10 September 2026

Ageing Asia

Racing against time

Economics
Asia

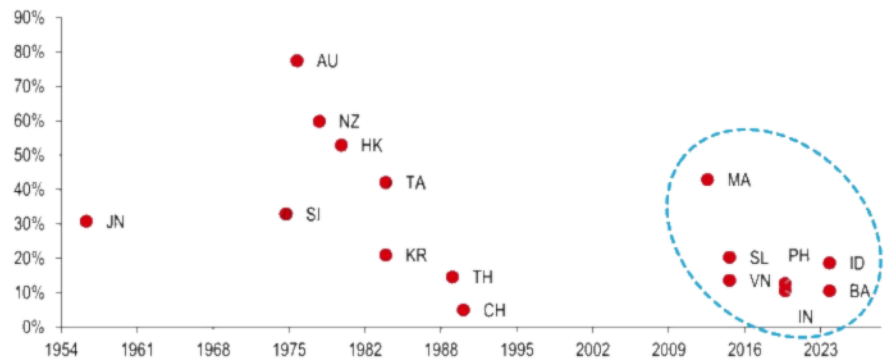
- Emerging Asia is seeing fertility rates decline at a pace that outstrips institutional readiness and income growth
- Safety nets lag demographics: contributory pensions are limited, leaving many without access to any form of pension
- We present two case studies: Thailand shows late reforms can be costly, while Vietnam has a narrow window to act

Many emerging Asian economies – like Thailand and Vietnam – have moved from high fertility rates to below replacement levels in just three to four decades, half the time taken by more advanced economies. As well as the speed, they've also made this transition at far lower income levels than others, meaning pensions and safety nets have yet to be built out. All this is a far lesser-known story to the record-low fertility rates in wealthier North Asia, but for these economies, just as important.

While the image of emerging Asia might be of youthful populations, it's this demographic dividend that's turning into a growth constraint as labour force growth slows, old-age dependency rises, and fiscal demands rise. Health insurance for the elderly and pensions are patchy too, creating a host of challenges for households.

Thailand shows how delaying addressing these issues narrows options once budgets are under pressure. **Vietnam** is next in line to feel the crunch with only a decade left to strengthen institutions, expand coverage, and lift productivity before demographic headwinds intensify. See p.8-16 for our two case studies. Across emerging Asia, early recognition matters – ageing momentum is difficult to reverse, and late action costly.

Chart 1: GDP per capita as a % of US GDP per capita when the total fertility rate (TFR) hit 2.1



Note: Purchasing power adjusted. 2021 international dollars. CH refers to mainland China.
Source: UN World Population Prospects 2024, Penn World Table, HSBC

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Emerging Asia's compressed demographic transition

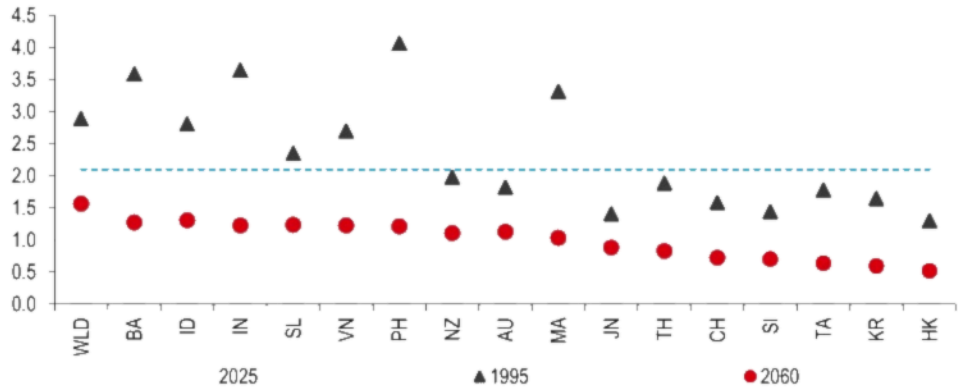
Global fertility rates are falling rapidly and countries below the replacement rate are now in the majority, rising from just a few dozen in 1970 to well over 100 by 2020. Under the UN's World Population Prospects 2024 low-fertility scenario, global fertility fell below the replacement rate around 2024, making this an increasingly important trend for medium-term growth and fiscal planning.

Transition is faster in emerging Asia

Asia is where the pace is most pronounced. Many emerging Asian[1] economies moved from high fertility rates to below replacement levels in just three to four decades (Chart 2), roughly half the time taken by most European countries during their 19th-20th century transitions. The region has therefore experienced a demographic shift over the last few decades that Western Europe adjusted to over a much longer period.

Total fertility rates of all our covered Asian economies are below 2.1 now

Chart 2: Total fertility rate, 1995, 2025, and 2060



Note: The low-fertility variant trajectory is used. CH refers to mainland China.
Source: UN World Population Prospects 2024, HSBC

Vietnam's fertility decline is accelerated by policy

The pace is not confined to East Asia and Singapore, where rapid ageing has been well-documented. Several Southeast Asian economies have seen similarly abrupt declines (Chart 3). Vietnam is a clear example: its TFR fell from 3.0 to 2.1 in just five years (1994-1998). The decline was driven by the Two-Child Policy, introduced in 1988 after birth rates exceeded four children per woman in the 1980s. The policy was only formally ended in June 2025, suggesting that the population policy persisted well beyond the conditions that motivated it.

The Philippines has also seen one of the region's fastest fertility declines, with fertility falling to 1.7 children per woman in 2025 from 3.4 in 2008, a halving in just 17 years. Similar declines took around 35 years in Japan and 22 years in Thailand. Taken together, these examples suggest Southeast Asia is no longer a demographic laggard. In several cases, countries are undergoing a compressed transition that leaves less time to prepare for ageing.

Transition starts at lower income levels

The speed of the transition is only part of the story. Emerging Asian economies are also entering low fertility at markedly lower income levels than advanced Asia did. As Chart 1 shows, several Southeast and South Asian economies fell below the replacement threshold of 2.1 only in the past decade, but at much earlier stages of development. With the exception of Malaysia, each economy in this group was at less than 20% of US GDP per capita when it reached 2.1, implying a thinner fiscal base and less developed social protection systems at the point ageing pressures begin to build.

