

## Analysis of new domestic consumption trend under internal circulation

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**Abstract:** It is a strategic choice for China's economic development in the new period to lead the new normal with internal economic circulation. At present, although people have different views on the specific connotation of economic internal circulation, it is beyond doubt that economic internal circulation has become a new growth point of China's economy and its influence on residents' consumption behavior. From the perspective of demand, the interaction between internal and external cycles of economic operation is subject to the change of domestic and foreign comprehensive commodity preference of domestic resident units and the change of domestic currency purchasing power in the direction and the change of gross national expenditure in the scale. In this paper, the internal circulation is selected as an analytical perspective to make a brief analysis of its elements, characteristics, problems to be solved and new thinking about its impact on China's economy. It is concluded that the first key point of promoting the internal circulation in China's economic development in the emerging stage is to provide new development guidelines for solving China's new economic development dilemma and meeting the world's unprecedented changes in a century.

### 1. Introduction

The concept of internal circulation in economic discourse was put forward relatively late in various circles, and there were few research results in theory and practice. Therefore, there was a certain bottleneck in the study of internal circulation in the economy, but the personal judgment of relevant scholars played a beneficial exploration role in putting forward the related concept [1]. In fact, economic internal circulation determines the top-level design of measures to achieve internal circulation, and the key to achieving economic internal circulation is to reasonably solve the existing problems. "Speeding up the formation of a new development pattern with the domestic major cycle as the main body and the domestic and international dual cycles promoting each other" is a major decision made by the central government in response to changes in the international situation. According to this decision, the path of China's technological innovation and industrial development should also be appropriately selected and adjusted [2].

The internal circulation period is an important period for entering the socialist modernization on the basis of building a well-off society in an all-round way by 2020. Consumption is the ultimate demand, the ultimate purpose and power of production, and also the direct manifestation of people's need for a better life [3]. On the one hand, consumption development should serve production and adapt to the high-quality economic development and the construction of a modern economic system in the period of internal circulation; On the other hand, consumption development should also serve the people's needs for a better life and conform to the upgrading trend of the people's needs from quantity to quality. Therefore, it is of great practical significance to accurately grasp the new features, changes and trends of residents' consumption development in the internal circulation period, to study the key points of residents' consumption development in the internal circulation period, and to strengthen the basic role of consumption in economic development.

### 2. Analysis of internal circulation characteristics

Both the double-cycle development model and the inner-cycle feature experience are external manifestations of the operating rules of economic activities and also the design basis of national

economic development countermeasures. Accurate extraction of the model features will be beneficial to the overall realization of design effectiveness and pertinence.

## **2.1. Independence**

The internal cycle, literally interpreted as the regional requirement of the economy, is realized only domestically, i.e. the whole process including four cycles of production, transaction, distribution and consumption is limited to domestically, otherwise it is regarded as an international cycle [4]. Compared with the international situation, the internal circulation has a stronger independence and a lower degree of external dependence. It can be entirely controlled by the government and the market. Looking at the pros and cons, the internal economic cycle is conducive to the country's independent management and the control of the initiative in economic operation. However, full independence may return to the historical period of seclusion and lose the opportunity to complement the rest of the world. Therefore, strengthening the internal circulation while affirming the huge role of external demand, we can not regard one as the other and give full play to the maximum efficiency of both.

## **2.2. Periodism**

Production as the starting point to consumption as the end point is a complete concept of economic cycle. However, it cannot be denied that consumption is both an end point and a possible new starting point, thus entering the next round of renewal cycle again. The cycle goes on and on, interweaving with each other and never ceasing. This continuous economic activity constitutes a large cycle of social and economic development, expanding dimensions layer by layer and expanding divergence. Therefore, if we want to expand the large domestic economic cycle, we must meet the cyclical characteristics, clarify the starting point, sort out the end point, and continuously integrate the cyclical relationship in the chain to effectively provide a moderate match between supply and consumption demand, so as to realize the economic cyclical cycle.

