

IN BRIEF

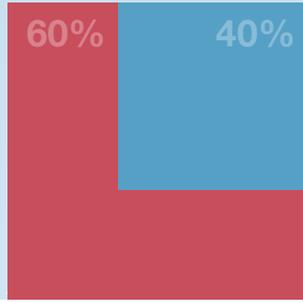
URBAN WORLD: MEETING THE DEMOGRAPHIC CHALLENGE

Cities, which have powered the world economy for decades, are now facing a significant demographic challenge to their growth. How they respond to the pressures will be critical for the health of the global economy in the years ahead. Our findings include:

- Population growth has been the crucial driver of cities' growth. In a sample of 943 global cities with more than 500,000 inhabitants in their metropolitan regions, 58 percent of GDP growth between 2000 and 2012 came from expanding population. Rising per capita income, which also includes the scale benefits to local economies from growing population, contributed the other 42 percent.
- Now cities are exposed to a double demographic shift—markedly so in developed, and increasingly so in developing, regions. First, global population growth is slowing due to declining fertility rates and an aging world. Second, the pace of rural-to-urban migration is waning in many regions.
- As a result, population declined in 6 percent of the world's largest cities—most of them in developed economies—between 2000 and 2015. From 2015 to 2025, we expect population to decline in 17 percent of large cities in developed regions and in 8 percent of all the world's large cities.
- The impact of the double demographic shift on cities promises to be uneven. Cities' growth prospects will reflect very different demographic footprints and dynamics shaped by their local birthrates and death rates, net domestic migration, and net international migration. MGI compared three developed regions to understand the implications.
 - In Japan, the nation furthest along in the demographic shift, some urban hubs continue to grow while most surrounding cities are aging and experiencing slow or negative population growth. The populations of Nagoya and Tokyo are still growing, largely reflecting domestic inward migration; the city of Sapporo, however, has relatively slow population growth because of negative homegrown growth and relatively low inward domestic migration.
 - The United States benefits from a higher fertility rate and migration, compared with Japan and Western Europe. It, too, has significant differentiation among cities that vary in their demographic footprints and dynamics. Raleigh, North Carolina, and Houston, Texas, are experiencing high population growth driven by all three factors. In contrast, Pittsburgh, Pennsylvania, and Cleveland, Ohio, are experiencing flat or negative growth with negative domestic migration.
 - Western Europe is aging unevenly and is likely to experience more differentiation in the future. The capital cities of Berlin, London, Oslo, Paris, and Stockholm are all experiencing growing populations. However, there are also many cities that are already experiencing population decline or low population growth. They include cities in Germany (for example, Chemnitz, Gera, and Saarbrücken) and Italy (Genoa and Venice).
- To sustain economic prosperity in the face of changing demographics, most cities need to sharpen their focus on citizens and raise productivity to boost incomes and be able to meet rising expectations with existing resources. Many more cities are likely to design strategies to appeal to particular demographic groups as they compete with other urban areas to retain and attract citizens. Cities will need to demonstrate flexibility in adapting to the demographic challenges that lie ahead, and focus on maintaining their dynamism and vibrancy to attract talented workers and successful businesses.

Urban world: The demographic challenge

60% of the GDP growth of large cities was fueled by population growth...



...the remaining 40% has come from per capita income growth

But now urban population growth is slowing due to a double hit: aging and falling fertility, and plateauing urbanization

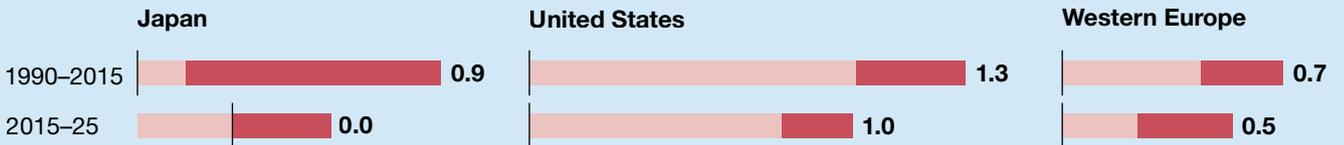
6% of the world's large cities have already experienced a decline in their populations since 2000

17% of large cities in developed regions are likely to experience population decline by 2025

61% of large cities in developed regions will have fewer young adults than today

Compound annual urban population growth rate, %

Total population growth rate (light red) Impact of urbanization (dark red)

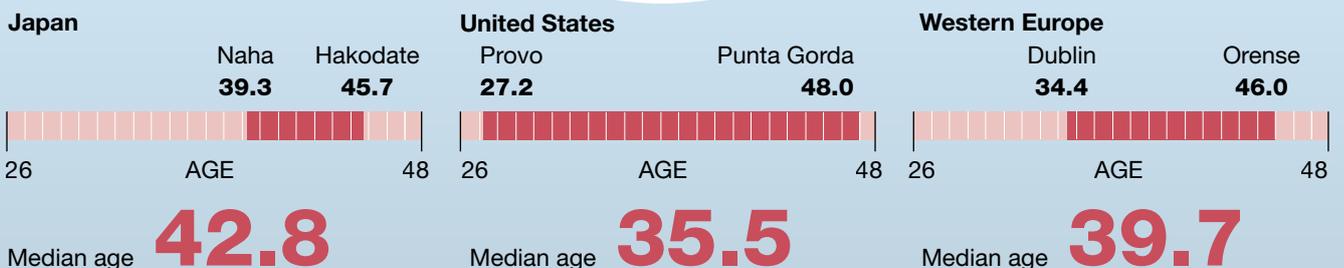


Different demographic profiles mean the impact will be uneven...



...among regions, and in cities within regions

Age range of all cities, by region, by average age



Cities need to sharpen their focus on citizens and raise productivity to compete with other urban areas, and thrive as engines of prosperity