Get Rich off the Demographic King

By Harry S. Dent Jr. and Rodney Johnson, Editors of *Boom and Bust*
Cash in on a New Demographic Boom

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American, European and Japanese economies are facing one of the biggest demographic crises in history. That is, the largest portions of their populations are moving out of the workforce and into retirement. This means they will spend less. And they will produce less. So these economies will stagnate at best… contract at worst.

The picture in emerging markets is different.

There, a demographic boom is beginning to surge through their economies. Each day, waves of young people enter the workforce in places like India, Indonesia, Malaysia, Thailand, Vietnam and the Philippines.

They’re earning more, spending more, and giving more to their economies (in both taxes and productivity). As they do, they drive well-positioned companies to greater profits. In turn, these companies repay their investors with faster, bigger gains and fatter dividend checks.

Right now, one emerging market country is leading this booming demographic trend…

The Country That Will Outgrow Every Other for the Next 24 Years

As the Economist has said, the way this country does business “will change the world.” The International Monetary Fund (IMF) claims this country will even outperform China. In fact, according to the famous economist and Nobel laureate, James Mirrlees, this country is already twice as productive as China…

That country is India.

India’s working-age adults will grow into the 2050s, possibly even the 2060s. China’s workforce is already slowly declining. On its own, this fact would mean nothing in a rural India. But, more than a third of the country’s population has moved into the cities, where they’re earning more… demanding more infrastructure… and buying what they want, not just what they need. India will likely be 70% to 80% urban by 2070, and such urban households earn three times on average what rural ones do. That’s a lot of growth for a long time ahead.

The U.S. Census Bureau projection on the next page illustrates this reality perfectly. At the time of writing, India’s population was over 1.3 billion, accounting for nearly 18% of the world’s total population. It continues to grow at a rate of 1.2% per year and will reach over 1.4 billion — larger than China before its population peaks. The group of individuals within the 20-64 age range are the ones to concentrate on here, as they will swell the Indian economy like a pig in a python. Just look…
All these people will demand more of everything. And they’ll have the money to pay for it.

**How India Moves up the Profit Chain**

India underwent major economic reforms in the 90s. The government swept “The Licence Raj” system, under which businesses could barely pick their teeth without a permit, under the carpet.

When that old system disappeared, all the pent-up commercial energy suddenly exploded… so much so that even children began to trail-blaze new innovations. They created cycle-powered washing machines, scooter-powered flourmills, and solar-powered mosquito killers…

Now India is pioneering fields in low-cost health care devices, extracting carbon out of the air and storing it away (known as carbon sequestration), solar and wind power, biofuels, microfinance, water purification, electric cars and ultra-low-cost homes.

It pioneered the $2,700 Tata car and the $1,900 heart operation, which would cost you around $60,000 in the U.S. It’s creating the $12 laptop.

All this Indian enthusiasm, innovation and invention has made India the place to be for companies who want to slash costs and explode profits…

And companies are taking advantage. From aerospace to biotechnology, energy to entertainment, life sciences to insurance, companies have begun to seek out Indian services to develop and drive their new innovations.

They do it because they pay a fraction of the cost for doing it on Indian soil than they would doing it on American or European soil. For example, in India, a biotech or pharmaceutical company can discover and develop a new drug just as quickly and just as well as in the U.S. — but for much less.

It may cost a company in the U.S. more than a billion dollars to get a drug to the market. In India, they’re doing it for $200 million or less — that’s 20% the cost.
They’re making washing machines at 1/5 the cost… suspension bridges at 1/10 the cost… cell phones at 1/15 the cost… computers at 1/18 the cost…

China may be the “Manufacturer to the World,” but India is now its Innovator and Service Provider. All because of the sheer numbers of people surging into and through the economy.

Knowing this puts you in a particularly good position. It allows you to profit from the demographic boom driving India’s economic explosion. Even better, you can pump up your returns by investing in the following five “demographic kings.”

