

# Megacities: Developing Country Domination

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# OVERVIEW



Introduction

Global Outlook

The Future Megacities

Key Trends

Conclusion



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# Introduction

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The trend of global urbanisation is in full swing, with the last 100 years seeing remarkable change in attitudes to city life. In the past, urban living was an infrequent occurrence; for instance, in 1900 only 15% of the globe's population resided in cities. Nonetheless, changing consumer lifestyles and livelihoods have led to a stark rise in this figure and 2008 marked a historic milestone which saw over half of the world's population living in urbanised conurbations. The trend sees no end — at least in the medium term — as current projections suggest 60% of the world's population to be urban by 2030.

Megacities are significant for businesses since they concentrate wealth, income and business opportunities. The adverse externalities they create through excessive pollution or traffic congestion, concurrently fosters urban challenges and opportunities which necessitate innovative solutions to maintain economic appeal. Understanding the economic and demographic composition of megacities, as well as the direction of expected changes can help businesses implement the appropriate business models to achieve future success.

The purpose of the white paper is to offer an overview of the current economic and demographic state of the world's megacities. The report answers a range of questions: which megacities feature the most affluent economic indicators? which megacities are forecast to lead economic growth? Furthermore, the report examines and pinpoints the key future trends that are set to characterise megacity consumer markets over 2017–2030, touching upon key topics such as ageing and consumer affluence.

## What is a megacity?

An urbanised conurbation housing 10 or more million inhabitants. They are often the primary nodes for investment in a country and feature the most affluent households.

Some of the first megacities popped up in the developed world, with New York being the first, in the 1950s, but was soon overtaken by the fast rising Tokyo.

## Why are they significant?

Megacities offer wealth, social diversity, economic growth and innovation. They attract the ambitious in search of jobs, business ventures and education.

At the same time, megacities present numerous challenges to urban planners, as they can suffer from overcrowding, traffic congestion, air pollution and high income inequality.

## Key findings

Developing cities dominate the megacity scene	In 2017, 26 of the 33 megacities were in developing countries. Developing countries will dominate the megacity scene over 2017–2030, adding five of the six new megacities in the period.
Asia Pacific has the largest number of megacities	In 2017, Asia Pacific accounted for the largest number of megacities, with 19 of the 33 (58%). China and India are the regional and global leaders, with six and four megacities each in 2017, respectively.
Jakarta: The globe's most populous city in 2030	Jakarta is due to overtake Tokyo in 2030 to become the largest city in terms of population size. Rapid population growth in Jakarta, coupled with depopulation in Tokyo, will make the Indonesian capital the largest by population size in 2030, with 35.6 million.
African megacities to lead population surge	African megacities will lead population growth, reflecting its position as the last major continent to undergo urbanisation. It will account for the largest absolute rise in megacities over 2017–2030, adding Dar es Salaam and Luanda to the region's current megacities of Cairo and Lagos.
Developed megacities maintain economic lead	In spite of the surging populations and economic progress in emerging countries, developed megacities will still maintain their economic and consumer affluence advantage in 2030. For instance, disposable income per household will still be greater in all developed megacities in 2030 than in emerging megacities.
East Asia's ageing megacities	Ageing is expected to have an impact on many key megacities in East Asia over 2017–2030. Growth in the share of over 65 year-olds will be particularly apparent in Seoul, and Chinese megacities such as Beijing and Shanghai.

## Areas of opportunity

### Rising need for smart city initiatives

In light of rising populations, the demands placed upon city assets and resources (waste management, public transport, energy, etc.) will be stretched. Smart city initiatives are needed in fast growing developing cities to help manage the effects population growth brings.

### Business opportunities in ageing East Asia

Population ageing will feature in Asia Pacific countries, with China being a major market. One key growth industry among the older Chinese population is travel, with domestic and international tours specific tailored to the elderly rising in popularity.