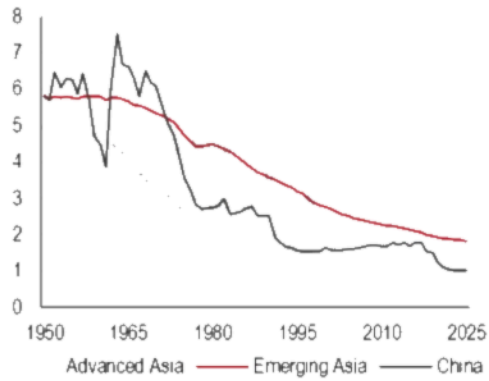
[1] Emerging/Developing Asia refers to Bangladesh, India, Indonesia, Malaysia, the Philippines, Sri Lanka, Thailand and Vietnam.

Chart 3: Number of years for TFR to drop from 3 to 2.1



Note: CH refers to mainland China.
Source: UN World Population Prospects 2024, HSBC

Chart 4: TFR by region, 1950-2025



Source: UN World Population Prospects 2024, HSBC

Bangladesh is a clear illustration. As the latest economy to see fertility fall to 2.1 (2024), its GDP per capita was only around 10% of the US level in that year. By contrast, East Asian economies typically entered the 2.1 phase at materially higher income levels. China is the main exception, as the timing of its transition was brought forward by its One-Child policy.

Dividend fading

Ageing through the labour market channel

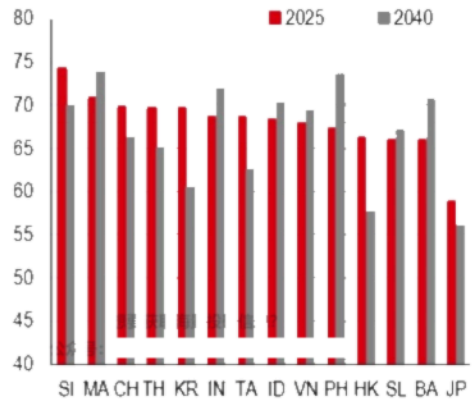
Falling fertility affects growth primarily through the labour supply. Lower fertility reduces the future working-age population, which over time slows labour force growth and can weigh on potential output unless productivity and participation rise sufficiently. It also reduces the number of contributors for pay-as-you-go pension systems as the retiree population expands.

Chart 5: Change in working age population, 2010-24, 2025-39



Note: Working age population is 15-64 years old. CH refers to mainland China.
Source: UN World Population Prospects 2024, HSBC

Chart 6: Working age population share, 2025 and 2040



Note: CH refers to mainland China.
Source: UN World Population Prospects 2024, HSBC

East Asia is already in the contraction phase, with working-age populations declining (Chart 5). Southeast and South Asian economies are earlier in the cycle, but working-age population *growth* is decelerating even where absolute numbers are still rising. At the regional level, Chart 6 indicates that emerging Asia's working-age *share* starts to fall from 2038, signalling a waning demographic dividend and a need for productivity growth, higher labour participation, and retirement system readiness.

Labour supply tailwinds are easing in emerging Asia

Under the UN World Population Prospects 2024 low-fertility variant trajectory, working-age dynamics are already diverging within Asia. Thailand's working-age population share peaked around 2015 and has been declining since, consistent with the broader contraction in developed Asia (Chart 5). By contrast, in most developing Asian economies, working-age populations are still projected to grow through 2040, but the pace slows materially as fertility remains low and cohorts entering the workforce shrink.

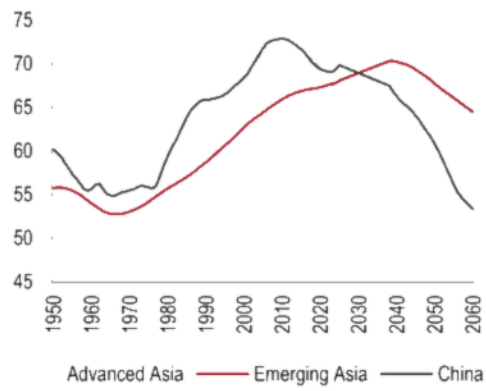
Malaysia will have the highest working age population share in Asia by 2040

The slowdown is visible across Southeast and South Asia, with Malaysia showing one of the sharpest step-downs. Working-age population growth slows from 36% in 2010-24 to 19% in 2025-39, close to half the earlier pace. Even with that deceleration, Malaysia's share of workforce remains comparatively high, and is projected at 73.8% by 2040, the highest among the Asian economies in our sample (Chart 6).

The next phase of ageing: Higher old-age dependency

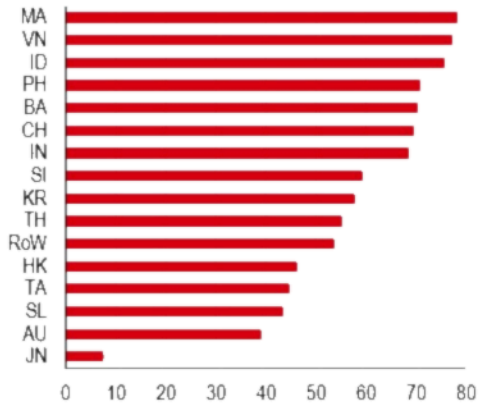
As working-age population growth slows, ageing increasingly shows up through the expansion of the 65+ cohort. From now to 2040, Asia (the 15 economies in our sample) is projected to add 753m people aged 65+ (Chart 8), a 63% increase. This compares with 43% for the rest of the world, implying that Asia will account for a disproportionate share of the global rise in seniors over the next 15 years.

Chart 7: Working age share



Source: UN World Population Prospects 2024, HSBC

Chart 8: Senior population growth %, 2025-40



Note: Asia refers to the fifteen economies listed in the chart. CH refers to mainland China.
Source: UN World Population Prospects 2024, HSBC

The 65+ cohort expands quickly in emerging Asia

The increase is concentrated in emerging Asia, where the senior population is expanding rapidly from a younger base. East Asia already has a large 65+ cohort, so percentage growth is expected to moderate as the base becomes larger. In emerging Asia, however, senior numbers are set to rise quickly. Malaysia is projected to see a 78% increase in seniors and Vietnam a 77% increase. In Malaysia's case, a high working-age share can provide some near-term cushion, but the rapid rise in seniors still points to growing demand for healthcare and long-term care as the population structure shifts.

