Thematic Investing: Aging of the World’s Population

Video Transcript

An interview with:

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This is a theme that’s about slow change—not a rapid, disruptive one. It’s about the glacial force of demographics and the collision of two long-term powerful forces. One, the post-World War II generation (the baby boom) in the United States, Europe and Japan—what we call the developed world—began turning 65 years old in 2011. Second, is the rising life expectancies and falling birth rates that are occurring in many of the high population, emerging market countries as they grow wealthier.

Generally, as a country urbanizes (goes from rural to urban), as it grows wealthier and moves from poverty to middle class, birth rates decline. So while the world’s population continues to grow, the rate of global population growth is slowing down rapidly. In fact, the world’s population is aging, with population growth increasingly occurring among older age groups. In the last 15 years, the number of children (age 14 and under) increased by only 10 million. Over that same period, the population of age 65 and over increased by more than 150 million.

In fact, there are now more than 900 million people in the world between the age of 50 and 64. Or, as the headline of a recent issue of The Economist noted, there are now, “A Billion Shades of Grey.” The fastest growing age group in the world today is age 70 and above. And, Europe and Japan are now home to more people over the age of 65 than children under the age of 15.

At the same time, you have diverging population dynamics in emerging market countries. They are enjoying what we call a demographic “dividend.” This is a period when there’s more rapid growth of youth and middle age adults relative to children and the elderly, which may create more resources to consumers and nations to spend and invest. Because of this, we’re likely to see continued divergence in growth between the developed and emerging economies.

For more information on this topic, please read our Insights paper “Headlines to Trendlines” or contact your Wealth Management Advisor.
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