

Letter n°159

The major countries facing the consequences of demographic decline

“I see history as a relay race in which one of us, before dropping in his tracks, must carry one stage further the challenge of being a man.” Romain Gary in Promise at Dawn.

The rapid slowdown in global population growth:

The world's population was 1 billion in 1800, 2 billion in 1927, and 3 billion in 1960. It has now slightly exceeded 8 billion, and according to the UN, the peak could be reached in 2084 at 10.3 billion.

In the mid-1960s, the world's population was growing by 2% per year; today, 1%. The average number of children per woman worldwide was 4.8 in 1950, compared with 2 today, and around 2/3 of the world's population live in countries where the fertility rate is below 2.1 children per woman, i.e. the replacement level.

Life expectancy is 73.3 years, compared with 46.5 years in 1950. Since 2022, the number of people over 50 worldwide has, for the first time, exceeded the number under 15. In 1990, there were 95,000 centenarians worldwide; today, there are 500,000, and the number continues to increase.

The concern:

The concern is not ageing, as people are living longer in good health, but the decline in the number of young people, the decline in their political influence, and the weakening of intergenerational solidarity, which could undermine the welfare state or the provision of public infrastructure.

Today, faced with concerns about the evolution of the planet and uncertainties related to AI, many parents are choosing to have fewer children but invest more in their education. This is the opposite of the period of high infant mortality, when the quantity of children took precedence.

We will successively analyse developments in Africa, the United States, Europe and Asia.

- A notable exception to demographic decline, Africa:

In 1900, Africa had a population of 100 million, in 2000, 810 million, today 1.3 billion, in 2050, 2.5 billion and in 2075, 3.3 billion. We can see the tremendous acceleration. In the 1930s, the population was growing by 0.8% per year, compared with 2.9% today, and in sub-Saharan Africa, as much as 4.3% per year. In Côte d'Ivoire and Ethiopia, there have been 15 years with annual population growth of 7%. The median age in Africa is 19, but only 15.1 years in Chad and 14.5 years in Niger, compared with 44.9 years in Germany.

Over the next 50 years, Ethiopia's population is expected to grow by 180 million, that of the Democratic Republic of the Congo by 230 million and that of Nigeria by 220 million. Nigeria will thus challenge the United States for the position of the world's 3rd most populous country. The DRC will come just after.

Africa's working-age population is expected to increase by 700 million by 2050, and the challenge is job creation, which is currently insufficient. The diaspora, currently numbering 20 million, should therefore increase in Europe, Turkey, Saudi Arabia and the United States. According to the ILO, emigration should increase because the purchasing power of an average monthly salary in Ethiopia is 5% that of a German salary, while India is only at 15%. Hence the desire to leave.

This exodus of the educated, besides slowing development, enables authoritarian regimes to remain in power, as in Zimbabwe. But it can also constitute an opportunity, as the money sent back by migrants quickly exceeds the cost of their local education.

- ***United States:***

The US population has grown primarily through immigration. In 1900, the population was still 76 million, in 1915, 100 million, in 1967, 200 million, in 2006, 300 million, today, 340 million and by 2070, probably no more than 370 million, as in 2024, the birth rate was only 1.65 children per woman, which is beginning to cause concern.

Healthcare costs, already the highest in the world, at 18% of GDP compared with 10% in the EU, will worsen as the number of people in their eighties is expected to rise from 14.7 million to 23 million over the next 10 years. Pensions accounted for 6.9% of GDP in 2007, 9.4% today but, according to the CBOE, 11.3% in 10 years.

- ***Europe:***

Europe accounted for a quarter of the world's population in 1900, 9% today, but until 2050, the EU's population is expected to remain stable at 450 million.

In Germany, a new low in births was reached at 654,000 in 2025 (1.35 children per woman), compared with 1.36 million births at the peak in 1964. At the same time, the number of deaths is now 1 million, so the population is expected to decline by 5% by 2050.

In Italy, the population has been declining since 2014. The number of births has been below 1.5 children per woman for 40 years. In 2024, there was a further decline in births to 370,000, or 1.18 children per woman, compared with more than 1 million in the early 1960s, compounded by an increase in emigration to 191,000. Today, $\frac{1}{4}$ of the population is over 65. The population is expected to reach 54.8 million in 2050, compared with 58.9 million in 2023.

In France, births have fallen to their lowest level since 1942, at 640,000. This represents 1.6 children per woman.

In Eastern Europe, birth rates are particularly low. In Poland, the most populous country in the East alongside Ukraine, there were 1.1 children per woman in 2023, with a population of 36.6 million, down by 1.9 million from the 1998 peak. Mortality exceeds the birth rate. In addition, there are many Ukrainian refugees who are not counted.

Immigration in Europe and in some other regions is economically essential given the decline in the working-age population and ageing (in Spain, the ratio of working-age people to inactive people could fall from 2.45 in 2020 to 1 in 2050), but it is politically difficult.

- ***China and Asia:***

China's population was 400 million in 1900, reached a peak at the beginning of the 21st century at more than 1.4 billion, but has been declining for several years and is ageing rapidly. In 2025, there were 11.3 million deaths and 7.9 million births, compared with 16.5 million births as recently as 2015. According to a UN projection, the population could fall to 633 million by 2100, compared with 1.4 billion currently. The median age in China, 39, as in the United States, will increase rapidly.

