

**EIR/OECD
2nd Conference**

Pensions and Long-Run Investment

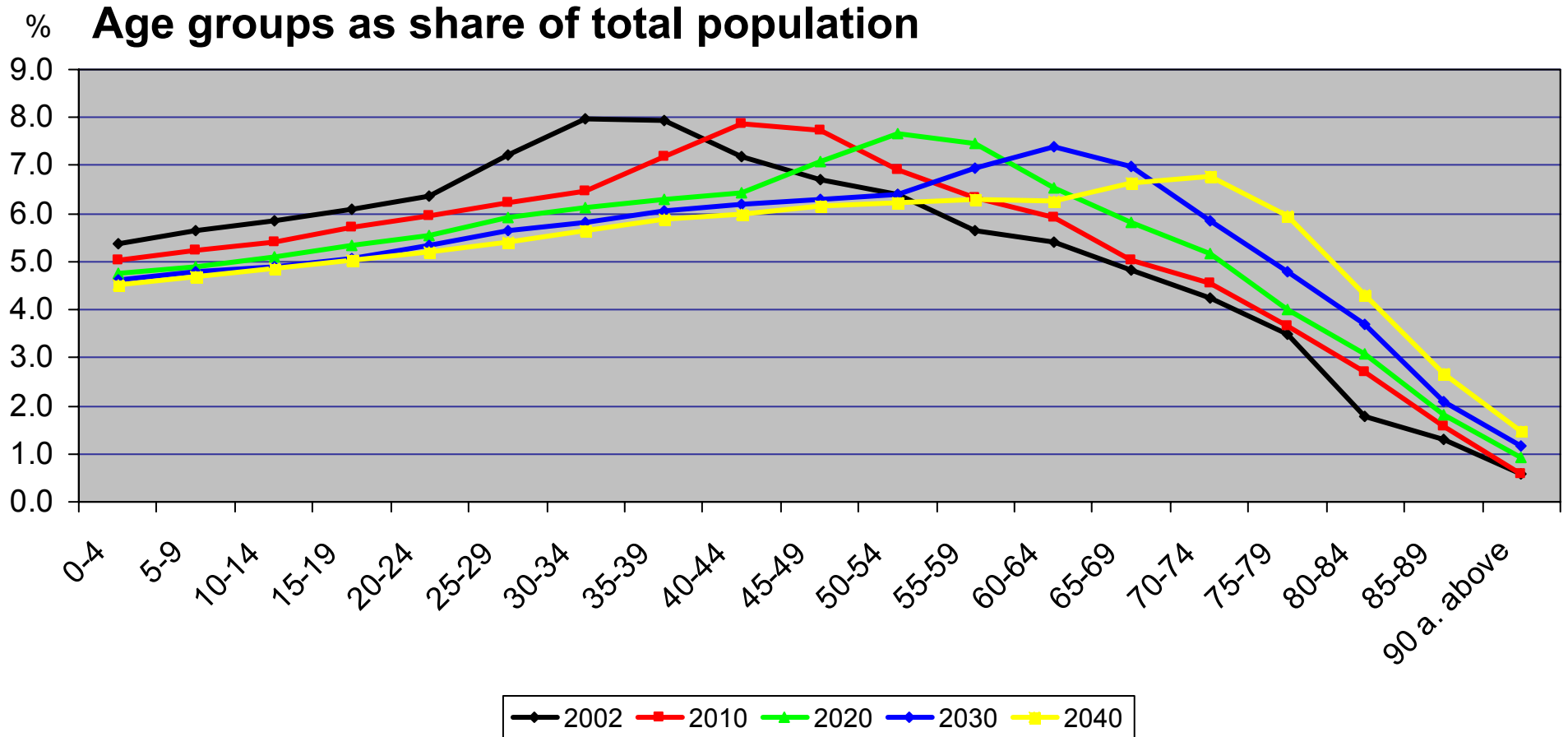
Paris
April 2, 2004

**Savings and Demography – what do we know about
the long-run?**

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Allianz Group Economic Research**

