



POPULATION

Ten thousand years ago, there were only a few million humans on Earth; they were rare beasts. By 2050, there may be as many as 9bn of us. This “human juggernaut” is having a massive impact on the global environment, with over-fishing, deforestation, water shortages and loss of species placing considerable strain on the resources required for survival.

Vast new urban areas have emerged – many are overcrowded, putting pressure on housing and infrastructure while a “youth bulge” places the focus on providing education and finding jobs. Some people argue that population growth is a root cause of poverty and should be controlled – but, elsewhere, the challenge is how to support an ageing population.

Where’s the heat?

- / Population growth
- / Youth bulge
- / Ageing
- / Refugees
- / Women
- / Urbanization
- / Migration

/ Population growth

The most populous nations are China (1.3bn), India (1.2bn), the US (313m), and Indonesia (242m), whereas most growth in the future will be in Africa. Other nations will shrink: Japan’s population will decline by a third in the next 50 years.

/ Youth bulge

In many parts of the world there is a “youth bulge” where the size of the younger generation is disproportionately large – close to a third of the total population. This could be a source of creative energy or social unrest – or both.

/ Ageing

The collective age for mankind is gradually increasing as, across the globe, people are living longer and having fewer children. The big challenge is to ensure that older generations remain an asset for society, and not an expensive burden.

/ Refugees

Globally, there are almost 50m displaced people – fleeing conflict, climate change or natural disasters. This can place a strain on the countries they move to, and cause tensions between nations.

/ Women

There are fewer than 20 female CEOs of Fortune 500 companies; barely one in eight women in Afghanistan is literate. However, change is happening: more than 500m females have joined the global workforce in the last 30 years.



/ Urbanization

In 1900, some 13 per cent of the global population was urban, now more than half of us live in cities. Some benefit from increased opportunities and options for work and leisure, while others may remain poor and live in crowded, unhealthy conditions.

/ Migration

The global population is on the move, presenting opportunities to expand and improve the workforce. However, this shift can present challenges for social cohesion. Today, one in every 33 individuals in the world is a migrant.

What's the context?

Something strange is happening to the world's demographics. The historic powers of the developed world are slowly graying, while many other parts of the world are experiencing a "youth bulge"—the term social scientists use for a surge in the number of young people.

For global policymakers, the youth bulge presents a risk and an opportunity: it can fuel an economic boom, or it can lead to a social bust. Many parts of the world are banking on the former; but for places like Africa and the Middle East, the outcomes are not so clear.

For businesses, it requires a change in mindset. In the developed world, most business leaders are familiar with an average consumer who is about 40 years old. In the developing world, a 40-year-old is a member of an ageing niche; the average consumer might be around 20 years old – and that is where today's economic power lies.

A burgeoning youth population isn't something that Western countries have to worry about: their ageing populations present a very different set of challenges – from an increased health burden to reduced numbers in the workforce. Whether these countries can act in time to manage pension deficits is critical to their future prosperity. ~>



By 2030, China's urban population is on track to reach one billion ... The pressures created by rapid urbanization will [therefore] intensify

— MCKINSEY REPORT

The fastest way to change society is to mobilize the women of the world

— CHARLES MALIK, FORMER PRESIDENT OF THE UN GENERAL ASSEMBLY

Every one of [our] global problems, environmental as well as social, becomes more difficult – and ultimately impossible – to solve with ever more people

— SIR DAVID ATTENBOROUGH, NATURALIST



43.7m

The number of people forcibly displaced worldwide reached 43.7m in 2010 – the highest number in 15 years

52%

In 1900, 13 per cent of the global population was urban. Now more than half of us live in cities. However, it is not megacities of 10m or more that dominate; 52 per cent of the urban population lives in cities with fewer than half a million residents



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Population growth is the root cause of many of today's global challenges. As such, it should be a central topic of debate rather than the "absurd taboo" it remains for many, as British naturalist Sir David Attenborough has complained. Questions about how the world will provide economic opportunities for a burgeoning youth population in developing countries, and healthcare and retirement incomes for ageing populations in developed countries, are particularly acute for asset managers such as New York-based BlackRock, which manages more than \$3.6 trillion for future pensioners and other investors. As a Chief Investment Officer and Head of Fundamental Equity at BlackRock, Quintin Price leads much of the firm's big thinking on these topics. Here he talks to Brunswick's Catherine Colloms.

