

# **The Economic Impact of Demographic Change**

Introduction to the Conference Based on  
a State-of-the-Art Research Report

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# 1. Forecasts Are Always Wrong ...

... **world population prospects, too.**

We have two possibilities for dealing with it:

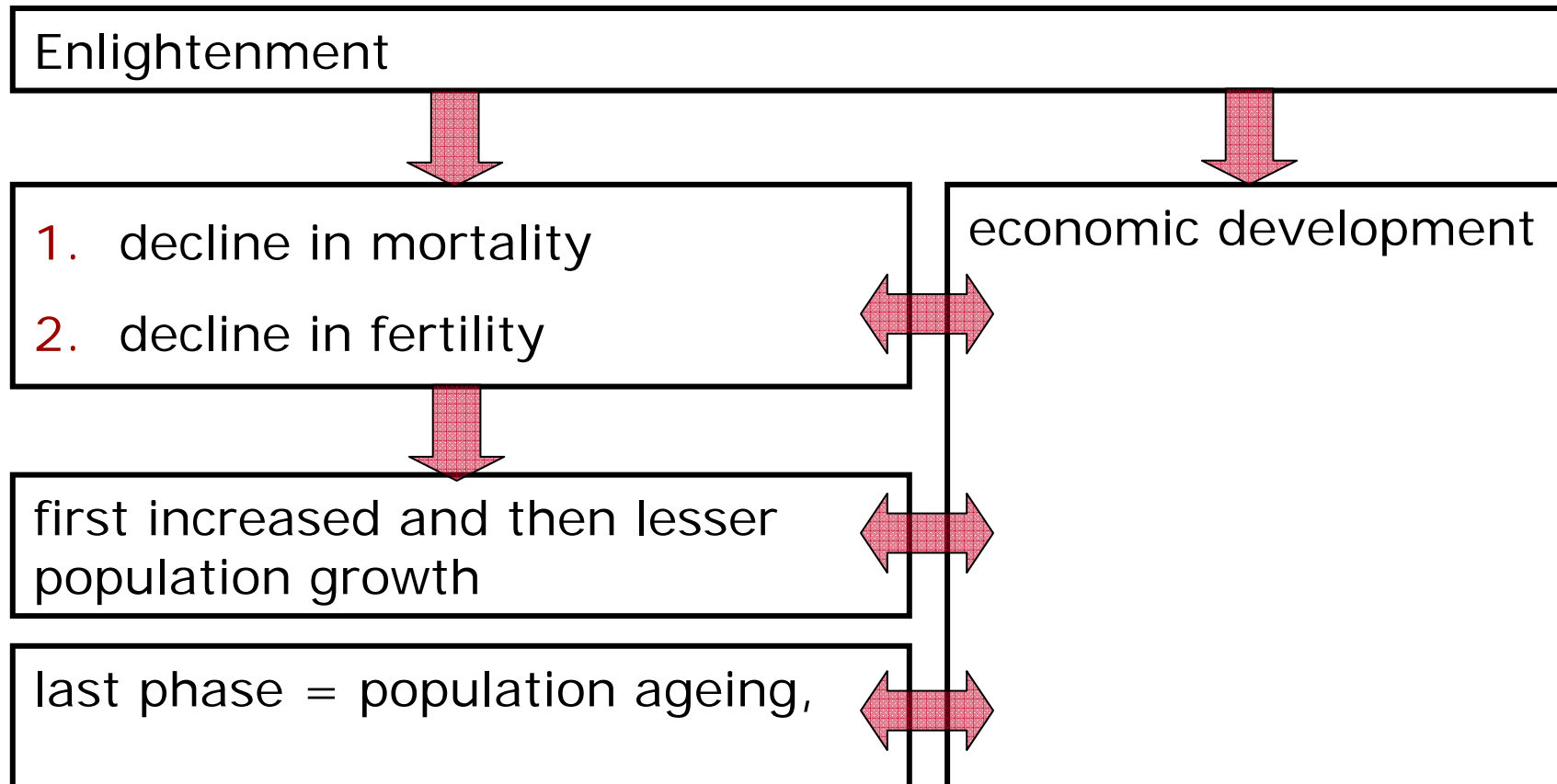
- (1) Ignore and go on with business as usual
- (2) Understand the trends and underlying determinants and reflect on their impacts on own business

The fact that you are here today implies that you have chosen possibility 2.