Let’s take a look at who they are…

Get In On the Biggest Building Boom in History

As you can see, India’s demographics will define the borders of companies, markets, industries, and technologies for generations to come. It will also drive infrastructure development and maintenance. So the first investment to consider is the Emerging Global Shares India Infrastructure ETF (NYSEArca: INXX).

This ETF will hand you profits thanks to one important fact: The Indian government will spend a half a trillion dollars on infrastructure projects in the next few years.

Except for the modern parts of its mega-cities like Bangalore and Mumbai, most things in India are crumbling and decaying. It can take what seems an eternity to travel just 50 miles there. You’d venture over dirty, dusty, pot-holed roads… many of which you’d share with pedestrians, motorcycles, cars, cows, busses, goats and elephants.

Yes, elephants.

Pigs and monkeys snuffle in the rubbish. Fallen power lines dance and spark by the roadside. Villages go dark after dusk. In fact, almost half a billion Indians still don’t have access to electricity. Sixty-eight million Indians still live in homes made of straw, mud or corrugated iron. They light these humble homes with kerosene lamps (the dirtiest of all the fossil fuels.) And clean water is so scarce armed guards surround village ponds and people literally buy water by the bucket.

According to Seeking Alpha, India must spend at least $250 per city dweller on services and infrastructure. Currently it spends just $17.

Hands down, this one country holds the greatest potential for real estate and infrastructure development of any nation in the world today. And the Emerging Global Shares India Infrastructure ETF (NYSEArca: INXX) focuses its attention on this Indian infrastructure boom.

INXX tracks the INDXX India Infrastructure Index, which holds 30 leading companies representative of the country’s infrastructure industry. The fund’s top ten holdings include:

1. Gail India Ltd.
2. NPTC Ltd.
3. UltraTech Cement Ltd.
4. Eicher Motors Ltd.
5. Ambuja Cements Ltd.
6. Bharti Airtel Ltd.
7. Bharti Infratel Ltd.
8. Tata Power Co. Ltd.
9. Vedanta Ltd.
10. Idea Cellular Ltd.

Most of these companies are the infrastructure heavy weights in India.

**Action to Take:** Keep an eye on the Emerging Global Shares India Infrastructure ETF (NYSEArca: INXX), but don’t buy until we tell you to. The global crash will hit India’s stock market as it did in 2008, but not for as long as other global sectors.

Aside from INXX, there is a second way to profit from India’s pending infrastructure boom…

### The Infrastructure India Needs By 2025

By 2025, 46% of all Indians will live in cities housing more than one million people. That’s why India needs…

- Up to 59 million square feet of floor space — that’s the equivalent of four New Yorks.
- To build about 249 miles of metro rail every year from now on.
- To pave 8.2 million square feet of road.
- To build up to three million square feet of combined residential and commercial space each year. That’s the equivalent of adding one Chicago-sized space each year.

*Source: www.foreignpolicy.com*

**General Electric (NYSE: GE)** will be there to help India meet these needs thanks to its electrical distribution, energy, rail, water and lighting divisions.

But the company won’t stop there. It also offers business and consumer financing, it’s involved in the aviation business, it develops software and it makes and sells consumer electronics and appliances. It’s no wonder this company is an earth-rattling, history-making, corporate trailblazer.

It boasts the legacy of being the only 19th century company that still holds a prestigious place on the legendary Dow 30. It’s been there for over a century, and there’s every reason it will still be there a century from now.

**Action to Take:** Watch General Electric (NYSE: GE), but don’t buy until we give you further instructions.

### How to Play Bombay via Beijing

Then there is **Harbin Electric (NasdaqGS: HRBN)**… our third demographic king that could
hand you great returns as it helps rebuild and reshape India.

Harbin develops and manufactures a range of electric motors, from industrial rotary motors to linear and specialty micro motors.

Then it sells its products to companies in the energy, transportation, petrochemical, mining and medical industries, food processing, factory automation and packaging.

The thing is… Harbin isn’t in India. It’s in China. And China is on a mission to become a global force in power generation and transport. China is also much closer to India, geographically, economically and mentally, and this gives them an enormous edge.