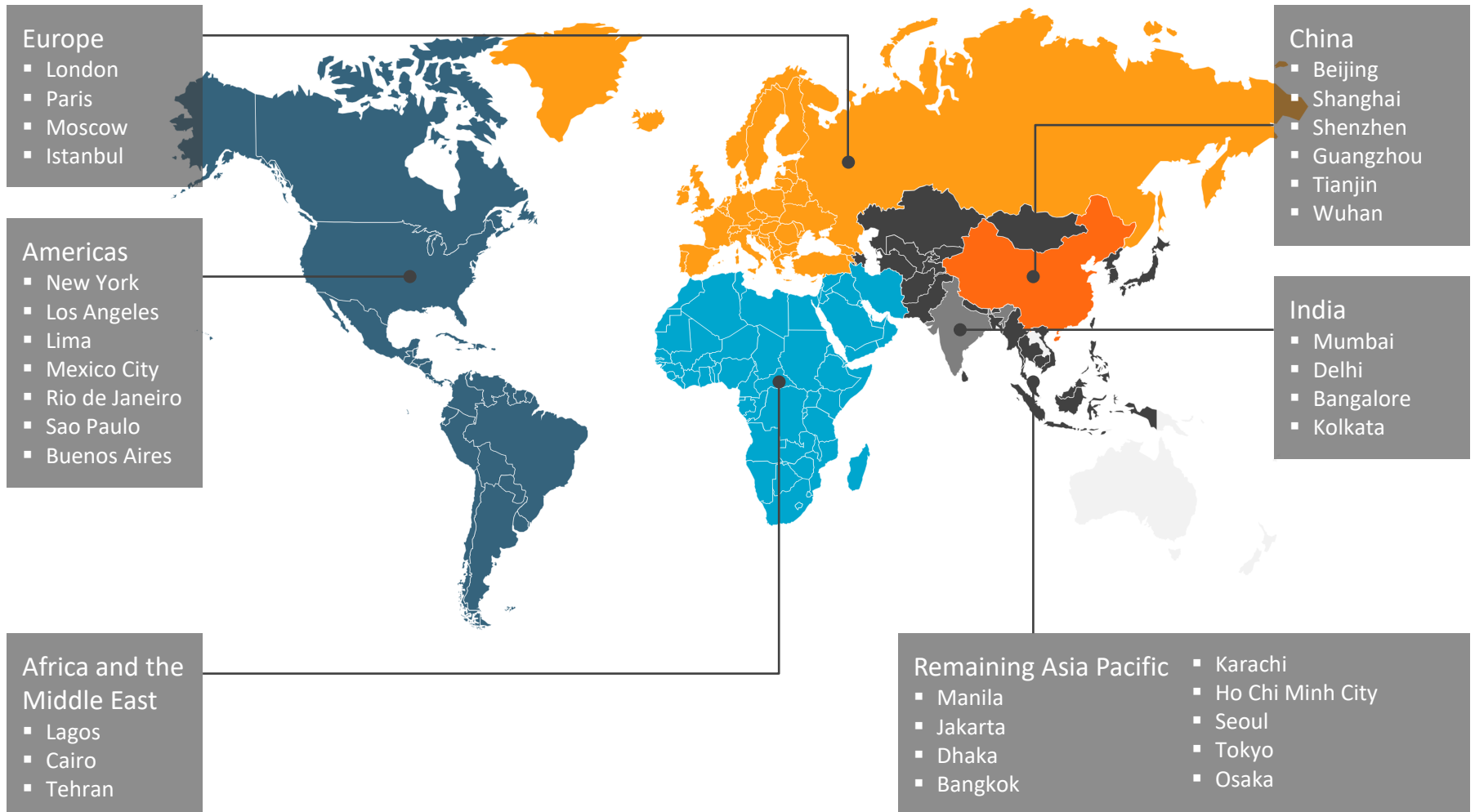
### Harnessing growth of African megacities

The African continent is rapidly urbanizing, and the middle class that is emerging will be an important component of future consumption growth. Challenges related to overcrowding, congestion and air pollution will need to be addressed to prevent counterproductive effects.

