Retirement Income
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As Boomers retire, economy will slow: BerkeleyAGE

By Editorial Staff *Thu, Aug 10, 2017*

Demographic "tailwinds" accounted for 48% of annual economic growth from 1990-2015, the report by the Berkeley Forum on Aging and the Global Economy said.

The arrival of the Boomer generation in the late 1940s gave birth to 65 years of accelerated economic growth and innovation in the U.S. The retirement of the Boomers could have a decelerating effect.

The global economy in 2040 will be 20% smaller under projected 2015-2040 population trends than it would have been if the population trends of 1990-2015 had continued, according to a report published in June by the Berkeley Forum on Aging and the Global Economy (BerkeleyAGE).

Demographic "tailwinds" accounted for 48% of annual economic growth from 1990-2015, the report said. But the global population ages 20-64 will grow less than half as fast from 2015-2040 as compared to the prior 25 years, while the age 65+ population will grow five times faster than the working age population.

The tailwinds in the United States and other major economies will therefore only be about 31% as strong going forward, BerkeleyAGE predicted. In the U.S., tailwinds will drop by 0.8% per year, only slightly better than the 0.9% drop in other high-income countries.

Among high-income countries overall, the working age population (ages 20-64) will decline by 4% between 2015 and 2040. In the United States, the working age population will instead increase (slightly) by 5% during this period (due in part to higher migration and fertility than in other high income countries), but this is still a sharp slowdown in the growth rate of the potential labor force as compared to the prior 1990-2015 period.

Tailwinds that added 1.3% per year to global economic growth during 1990-2015 will drop to only 0.4% per year from 2015-2040. Nigeria's tailwind will increase by 0.4%, while China, whose working age population began to shrink in 2016, will transition from a 1.5% annual tailwind to a 0.6% headwind.