S. Korea's growth potential to keep falling on aging population

SEOUL, Dec. 26 (Xinhua) -- South Korea's economic growth potential will continue to fall going forward due to an aging population and low birth rate, the finance ministry said Wednesday.

According to a report by the Ministry of Strategy and Finance, South Korea's potential growth rate was forecast to keep falling from an annual average of 3.8 percent in the period of between 2011 and 2020 to 2.9 percent for the 2021-2030 period, before dropping to 1.9 percent during the 10-year period through 2040.

The figure was lower than estimation by private think tanks, including Samsung Economic Research Institute (SERI) that predicted an annual average rate of 2.2 percent for the growth potential during the 2031-2040 period. LG Economic Research Institution (LGERI) projected the growth potential to fall to 2.5 percent over the same period.

The expected low growth potential was attributed to demographic changes such as aging population and falling childbirth. The country's total fertility rate, gauging the total number of children born by a woman of childbearing age, stood at 1.22 in 2010, sharply down from 4.71 tallied in 1970.

Seoul was predicted to become a super-aged society in 2026 after making an aged society in 2017. It already became an aging society in 2000. Societies whose proportion of the population aged 65 and over surpasses 7 percent, 14 percent and 20 percent are called aging, aged and super-aged society each.

Falling childbirth and aging population tended to entail a rising share of the elderly. Those factors would pull down potential economic growth as it reduces the number of productive population, while pushing up costs for senior care.

The statistical agency estimated that productive population in Seoul would start to reduce from 2017, before the Asia's No. 4 economy faces chronic labor shortage starting from 2021. The country's productive population aged 15-64 was forecast to reduce from 36.56 million in 2012 to 21.87 million in 2060.

The old age dependency ratio, or the ratio of those aged over 65 to productive population aged 15-64, was estimated at 57.2 in 2040 from 15.2 in 2010, adding burdens on younger workers who participate in economic activities.