Table 1: Selected demographic indicators

	Total population level peak year*	TFR projection, 2030**	Median age, 2025	% Change in working age pop numbers (2025-39)	65+ share, 2025	Life expectancy, 2025	Healthcare % GDP, 2025***	Current health expenditure per capita, PPP (current international USD)
JN	**2009**	0.86	49.9	-14.6	30.1	85	10.7	5,365
BA	2053	1.61	26.1	17.1	6.7	75.2	2.2	199
CH	**2021**	0.66	40.2	-11.7	14.9	78.4	5.9	1,487
HK	**2020**	0.39	47.5	-20.6	23.7	85.8	8.3	n/a
IN	2045	1.48	28.9	11	7.4	72.5	3.3	346
ID	2042	1.61	30.5	7.5	7.6	71.4	2.7	417
KR	**2020**	0.41	45.7	-18.9	20.4	84.5	8.7	5,081
MA	2054	1.11	31	14.6	8.1	77	4	1,441
PH	2045	1.42	26.2	15.1	5.7	70.1	5.1	560
SI	2034	0.61	36.3	-4.5	14.3	84	4.5	6,551
SL	2034	1.48	33.4	3.3	12.5	77.9	3.7	507
TA	**2019**	0.49	44.9	-17.5	20.1	80.9	7.3	n/a
TH	**2022**	0.8	40.6	-11.8	16.1	76.8	4.5	1,067
VN	2038	1.42	33.5	5.2	9.5	74.9	4.6	690

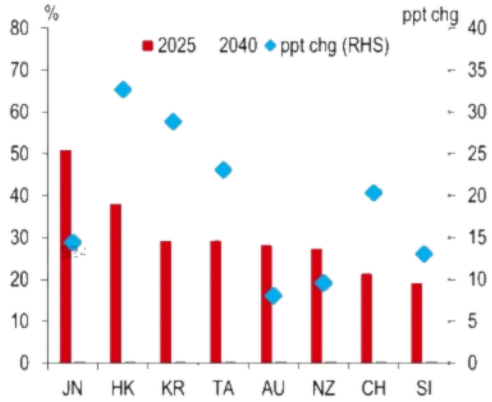
Note: *Bolded figures mean the population has peaked already. **Low-fertility variant. Working-age population refers to 15 to 64 years. *** Healthcare spending includes public and private spending. CH refers to mainland China
Source: UN World Population Prospects 2024, HSBC, Hong Kong government website, Taiwan government website, HSBC

Old-age dependency is set to rise in emerging Asia

These shifts also show up in dependency metrics. The old-age dependency ratio, defined as the number of people aged 65+ per 100 people of working age (15-64), rises as the senior cohort expands and labour force growth slows. East Asia remains much higher on this measure (Chart 9), but projected increases are also sizeable in Southeast Asia. Between 2025 and 2040, the ratio rises by around 9.7ppt in Vietnam and 10ppt in Thailand (Chart 10), the largest increases outside advanced Asia.

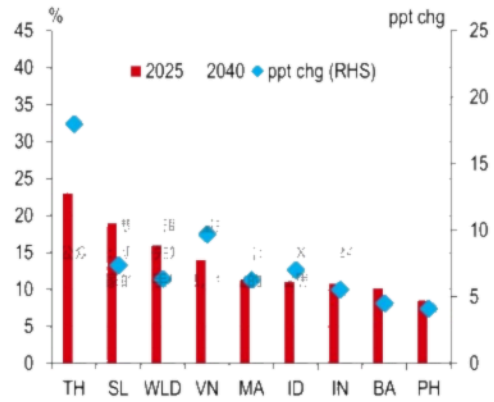
Under the UN projections to 2060, the old-age dependency ratio rises sharply in parts of advanced Asia, with Hong Kong standing out. The ratio is projected to reach around 165% (equivalent to roughly 1.65 seniors per working-age person), compared with around 81% in Japan. This highlights the scale of potential pressure on the active workforce and on age-related spending if labour supply does not adjust. The Hong Kong government has been actively pursuing immigration policies to help mitigate these demographic pressures.

Chart 9: Old-age dependency ratio, advanced Asia



Note. CH refers to mainland China.
Source: UN World Population Prospects 2024, HSBC

Chart 10: Old-age dependency ratio, emerging Asia



Source: UN World Population Prospects 2024, HSBC

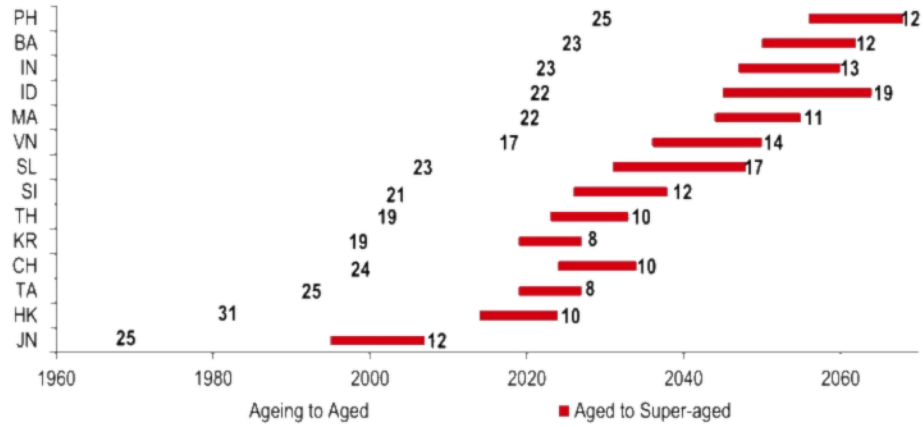
Population ageing is often described in stages based on the share of people aged 65+. An economy is typically classified as "ageing" when the 65+ share exceeds 7% of the total population, "aged" when it rises above 14%, and "super-aged" when it exceeds 20%. These thresholds are useful because they mark points at which ageing-related pressures on labour supply, healthcare demand, and retirement systems tend to become more visible in the macro data.

Chart 11 summarises the speed at which economies move through these stages. Historical experience in advanced economies was relatively gradual: it took around 45 years for the UK, 69 years for the US, and 115 years for France to move from "ageing" (7%) to "aged" (14%). In contrast, several Asian economies reached the same transition far faster, including Vietnam (17 years), Thailand (19 years), and Korea (19 years).

Thailand and Vietnam are ageing fast

Looking across the full progression from "ageing" to "super-aged", the compression is also evident. Vietnam is projected to move from ageing to super-aged in 31 years, Thailand in 29 years, and Malaysia in 33 years, compared with 37 years for Japan.

