

Video Transcript**Tracking global health and wealth****In conversation with Cheuk Wan Fan, Chief Investment Officer, Asia****Diane To:**

Hello and welcome. I'm here with Cheuk Wan Fan, Chief Investment Officer of Asia at HSBC Global Private Banking and Wealth.

Today, we'll be discussing the changing global health and wealth landscape and how these structural shifts will open up opportunities for investors.

Fan, thank you so much for joining us.

Cheuk Wan Fan:

My pleasure.

Diane:

So let's start with some main demographic changes. What are we witnessing globally and how does that impact the wealth landscape?

Fan:

Well, the 20th century witnessed an unprecedented expansion of human longevity. We do find that demographic factors are a powerful catalyst and new growth driver to shape change in the consumer market and consumption behaviour, particularly in the healthcare sector.

This creates a massive market for businesses and service providers to capture. So we see attractive growth opportunities in the wealth management, healthcare services, retirement protections and related sectors.

Diane:

So where are these changes most dramatic? Which countries and which regions?

Fan:

We find the most dramatic demographic change will happen in Asia over the next decade. We expect Asia will be home to 456 million elderly population by 2025. And we also expect 1 billion Asian people will join the global middle class by 2030. According to our estimates, the individuals with a total of \$250,000 wealth in China, India and ASEAN will double by 2030.

So this is going to bring positive momentum in the rising middle class consumption outlook. And we also expect the ageing demographics will drive changes in the consumer market given the wealth effect of the elderly populations will add to new growth drivers to travel, entertainment and healthcare services.

And we also think that the demand for retirement protections and the accumulation of wealth to ensure financial wellbeing of the ageing populations will also bring positive drivers to wealth managers, banks, insurance companies and brokers in the long term.

Diane:

So how are these trends changing healthcare and health investment, and how will population changes and this new focus on health and wellness unlock new investment opportunities?

Fan:

According to research, 44% of Chinese consumers spent more on healthcare over the past 12 months, and they also spent 23% more on nutrition. So this really shows that Chinese consumers are having a rising health awareness, especially with the COVID-19 pandemic.

This also changes people's mindset, and with the ageing populations, this also brings rising demand for healthcare services in order to improve their wellbeing. And over the past decade, Chinese healthcare expenditure registered double-digit growth per annum.

So we are bullish on the healthcare service sector in Asia in the medium term given the changing demographics and with new demand from the ageing populations. We think that healthcare services, medical providers, and with the new rising trend of digital healthcare, we have seen significant growth in telemedicine.

So according to McKinsey, the market for telemedicine has actually jumped by 38-fold as compared with the pre-pandemic level. And this really shows that the rapid progress of medical technology innovation, and the adoption of digital healthcare services will bring a significant new growth driver for the healthcare sector going forward.

Diane:

Tell us, why is it important for investors to be connected to these structural trends in this current environment?

Fan:

I think under the current challenging investment environment it is particularly important for investors to look forward and focus on the future trends and invest in long-term structural growth opportunities, especially with the disruptive changes across the world. And we have the pandemic and also geopolitical challenges.

We should focus on structural growth trends that will last for multi-decades.

With the latest investments, both from the government and the private sector, we estimate the digital healthcare market size will expand to \$100 billion by 2025. That would be a 1.7 times increase from the level in 2020. And this is actually quite an attractive growth opportunity for investors to capture.

Currently Asian governments only invest 4.5% of GDP on healthcare services on average. That is way below the 12% investment by OECD governments in the healthcare sector.

So we see significant upside potential for Asian public and private investment in healthcare facilities and infrastructure. And this will bring new investment opportunities in the healthcare sector space.

We also think that the ageing population will bring tremendous opportunities for the financial sector in the medium term given rising awareness of retirement protections and rapid growth in the demand for wealth management needs and the ageing populations' strong focus on their financial wellbeing.

So we expect to see rapid growth in the wealth management, insurance and asset management related sectors. And this is going to bring long-term investment opportunities for investors who want to benefit from the ageing population trend.

Diane:

Well, thank you so much for your insights, Fan.

Fan:

Thank you very much indeed.