

The Impact of the COVID-19 on the Consumption Structure of China

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Abstract: This paper summarizes and describes the impact of the COVID-19 on the consumption structure of China. The study conducts analysis on consumption from the perspectives of the total domestic consumption scale, the consumption structure and green consumption during the pandemic, and then summarizes the positive impact of boosting consumption and promoting economic recovery. It also explains how consumption began to recover as COVID-19 was effectively controlled. The epidemic had a huge impact on the domestic and international economy, including the impact on foreign trade and GDP growth, as well as the obvious negative impact of the COVID-19 on the consumption structure of the population. As the epidemic has been effectively controlled, the economy is slowly recovering. The contribution of this paper is to study the impact on the consumption status of Chinese residents after the pandemic, the extent of the impact caused is of great significance, and it serves as a revelation for the recovery of the economy in the future.

Keywords: total consumption scale, epidemic consumption structure, green consumption

1. Introduction

The pandemic has had a huge impact on the domestic and international economy. The COVID-19 has led to a dramatic change in the overall economic situation of the world, and tertiary industries such as catering and tourism around the world have been impacted, a situation that China has also been experiencing.

The COVID-19 broke out during the Spring Festival travel rush period, and population shift accelerated the spread of the pandemic, with mobility risks continuing to rise. However, China's comprehensive national strength has been increasing in recent years, and its ability to respond to major emergencies and medical care has improved significantly, providing a guarantee for controlling the pandemic. According to data released by the National Bureau of Statistics, the pandemic caused a decline in China's total import and export of goods, which decreased by 9.6% year-on-year. This shows that the pandemic has had a significant negative impact on China's international trade. Since 2020, the pandemic has brought a huge impact on the economy and society, with a sharp decline in residential consumption. However, promoting accelerated recovery of residential consumption is important for maintaining stable economic growth and constructing a new development pattern.

The level of consumption has been significantly negatively affected and the pandemic has changed the structure of residents' consumption [1]. Embargoes and restrictions have led to a severe impact on sectors such as catering, tourism and retail, with consumers spending less on outdoor consumption

and large sums of money, and turning more to online shopping and basic necessities. In addition, the COVID-19 has altered economic relations between countries, enhancing the trend towards regionalized and fragmented development [2]. As a whole, in March 2020, the COVID-19 hit all economic activities, with trade and tourism inflows being the lowest except for a few countries including Indonesia and Malaysia. It affected the bilateral trade among Association of Southeast Asian Nations (ASEAN) countries [3].

This paper analyzes the impact of the pandemic on national consumptions in China via three aspects, the scale of total consumption, consumption structure and the switch towards green consumption. The study concludes that the requirement for goods quality increased, and consumers start to focus on green consumption with more rational behavior.

2. Consumption in China

2.1. Consumption Scale

The economic impact of the pandemic was severe internationally, with countries around the world adopting embargo measures and travel restrictions as a result of the outbreak, leading to disruptions in the supply chain and a reduction in demand. At the same time, the pandemic also had an impact on China's GDP growth rate, which fell by 7.7 percentage points in 2020. This shows the extent to which COVID-19 has hit overall economic activity. The global supply chain has taken a huge hit and financial markets have been in tensions, with investors pulling out, leading to a sharp fall in the markets. According to the International Monetary Fund, the global economic growth rate in 2020 fell to -3% from a projected 3.3%. In 2020, China's total retail sales of consumer goods for the whole year amounted to RMB 39,198.1 billion, a decrease of 3.9% from the previous year, of which urban consumer goods retail sales in urban areas amounted to RMB 33,911.9 billion, down by 4.05% from the previous year, while retail sales in rural areas amounted to RMB 5,286.2 billion, a decrease of 3.2%.

During the pandemic period, the income of enterprises was seriously hampered. Enterprises tried their best to cut down their expenses in the future, which led to an overall decrease in the wage and income level of the employees of the general public. The economy was hampered and the income was not optimistic, which led to a decrease in the current level of consumption. The ability of the general public to consume, and therefore led to the general public pursuing low-cost products for purchasing goods. Wanting to obtain better consumer goods with low consumption, consumers became more and more conservative and the desire to consume was slowly decreasing. The retail sales of consumer goods have dropped sharply. A survey of income fluctuations shows, the ratio of consumer income fluctuation is proportional to the annual income of low-income people with an income of less than 200,000 yuan a year. There is a decline in the wages of about 43% of the participants, and in the group of people with an annual income of more than a million dollars, only 27% of the people with a decline in their annual income [4]. The pandemic could have a significant negative impact on household consumption. Compared with urban households, there is a greater impact on the consumption of rural households, which is due to the fact that rural households are more sensitive to wage income, more prone to precautionary savings mentality. People spend less to avoid the risk of uncertainty [5].

