

Letter n°104

The ageing of the world population (1). The example of developed countries.

“The key is not to predict the future, but to prepare for it.” Pericles.

2 preliminary remarks:

- ***The rapid growth of the world population in the 20th century:***

It took 130 years, from 1800 to 1930, for the world population to grow from 1 to 2 billion. After that, growth accelerated: 2.5 billion in 1950, 5 billion in 1990, 8 billion since the end of 2022. Only 12 years were needed to go from 7 to 8 billion, and it will take 15 years to reach 9 billion in 2037.

- ***In the 21st century, we observe an acceleration in the decline of fertility:***

The world population could peak at 10.4 billion in 2080, which is sooner and lower than previously predicted.

The United States is expected to grow mainly due to immigration. Other developed countries are expected to stagnate or decline. This is also the case for Southeast Asia and Europe, especially the eastern part.

Fertility, measured as the number of children per woman, continues to decline. From 4.8 in 1970, it dropped to 2.3 in 2021, and the rate is actually below 2.1, which is the replacement threshold, for two-thirds of humanity. In developed countries, the number has fallen from 3 to 1.6.

At the two extremes of fertility worldwide, Niger has 6.9 children per woman, while South Korea has 0.7 children per woman. Consequently, the median age is 15 years in Niger and 48 years in South Korea or Japan. Those under 15 years old represent 50% of the population in Niger and 12% in Japan.

This decline in fertility is explained by a multiple of factors, including the lesser influence of religions, the cost of education, urbanization, and housing costs.

To better understand this evolution, we can study the situation and perspectives of each of the major regions.

The United States: 5 characteristics.

- ***Persistent population growth:***

In the Western bloc, the United States stands out with a population of 341 million, which is still growing. The working-age population, due to immigration, continues to increase at an average rate of 1% per year: 1.9 million in 2022 and nearly 3 million in 2023.

- ***Evolution of population composition:***

Until the 1960s, immigration was almost exclusively European. Since then, the composition has changed. Migrants now come from Cuba, Mexico, and South America. The white American population, which was 85% in 1960, is projected to become a minority around 2045. In 2018, white evangelical Protestants still represented a quarter of the electorate but only 15% of the population, a far cry from the America of WASPs, even though they are supported by evangelical Hispanics.

Immigrants from Cuba or Venezuela tend to vote Republican and were instrumental in Bush's victory in 2000, thanks to Florida. Other South Americans tend to vote Democratic.

The focus is now on controlling immigration. Mexican immigration has been reduced to a few hundred thousand per year, but the pressure from Latin American migration remains strong.

- ***Decline in life expectancy:***

Another unique aspect of the United States in the Western world is the recent decrease in life expectancy, primarily due to fentanyl abuse, anti-anxiety medication misuse, homicides, and suicides. Life expectancy is thus lower than in China (82 years for women, 76 for men). Additionally, there is a 15-year life expectancy gap between the richest 1% and the poorest 1%.

- ***Retirement system deficiencies:***

In the United States, the retirement system deficit has reached \$4 trillion, and one-third of future American retirees have not set up any additional retirement solutions beyond the general system.

- ***Worsening inequality:***

As in other parts of the world, inequalities have increased since the Reagan era and the implementation of neoliberal policies, but the gap has grown more significantly in the U.S.

In the 1970s, 1% of the population held 10% of the produced wealth; today, 0.1% holds 8%.

Europe:

- ***Between stagnation and population decline:***

The EU-27 represented nearly 20% of the world population in 1950, 12% in 1960, 5.6% today, with 450 million people, and is projected to fall to 4% by 2070. Despite migratory contributions, the population of the EU-27 decreased in 2020 and 2021.

Despite immigration, 11 countries are experiencing a population decline. This is the case for Bulgaria, Hungary, Poland, Romania, Slovenia, Slovakia, Estonia, as well as Portugal, Italy, and Greece.

The number of children per woman has fallen to 1.3 in Germany, but the population increased by 0.3% to 84.7 million in 2022. In Italy and Spain, the situation is worse with 1.2 children per woman and a median age of 47 in Italy, close to Japan's 48 years. The Italian working-age population has decreased by 5 million over 20 years and is expected to contract by nearly 20% by 2050.

Until very recently, France benefited from a birth rate of 2.1x, allowing for population growth, but the situation has reversed to 1.7 in 2023. The population was 30 million in 1800, 40 million in 1900, and 68.4 million this year. It is now slightly higher than that of the United Kingdom, which was not always the case. In 1800, the British population did not exceed 10 million, but it caught up to France at 41 million in 1900 and is now at 66.6 million.

- ***The retirement problem:***

The median age is now 44 years. Between 2010 and 2023, the working-age population (15-64 years) in the Eurozone declined by 2.5%. In 1950, there were five workers for every retiree, today there are 1.8, and by 2050, it is projected to be 1.3.