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# Global outlook

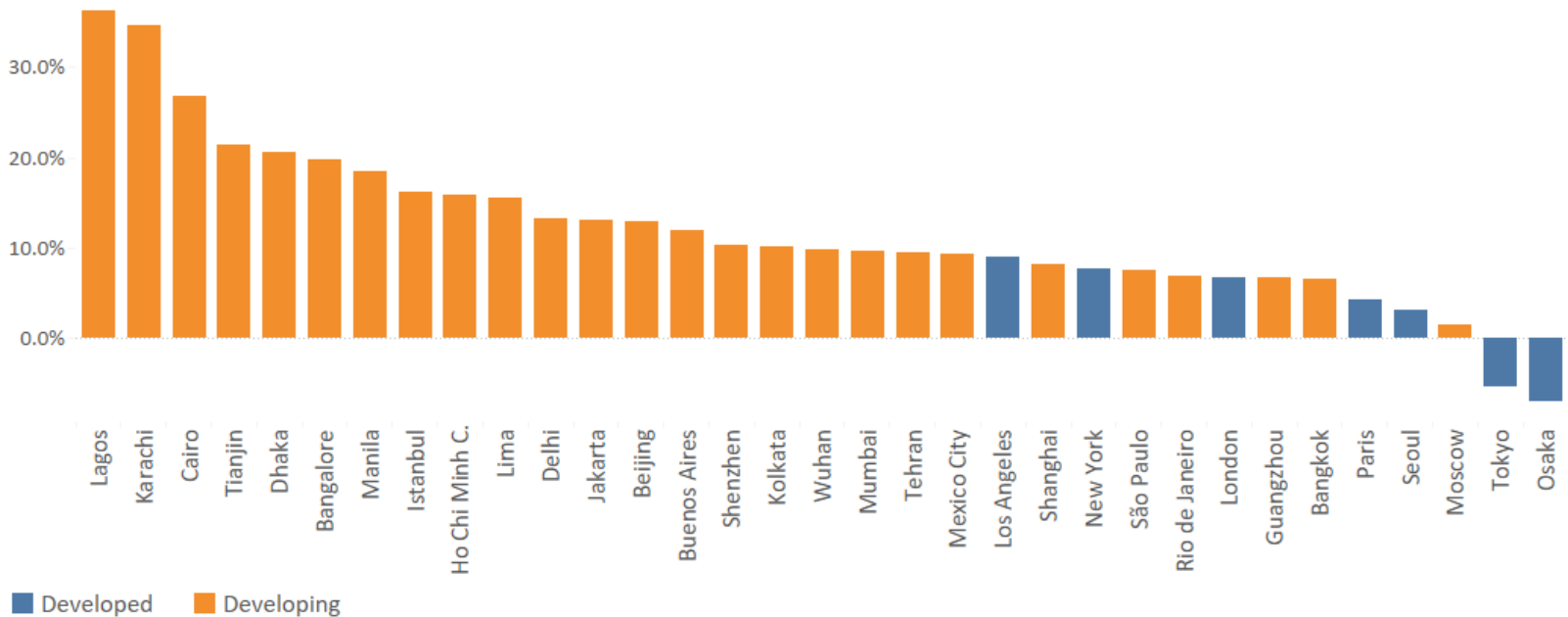
## Current megacities: breakdown by countries/regions



# Demographics: developed cities lag in population growth

Population growth is expected to be dominated by developing cities over 2017-2030. Developed cities will lag behind, owing in large part to their low birth rates.

