



## Labor Market and Consumer Spending Implications of Changes in the Age Distribution of the US Population

The most important conclusion stemming from analysis of the changes in the age structure of the US population this decade is that the continued ageing of the US population means that the “full-employment unemployment rate” (NAIRU) is below 3%, i.e., it now has a “2” handle. This will help to extend the post-pandemic economic recovery which might otherwise be restrained by lower growth in the working-age population. Consumer spending will again be dominated by the shift to experiences. Normally, the fact that there is a decline in the number of young adults this decade (persons aged 20-29 years old) would exert some downward pressure on demand for consumer goods. However, it is likely that the combination of the weak recovery following the Global Financial Crisis and the Corona pandemic has created pent-up demand for Millennials and Gen Z which should support demand for goods.

These conclusions are best understood by examining the changes in the age distribution of the US population for this decade, both by itself as well as in comparison to the previous decade (see Charts 1 and 2). The main differences to the prior decade are the following:

- The oldest Millennial turns 40 this year. The continued maturation in their numbers means that the number of persons aged 40-49 years old will expand this decade compared to shrinkage last decade. In other words, there are fewer persons turning 50 compared to the number of persons turning 40 years old (see Chart 3).
- The number of persons aged 50-59 years old declines this decade reflecting the drop in the number of persons aged 40-49 years old in the prior decade
- The number of persons aged 60-69 years old shrinks slightly, a major reversal of the strong growth last decade as more persons turn 70 years old compared to how many turn 60 years old this decade (see Chart 4). An intriguing aspect of this group is that growth in the number of persons turning 65 years old (a proxy for persons who can begin to collect Social Security) essentially comes to a standstill after having doubled in the previous decade (see Chart 5).