Income distribution was greatly affected, and the COVID-19 had a greater impact on the low-income group. The growth rates of the top 20%, the bottom 20%, and the middle 20% of income households were very close to each other, and the bottom group was still slightly higher than the other two groups, with the bottom group at 8.08% and the remaining two groups at 7.98% and 7.61%. This shows that when suffering from the negative impact of the economy, the ability of different income household groups to withstand the blow is different. The epidemic affected the per capita GDP, thus

reducing the transportation and communication consumption expenditure, education, culture and entertainment consumption expenditure, and other consumption expenditure [6]. The impact of the pandemic is not only on the income distribution, but also on the shift of residents from brick-and-mortar to online consumption due to their reduced mobility.

Figure 1 below shows the trend of users' online consumption during the COVID-19 in 2020, in which the two areas with the biggest changes are food and beverages and fresh fruits, and the number of users who chose to buy these two types of commodities online increased by 27.6% and 17.3%, respectively. The emergence of the pandemic has brought far-reaching impacts to the online economy, and after the COVID-19, people began to pay attention to the online economy, which has greatly improved the development of online economy.

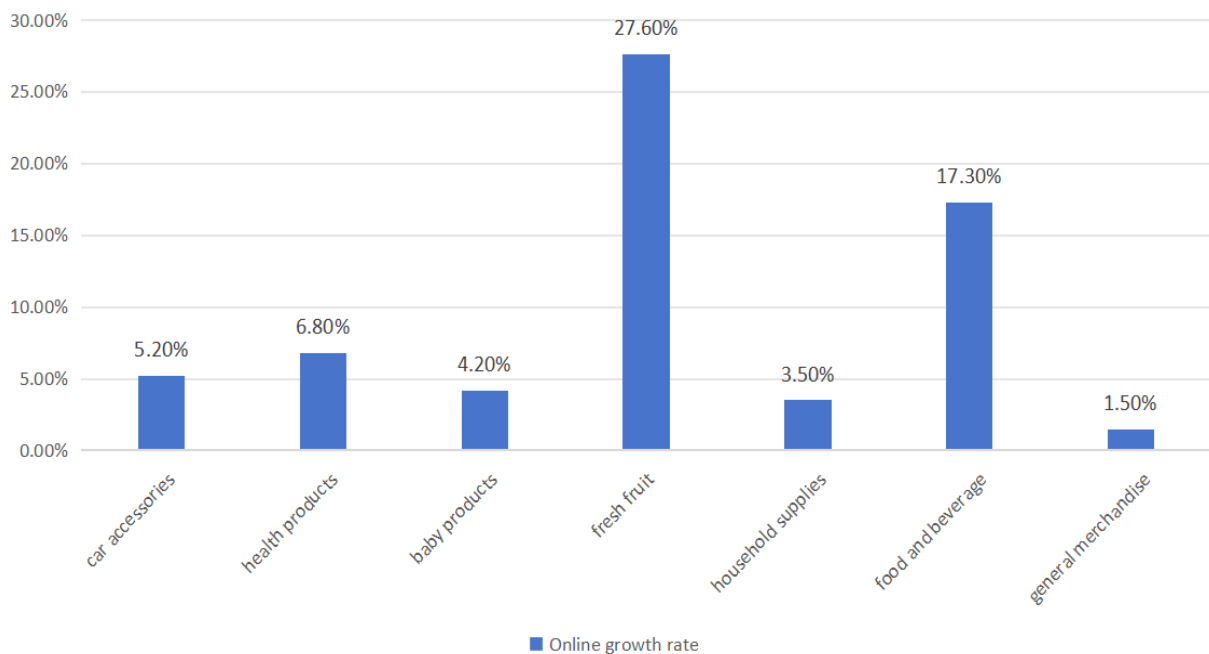


Figure 1: Residents' online consumption in 2020 (Source: iClick Research)

2.2. Consumption Structure

Before the pandemic, the share of food in consumer spending would have gradually declined as income levels rose, both individually and nationally, but the COVID-19 disrupted this trend. During the pandemic, food consumption rose from 27.6% to 29.2% in towns and from 30% to 32% in rural areas. The arrival of the pandemic drove the economic development of food consumption, and according to Figure 2 below, the frequency of cooking increased significantly in the aftermath of the pandemic, with cooking and eating for oneself becoming the meal option that many people tended to choose. Data from a questionnaire distributed nationwide showed that 32.7% of people cooked more than 10 times in a week, 27.6% cooked between five and ten times a week, and only 9.7% never cooked at all, so the pandemic has dramatically changed the dietary and consumption structure of the population.

