

Demographic trends that matter for investors

June 2011

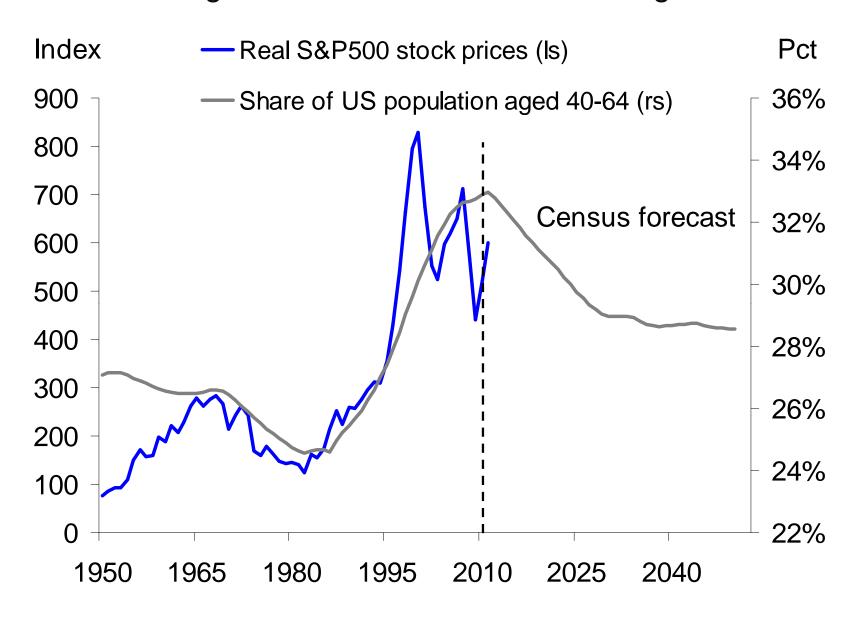
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Passion to Perform

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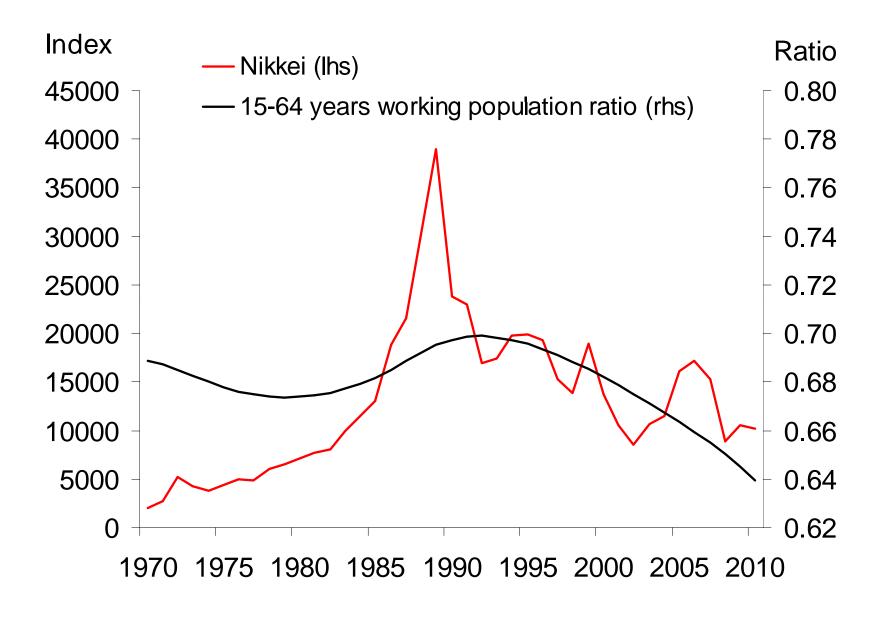
Are stock markets driven by baby-boomers first saving for retirement, and then retiring?





Are Japanese equities driven by demographics?







