

# THE CHALLENGES — AND OPPORTUNITIES — OF AN AGING WORLD

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We are at the start of a demographic time bomb — in 2015, just one country, Japan, had a population where 30% were over 60. By 2050, 55 nations will. Wherever you are, this creates a range of issues for society, such as an increased need for healthcare, changes in working patterns, and a younger generation that will be increasingly burdened by looking after the elderly.

The world is growing older, as fewer babies are born and people live longer. And this is not just a phenomenon of the developed world — 80% of these over-60s will be in less developed countries, where the growth in aging populations is happening much more quickly than in developed economies. This will affect the types of products that people will need and want and means that U.S. companies may find lucrative new export markets if they have the right products in their portfolios.

Consumer spending patterns in the United States and Japan, the country where the aging of the population is most advanced and, therefore, an indicator of how other markets might develop, are largely similar, according to asset manager PGIM, formerly known as Prudential Investment Management.<sup>1</sup> Spending on medicines, hospitals and nursing homes; other healthcare services; fuel; and housing repairs and maintenance is higher among older households. Conversely, spending on schooling, consumer durables (including owned vehicles) and dining out are all lower among older households.

As PGIM points out, not only are older households growing in number and outspending their younger counterparts, they are also putting their spending power to work in very different areas, creating profound consequences for the makeup of the economy.<sup>2</sup>

The demand profile for a range of sectors will change, for example entertainment, food, apparel, buildings and the devices within them, all of which will increasingly have to cater to the needs of older people.

But the baby boomer generation will not settle for products that are unattractive or that have the stigma of being “for the elderly.” They will want products and services that are better designed, more sophisticated and that use the most up-to-date technology — and they want to be treated as customers, not patients. Given that many products will save governments and healthcare services a lot of money, baby boomers are likely to get their wish.

Themes consistent with the aging population, such as health and wellness, travel and leisure, urban renting, and digital content will become increasingly important drivers of growth, KKR believes.<sup>3</sup>

PGIM highlights not just sectors such as healthcare, pharma and age-related housing, but also “silvertch” — “platforms, apps and devices that aim to help older adults live independently, better cope with dementia and other illnesses, and maintain family, caregiver, and social connections.”<sup>4</sup>

And while many potential investments resulting from longer life spans will require public intervention, such as “precommercial, primary medical research on many age-related diseases[,] ... the mega-trend of aging is creating important new opportunities,” particularly in real estate, healthcare and technology, PGIM points out.<sup>5</sup>

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## Demographics is an unstoppable force, but for businesses, it creates significant opportunities as well as challenges.

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“Baby Boomers across the U.S. are rediscovering the urban lifestyle in cities, town centers, and infill sites. Downsizing ‘empty nesters’ and retirees increasingly want to enjoy the amenities of city living and are trading large, multi-bedroom, suburban dwellings for smaller one- or two-bedroom apartments or condos centrally located and closer to restaurants, cultural and recreational activities,” asset manager PGIM says.<sup>6</sup> And they value their independence even as their needs increase, meaning the demand for senior housing communities that cater to those aged 80 and above will also increase.

And at the same time, this generation’s focus on healthy living affects other industries such as gym providers, food producers and retailers, BlackRock points out in an article for Morningstar.<sup>7</sup> “Consumers are increasingly focused on what they eat, how they are eating it and how it is produced; creating significant changes in the food supply chain. For instance, organic foods sales in the U.S. has risen 224% from 2005 to 2016.”

Baby boomers want greater convenience when it comes to food, and there is a switch to fresh foods rather than processed, with so-called superfoods that are seen to have specific health benefits, such as avocados and berries, growing faster than the wider market. “Consumers want their food to be more convenient, resulting in more online delivery, meal-kit solutions and convenient snacking options at supermarkets,” BlackRock says.<sup>8</sup>

As older people leave the workforce, technology will increasingly fill the gap, changing the nature of the jobs that remain and the skills required to do them.

The aging of the population is not just a huge challenge for society, but also “a golden opportunity to reimagine how we can support and empower people to lead fulfilling and healthy lives as they grow older, creating new products and services that deliver improved outcomes while contributing to economic growth,” says the think tank Nesta.<sup>9</sup> It also creates huge requirements for innovation.

Digital services and increased automation will become increasingly important for people as they become less mobile, while demand for autonomous vehicles will be reinforced by a growing population that is unable or unwilling to drive.

Our homes and neighborhoods will become smarter through innovations such as smart meters and smart speakers, and these smarter, connected “cognitive” homes will evolve with us to help meet our needs throughout our lifespan, including when we need extra assistance.

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**To discuss these topics in more detail, please contact your PNC Relationship Manager or visit [pnc.com/ideas](https://pnc.com/ideas).**

1 “A Silver Lining: The Investment Implications of an Aging World (page 6)” by PGIM, Inc., 2016. Available at: [institutionalinvestor.com/images/416/Longevity\\_paper-3-16-16.pdf](https://institutionalinvestor.com/images/416/Longevity_paper-3-16-16.pdf)

2 Ibid.

3 “What Does Population Aging Mean for Growth and Investments?” by Paula Campbell Roberts and Ken Mehlman, KKR, February 13, 2018. Available at: [kkr.com/global-perspectives/publications/what\\_does\\_population\\_aging\\_mean\\_for\\_growth\\_and\\_investments](https://kkr.com/global-perspectives/publications/what_does_population_aging_mean_for_growth_and_investments)

4 “A Silver Lining: The Investment Implications of an Aging World (page 14)” by PGIM, Inc., 2016. Available at: [institutionalinvestor.com/images/416/Longevity\\_paper-3-16-16.pdf](https://institutionalinvestor.com/images/416/Longevity_paper-3-16-16.pdf)

5 Ibid., Page 9

6 Ibid.

7 “How an Ageing Population Impacts Investment Returns” by BlackRock, July 23, 2018. Available at: [morningstar.co.uk/uk/news/169042/how-an-ageing-population-impactsinvestment-returns.aspx/](https://morningstar.co.uk/uk/news/169042/how-an-ageing-population-impactsinvestment-returns.aspx/)

8 Ibid.

9 “Challenge-driven innovation for an ageing population” by Orpa Haque, Richard Duffy, Olivier Usher, Nesta, September 25, 2017. Available at: [nesta.org.uk/blog/challenge-driven-innovation-for-an-ageing-population/](https://nesta.org.uk/blog/challenge-driven-innovation-for-an-ageing-population/)

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CIB ENT PDF 0119-0135-1089402