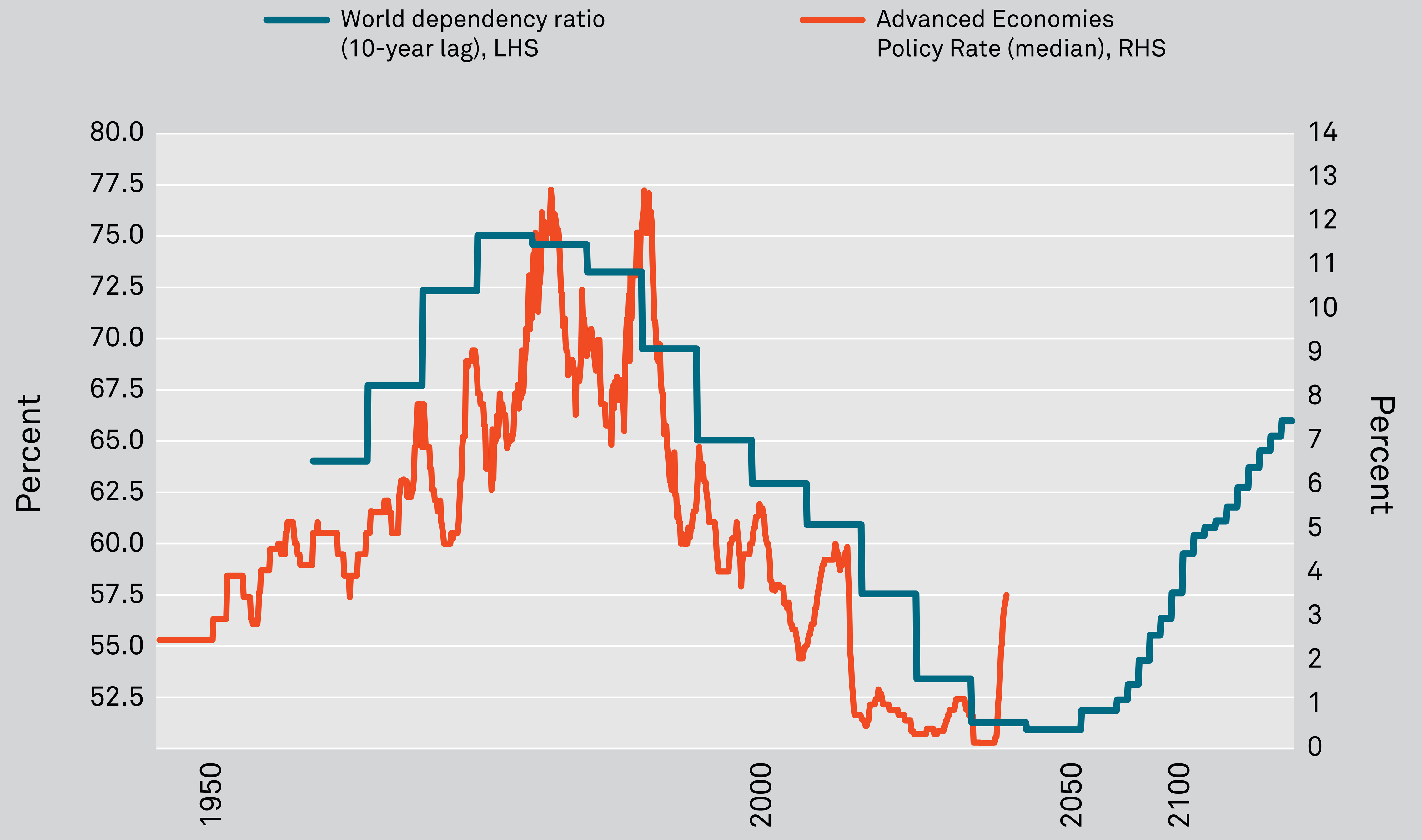
Demographic dilemma

COULD THE DEMOGRAPHIC REVERSAL LEAD TO HIGHER RATES?