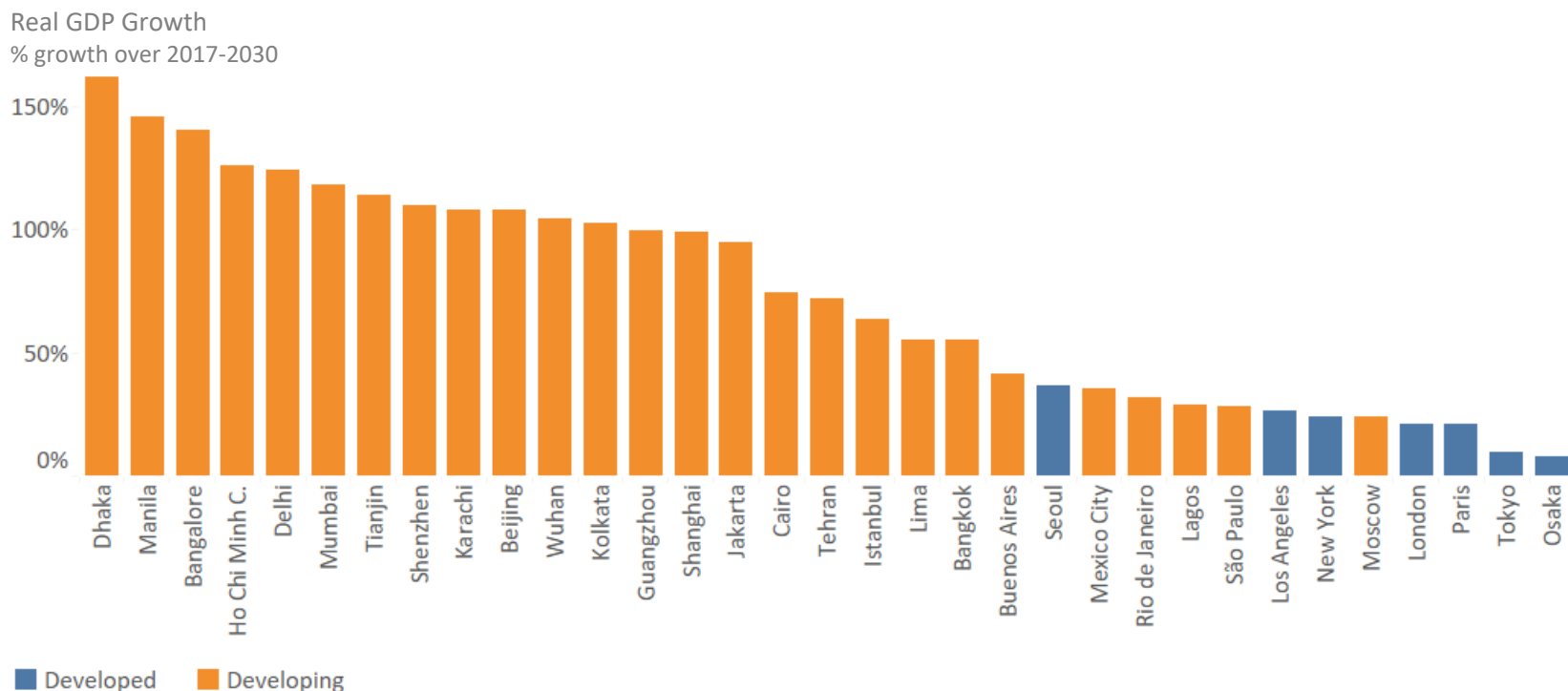
Total Population Growth  
% growth over 2017-2030