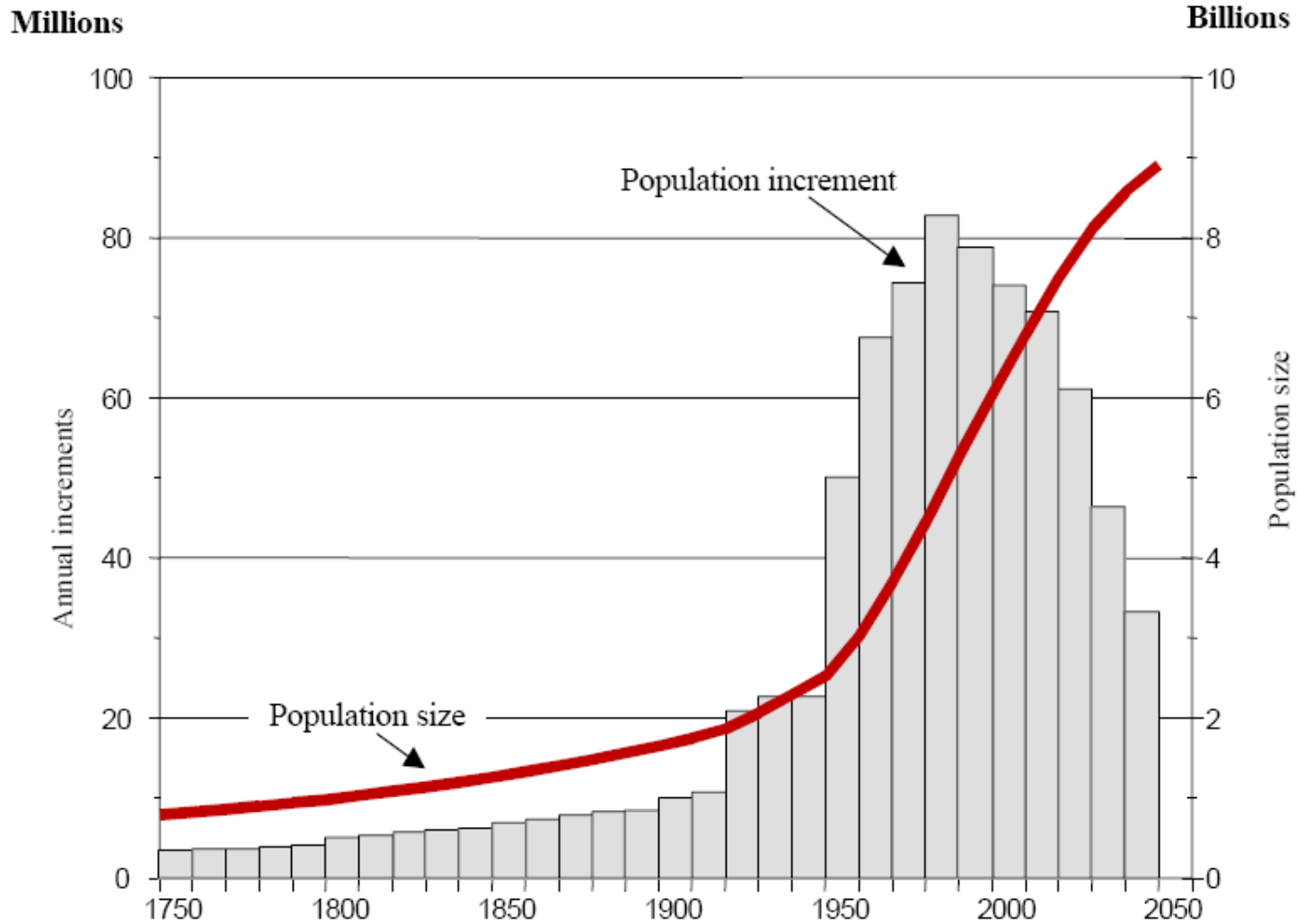
## 2. Demographic Change Happens

1. Demographic change is reality
  - Observable in the real world
2. Development follows same scheme everywhere
3. Significant time-lags between the different regions around the globe.
4. Economic development influences demographic change and demographic change, in turn, influences economic development.

# The Process of Demographic Transition (Theory)



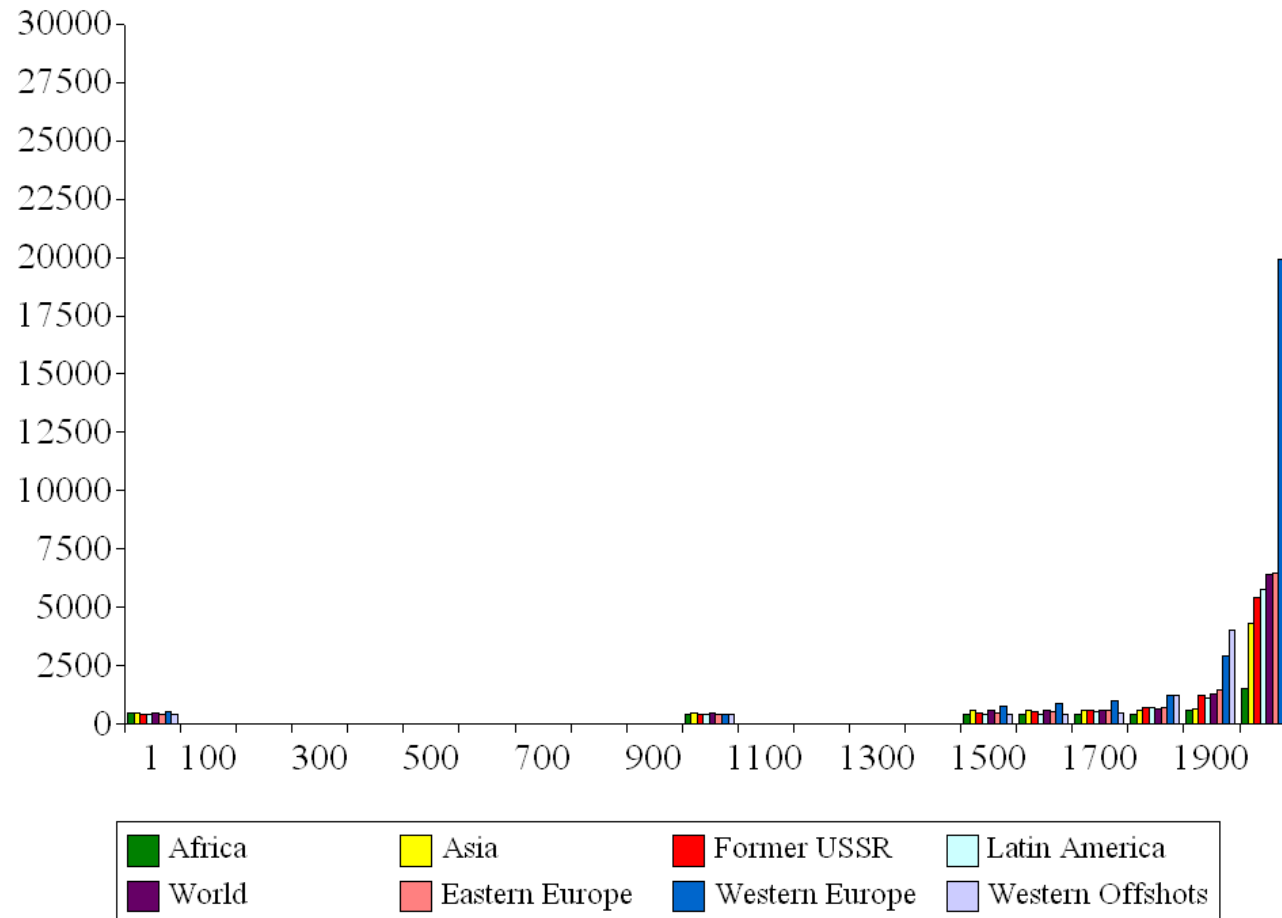
### 3. Facts: World Population Growth 1750 - 2050