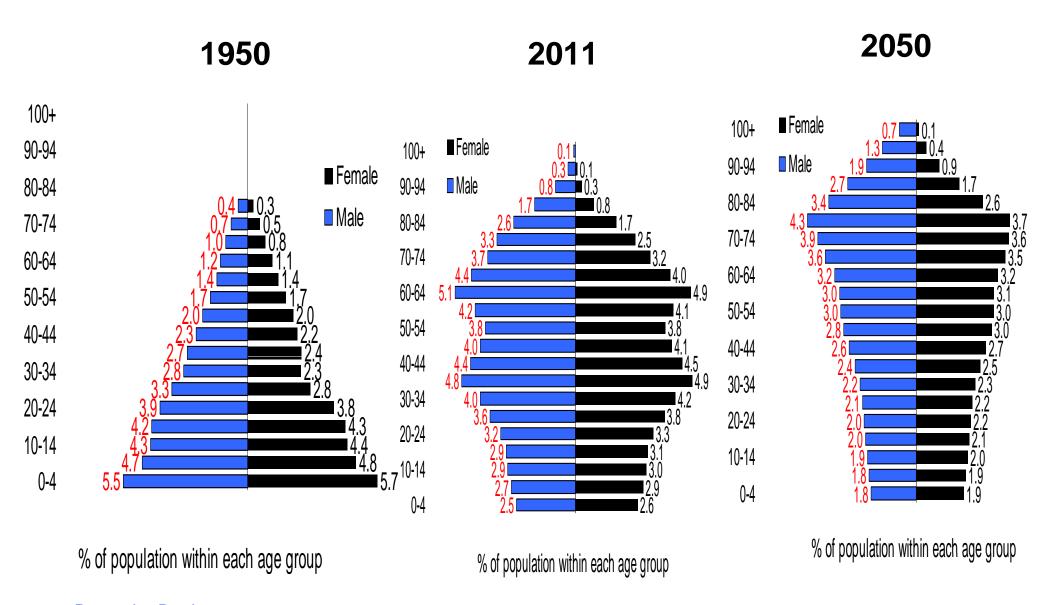
Why are demographic trends relevant for investors?

Demographic trends have implications for:

- Productivity/Potential growth rates (how many in the "young" productive generation relative to the "old" generation)
- 2. Tax revenues and expenditures and hence budget balances (bigger government sector often needed for larger older generations)
- 3. Design of the government sector (more resources toward health care/medical spending etc).
- 4. Patterns of consumer spending (fewer "young" consumers)
- 5. Population age structure is important; demand for assets for retirement savings ("young" generations are savers)
- 6. Migration patterns can be important for wage determination (for example, migration from rural to urban areas tends to put downward pressure on wages)

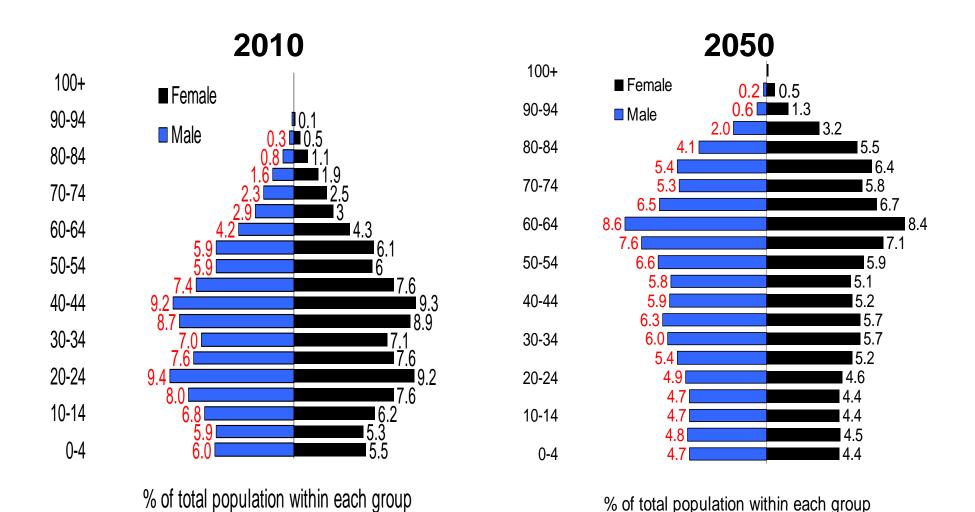


Japanese population age structure changing rapidly





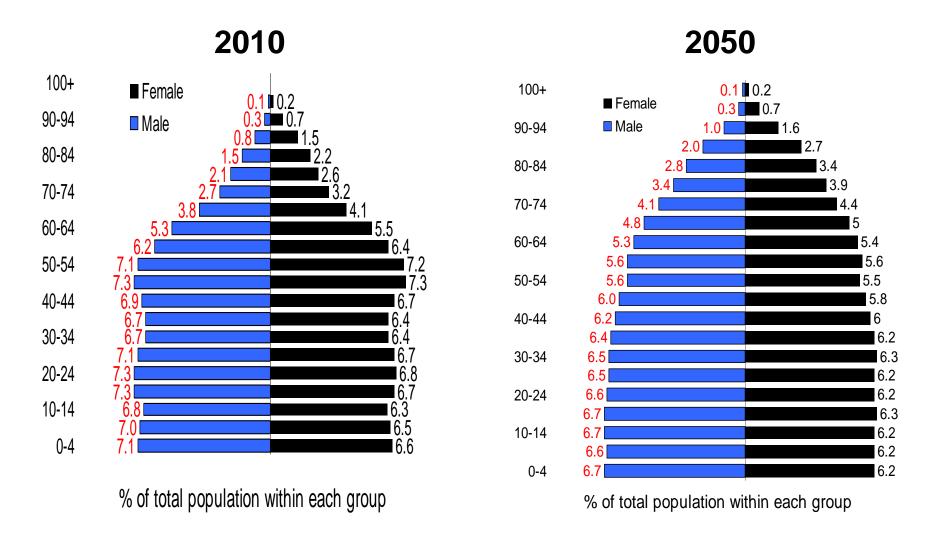
Chinese population age structure also becoming more "top-heavy"