In Russia, in 2024, there were 1.8 million deaths and only 1.2 million births. The number of children per woman is 1.4. The population today, 144 million, could fall to 138 million by 2045.

Elsewhere in Asia, the situation is also concerning. In Japan, the fertility rate declined early, between 1949 and 1954, from 5 to 2 children. This marked the end of the pro-natalist policy of the 1930s and the shift towards an anti-natalist policy. In the 1960s, there were 8 or 9 working-age people for every inactive person; today, it is 1 to 1. In Japan, in 2024, for the first time, the number of births fell below 700,000, or 1.15 children per

woman in this country of 124 million. The birth rate is at its lowest level in 125 years. The population could fall to 90 million by 2060, as there are 36 million people over 65 and, notably, 10 million are still working.

In South Korea, for the second year, the number of children per woman has increased. It was 0.72 in 2023 but 0.8 in 2025. However, the birth rate remains one of the lowest in the world, alongside Taiwan at 0.69.

Asian countries, China, Japan and South Korea, are more resistant to immigration than Europe or the United States before Trump. In response to labour needs, they favour temporary employment contracts without families. Today, the number of migrants in Japan is low at 2 million, but robots will not make up for the labour shortage, and demographic decline explains the country's weak growth.

In India, the population was 240 million in 1900, 360 million in 1950, and 1.46 billion in 2025. The number of children per woman was 6 in 1950; today it has fallen to 1.9 and is expected to continue declining, but India remains the only major country that will experience population growth until 2050. India is nevertheless unable to create enough jobs to absorb young people entering the labour market, notwithstanding a low female participation rate of only 33%. GDP per capita therefore does not increase at a rate of 6% per year and remains very low compared with that of its Chinese rival.

Conclusion: “What depends upon you is to accept or not what does not depend upon you.” Épictète.

Faced with the transformations of society, we can follow the principles of the Stoic Epictetus, taken up by Marcus Aurelius (Roman emperor from 161 to 180) and another Stoic. We need the will to change what we can change and the strength not to change what we cannot change. Demographic trends are largely beyond the reach of policymakers. No country, neither China, Russia, Hungary nor others, has recently succeeded in reversing the decline in birth rates.

- **The inflow of people entering the labour market will continue for some time:** according to the World Bank, by 2035, 1.2 billion people aged 15 to 24 are expected to enter the labour market, including 330 million in sub-Saharan Africa and 280 million in South Asia. This will exacerbate employment problems. In India, in 2025, the railways received 18.7 million applications for 60,000 positions.
- **The most severe population decline will be in China:** worldwide, according to the United Nations, China's population will experience the largest decline, -35% over 50 years, Italy -30%, Japan -28%, Germany -19%, Russia -11%, France +2%.
- **Population ageing will reduce GDP per capita growth** as the ratio of active to inactive people deteriorates. The welfare state is under threat unless taxes are increased, healthcare reimbursements for the wealthiest are reduced, or further borrowing is undertaken, or more likely, coverage is reduced for everyone, as in Greece and Portugal during the 2011-2012 crisis.

Part of the debate concerns the allocation of social spending between young people and retirees, between spending on education or family allowances and spending on pensions or healthcare. What should be done in a country like France when public spending already reaches 57% of GDP? An essential solution is to raise the retirement age. In Japan, the employment rate among 65-69-year-olds has reached a record 52%, while that of 70-74-year-olds is 34%. Other countries are still far from this.

The ageing of the world's population will not help resolve the two major imbalances, weak Chinese consumption and insufficient savings in the United States. The Chinese save too much, this is indisputable, but how can we expect this trend to reverse in an ageing country with little welfare provision? Americans live beyond their means but, unless the productivity gains expected from AI materialise, it is difficult to identify a stabilisation of debt.

- **Nevertheless, ageing is not necessarily a problem:** in the past, the population was smaller but innovation was significant. During the Black Death, Europe's population fell by half, but there was an expansion of women's participation in the workforce, the development of gunpowder as an alternative to infantrymen, the development of sailing ships as an alternative to rowers, and the abandonment of the least fertile lands.

Japan, China and many European countries could see their populations fall by 50% by 2100, but the economies of these countries will not inevitably fall into recession. There will be more retired people but fewer young inactive people, so the dependency ratio will not change significantly.

According to **Acemoglu**, population ageing can coincide with an increase in productivity because if there are fewer working-age people, there will be greater reliance on robots. Healthcare spending could increase less than expected as systems become more efficient thanks to technological advances.

Ageing is also accompanied by a significant transfer of wealth accumulated by the baby boomers. In the United States, household financial wealth increased from 335% of GDP in 2000 to 447% in 2024, while real estate wealth rose from 226% to 310% of GDP. By 2050, more than \$100 trillion will change hands, much of it initially going to spouses. In France, inheritances represent 15% of GDP annually, compared with 5% in the 1950s, and this percentage will reach 20% in 2050. Between 2025 and 2040, €9 trillion is expected to be transferred in France, but given political risks, much of it may have left the country beforehand.

- **What impact will this have on financial markets?** In the long term, demographic ageing and population decline in a number of countries will not favour the absorption of public debt. On the contrary, the burden of social spending will increase. Interest rates should therefore continue to rise, and fixed-income products, especially if they offer high returns that are positive relative to inflation, will regain attractiveness. Will an older population, on average more risk-averse, maintain as high an allocation to equities as today, and even more so to Private Equity?

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