

The Demographic Barbell



TALES FROM THE EMERGING WORLD | EMERGING MARKETS EQUITY TEAM | September 2025

A generational shift is unfolding across the global economy. At one end, millennials and Gen Z are gaining economic influence with their distinct preferences for technology, sustainability and different consumption patterns. At the other, aging populations, particularly Baby Boomers, are increasing their share of healthcare spending, financial assets and political influence.

Dividend or Burden

The global population growth rate has slowed to 0.9%, the slowest pace since 1950, with average fertility rates dropping from 5.3 children per woman in the 1960s to just over two today. Currently, roughly half of all countries have fertility rates below their population replacement rates.

While fertility rates have plunged, average life expectancy has risen from 46 years in 1950 to 73 today, thanks to improvements in healthcare, nutrition, sanitation and overall living standards. This combination of low fertility levels and high life expectancy has led to a remarkable increase in the global share of people 60 and older. This year, the global elderly population will be double what it was back in 2000 and by 2030, nearly 1 in 6 people globally, about 1.4 billion, will be aged 60 or older. This aging wave will create structural challenges, putting pressure on pension systems and healthcare budgets.

Although Japan remains the global leader in life expectancy, with more than 95,000 people aged 100 or older, aging is no longer just a developed market (DM) challenge. By 2050, 80% of elderly populations will reside in the emerging markets (EM), where currently fewer than a third of workers participate in retirement income schemes.

Countries that address demographic changes can better manage transitions and capture potential benefits. For instance, the 2019 pension overhaul in Brazil raised the minimum retirement age and tightened eligibility, while Chile is gradually increasing employer contributions from an initial 1% in 2025 to 8.5% by 2035.

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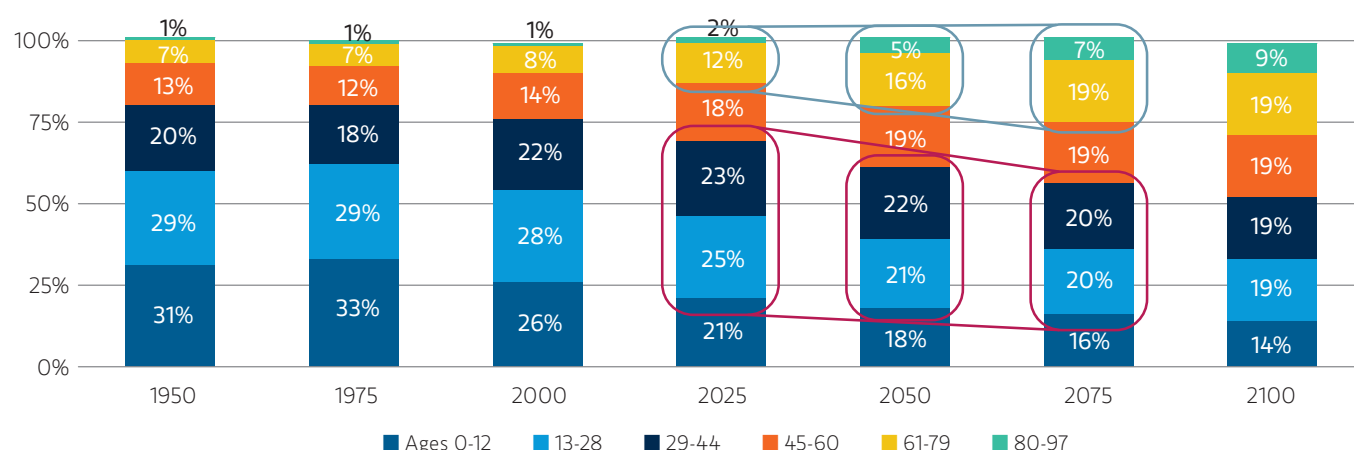


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DISPLAY 1

The Demographic Barbell: Youthful Energy and Silver Strength

Global population by age group (as a % of total population)



Source: UN Population Division Data Portal. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Data may not add to 100% due to rounding.

Adapting to Demographic Shifts

As Baby Boomers retire and exit the workforce, they are not being replaced in sufficient numbers in key regions due to a declining growth in working-age population. This is already in evidence in China, South Korea and Thailand where the working-age population has already peaked, with similar inflection points looming in Eastern Europe and Latin America over the next decade.

Countries are responding with targeted strategies such as adjusting immigration policies, delaying retirement, increasing female workforce participation and deploying automation and artificial intelligence to boost productivity.

On the one hand, for example, Germany is facing a projected shortfall of 6.3 million workers by 2030 and as a result is raising the retirement age to 67 and offering incentives for delayed retirement. Japan, where 36% of the population is over 60, is focusing on ergonomics to make the workplace more sustainable for older employees and has deployed over 435,000

industrial robots across its factories.¹ South Korea is expanding childcare subsidies, extended parental leave and incentives for older workers.