Demographics and capital markets – the asset market meltdown hypothesis

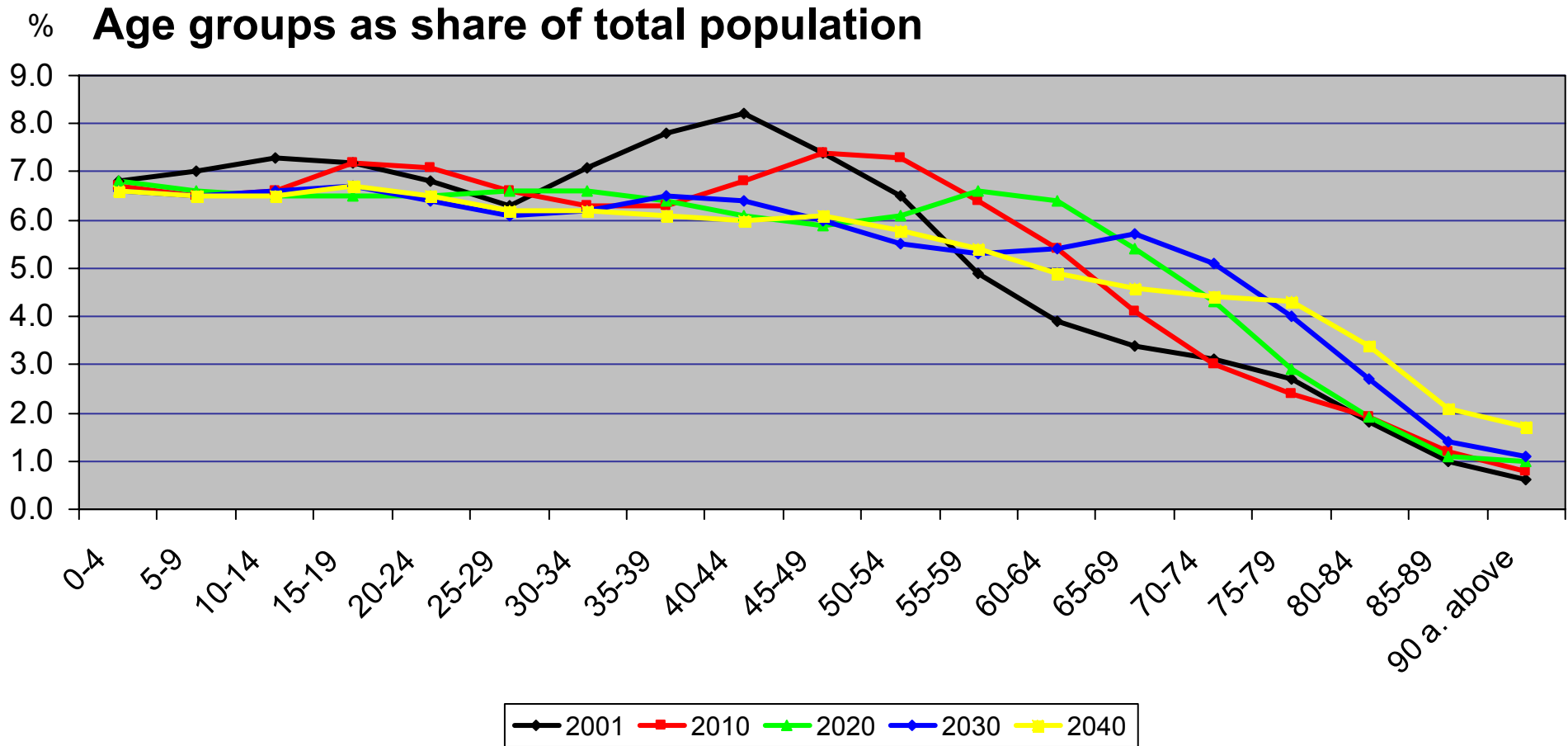
- Today, baby boomers save for old age and **asset prices increase** because of this demand.
- Between 2020 and 2040, baby boomers retire and sell their assets. However, because there are no buyers (since baby boomers decided to have too few children) **asset prices will collapse**.



Source: Eurostat.

