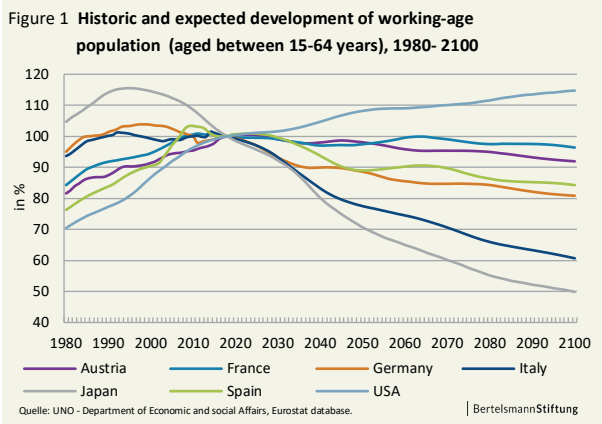
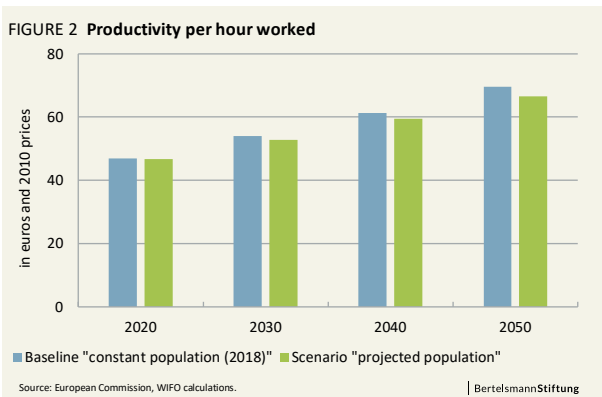


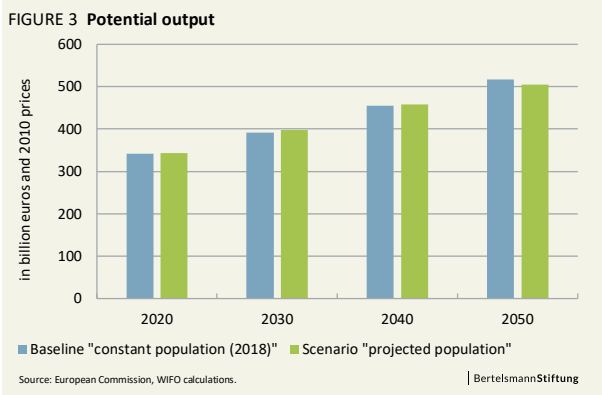
## Macroeconomic effects of demographic aging in Austria



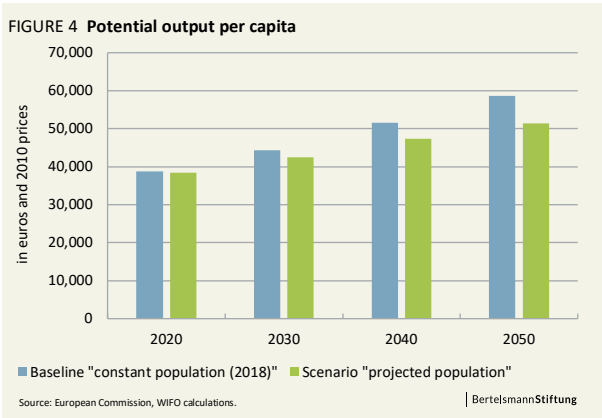
According to projections, the working-age population in Austria is going to age in the next 30 years, but is expected to shrink only slightly starting in the mid-/ late-2020s. The expected decline is by about 2% between 2018 and 2050 (see Fig. 1). This overview shows how demographic aging (the scenario “projected population”) in Austria until 2050 will affect key macroeconomic indicators, compared to a scenario in which the population remains constant at the level of 2018 (the baseline “constant population (2018)”).



The negative effects of demographic aging are expected to attenuate the growth of labor productivity until 2050. The difference between the scenario “projected population” and the baseline scenario should increase from around 1,1 euros per hour worked in 2030 to 1,9 euros in 2040 and to 3,1 euros in 2050 (in 2010 prices) (see Fig. 2).



Since the working-age population is expected to continue to grow until the mid-2020s, and then start to shrink, only slowly, before rising again slightly around 2040, the real gross domestic product (GDP) in the scenario “projected population” is anticipated to grow even more strongly until 2040 – though at an increasingly lower rate – than in the baseline scenario (2030: + 1.8%, 2040: + 0.6%). Subsequently, however, GDP growth is expected to be attenuated by demographic aging. In 2050, it will be nearly 2.3% lower than if demographic aging had not occurred (see Fig. 3). In absolute terms, demographic aging and its negative effects ought to attenuate GDP by around 11.7 billion euros in 2050 (in 2010 prices).

