

Ageing Society and the Silver Economy

Thematic Investing

The world's population is ageing with virtually every country experiencing growth in the proportion of elderly people in their populations. According to data from the UN, by 2050, one in six people in the world will be over the age 65 (16%), up from one in 11 in 2019 (9%), giving rise to the "Silver Economy". This trend provides an opportunity for companies servicing the needs of the elderly population to see above average future earnings. Investors of those companies could in turn enjoy returns above market averages.

Introduction

Population ageing is a major demographic trend that is the result of the triumph of public health, medical advancements, and economic and social development over diseases, injuries and early deaths that have limited human life spans throughout history.

Through these triumphs, human life expectancy has increased, resulting in a larger proportion of elderly people globally.

This trend is poised to become one of the most significant social transformations in the twenty-first century.

The implications of this trend affect nearly all sectors of society, including labour and financial markets, the demand for goods and services, such as housing, transportation and social protection, as well as family structures and intergenerational ties.

Global trends in ageing

Based on UN's population ageing estimates and projections, there were 703 million older persons aged 65 or over in 2019 globally (Table 1) ("World Population Ageing 2019" 2020).

Eastern and South-Eastern Asia was home to the largest number of the world's older population (260 million), followed by Europe and Northern America with over 200 million.

Over the next three decades, the UN projects the global number of older persons to more than double, reaching over 1.5 billion persons in 2050.

All regions will see an increase in the size of their older population between 2019 and 2050. The largest increase (+312 million persons) is projected to occur in Eastern and South-Eastern Asia, growing from 261 million in 2019 to 573 million persons aged 65 years or over in 2050.

Region	Number of persons aged 65 or over in 2019 (millions)	Number of persons aged 65 or over in 2050 (millions)	Percentage change between 2019 and 2050
World	702.9	1548.9	120
Sub-Saharan Africa	31.9	101.4	218
Northern Africa and Western Asia	29.4	95.8	226
Central and Southern Asia	119.0	328.1	176
Eastern and South-Eastern Asia	260.6	572.5	120
Latin America and the Caribbean	56.4	144.6	156
Australia and New Zealand	4.8	8.8	84
Oceania, excluding Australia and New Zealand	0.5	1.5	190
Europe and Northern America	200.4	296.2	48

Source: UN World Population Prospects 2019

Table 1: Number of persons aged 65 years or over by geographic region, 2019 and 2050

Drivers of population ageing

Population ageing is driven by a reduction in fertility rates and improvements in survival that occur during the demographic transition from young to old populations.

Lower fertility rates

Lower fertility rates globally lead to a drop in the number of babies born, and as a result, a decline in the number of younger people in the population.

Europe was the first region to see lower fertility and increased longevity by the late nineteenth or early twentieth centuries in almost all areas. As a result, many countries in the region are amongst the world's most aged. In Germany, for example, the total fertility rate had fallen to the replacement level of 2.1 live births per woman in 1950 and continued to decline to 1.5 in 2017 ("World Population Ageing 2017" 2020). The share of older persons nearly doubled over that period, from just under 15% in 1950 to 28% in 2017.

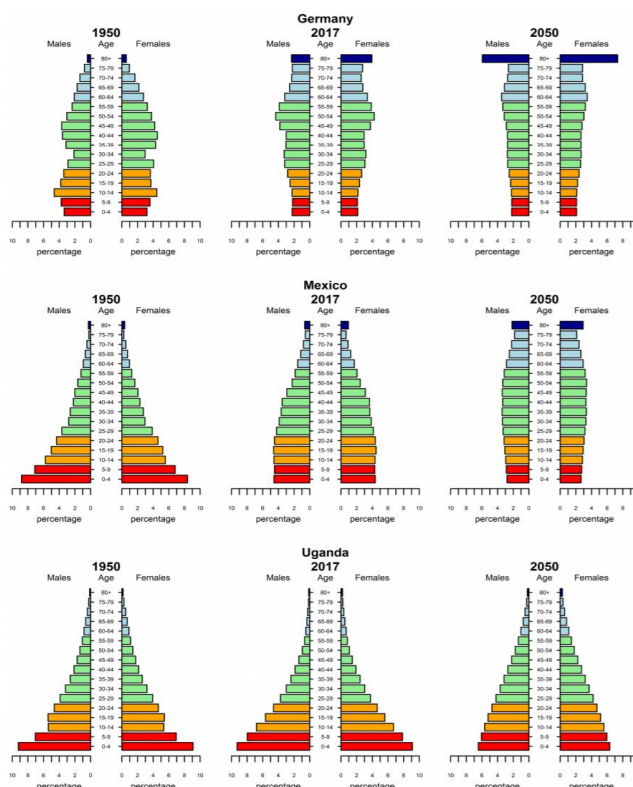
The demographic transition began later in Asia and in Latin America and the Caribbean; as a result, their populations are younger compared to those in Europe and in Northern America. In Mexico in 1950, fertility stood at 6.7 live births per woman and 5% of the population was aged 60 or over. Starting around 1970, fertility declined rapidly in Mexico, reaching 2.2 live births per woman in 2017 ("World Population Ageing 2019" 2020). It is projected to remain below the replacement level at least through 2050. The share of Mexico's population aged 60 years or over is projected to increase more than two-fold from 10% in 2017 to 25% in 2050.

