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Ageing Matters

The Future of Older Populations

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[Ageing Matters: The Future of Older Populations](#)

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Introduction



With falling birth rates and rising life expectancy, the older demographic is growing rapidly as a proportion of the global population, creating significant commercial opportunities and challenges, as well as giving rise to new societal, economic and consumption trends. Insights into the trends and issues brought about by population ageing, including the impact of Coronavirus (COVID-19) on older consumers, can help companies formulate strategies to stay profitable and relevant in the long term.

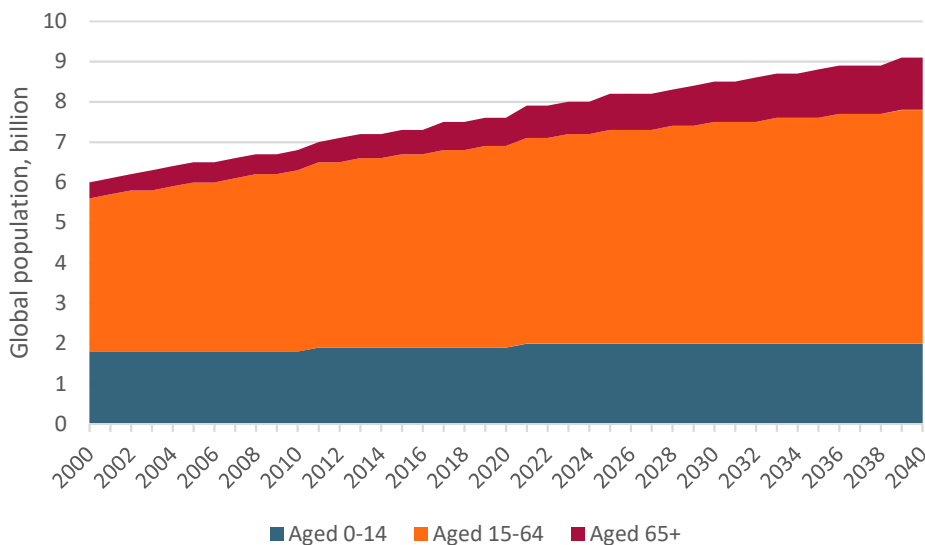
This report reviews global population ageing trends towards 2040, specifically the future of consumers aged 65 and over, focusing on the income and spending power of older populations in some key economies. It also analyses the impact of the COVID-19 pandemic on the older population and the implications for economies and businesses.

Global Population Ageing

Population ageing is a major demographic shift happening across the world, driven by rising life expectancy and declining birth rates. In the next 20 years, the global population aged 65+ years is forecast to increase by 600 million, to reach 1.3 billion. Along with other major driving forces, such as technological development and climate change, population ageing will continue to shape the world we live in, prompting economies, societies and businesses to adapt.

The global population aged 65+ is forecasted to reach 1.3 billion by 2040.

