

The Impact of Demographic Change on Consumer Market and Production Sectors in China

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Abstract: Currently, the global birth rate is generally showing a downward trend. China had faced the first negative population growth in the past 61 years in 2022. These demographic phenomenons make the government concerned and attract a number of economists and demographers to do researches on them. After learning some former studies, this article is based on data from *China Statistical Yearbook*(www.stats.gov.cn), CHFS and CFPS to figure out the trend of consumption with the background of aging population and sub-replacement fertility in China. The result shows that the trend of aging population has a positive effect on living consumption, but has a negative effect on the aggregate consumption. There is still a large amount of domestic savings of families with aging population not released to the market since the lack of financial knowledge. The generation Z tend to show their loyalty to the brand who owns the brand culture approved by generation Z. To sum up, the government have to focus on the upgrading of living consumption and the popularization of financial knowledge. Meanwhile, the enterprises have to cultivate their own brand culture to attract and retain the generation Z consumers.

Keywords: population economics, consumption economics, aging population, generation Z.

1. Introduction

1.1. Research Background and Significance

Exploring the impact of the change in population on various economic sectors has always been a hot topic in the field of economics, which also makes the fields of economics and demography interdisciplinary. In the field of population alone, there are numerous topics including birth rate, death rate, sex ratio, age ratio, etc. It is a huge task to cross it with traditional economics, which divides the economy of society into some economic sectors such as consumption, production, and savings. Simultaneously, researchers also have to study the impact of these. Many former scholars have done research on economic demography, either by region or by demographic phenomenon. This article starts with the current economic and population hot spots in China. To study the consumption trend of some specific groups and the development prospects of corresponding industries under the current trend of population change in China by analyzing the trend of population change and consumption in China in the past five years.

1.2. Data Sources

China will conduct a large-scale population census every ten years, Besides, there would be an annual statistical estimation of the country's population, economy, and other significant fields, which would be published in the annual *China Statistical Yearbook* (www.stats.gov.cn). Most of the data related to population and economy used in this article come from the *China Statistical Yearbook*(www.stats.gov.cn), and the other part comes from two social science databases CHFS and CFPS.

1.3. Research Methods and Objectives

By searching data, drawing graphs, and analyzing the valid data, this study makes the data visible. Meanwhile, by comparing the changes in the data and combining the analysis of previous studies, this study attempts to summarize the consumption trend of the aging population and the young Generation Z under the leadership of China's policy of promoting consumption, which is the object of social concern.

2. The Impact of the Population Change in China on the Consumption Market and Various Production Sectors – Focusing on Consumption of the Aging Population and Generation Z

2.1. Analysis of the Current Trend of Population Change in China and its Impact on The Economy

2.1.1. Reasons for Negative Population Growth, Aging Trend, and High Mobility

According to the data given in the total population section of the China Statistical Yearbook(www.stats.gov.cn) in the past five years, as the figure one showing, it is obvious that the Chinese government's various pro-natalist policies have not played an ideal role in the past five years. During the five years from 2018 to 2022, the number of births in China has decreased by 1.53 million each year average, manifesting a significant decline. Similarly, as showed in figure two, the net growth of the population is also declining year by year, from a net increase of 5.3 million in 2018 to a net increase of only 480,000 in 2021. In 2022, China had met the first negative population growth in the past 61 years. It shows a continuous negative growth trend and aging trend, accompanied by high mobility of the population [1]. The reason for this situation could also be found in the China Statistical Yearbook(www.stats.gov.cn). According to the data of the 7th National Census, 29.09% of Chinese men are still unmarried at the age of 30, while the figure for women is 13.95%. It can be said that China has officially entered a society of late marriage and universal marriage. What's more, this trend is significantly reflected in urban and better-educated people. This manifests that the remarkable urbanization process, the increasingly abundant and equitable education resources, and the increasingly improved living conditions of China in recent years have a great impact on people's concerns about fertility. The emergence of late marriage, universal marriage, and the improvement of people's life expectancy have resulted in the negative growth and aging trend of the population of China. On the other hand, the unequal distribution of economic, educational resources, and other social resources results in the high mobility of China's population. The scale of China's floating population was shown as 376 million in the 7th census [1].