Many countries in Africa remain in the early stages of the demographic transition: some have begun to see reductions in fertility only recently, while others have yet to see a significant decline in fertility. Thus, while the number of older persons has grown, their share of the overall population has remained small.

In Uganda, for example, total fertility in 2017, at 5.5 live births per woman, was still comparatively high, although it had fallen from 6.9 live births per woman in 1950 ("World Population Ageing 2019" 2020). Fertility in Uganda is projected to continue to decline slowly towards 3.2 live births per woman in 2050 and the percentage of the population aged 60 or over is projected to rise gradually, reaching 6% by the mid-century.

Higher global life expectancy

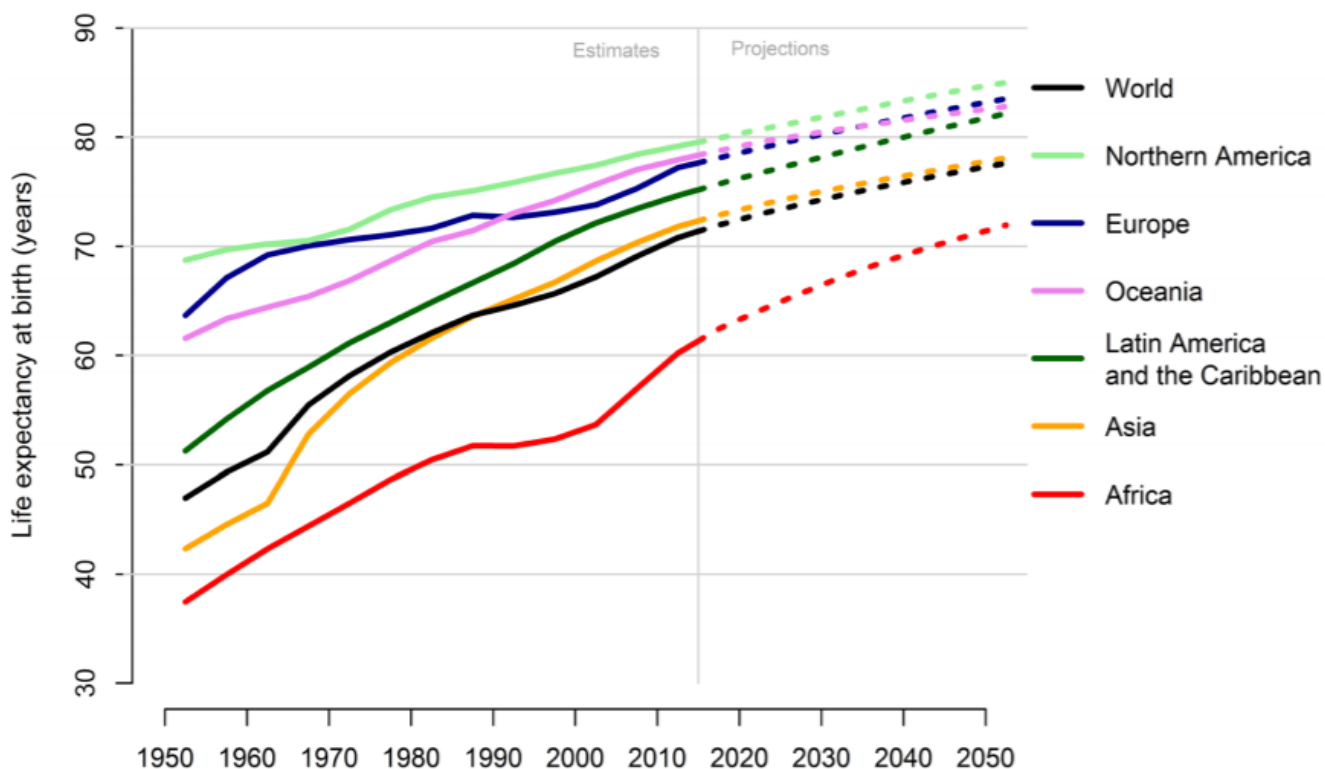
Higher global life expectancy or longevity raises the average age of the population by increasing the number of surviving old people.



