The period of "demographic window of opportunity" in Viet Nam brings about both opportunities and challenges for the country's development and has profound impacts on various socio-economic aspects. The General Statistics Office has collaborated with UNFPA, the United Nations Population Fund, to develop the National Transfer Accounts research for Viet Nam to provide comprehensive understanding and important evidence on the impacts of demographic changes on economic growth and development.

This Factsheet presents the key findings from the research and provides policy suggestions for consideration in relevant to the current economic conditions and demographic characteristics of Viet Nam.

KEY FINDINGS

1. DEMOGRAPHIC CHARACTERISTICS

The total population of Viet Nam as of 1st April, 2022, was 99.2 million people. Among them, the male population was 49.3 million people, accounting for 49.7%, and the female population was 49.9 million people, accounting for 50.3%. Since 2009, the average annual population increase is approximately 1 million people.

The General Statistics Office projects Viet Nam's population to continue increase, but at a gradually decreasing rate, until 2060 when it will stay stable for a few years and then start to decline in the late 2060s.
2 ECONOMIC CHARACTERISTICS

From 2011 to 2019, Viet Nam’s economic growth was among the highest in the Southeast Asia Region with an average annual growth rate of 6.21%.

In 2020 and 2021, the economic growth was severely affected by the Covid-19 pandemics, dropping to record low rates of 2.87% and 2.55%, respectively, not achieving the targets as planned. Nevertheless, compared to the negative growth experienced by many countries worldwide, Viet Nam’s relatively modest growth is still recognized as a success story in the efforts to cope with the Covid-19 pandemic.

By 2022, due to effective epidemic control measures and the implementation of numerous economic recovery programmes, Viet Nam witnessed a remarkable rebound in its GDP growth rate, reaching 8.12%.

3 FINAL CONSUMPTION

Using the expenditure approach, GDP encompasses final consumption, gross capital formation, and net exports of goods and services. Among these, final consumption accounts for the largest share, approximately 62 to 68% of GDP.

In 2022, Viet Nam’s final consumption was 64.2% of GDP, in which public final consumption, also known as Government final consumption, accounted for 9.0%; and private final consumption, encompassing final consumption of households, accounted for 55.2% of GDP.
In the National Transfer Accounts (NTA), final consumption are categorised into three main expenditure purposes: health, education and other final consumption expenditure.

**HEALTH EXPENDITURE**

In 2022, Viet Nam’s total health expenditure was VND 472.7 trillion, accounting for 5.0% of GDP. The majority of health spending in Viet Nam is carried out by the private sector, comprising 78.9% of the total health expenditure.

Health expenditure shows significant variations according to age. In the younger age group (up to 45 years old), the average health spending remains relatively stable across different age cohorts. However, from the age of 45 onwards, health expenditure gradually increases with age. Particularly, from the age of 51 to 75, health spending increases by approximately VND 200,000 – 300,000/person/year for each additional year. The average per capita health expenditure for the population aged 75 and above is 2.7 times higher than that for children aged 15 and below.

As people age, the demand for healthcare increases. With rapid population ageing, it is projected that the demand for investment in the healthcare system in Viet Nam will increase significantly in the coming years.

**EDUCATION EXPENDITURE**

Viet Nam’s total expenditure on education in 2022 was VND 491.4 trillion, accounting for 8% of the total final consumption expenditure of the entire society and equivalent to approximately 5.2% of GDP.

Figure 6 illustrates that spending on education in the early years of life remains relatively low but experiences a substantial increase in the age group corresponding to primary school. The expenditure continues to rise significantly for the age group corresponding to secondary education, followed by a gradual decline in the age group post-university graduation, reaching near-zero levels for individuals aged 27 and above. This trend is observed consistently in the years 2018, 2020, and 2022.

**OTHER FINAL CONSUMPTION EXPENDITURE**

In constructing NTA, all final consumption expenditures that do not serve health and education purposes are categorized into other final consumption expenditure.

Other final consumption expenditure of the public sector includes expenses related to the regular needs of the Government, excluding areas such as healthcare and education. These expenses encompass government administration, national security and defense, mandatory social security, and other essential functions.

Other final consumption expenditure of the private sector (excluding healthcare and education) may include spending on meals, non-food products, durable goods, regular expenses for housing, utilities (electricity and water), household waste, and other costs contributing to the overall consumer expenditure that serves the material and spiritual aspects of family life.

In 2022, Viet Nam’s total expenditure on other final consumption was VND 5,142.4 trillion, accounting for 84.2% of the total final consumption expenditure of
Labour Income

Income from labour is the income from production generated by individuals based on their work and is considered the primary source to offset society's expenditures. This income includes wages, salaries, and income from self-employment (from one's own business activities or family business).

In 2022, the total income generated by labour is VND 5741.9 trillion, accounting for 60.4% of GDP.

The distribution of labour income by age has a bell-shape. At the young age, from 0 to 14 years old, the labour income is zero, as children have not entered the labour market and have not generated income. The income of the population gradually increases from the age of 15 and reaches its peak in the age group from 35 to 44, then gradually decreases and approaches zero in the age group of the population aged 72 and above.

