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.

Old-age dependency ratio (aged > 65 / aged (20-64))
Total age-related expenditure in the EU 2018 Ageing Report

EU - total age-related expenditure

- Unemp. benefits
- Education
- Long-term care
- Health care
- Pensions

Baseline
- Health care risk
- TFP risk

(% of GDP)

2016: +1.7
2070 - Baseline: +1.7
2070 - TFP risk: +2.2
2070 - health care risk: +4.0

% of GDP
Reforms pay off

Women

Participation rate in 2070 of persons aged 55-64 - no reform (%)
Participation rate in 2070 of persons aged 55-64 - impact of reform (%)

Countries: RO, PL, HR, AT, BG, SI, CZ, BE, IE, MT, FR, IT, PT, EE, EL, CY, UK, LV, DE, DK, LT, NL, SK, HU, FI, ES
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
- \( \rightarrow S0 \) indicator

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

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