Global Population by Age Group 2000-2040



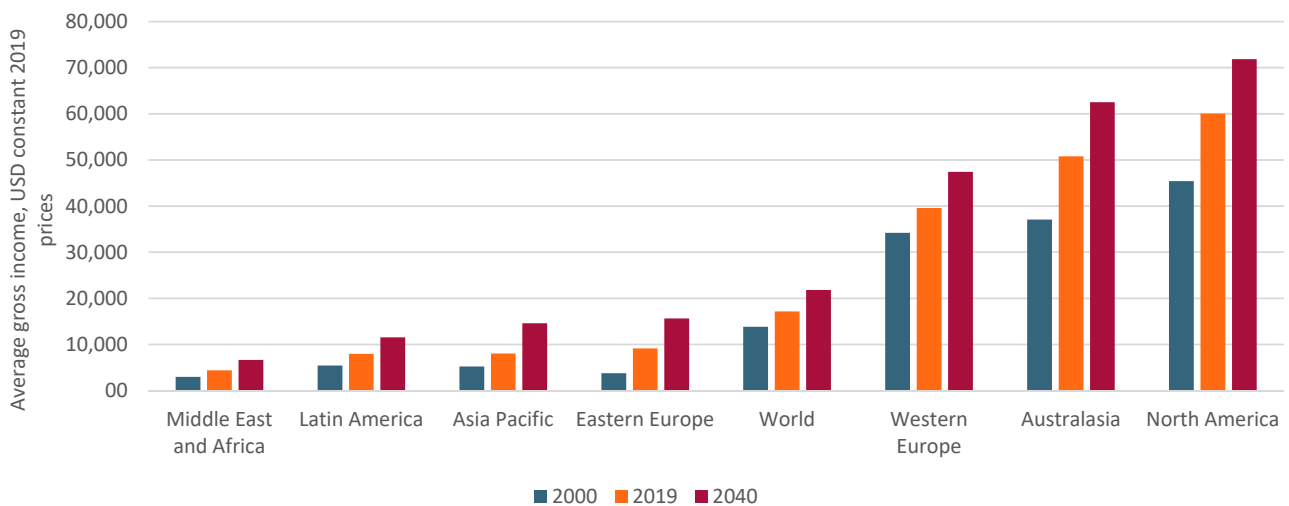
Source: Euromonitor International

Globally, the population aged 65+ is predicted to have an average gross income of USD21,811 in 2040, a rise of 38% over 2020 at constant 2019 prices. However, this growth will be weaker than the income growth for the global population as a whole, which is forecast at 51% over the same period, reflecting the fact that older people generally do not work and are therefore no longer income earners.

US\$21,811
will be the average gross
income of the population aged
65+ years in 2040

Ageing has become a global phenomenon, especially in developing countries which are now experiencing faster growth in older populations. South Korea, Singapore and Puerto Rico will join the top 10 oldest countries in the world by 2040. Older people in Asia Pacific are expected to see the fastest income gains of all regions over 2020–2040, with their average gross income predicted to rise by 97%, on the back of the region’s strong economic expansion. North America and Western Europe will post the weakest income gains for the over-65 age group, although the older populations in these developed regions already enjoy some of the highest incomes globally.

Average Gross Income of the 65+ Age Group by Region 2000 / 2019 / 2040



Source: Euromonitor International

Population ageing will change the labour market, consumption and economic growth. Given the rising importance of older consumers, business strategies that adapt to this demographic shift and innovate to better serve the diverse needs of this consumer segment are likely to achieve long-term success.

The Impact of COVID-19

Older people represent the group most vulnerable to COVID-19, with underlying age-related health issues, such as hypertension and diabetes, being risk factors that can lead to complications in the case of infection. Social distancing and lockdowns can profoundly affect older persons' mental wellbeing since many of them live alone and are less digitally connected than younger consumers.

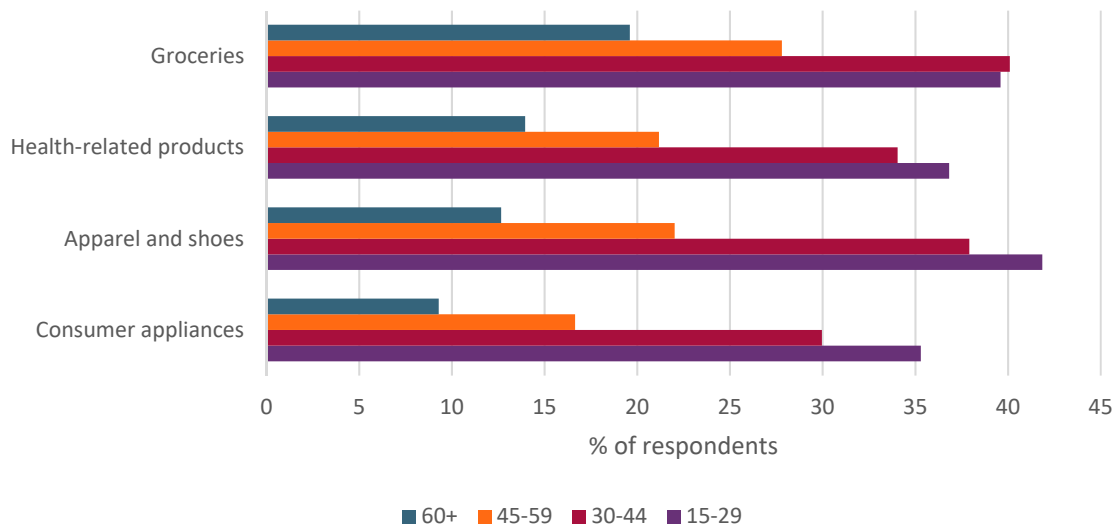
COVID-19 and the resulting recession will reduce the income of older people and their overall living standards. Older workers may face layoffs and reduced working hours since the global economy is expected in 2020 to see its worst recession since the 1930s. A global recession will pose a threat to pension systems and future pension payments, and since a portion of pensioners have investments in financial and property markets, they may face deteriorating earnings. The global average gross income of people aged 65+ is forecast to decline by 6% year-on-year in real terms in 2020.