Powerful emerging Chinese companies, like Harbin Electric, will be among India’s biggest surprise winners… bringing power to the millions of Indian people who currently live without it and meeting the increasing demands of the millions moving into the cities.

**Action to Take:** Watch Harbin Electric (NasdaqGS: HRBN), but don’t pull the trigger until we say so.

The next demographic king involved in India’s infrastructure boom is…

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**The Emerging Asian Giant**

Another company that will tap into India’s demographic explosion is **LG Electronics (LSE: LGLD)**. With its plans for the Indian market — and the projects it has already implemented in India — LG Electronics could very well be one of the 10 biggest companies in the world by 2020.

The truth is the company is unraveling the commercial secrets of India’s mystic market… conquering it head on and leaving its competitors in a blaze of dust.

It has already produced and marketed a number of blockbuster products to the Indian market, including voice-activated washing machines for illiterate maids and booming speakers and fridges with less freezer space but more draws because many Indians are vegetarians.

As the Indian population moves into the cities and up on the earnings scale, it will balloon into a powerful middle class that doesn’t buy electronics and appliances on a need-to-have basis. Instead, these millions of people will buy things that are nice to have.

They will be more concerned about image than price…

“The Indian populace is increasingly viewing luxury goods as necessities in their households… and higher disposable incomes means people can spend more on lifestyle products,” said the once Federation of Indian Chamber of Commerce & Industry (FICCI) chairman, Habil Khorakiwala.

Indians will want the color TVs, the hi-tech DVD players, and heavy-load washing machines. They’ll want art-like air conditioners, stylish microwaves and refrigerators, and trendy mobile phones…

And LG Electronics will be the one to give it to them.

Take a look at the following two consumer demand curves on the next page. They illustrate how people tend to buy more washing machines, TVs and cellphones the older they get. See how they reach the peak of their spending on such items when they’re in their 40s.
Where you see those red circles, those are the ages where we tend to buy more of a particular product. We use cell phone services more and more between the ages of 20 and 50. Then, as we age, we use those services less.

The booming Indian demographic is right at the beginning of that demand curve. They are heading into a time in their life when they’ll use cell phone services more. And as they move into cities, they’ll have more means to use such services.

The same applies to when they will buy color TVs and DVD players.

Not only does LG Electronics deliver these kinds of products... but it is positioning itself to give millions of Indians — who are heading into their peak spending years — exactly what they want.

**A Sector Poised to Double Over the Next Few Years**

According to a Research & Markets report, consumer-durable goods is one of India’s fastest growing industries. The sector came close to breaking the $10 billion mark in 2015, and estimates suggest it’ll reach $20.6 billion by 2020. And Reuters argues that: “India will leapfrog from the 12th position to the fifth position in the world-wide consumer market by 2025.” We agree.

And because LG understands the value of building brand awareness, helping its customers better afford its products, and continuous research, development and product launching... it will grab a significant chunk of that growth.

For example, a few years after opening its doors in India in 1997, it entered into a strategic alliance with two consumer financing companies so more people in the country could afford to by the LG products they wanted.

Although it only offered the financing on particular products in its range, it still grew brand awareness and product loyalty among its target market.

Later it launched 10 new color TV sets, seven new refrigerators and three new washing machines into the Indian market alone.
LG spends billions on R&D every year.

Its mission: cost-innovation. That is, bring the price of the TVs, microwaves, refrigerators, vacuum cleaners, air conditioners — all the products the Indian market wants — down in price so prospects can more easily afford to buy them.

Now you can profit from LG’s penetration into the booming Indian market.

**Action to Take:** Wait until we give the green light to buy this stock.

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**WARNING!** Timing is crucial when you invest in emerging markets. While we point these investments out to you now, we are not recommending you buy immediately. These markets will first experience a second collapse before they're ready to make you money.

We will tell you when to get into these stocks in your monthly issues of *Boom & Bust*. When we do, you'll bank windfall profits.

For now, do not enter these markets until we give you the go-ahead.