Chart 11: Speed of ageing



Note: The numbers on the bars denote the number of years it will take for the country to go from "ageing" to "aged", and from "aged" to "super-aged". Ageing = Share of 65+ is above 7%; Aged = Share of 65+ is above 14%; Super-aged = Share of 65+ is above 20%. CH refers to mainland China
Source: UN World Population Prospects 2024, HSBC

China and India: Asia's two-speed demographic growth story

China's birth count hit a record low in 2025

China and India, the two largest populations in the world, are on starkly different demographic paths. The divergence is the most evident in labour supply: China's working-age population is projected to shrink by 11.7% over 2025-39, while India's is still projected to grow by 11.0% over the same period (Chart 12).

China is deep in the grip of demographic drag. Despite policy efforts to lift births, China's birth count fell to another record low in 2025 and the population declined for a fourth consecutive year. Registered births dropped to 7.92m in 2025, down 17% from 9.54m in 2024, the lowest since records began in 1949. As demographer Yi Fuxian noted, the birth total is "roughly the same level as in 1738, when China's population was only about 150m" (BBC, 26 January 2026).

China's population may shrink by 500m people over the next 40 years or so

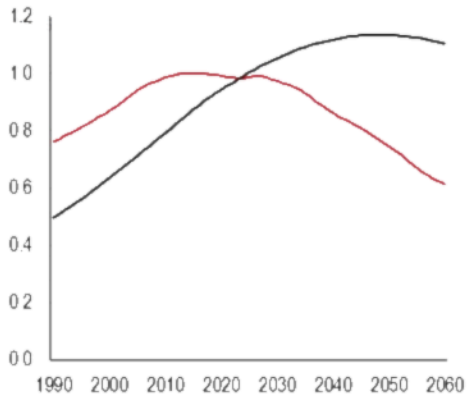
On the UN's low-fertility projections, China's population may drop by around 500m people by 2067, an absolute decline larger than the entire population of the United States today, turning the past labour-force tailwind into a headwind as dependency rises. China's experience underscores how difficult demographic momentum is to reverse once fertility norms shift, even with policy support.

India's fertility has already fallen below replacement

India sits earlier in the demographic cycle. Its population peak is projected much later in around 2045, and its 65+ share is still relatively low at 7.4%. India's favourable demographics could turn into a multi-decade consumption tailwind, as discussed in *The next generation of spenders: The coming upper-income boom*, September 2026. However, India is also displaying early evidence of population ageing. Its TFR is already below replacement (Chart 13), at 1.9 in 2024 (with rural at 2.1 vs urban at 1.5 and with wide state variations), showing that the demographic dividend window is not permanent. In other words, India may be younger than China today, but ageing catches up with every society once fertility stays below replacement long enough.

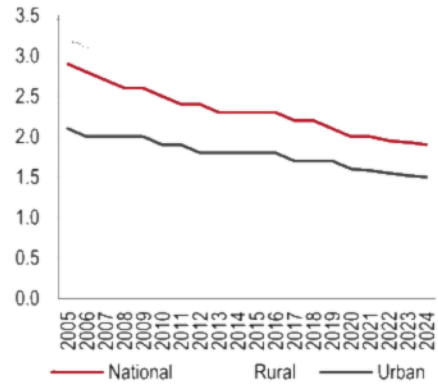
The macro growth effects are only one side of the ageing challenge. As labour-force growth slows and old-age dependency rises, the pressure increasingly shifts to pensions, healthcare systems, and the fiscal capacity needed to support them.

Chart 12: China and India, working-age population, billions



Note: Working-age population = aged 15-64
Source: CEIC, HSBC

Chart 13: India's TFR, children per woman



Source: UN, HSBC

Pensions in the region: Limited coverage, limited fiscal space

Public health insurance coverages are uneven

As the 65+ population rises, pressure increases on both healthcare systems and retirement income support. ADB's Asian Development Policy Report 2024[2] argues that health insurance coverage is generally incomplete in much of Asia, and longevity gains are not fully "healthy" gains. Across nine developing Asian economies in its harmonised surveys, 57% of older people report at least one diagnosed noncommunicable disease, yet only 40% receive regular health checks. This raises the risk that poorer health in older age translates into higher out-of-pocket costs and more volatile household welfare. Coverage also varies widely, as it is near universal in Korea, Thailand, and Vietnam, but much lower in Indonesia, Bangladesh, the Philippines, and India.

Participation in contributory pensions is commonly low

On pensions, ADB finds that systems in much of emerging Asia remain under-developed relative to the pace of ageing, with older people still relying heavily on family transfers and wage income. Contributory pensions cover only a small share of the population. ADB estimates average contributory pension coverage among older people at 19% across 35 developing Asian economies, reflecting the prevalence of informal employment. Table 2 shows participation among the working-age population remains especially low in several large economies, including Bangladesh (2%), India (15%), and Indonesia (17%), compared with Thailand (29%), Vietnam (30%), and Malaysia (42%).

Social pensions in Asia generally have thin benefits

Social (non-contributory) pensions partly fill the gap. Across the nine surveyed economies, they reach 46% of older people on average, but coverage and adequacy vary sharply (Table 2). Benefits are often modest, and fiscal constraints can cap generosity. In economies with a large informal sector, incomplete insurance coverage also tends to translate into higher out-of-pocket costs for older households.

Fiscal space constrains adequacy

As a result, the ADB finds that around 40% of older people still have access to neither contributory nor social pensions, with the largest gaps concentrated in parts of Southeast and South Asia.

[2] *Aging Well in Asia: Asian Development Policy Report*, Asian Development Bank, May 2024

Table 2: Pension coverage and adequacy by economy

	Social pension				Contributory pension	
	Coverage (% age eligible)	Benefit adequacy (% GDP per capita)	Access age (Male/Female)	Social pension spending (% GDP)	Membership / Participation (% working age)	Contributions (% wage)
JN	3	18	65	n/a	85	18
BA	35	5	65/62	0.1	2	n/a
CH*	62	2	60	0.3	37	24
HK	20	5	65	0.1	52	10
IN	24	2	60	0	15	16
ID	0	6	70	0	17	6
KR	70	4	65	0.2	54	9
MA	4	11	60	0.05	42	24
PH	44	4	60	0.4	35	14
SI	n/a	n/a	n/a	n/a	48	37
SL	33	4	70	n/a	18	20
TH	86	4	60	0.4	29	7
VN	28	7	60	0.1	30	22

Note. CH refers to mainland China. *The social pension in CH requires modest contributions from employers and employees.
Source: "Aging Well in Asia: Asian Development Policy Report", Asian Development Bank, May 2024

Thailand: A cautionary case of compressed ageing

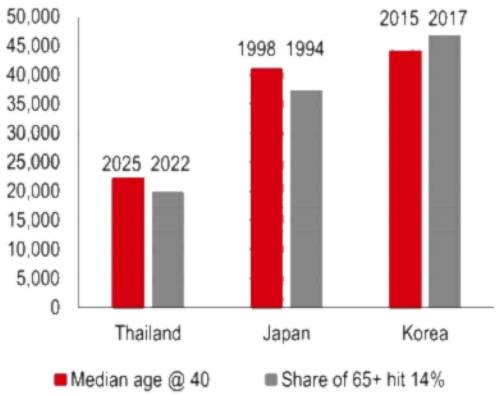
Why we chose Thailand as a case study

Thailand is selected as a case study because it offers a cautionary example of compressed ageing in emerging Asia. Fertility fell from around 6.4 in the 1960s to 2.2 by 1990 and to 1.0 by 2024, pushing the country into aged status in 2022 and putting it on course to become super-aged by 2031. Its median age was 40.6 in 2025, and working-age population has already been shrinking since 2019.

