

ECONOMICS: CHINA MACRO PERSPECTIVES

IN THE SHADOW OF LABOR SHORTAGE : SCOPING CHINA'S POPULATION STRUCTURE

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China's fertility decline has become the focus of the market. However, people have not noticed the trend of rapid decline of China's labor force population. We believe that China has entered an aging society and the dependency ratio has become a huge burden of the younger generation. We believe that changes in population structure will have a profound impact on China's GDP growth and development model in the next five years, and will have a tremendous impact on investment, consumption and other fields. Interest rates and fiscal structure will also undergo systematic changes.

Population Structure: WHY NOW?

As an important driver of China's economic growth, the demographic dividend has played an important role in the past decades, but as a long-term economic variable, economists do not have an intuitive way to observe the direct impact of this important factor on the economy. Moreover, since China's reform and opening up, people think that China's economic growth is mainly driven by reform, not population.

We have studied the population structure and economic growth rate of four countries, namely, the United States, Japan, South Korea and China. We find that China may soon enter the middle growth range under the current population structure. There are many signs that saying top management of China is not ready for such a sudden change. We have reason to believe that China will

encounter more structural imbalance in the future, and the government will also make appropriate adjustments to the economic structure in order to solve these possible structural problems.

This change, whether good or bad, will have a huge impact on the financial, real estate, medicine, consumption and other industries. The valuation methods of related assets will also need to be adjusted dynamically.

In this paper, we have made a simple analysis of the above-mentioned contents.

Chart 1
Dependency Ratio: The Big Picture