## Facts

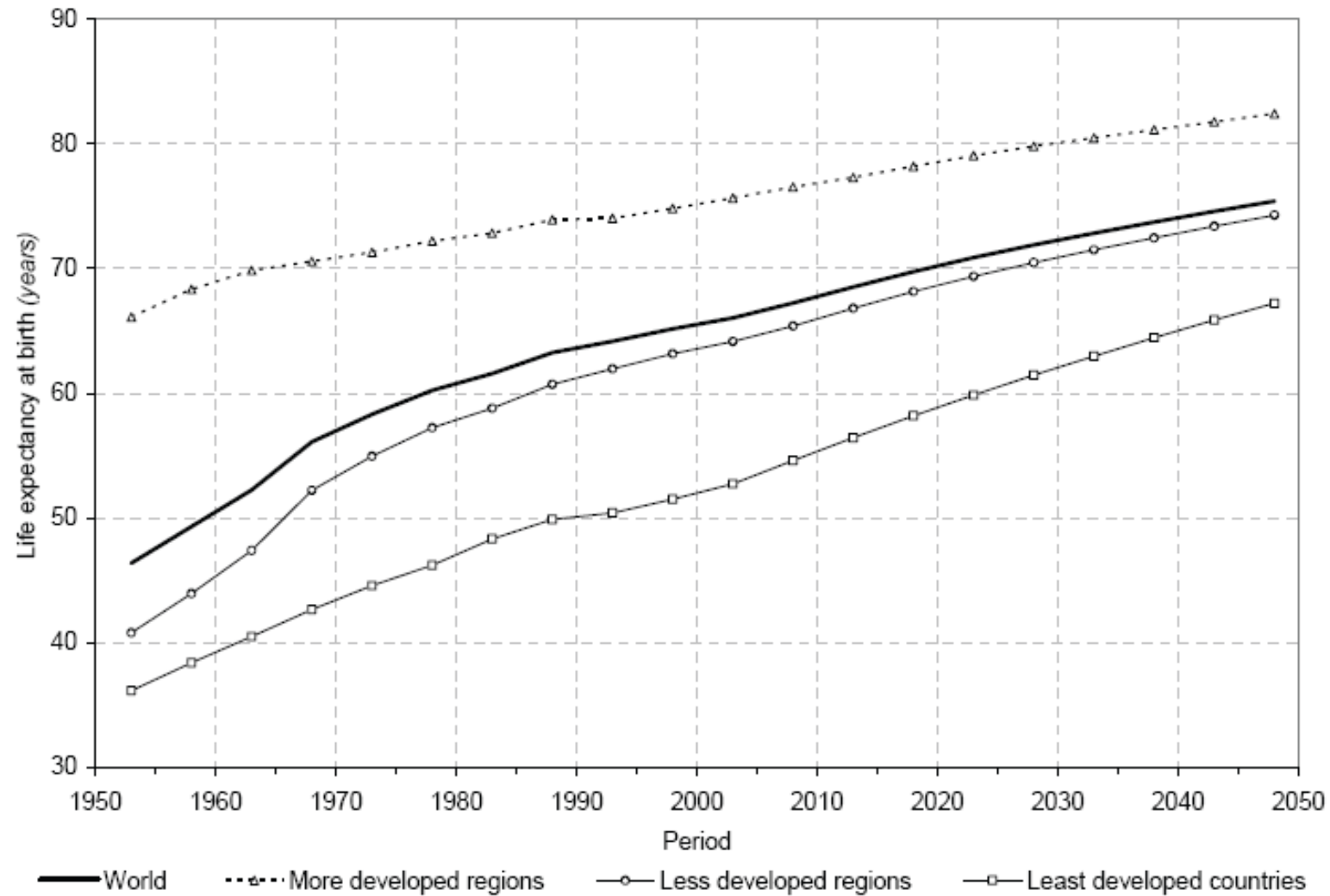
# Demographic Change is Affected by Economic Development

## World GDP/capita 1-2003 A.D.



## Facts

# Life Expectancy at Birth 1950 - 2050



Source: UN World Population Prospects, The 2006 Revision

## Facts (and Prospects)

# Development over Time Differs between Regions

Figure 3. Evolution of the population of Europe by broad age groups

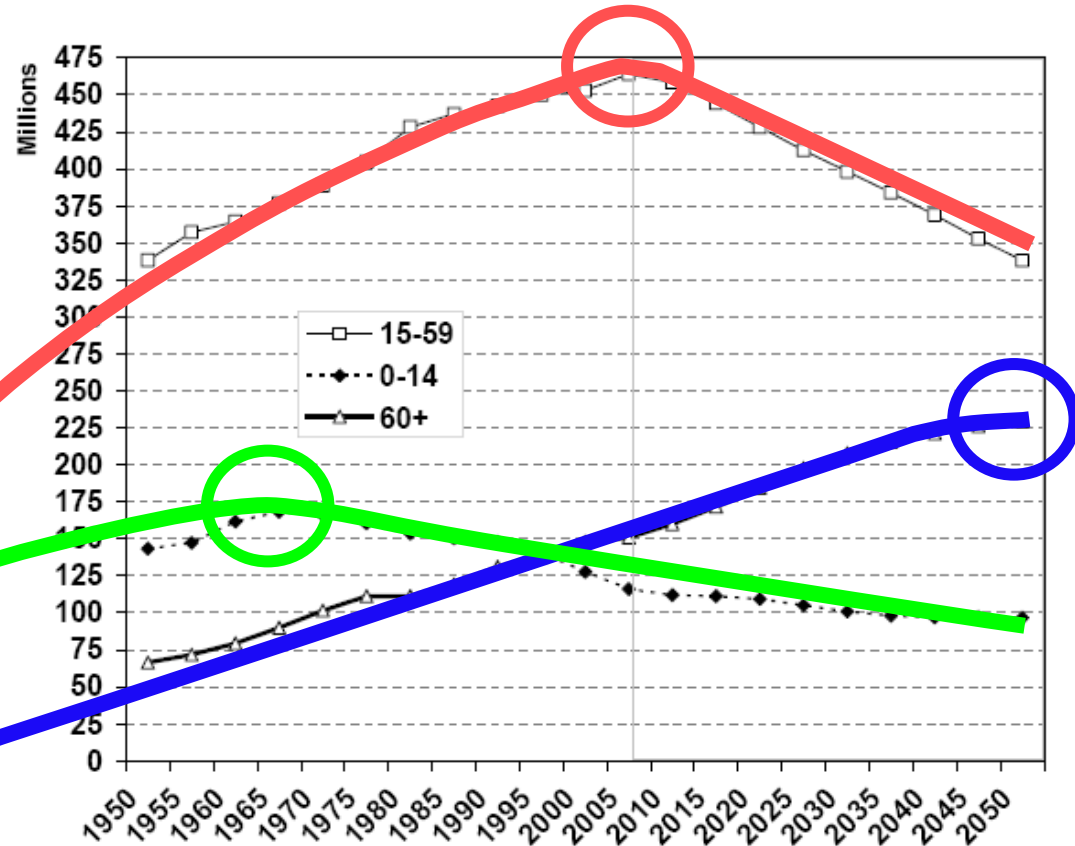
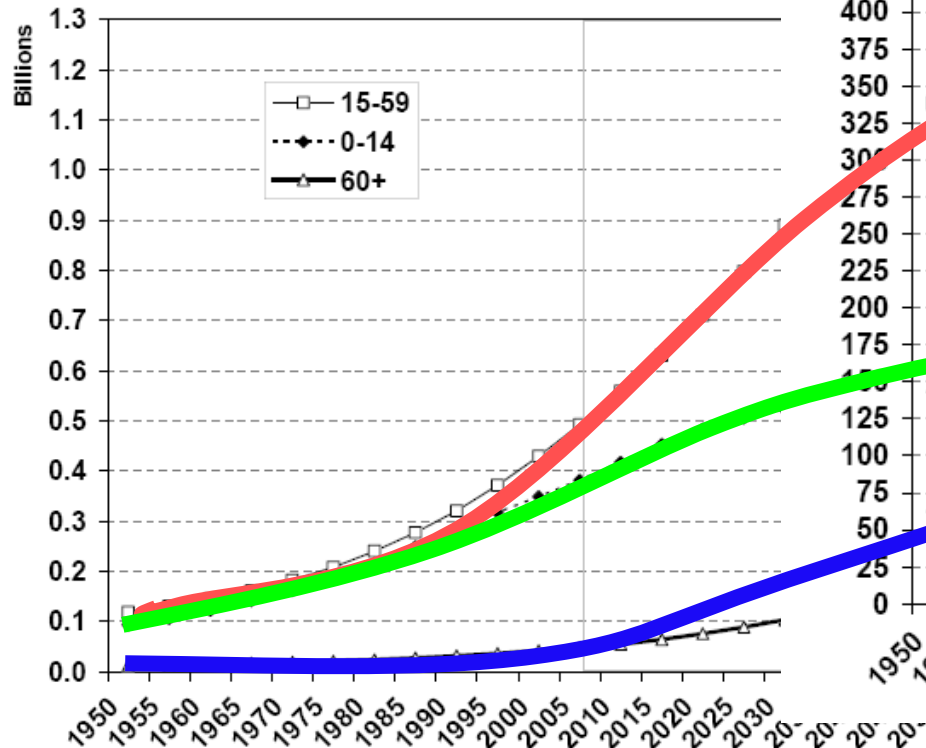