-6%
decline in global average
gross income of people aged
65+ in 2020

Older people, who are likely to have less digital proficiency than younger generations, are also likely to be marginalised by any strong transition towards online shopping, digital payment and virtual living in the COVID-19 era.

Frequency of Online Purchases by Age Group 2020

(% of respondents purchased online at least monthly)



Source: Euromonitor International

While the pandemic presents significant challenges and negative impacts, it could lead to increased connectivity among the older population. Lockdown and social distancing are catalysts that encouraged older adults to embrace technology and digital solutions, such as online shopping, online exercise classes and videoconferencing with family members and healthcare workers.

Reaching older consumers in lockdown

During lockdowns, social initiatives emerged to connect and help older adults who are in need. For example, “Zoomers to Boomers” — an online platform founded in the US by a team of young people — offers help to local communities in 26 cities. Older or immunocompromised people can make grocery orders via the platform and young volunteers will help do the shopping and deliver it to them.

The pandemic has raised awareness of the ageing of the global population and has underlined the need for the global economy and society to adapt. As the population is ageing, countries will need not only more healthcare workers, which can be challenging as ageing countries also see their workforce shrinking, but also more hospital beds, in order to be better prepared for growing treatment needs. The pandemic highlighted the benefits of using technology in healthcare for older people. Online consultations, telemedicine and digital devices will help in taking good care of older people during a pandemic, as well as to cope with any long-term shortages of healthcare workers.

For example, unlike other countries that are focused on building more elderly care homes as their population ages, Finland aims to look after older people in their own homes for longer. The city of Helsinki implemented a remote-care programme for its older citizens. This includes the provision of digital safety devices for elderly people in need, such as wrist bands with GPS, fall detectors and alarm buttons to alert care workers. Besides home visits, care workers also organise virtual lunches with older people where they can socialise and talk about their needs.

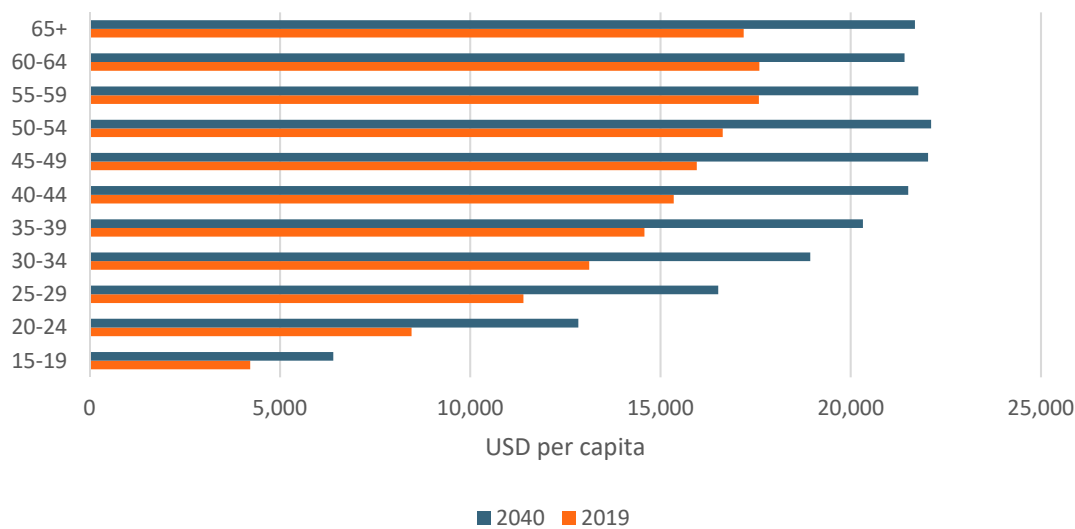
The pandemic also highlights the need to make products and services more accessible for older consumers. The move towards online shopping and digital payment, which is being boosted by the pandemic, means retailers will need to think about how they can better serve older consumers who are often less tech-savvy and less likely to purchase online than younger generations. Innovations in retail and payment models will be needed to reach the large older consumer segment. E-commerce retailers that focus on easy-to-use and low-effort experiences are likely to see the greatest success among this demographic.

