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Ageing populations could hurt Asian growth, says ADB

Fast aging populations in Asian countries need to be properly managed, to ensure future growth said the Asian Development Bank (ADB).

In its outlook update report, the ADB said structural reforms were needed in coming years.

The bank also cut its growth forecast for developing Asia to 7.5% in 2011, from its earlier projection of 7.8%.

It attributed the moderating growth to ongoing worries about the health of the US and European economies.

Unprecedented speed

Asia is going through a demographic transition, one that developed countries have already experienced, where the share of elderly in the population rises rapidly.

"Asia's population is aging at a speed unprecedented in human history," said Changyong Rhee, chief economist at ADB.

China is expected to see the proportion of elderly to working age people quadruple between now and 2050, surpassing the US.

In the last three decades, those countries that had favourable age structures added more than

1 percentage point to average annual per capita gross domestic product growth, according to the ADB.

It cited the example of Indonesia, Korea, Malaysia and China.

However, an ageing population means that demographic factors will be less of a significant source of economic growth.

"As the population dividend that fuelled Asia's labour-intensive growth becomes a tax, the region must find more innovative ways to sustain its economic expansion, and to provide more comprehensive support to its elderly," Mr Rhee said.

The report said governments needed to make labour markets more flexible and start strengthening pension, healthcare and social security programmes.

Demand slowdown

Along with warnings for the future, the ADB also highlighted a bleaker economic outlook.

While lowering its growth forecast for this year, the bank has also trimmed its projection for 2012 to 7.5% from 7.7%.

The bank said ongoing concerns over European and US debt had hit demand from those economies and hurt export growth in many Asian countries.

It also says price pressures remain a threat too, with the inflation rate for developing Asia expected to average 5.8% this year.

That is higher than an initial estimate of 5.3% in April.

However, the bank said increased intra-regional trade, as well as strong domestic demand, are helping to maintain solid growth levels.

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