Retirement expenditures already represent 14% of GDP in a country like France, and without a further postponing of the retirement age, pensions will eventually decrease.

In Italy, with an ageing population, 250 billion euros in inheritances are passed on each year. This could be a windfall in response to public debt and retirement funding, but inheritance taxes are very low, at a maximum of 4%.

- ***The situation is particularly problematic in eastern countries:***

Since 1990, the population has significantly declined in the East. Romania's population has fallen from 23 million to 19 million, Bulgaria's from 9 million to 7 million, and according to the UN, it may not exceed 5.4 million by 2050. Similarly, Ukraine's population (before the recent conflict and exodus) had decreased by 20%, a percentage slightly lower than those of Lithuania and Latvia at -22%.

According to UN estimates, 14 of the 15 countries worldwide expected to lose more than 15% of their population by 2050 are in Eastern Europe.

Facing such dramatic declines, these countries fear disappearing and resist immigration. While immigration could offset departures and labour shortages, some populists argue that it could overwhelm the small local populations.

- ***Rapid ageing:***

In Italy, those over 65 years old represent 22.8% of the population. In Greece, Portugal, and Germany, the percentages are similar. By 2050, 27% of the European population will be over 65 years old.

Japan:

- ***The situation:***

Japan, with a fertility rate of 1.3 children per woman, is the oldest country in the world, as 30% of its population is over 65 years old. The number of births fell to a historic low of 840,000 in 2020, accelerating the population decline: 126 million today compared to 128 million in 2008.

The median age is 48 years and is expected to increase further, as the population could decrease by 15% between 2015 and 2050. In 25 years, the working-age population (15-65 years) has decreased from 87 million to 73 million, and by 2040, it may not exceed 60 million.

The estimated population decline is 0.8 million per year, with the working-age population expected to decrease by 12% between 2022 and 2040, amounting to a loss of 11 million. To compensate, 50% of those aged 65-69 are still employed.

- ***A cautious approach to immigration:***

To address the population decline, Japan has had to turn to immigration, and today, the number of foreign residents has increased to 3.4 million compared to 2 million ten years ago.

The number of foreign workers is currently 1.7 million, up from 0.7 million ten years ago. These numbers are insufficient, and according to Japanese public agencies, the country will need 4.2 million foreign workers by 2030.

- ***An advantage:***

The country relies on the dividends from its foreign assets. Net assets represent nearly two-thirds of GDP, amounting to over €3.2 trillion. This is a useful source of funds for financing pensions.

Conclusion: ageing as a universal trend.

"Men float between fear and hope, they end up ready to believe just about anything." Spinoza.

- ***The need to postpone the retirement age:***

Spinoza's quote sums up the current situation in developed countries. The political impact of ageing is heightened conservatism, a reluctance to embrace the new, and a fear of foreigners, all of which will be analysed in greater detail in Letter 106.

At the same time, some are willing to believe anything. We think of populist temptation, the absurdity of hoping for a return to retirement at 60. Pensions, in a country like France, already cost 14% of GDP, and retirement systems, without raising the retirement age, are in deficit. This applies to the United States, the United Kingdom, and many other countries.

Given the increase in life expectancy, the only solution is to raise the retirement age to 68, as is soon to happen in the UK and Italy, or even higher, as in South Korea.

- ***Decline in birth rates:***

The rapid growth of those over 65 is irreversible. All attempts to boost birth rates have failed. In 1960, the birth rate in OECD countries was 3.3 children per woman; by 2022, it had dropped to 1.5. Hungary has pursued a pro-natalist policy for the past decade, spending 3% of its GDP, yet its birth rate barely reaches the OECD average. Despite family allowances, birth rates are declining in France, Finland, and Norway. The average age of first childbirth in the OECD is 30 years, compared to 26.5 in 2000, and 20-25% of women remain childless in Austria, Germany, Italy, and Spain. In Japan, this percentage is even higher at 28%.

- ***Irreversible increase in the percentage of people over 65 or 80:***

By 2050, one in six people globally will be over 65, compared to one in ten today. In developed countries, there are currently over 110 million people over 65, accounting for 18% of the population. While the percentage of people over 65 does not exceed 17.5% in the United States, it is already 22.1% in Germany, 22.8% in Greece, 23.8% in Portugal, 23.9% in Italy, and even 29% in Japan.

In 2050, it will not be one-sixth of the OECD population over 65 as the global average, but 27%.

The number of people over 80 will triple by 2050, from 160 million to 460 million, representing approximately 5% of the global population. In the OECD, this will account for 10.2% of the population, and even higher percentages in specific countries: 15% in Japan, 14.9% in Italy, 14.3% in South Korea, 14.1% in Spain, 13.3% in Germany, 11.7% in Switzerland, and 11.3% in France, compared to 8.5% in the United States.

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