## **2.3. Dual character**

Everything has two sides. If the development trend of economic internal circulation is positive, i.e. the overall economy is characterized by larger and larger scale and higher quality, and at the same time the optimal allocation structure among industries is promoted to be more and more reasonable, it will definitely make economic growth more valuable. From the operation results and positive development trajectory, the internal circulation will show a spiral upward pattern in this state.

Once the internal cycle repeats on the original basis, and even more may be a shrinking development trend, the whole cycle process will be more sluggish. Incomplete or unhealthy phenomena such as industrial chain scission and disorder of economic order will affect the economic development and growth rate, thus inducing a series of social problems. Therefore, actively deepen the system reform and strive to create the most suitable existing conditions for the positive development of the internal cycle of the economy, which is easy to ensure the healthy development of the internal cycle [5].

## **3. Problems to be solved in economic internal circulation**

### **3.1. Smooth transition from export to domestic sales**

In the face of intensified international trade protectionism and economic sanctions, many foreign trade enterprises are facing unprecedented pressure such as cancellation of orders, overstock of inventories and increased risk of foreign exchange collection. In order to get out of the dilemma, it is a feasible way to choose the export products for domestic sale. This is also the only way for most foreign trade enterprises to survive and develop.

Do a good job in guiding export products to domestic sales and related services. Foreign trade enterprises should, under the guidance of the government and in combination with the actual situation of the enterprises themselves, actively do a good job in the specific work of transferring

the export products of the enterprises to the domestic market. The lack of domestic sales channels, to actively create online and offline sales channels; If the existing production line cannot meet the domestic demand, the production line shall be adjusted and reformed; The lack of domestic brands to expand publicity, do a good job in domestic brand building, etc.

### **3.2. Pushing forward the structural reform on the supply side**

Foreign supply cuts and export restrictions will inevitably destroy China's existing economic and industrial structure based on internationalization and the optimal allocation of China's economic resources in the global scope. The purpose of the supply-side structural reform is to achieve the optimal allocation of production factors and improve the quality and quantity of economic growth by adjusting the economic and industrial structure.

Therefore, with the aid of the supply-side structural reform being carried out in our country, the impact of foreign supply cuts and export restrictions on the internal circulation of our economy can be offset to a certain extent. It is mainly to do a good job in two aspects of adjustment: one is to do a good job in the production and technological transformation and research and development of foreign products that are in short supply. The second is to do a good job in the industrial adjustment of products that are restricted from export by foreign countries.

### **3.3. To improve residents' income and consumption ability**

The production capacity generated from the export to domestic sales will ultimately be absorbed by the domestic urban and rural residents through consumption. However, the gap between the rich and the poor continues to widen due to various reasons. Although the scale of China's gross national product has expanded rapidly year by year, the consumption scale of urban and rural residents has not been expanded simultaneously.

Although we have solved the problem of lifting a number of poor families out of poverty, there will still be a number of low-income people who will return to poverty. It is an indisputable fact that a large number of poor families and low-income families will exist for a long time in our country. Therefore, increasing the income of low-and middle-income earners and improving their consumption ability is not only an effective way to resolve the current export restrictions and product surplus, but also a guarantee for the sustainable and healthy turnover of China's economy.

The choice of ways to increase the income of low-and middle-income earners is mainly to expand their employment, apart from the government's appropriate preference in the national income distribution policy. The government should introduce more policies to expand employment for low-income people, such as restoring the street market economy and night market economy.

## **4. The new trend of residents' consumption development under the economic internal circulation**

New technology induces new paradigms, which will inevitably lead to a series of new phenomena in economic activities, among which the emergence of new patterns of commodity consumption and service is a typical example. Compared with the past, the current consumption of Chinese residents has undergone new changes in consumption concepts and consumption patterns, forming a new consumption trend. In terms of consumption concept, it presents the trend of diversification, personalization, customization and coordination. In terms of consumption mode, it presents typical features such as digitalization, mobility and scene.

