

A New Model of Consumption in the Domestic Sector -Urban Consumption driven by the Elderly-

Executive Summary

The number of households residing in urban areas, and the ratio of those households to all households will increase in future. This report focuses on this trend of urbanization, and concludes that consumption in the domestic sector in urban areas¹ may display a growth trend until 2025.

The report's main conclusions are as follows (See Chapter 1, "*Toshika*" to *kakei shohi no shorai*" ("Urbanization and the Future of Consumption in the Domestic Sector")).

- If members of the baby boom generation who migrated to and settled in Japan's urban areas during the nation's period of high economic growth continue to live in urban areas after they reach advanced ages, there is a strong possibility that the number of households residing in urban areas, and the ratio of those households to all households, will increase in future. In other words, the generational effect of the baby boom generation, which supported economic growth as urban labor power, will now manifest itself as urbanization.
- Households residing in urban and non-urban areas display different patterns of consumption and modes of use of leisure time. In addition, the margin by which household budget expenditure in urban areas exceeds household budget expenditure in non-urban areas tends to increase as the age of the members of the households increases. These factors have an effect on household expenditure for Japan as a whole which cannot be ignored.
- A simulation analysis indicates a strong possibility that the number of households in Japan's urban areas will continue to increase until around 2025, and household consumption in these areas will also increase until 2025. In addition, the analysis indicated that the increase in the number of households in Tokyo's 23 Wards would be greater than in other urban areas, and it is possible that, like the number of households, the increase in consumption in the domestic sector will also be greater in these areas than in other urban areas.

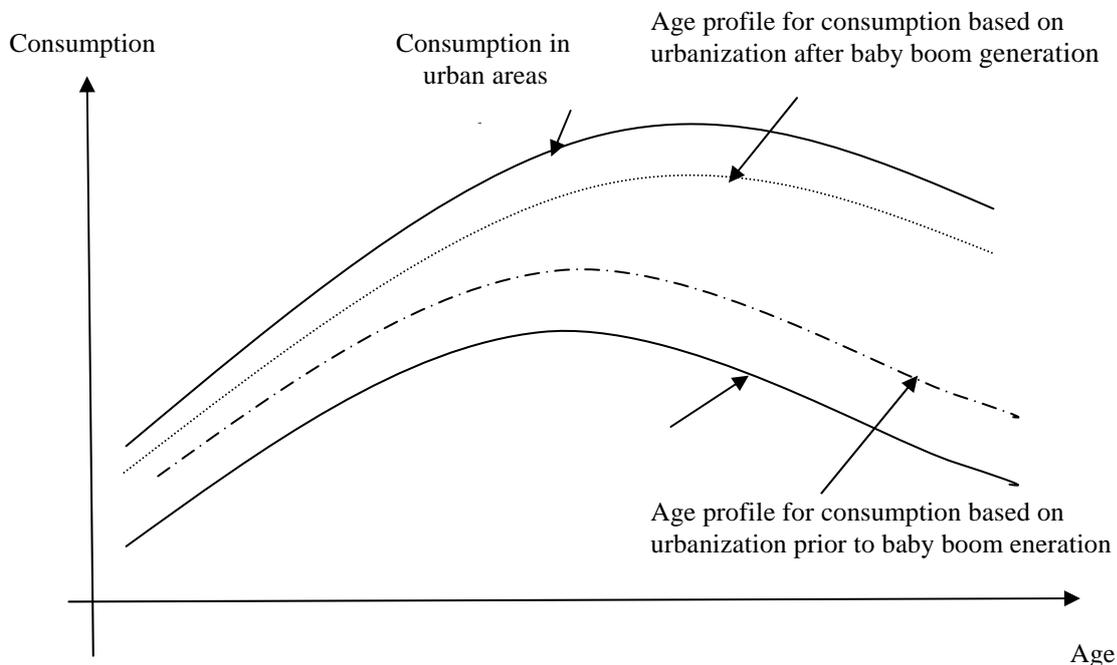
- The results of the simulation analysis performed in this study can be interpreted as providing an estimated lower limit for the future value of consumption expenditure in Japan's urban areas. There is also a possibility that the predicted increasing trend in consumption in urban areas may be maintained over a longer period due to factors such as increasing consumption activity among the elderly residing in urban areas and a growing preference for residing in urban areas.