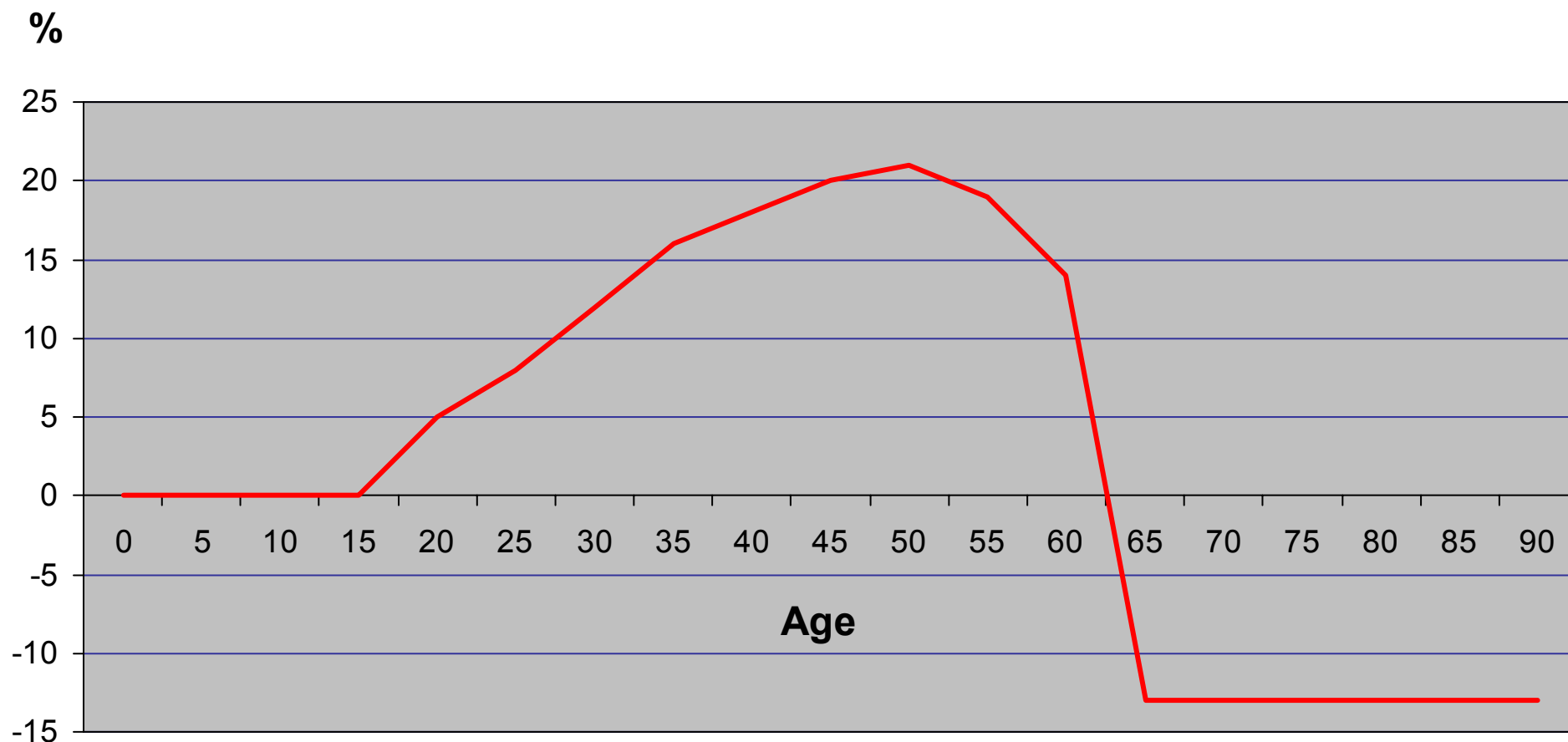
Baby boomers are retiring

– USA

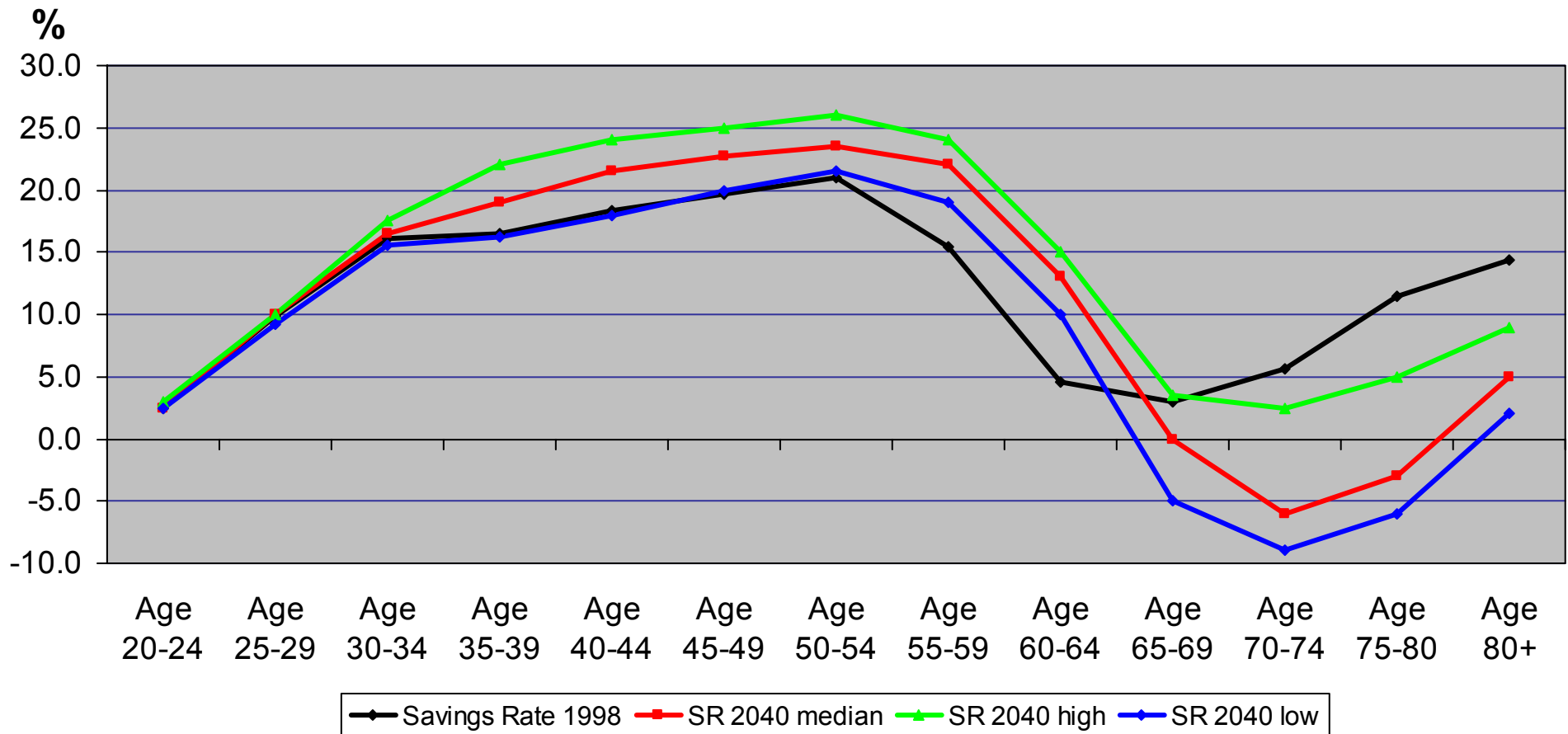


Sources: Census Bureau, own calculations.

