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The impact of global demographic change

Interview with Virginie Maisonneuve – Key Points

How do you define global demographic change?

Global demographic change is one of the three long-term trends that the Global & International Equities Team analyses

There are three key factors shaping global demographic change:

1. The global population is expected to grow to around 9 billion people between now and 2050
2. Fertility is falling sharply
3. 98% of global population growth is expected to come from emerging markets. By contrast, the developed world is aging rapidly. Japan is the most dramatic example – its population is likely to be half what it is today by 2100. European countries such as Germany and Italy are also likely to experience rapid aging.

These changes will not only affect and mould the operating environment for companies but also carry a significant cost for economies. Data from bodies such as the International Monetary Fund and the OECD suggest that debt to GDP for G20 countries could hit 300% if you count the cost of demographic change by 2050.

How will this affect companies?

Companies have two basic requirements: to hire labour and to sell a product or service – both of these will be affected by shifting demographics.

Companies will have to consider their branding, distribution and purchasing power in view of a shift to the emerging market consumer. We must accept that consumption and spending patterns are going to look very different in thirty or forty years' time.

Population aging will also impact the way companies operate. As the labour force ages companies will have to adapt; assembly lines, the kind of work older employees can be involved in and healthcare costs are all considerations.

The strategy for promoting productivity will vary from country to country and tax policies may look very different around the world. As such, companies will need to take a global view on sourcing labour, on which markets to target and who their ultimate consumers will be.

How do you factor these considerations into your investment process?

We believe that the companies who understand the implications of demographic change and can anticipate how this will shape their business model are the most likely winners of tomorrow.

We do not look at companies with a 20 year view but examine their understanding of sustainable growth, and trend growth on a 3 – 5 year view. These are very long-term trends but they are taking place as we speak – so, the journey for companies is almost as important as the end point and we believe it is incredibly important to be alert to even marginal shifts in these trends.



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