Chart 1

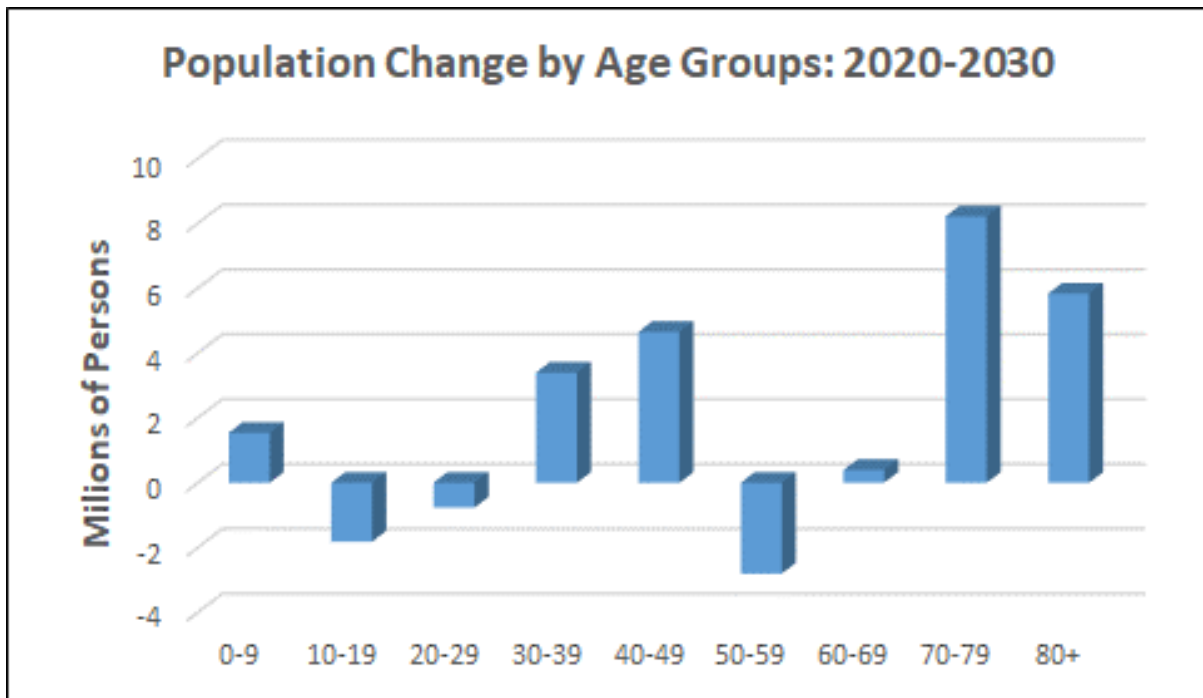
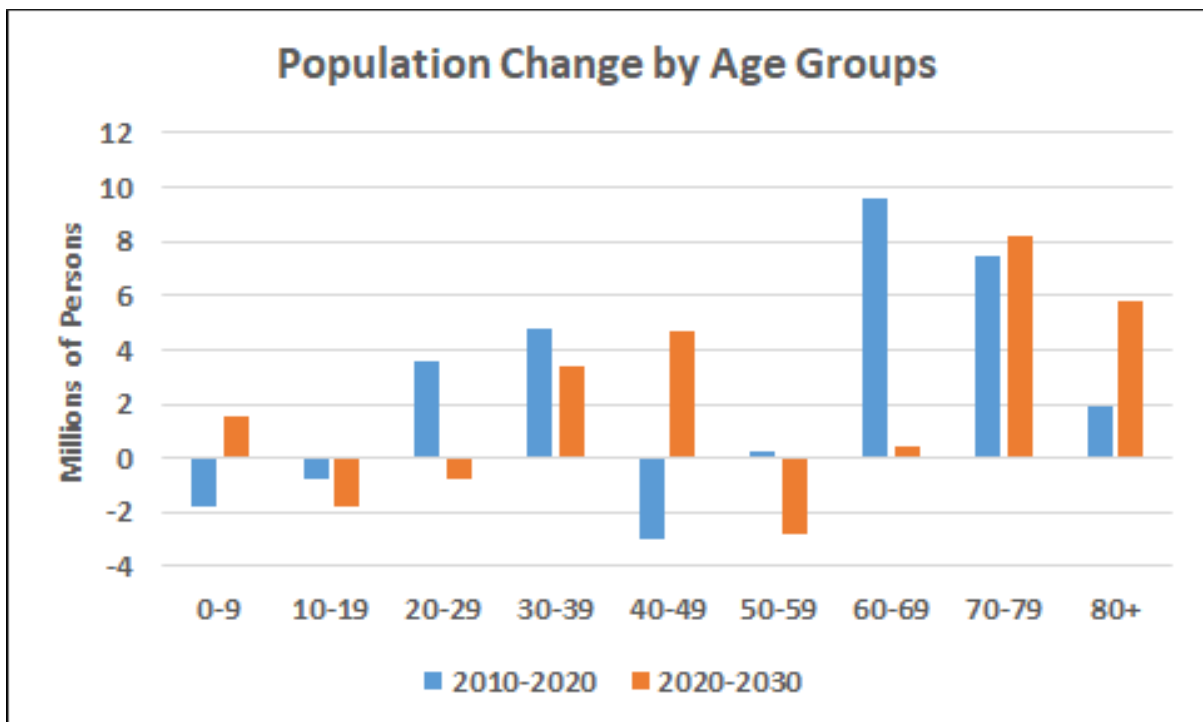
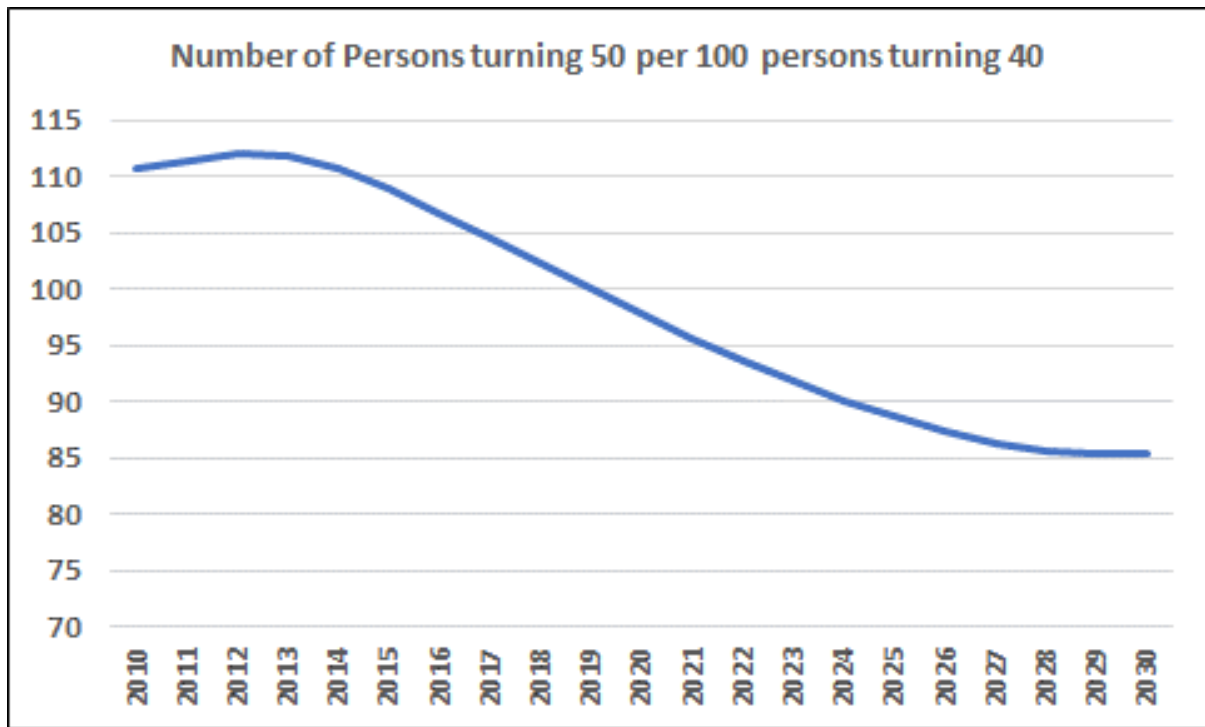