Source: Euromonitor International

# Economy: developing megacities playing catch up

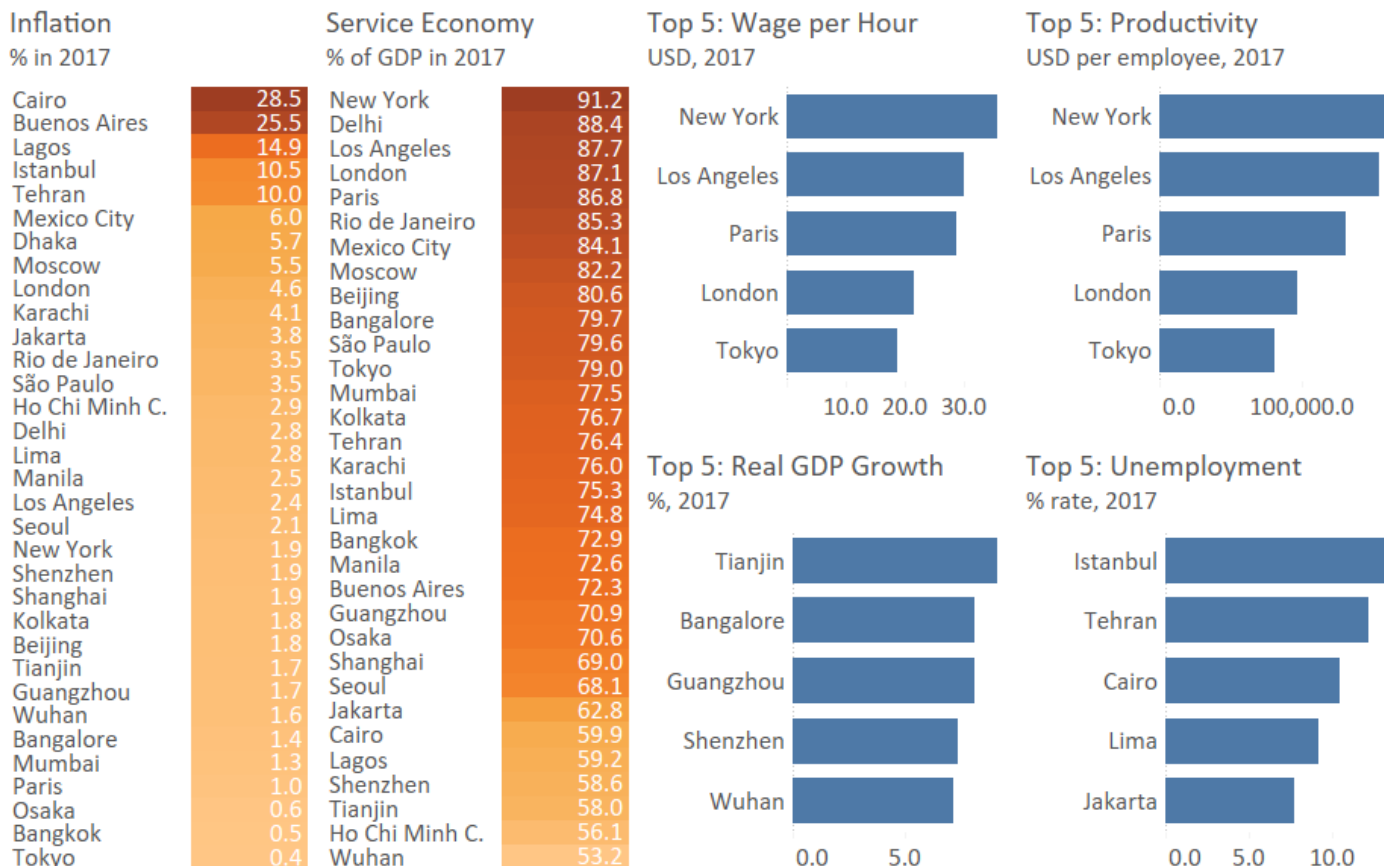
Developing country megacities will maintain their high levels of growth through to 2030, owing to strong population growth, significant investment and rising incomes.



Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS)

# Datagraphic of key economic indicators

USD in constant 2017 prices



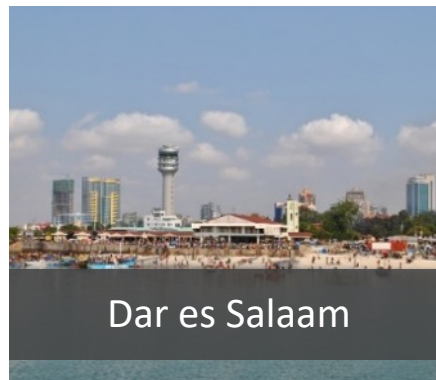
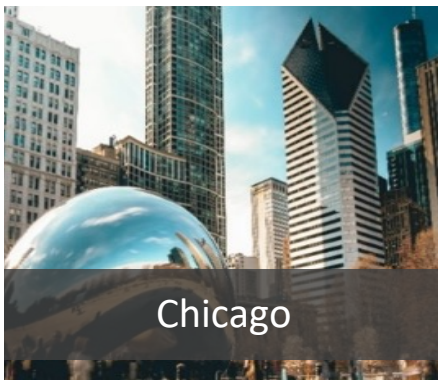
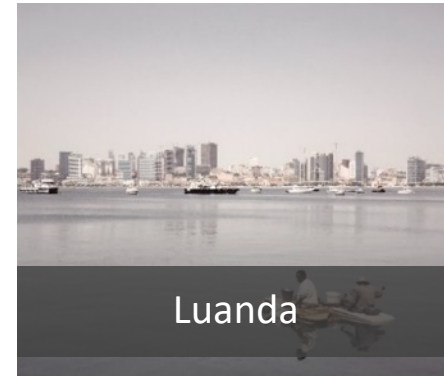
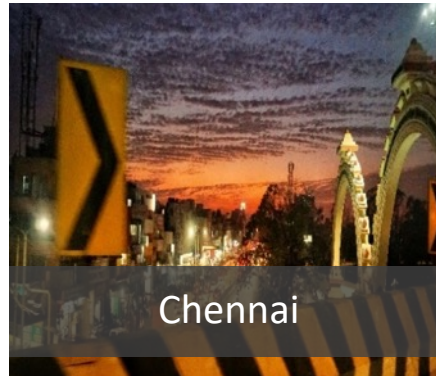
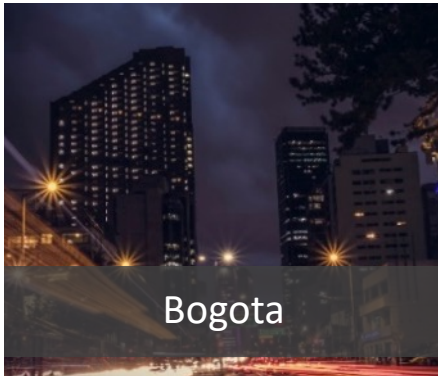
Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS)

