

DEMOGRAPHIC DECLINE

Falling fertility and aging populations pose significant challenges for many economies

SIGNIFICANT DEMOGRAPHIC shifts are underway in much of the world. Over half of the world's economies, accounting for two-thirds of the global population, now have fertility rates below the replacement fertility level of 2.1 children per woman. Without action, these populations will age and decline over time.

Countries such as Italy, Japan, and Germany are already experiencing the effects of this demographic transition. Lower birth rates result in a smaller working-age population, which in turn affects economic productivity and increases the burden on social support systems. The ratio of retirees to workers is rising, leading to higher costs for pensions and health care, and putting pressure on public finances.

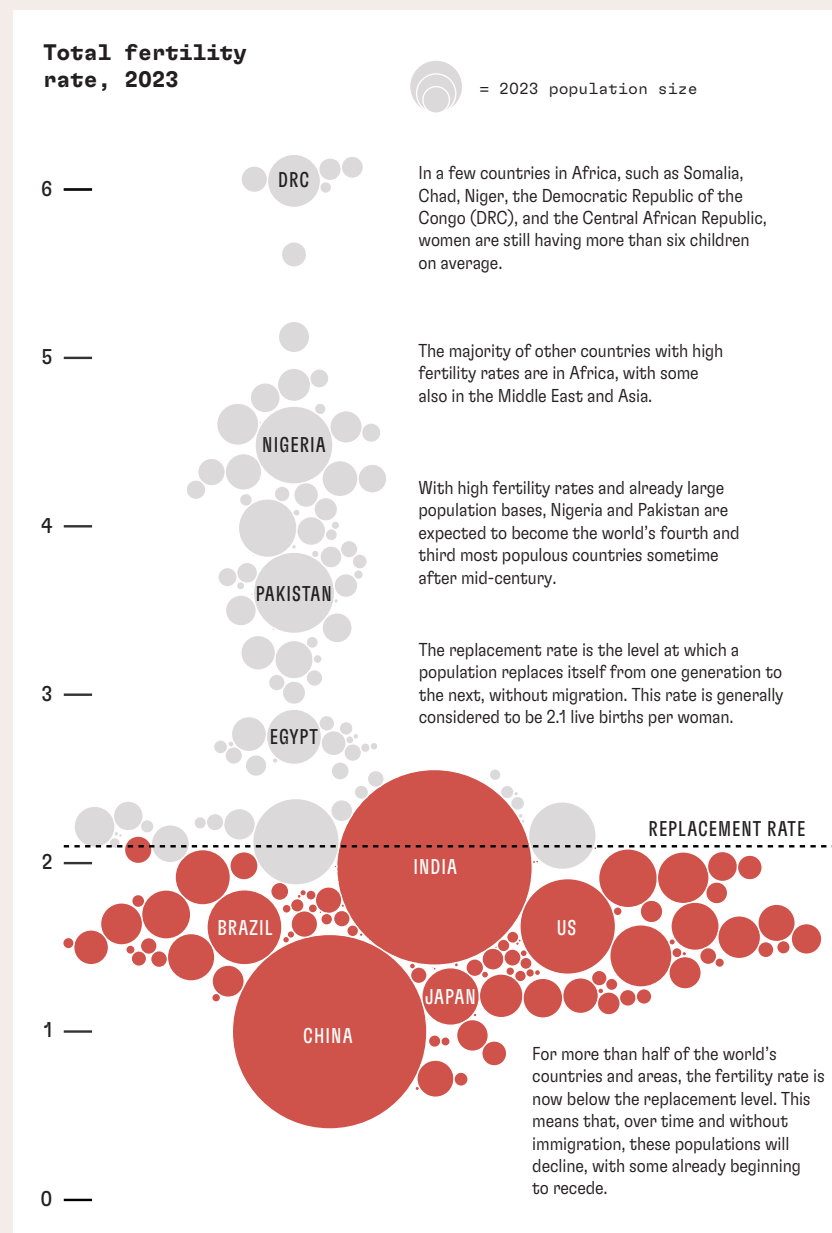
Several countries with declining demographics are experimenting with innovative policy responses. For example, Nordic countries offer generous parental leave and subsidized childcare to encourage higher birth rates. Similarly, Singapore provides financial incentives for families to have more children. In addition, investing in technology and automation, as seen in countries such as Japan, can help enhance productivity despite a shrinking workforce.

In contrast, areas such as sub-Saharan Africa have high fertility rates, which presents its own set of challenges, including the need to invest in education and healthcare and create jobs to support a young and growing population. However, countries in these regions can also leverage their youthful demographics to support economic growth. **F&D**

ANDREW STANLEY is on the staff of Finance & Development.

Baby bust

In over half of the world's countries and areas, which account for about two-thirds of the global population, fertility rates are now below 2.1 children per woman on average.



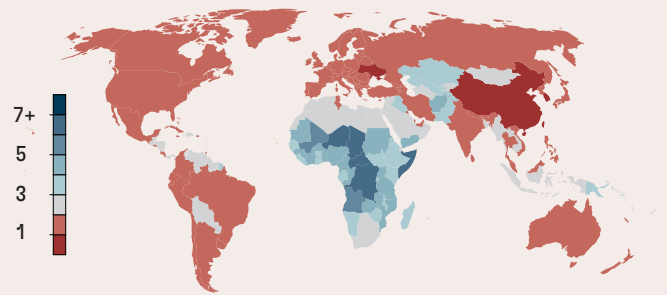
SOURCE: United Nations, World Population Prospects (2024).

NOTE: Not all countries and areas included in the dataset are visible due to small population sizes.