Chart 2



**Chart 3**



**Chart 4**

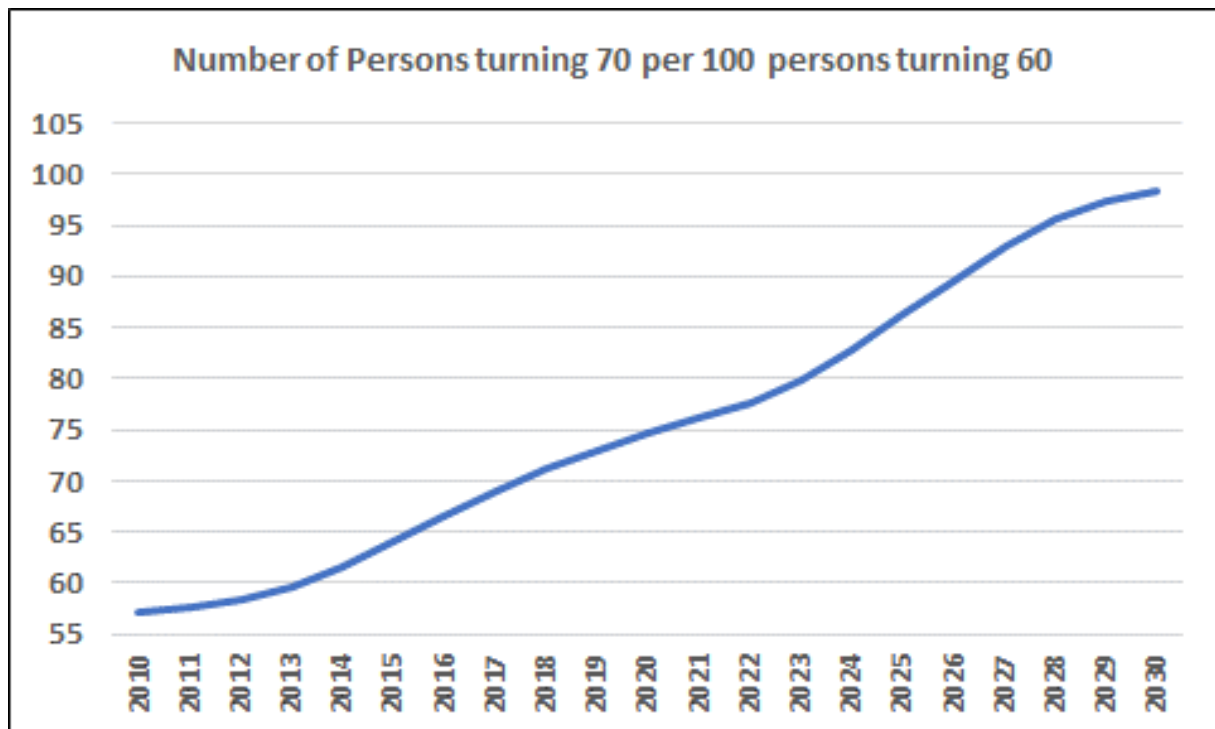


Chart 5