Compressed ageing at middle-income levels

What makes Thailand especially relevant is the income level at which these milestones arrive. When Thailand's median age reached 40 in 2025, GDP per capita was about USD22,300 (2021 international dollars), vs USD44,030 for Korea at the same point in 2015. When Thailand became an aged society in 2022, GDP per capita was USD19,789, only a little over half Japan's level when it crossed the same threshold in 1994 (Chart 14). In other words, Thailand is ageing quickly before becoming rich, with less fiscal room and less mature social protection than earlier-ageing advanced economies.

Chart 14: GDP per capita at demographic milestones



Note: The figures above the columns denote the year when the country reaches a median age of 40, or population share of 65+ of 14%.
Source: UN World Population Prospects 2024, HSBC

Table 3: Breakdown of headline GDP growth projection

		Headline GDP growth
Baseline change in GDP growth (2020-50)	-1.2%	100%
Potential GDP change due to change in:		
Population growth	-0.60%	36%
WATP ratio growth	-0.30%	18%
Human capital growth	0.01%	-1%
Public investment to GDP ratio	-0.58%	35%
Private investment to GDP ratio	-0.18%	11%

Source: "The Macroeconomic and Fiscal Impact of Aging in Thailand", World Bank, 2021

World Bank: Demographic changes account for over half of the decline in trend growth

The economic effects are already visible. Thailand has largely exhausted its demographic dividend, but its economy still relies heavily on labour-intensive sectors such as manufacturing and tourism. Migrant labour has helped cushion shortages: Thailand hosted 4.1m migrant workers in 2023, equivalent to more than 10% of the labour force, but this is only a partial offset. World Bank Long-Term Growth Model (LTGM) estimates suggest Thailand's potential growth slows from 3.6% in 2020 to 2.4% by 2050[3], with more than half of the 1.2ppt decline attributable to demographics (Table 3).

Thailand's pension system is fragmented

Ageing is also exposing weaknesses in retirement income support. Thailand's pension system reaches 97% of people aged 60+, but this is heavily skewed toward non-contributory support: 89% receive non-contributory benefits[4], while only 19% receive contributory pensions (Table 4). Just 36% of the labour force actively contributes to a pension scheme, well below the upper middle-income average, implying limited earnings-linked protection for many future retirees. The near-universal Old Age Allowance provides broad coverage, but benefits are very modest, starting at THB600 (USD18) per month for those aged 60-69. The system is therefore broad in reach but thin in adequacy, and fragmented across schemes. As Table 2 shows, Thailand also trails upper middle-income peers on pension participation.

Table 4: Thailand's key pension and old-age financial support structures

	Eligible group	Fund size (% of working population)	Retirement age	Contributions	Benefits
Civil Service Pension Scheme	All civil servants with at least 10 years of service	6% eligible	60	None	Lump sum if 10-25 years of service; lifetime pension if >25 years of service
Social Security Fund (Section 33, Defined benefit)	Mandatory for private sector employees; there are voluntary options	Around 30% contributing	55	Employee: 5% Employer: 5% Government subsidises	Lump sum of contributions made if contributed <15 years; lifetime pension of 20-50% of average wage if contributed >15 years (Ceiling: THB15 000 wage per month)
Old Age Allowance (Defined benefit)	Thai citizens with income below indicated thresholds, except civil servant	83% eligible for benefits	60	None	THB600-1,000 per months (age dependent)

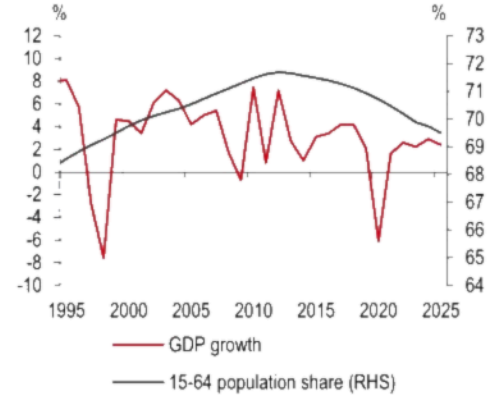
Source: Financial Social Protection through General Tax Revenues, Social Security Contributions and Formalisation in Thailand. OECD. July 2025. HSBC

The fiscal implications are significant. World Bank projections suggest ageing-related spending rises from 4.9% of GDP in 2019 to 9.5% in 2040, and 11.5% in 2060, driven mainly by healthcare, the Old Age Allowance, and civil service pensions (Table 5). In the absence of offsetting reforms, the fiscal balance shifts from a 0.4% surplus in 2019 to a 4.4% deficit in 2040 and a 7.4% deficit in 2060, while public debt rises from 40.9% of GDP to 68.1% and then 116.3%. The private-sector Social Security Fund is also projected to run a cash-flow deficit in the mid-2040s and deplete reserves by 2054 without reform. Chart 16 shows Thailand's public healthcare expenditure has more than doubled since 2000; the fiscal pressure is building.

[3] Long-term growth in the LTGM is driven by TFP growth, labour participation growth, the working-age to total population ratio growth, human capital growth, population growth, and private and public investment to GDP ratio.

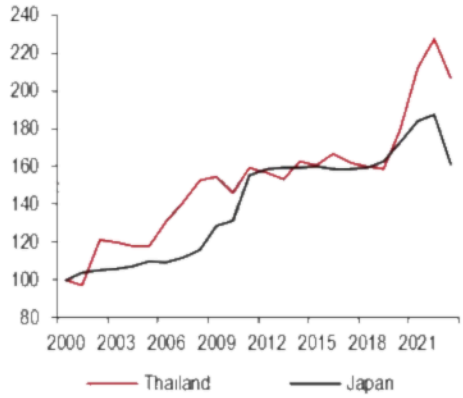
[4] Non-contributory benefits are government social security payments that do not require you to have paid past contributions or taxes into a specific fund. Examples are old age/pension credits, social assistance/income support and disability/care allowances.