Source: UN World Population Prospects 2017

Figure 1: Distribution (percentage) of population by sex and age group in Germany, Mexico and Uganda, in 1950, 2017 and 2050

Since 1950-1955, life expectancy at birth has risen by more than 10 years in Northern America, Europe and Oceania, and by close to 25 years in Latin America and the Caribbean ("World Population Ageing 2019" 2020). In each of these four regions, life expectancy is projected to surpass 80 years in the coming decades (Figure 2).



Source: UN World Population Prospects 2019

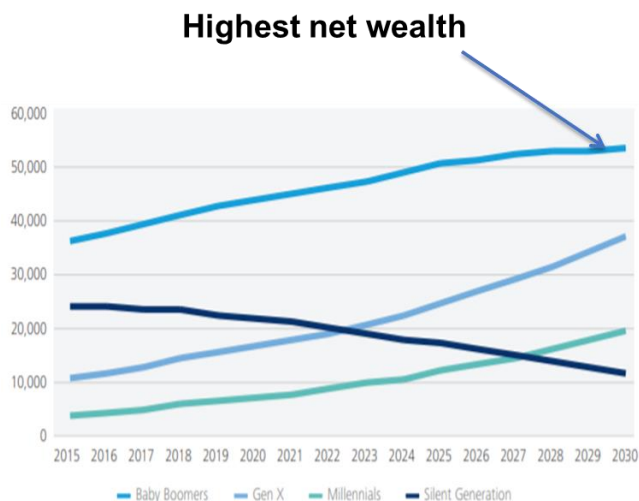
Figure 2: Life expectancy at birth by region, from 1950 to 2050

Asia has achieved the largest gains in survival, adding nearly 30 years to life expectancy at birth since 1950-1955. The region is projected to continue to make improvements, with life expectancy projected to increase from 72 years in 2010-2015 to 78 years in 2045-2050.

Africa has lower levels of life expectancy, owing largely to persistently high child and maternal mortality risks in many countries, as well as excess mortality caused by HIV/AIDS and political conflicts over the past quarter century. Nonetheless, Africa added 23 years to life expectancy at birth since 1950-1955 and is projected to see further improvements from 60 years in 2010-2015 to 71 years in 2045-2050.

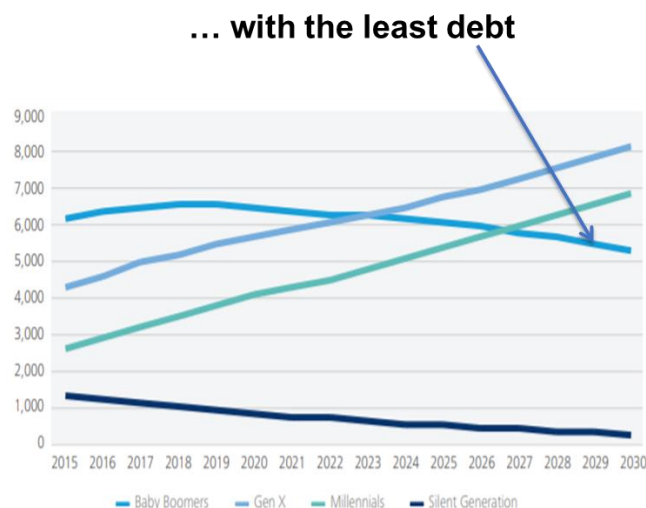
Silver hair but golden balance sheets

The aged population of seniors are the wealthiest (Figure 3) demographic of individuals, with the least amount of debt (Figure 4).



