

Global Vision Perspective

57 Tufton Street, London SW1P 3QL, Tel 020 7233 3121, Fax 020 7222 4388
info@global-vision.net

Europe's worsening demographics

By Ruth Lea

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Introduction

There is little doubt that Europe, in general, and the EU, in particular, is losing share of world GDP and will continue to do so. According to HM Treasury, the EU25 accounted for 26% of world output in 1980, but by 2015 they expect this figure to drop to 17%. On the other side of the coin, China's share is projected to rise to 19% by 2015, compared with just 3% in 1980, on a par with the US's relatively stable share over this period. India's share is projected to pick up from 3% in 1980 to 8% in 2015.

Shares of global output (%) (Purchasing Power Parity terms)

	1980	2003	2006	2015
EU25	26	22	20½	17
US	20	21	20	19
Japan	7	7	6	5
India	3	6	6½	8
China	3	13	15	19
Brazil	3	3	2½	3
Russia	4	3	2½	2
Other	34	25	27	27
Total	100	100	100	100

Sources: HM Treasury, *Global Europe, full-employment Europe*, October 2005 for 1980, 2003 and 2015. World Bank, *World Development Indicators database*, 2007 for 2006.

The UN's global demographic projections

One significant factor behind the shifting of political and economic power away from Europe to the rest of the world relates to demographic developments. These are all too often overlooked. By the middle of this century the UN's demographers expect some quite staggering changes.¹

The UN currently expects the world's population will reach 8.0 billion in 2025 and 9.2 billion in 2050 compared with 6.1 billion in 2000, 6.5 billion in 2005 and just 2.5 billion in 1950. In the century from 1950 to 2050 the UN, therefore, expects the population to grow by more than three and a half times.²

In the half century from 2000 to 2050, population is expected to increase by 3.1 billion – around 50% – most of which will be accounted for the rises in Africa (1.2 billion) and Asia (1.6 billion). 600 million of the increase is accounted for by India, the population of which is expected to overtake China's by 2025. Very few major countries are expected to experience significant population falls over this period – though Japan and the Russian Federation are the two most obvious

exceptions. Japan's population is expected to slip from 127 million in 2000 to 103 million in 2050. The corresponding data for Russia show a more severe relative fall – from 147 million in 2000 to 108 million in 2050.

Data for working age populations are, however, more relevant when considering the economic potential of individual regions and countries. The pattern of regional change for working age populations is, if anything, more pronounced than for total populations. Of the 2 billion world increase in people of working age, over 800 million are accounted by Africa and over 1 billion by Asia.

But within the Asian total there are very disparate trends. China's working age population is expected to fall substantially between 2015/20 and 2050, having grown dramatically between 1950 and 2015/20. Japan's demographics are poor, with an overall fall of 35 million between 2000 and 2050, reflecting low fertility rates and an aging population. India's working age population, by contrast, is expected to increase by nearly 500 million between 2000 and 2050. These are quite staggering figures.

Europe's data look almost as bad as Japan's. Much of the decline is in Eastern Europe, including the Russian Federation. Russia's data look dire. EU Member States are discussed below. Demographic developments in the Americas, including the very rich North America, and Australia and New Zealand, which though small are also very rich, look favourable to economic growth.

Working Population (aged 15-64 only), millions: basic regional data

	1950	2000	2025	2050	Change: 1950 to 2000	Change: 2000 to 2050
World	1,538	3,853	5,241	5,875	2,315	2,022
Africa	123	445	828	1,300	322	855
Asia:	842	2,358	3,217	3,398	1,516	1,040
China	344	866	988	860	522	-6
Japan	50	87	72	52	37	-35
India	221	632	977	1,116	411	484
Europe (EU and non-EU):	360	494	462	384	134	-110
EU27	247	324	316	272	77	-52
Non-EU:						
Russian Federation	67	103	87	66	36	-37
The Americas:	205	536	707	763	331	227
USA	102	188	225	249	86	61
Canada	9	21	24	25	18	4
Brazil	30	113	154	160	83	47
Oceania:						
Australia	5.4	12.8	15.3	16.6	7.4	3.8
New Zealand	1.2	2.5	3.0	3.1	1.3	0.6

Source: UN, Department of Economic and Social Affairs, *World Population Prospects, the 2006 revision, medium variant*.

Demographics in the EU

The EU27's working age population is projected by the UN to decrease from 324 million in 2000 to 272 million in 2050 – a fall of 52 million or 16%. This fall is not trivial. But, as the table below shows, EU Member States show very disparate trends. (More detailed figures are shown in the annex table.)

Working Population (aged 15-64 only), millions: key EU27 data

	1950	2000	2025	2050	Change: 1950 to 2000	Change: 2000 to 2050	Change: 2000 to 2050 (%)
EU15, total	195.7	252.4	252.2	225.4	56.7	-27.0	-10.7
Of which:							
Germany	45.9	56.0	50.3	41.6	10.1	-14.4	-25.7
UK	33.9	38.4	41.0	41.0	4.5	2.6	6.8
Italy	30.8	38.9	36.6	29.5	8.1	-9.4	-24.2
France	27.6	38.5	40.6	39.7	10.9	1.2	3.1
EU10, total	35.7	51.0	46.3	34.7	15.3	-16.3	-32.0
Of which:							
Poland	16.2	26.3	23.6	17.1	10.1	-9.2	-35.0
Hungary	6.3	7.0	6.2	4.9	0.7	-2.1	-30.0
Czech Republic	6.0	7.0	6.5	4.9	1.0	-2.1	-30.0
EU2, total	15.6	20.5	17.4	11.9	4.9	-8.6	-42.0
EU27, total	247.0	324.1	315.9	272.0	77.1	-52.1	-16.1

Source: UN, Department of Economic and Social Affairs, *World Population Prospects, the 2006 revision, medium variant*.