Figure 4. Evolution of the population of Africa by broad age groups

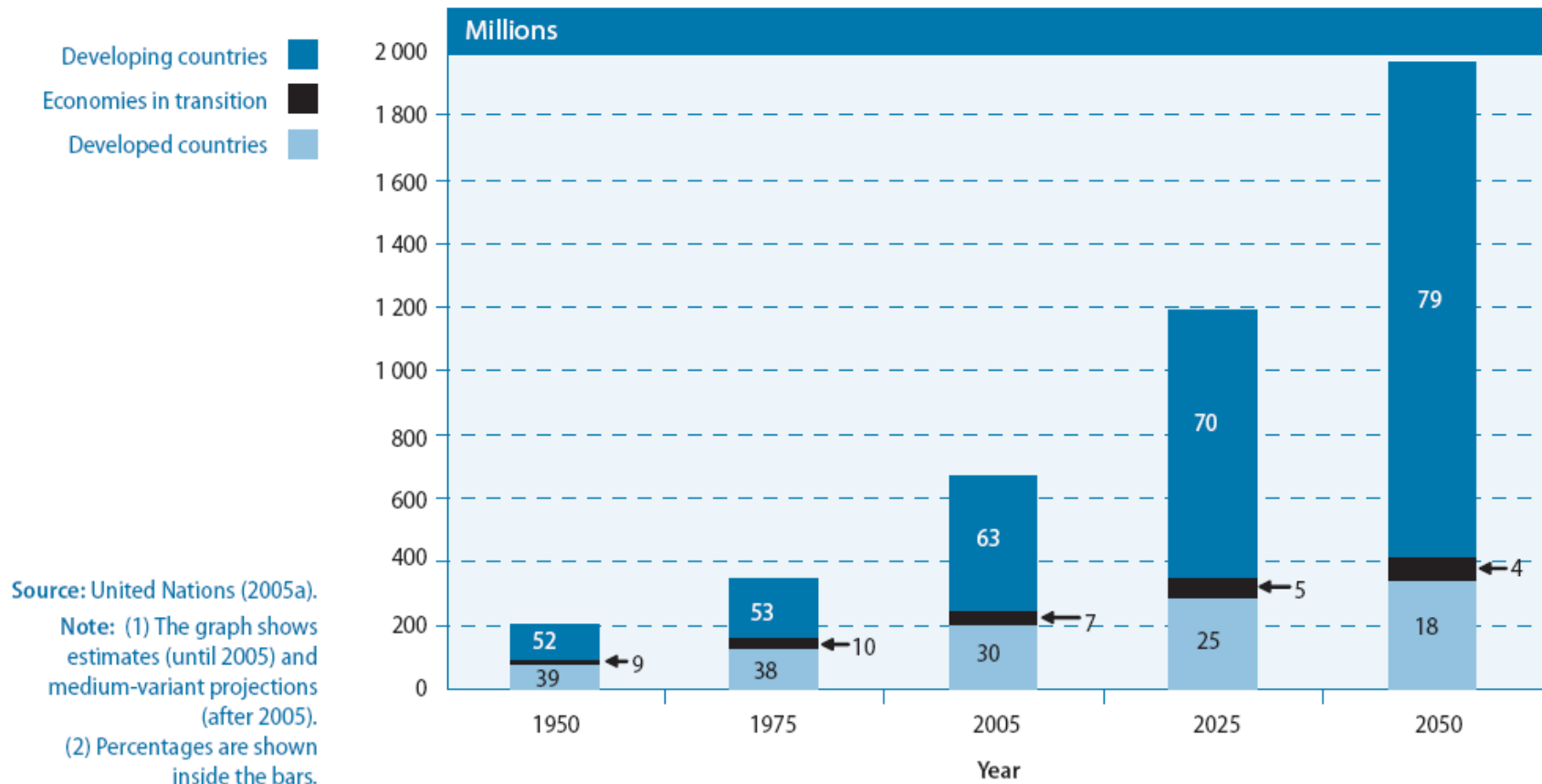


Source: UN World Population Prospects, The 2006 Revision

## Prospects

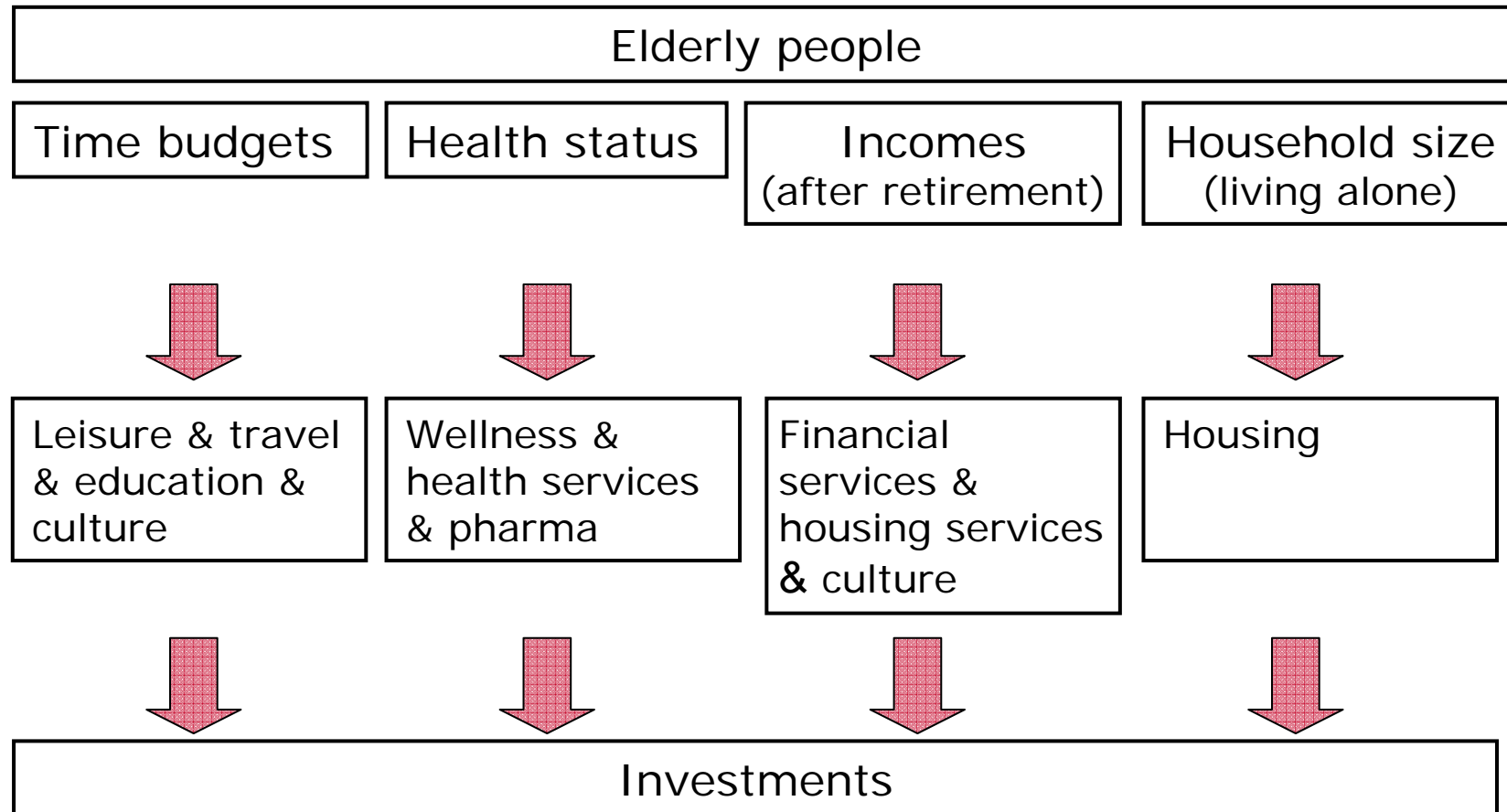
# World Population Aged 60 Years or more

Figure O.1.  
Size and distribution of world population aged 60 years or over by groups of countries, 1950, 1975, 2005, 2025 and 2050



