



Asian consumer market

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Introduction

With the growth of the US deficit and negative current account and negative saving per household, the world's economists are feeling worry the American's economy would push the world into recession. The observation is counter balanced by another thought that the recession could be avoided by the consumer market developed in the emerging market. I think the later has arrived.

American still number 1

The American economy is still number 1. There is no argument. The argument is whether the American consumer market still number 1 or how long could it be maintained. The American consumer market is driven by the automobile manufacturing industry, the financial industry, the ammunition industry and the computing industry (including high tech electronics, software and cyber industry). These three industries pay high and have a wide employee based. The employees drive the spending at all consumer goods, housing, car sales and service industry.

Among these four sectors, there is only one shrinking while all three others are still growing at a certain speed. I would like to take a look at each of these sectors and get a sense of its direction. The financial industry is doing extremely well. I do not refer to the bank teller. I refer to the credit card business, which is boom to bust, and the investment bankers who gave enormous year end bonus to fuel the Christmas shopping. The ammunition industry is pushed higher and higher (look at Boeing and Northrop) by the Iraq war which has no end in sight. The Apple, Google, Yahoo, Adobe and many Internet related industry also booming. Their business is not just limited to Internet service but becoming the entertainer. Apple and Microsoft have entered into the home entertainment territory. This territory has not national boundary which has been extended to the work. Therefore the market segment is not limited to North America but the world. However the majority of employee is located in United States which means the world finance the salary of these people.

Who Replaces American Consumer?

India has started the growth of the national consumer market after it became the land of outsourcing starting in early 1990's. The general income has been grown multiple. The continuous outsourcing of low salary jobs and high salary jobs to India has pushing the living standard. In general it is true to the whole Asia except Japan and Arabian countries. Vietnam, China, and Taiwan have these neck-breaking GDP growth of 8+% pushes the average income per capita. One report from China indicated that the autoworker of Ford's Chinese factory is about \$200 per month which is 3 to 4 times the local worker. Wal-Mart, Ikea and Home Depot open outlet in China is the strongest

evident to support the consumer demand in China which is about 6 times the population of United States. Combine with India and other Asian country (other than Japan), the population is more than 20 time of American. Only 5% of this combined population has the purchasing power of one half of the American will able to initiate the transition of the consumer demand from US to the Asian. With more than 20% of the job being outsourced to the East (including the MacDonalddrive through ordering), this could be easily achieved.

Where is the beef?

If the transition of the demand has happened why don't we see it? We should answer this question in two parts. We do not see it easily because the Asian simply drives a very small increase in Western import except commodities and energy resources. They are eating what they cook. A lot of the merchandizes sold in the West are coming from Asia. They are buying among the Asian countries. For example, China exports to Vietnam and Japan.

Furthermore, there is a rising economy called South America which has been increasing its trading volume with Asia. Western merchandizes (low price or high tech) are just too expensive for them. Remember China, India and Vietnam are exporting the full spectrum of goods from that \$1 slipper to the 20 inches plasma TV.

There are signs that the Asian consumer market could take over the North America. Japan has finished its zero percent interest rate policy. China is adjusting the RMB. As soon as the tariff and quota at North America is stabilized, China, Japan and Taiwan will slowly cut down their T-bill. Where will those moneys go? Arabian market is a possibility.

Of course, nothing will change tomorrow. All have to be done in the finesse of trade treaty negotiation. When American sends more senior office to visit Asia, we would know that moment has arrived.