Chart 15: Thailand's GDP growth and working-age population share



Source: UN World Population Prospects 2024, HSBC

Chart 16: Public expenditure on health as a share of GDP, indexed to 100 in 2000



Note: Last data point is year 2023
Source: World Bank, HSBC

Table 5: Medium- and long-term fiscal projections

% GDP	2019	2040	2060
Revenue	20.9	20.9	20.9
Expenditure	20.5	25.3	28.2
Primary expenditure	19.5	24.1	26.1
Ageing	**4.9**	**9.5**	**11.5**
Civil service pension	1.4	2.5	2.9
Old-age allowance (OAA)	0.4	2.7	3.1
Health care	3.0	4.3	5.5
Non-ageing	14.6	14.6	14.6
Interest	1.0	1.3	2.2
Fiscal balance	**0.4**	**-4.4**	**-7.4**
Primary balance	**1.4**	**-3.2**	**-5.2**
Public debt	**40.9**	**68.1**	**116.3**

Source: World Bank, Thailand Ministry of Finance, IMF, HSBC

Thailand: A "too little, too late" lesson on ageing

Missing the window

Thailand's broader lesson is that delayed recognition of ageing is costly. For years, ageing was seen mainly as an advanced-economy problem, while the post-Asian Financial Crisis period absorbed policy attention and fiscal capacity. Even after fertility fell below replacement in the 1990s, reforms remained gradual rather than part of a coordinated government response. As outlined in Appendix 1, policy momentum strengthened after COVID, with greater emphasis on pensions, retirement age, healthcare, labour supply, and the silver economy. But by then, Thailand was already operating with constrained fiscal space and a shrinking contributor base, making the adjustment more difficult and more costly.

Vietnam: Next in line

Approaching the demographic turning point

Vietnam is chosen as the second case study because, unlike Thailand, it still has a narrowing demographic dividend and therefore a limited window to prepare before ageing pressures intensify. Yet its population is ageing both quietly but rapidly, with fertility already below replacement and the working-age share set to peak in the next decade.

Vietnam's demographic dividend is waning over the next decade

Vietnam is moving quickly towards the demographic turning point. Vietnam become an aged society in 2035, when the 65+ share exceeds 14%, and s when it rises above 20% (Chart 17). From the onset of ageing to super-age transition spans about 31 years, close to Thailand's 29 years and Korea's 2 Vietnam is undergoing a full demographic shift within a single generation.

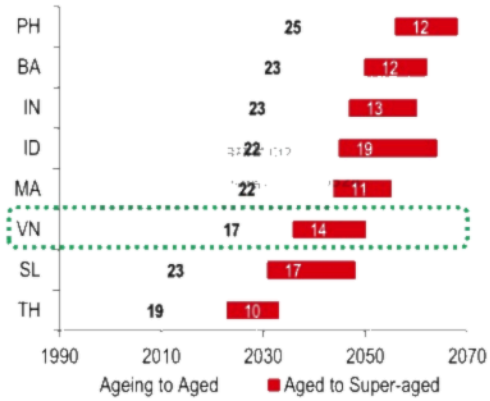


Chart 17: Share of 65+ in population, Thailand and Vietnam



Note. Ageing = Share of 65+ is above 7%; Aged = Share of 65+ is above 14%. Super aged = Share of 65+ is above 20%.
Source: UN World Population Prospects 2024, HSBC

Chart 18: Speed of ageing, emerging Asia



Note: The numbers on the bars denote the number of years it will take for the country to go from "ageing" to "aged", and from "aged" to super aged. Source: UN World Population Prospects 2024. HSBC

Vietnam entered ageing at roughly similar income level as Thailand

Vietnam is also entering this transition at an income level broadly similar to Thailand's. Vietnam's elderly share reached 7% in 2019 when GDP per capita was about international USD11,508, vs Thailand in 2004 at around international USD10,788. Both countries' median age reached 30 at roughly the same point their elderly share reached 7%. Vietnam therefore started ageing only marginally richer than Thailand did, and still far below the income levels at which advanced East Asian economies entered ageing.

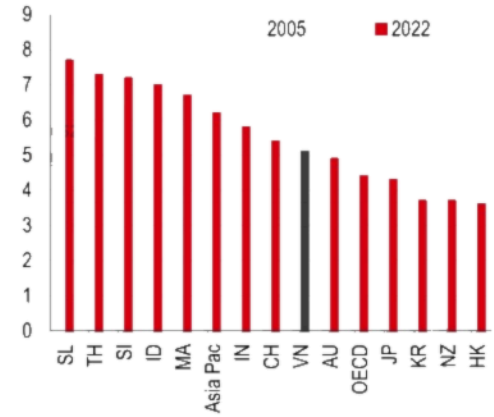
Policy and social change are speeding up ageing

Vietnam's compressed transition reflects both policy and rapid social change. The Two-Child policy, in place from 1988 to 2005, accelerated the fertility decline, compressing into roughly four decades a transition that took many advanced economies much longer. Economic reforms under Đổi Mới, launched in 1986, reinforced this through rapid urbanisation, rising education, especially for women, and large-scale rural-to-urban migration, all of which reshaped family structures and fertility behaviour.

Vietnam's marriage rate fell sharply

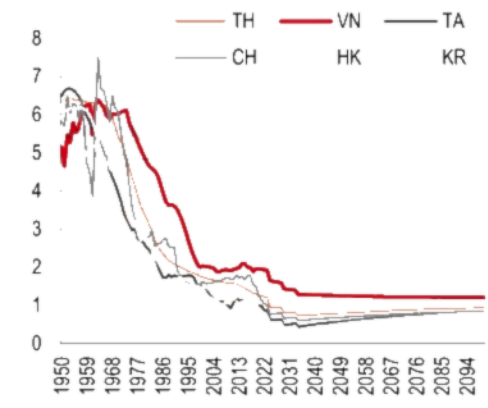
Vietnam's marriage rate has also fallen sharply and is now low by regional standards (Chart 19), according to OECD statistics, below China, Singapore, and Thailand despite those economies being further along in the demographic transition. This is consistent with later marriage and lower fertility, with cost-of-living pressures likely adding to the trend.