Savings profile according to the life cycle hypothesis

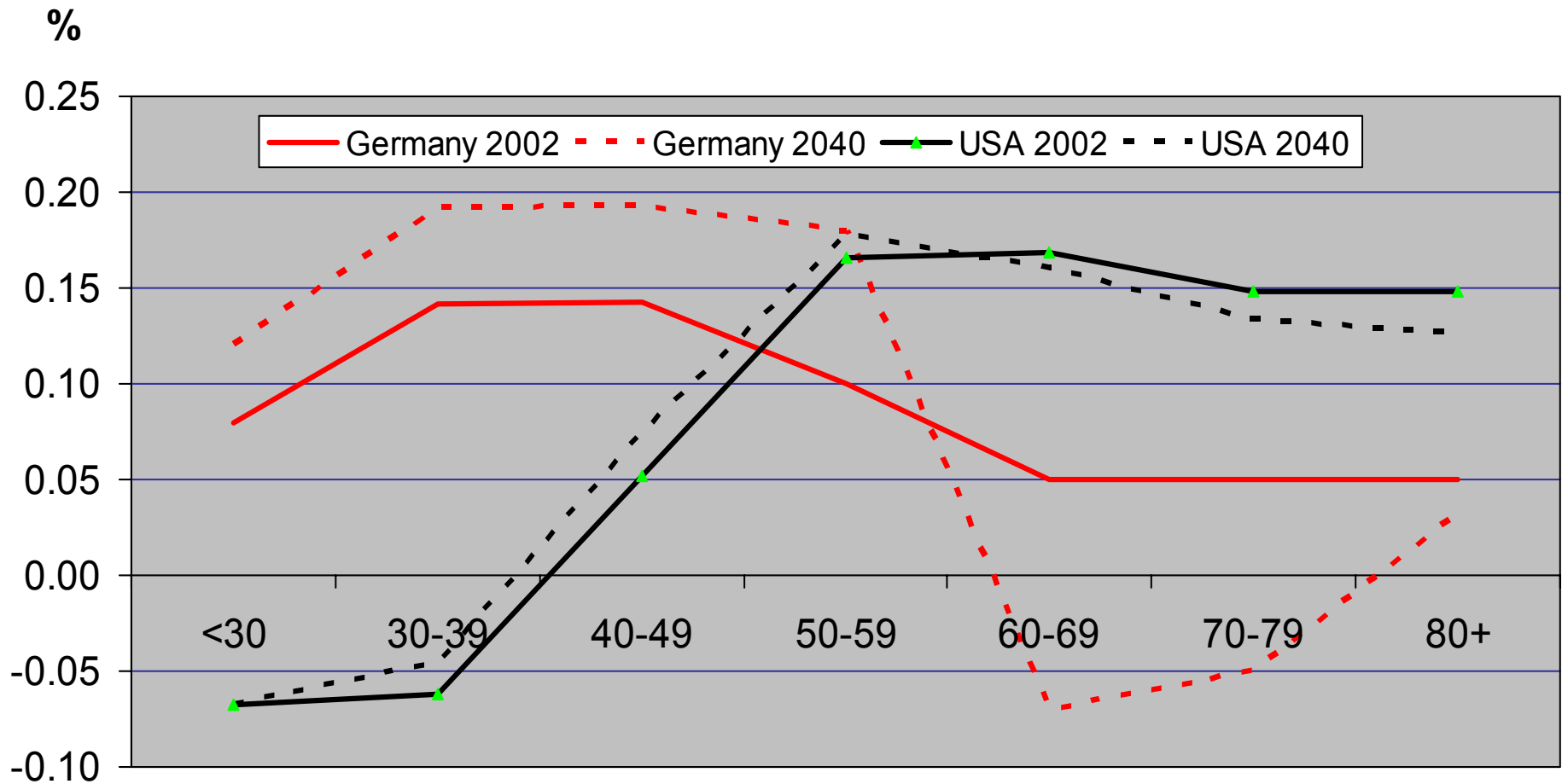


Age-specific savings