The majority of labour income (70.4%) is from salaries/wages, and the rest (about 30%) is from self-employment activities. However, this income structure is not the same across age groups. In the younger population group (15 to 24 years old) and the older population group (60 years and above), salary/wage income only accounts for about 55% to 66% of the total labour income, while in the mature age group (25 to 59 years old), salary/wage income typically constitutes over 71% of the total labour income.

In 2022, the other final consumption expenditure per capita was VND 51.9 million. The other final consumption expenditure was highest in the 40-44 years old age group at VND 62.4 million/person, and lowest in the children from 0 to 4 years old age group at VND 24.5 million/person. For the older population group aged 60 years and above, this expenditure was VND 56.8 million/person but tend to gradually decrease with age. There was not significant change in the expenditure structure over the years (2018, 2020, and 2022).
The positive difference between the final consumption and the labour income is referred to as the economic life cycle deficit, indicating the value of consumption that is not covered by the labour income and needs to be supplemented from other sources such as asset ownership, savings, and transfers (e.g., pensions, gifts, grants, cash transfers, remittances, etc.).

The NTA calculation for Viet Nam showed that the total economic life cycle deficit of the population in 2022 was VND 364.6 trillion, equivalent to 3.8% GDP. On average, the economic life cycle deficit per person in 2022 was VND 3.7 million.

People aged 0 to 21 and individuals aged 54 and above are demographic groups with positive economic life cycle deficits. Compared to adults, the economic life cycle deficit for children was much higher. The total economic life cycle deficit for children (0-19 years old) in 2022 was VND 1,491.1 trillion, which was 2.3 times higher than that for individuals aged 55 and above.

In contrast, between the age 22 to 53, the population of Viet Nam generates economic life cycle surplus (where total labour income exceeds total consumption). The most prominent economic surplus was observed in the 25-49 years old age group. Nearly 90% of the total economic surplus was produced by labour in this age range.

The NTA data showed that Vietnamese people have about 31 years, from the age of 22 to 53, to generate an “economic life cycle surplus”. For the remaining approximately 42 years (average life expectancy of Vietnamese people is 73.6 years), corresponding to the age from 0-21 years old and from 54 years old and above, Vietnamese will experience an “economic life cycle deficit”. The number of years in economic deficit is longer than that in economic surplus.

Economically, the working population that generates labour income to cover their own expenditure and "support" the dependent population in Viet Nam are those from 22 to 53 years old.

As Viet Nam population is ageing rapidly, the number of people aged 60 and above will increase significantly over the years, constituting a heavier dependent population group. If Viet Nam’s economic life cycle remains unchanged, this could lead to significant increase in the economic life cycle deficit of the Vietnamese people in the future.
Following the NTA approach, the demographic dividend that a country could harness is not only based on the age structure of the population but also depends on the difference between actual labour income and consumption.

The difference between actual labour income and consumption is measured through the economic support ratio. This ratio compares the total income from labour to the overall final consumption expenditure. During a specific period, a population with a positive economic support ratio indicates that the population is experiencing demographic dividends. Demographic dividend will create favorable opportunities for the economic growth. Demographic dividend, according to NTA, includes two types: the first demographic dividend and the second demographic dividend.

The first demographic dividend occurs under the assumption that the age profiles between income and expenditure remains unchanged, and the economic support ratio increases due to favorable changes in the age structure of the population.

The second demographic dividend can happen through increased labour productivity, leading to an increase in asset accumulation in the population, which then increases the economic support ratio.

In reality, the first and second demographic dividends are not independent but closely related. The first demographic dividend can generate additional resources including the highest productivity to support development. The second demographic dividend reflects the effective utilization of these resources to increase productivity that leads to accumulate assets, thereby generating more opportunities for economic growth.

THE FIRST DEMOGRAPHIC DIVIDEND

The results of the NTA study in Viet Nam indicate that due to the rapid aging population, along with observed labour income and consumption structure in 2022, Viet Nam’s economic support ratio has continuously decreased from 2018 to 2023 and is forecasted to decline further until 2069.

This implies that changes in the age structure of Viet Nam’s population no longer provide an advantage for the country’s economic growth. In other words, the first demographic dividend period has come to an end in Viet Nam.

THE SECOND DEMOGRAPHIC DIVIDEND

While no longer having the advantage of the first demographic dividend, Viet Nam can implement comprehensive socio-economic solutions to increase labour productivity and encourage higher labor force participation rates, thus achieving the benefits of the second demographic dividend.

The NTA study indicates that, in case of well-implementing the economic and social development strategies stated at Decision No. 1305/QD-TTg dated November 8, 2023, of the Prime Minister of Viet Nam, the country can achieve an average labor productivity growth rate of 6.5% per year for the periods 2023-2030, higher than the labour productivity growth rate in 2022 by 1.7 percentage points.

