Chart in focus

Mostly unfavourable labour force dynamics in top-10 economies

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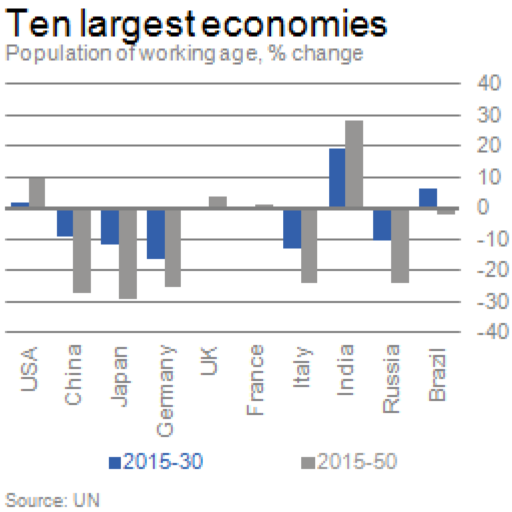
Dependency ratio bottomed out in most advanced and most of the larger emerging economies sometime during the past 10-20 years. The dependency ratio is the ratio of people younger than 15 or older than 64 (so-called dependents) to those aged 15-64 (working-age population). Even China's dependency ratio hit its sweet spot in 2010 and will rise rapidly over the coming decades.



Moreover, the absolute number of people of working age is shrinking in half of the world's ten largest economies. Naturally, profound demographic changes in most of the world's economies will have profound economic and financial implications, including savings and investment and lower economic growth.

In the standard economic model, three factors contribute to economic growth: labour, capital and innovation. A declining labour force will inevitably weigh on the growth outlook. Declining savings and investment are bound to have the same effect. Future economic growth will come to depend more innovation and technological progress, in some countries more than in other.

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