rates today and tomorrow



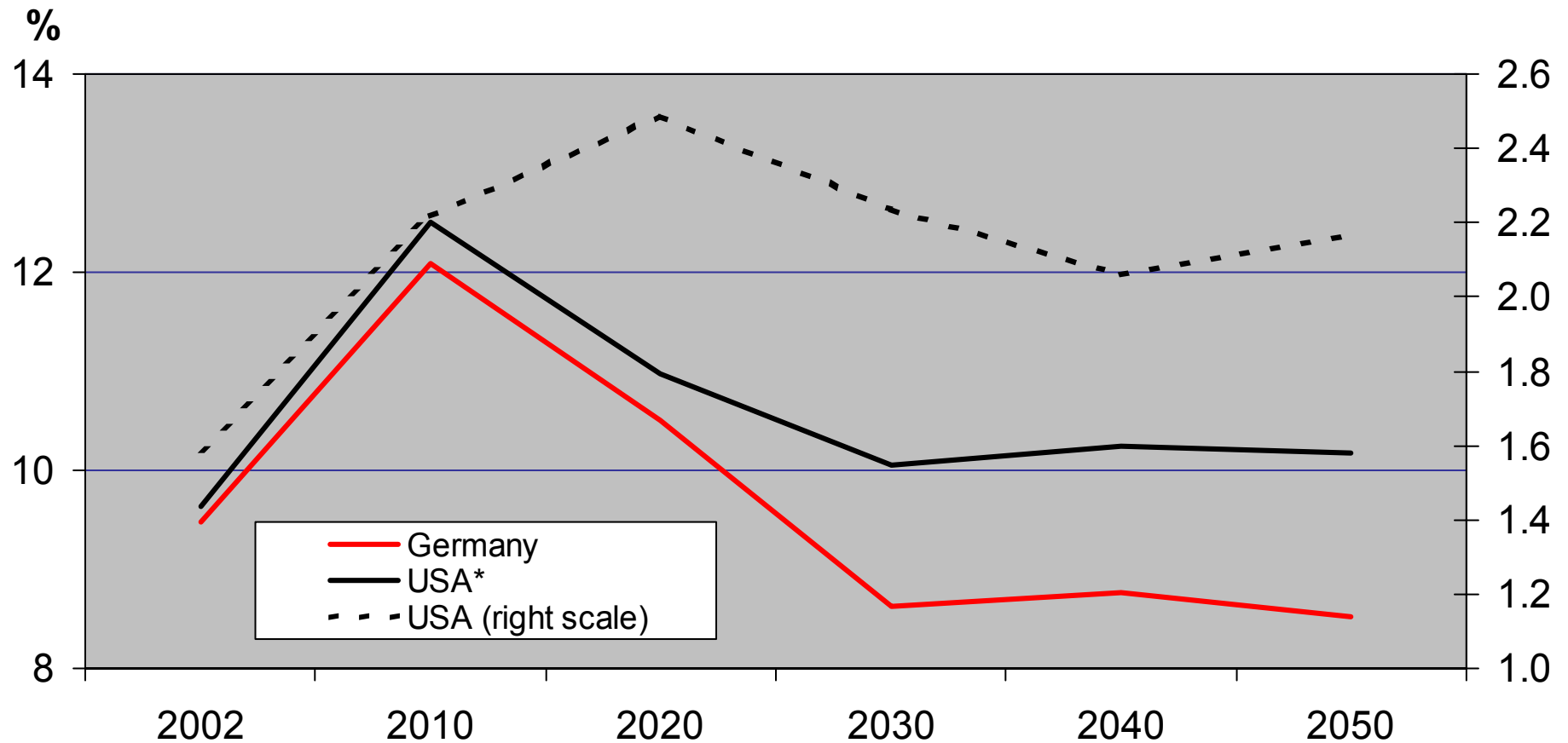
Sources: Save Study (MEA, 2002), own calculations.