## 4. Economic Effects of an Ageing Population in Developed Countries

### Shifts in Demand and Investments

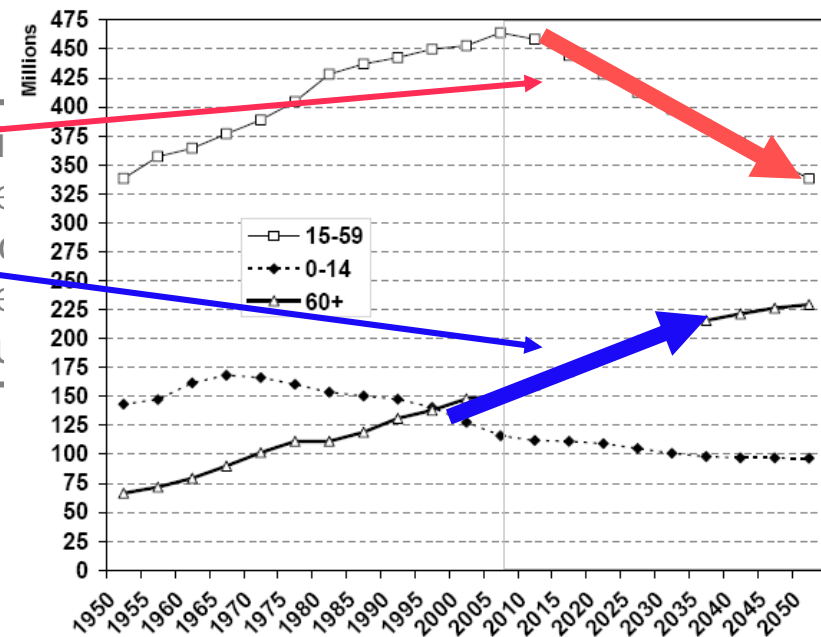


# Economic Effects of an Ageing Population in Developed Countries

## Shifts in Demand and Investments



Figure 3. Evolution of the population of Europe by broad age groups



## Economic Effects of an Ageing Population in Developed Countries

### Labour Force

#### Size

- Ageing
- Earlier retirement
- Babyboomers retire