Chapter 2 Theoretical Survey of Urbanization and Trends in Consumption

This chapter offers a theoretical consideration of the effects on consumption of the urbanization which will manifest itself as the members of the baby boom generation enter their senior years.

When the differences between trends in consumption in urban and non-urban areas are explicitly considered, age-based consumption profiles at each specific point in time change with the concentration of the population in urban areas at those times (Figure 1). This is what the present project is attempting to quantify by reducing differences between consumption trends between generations to differences in consumption patterns between urban and non-urban areas.

Figure 1 Image of urbanization and consumption



A study of the differences between trends in consumption in urban and non-urban areas using actual data² indicated the following:

- 1) Households in urban areas tended to display a higher level of optional consumption, on such items and activities as eating out, clothing, footwear, durable goods or services related to education or entertainment, and hairdressing or beauty services.
- 2) Elderly people residing in urban areas have a greater amount of free time, and spend this time in social activities such as shopping and socializing.

Chapter 3 Estimation of Future Number of Households Residing in Urban Areas

Focusing on trends in household numbers, this chapter considers the current status of urbanization, following which it estimates future numbers of households in urban areas (Japan's main cities), based on the assumption that scale of the populations of the urban areas in which the households reside remains unchanged (Figure 2).

- The number of households residing in urban areas will reach 21.38 million in 2025, a 5.2% increase against 2010. This is because, while the number of households with two or more members will decline, the number of single-member households will increase in excess of this decline.
- The proportion of total households represented by households in urban areas will increase from 39.9% in 2010 to 42.3% in 2025. The percentage of households composed of individuals aged 65 and above will increase from 36.0% in 2010 to 37.9% in 2025.
- The number of households residing in the 23 wards of Tokyo will increase from 4.404 million in 2010 to 4.813 million in 2025, a 9.3% increase. The rate of increase is higher in the 23 wards because the rate of decline in the number of households made up of two or more persons will be lower in the 23 wards than in urban areas as a whole.

Chapter 4 Simulation of Future Consumption Patterns – Urban Consumption driven by the Elderly

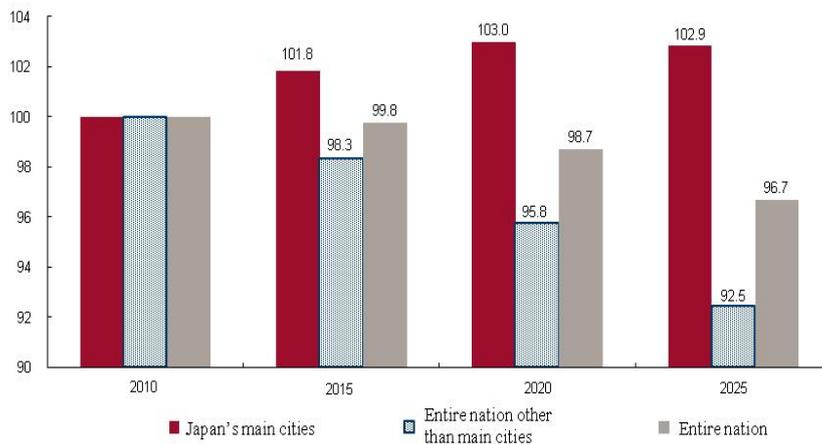
A simulation of the effect of population aging and urbanization on the scale of the consumer market until 2025 was conducted by focusing on differences between consumption patterns considered by age in urban areas (Japan's main cities) and for the country as a whole using aggregates based on National Survey of Family Income and Expenditure (2004) data commissioned from the Statistics Bureau. Noteworthy results were as follows (Figure 3):

Figure 2 Estimation of changes in number of households residing in Japan's main cities



(Source) Estimated by author using data from Population Census (2011) (Ministry of Internal Affairs and Communications) and Population Projection for Japan (2008) (National Institute of Population and Social Security Research)

Figure 3 Comparison of future projections of changes in consumption for entire country and main cities based on trends in household numbers (2010=100)



(Source) Estimated by the author based on National Survey of Family Income and Expenditure (2004) (Ministry of Internal Affairs and Communications), the estimated figures in Chapter 3 of this report, and aggregates commissioned from the Statistics Bureau, Ministry of Internal Affairs and Communications.