Home-based offices have become the norm for residents, and consumer spending on daily necessities has increased significantly, with large-size packages and items with a long shelf life becoming major factors in purchasing choices. Healthy and quality consumption is also a rapidly growing trend, for example, during the New Year's Eve period, Suning Smart Home Appliances, as

one of the largest home appliance sellers in China, has a sales of smart home appliances increased by 42.9% year-on-year.

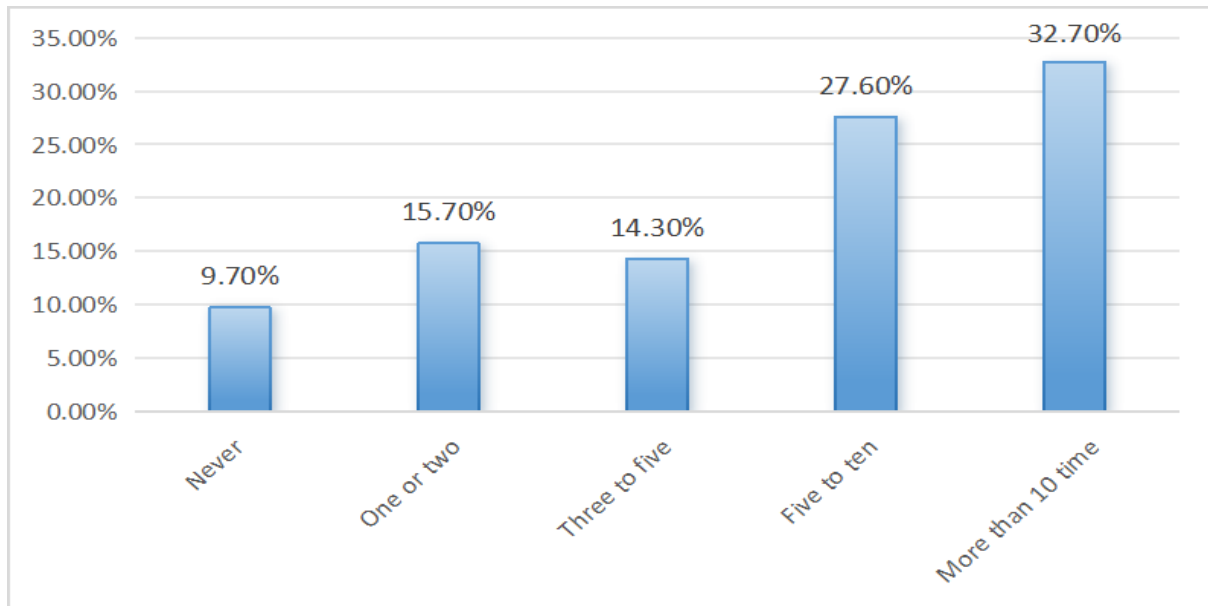


Figure 2: Frequency of cooking by the residents after the outbreak (2020 the COVID-19 Consumer Behavioral Attitudes Impact and Trends Report)

In the current period, companies should focus on and achieve increased integrity by improving the quality of their financial disclosures, as doing so would increase the confidence that investors have been looking for, and also show reliable information about these companies during the financial crisis in order to ultimately mitigate the risk of going bankruptcy [5]. Overall, during the pandemic, China's consumption structure changed in many ways, and the level and quality of consumption of the population was constantly improving and the consumption structure is towards being optimized.