Source: *The Future of Wealth in the US (Deloitte)*

Figure 3: Net wealth by generation



Source: *The Future of Wealth in the US (Deloitte)*

Figure 4: Net debt by generation

Based on data and projections by Deloitte in the US, Baby Boomers (defined as those between the ages of 51 – 69 in 2015) had the highest net wealth compared to Silent, Millennial and GenX generations in 2015 (Srinivas and Goradia 2020). The Baby Boomer generation in 2015 had a net wealth of USD38 trillion. This is expected to rise to USD53 trillion in 2030.

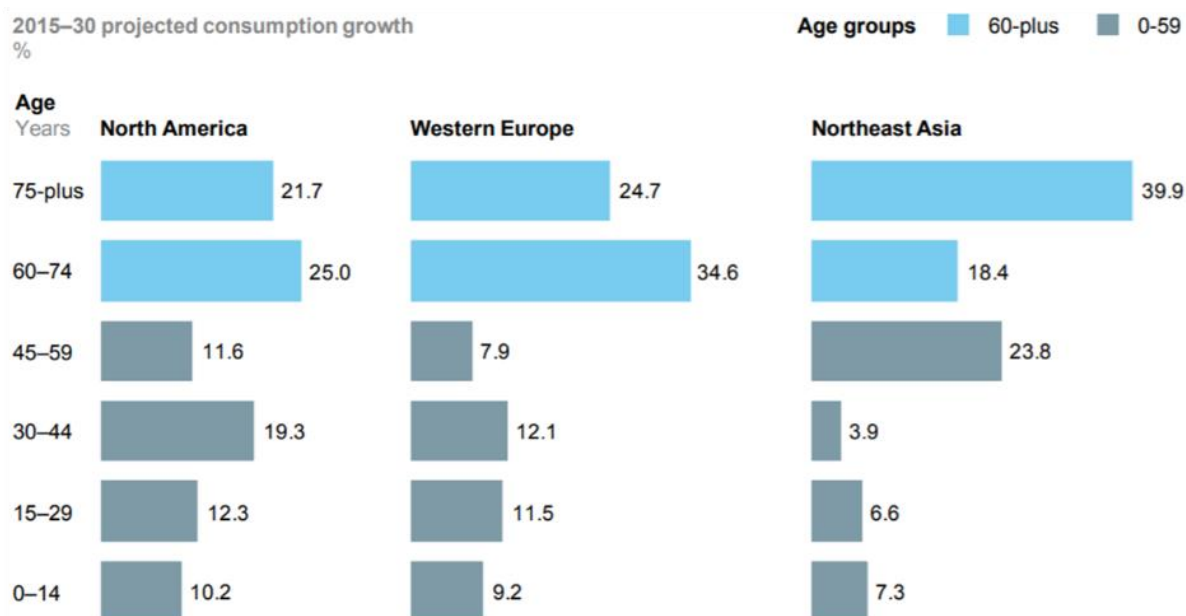
Further, the Baby Boomer generation is also expected to see declines in their level of debt. Baby Boomers' debt, currently estimated at USD6.1 trillion, is projected to peak within the next few years and then gradually begin to slide, reaching USD5.3 trillion by 2030. By comparison, Gen Xers and Millennials will see debt levels rise significantly more quickly (at a CAGR of 4.3% and 6.5%, respectively) in the next two decades.

Seniors to drive consumption growth

With strong balance sheets behind them, seniors and the elderly will be a significant driver for consumption growth globally. This is especially the case in developed regions such as North America, Western Europe and North Asia.

According to estimates by McKinsey Global Institute (Figure 5), the developed retiring and elderly will generate 51% of urban consumption growth in developed countries, or USD4.4 trillion, in the period to 2030. That is 19% of global consumption growth (Dobbs 2020).¹

Seniors in Western Europe and North East Asia are projected to account for nearly 60% of consumption growth



Source: McKinsey Global Institute

Figure 5: Projected consumption growth by age group

As well as increasing in number, each individual in this group is consuming more, on average, than younger consumers, mostly because of rising public and private health-care expenditure. But it's not just health-care that they are spending on.

People aged over 50 bought nearly two-thirds of the new cars sold in the United States in 2011, according to one study¹. Half of all Americans riding Harley-Davidson motorcycles are also baby boomers².