Economic Power of Older Consumers and Key Markets

Globally, people aged 65+ enjoy relatively high average gross incomes — a result of the lifelong accumulation of wealth and assets, as well as multiple income sources, such as pensions, interest from saving accounts and investment incomes.

Even when the over-65s are not in receipt of the highest levels of income, their discretionary spending power can still be considerable, because older people are often homeowners without mortgages and therefore do not incur a great outlay on housing. Also, they might not have young dependents living with them. Additionally, the income tax rates for people aged 65+ can sometimes be lower, whilst older people also receive subsidies, such as cheaper or free public transport.

Average Gross Income of the Global Population by Age 2019 / 2040



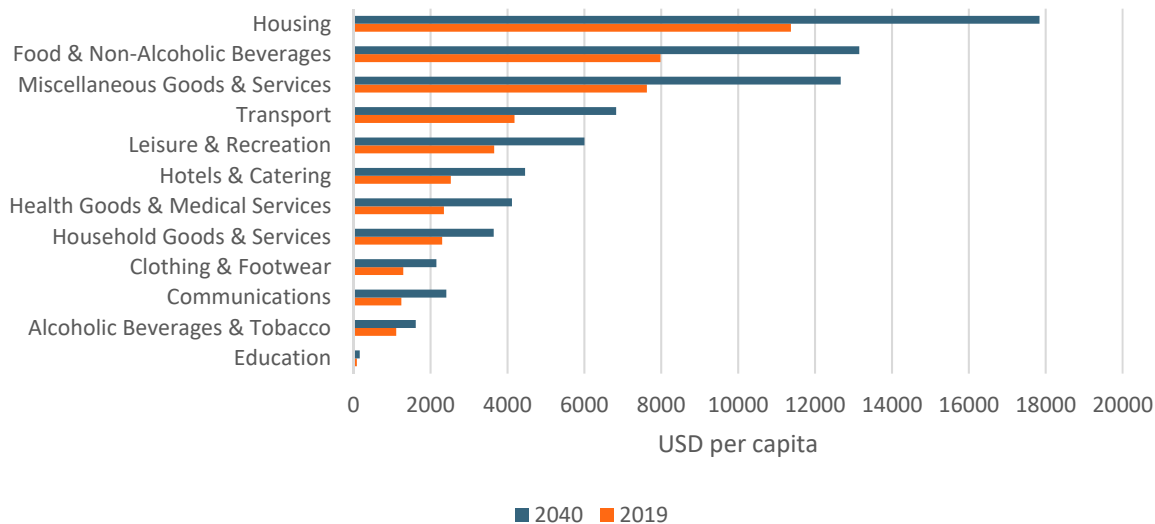
Source: Euromonitor International from national statistics

Note: Data are at constant 2019 prices, fixed 2019 exchange rates

Although older consumers have relatively high and rising purchasing power in general, it is important to note that the fortunes of the over-65s are highly uneven from country to country, and even within a country. In many countries where social protection systems are either absent or inadequate, older people are particularly vulnerable to economic insecurity and poverty.

Japan

Spending by Category of Households Headed by People Aged 60+ in Japan 2019 / 2040



Source: Euromonitor International from national statistics

Amid the COVID-19 pandemic, spending of Japanese households where the head of the household is aged 60+ is expected to fall by 5% year-on-year in 2020. Alcoholic beverages and tobacco are the categories where older Japanese consumers are cutting back the most.