#### Effect

- Increasing dependency ratio
- Decline in relative terms

#### Productivity

- Declining cognitive and physical capabilities
- Increasing experience

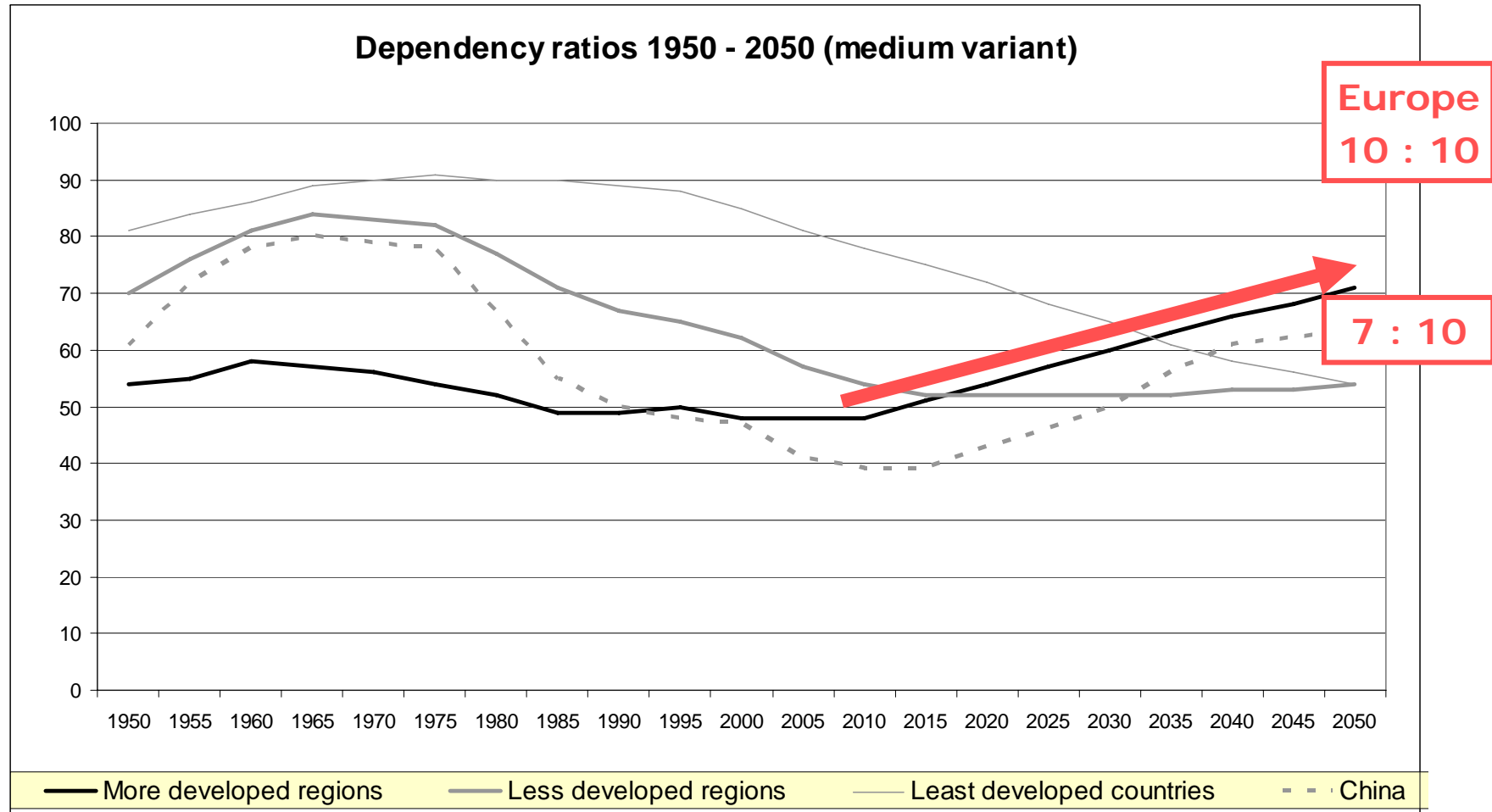
#### Effect

- Overall effect unclear
- Age composition of teams is more relevant than individual's age

- ~~Immigration as solution?~~
- Increased participation of older workers → HR-strategy

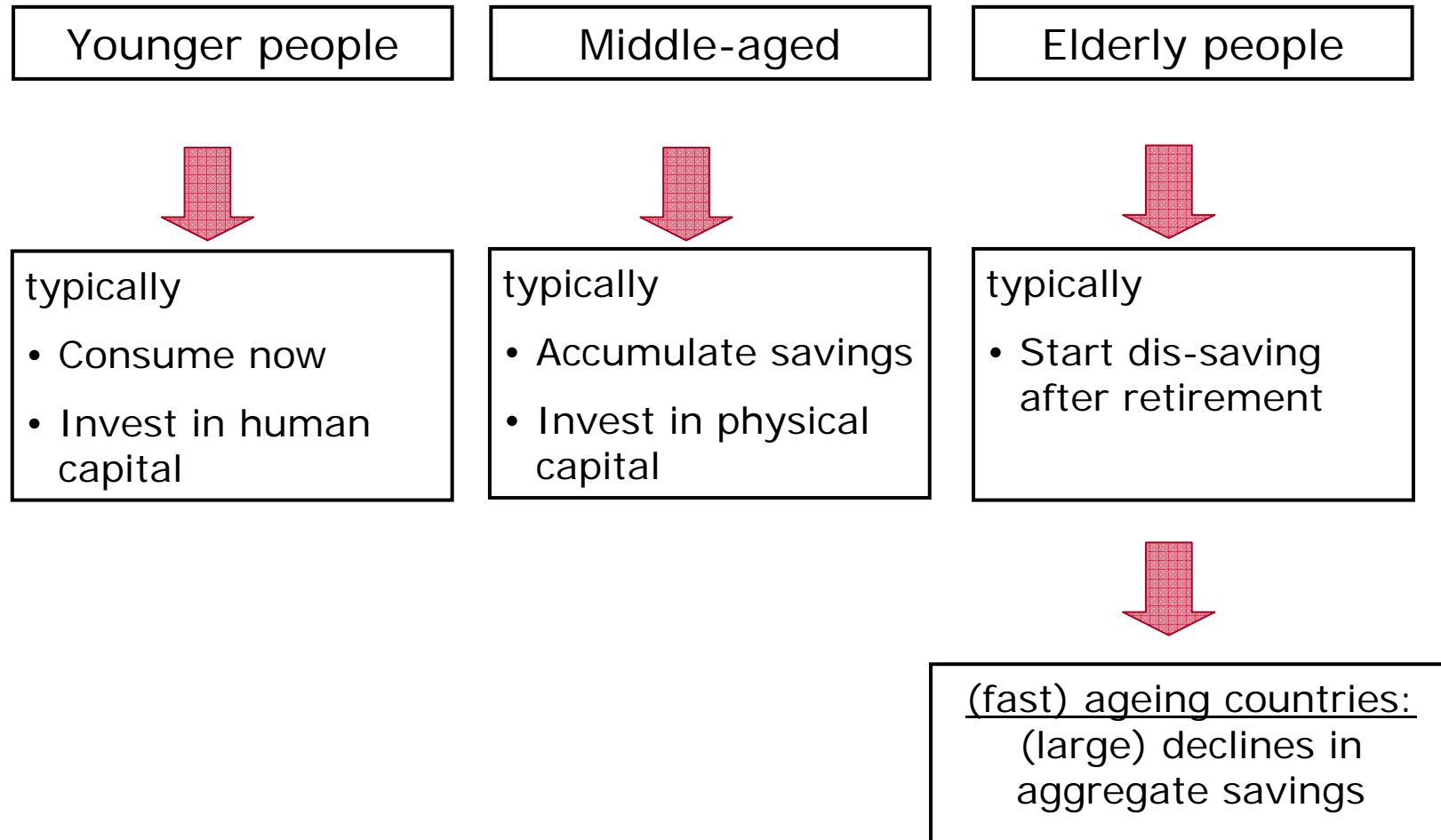
# Economic Effects of an Ageing Population in Developed Countries

