

China-Watcher Notes No. 6

Can China Become a Consumption Powerhouse?

China's C-919 Passenger Aircraft

Developing Brands

Population Dynamics: China, India and Japan

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The *China-Watcher Notes* is a series introduced by the Institute of Chinese Studies, New Delhi, under the ambit of *ICS Analysis*. Each edition shall cover a set of topics of contemporary relevance pertaining to different aspects of China.

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Can China Become a Consumption Powerhouse?

Asia Times of 26 June 2025 asked this important question. It noted: 'Generally speaking, China's 1.4 billion people sock away (i.e. save) about one-third of income.' One net conclusion: '...without key reforms, citizens will keep savings over consumption'.¹

A *CNBC* report, also of 26 June, said: 'Chinese Premier Li Qiang's bold talk of building a "mega-sized consumer powerhouse" has a serious economic gravity problem.'² It added that though Li has only been on the job since March 2023, his boss, Xi Jinping, took the reins of power a decade earlier. Back in 2013, as Xi had pledged to let market forces play a decisive role in China's economy, and a key policy priority was to shift away from exports and investments. *CNBC* added: 'Recent data serve as a reminder of how much this aspiration remains, at best, a work in progress. Chronically weak consumer confidence and spending is pushing China further and further down the road to deflation'.

That encapsulates a paradox: savings are crucial for sustained economic growth, providing the funds for investments, as much for the individual as for the economy as a whole. But when savings become too large, overwhelming available investment opportunities, the pendulum swings, paradoxically, in the other direction. For instance, an excess of savings might prompt over-investment in real estate, to the point where supply of housing is out of kilter with the demand from the population. That freezes the property market – no one wants to sell at a loss, especially with few secondary buyers. That has been the crux of China's housing oversupply.

Given China's institutional structure, that produced losses for local governments; they had offered an excess of land parcels to the real estate sector, only to see them go broke. That undermined the financial health of local governments, who demanded relief from the Central authorities. In a word, blockage or crisis in one major sector produces a cascading effect for the entire economy.

In contrast, a boost in consumer demand for goods that are physical, or even in consumer services (be it beauty treatments, health spas, or foodstuffs in restaurants), directly spills into the connected sectors, creating demand for other manufactured products, services and delivery systems, all of which produces ripples of economic growth across the entire economy, as also in tax collection. Those income streams feed into the public sector.

This situation is not limited to China. The South China Morning Post said: ‘...the Council on Foreign Relations points out that “the combined savings of China, Japan, Korea, Taiwan and the two city-states of Hong Kong and Singapore is about 40% of their collective GDP, a 35-year high. No other region of the world currently contributes more to the global glut in savings that has brought interest rates around the world down to record lows.’³

This is basic ‘Economics 101’ – the very foundation of national, and global economic systems. We need to remind ourselves of these truths, simply to stress that economic systems at all levels, the household, the community, the nation, and the global system, are a composite whole; each segment depends upon and sustains the health of the others. The turmoil in global trade that President Trump has unleashed since January 2025 morphs into hard choices for China and others; the US is not excluded from the backlash.

China’s C-919 Passenger Aircraft

On 26 June 2025, *South China Morning Post* held a webinar on China’s first commercial jet airline aircraft, a single aisle C-919, now in service within China with three airlines for about a year, and its future prospects.⁴ ‘Comac’ is the Chinese company, manufacturing and assembling this single aisle passenger plane. Combining the components, it is responsible for passenger safety. With this China is becomes the first Asian manufacturer in this genre, joining Brazil as the only other Global South country producing civil aviation aircraft.

The jet engines are made by the Aero Engine Corporation of China, but the plane is less fuel efficient than those made in the West.

The speakers alluded to manufacturing bottlenecks, which makes China depend on an external supply chain. A wide-body C929 is under development. They held that the focus is on deploying the C919 in the domestic market to gather experience, also proving reliability to potential foreign customers. There is expectation that first foreign orders may come in around 2026; Southeast Asian countries could be the first customers. One panellist felt that orders

may also hinge on certification in Europe. The current turmoil in aviation is another factor that will impact on the entry of new manufacturers.

Developing Brands

China has been remarkably successful in creating brands, in low-cost consumer products that have become enormously popular in foreign countries, and in whimsical items like its ‘Labubu’ doll. Then there are clothing labels and sellers that have built global reputations. Examples: AliExpress, Shein, and Zaful. None of these involve high technology, even though most of them deploy super-efficient production lines.

