



Intellectual Capital

Making sense of
data and insights

April
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*The Shifting
Demographics issue*

*What's the
real impact
of ageing
populations?*

 TrinityBridge



Foreword

Welcome to the first edition of a new series of research reports from TrinityBridge which explore four carefully selected long-term structural themes.

The themes are: Shifting Demographics, Energy Transition, Technology and Innovation and Evolving Consumption. These have been chosen based on trends that we believe are likely to be material to the economy and society, now and into the future.

The series is named IC, which stands for Intellectual Capital, and is designed to help make sense of data and insights associated with each theme.

In this first edition we explore Shifting Demographics. Driven by growing and ageing populations, migratory trends and education and wealth standards, demographics are certain to shift over time. These shifts will have dynamic impacts on sectors such as healthcare, life sciences and pension services.

We ask what is the real impact of ageing populations and what can we learn from today to prepare for tomorrow?

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Executive summary

- The global population is rapidly ageing. This creates macroeconomic risks from a decreasing labour supply and an increasingly dependent older population.
 - A decreasing labour supply, coupled with plateauing workforce participation rates, will precipitate the need for improved productivity (eg technological upgrades) to maintain economic growth.
 - An ageing population also creates investment opportunities across healthcare and financial services, as demand increases for products and services that cater for the elderly.
 - Empirical evidence from Japan suggests population ageing is deflationary overall. Whilst a shrinking workforce can be inflationary, costs associated with greater longevity weigh on growth, and thus inflation. However, the macroeconomic impact of a global severe ageing event is less well understood or well-studied.
 - China's population decline is significant from a macroeconomic perspective because of its relative speed and quantum. Its manufacturing economy will be challenged by a labour supply that is in decline and unsupportive concurrent trends in participation rates, migration and education. Unfavourable age demographics mean that future growth in GDP must be supported by capital and technology investment.
- The speed of ageing is not uniform across the world. Countries such as India and Indonesia have a time-bound opportunity to capitalise on their attractive age-demographics and increased economic resources. We find that the age-demographic profile of Vietnam's population to be less attractive, with growing dependency ratios and a shrinking share of the population that is of working age.
 - India will have ~19% of the global working-age population by 2030 but we think the potential of this population will not be fulfilled if the standard of educational attainment and employment rates are not improved. Whilst overall employment rates have improved recently, a greater share of the working age population are now in primary jobs, reducing total labour productivity and acting as a drag on annual growth per capital value added. We do see opportunities from the urbanisation of the population and companies like the private bank, HDFC, are well placed to capitalise on these trends, as demands for banking services increases.