Deutsche Bank



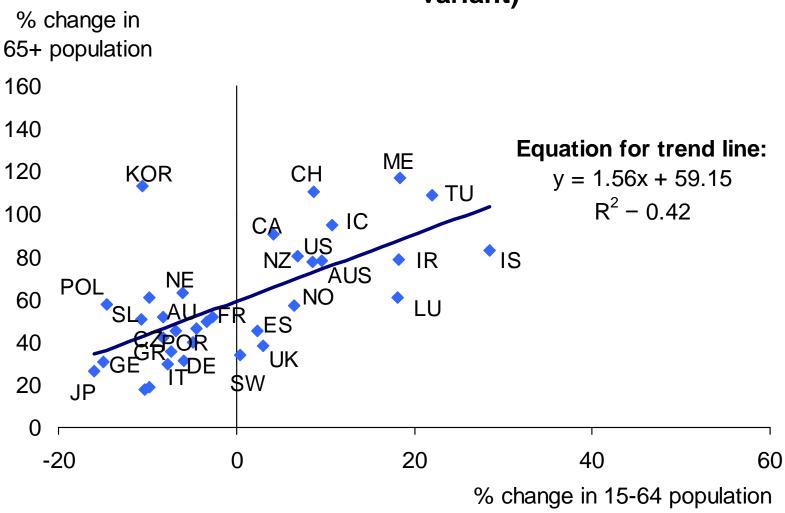
US population age structure changing much less



Better to be below this trend line



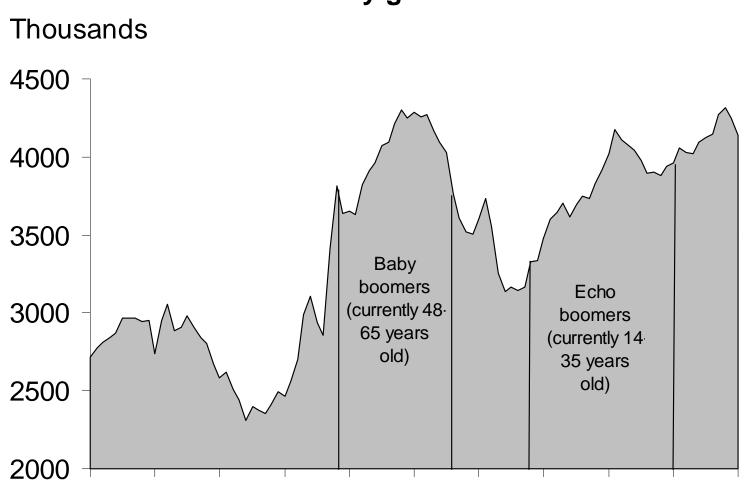
OECD countries, 2010-2030 (projected, medium variant)