Between 2015 and 2030, the 60-plus age group in the developed world is projected to contribute 40% or more of consumption growth. This extends to categories such as personal care, housing, transportation, entertainment, and food and alcoholic beverages.

¹ AARP Media Sales with J. D. Power and Associates.

² The BOOMer report 2015, Sabi, May 4, 2015.

The rise of the “Silver Economy”

Population ageing is driven by a reduction in fertility rates and improvements in survival that occur during the demographic transition from young to old populations.

Sectoral winners in the Silver Economy

Tourism

With more time on their hands, seniors are expected to spend big on leisure and tourism.

According to a Eurostat survey, tourists aged 65 or over accounted for nearly 1 in 4 tourism nights for private purposes by EU residents in 2018, while people aged 55+ accounted for 41 % (“Tourism Trends And Ageing - Statistics Explained” 2020).

Seniors also were seen to make longer trips, possibly due to the extra time on their hands, and prefer to stay in non-rented accommodation.

Hence, as more people move into retirement, the tourism industry and especially hotels will likely see greater demand.

Healthcare

As the global population becomes older, the demand for healthcare services increases. Pharmaceutical companies, drug retailers and biotechnology anticipate a strong increase in demand.

As people age, two sectors to watch are the ophthalmic (eyes) and audiology (hearing) markets. The size and scale of these markets should not be underestimated. These two sub-sectors could be key discretionary areas of spending for Silver Economy consumers looking to improve their quality of life.

Nevertheless, the human body may deteriorate as they age, and companies which are positioned to aid in holding back the effects of ageing and improve quality of life could see rising popularity amongst the Silver Economy consumers.

Financial Services

Worldwide growth in life expectancy goes hand in hand with increased demand for insurance products and wealth management services.

Life and pension insurance schemes benefit from this in particular. In countries which do not have modern social insurance systems that cover living costs, the demand for private retirement provision products is rising. Most insurers invest significant resources in developing tailored solutions for this target group.

Meanwhile, a greater shift towards individual responsibility for retirement savings has provided opportunities for asset managers. As the world ages, and people need to save more for retirement and healthcare, the asset management industry is expected to expand, catering for the mass-affluent baby boomers as well as handling money from pension funds.

Investing in the “Ageing Society and Silver Economy” trend with Crea8

Silver investment strategies have been around for a while but many have struggled to provide a portfolio of stocks that can maximise returns from this trend.

The issue is that inherently heterogenous firms can benefit from the Silver Economy in different ways. Thus, investing in the Silver Economy requires careful analysis of the goods and services this group will demand before adopting a specific investment strategy.

Nevertheless, Crea8 has dedicated time to analyse the market and put together an investment strategy with a portfolio of stocks that will maximise returns from this trend. The 'Global Ageing Society' investment strategy lets you ride on this trend by investing in the stocks of companies that will benefit from the ageing population trend.

Through Crea8's Factor Based Thematic Investing Service, you get the opportunity to invest in this trend.

Put your own spin of things

Crea8 allows you to adopt our professionally built strategies, such as "Ageing Society", and put your own spin on things.

If you are concerned about sustainability, Crea8 has also incorporated Environmental Social and Governance (ESG) factors into our portfolio construction, thereby, ensuring that your portfolio is consistent with your ESG principles.

Alternatively, with Crea8's Analytics, you can use our screener to identify other stocks to add to the strategies, while Crea8's Advisory allows you to use our algorithm add factor tilts to these strategies.

We monitor your plan to ensure you can sleep easy

When you set up an investment plan or strategy with us, your investment plan or strategy is rebalanced automatically, or we will send you a reminder to do so. This way, you can relax knowing that your investment plan is diversified and on track to meet your goals.

Crea8 offers free and automatic portfolio monitoring

In between the rebalancing date, we suggest that you enter cut loss and take profit orders. By using smart algorithms, we aim to cut your losses and let your profits run. Hence, you can sleep well knowing that your portfolio is monitored and up-to-date.

Backtest your strategies with 'what ifs' before investing

For any of the investment plans or strategies that you create, we let you backtest them and evaluate 'what-ifs' before committing your capital.

Crea8's Suite of Thematic Strategies

FinTech and Digital Security

Ageing Society

Electric Vehicles and Driving Technology

Smart Cities and Smart Homes

Millennials and Sharing Economy

AI and Blockchain

Smart Factory

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