Age specific savings rates



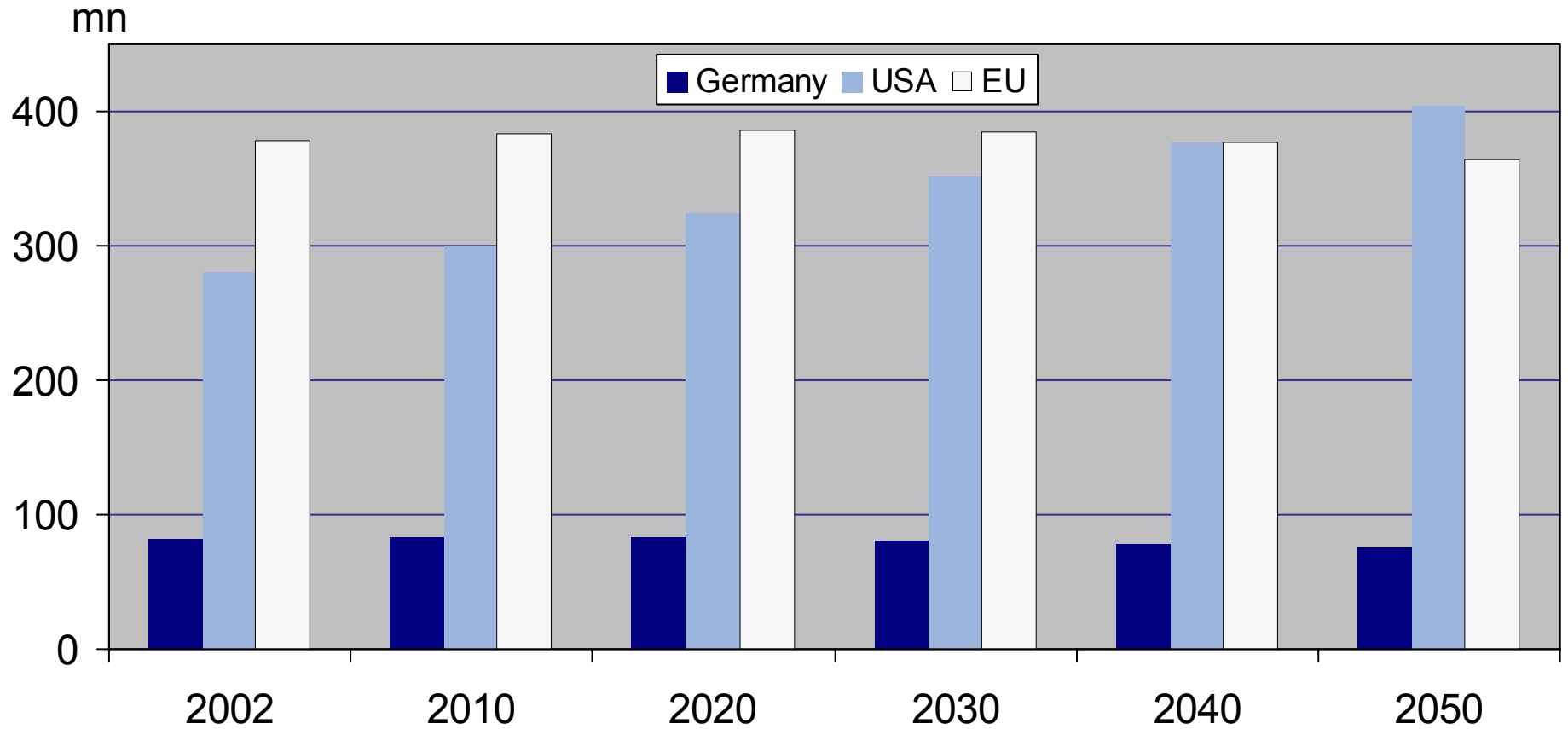
Sources: Statistisches Bundesamt, <http://www.mea.uni-mannheim.de/iscp/data.html>, own calculations.