- The scale of consumption in Japan's urban areas will trend upwards until around 2025. The level of consumption in urban areas in 2025 will be 2.9% higher in 2025 than in 2010, representing an increase of approximately 3.1 trillion yen against the 2010 figure of approximately 111 trillion yen.
- Considered by object of consumption, increases were observed in categories including housing-related (approximately 1.5 trillion yen), foodstuffs (approximately 0.6 trillion yen), health and medical-related (approximately 0.3 trillion yen; based on amount paid by user), educational or entertainment-related services (approximately 0.3 trillion yen), and other (approximately 0.4 trillion yen). Declines were observed in categories including automotive-related (approximately 0.3 trillion yen).
- In addition to the increase in the number of households in urban areas, these effects are due to (1) A higher level of consumption expenditure on the part of single-person households and households of two or more persons in urban areas than in non-urban areas; and (2) A significantly higher level of consumption expenditure in urban areas than in non-urban areas in proportion to the degree of aging of the population.
- The scale of consumption will continue to increase beyond 2025 in the 23 wards of Tokyo, and will be 5.7% higher in 2030 than in 2010, representing an increase of 1.4 trillion yen.

Chapter 5 The Potential for Further Increases in Demand in Urban Areas and Methods for Their Promotion

The analysis up to this point has been conducted using current consumption profiles by age group, and has been based on the assumption that the scale of the populations of the urban areas in which the households reside will remain unchanged into the future. However, it is possible that the level of urbanization or consumption by the elderly will increase in excess of the assumptions of the simulation³. The following trends should be given particular consideration as factors promoting these possibilities:

(1) Increased inclination to live in cities

- The results of age cohort analyses show a recent increase in the desire to move to urban areas, and there is a strong possibility that this trend will continue.
- An increasing proportion of elderly citizens choosing housing for the elderly or old people's homes in the city as preferred accommodation when their physical

functions decline.

(2) Increased activity among the elderly

- Due to a variety of factors, including the fact that elderly citizens are maintaining a level of health enabling them to live unrestricted daily lives, have sufficient monthly incomes, and are increasingly interested in social participation, there has been a recent trend towards an increase in the number of “active seniors.”
- Data from the National Survey of Family Income and Expenditure for the past 15 years shows a trend towards an increase in the ratio of expenditure on education and entertainment and sundry expenses (including hairdressing and beauty products, watches and jewelry), suggesting that the consumption patterns of elderly citizens are more strongly focused on entertainment than they previously were.

If, propelled by these trends, the number of households residing in urban areas and/or consumption expenditure among the elderly increase to a greater extent than projected, it is possible that consumption in urban areas will be more vigorous than suggested by the results of the simulation discussed in this report, and that this will to a certain extent offset the decline in the scale of consumption expenditure on a national level.

Chapter 6 Conclusion

In order to further promote the trends discussed in Chapter 5, it will be necessary to further enhance accommodation infrastructure in urban areas, in particular for the elderly, and also to expand public transport infrastructure, facilities offering access to education and entertainment and art/culture, and other essential elements of infrastructure. In addition, it is considered that if service industries targeting the individual are concentrated in urban areas as a result of these efforts, the increased productivity in these industries will contribute to enhancing Japan’s potential for growth.

Note

1. For the purposes of the analysis conducted here, “urban areas” refers to the 23 wards of Tokyo, 12 government ordinance-designated cities, and prefectural capitals. Throughout this text, the term “Japan’s main cities” is used with the same meaning.
2. Data obtained from the National Survey of Family Income and Expenditure (2009) (Ministry of Internal Affairs and Communications) and Survey on Time Use and Leisure Activities (2006) (Ministry of Internal Affairs and Communications) were used.
3. It is assumed that present consumption profiles by age remain unchanged, and that households will continue living in urban areas with populations of the same scale into the future.

NIRA Report

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The Japanese version of the full report: <http://www.nira.or.jp/pdf/1104report.pdf>

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