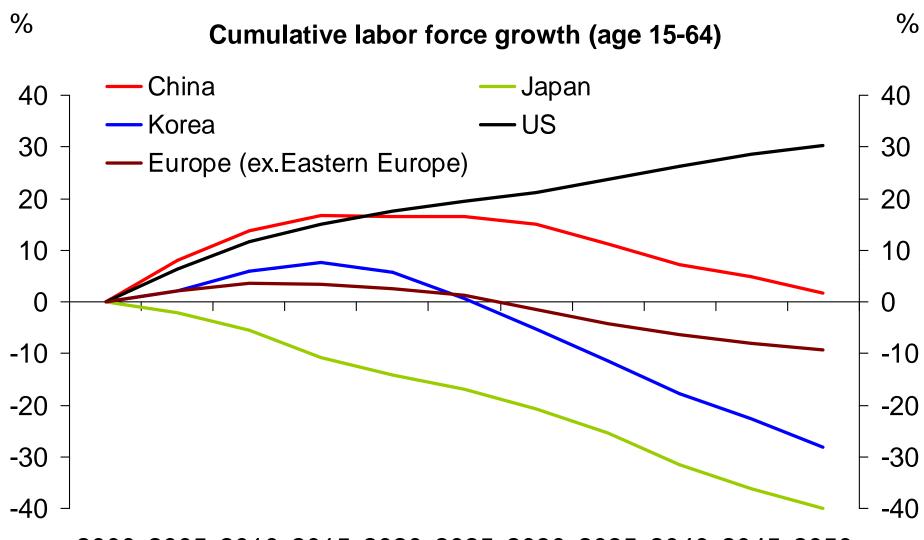
Births by generation



1909 1919 1929 1939 1949 1959 1969 1979 1989 1999 2009

Labor force shrinking in Japan

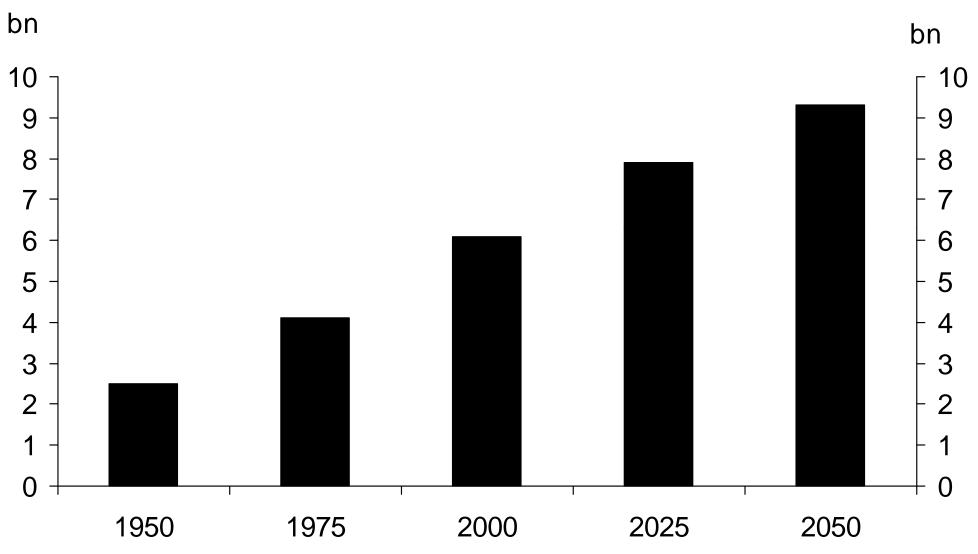




World population reaching close to 10bn in 2050



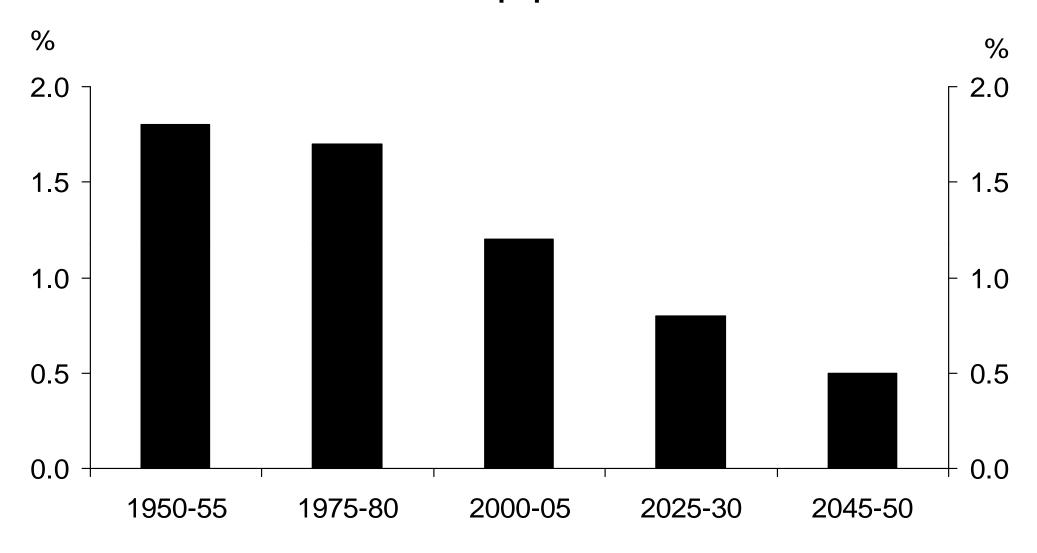
World population



World population growth slowing



Growth rate in population: World



Percentage of Global population by region and country in 2010 and 2050



	2010	2050
More developed world	17.9%	13.9%
Less developed world	82.1%	86.1%
Least developed world	12.4%	18.3%
India	17.6%	17.6%
China	19.6%	15.5%
USA	4.6%	4.4%
Brazil	2.8%	2.4%

