

IN THE FACE OF AGEING POPULATION, EUROZONE ECONOMIES APPEAR TO BE THE MOST VULNERABLE

Koen De Leus

Most developed countries are ageing rapidly. According to the United Nations population database, the proportion of people aged 65 and over in the group of "more developed countries" is projected to rise from 21.5% in 2026 to 32.3% by 2100. There are however significant differences between countries. In Japan, for example, over 30.5% of the population is already over 65. By the end of the century, this figure is expected to stabilise at around 39%. In countries with a more favourable ageing profile, such as the United States, the share is projected to increase from 19% to 30.5%.

Such increases pose a threat to social security systems. Without any specific reforms, pension and healthcare spending will rise while contributions from the shrinking working-age population will decline.

Which countries are financially most vulnerable to ageing? We analysed this question for 16 developed countries using five ratios in our ageing vulnerability index².

The Anglo-Saxon countries together with the Scandinavian countries Sweden and Denmark perform best in the overall ranking. The most vulnerable countries are all European, with rapidly ageing Spain and Italy ranking lowest.

¹ These include all European countries, North America, Australia and New Zealand, and Japan.

² The five ratios are: net government debt as a percentage of GDP; government revenues as a percentage of GDP; the increase in the dependency ratio (25-65 / 0-25 & 65+) during the period 2026-2050; the current share of public pensions (old-age and survivors' pensions) in total pensions; and the net present value of additional government spending on pensions and healthcare between 2024 and 2050 as a percentage of GDP. The final ranking takes into account the average score on the five different ratios. Source: De Leus, Koen & Gijssels, Philippe (2024), *The New World Economy in Five Trends*, Uitgeverij Lannoo.

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IMF AGEING VULNERABILITY INDEX, 2026 UPDATE

Countries based on their vulnerability to aging: green=low orange=moderate red=high	Average Score *****	Net debt (% GDP)*	General government revenues (% GDP)**	Dependency ratio increase (0-25 & 65+/25-65) 2026-2050 (% points)***	Share public pensions (old age and survivors) /total pension income (%)****	NPV extra pension & health spending 2024-50 (% GDP)*****
Australia	78.75	32.4	36.3	10.4%	49.8%	37.5
Sweden	75	14.2	47.0	2.1%	84.0%	3.6
Canada	73.75	14.1	42.1	9.6%	62.5%	46.1
Denmark	68.75	-4.3	50.0	8.9%	82.3%	27.2
Ireland	67.5	24.4	23.4	18.2%	79.1%	43.8
United Kingdom	65	95.9	40.2	6.5%	71.8%	49
United States	62.5	103.0	30.1	5.4%	55.6%	114.3
Netherlands	56.25	37.3	43.5	12.4%	70.5%	61.8
Japan	45	128.9	37.2	27.0%	77.9%	59.9
Germany	43.75	50.7	48.0	24.1%	94.3%	41.8
Norway	43.75	-168.3	59.7	14.2%	90.2%	72.8
France	40	111.3	51.7	8.9%	98.2%	27.6
Portugal	35	82.6	44.1	37.5%	97.6%	61.6
Belgium	33.75	97.7	49.6	11.8%	91.1%	78
Italy	33.75	128.6	47.1	41.4%	95.3%	34.7
Spain	27.5	84.6	42.6	51.9%	97.9%	82.9

* Net debt: General Government, IMF estimate (WEO database);

** General Government Revenues: IMF estimate (WEO database);

*** Dependency ratio increase (0-25 & 65+/25-65) over 2026-2050: United Nations, World Population Prospects 2024, medium variant;

**** Share public pensions (old age and survivors) in total pension income: OECD Social Expenditures;

***** NPV: IMF fiscal Monitor Oct 2025;

***** Average score.

TABLE

SOURCE: IMF, UNITED NATIONS, OECD, DE LEUS KOEN & GIJSELS PHILIPPE (2024), THE NEW WORLD ECONOMY IN FIVE TRENDS, UITGEVERIJ LANNOO

Assessing vulnerability to ageing

Looking at the different ratios, we observe the following:

- **Net government debt (as a percentage of GDP):** In many countries, government debt is at its highest peacetime level, or close to it. This leaves little room to absorb the additional costs of an ageing population. Japan and Italy top the ranking, at 129% of GDP.

- **Tax revenues (as a percentage of GDP):** Raising tax revenues to finance the rising costs of an ageing population is no longer a viable option in many countries. Several European countries already have government revenues around 50% of GDP, including Denmark (50%), Belgium (50%), France (51.7%) and Norway (59.7%). However, this is not an issue for Norway, as its net government debt is negative (its financial assets, thanks to its massive oil fund, exceed its liabilities). In the Anglo-Saxon countries and Japan, the percentage is around 40% or less. These countries still have some room to increase government revenues.

- **Increase in the dependency ratio:** The more people paying taxes, the more sustainable the social security system. However, the dependency ratio — the proportion of people aged 0–25 and 65+ compared to those aged 25–64 — is set to rise sharply in Europe in the coming decades, particularly in Southern European countries. Spain is the negative out-

lier, with an expected increase of 52% by 2050. In Italy and Portugal, the increase will be 41.4% and 37.5% respectively. The countries faring best are the Anglo-Saxon countries, where ageing is less rapid, and most Scandinavian countries.

- **Share of public pensions in total pensions:** The rising dependency ratio is making it increasingly difficult to finance public pensions through social security contributions. Besides, in countries where the dependency ratio is rising most sharply, public pensions (i.e. old-age and survivors' pensions) account for 90% or more of total pension income. Such high dependence on public pensions makes altering these schemes politically very sensitive. Once again, Anglo-Saxon countries fare better thanks to their well-developed occupational pension systems. In the United Kingdom, this second pillar accounts for 28%; in Canada, the United States and Australia, the figures are 37.5%, 44.4% and 50.2%, respectively. On the European mainland, only the Netherlands (29.5%) has followed this example.

- **Net present value of additional government spending on pensions and healthcare between 2024 and 2050:** The United States stands out here. The net present value of additional social security spending over the period 2024–2050 would double US public debt without reforms. However, many European countries are also facing substantial increases in spending on pensions and healthcare.



Healthcare costs driving future spending

Notably, in three quarters of all countries, the majority of additional social security spending relates to healthcare. These costs are particularly difficult to contain. Since 2000, pension benefits have already been significantly adjusted in most countries. Older generations in Europe receive roughly twice as much in lifetime benefits as they contributed during their working lives. Reforms introduced after the 2008 Global Financial Crisis reduced the ratio of benefits to contributions for younger generations to around 1.5. This addressed roughly half of the problem. However, more recent reforms in many countries have once again pushed the bill higher.

In summary, Southern European countries, as well as Belgium and France, stand out as those where public finances appear most vulnerable to population ageing. The main reasons are: high initial public debt levels, which limit future fiscal manoeuvring room, and an underrepresentation of complementary defined-contribution plan (pension funds, etc.) which means that the system relies heavily on public funds. It should be noted that some countries stand out positively thanks to a low net present value of uncovered social liabilities (pensions, healthcare). However, this criterion can be quite volatile depending on the discount rate used.

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