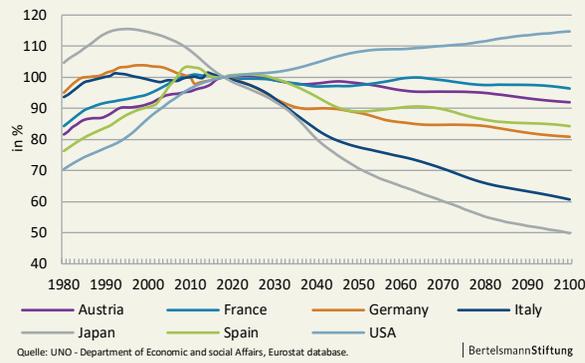


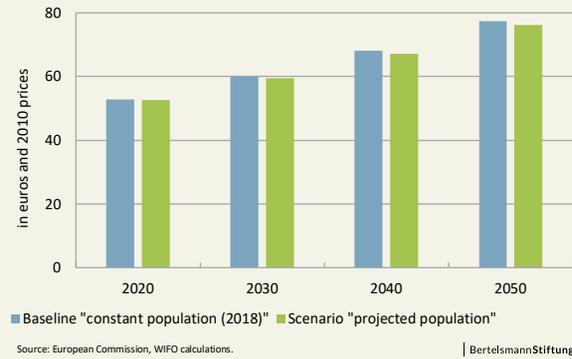
## Macroeconomic effects of demographic aging in France

Figure 1 Historic and expected development of working-age population (aged between 15-64 years), 1980- 2100



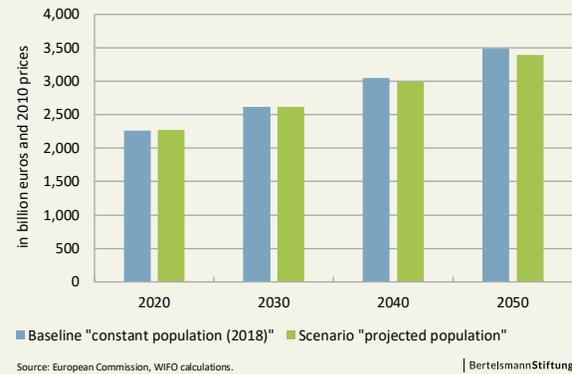
The working-age population in France is projected to age only slightly until the end of the 2020s and then grow younger again. Between 2018 and 2050, the population of working age is expected to shrink slightly by about 2.5% (see Figure 1). This overview shows how the demographic trends in France until 2050 (the scenario “projected population”) are expected to affect key macroeconomic indicators, compared to a scenario in which the population remains constant at the level of 2018 (the baseline “constant population (2018)”).

FIGURE 2 Productivity per hour worked



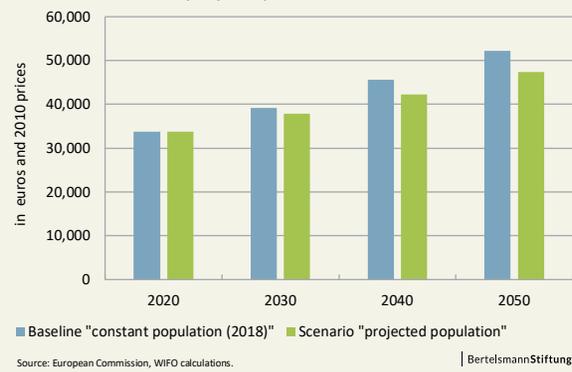
The working-age population is anticipated to age only marginally until around 2040. But, since the share of younger workers will increase at the same time, the labor productivity is expected to decline from 2030 onwards. The difference between the scenario “projected population” and the baseline scenario should increase from around 0,6 euros per hour worked in 2030 to 1 euro in 2040 and 1,2 euros in 2050 (in 2010 prices) (see Fig. 2).

FIGURE 3 Potential output



Since the working-age population is expected to shrink only slightly but continuously, the growth of the real gross domestic product (GDP) in the scenario “projected population” is expected to be slightly attenuated in 2030, by about 0.3% (see Fig. 3). In 2040, GDP is expected to be 1.9% lower than it would be if the population structure were to remain at the 2018 level. In 2050, the difference is expected to reach 2.8%. In absolute terms, demographic effects should attenuate GDP by more than 56 billion euros in 2040 and around 97 billion euros in 2050 (in 2010 prices).

