s, up from 100,000 per year in the 1980s.³
- Over 8 million new tuberculosis cases occurred in 2000 causing an estimated 2 million deaths, most aged 15 to 45; 99% of deaths occurred in the developing world.⁴
- More than 40 million people worldwide are living with the human immunodeficiency virus (HIV).⁵ About one third are aged 15 to 24, on the brink of their most productive years as workers and citizens.⁶
- Tobacco is responsible for one in 10 adult deaths today. The figure is expected to be one in six in 2030 — more than any other cause of death. Seven of ten of these preventable deaths will be in low- and middle-income countries.⁷

World Life Expectancy Is Rising



The regional variation in how long children can expect to live is still very large as are differences within regions. Children born today in Eastern Africa can expect to live less than 50 years, compared to more than 75 years for their North American counterparts.⁸

HIV/AIDS: A Deadly Trend



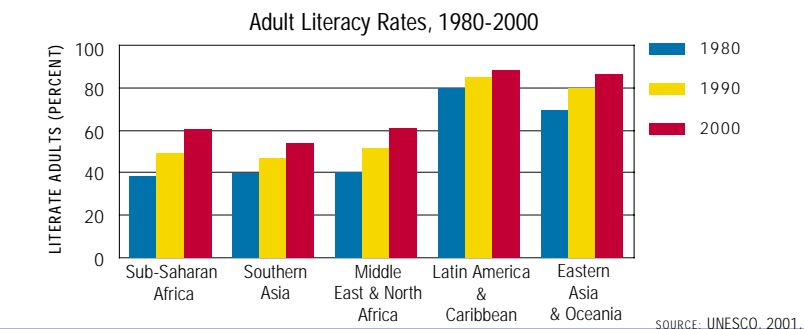
HIV/AIDS has joined the list of the top causes of death worldwide such as diarrhea, tuberculosis, and measles which together claim almost 6 million lives annually.⁹ The human and economic toll of HIV/AIDS in the most affected regions is staggering. Of the 36.1 million people infected with HIV worldwide in 2000, 25.3 million live in Sub-Saharan Africa and 5.8 million in South and Southeast Asia. The devastation caused by AIDS has been especially severe in Sub-Saharan Africa where nearly 70% of adults and 80% of children with HIV/AIDS live. The southern cone of the African continent has adult prevalence rates of at least 20%.¹⁰ Good data is still scarce from most Asian countries, but AIDS deaths are rising rapidly in India, China, and elsewhere; deaths from AIDS among 15-49 year olds in Asia are projected to grow 57% from 2000 to 2005.¹¹

Implications for Business

The health of employees, customers, shareholders, and other stakeholders is a central concern for corporations because health directly affects productivity. The expansion of travel and trade provides new routes for the spread and re-emergence of infectious diseases and can turn seemingly national or regional health crises into global ones. HIV/AIDS has exposed the critical linkage between health and labor productivity and how disease deprives struggling societies of desperately needed know-how and labor in business, government, and education.¹² Improving health in the developing world means improving access to healthcare, improving health education and family planning services, providing widespread immunizations and clean water, and creating economic incentives for preventive medicine and sanitation. This is a strategic opportunity for the private corporations in sectors such as pharmaceuticals, health services, water infrastructure, and water sanitation who hold the technical solutions to major public health problems. However, business failure to act on an issue of public health that is within its means can itself become a damaging political and public issue.

Education helps ensure that people have the skills to be productive workers, informed consumers, responsible citizens, and stakeholders in government and business. An educated population produces and earns more, has lower fertility rates, is more effective in maintaining family health, and has greater choice in life decisions. While primary education is widespread, many children in emerging economies do not have opportunities for advanced learning, and in some regions girls have far less access to secondary education than boys. Within regions and countries with high levels of average school enrollment, there are often significantly under-served populations. The more advanced skills and learning afforded by secondary and tertiary schooling are ever more important as the world economy becomes more knowledge- and service-intensive.

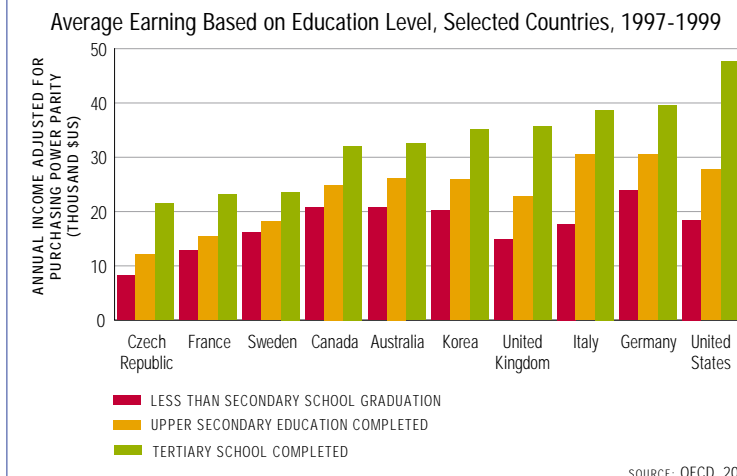
Literacy Rates Are Rising



World literacy rates have been rising for two decades, reflecting the increasing access to primary education. Literacy rates in Europe and North America are virtually 100% (not shown in figure). Almost 90% of adults can read in Eastern Asia and Oceania, Latin America, and the Caribbean. Literacy rates in much of the rest of the world lag behind; Southern Asian literacy rates are only slightly above 50%. The worldwide gender gap in primary education is shrinking — by 1997, more than 95% of girls attended primary schools, compared to 88% in 1980. But still nearly two thirds of the world's 880 million illiterate adults are women.¹ Literacy is also a proxy for the level of education of a country's potential labor force (see **Labor**).²



Educational Disparities Create An Income Gap In All Countries



Education provides people with opportunity to excel and opens the doors for economic advancement. While many social and economic factors influence this relationship, the relationship between advanced education and income is very strong (see **Wealth**).¹⁰



Primary education is widespread, but opportunities for learning elude many.