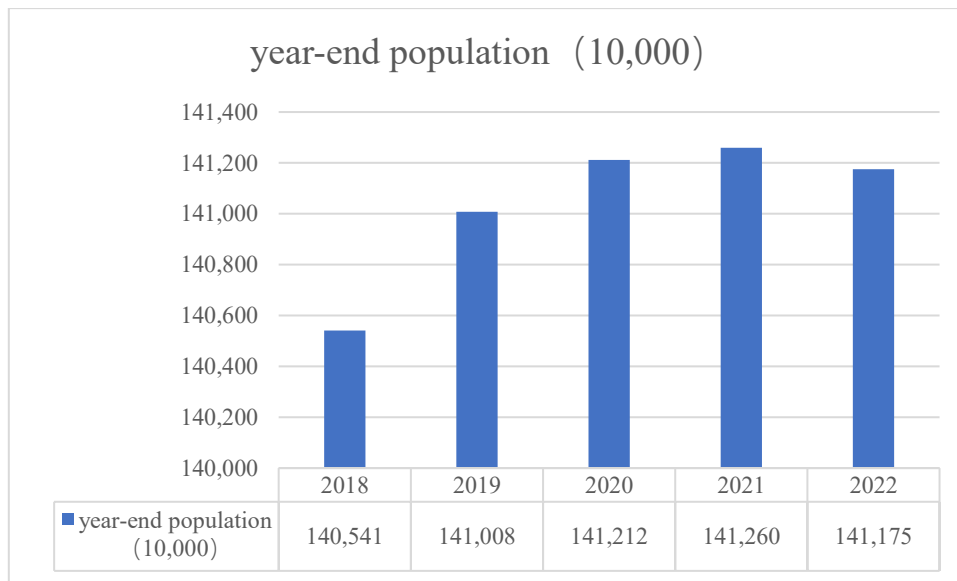


Figure 1: The year-end population of China from 2018 to 2022

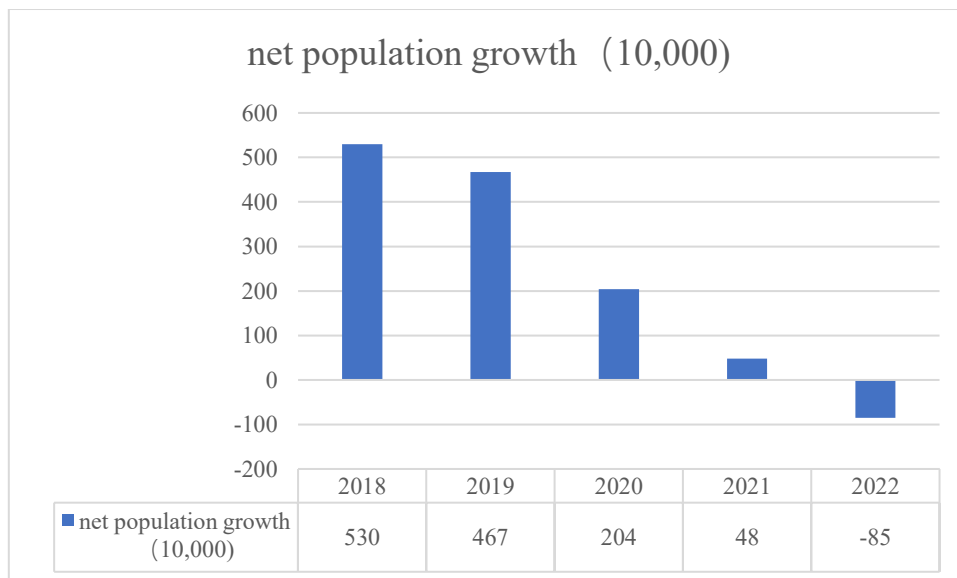


Figure 2: The net population growth of China from 2018 to 2022

2.1.2. The Impact of Current Demographic Trends on the National Economy of China

The negative growth trend and aging trend of the population of China is an irreversible trend that must be faced in the process of social development and construction. This trend is a common phenomenon in the process of a country's economic and social development. Such a social phenomenon has also appeared in Japan, an Asian neighbor of China [2]. In China, this social situation is also accompanied by the historical background that the coronavirus epidemic has dealt a huge blow to people's physical and mental health and the economic operation of the country in the past three years. In addition to the impact of population changes on the national economy, it also accompanies the impact of people's expectations of the future on the national economy. Among these, the improvement of the structure of the consumption of residents is significantly inhibited by the trend of having fewer children. Because the trend of fewer children squeezes out the developmental consumption of residents, which belongs to cultural and educational consumption. Meanwhile, the