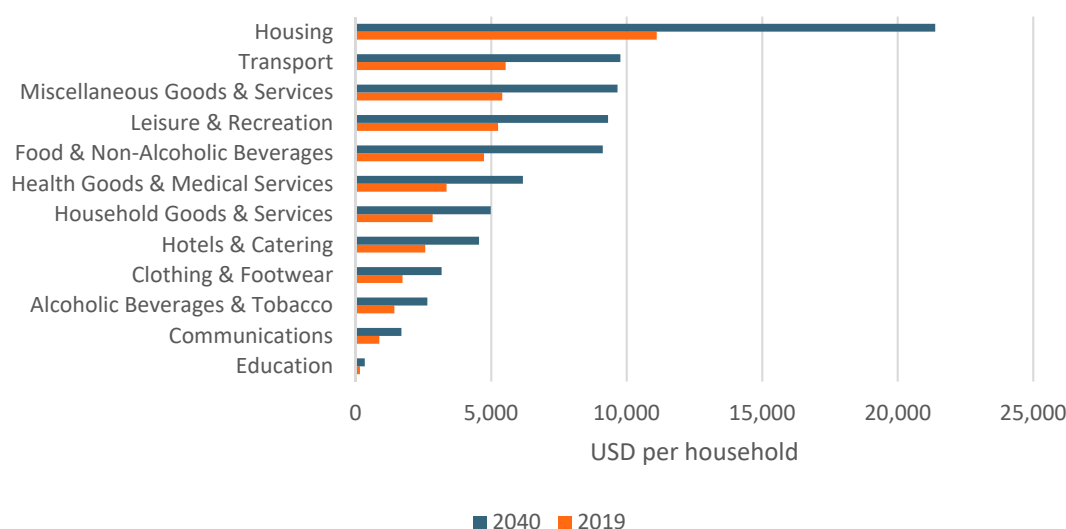
Spending by senior Japanese households will reach US\$2.2 trillion by 2040

Longer-term, between 2020 and 2040, thanks to growing incomes and the rising share of older consumers in the total population, expenditure by households headed by the over-60s is forecast to grow by 4% per year on average, faster than households headed by younger age groups. In 2040, spending by senior Japanese households will reach a substantial USD2.2 trillion, an increase from USD1.1 trillion in 2019.

The essentials of housing, food and non-alcoholic beverages are predicted to account for 41% of expenditure by older Japanese consumers in 2040. This large share of non-discretionary expenditure partly reflects the high cost of living in Japan and the fact that older consumers often choose to buy premium quality, better-for-you food and non-alcoholic drinks that tend to be higher priced.

Germany

Spending by Category of Households Headed by People Aged 60+ in Germany 2019 / 2040



Source: Euromonitor International from national statistics

On the back of falling incomes due to COVID-19, spending by households headed by the over-60s in Germany is set to decline by 5% year-on-year in real terms in 2020. This is by far the smallest decline compared to households headed by all other (younger) age groups.

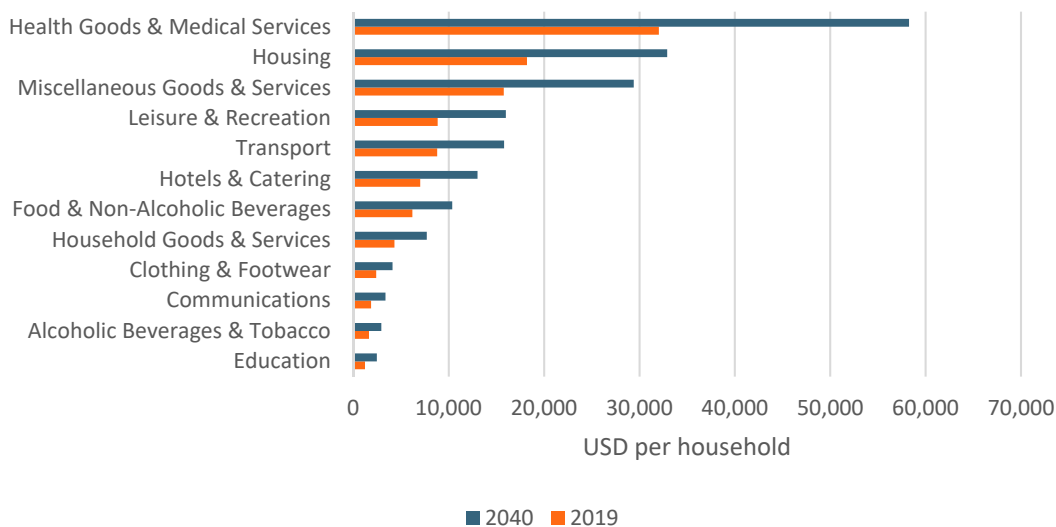
Older Germans generally enjoy a high level of discretionary spending, as the essentials of food, non-alcoholic beverages and housing absorb only around a third of senior households' budget, a proportion that is set to remain more or less constant through to 2040.