Brazil, India, and Russia have experienced significant moves in total fertility rates

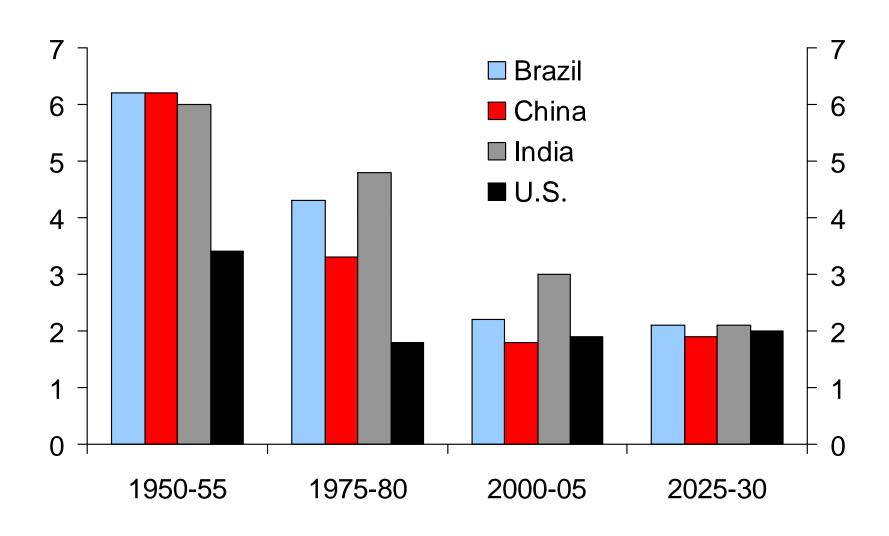


Total fertility rate (number of children per woman)				
	1950	Latest		
Germany	2.2	1.4		
United Kingdom	2.2	1.9		
France	2.7	2		
Italy	2.4	1.4		
Japan	3	1.4		
United States	3.5	2		
South Korea	5.1	1.2		
OECD average	NA	1.7		
India	5.9	2.7		
Russia	2.9	1.5		
Brazil	6.2	1.7		
South Africa	6.5	2.4		

Fertility rates converging



Births per woman





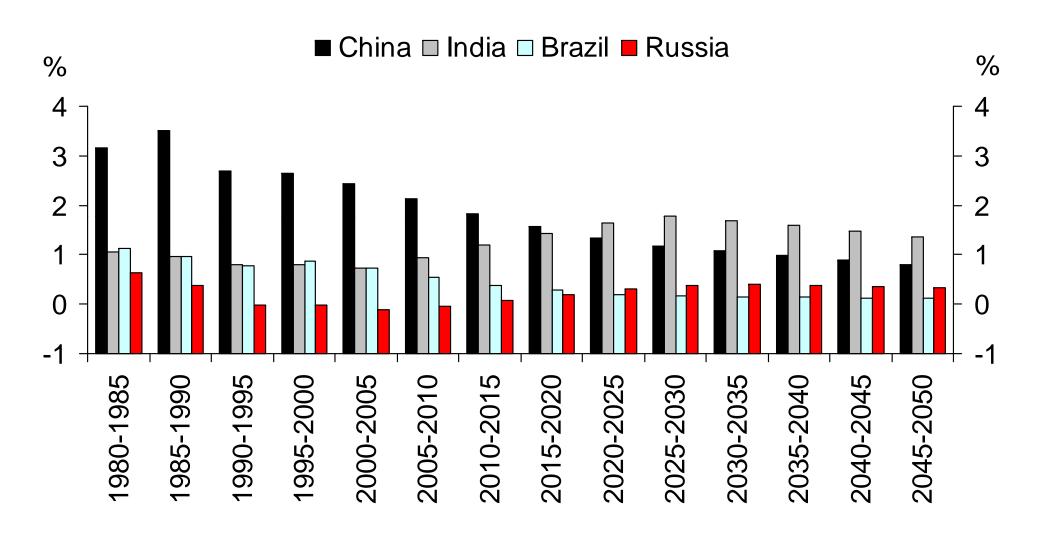


Urbanization rates since 1800						
% of total population	1800	1890	1950	2010		
United Kingdom	20.3	61.2	79	79.6		
Germany	5.5	28.2	68.1	73.9		
Italy	18.3	21.2	54.1	68.4		
France	8.8	25.9	55.2	85.3		
China	3.8	4.4	11.8	49.9		
Japan	12.3	16	34.9	66.8		
India	3.4	5.4	17	33		

