The fiscal challenges posed by population ageing

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The ageing process is already advanced in the EU compared to other G20 countries.
Total age-related expenditure in the EU 2018 Ageing Report

EU - total age-related expenditure (% of GDP)

- Baseline
- Health care risk
- TFP risk

Yearly Increase:
- 2016: Baseline
- 2070 - Baseline
- 2070 - TFP risk
- 2070 - health care risk

(%) of GDP:
- Unemp. benefits
- Education
- Long-term care
- Health care
- Pensions

Graph showing the projected increase in age-related expenditure from 2016 to 2070, with a baseline and risk scenarios for health care and TFP.
Reforms pay off

Participation rate in 2070 of persons aged 55-64 - no reform (%)
Participation rate in 2070 of persons aged 55-64 - impact of reform (%)
How ageing costs are integrated in the EU economic policy coordination

**Short-term risks**
- Early-detection model based on outturn data of 25 macro-fiscal variables
- Financial markets' information
- \( S0 \) indicator

**Medium-term risks**
- Fiscal impact of ageing
- Realism tools
- Debt profile
- Gross financing needs' projections
- Contingent liabilities
- \( S1 \) indicator
- \( S1 \) indicator
- Debt sustainability analysis

**Long-term risks**
- Fiscal impact of ageing
- Sensitivity analysis
- Realism tools
- \( S2 \) indicator
- \( S2 \) indicator
- Debt sustainability analysis

Fiscal Sustainability Reports: Overall risk classification by time dimension
EU suggestion for G20 work on ageing

- What are the externalities?
  - Impact on potential growth
  - Impact on labour supply (migration)
  - Political economy of reforms

- **Input**: country-specific challenges on sustainability of social security systems

- **Output**: exchange best practices and discuss policy options on demographic change

→ Issue note on ageing discussed by Finance Ministers in June: underpinned by G20 members policies to ensure ownership
Thank you for your attention