Chart 19: Crude marriage rate per 1,000



Note 2005 Data for some economies are not available. Data refer to 2022 except for Hong Kong, Malaysia, Vietnam, and Thailand (2021); Indonesia (2020); India (2018). CH refers to mainland China.
Source: OECD, HSBC

Chart 20: Total fertility rate



Note: This is low fertility variant in the UN population projections. CH refers to mainland China.
Source: UN World Population Prospects 2024. HSBC

Growth drags and fiscal strain

Vietnam's working-age share peaks around 2032

Vietnam has benefited for decades from a large and relatively young workforce, which helped support strong growth and a competitive manufacturing base. That tailwind is now fading. While the working-age population is still rising in absolute terms, UN projections suggest labour-force *growth* turns negative after 2037. This implies that the next decade is Vietnam's main window to shift from labour-led growth to productivity-led growth before demographic headwinds intensify.

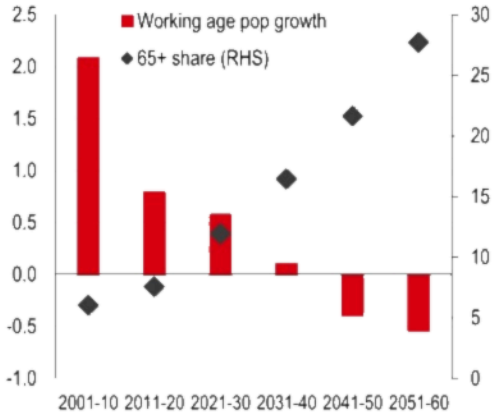
Demographics could reduce 0.9ppt from long-run growth…

The World Bank's LTGM baseline results imply Vietnam's long-run growth slows over 2020-2050 by around 0.9ppt relative to the previous 15 years, driven mainly by weaker labour supply. That drag is somewhat smaller than the 1.2ppt slowdown estimated for Thailand under the same modelling approach (Table 3), but the direction is the same.

…and could cost 1.4-4.6% of GDP in additional fiscal expenditure

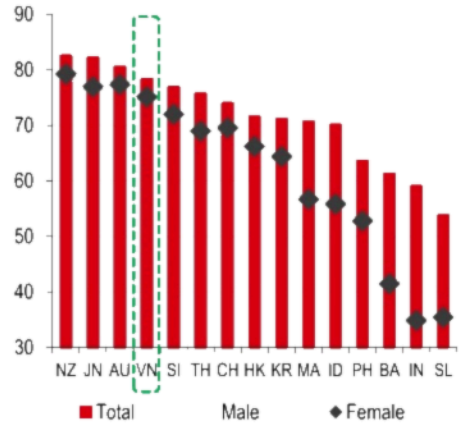
The fiscal implications are also significant. Fiscal Sustainability Analysis by the World Bank estimates suggest ageing and the evolution of related programmes could add around 1.4% to 4.6% of GDP in government expenditure over time, depending on assumptions about pension, healthcare, and social assistance coverage and costs. The broad message is clear: future fiscal pressure will depend heavily on policy choices made before ageing becomes more advanced.

Chart 21: Vietnam's working age population growth and the share of 65+



Note The 65+ share refers to the share at the end of each period.
Source: UN World Population Prospects 2024, HSBC

Chart 22: 15-64 labour force participation rate



Note: CH refers to mainland China.
Source: UN World Population Prospects 2024, HSBC

Vietnam's policy response to ageing

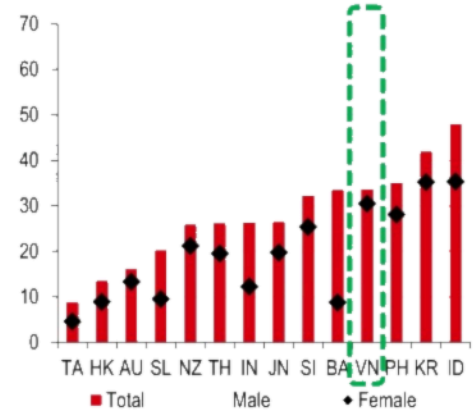
Vietnam phases in gradual increases in retirement age

Vietnam's policy response has focused on extending working lives and raising productivity. A phased increase in the retirement age has been in force since 2021, rising by three months per year for men to 62 by 2028, and by four months per year for women to 60 by 2035.

Limited scope to offset ageing through higher participation

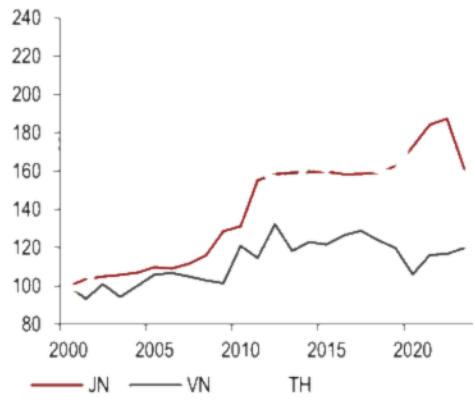
Further gains from labour supply are likely to be harder to secure through participation alone. Vietnam already has among the highest male and female labour force participation rates in the region (Charts 22 and 23), leaving limited scope for a large participation-led offset. Unlike Thailand, Vietnam has also not relied on inward migration as a demographic buffer; labour mobility remains largely outbound, with Vietnamese workers moving to destinations such as Thailand, Korea, and the Middle East.

Chart 23: 65+ labour force participation rate



Source: UN World Population Prospects 2024, HSBC

Chart 24: Government health expenditure as a share of GDP, year 2000 indexed to 100



Source: World Bank, HSBC

A race against time: upgrading the growth model before ageing bites

That leaves productivity as the main adjustment channel. Policy has therefore centred on sustaining manufacturing competitiveness, attracting FDI, and moving up the value chain through industrial policy and digital upgrading. The government's development goals, including around 10% GDP growth in 2026-30, GDP per capita of about USD8,500 by 2030, and high-income status by 2045, underscore the urgency of upgrading the growth model before ageing bites more forcefully.

Appendix 2 lists selected ageing-related policies implemented in recent years. The list is not exhaustive.

Vietnam's pension system: Progress, but large coverage gaps

Informality is the binding constraint on pension coverage

Vietnam has strengthened its pension framework over time, including by expanding coverage beyond state employees under the 2006 Social Insurance Law. The core contributory pillar is administered by Vietnam Social Security (VSS).

Coverage, however, remains constrained by informality. ADB estimates contributory pension participation at 30% of the working-age population, with a 22% payroll contribution rate and pension access ages of 62 for men and 60 for women (ADB, 2024). With around 70% of workers in the informal sector by government estimates, many workers remain outside mandatory payroll-based social insurance.