## Labour Force



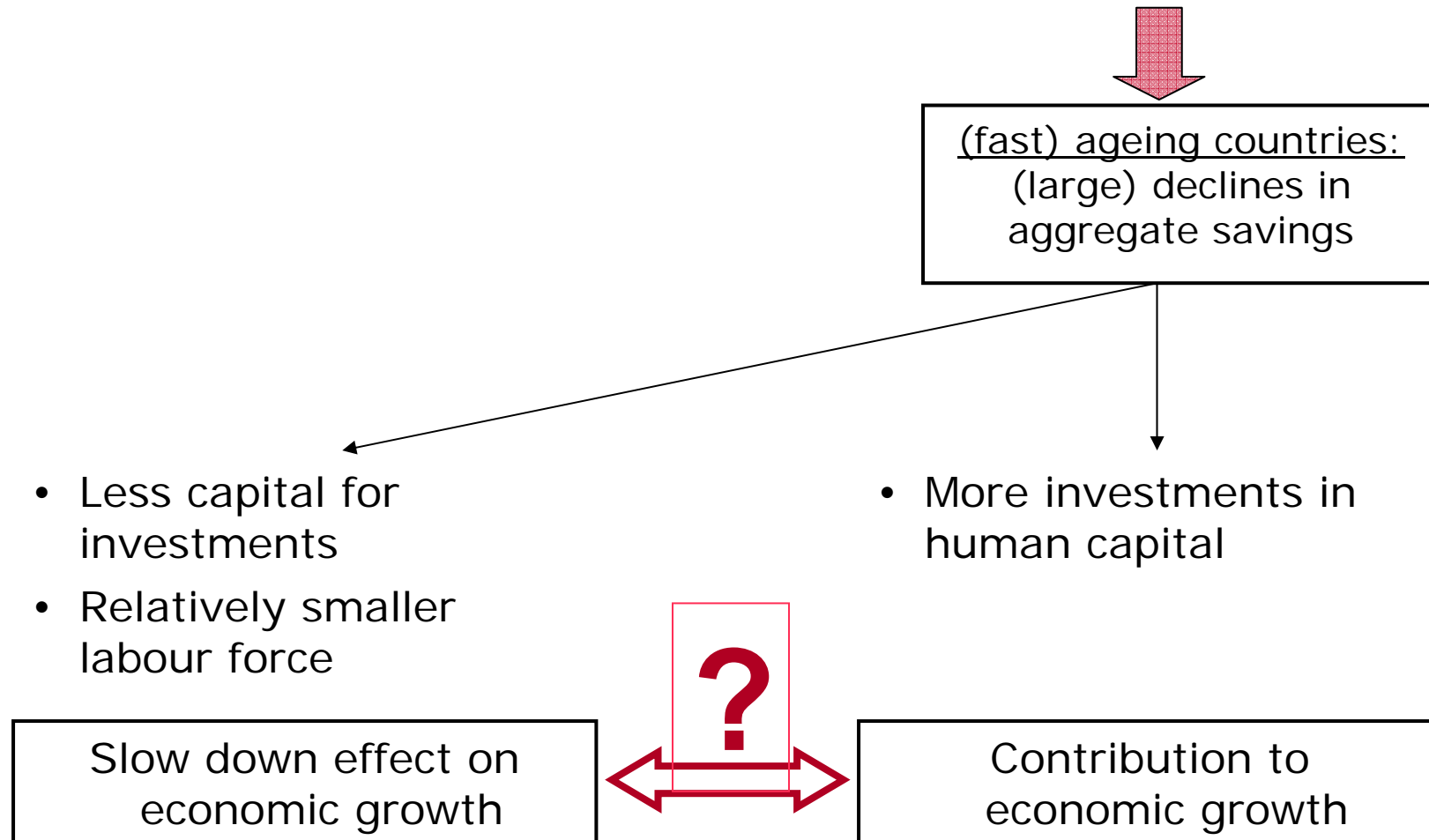
## Economic Effects of an Ageing Population in Developed Countries