We should ask why global brands do not develop out of India, which might appeal to the mass market across the world. Niche brands are also nice, be it in new coffee types, or other ‘exotic’ products that originate in India, but they do not rake in the moolah. And in the end, what this involves is not discussions and seminars, or erudite writings, but Indian entrepreneurial action, by established manufacturers and new movers. We mustn’t be satisfied with high-tech ‘Unicorns’ number (startups with a billion dollar valuation).

Population Dynamics: China, India and Japan

In 2024, China’s population shrunk for a third consecutive year. The number of babies born that year rose slightly, from 9.02 million in 2023 to 9.52.⁵ Enrolment in pre-school shrunk by 5 million; 170,000 preschool teachers lost jobs. This is a direct consequence of continuing fall in China’s ‘Total Fertility Rate’ (TFR), which began to decline over 30 years back. And the trigger was China’s ‘One Child Policy’ that officially commenced in the early 1980s, but actually began a decade earlier.⁶

Japan also faces a deep crisis. ‘The number of births in Japan fell below 700,000 for the first time in 2024...(to) 686,061 births, down 41,227 year on year, marking a record low for the ninth year running. The total fertility rate... fell by 0.05 points to a new low of 1.15’.⁷ That article added that in 2024 there was a marginal rise of around 10,000, in the number of marriages, but its TFR fell to 1.15, lower than expected.

Financial Times wrote on 12 June 25. “Young people tend to think that marriage and child rearing or not cost effective, and not worth the effort”.⁸ That same theme featured in the

column ‘Drum Tower’ in *The Economist* of 17 June 2025⁹; it wrote about virtual bots that are used by millions of young Chinese men and women as companions for intensely personal conversation, in effect as a substitute for real life peer group contact. It added: ‘Loneliness is a contributing factor, too. In 2024 the average Chinese spent just 18 minutes per day socialising, while internet use soaked up five-and-a-half hours daily. The number of new marriage registrations in China more than halved to 6.1 million from 2014 to 2024, a record low’.

The net effect in China is a fall in the total population, and simultaneously, a sharp rise in the ‘dependency ratio’, the percentage of the population that is either too young to work, or is too old to work.

Contrast that with India, where the population is estimated to have reached 1463.9 million, said the UN demographic report, ‘State of the World Population 2025: The Real Fertility Crisis’.¹⁰ Reporting this, *The Hindu* wrote: the country’s total fertility rate (TFR) has declined to 1.9, falling below the replacement level of 2.1.¹¹ It added: ‘The demographic indicators in the United Nations Population Fund report for 2025 are close to India’s own projection of its population published in 2019 by a technical group of experts. Their projections: India, as of 2025, had a population of 141.10 crore. The numbers will be clarified in the next census, now under implementation.

That fall in the TFR will manifest itself in a significant slowdown and a downturn in the total population *only* around the mid-2040s, when the lower number of youth reach maturity. Thus, India faces an expanding population, albeit at a slowing rate, for the next 20 years. Then the population will begin to fall, in absolute numbers. That’s a hard truth for our policy planners.

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About the Author

Kishan S. Rana has an MA in Economics from St. Stephens College, Delhi. Joining the Indian Foreign Service in 1960, he learnt Chinese at Hong Kong; served at the Indian Embassy in China (1963-65, 1970-72). After 1975, Ambassador/High Commissioner to Algeria, Czechoslovakia, Kenya, Mauritius and Germany; served on PM Indira Gandhi's staff (1981-82). Professor Emeritus, Diplo Academy, Malta and Geneva; Emeritus Fellow, ICS, Delhi; Archives By-Fellow, Churchill College, Cambridge; Public Policy Scholar, Woodrow Wilson Centre, Washington DC. Guest faculty, Diplomatic Academy, Vienna (2011-18); Commonwealth Adviser, Namibia Foreign Ministry (2000-01). Authored and edited 14 books (two translated into Chinese); *Inside Diplomacy* (2000); *Asian Diplomacy* (2007); *Diplomacy of the 21st Century* (2011); *Churchill and India: Manipulation or Betrayal?* (2023); *Diplomacy at the Cutting Edge* (2016) (on the internet, free download).

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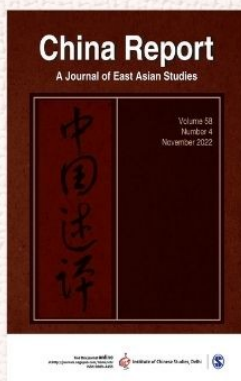


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