The increase in labour productivity will lead to increase the economic support ratio, which could help Viet Nam attain the second demographic dividend by around 2040.

In addition, with stronger employment policies to increase the labour force participation rate such as increasing the retirement age, ensuring gender equality in the labour sector, improving job matching for young people, Viet Nam could boost the economic support ratio. These efforts will help Viet Nam continue to harness the second demographic dividend even when the country becomes an aged population country.
First, changes in the age structure of Viet Nam’s population no longer bring advantages to economic growth. The first period of demographic dividend in Viet Nam has ended. Viet Nam needs to actively implement comprehensive solutions to increase labour productivity combined with employment and job creation policies to increase labour participation rate, especially that among the older population. These solutions could result in generating more income, reducing the “economic life cycle deficit” thereby improving the economic support ratio to achieve the second demographic dividend.

Second, the NTA research results showed that the working-age population generating income to offset their own expenditures and “support” the dependent population in the Vietnamese economy is the age group from 22 to 53 years. The average number of years each worker creates of economic life-cycle surplus is about 31 years, much shorter than the period of economic life cycle deficit. This is one of the disadvantages for Viet Nam in the context of a rapidly ageing population. Therefore, Viet Nam also needs to allocate necessary resources to invest in health and education. Although in the short term, investments in health and education may increase costs and create additional economic life-cycle deficits, these investments are still important interventions to ensure the long-term future for the people of Viet Nam. Increasing investment resources in health and education will, on the one hand, help improve labor productivity, and on the other hand, help to prolong the period creating life-cycle surplus, reducing the deficit to achieve a second demographic dividend.

Third, although according to NTA calculation, Viet Nam no longer has the advantage of population age structure, our country is still in the “demographic window of opportunity” period with an abundant young labour force. This period is forecasted to last for at least another 10 years. Therefore, policies to capitalize on the “demographic window of opportunity” era, especially those related to job creation and providing decent employment for workers, remain valuable and need to be consistently implemented to ensure economic efficiency and social stability.

Fourth, the population of elderly individuals (aged 65 and above) in Viet Nam is increasing rapidly, with a growth rate significantly higher than the overall population growth rate. Developing appropriate policies to harness the potential of older workers to contribute additional income to this demographic group and minimize the “economic life cycle deficit” holds significant importance. Ongoing research and improvement of policies and timelines for increasing the retirement age in certain professions and sectors should be continued. Effectively implementing retirement insurance schemes is also essential to ensure a secure life for the elderly.

Fifth, the age structure of the population remains the most crucial factor influencing NTA outcomes. Therefore, maintaining and effectively implementing population policies is essential. Experience from many countries shows that population policies are often underrated in terms of their actual importance and are not given the deserved priority in investment. As a result, numerous demographic consequences have occurred, negatively affecting the socio-economic development of nations. Additionally, addressing these demographic consequences often proves to be more costly and challenging. It is imperative to continue prioritizing investment in population policies to be in line with ICPD principles ensure sustainable and harmonious development.

Sixth, NTA is a comprehensive and systematic method used to analyze the economic lifecycle, contributing to an enhanced understanding of population generations and demographic characteristics, and how each generation affects economic growth and development. Therefore, additional investment in research to develop and apply this method is needed to provide more evidence for the formulation of programmes, policies, and the establishment of monitoring processes to assess the impact of demographic changes on key economic indicators.

CONCLUSION AND RECOMMENDATIONS
Seventh, we estimate economic life-cycles of the population based on labor income and final consumption. The other two crucial components of the NTA table, namely public and private age reallocations, have not yet to be estimated due to the insufficient system of national accounts’ macroeconomic data, especially the data transfers, income from assets, and savings in both public and private sectors.

The estimation of the data on the transfer flows to and from age groups will further enhance our understanding of living standards, generational equity, financial conditions, and other vital characteristics of the economy under the influence of demographic changes. Therefore, beside analyzing the economic lifecycle, there is a need to enhance the detailed macroeconomic data in the system of national accounts to facilitate the calculation of public and private age reallocations.

This will help provide more comprehensive evidence about the generational economy in Viet Nam, contributing to the development of a sustainable policies to ensure that “leaving no one behind.”

**Data source**
The data and graphics presented in this report are compiled by the Research Group based on three data sources.

- Population size and age structure data.
- Population size since 2009 and 2019: Results of the Population and Housing Census as of April 1, 2019, by the Central Steering Committee for the Population and Housing Census, Statistics Publishing House.
- National accounts data, including GDP, GDP growth rate, labour income, final consumer expenditure, including health, education, and other expenditure calculated and annually published by the General Statistics Office in the Statistical Yearbook.
- Income and consumption data by age or age group calculated by the research group based on the Viet Nam household Living Standards in 2018, 2020, and 2022.

**Contact information**
This research was conducted within the framework of a development cooperation project between the General Statistics Office and the United Nations Population Fund (UNFPA) in Viet Nam, with technical support from Professor Sang Hyop Lee, Ph.D. in Economics, University of Hawaii - an international expert and Asian team leader of the NTA project.