



UNITED NATIONS
UNIVERSITY
CRIS

Institute on Comparative Regional Integration Studies

GR:REEN

Global Re-ordering:
Evolution through European Networks

Future Trends Series - GR:REEN Project

Title of the report

Racing Towards the Precipice

Area

Economy

Reporter

Feng Wang, China Economic Quarterly

Type of the Reporter

Think tank

Periodically updated?

No

First issued year

2012

Latest update

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Official website

<http://www.theceq.info/>

Language available

English

Short summary

In this report, the demographic transition currently beginning to take shape in China, namely the decline in the supply of young labour, is investigated in relation to its impact on the Chinese economy.

Key trends

- The driving force of China's slowing population growth rate is its low fertility rate, which has fell well below the replacement levels for the past two decades. By 2010 nearly 14% of Chinese citizens were over 60, and nearly one in 10 were over 65. China's total fertility rate is among the lowest in the world, at only 1.4. This number puts China below the developed-world average of 1.7.
- 'Sustained low fertility means that the number of young workers will decline more sharply than projected. In 2010, there were 116m people aged 20 to 24; by 2020, the number will fall by 20% to 94m. But the actual number of workers will be considerably lower than 94m, thanks to rising participation in higher education.'
- 'Sustained low fertility and rising college enrolments mean that the supply of young workers will continue to decline beyond 2020. The size of the young population aged 20-24 will only be 67m by 2030, less than 60% of the figure in 2010.'

- 'China already has 180m people aged over 60, and this is set to reach around 240m by 2020 and 360m by 2030.'
- 'Should China's currently low fertility of 1.4 children per couple be sustained, the population share of people aged over 60 could reach 20% by 2020 and 27% by 2030. Using the more conservative international definition of elderly—people aged 65 plus—one in five Chinese citizens will be elderly by 2030.'
- 'In 1980-2010, the effect of a favourable population age structure accounted for between 15% and 25% of per-capita GDP growth. As China's demographic fortunes reverse, the economy will slow down regardless of other factors driving growth.'
- 'Private savings—the most important source of capital for investment—will decline as a share of GDP over the coming decades. Currently, China has many more net savers than net consumers. But the population share of people aged 30 to 50—typically the highest savers—will drop from 50% in 2010 to around 46% in 2020, and fall to 40% by 2030. As the current cohort of high savers move towards retirement, the national rate of savings growth should decline and spending accelerate.'
- 'Over the next 20 years, the ratio of workers to retirees (presuming workers continue to retire at 60) will drop precipitously from roughly 5:1 today to just 2:1. Such a drastic change implies that the tax burden for each working-age person must rise by more than 150%, assuming that the government maintains its current level of tax income.'

Suggestions

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Methodology

Research from primary sources and modelling

Reference to other trends reports? If yes, which reports?

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