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# The future megacities

## The future megacities

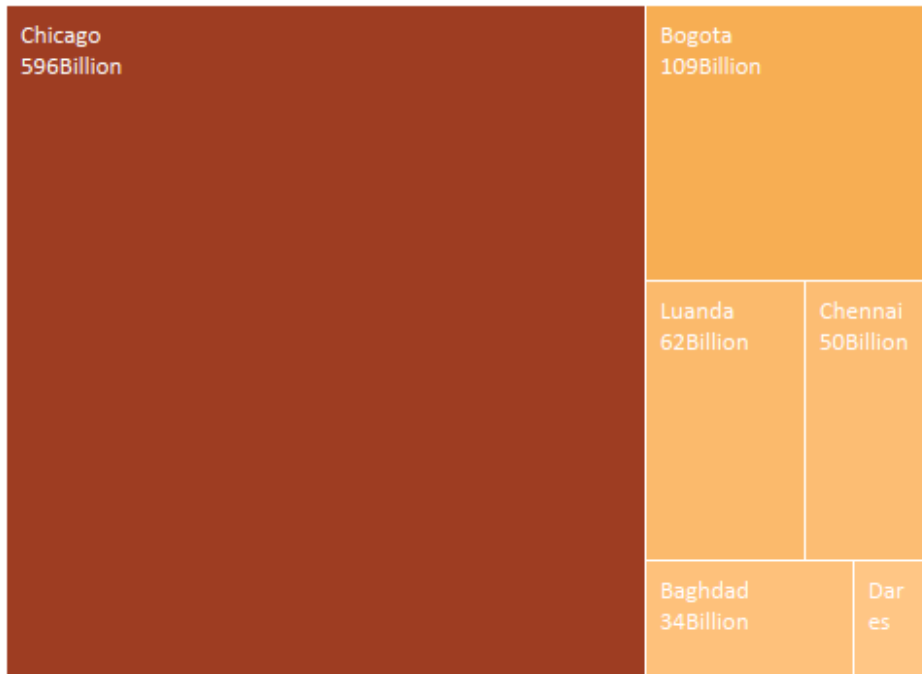
Between 2017 and 2030, six new cities are expected to join the megacity scene, with five being in developing markets.



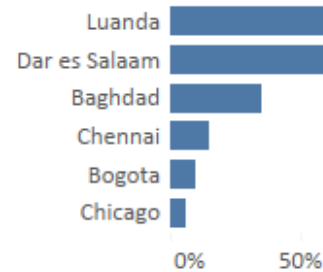
# A snapshot of the future megacities

Key challenges for new megacities, especially those in developing markets, include the upgrading of infrastructure, providing employment opportunities and housing, as a means to prevent overcrowding, escalating crime and excessive traffic.

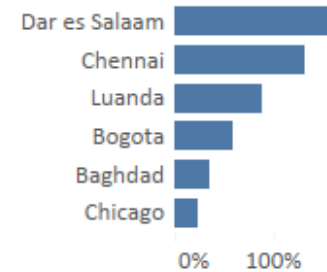
Total GDP in 2030  
USD in constant 2017 prices