Aggregate savings rate and demographics

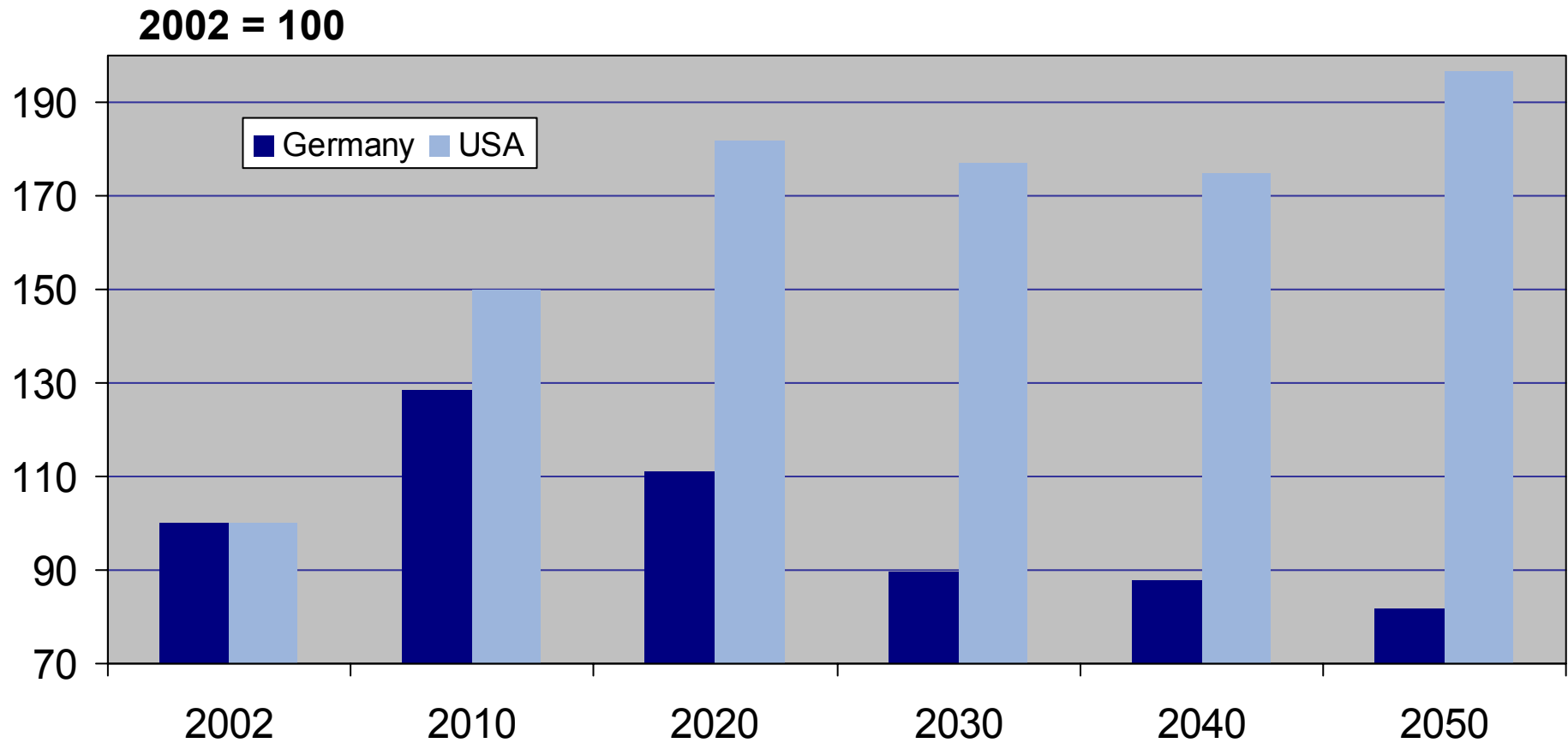


* US demographics and German savings behaviour.