aging trend increases the expenditure of residents on medical and health care, which plays a positive role in the improvement of the consumption structure of residents, but the inhibiting effect brought by the trend of fewer children is greater than the positive effect brought by the trend of aging [3]. It shows that the impact of population change on the economy is not only directly related to the obvious aspects of the supply of labour force in the society, aggregate supply and demand of the society, but also the impact of changes in age structure, dependency ratio and other factors on the consumption structure of residents, which is reflected in the national economy through the consumption sector.

2.2. Analysis of the Consumption of Aging Population

2.2.1. Consumption Trend Brought by an Aging Population and the Heading Direction of Manufacturing Enterprises

As mentioned above, although population aging will have a negative impact on production factors and the development of the industrial economy, the impact of population aging on society and the economy is not completely negative. The aging trend will also bring upgrades to the consumption structure of residents to a certain extent and bring new consumption trends, which can guide enterprises in the production sector to face the aging customer based on the improvement and development direction of the population [4]. Taking Nantong City of Jiangsu Province, a relatively developed city in the Yangtze River Delta, as an example, by calculation, in Nantong, every 1% increase in the aging population will bring a 1.665% increase in the average expenditure of living consumption of all residents, which has a positive impact on consumption [5]. The trend of population aging has a positive promoting effect on per capita living expenditure. With the deepening of population aging, the proportion of consumption in the income of residents will also increase. In terms of specific consumption types such as the consumption of food, tobacco, and alcohol will decrease, the consumption of medical care and services will increase, and the consumption structure will be improved [4,5]. These trends have referential significance to the production sector. For example, tobacco, alcohol and food enterprises need to consider whether they need to conduct market surveys to research, develop, or improve products that can meet the demands of the aging population to retain the aging consumers. On the other hand, healthcare and service enterprises need to expand and optimize the production mode, and cultivate and introduce high-level professional service talents. To comply with the aging trend, effectively and high-quality absorb the consumption brought by the aging population, and maintain the high-quality development of the national economy.

2.2.2. Savings of the Aging Population

The consumption discussed above is an important index to measure the level of the national economy in traditional economics. The opposite of consumption is savings. The influence of age structure on consumption and savings was studied earlier by scholars related to the theory of the life cycle. Their model holds that there is a substitution effect between the number of children in a family and family savings, which is manifested in a negative correlation between the number of children in a family and family savings. Besides, it also means that there is a positive correlation between the elderly dependency ratio and the domestic savings rate. The trend of population aging and fewer children increase the domestic saving rate [6]. This shows that even though aging in China brings about an increase in per capita consumption of residents and a new trend of consumption for the aged, there is still a part of domestic income used for savings that has not been released into the market, and the proportion of partial savings will increase with the deepening of aging and child reduction. On the other hand, the main motivation for the savings of the aging population is their expectation of longevity and the relative lack of supporting conditions in the case of fewer offspring. In this regard, the society and market should pay attention to such demands of the aging population, improve the

consumption market of an aging population, release the consumption of the aging population, and deliver economic and financial knowledge to the aging population. This part of the savings of the aging population could flow into the financial and monetary market, and establish a new pension concept of "smart pension" [6].

2.2.3. Insurance of Aging Population

With more publicity and higher education levels, the commercial insurance industry in China is developing well. Commercial insurance is a good way for the savings of the aging population to flow into the financial market. However, previous studies have found that the squeeze on available family funds caused by population aging and the decline in family health significantly inhibit family participation in life insurance and commercial insurance, especially among families with low financial literacy in rural areas [7]. This situation is related to the lack of high-quality professional insurance practitioners in China, the relatively backward insurance design compared with traditional developed countries, and the relative lack of national financial quality and awareness of insurance. In this regard, society should encourage and strengthen the training of high-quality insurance talents. Meanwhile, commercial insurance companies should adjust their focus from marketing to product research and development to build a more professional commercial insurance market in China, which would release savings of the aging population.