Notes: "EU15" refers to the 15 Member States prior to the 2004 enlargement. "EU10" refers to the 10 Members, mainly from Central and Eastern Europe, who joined in 2004. "EU2" refers to the 2 Members, Romania and Bulgaria in Eastern Europe, who joined in 2007.

Of the total EU27 decrease between 2000 and 2050, the EU15 account for over half (27 million), the EU10 account for over 30% (over 16 million) and Romania and Bulgaria, the EU's latest recruits, account for the remaining sixth (over 8 million).

Within the EU15 the pattern is mixed. The UK and France show a positive growth in their working age populations between 2000 and 2050 (as does Ireland). But Germany and Italy show sharp decreases. Most of the other EU15 Member States also show contractions. The countries of Eastern Europe show a uniformly negative pattern. Across the board their working populations are expected to fall significantly. The UN expects the working populations of Poland, Hungary and

the Czech Republic, the most populous of the EU10, to contract by 30-35% between 2000 and 2050. The EU2, Romania and Bulgaria, are expected to show a drop of over 40% over this period.

With the EU's demographic expectations as poor as these, it is clear that the UK must look beyond the EU – and must feel unfettered to do so – if it is to have a dynamic and positive future. The “action”, quite simply, will be elsewhere.

References

1. For earlier data see Global Vision's Fact Sheet 14.1, *The EU's demographic future*, by Ian Milne, available from www.global-vision.net.
2. UN, Department of Economic and Social Affairs, *World Population Prospects, the 2006 revision, medium variant*. The latest data is available from www.un.org/esa/.

ANNEX

Working Population (aged 15-64 only), millions: detailed EU27 data

	1950	2000	2025	2050	1950-2000	2000-2050
EU15:						
Germany	45.9 (1)	56.0	50.3	41.6	10.1	-14.4
UK	33.9 (2)	38.4	41.0	41.0	4.5	2.6
Italy	30.8 (3)	38.9	36.6	29.5	8.1	-9.4
France	27.6 (4)	38.5	40.6	39.7	10.9	1.2
Spain	18.4 (5)	27.5	30.1	24.3	9.1	-3.2
Netherlands	6.4 (6)	10.8	10.6	10.1	4.4	-0.7
Belgium	5.9 (7)	6.7	6.7	6.2	0.8	-0.5
Portugal	5.3 (8)	6.9	6.9	5.5	1.6	-1.4
Greece	4.9 (9)	7.5	7.2	5.9	2.6	-1.6
Sweden	4.7 (10)	5.7	6.0	6.2	1.0	0.5
Austria	4.6 (11)	5.5	5.5	4.8	0.9	-0.7
Denmark	2.8 (12)	3.6	3.5	3.3	0.8	-0.3
Finland	2.5 (13)	3.5	3.3	3.1	1.0	-0.4
Ireland	1.8 (14)	2.6	3.5	3.7	0.8	1.1
Luxembourg	0.2 (15)	0.3	0.4	0.5	0.1	0.2
Sub-total	195.7	252.4	252.2	225.4	56.7	-27.0
EU10:						
Poland	16.2 (1)	26.3	23.6	17.1	10.1	-9.2
Hungary	6.3 (2)	7.0	6.2	4.9	0.7	-2.1
Czech Republic	6.0 (3)	7.0	6.5	4.9	1.0	-2.1
Slovakia	2.2 (4)	3.7	3.6	2.7	1.5	-1.0
Lithuania	1.6 (5)	2.3	2.0	1.6	0.7	-0.7
Latvia	1.2 (6)	1.6	1.4	1.0	0.4	-0.6
Slovenia	1.0 (7)	1.4	1.2	0.9	0.4	-0.5
Estonia	0.7 (8)	0.9	0.8	0.7	0.2	-0.2
Cyprus (all)	0.3 (9)	0.5	0.7	0.7	0.2	0.2
Malta	0.2 (10)	0.3	0.3	0.2	0.1	-0.1
Sub-total	35.7	51.0	46.3	34.7	15.3	-16.3
EU2:						
Romania	10.8 (1)	15.1	13.1	9.1	4.3	-6.0
Bulgaria	4.8 (2)	5.4	4.3	2.8	0.6	-2.6
Sub-total	15.6	20.5	17.4	11.9	4.9	-8.6
EU27	247.0	324.1	315.9	272.0	77.1	-52.1

Source: UN, Department of Economic and Social Affairs, *World Population Prospects, the 2006 revision, medium variant*.

Note: There may be some non-addition in the table due to rounding errors.

Note on the author:

Ruth Lea is currently Director of Global Vision and Non-Executive Director and Economic Adviser to Arbutnot Banking Group. She is the author of many papers on economic matters and writes regularly for the press. Ruth was Director of the Centre for Policy Studies from 2004-2007. She was also Head of the Policy Unit at the Institute of Directors (IoD) between 1995 and 2003, before which she was the Economics Editor at ITN, Chief Economist at Mitsubishi Bank and Chief UK Economist at Lehman Brothers. She also spent 16 years in the Civil Service in the Treasury, the Department of Trade and Industry and the Central Statistical Office. She has served on the Council of the Royal Economic Society, the National Consumer Council, the Nurses' Pay Review Body, the ONS Statistics Advisory Committee, the ESRC Research Priorities Board and the Retail Prices Advisory Committee.

Global Vision is a new campaign group backed by economists and business leaders that argues for a looser British relationship with the EU, based on free trade and mutually beneficial cooperation, whilst opting out of economic and political union. Global Vision believes that this is the right relationship for Britain in the 21st century's rapidly changing world. For more details on Global Vision please visit our website: www.global-vision.net.