One of every five adults — a total of 880 million adults — is functionally illiterate. This is a dramatic improvement over 1970, when one of three was illiterate.

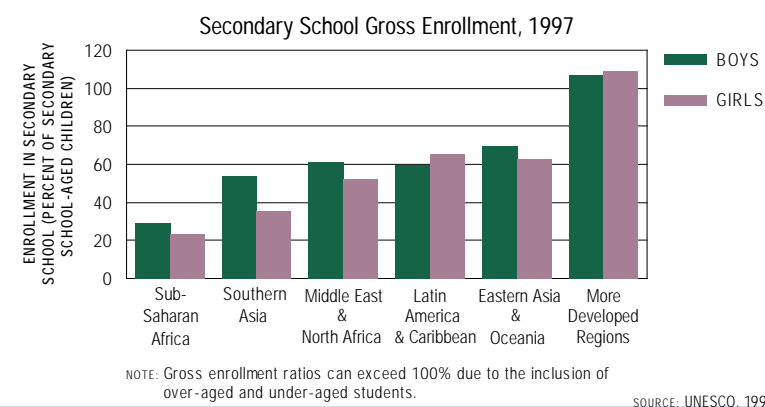
RELATED TRENDS

Labor	46
Communications	44
Accountability	52

Facts

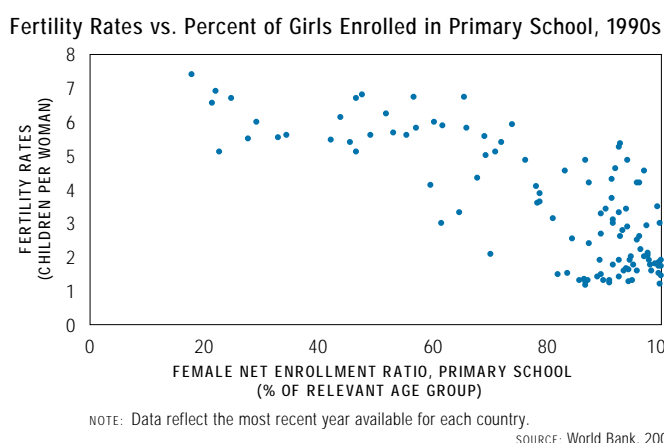
- 113 million children are out of school, 97% of them in less developed regions and 60% of them girls.³
- One of every five adults — a total of 880 million adults — is functionally illiterate. This is a dramatic improvement over 1970, when one of three was illiterate.⁴
- Enrollment rates for 6-14 year-olds is 52% lower for the poorest households, than for the richest households in Senegal, 36% lower in Zambia, 49% lower in Pakistan, and 63% lower in Morocco.⁵
- Much of the economic success of the "Asian tigers" may be due to their governments' commitment to public funding of primary education as the foundation of development.⁶
- The few developing countries that participated in the Third International Mathematics and Science Study had the lowest scores at Grade 7 in the study; quality of education is as important as enrollment itself.⁷

Many Are Denied The Chance For Advanced Learning



In many developing countries and marginalized areas in the developed world, there are still major disparities in academic achievement that result from factors including inadequate teacher training and under-funding of schools and that prevent students from obtaining the knowledge and skills needed to function as productive citizens and workers.⁸ While essentially all children receive secondary schooling in more developed regions, only about 60% of young people in Eastern Asia, Oceania, Latin America, and the Caribbean receive secondary schooling; Southern Asia and Sub-Saharan Africa enrollment rates are just 45% and 25%, respectively. The gender gap in secondary school enrollment is relatively small in East Asia, but significant disparities in access to education remain in South Asia, the Middle East and North Africa, and Sub-Saharan Africa.⁹

Female Education Helps Catalyze Economic Development



Girls who receive primary education tend to have lower maternal mortality, fewer children, and healthier families later in life.¹¹ In Asia, Africa, and Latin America, women with seven or more years of schooling have two to three fewer children than women with three or less years of schooling.¹² Smaller families lessen the economic burden upon women and release time and resources for parents to provide greater investment into the rearing and education of each child and more opportunities for women to enter the labor force (see **Labor**).

Implications for Business

Education enables people to get jobs, maintain family health, increase personal income, reduce unwanted pregnancies, protect their rights and civil liberties, and have greater choice in decisions that affect their lives. Countries in which the work force lacks basic skills are at a competitive disadvantage in the global marketplace, particularly as markets change from a production and manufacturing base to a knowledge and service base. Businesses have a direct stake in the educational systems in the communities in which they operate. Additional investment and resources are required to ensure that those entering the labor force will have the relevant skills to be productive workers in modern businesses. In order to marshal these investments and resources, new partnerships are needed between public and private sector organizations to ensure that people are educated for relevant and marketable skills.