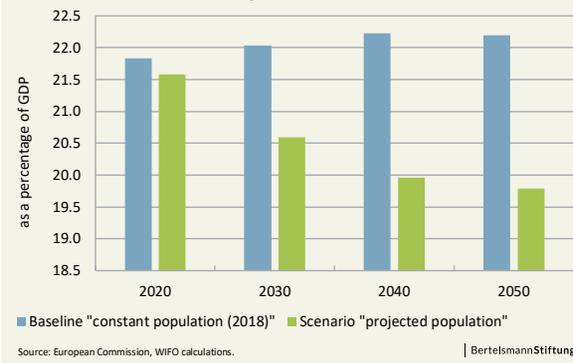
FIGURE 4 Potential output per capita



Since the ratio of people of working age to people who are not of working age (the younger and the elderly) is expected to decrease in the next few decades, real GDP per capita, which is in effect the average material prosperity per inhabitant, is expected to be about 1,300 euros lower than in the baseline scenario in 2030, about 3,400 euros lower in 2040 and 4,700 euros lower in 2050 (in 2010 prices) (see Figure 4).

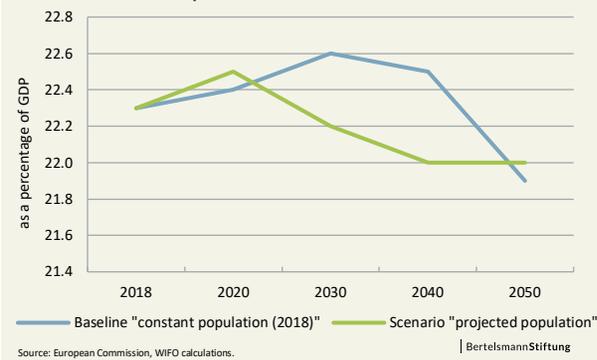
In the baseline scenario, the savings rate increases slightly until 2050 (see Fig. 5). The rising share of people of retirement age and, additionally, the rising share of young people from around 2030 onwards lead to a decline in the savings rate in the coming decades (scenario “projected population”). The reduction will be by 2 percentage points (or about 9 percent) between 2018 and

FIGURE 5 Gross domestic saving



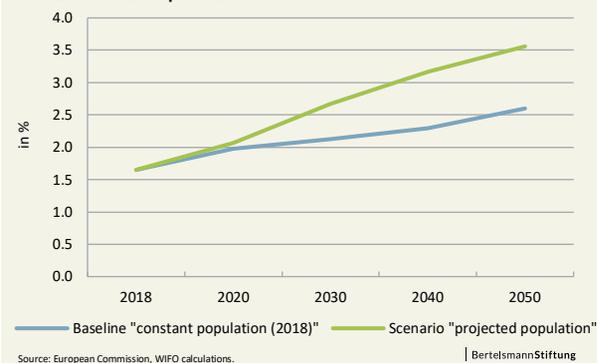
2040, and by 2.2 percentage points (or about 10 percent) by 2050. In 2040, the savings rate is expected to be about 2.3 percentage points lower than in the baseline scenario. By 2050, the difference is expected to be 2.4 percentage points.

FIGURE 6 Gross fixed capital formation



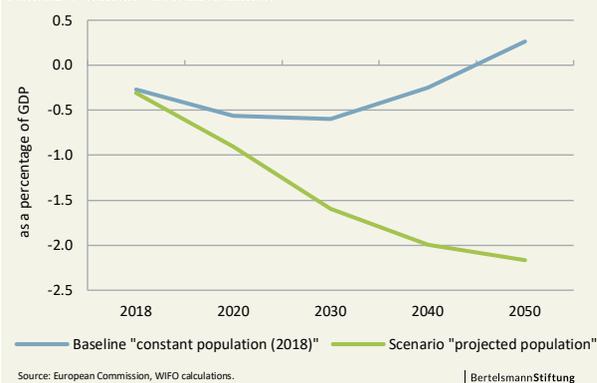
The domestic capital supply is expected to be reduced by the declining savings rate (see Fig. 6). The investment rate should drop by 0.3 percentage points between 2018 and 2040 or 2050, respectively. In 2040, it is expected to be 0.5 percentage points lower than in the baseline scenario. However, in an open economy, the domestic capital supply can be supplemented by capital inflows from abroad.

FIGURE 7 Consumer price inflation rate



The simulation calculations confirm the theoretical assumption of rising inflationary pressure due to the increasing share of people who are not of working age. In 2040, the inflation rate in the scenario "projected population" is expected to be nearly 0.9 percentage points above the baseline and in 2050, the difference ought to be nearly 1 percentage point (see Fig. 7). The declining savings rate and the simultaneously rising consumption rate, due to the growing share of pensioners and younger people, 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 reflects the increase in France's current account deficit due to demographics. In 2040, the current account deficit in the scenario "projected population" is expected to be about 1.7 percentage points higher than in the baseline scenario. In 2050, it is anticipated to be about 2.4 percentage points higher.

FIGURE 8 Current account balance



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