### Capital Markets



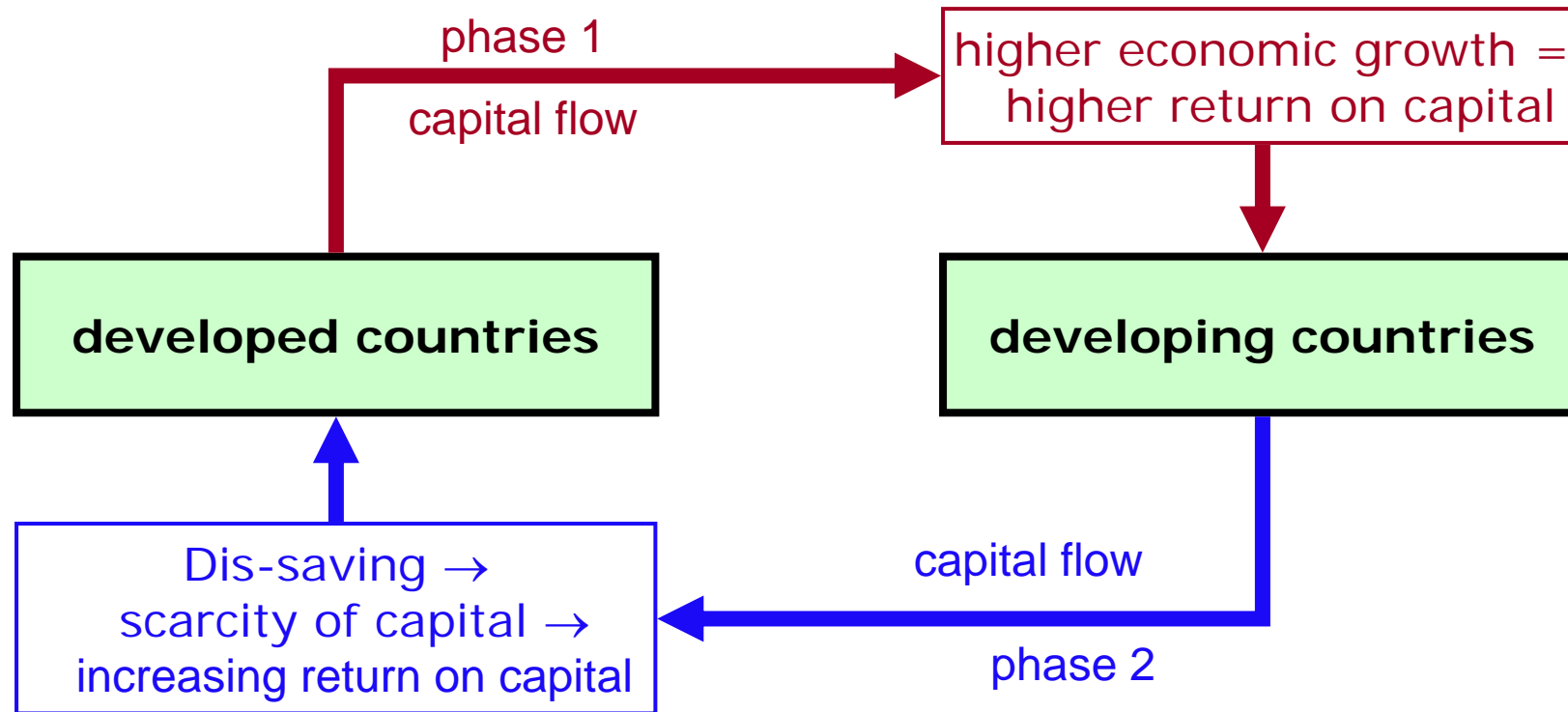
## Economic Effects of an Ageing Population in Developed Countries

### Capital Markets and Economic Growth

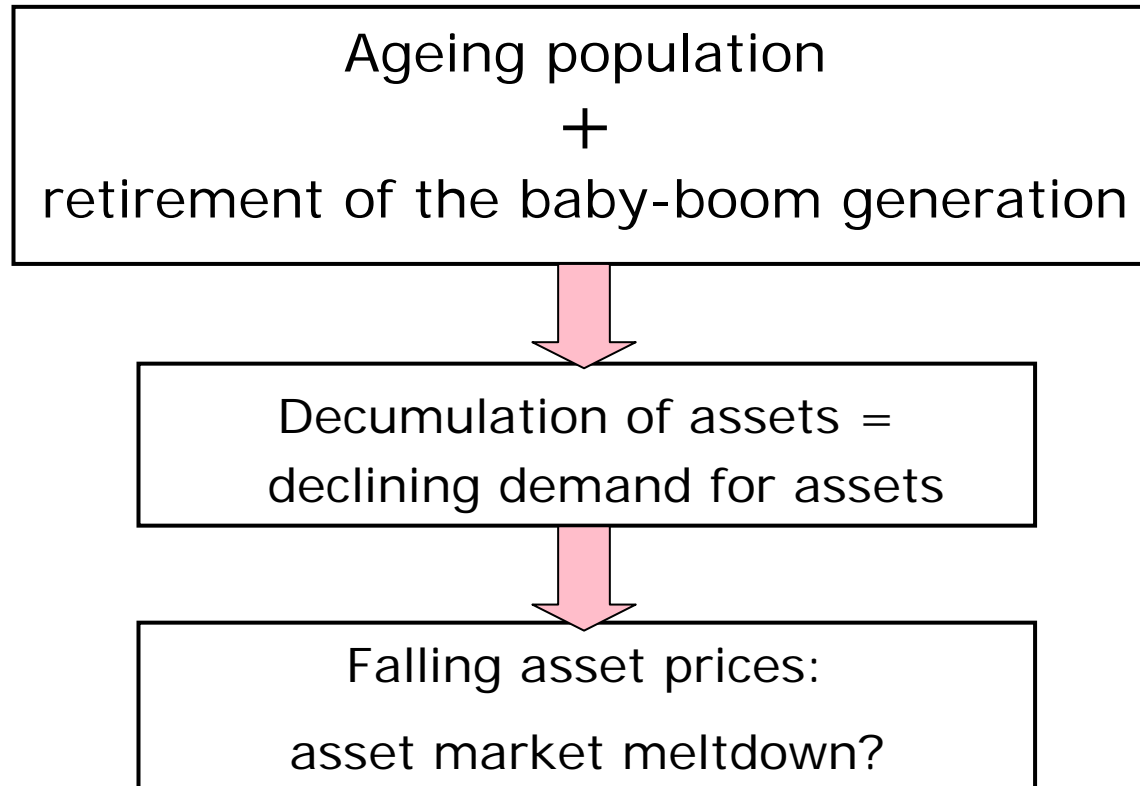


# Economic Effects of an Ageing Population in Developed Countries

## Capital Markets: Capital Flows



Economic Effects of an Ageing Population in Developed Countries  
**Capital Markets: Asset Market Meltdown**



## Economic Effects of an Ageing Population in Developed Countries

### Public Finance and Retirement Plans