On the other hand, younger emerging economies like Pakistan, Nigeria, Egypt and India must convert their large youth populations into productive labor forces through substantial investments in education, job creation, digital access and healthcare infrastructure.

Several countries are already taking steps. Vietnam is targeting near-universal primary and secondary education, while community-based healthcare programs have helped more than halve the under-five child mortality rate. India is bolstering its school system from pre-primary to senior secondary, emphasizing equity, quality and universal health coverage for 500 million people.

Finding Alpha² in Youth

Millennials and Gen Z currently make up approximately 48% of the global population. In the U.S., millennials are projected to see their wealth increase nearly fivefold by 2030, driven primarily by inheritances

and the transfer of assets across generations. Globally, Gen Z, despite limited current purchasing power, is expected to have a collective income of \$70 trillion by 2040. Roughly 89% of Gen Z live in emerging markets and their economic behaviors prioritize experience over possession—an attitudinal shift with profound implications for consumer markets and asset allocation strategies.

The two cohorts are often considered digital natives and value shoppers who place strong emphasis on social responsibility and sustainability. As economic power tilts toward the millennials and Gen Z, we believe digital platforms in music, e-commerce, travel, gaming and finance will emerge as the ultimate winners.

Gen Z preferences are driving growth in peer-to-peer marketplaces and curated resale platforms. According to the ThredUp 2023 Resale Report, 63% of Gen Z say they prefer buying goods secondhand, making them the most active cohort in the \$177 billion global resale market. Clothes, beauty, food and entertainment dominate their budgets.

¹ International Federation of Robotics, September 2024.

² Alpha is the excess return or value added (positive or negative) of the portfolio's return relative to its benchmark.

Yet clothing's environmental footprint is top of mind. Platforms like Depop and Vinted, supported by influencers that are "Depop famous," are thriving. In 2022, a Deloitte Global survey found that 64% of Gen Z consumers factor sustainability into their purchase decision, reinforcing that secondhand shopping is not just about affordability, but also a values-driven shift in consumption.

This shift away from traditional luxury status symbols toward value-aligned alternatives that emphasize ethics and self-expression is evident in the rise in popularity of lab-grown diamonds, once a scientific curiosity, but now accounting for over 50% of engagement rings sold in the U.S., and more than 20% of global diamond jewelry sales.

Finding Alpha in Aging

The global share of population aged 60 and over is projected to nearly double over the next twenty-five years, climbing from 12% in 2015 to 22% by 2050. Globally, there are as many people turning 80 as there are newborn babies, and those aged 80 and over will be among the fastest-growing segments, reaching around 426 million people worldwide.

Far from hindering growth, longevity represents an opportunity to unlock demand in sectors like healthcare,

biopharma, senior housing, wellness and leisure. Demand for customized life insurance, wealth management and retirement products are expected to grow significantly, driven by longer and healthier lifespans.

In EM countries, pension coverage remains limited: fewer than 30% of the working-age population in low- and middle-income countries benefit from formal pension systems. Out-of-pocket healthcare accounts for more than 40% of total health expenditure in countries like India, Nigeria and Indonesia, compared to under 15% in most developed economies. Such disparities are accelerating growth in private healthcare providers (as outlined in [Navigating Emerging Markets Healthcare Trends](#), October 2023), generic pharmaceuticals, diagnostic solutions and fintech-enabled retirement savings. Available evidence indicates that fewer than 3% of global over-65s are living in senior housing or institutional care. The mismatch between surging longevity and limited provision highlights a vast area of unmet demand.

Beyond healthcare, older cohorts comprise of a larger share of experience industries like cruises. According to Cruise Lines International Association, the 60+ age group made up 33% of their share of cruise tourists, and over 80% planned

to sail again. With greater time and disposable income, the retirees are also driving demand for media and entertainment, making them beneficiaries of the silver economy.

Aligning Investments With Demographic Trends

Demographic trajectories vary regionally: Africa and South Asia will remain young and fast-growing, while North Asia and Europe will age more rapidly. On one hand, EM countries with younger populations must invest more in education, digital access and healthcare infrastructure. On the other, countries with older populations must adapt through leveraging immigration, delaying retirement, increasing female workforce participation and embracing automation to offset the demographic drag.

Understanding age cohorts and their consumption patterns is essential to capturing growth and structuring portfolios for alpha. Aging populations will drive demand for eldercare, income-generating financial products, healthcare innovation and automation, while younger, tech-savvy cohorts will pursue e-commerce, value-based shopping, digital entertainment and experiential travel. Longer-term portfolios should be aligned not just with economic cycles, but also with human timelines.

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