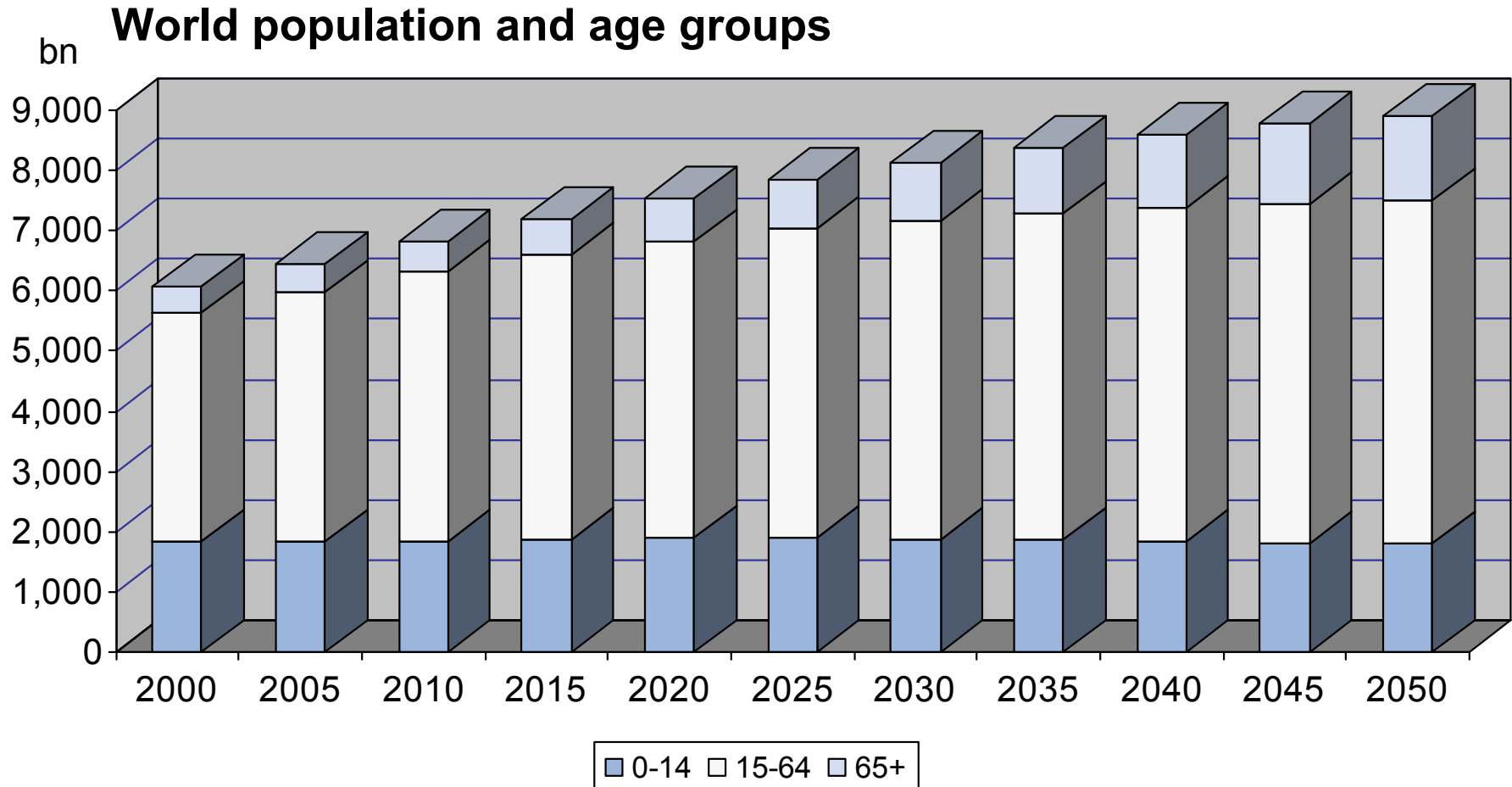
Population Developments



Demographic impact on savings



World population keeps growing



Source: UN Population Division.

What do we learn?

- Collapse of asset markets because of demographics is unlikely.
- Lower returns on bonds and equity investments are likely.
- The broader the investment base the lower are reductions of returns.
- Development of functioning capital markets in the growth centres of the world is pivotal.