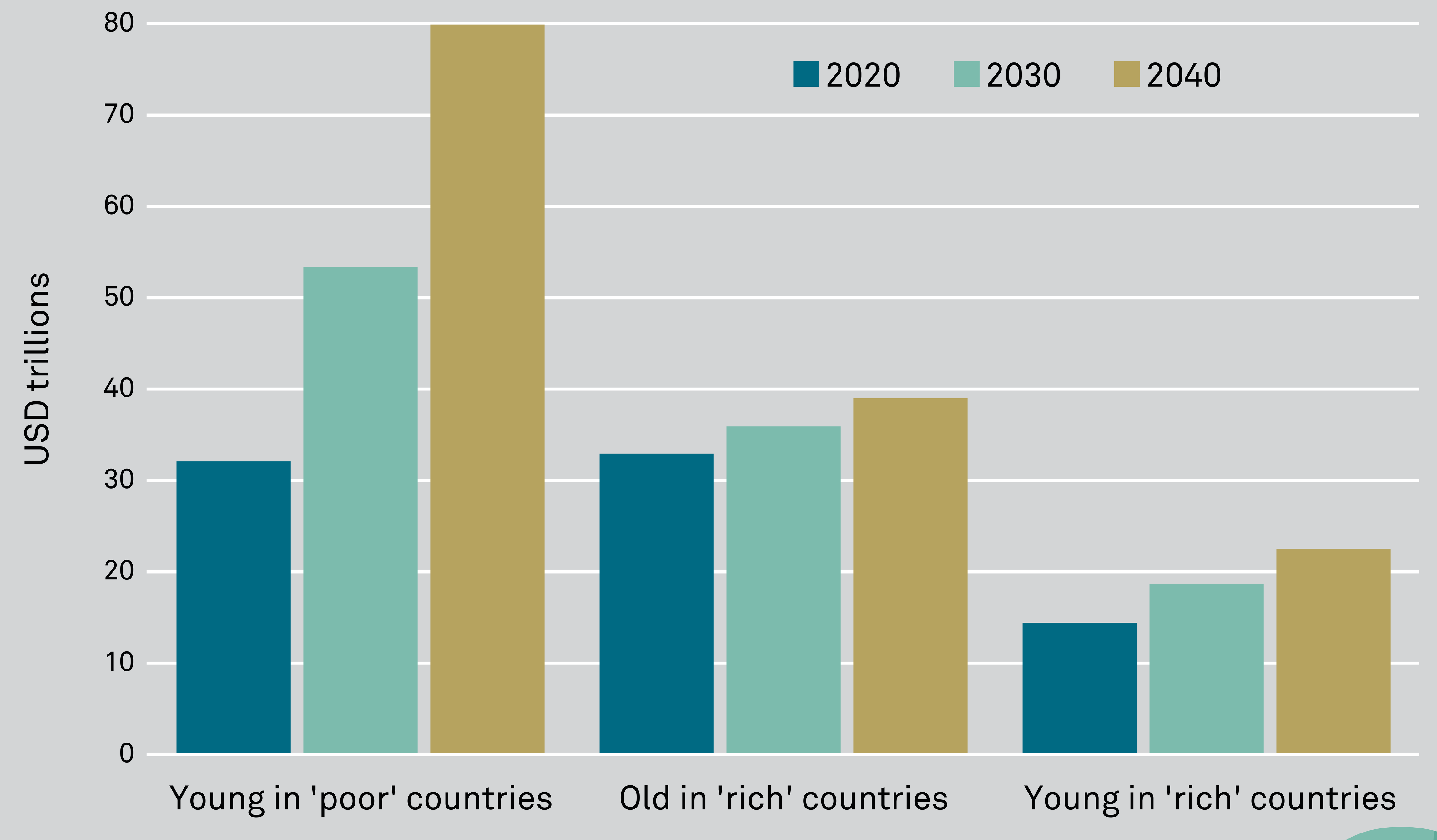
Source: BNY Mellon Investment Management, Microbond. Data as of 04/05/2023.For illustrative purposes only.

	Interest rate	Old-age dependency ratio*:
UNITED STATES	5.25%	31.3%
JAPAN	-0.10%	54.5%
EUROPE	4.00%	34.8%
CHINA	3.65%	20.0%

* Old-age dependency ratio is the number of people who are too young or old to work divided by the number of working-aged people. Generally this is dependents aged zero to 14 and over the age of 65, compared with the total population aged 15 to 64.

Source: OECD and global-rates.com, accessed 1 June 2023.

GLOBAL CONTROL OF RESOURCES BY AGE GROUP



Source: Macrobond, BNY Mellon Investment Management, OECD (Organisation for Economic Co-operation & Development).
Data as of 04/05/2023.

Economic effects of changes in the old-age dependency ratio

For several countries the dependency ratio is rising quickly. Older people tend to run down their assets quickly and this depletion of savings could put upward pressure on interest rates, though rising longevity works in the opposite direction. This pressure could be exacerbated as the control of global GDP shifts, broadly speaking, from older people living in rich countries to younger people in poorer countries who will have to provide the goods and services older people need.

Shamik Dhar, BNY Mellon Investment Management chief economist