Older German consumers will continue to enjoy a high level of discretionary spending through to 2040

Transport (a category that includes travel services), miscellaneous goods and services (which includes travel goods and insurance) and leisure and recreation are among the top spending categories for older households. Given that older tourists are more likely to be able to make longer trips, cruises are particularly popular with older German consumers. In 2019, demand for cruises both by sea and by river outpaced supply, prompting the need for investment in port facilities and new ships to meet growing demand from the ageing population.

US

Spending by Category of Households Headed by People Aged 60+ in the US 2019 / 2040



Source: Euromonitor International from national statistics

In 2020, total consumption by households headed by over-60s in the US is set to decline by 3% year-on-year in real terms. Compared to younger households, this is by far the smallest decline, indicating the relatively strong discretionary spending power of older American consumers. Of all the spending categories, older Americans are expected to cut back the most on housing and household goods and services, whereas their spending on hotels and catering is expected to still rise in 2020, albeit very modestly.

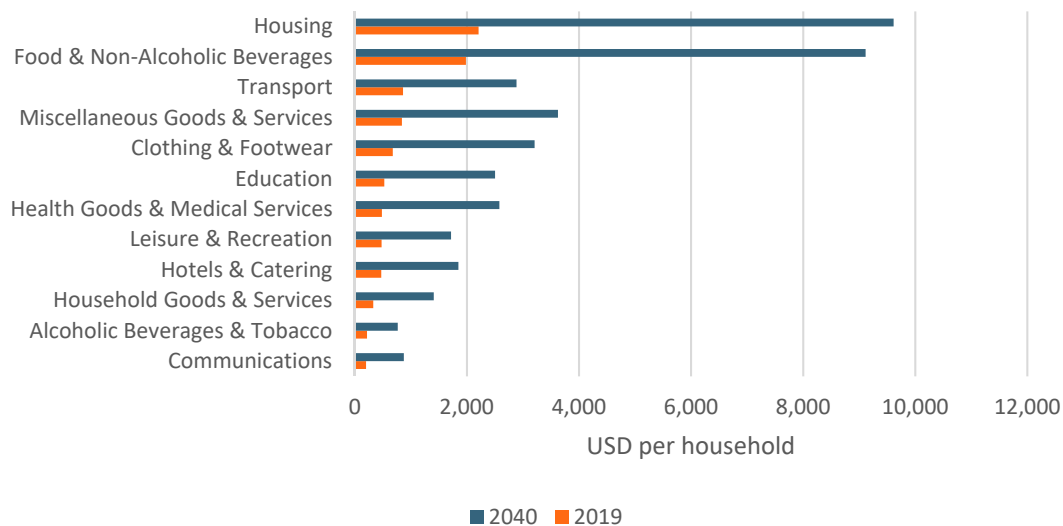
Over 2019–2040, health goods and medical services will be the largest spending category, absorbing nearly one in three dollars spent by older households (30% in 2040).

The large share of health goods and medical services in senior households’ budget is due to the high prices of medical services in the US and the fact that older Americans spend on average about three times more on this category than the average working-age adult. Beyond health goods and medical services and the essential category of housing, older Americans will prioritise miscellaneous goods and services (which includes travel goods and insurance), leisure and recreation and transport through to 2040.