Non-contributory support helps fill part of the gap, but it remains thin. ADB estimates social pension coverage at 28% of the age-eligible population, with benefit adequacy of 7% of GDP per capita and spending of 0.1% of GDP (ADB, 2024). Separately, World Bank estimates that 3.3m older adults, mostly civil servants, receive pensions from VSS, while 1.8m receive the tax-financed social pension. The World Bank projects that the VSS will turn cash-flow negative between 2028 and 2034 and exhaust reserves between 2036 and 2042 without reform[5].

A narrow runway to meet 2030 coverage targets

Policy focus is increasingly on expanding effective coverage beyond the formal sector. Official reporting shows the share of the labour force contributing to social insurance rose from around 23% in 2015 to 38% in 2022, while the Social Insurance Reform targets 60% contributor coverage and 60% beneficiary coverage by 2030. This leaves Vietnam with a narrow runway to meet its 2030 coverage goals.

[5] *Vietnam: Adapting to an aging society*, World Bank, 2021

What can Vietnam learn from Thailand?

Thailand shows how quickly policy choices narrow once ageing is already visible in the labour market and public finances. Late reform leaves less room for gradual adjustment, as weaker growth, a shrinking contributor base, and rising demand for healthcare and income support make trade-offs more acute.

Vietnam's advantage is earlier recognition

Vietnam's advantage is earlier recognition. Ageing is already reflected in national strategies, and measures such as the phased increase in the retirement age suggest policymakers are engaging before the demographic window closes.

But implementation needs to be faster

But recognition alone is not enough; implementation needs to accelerate. Progress is too slow to meet the stated 2030 targets, especially given Vietnam's highly informal labour market, which makes expanding contributory coverage difficult. With contribution rates already relatively high, reform must balance broader coverage with system sustainability and adequate benefits.

Vietnam still has a narrow window to prepare before ageing becomes materially harder to manage. The working-age share is projected to peak around 2032, while the working-age population in absolute terms is still rising and is projected to peak around 2037. That makes the next decade the main opportunity to strengthen institutions, pension coverage, and healthcare systems while the old-age share remains relatively low.

Sequencing reform early: pensions, healthcare, and productivity

Three potential priorities emerge from our analysis. First, expanding pension inclusion for informal and non-standard workers could be considered while the contributor base is still growing. Second, a balanced reform package may help improve adequacy without undermining sustainability, potentially combining calibrated parametric adjustments with clearer financing for non-contributory support. Third, building healthcare and long-term care capacity early could reduce the risk that ageing-related needs lead to costly catch-up pressures, as seen in Thailand.

Lessons for younger emerging Asia: Prepare before ageing arrives

For younger economies such as India, Indonesia, Bangladesh, and the Philippines, the immediate challenge is still job creation and absorbing a growing workforce. But Thailand's experience shows that ageing can arrive faster than expected once fertility falls and urbanisation accelerates.

Build fiscal and pension capacity ahead of the curve

One takeaway is the value of early preparation. This could include rebuilding fiscal space and strengthening revenue capacity so governments are better positioned to absorb future increases in pension and healthcare spending. It may also involve steps to reduce the risk of a sharp fertility downshift by easing family-related cost pressures where feasible, including housing, childcare, and education. Finally, in economies with high informality, there may be a case for developing pension systems earlier rather than later, with an emphasis on broadening coverage to informal and non-standard workers.

Delay makes adjustment down the road more costly

The broader message is simple: institutional preparation takes time, while demographic momentum is hard to reverse. Acting early is far less costly than trying to catch up once ageing is already entrenched.

Appendix 1: Policy measures introduced by the Thai government in response to population ageing

- **Labour migration** - Thailand remains a regional hub for migrant workers. The country has built relatively robust migration management arrangements over time, although enforcement can be uneven. Migration is also a quick fix that can mask underlying structural constraints, and it creates dependencies across the region. In care services specifically, the ILO projects Thailand could face a shortfall of around 250,000 care workers by 2037.
- **Retirement age reform** - The government has proposed lifting the statutory retirement age from 60 to 65 by 2030 for both the public and private sectors. This remains under official review and has not yet been enacted into law.
- **Extending retirement saving via the National Savings Fund (NSF)** - To reach informal and self-employed workers who lack employer pensions, the state is piloting an innovative NSF approach using digital "retirement lottery tickets". Individuals buy tickets and, win or lose, the ticket value is credited into their personal retirement savings account. Savings are then paid out as a pension when the individual turns 60.
- **"Thailand 4.0"** - Launched in 2017, Thailand 4.0 prioritises automation, robotics, and digital transformation to raise productivity and offset a smaller workforce.
- **Child allowance** - Thailand's child allowance functions as a social assistance benefit and an effort to support families and lift fertility.
- **Strengthening long-term care (LTC)** - With non-communicable, chronic diseases rising, Thailand introduced an integrated, community-based LTC programme in 2016 to improve coordination between health and social care.
- **Promote the "Silver Economy"** - The Thai government is actively promoting the silver economy to turn rapid ageing into an economic opportunity, by supporting older people to remain active as workers, entrepreneurs, and consumers. Initiatives such as "Grab Wai Kao" encourage healthy older adults to take up flexible work, including ride hailing and delivery services. The Thailand Board of Investment offers incentives, including tax benefits, to support investment in senior care hospitals and long-term care facilities. Policy and industry efforts are also focused on expanding sectors such as medical tourism, smart home and assistive technologies, universal design and age friendly construction, and senior-oriented consumer products and services.

Appendix 2: Vietnam's ageing-related policy measures

Category	Policy measures
Fertility and family support	◆ Expanded parental leave under the Population Law: Seven months maternity leave for second child (from six); 10 working days paternity leave ◆ One off payment of at least VND2m (higher for selected groups); priority access to social housing for families with two or more biological children ◆ Subsidised prenatal and newborn screening; planned universal screening
Pensions and social security	◆ Adjusts benefit formula and other parameters; supports longer working lives ◆ Voluntary pension or social insurance option for informal workers (with some matching support in pilots)
Health and care	◆ Expanded health insurance coverage to most of the population, including older people ◆ Free or subsidised premiums for very old and poor older people ◆ Long-term care inclusion within health coverage ◆ Community based elderly care pilots
Labour market and productivity	◆ Industry 4.0 and digital transformation initiatives in national plans ◆ Upskilling to support productivity and adaptation to technological and demographic change