2.2.4. Prospects of Aging Consumer Market

As mentioned above, the current trend of population aging brings higher living consumption to society in China, but it is not enough to offset the inhibiting effect of negative population growth and the trend of fewer children on consumption. At the same time, the trend of aging and fewer children also brings a higher domestic savings rate, which makes domestic income unable to fully flow into the market. On the whole, it hurts the development of the national economy. In terms of the consumer market of the aging population, the current demand and preference of aging consumers lies in the medical care and service industry. The production departments and the whole society should pay attention to this part of the demand of the aging population. Simultaneously, they also should train high-quality service talents for the aging population market, and promote the consumption of the aging population. Besides, delivering high-quality financial knowledge to the elderly and their families is necessary, which could encourage domestic savings to flow into the financial market, improve the liquidity of the currency held by the elderly, and inject liquidity into the financial market. These measures could drive the development of the commodity market, make the national economy a benign development, and improve the living quality of the aging population.

2.3. Analysis of the Consumption of Generation Z

2.3.1. Consumption Trend and Characteristics of Generation Z

After understanding the consumption trend of the aging population and its impact on the consumption sector, the market sector and the national economy, we turn our attention to the young generation Z. Born between 1995 and 2009, they will gradually become the backbone of social consumption in China. Meanwhile, the changes in their concepts of consumption, childbirth, life and other aspects are also important reasons why China enters the society of late marriage, universal marriage, aging, and fewer children. Therefore, finding out the consumption trend of Generation Z in the current background of China's consumption sector and production sector has important guiding value with the national economy. In the period of rapid development of the Internet, the generation Z are influenced by various kinds of information and have diversified concepts of consumption. But the

overall of their consuming behavior shows a more rational consumption mode. They fancy consumption experience, and refuse extravagant consumption. However, it does not mean that they do not care about consumption taste. Meanwhile, they are willing to accept consumption symbols. Consumption in the minds of Generation Z is a pursuit of life style, not only the satisfaction of their demand [8]. Consumer culture mainly influences the self-control of consumers and then their consumption behavior. Chinese residents are more deeply influenced by Confucian culture and show a higher savings rate and a lower consumption rate than residents with European and American cultural backgrounds. It manifests that culture is indeed one of the main factors affecting consumption [9]. On the other hand, Generation Z shows extensive involvement in and attention to various subcultures. The recognition of these cultures makes Generation Z more eager to consume. Meanwhile, it is gradually developing into a level of "no culture, no consumption". This trend makes it difficult for Generation Z to have cultural recognition of a brand. But once it is identified, Generation Z shows high brand loyalty [10].

2.3.2. Prospect of Generation Z Consumer Market and Development Direction of Enterprises

As mentioned above, as Generation Z gradually occupies the consumer market, the competition for Generation Z customers will inevitably be the priority in the strategic development of production enterprises. For the generation Z consumers, enterprises and brands should pay attention to the cultivation of their own brand culture in marketing publicity, and pay attention to the interaction with the generation Z consumers, to establish a positive brand image. From the perspective of product production, enterprises should gradually reduce the traditional assembly-line production, and instead increase the personalized and customized space of products. To show their respect for the personalized and diversified demands and preferences of Generation Z consumers. Besides, to fully interact with Generation Z consumers, enterprises should highly approve of the personality and culture of customers, which manifests that generating cultural identity between consumers and enterprises or brands is one of the greatest ways for enterprises to attract Generation Z consumers and achieve sound development.

3. Conclusion

After the research and analysis of this article, it is found that under the background of a current aging population with low birth rate in China, the effect of various policies to promote consumption has not reached the expected result. The increase in living consumption of the aging population cannot offset the decrease in other aspects of consumption. Relatively weak and unsound financial concepts make it impossible for a large amount of savings to be effectively released into the financial market, which means there is still a large space for development in the market of aging consumption. For Generation Z consumers, the characteristics of their consumption behavior, such as diversification, individuation, and high influence by subculture, have become an inevitable trend. According to the result of the above research, this article finds that to develop the national economy China better under the background of the current trend of population change, the consumption and manufacturing sectors should improve the supply quality of goods and services demanded by the aging population. The government and the financial sector should strengthen the national financial quality and financial consciousness. Enterprises and brands should pay attention to the shaping of their brand culture and try to approach Generation Z consumers.

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