1 in 3
dollars spent by older US households will be spent on health goods and medical services

China

Spending by Category of Households Headed by People Aged 60+ in China 2019 / 2040



Source: Euromonitor International from national statistics

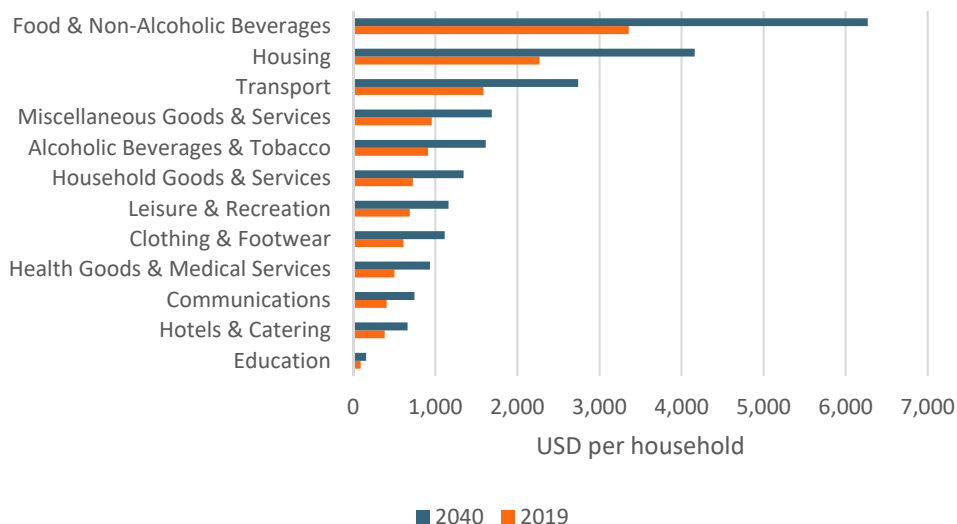
China stands out from other key older consumer markets as consumption by aged 60+ households is set to record positive growth of 4% year-on-year in 2020, despite COVID-19. The forecast growth in senior consumption is in line with the overall sentiment of the Chinese consumer market. In January-February 2020, China's consumer confidence index dipped due to COVID-19 but it rebounded in March and April. Fundamentally, the index is expected to stay above 100 throughout the year, indicating the general inclination of Chinese consumers to continue to spend.

Consumer spending in older Chinese households will see positive growth of 4% in 2020, despite COVID-19

Generally speaking, older Chinese consumers have weak discretionary spending capacity, due to their relatively low incomes. In 2040, the essentials of food, non-alcoholic beverages and housing are predicted to absorb 47% of senior households' budgets, with a stubbornly high share throughout the period from 2019. Although older Chinese consumers enjoy rising incomes, along with the country's economic growth, they are still expected to become increasingly prevalent in the lowest income social class (social class E) due to their limited pensions and the lack of social welfare for many rural older citizens.

Russia

Spending by Category of Households Headed by People Aged 60+ in Russia 2019 / 2040



Source: Euromonitor International from national statistics

Due to COVID-19, total spending by Russian households where the head is aged 60+ is expected to fall by 12% year-on-year in 2020. This is the steepest decline of all key markets covered in this report, reflecting the disproportionate adverse impact the pandemic had on older Russians because of their low incomes. The average gross income of Russians aged 65+ is only comparable to that of 20–24-year-olds (i.e. people starting their careers) and lower than other age groups except for the youngest income-earning age group of 15–19 years.

Russia will see the steepest decline in spending by households aged 60+

Due to inadequate state pensions and welfare provision, old age in Russia is synonymous with a low income. Russia’s economic downturn since 2014 has placed a further burden on Russian pensioners as the cost of living rises.

Over the period to 2040, older Russians will continue to have low incomes and weak discretionary spending power. In 2040, food, non-alcoholic beverages and housing are expected to absorb 46% of older households’ budgets. Food and non-alcoholic beverages will be the fastest-growing category over the same period, followed by health goods and medical services.

Conclusion

The global population will continue to age, with the 65+ cohort expanding significantly in the coming years. The sheer size of the 65+ population means they represent an important consumer segment that should not be ignored.

Despite the short-term impact of COVID-19, older consumers will enjoy higher incomes in the long run, as a result of economic growth, particularly in developing and emerging markets. Meanwhile, the current rise in youth unemployment and general economic uncertainty due to COVID-19 means older consumers now have more stable incomes than younger consumers.

Serving this demographic well will be a crucial element for growth for many businesses in the future. Investment in relevant products and services will prove lucrative for companies that reach out to older consumers. Companies, therefore, need to take global ageing into their strategic planning and integrate shifting demographics into their product, service and workforce planning. Older workers are valuable resources, particularly as the competition for talent intensifies.



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