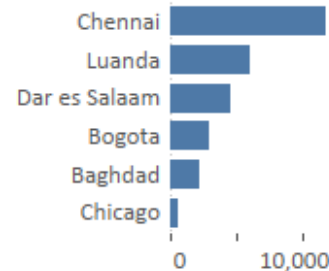
Population Change  
% over 2017-2030



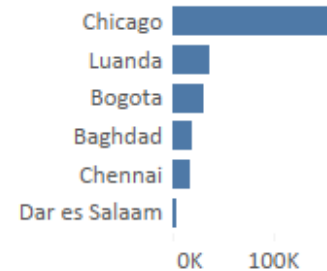
Real GDP Growth  
% over 2017-2030



Population Density  
Per 1,000 population, 2030

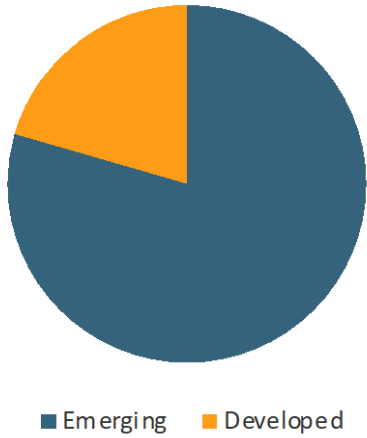


Disposable Income  
USD per household, 2030



Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS)

### Megacities by Development 2030



## Overview of megacities in 2030

39  
megacities

9%

of the world's population will live in megacities

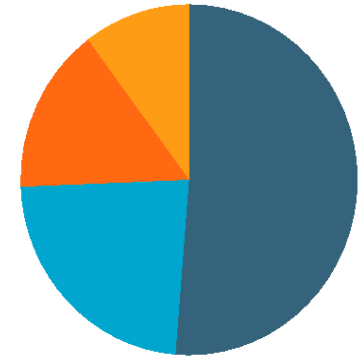
15%

of the world's GDP will come from megacities

3%

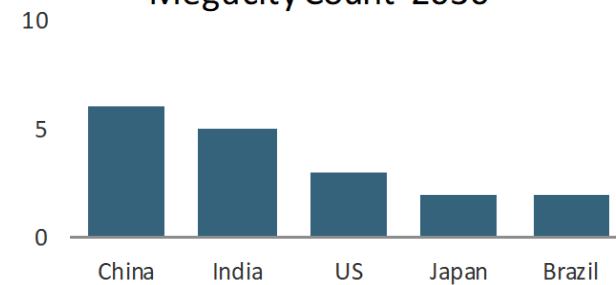
of the Earth's land mass will be covered by megacities

### Megacities by Region 2030

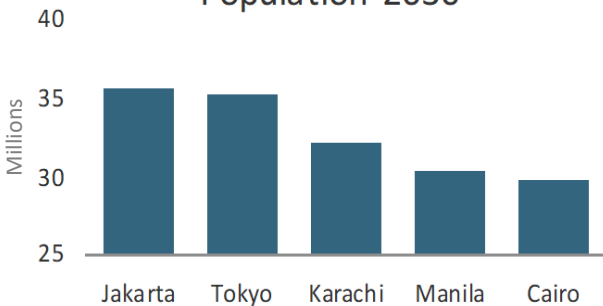


■ Asia-Pacific      ■ Americas  
 ■ Middle East and Africa      ■ Europe

### Top Five Countries by Megacity Count 2030



### Five Largest Megacities by Population 2030



Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS)

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# Key trends

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## Poor emerging countries dominate megacity scene

Not only do emerging countries house the largest share of all megacities worldwide, they are also expected to add the largest number of megacities over 2017–2030.

Both net migration and natural increase will play a large role in population growth. Population growth creates demand for goods and services, but will be matched by urban challenges such as housing, infrastructure and crime.

Makoko — located in Lagos, Nigeria is the world's largest floating slum, with population estimates ranging from 40,000–300,000. Its growth has been perpetuated by rural to urban migration and has resulted in squalid living conditions.

In 2030...



## African megacities at the heart of population growth

Urbanisation is taking hold in Africa, as people seek a life in urban conurbations. In Nigeria — the largest country by population in Africa — the urban share is expected to jump by nine percentage points over 2017–2030.

Urbanisation will continue feeding megacities growth. Luanda and Dar es Salaam — two of the new megacities in Africa — will be the fastest growing cities by population in the region over 2017–2030.

Challenges regarding housing, public services and sanitation, among other things, will require attention in Africa's megacities, as overcrowding will take its toll.