Urban population growing more slowly in China and Brazil but still growing faster in India and Russia

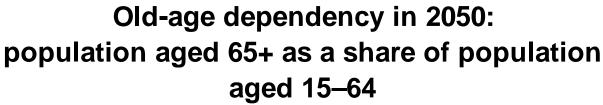


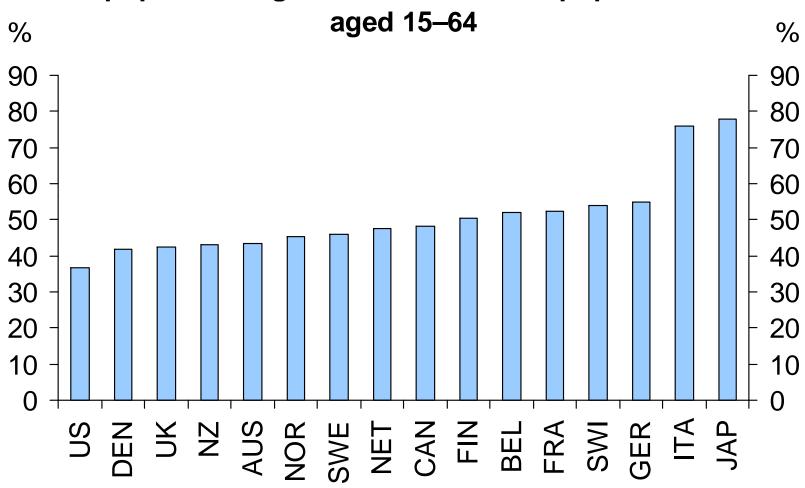
Annual rate of change in percentage of urban population



Old-age dependency differs significantly across countries...