2.3. Green Consumption

Due to the outbreak of the COVID-19, people started to think about health, which makes them begin to pay attention to the importance of health and safety as well as green consumption. When residents buy disposable masks, 35.30% of consumers pay attention to the type of masks and 31.60% pay attention to the green logo [7]. From the research on consumers' attention to family disposable masks, it can be seen that only 3% of buyers not paying attention to the green logo, thus indicating that green consumption has become the main concern of the majority of residents and consumers when they buy goods. At the same time, online consumption and health consumption due to the COVID-19 began to grow faster, and residents began to adapt to the new consumption patterns formed due to changes in the general social environment, and the advantages are obvious [2]. Similarly, as another example, Gome Home Appliances is a relatively integrated seller of home appliances. During the pandemic, consumers began to focus on purchasing environmentally friendly and energy-saving bulky goods under the promotion of Gome Electrical Appliances and other retailers, and Gome and suppliers jointly promote high energy green smart home appliances, and also focused on the green concept of recyclable and reusable in product packaging.

The green consumption of new energy vehicles (NEV) has been promoted, and the data in 2021 showed that China's NEV sales reached 3.521 million units, an increase of 1.6 times year-on-year. The proportion of NEV showed an increase of 13.4% in all new car sales, and the green consumption of NEV has been significantly increased under the influence of policy promotion and market demand.

These phenomena are not only the response of retailers and brands to the carbon peaking and carbon neutrality goals, but also the improvement of consumers' green awareness and ability. Companies can attract customers' attention to green products through promotions or other means to foster more green attitudes. In order to increase the trust of consumers, enterprises should improve the environmental benefits of green products and enhance the environmental image of enterprises [8]. During this period, people's consumption behavior has changed from herd tendency to personalization, and the consumption demand is more diversified [7].

2.4. Government Policies

With the effective control of the pandemic, the consumer market has begun to recover gradually, and people are gradually getting back on track. Whether it is epidemic prevention and control policies, or fiscal, monetary and employment policies, they are all endogenous responses to the uncertainty of economic and social operations, with policies injecting certainty to hedge against the risks posed by uncertainty [9]. At the same time, the Government has also taken a large number of measures to alleviate the impact of the epidemic, for example, for some offline stores, the Government has helped traders and enterprises to tide over the difficult times by increasing financial inputs, reducing tax collection, and subsidizing loans, and so on. The government has also promoted consumption recovery by issuing consumption vouchers and encouraging automobile consumption. The government should increase publicity, using news, public reports and other social media to actively guide people to rational consumption and cultivate a good consumption culture [10]. Policy support also provides an important safeguard for the recovery of the consumer market, which greatly contributes to economic growth. The government also crack down on merchants who jack up prices to keep prices stable. At the same time, China need to improve the level of healthcare services to boost residents' confidence, which in turn boost their consumption activities. Online consumption, mainly on e-commerce platforms, has risen rapidly. From the COVID-19 prevention and control tools to daily life consumer goods, online shopping can meet the needs of residents' lives as well as reduce the dedication brought by the pandemic. People also need to pay more attention to health aspects and hygiene, among other things, which has also accelerated the development of these areas.

3. Conclusion

After experiencing the impact of the epidemic, China has been hit hard by the epidemic, so this paper focuses on the impact of the pandemic on the residents' consumption. This paper analyzes the change of the total scale consumption in China and the income distribution and other issues, and studies the change of the consumption structure. Further, the paper analyses the phenomenon of green consumption due to the pandemic, using examples of the disposable masks and new energy vehicles. Under the influence of the epidemic, the overall level of domestic consumption scale has been reduced, but food and beverage and fresh fruits have greatly increased. People stayed at home for a long time, and the demand for the necessities of life was greatly increased. The shortage of food led to panic and triggered people's large-volume purchasing of food and hoarding. At the same time, due to the pandemic, the demand for food was also greatly increased, and people began to consume impulsively, which led to the change of the consumption structure. In terms of epidemic protection, people had the concept of green consumption, which has had been spread, to a certain extent, to promote the development of the economy.

People's lifestyles have changed drastically under the impact of the pandemic. With the suspension of offline shopping malls and brick-and-mortar stores, online consumption has become gradually the mainstream of the consumer market. Online shopping and online supermarkets have become a necessary part of people's daily life. With the cultivation of online consumption habits of consumers,

the online marketplace would continue to grow. With the impact of the COVID-19, smart electronic products are very popular, which would lead to other development in the economy.

This study also has shortcomings. For example, it needs to carry out long-term investigation and observation on statistical data from the residents to better understand the view and behaviour of consumptions among the residents. It requires collection of data for more complex analysis. In the future, with available data, research can continue to analyze various views of consumption of the ways to stimulate consumption, and promote industrial upgrading.

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