

Australia's ageing population poses budget risks

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Australia's public and private economy-wide deficit could blow out to more than \$400 billion by 2050 due to the nation's ageing population, a new Australian National University report has found.

The report by the Australian Research Council Centre of Excellence in Population Ageing Research (CEPAR), based at the Crawford School of

Public Policy, provides the first National Transfer Accounts (NTA) measure for Australia, based on figures from 2009-10.

NTA measures how each age group produces, consumes, shares, and saves resources in the economy, and gives insight into how a country's demographics will affect its economy and finances.

"The fiscal imbalance indicated in the 2009-10 NTA is not sustainable as the Australian population ages," said Professor Peter McDonald, CEPAR Deputy Director.

"If the projected deficit by 2050 is not addressed by falls in per-capita consumption, increases in labour force participation and in the productivity of labour and capital are essential."

The report gives results of the NTA for 2003-04, and for 2009-10. It found Australia was running an economy-wide deficit of \$166 billion in 2009-10.

That would blow out to around \$400 billion by 2050 in 2009-10 dollar terms, Professor McDonald said.

He said the results for 2009-10 would have been worse without the shift over the past decade of many older Australians continuing to work.

The study sheds further light on Australia's ageing population.

It shows that Australians aged 25 to 57 years are net providers to those who are younger and older.

The older age-group who are net receivers, aged 58 years and over, will grow in number by 137 per cent by 2050 while the net providers age group will grow by only 59 per cent.

"These trends put considerable pressure on Australia's capacity to meet the future costs of its ageing population," Professor MacDonald said.

Provided by Australian National University

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