### Population highlights in Africa

Luanda will increase its population by 60% over 2017-2030

Cairo will add 6.3 million inhabitants over 2017-2030

Cairo will be Africa's largest megacity in 2030, with 29.8 million people

# Jakarta to be crowned most populous city in 2030

In 2030, Jakarta is expected to overtake Tokyo to become the most populous city in the world. Population decline in Tokyo (the city is expected to lose two million inhabitants over 2017–2030), coupled with large growth in Jakarta (adding 4.1 million people) will make it the largest city in the world, with a total population of 35.6 million.

This marks a new era in urban history, as Jakarta becomes the first emerging city to hold the title of world's largest megacity. Previously, New York held top spot, until it was overtaken by Tokyo in the 1950s.

Challenges will arise in Jakarta, with traffic being a major one. According to TomTom's congestion index, it was the third worst city for traffic in 2018.

## Incomes

Jakarta's household disposable income will only feature in the 28th percentile among 1,220 cities in 2030

## Demography

Only 7.3% of Jakartans will be aged over 65 years of age in 2030

## Economy

Jakarta will be the 23<sup>rd</sup> largest economy globally in terms of GDP in 2030

## Developed megacities to remain more affluent than emerging

It is no surprise that economic, income and expenditure growth have all been dominated by developing cities over the last decade. In spite of such growth, in 2030, developed megacities will be more affluent than emerging counterparts. For instance, based on household disposable income, Seoul (USD53,000) — the least affluent developed megacity, will still be richer than Shanghai (USD50,600)— the richest emerging megacity.

Developed megacities are still the key consumer markets of the future. Cities such as Dar es Salaam and Luanda have a long way to go before being considered for large-scale retail or commercial investment.

Consumer expenditure per household in 2030 will be four times greater in developed than emerging megacities on average in 2030

Total disposable income of a developed megacity will average around five times larger than an emerging megacity's in 2030

Wealth and affluence dominance of developed megacities

Average GDP per capita in developed megacities will be four times greater in 2030 compared to emerging megacities

33% of households will earn over USD100,000 in disposable incomes in developed megacities compared to just 3.3% in emerging megacities

## East Asia's ageing megacities

Ageing has been a phenomenon most associated with the developed regions of the world, which underwent much of their economic expansion during the 19<sup>th</sup> and 20<sup>th</sup> centuries.

Developing regions are now following in their footsteps. This trend is most apparent across East Asian megacities, and will continue during 2017–2030. Seoul will add 2.5 million inhabitants aged over 65 years in the period 2017–2030, followed by rises of 2.2 million and 1.8 million in Shanghai and Beijing, respectively.

East Asia's Tokyo and Osaka are already home to the oldest populations among any megacity in 2017.

Seoul and Shanghai will lead share growth of the over 65 years population, adding 9.2 and 7.1 percentage points, respectively, over 2017–2030

Osaka will be the oldest megacity in the world in 2030, with 31% of the population being aged over 65 years

Seoul will nearly double its share of the over 65 year-old population between 2017 and 2030, reaching 21%

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# Conclusion

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Megacities are urban consumer markets that can concentrate immense business potential. Indeed, some of the world's megacities are so large that they hold disproportionate national economic dominance albeit within a relatively small geographic space; for example, Bangkok generated over half of Thailand's GDP in 2017 despite only accounting for 1.5% of total national land area. As consumer markets, megacities make ideal settings for businesses to form entry or expansionary strategies; but they should be treated as individual consumer markets.

The importance of megacities in national affairs will continue to rise, with megacities potentially becoming future megalopolises capable of holding 50 or even 100 million people. To pave the way for sustainable growth, megacities will need to simultaneously overcome the stereotypical hurdles associated with urban growth: traffic congestion, income inequality, air pollution, crime, affordability and slum generation. Developing megacities will need to ensure good access to public amenities, clean water supply, electricity, education and jobs if they are to avoid the abovementioned pitfalls cities so often fall

prey to. Chinese megacities have grown remarkably well with standards of living being almost akin to developed megacities, but the real question lays with less affluent developing countries. Africa will spearhead growth as the world's final continent will embark on the urbanisation journey, but with weak governance and corruption, some of the continent's newly emerging megacities may face immense economic, social and environmental hardships.

# Thank you

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