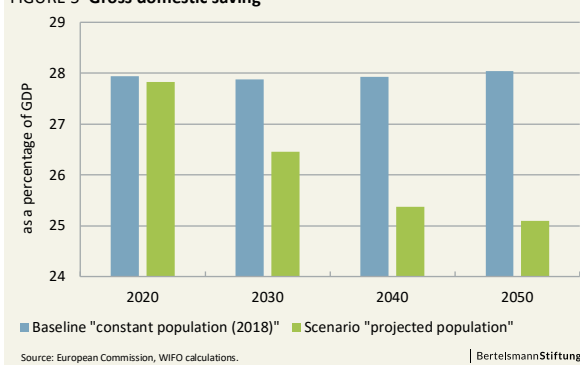


As Austria's population will age in the next few decades, and the ratio of people of working-age to those of retirement age will decrease as a result, real GDP per capita will amount to around 1,800 euros lower than in the Baseline scenario in 2030, to 4,200 euros lower in 2040 and to 7,200 euros lower in 2050 (in 2010 prices) (see Fig. 4).

In the baseline scenario, the savings rate remains almost constant until 2050 (see Fig. 5). Demographic change will bring about a rise in the number of people of retirement age. This will lead to a decline in the savings rate in the next few decades. Between 2018 and 2040, the drop should amount to nearly 3 percentage points – or about 10 percent. By 2050 the drop should reach 3.2 percentage points (or about 11 percent). In 2040 the

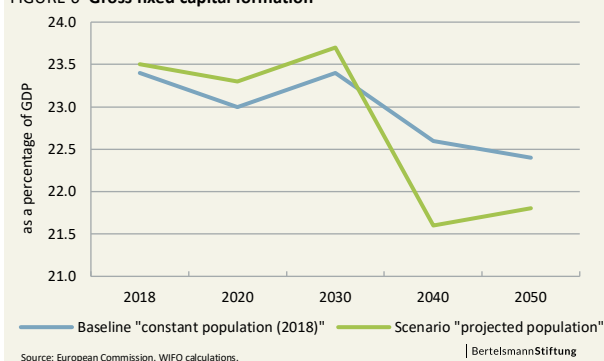


FIGURE 5 Gross domestic saving



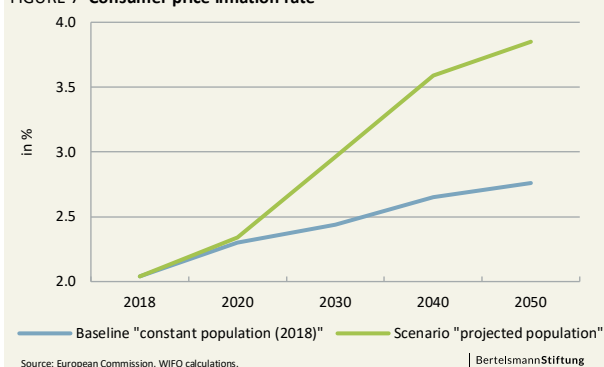
savings rate ought to be in the range of 2.6 percentage points lower than it would be without demographic aging. In 2050, it is expected to be 2.9 percentage points lower than in the Baseline scenario.

FIGURE 6 Gross fixed capital formation



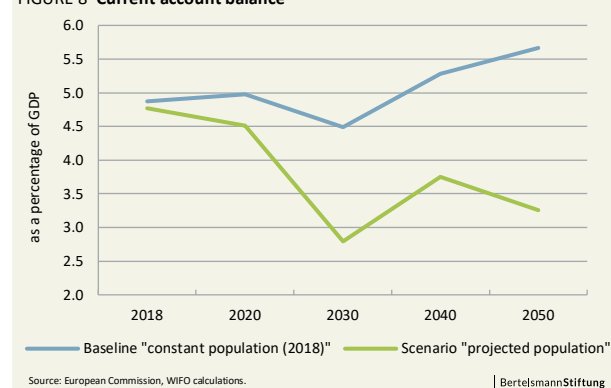
Until the early 2030s, the investment rate is expected to be slightly above the rate from the baseline scenario (see Fig. 6). This is because the working-age population is expected to continue to grow until the mid-2020s. The expected age-related decline in the investment ratio sets in afterwards. In 2050, the ratio is expected to be around 0.6 percentage points lower than it would be without demographic aging. However, in an open economy, the domestic capital supply can be supplemented by capital inflows from abroad.

FIGURE 7 Consumer price inflation rate



The simulation calculations also confirm the theoretical assumption of rising inflationary pressure due to demographic aging (see Fig. 7). In 2040, the scenario "projected population" shows an inflation rate that is 0.9 percentage points higher than in the baseline scenario. In 2050 the inflation rate in the scenario "projected population" is expected to be higher by 1,1 percentage point.

FIGURE 8 Current account balance



The declining savings rate and the simultaneously rising consumption rate, due to the growing share of pensioners, are in turn expected to lead to an increase in domestic consumption. This means that fewer goods and services will be available for export. The rising price level, due to the growing inflation rate, in turn means that foreign demand for domestic goods tends to decline. Fig. 8 shows the expected decline of the current account surpluses in Austria due to aging. They are projected to decline from about 4.8% of GDP in 2018 to 3.8% of GDP in 2040 and to 3.3% of GDP in 2050. In 2040, this should make them 1.5 percentage points lower than in the baseline scenario, and in 2050 they are expected to be 2.4 percentage points lower.

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