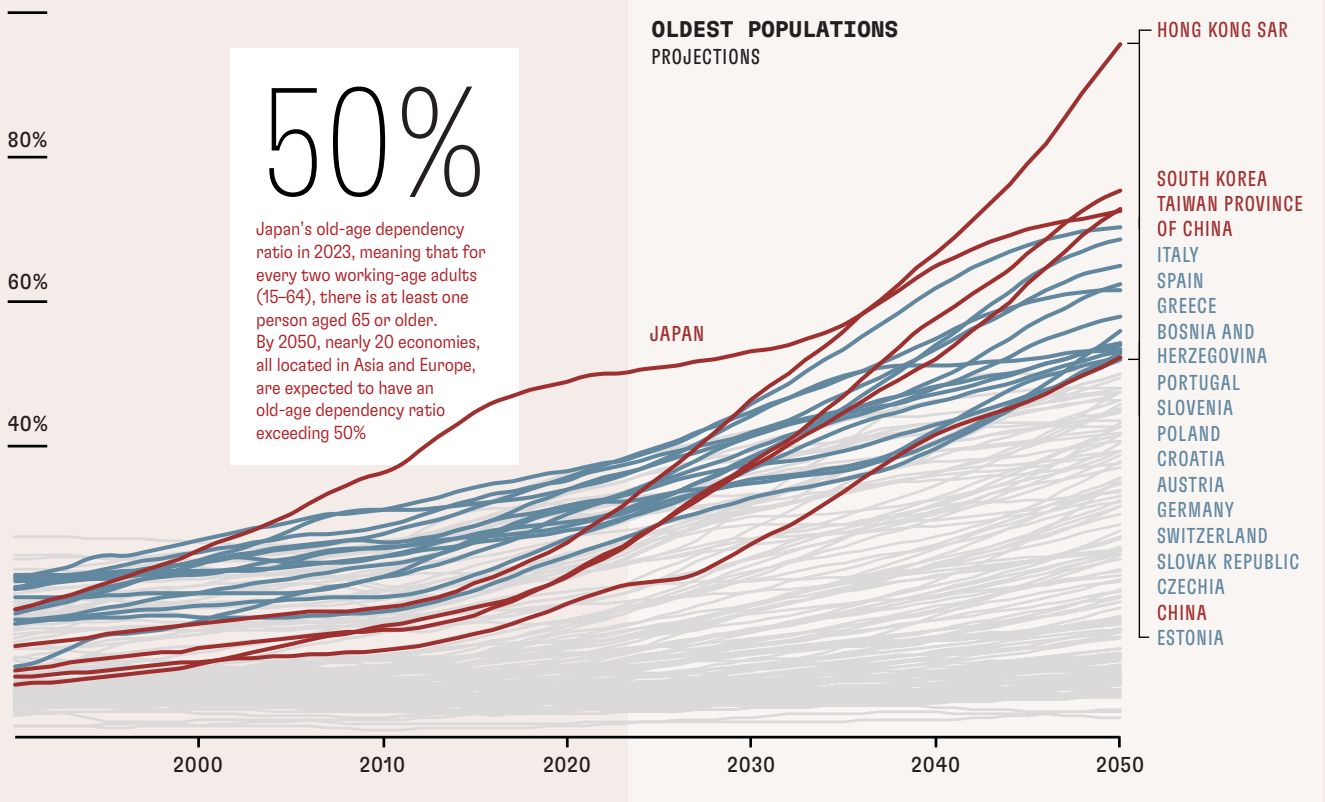
Elderly uptick

As global fertility rates fall—though remaining high in Africa, where the population is surging—many economies face unprecedented demographic shifts. By 2050, the number of people 65 and older will double to 1.6 billion, making population pyramids increasingly top-heavy. This shift will test the sustainability of free health care systems and generous public pensions, as fewer workers support more retirees.

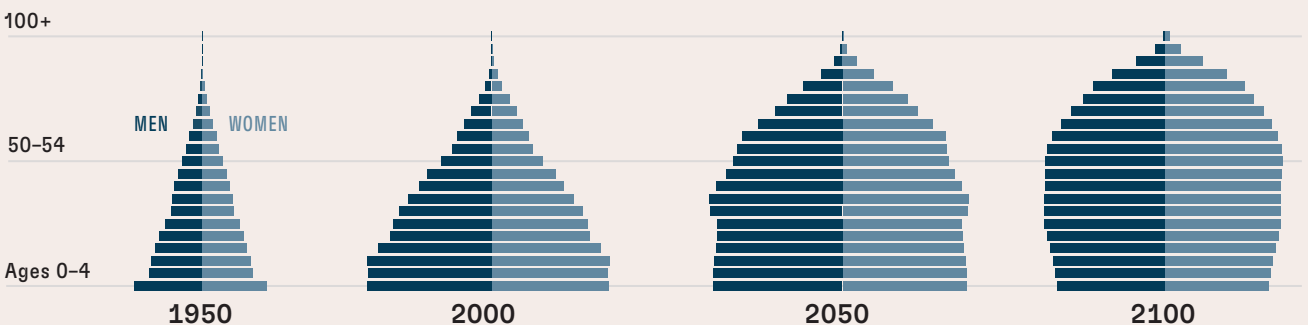
Total fertility rate, 2023



100%: Old-age dependency ratio



Global population pyramids



SOURCE: United Nations, World Population Prospects (2024).

NOTE: Medium-fertility scenario. Only countries and areas with a population of least 1 million shown in line chart. The boundaries, colors, denominations, and any other information shown on the map do not imply, on the part of the IMF, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.