What alarms you most about an expanding and ageing global population?

The raw statistics and how quickly they are shifting. In 1960, the UN estimate for life expectancy for the average person in the US and western Europe was 66 to 68 years. In India, the average life expectancy was closer to 42 and, in China, it was only 32 years. In China today, average life expectancy has increased to 73 years. Furthermore, a couple retiring in the developed world who are 65 today have a 50 per cent chance that one of them will live to see 92 – that means a 27-year-long retirement. People who are retiring today must find the means to live for much longer on the savings they have accumulated during their working lives.

So what does this mean in terms of retirement income?

Classically, the way people across the world saved for retirement was through bonds, in particular US Treasuries or government debt.

This would apply to the vast majority of individuals, from Milwaukee to Cambridge to Kyoto. For an American citizen retiring at the age of 65 in 1990 with a \$500,000 savings pot invested solely in US Treasuries that yielded a historic rate of 6 per cent, their annual income would amount to \$30,000 before any drawdown of capital.

Today, US Treasuries with a 10-year term yield closer to 2 per cent. With our increased life expectancy, instead of getting \$30,000 in income from their savings, that same American today would now get only \$10,000 before any capital drawdown, even though expenditures have not fallen. This means they spend their capital and in some cases may run out of savings while still healthy and with a decade or more of life ahead of them.

So, the real story is not just how long we will live but the risks to our standard of living unless we change our thinking about retirement planning?

Exactly. People don't understand the ravaging effect of inflation. At an annual average 3 per cent inflation rate over the next 25 years – an entirely plausible estimate for many countries – savings of \$500,000 held in cash or bonds might have the same nominal value but would be worth less than half in real terms (in other words, what you could afford to buy with it after inflation). People could be significantly worse off purely by living longer if they leave their savings in cash.

It sounds scary. Why do you think people aren't more concerned?

As John Kenneth Galbraith, the famous Harvard Economics professor, once noted: "The conventional view serves to protect us from the painful job of thinking." I think there is a general understanding of the problem but it is tough to get people to think differently. We have to start a broader conversation to get people to understand this and the very real impact it will have on individuals and families.

Is there a role for governments here?

We've got to have debates with policymakers and regulators. This is an issue that will be as big as healthcare: who is going to look after an ageing population with a longer retirement but less income? It is also an issue of education. It has been something we've been looking at as a firm and trying to find a solution to for some time now.

It sounds as though a lot of people still need to be persuaded.

The story is out there but not being told enough yet. In the end, people need to be

convinced that it's about their own future. Financial advisers need to broach a subject that has been sort of taboo: the volatility of asset prices. We have to change people's perceptions about what risk looks like over a much longer retirement.

How can it be done in practice?

That's a tough question. I think about my mother-in-law. She understands that markets (and therefore net asset values) go up and down. This is not a big concern for her, as long as she can generate enough income from her investments that she doesn't need to touch her capital.

There needs to be an education process to explain to people like her – and her financial advisers – that it might be wiser to take some of her cash or bonds and invest instead in higher-income securities, so the real value of her savings can withstand the ravages of inflation far better than if all she does is keep her savings in cash or high-grade sovereign bonds.

So living longer can be an advantage by virtue of having a longer investment window, if you take a different view of investment risk?

Yes. If you invested your \$500,000 in the S&P 500 instead of cash and bonds, and you did not worry about what happened to its value in the intervening 10 years, in 89 per cent of the 10-year periods that we've examined, you would have ended up with an amount of money that enabled you to buy more goods and services than you were able to at the beginning of the period.

So where the game has changed is that as people live longer, they no longer have to concern themselves nearly as much with annual variations as long as they can generate an income from their investments that enables them to leave their savings untouched – at least for the earlier years of their retirement.

Do you think we can tackle this successfully?

Yes, but this is a story that has years and years to run. I think our biggest fear is that people think there's a trade-off, when really it's about solving your retirement needs. And ultimately, living longer, better. To meet our global challenges in this new world, we must at every level turn savers into investors and we must help investors adapt to this new world. It's in everyone's interest to bolster confidence in long-term investment. ☺

Catherine Colloms is a Director in Brunswick's London office. She advises on corporate reputation and issues management as well as financial and crisis communications.