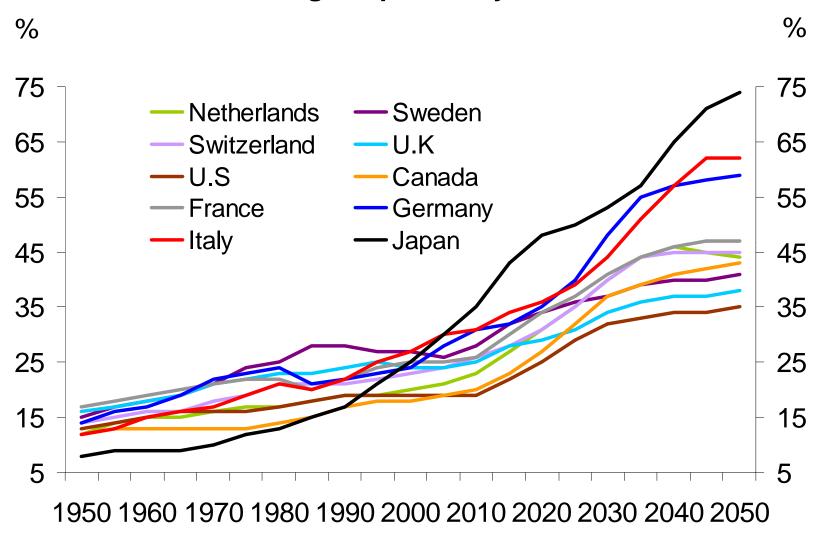






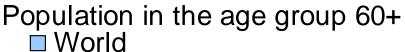


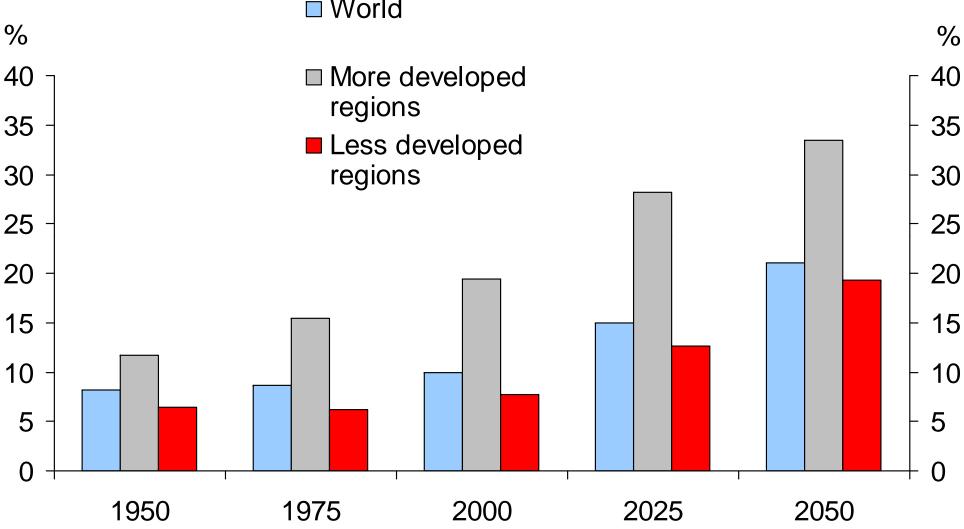
Old age dependency ratio



The "graying" of the OECD area

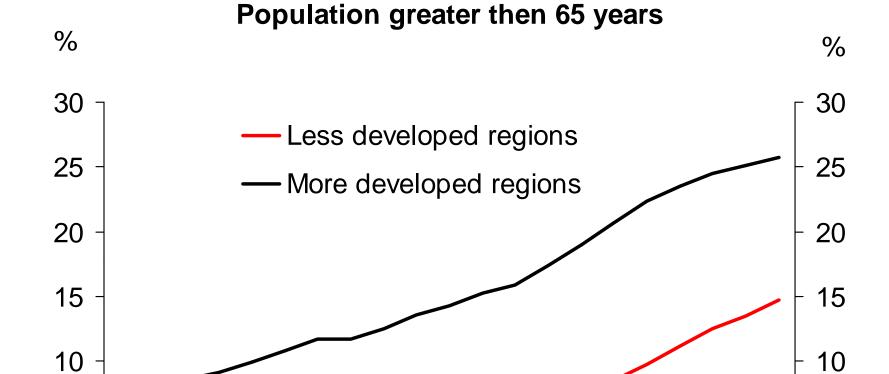






OECD more gray than EM





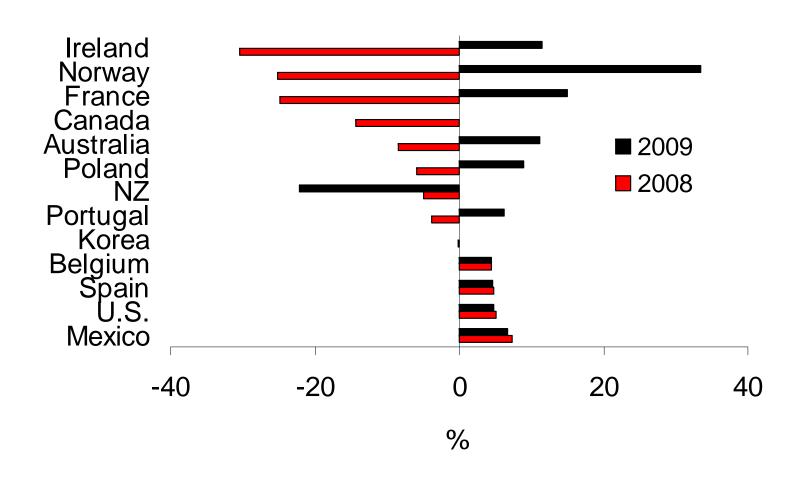


Pensions/Preparedness

Pension fund performance in 2008 and 2009



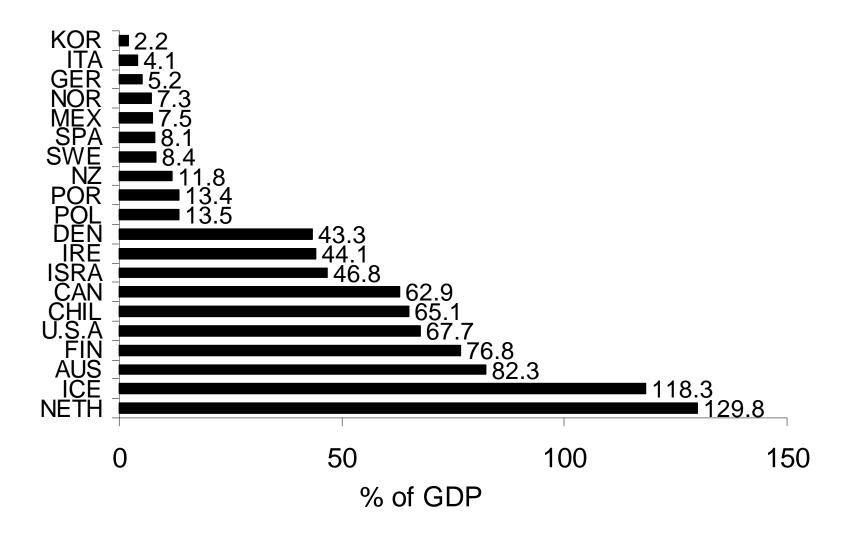
Nominal net investment return on pension funds in selected OECD countries







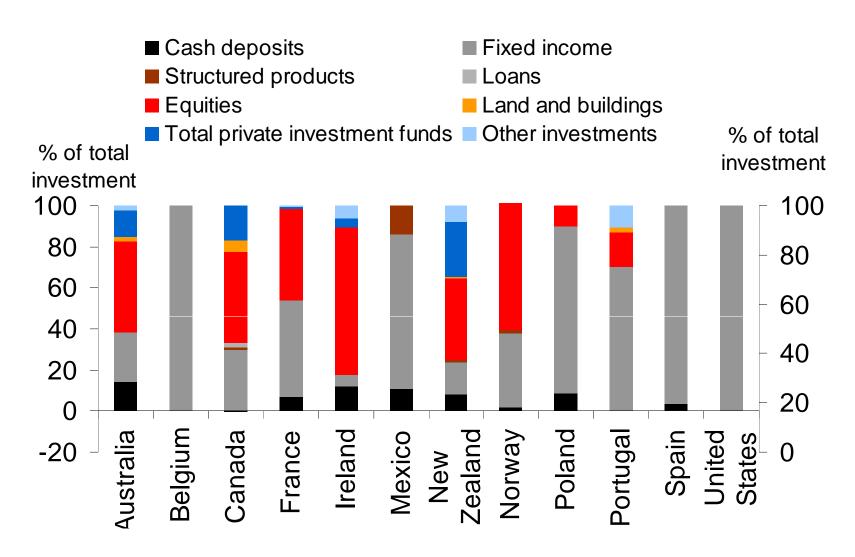
Pension funds as % of GDP



Pension fund asset allocation differs significantly across countries

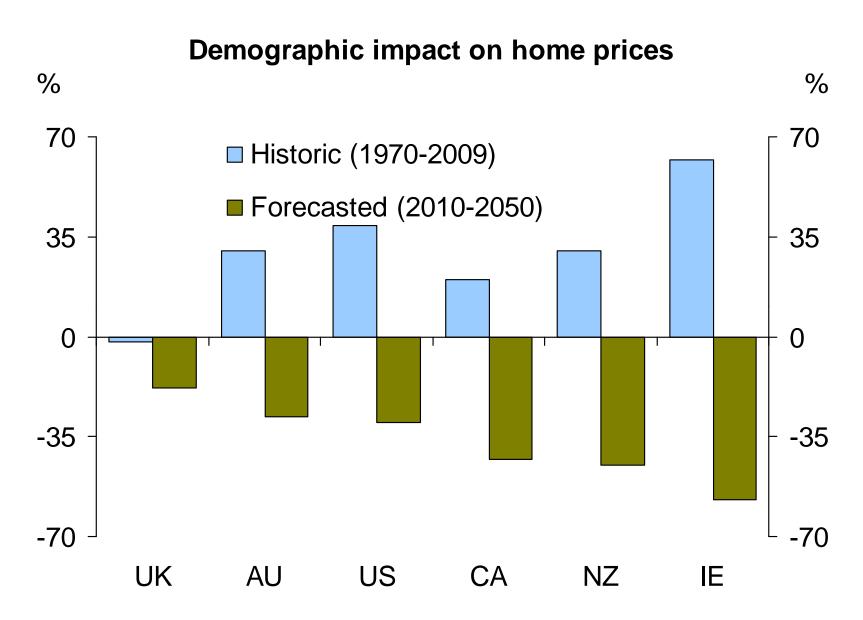


Asset allocation of public pension reserve funds in selected OECD countries in 2009



Demographics projected to put pressure on home prices going forward in English-speaking countries









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- Torsten Slok joined Deutsche Bank Securities in the fall of 2005 and is a senior member of the Global Economics Team.
- Mr. Slok's Economics team was ranked No. 1 in fixed income research by Institutional Investor in 2010. Slok currently serves as a member of the Economic Club of New York
- Prior to joining the firm, Mr. Slok worked at the OECD in Paris in the Money and Finance Division and the Structural Policy Analysis Division. Before joining the OECD he worked for four years at the IMF in the Division responsible for writing the World Economic Outlook and the Division responsible for China, Hong Kong, and Mongolia.
- Mr. Slok studied at University of Copenhagen and Princeton University. He has published numerous journal articles and reviews on economics and policy analysis.



Appendix 1

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