### **4.1. The industrial ecology of cultural consumption**

With the support of high and new technologies such as digitalization and the Internet, the internal and external industrial chains of the cultural industry have developed together, realizing the upgrading of the traditional cultural industry itself, forming a new type of industry and consumption pattern, and improving the scale, intensification and specialization of the cultural industry. In the context of pan-entertainment, internet giants are laying out new cultural business areas one after another. At present, internet companies are actively distributing in such cultural fields as online

games, online animation, online music, film and television, and video games, forming a strong internet "pan-entertainment" system. And through mining each link of the industrial chain, realize its maximum value.

#### **4.2. Innovation based on mobile Internet has become the main driving force for new consumption trends**

An appropriate slowdown in China's economic growth rate is a natural result of China's necessary transformation [6]. Judging from the recent economic data, China's economic transformation is making some progress. First of all, the proportion of the tertiary industry, especially the service industry, in the Chinese economy has steadily increased, which has adversely affected the slowdown in manufacturing growth. Chinese consumers will become an important engine of China's economic growth in the future. This is mainly due to the policy and institutional guarantee provided by the implementation of the Broadband China Strategy, the promotion of information consumption and the "internet plus" campaign, especially the disruptive impact brought about by the innovation of the mobile Internet.

The Internet reduces intermediate links, speeds up transactions, enriches transaction varieties, and extends and expands trading venues and time [7]. In recent years, the consumption based on internet, cloud computing and other platforms has grown rapidly, especially e-commerce based on mobile internet innovation has occupied an important position in China's total consumption expenditure and structure. Under the catalytic integration of technological innovation of the Internet, especially the mobile Internet, we are experiencing a new mobile lifestyle. This approach inevitably contains the concept of participation and connection. For example, consumers can make online purchases through offline experiences. Consumers also play different roles as technicians, enterprise employees, enterprise marketing personnel, etc. in order for enterprises to provide appropriate goods and services that meet their personalized needs. The continuous emergence of new consumption patterns provides the latest and strongest impetus for new consumption trends.

#### **4.3. Consumption differentiation**

##### **(1) Regional differentiation is obvious**

The impact of the epidemic on urban and rural income is different. Compared with small cities and rural areas, the expected impact of income and future income in large cities, especially the first and second-tier cities, is smaller. This in turn affects the corresponding consumption. After the epidemic, different cities have different consumption tendencies. First-tier cities place more emphasis on education and invest more in children's education. The second line focuses on quality and invests more in its own quality of life. Small cities focus on training, and young people have greater demand for job training. Specific to the region, the difference is even greater. And people in different places have different areas of consumer spending.

##### **(2) Population differentiation**

Collaborative consumption is a kind of "old" form reappearing as a "new" form. It is a new consumption trend of the "barter" consumption form in the era of mobile internet. This consumption trend is driven by the technological progress of the Internet, and is also inspired by the profound adjustment of the global economic structure in the post-financial crisis era and the increasingly unique expectations of consumers in purchasing decisions. Collaborative consumption is actually a new form of consumption economy under the digital dividend (Figure 1).

The impact of the epidemic on different age groups and gender is different. The survey shows that [8], young people aged between 26 and 30 (66.8%) are the most eager to expand consumer spending; Young men (66.9%) were 9 percentage points more willing to increase consumer spending than young women (57.9%). According to the data from the China Post-epidemic Consumption Insight Study, 46.7% of the middle-aged people surveyed are willing to invest more in nutrition, and more than 51% of the elderly people are willing to spend more money on enjoyment, entertainment and consumption. They have begun to cherish the sunset life.

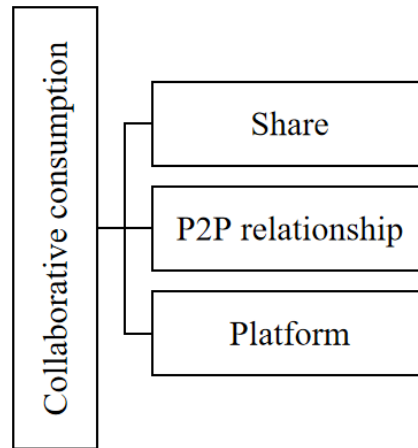


Figure 1 Formation mechanism of collaborative consumption

#### 4.4. Iteration of consumption concept

In the post-epidemic era, people regard hygiene, epidemic prevention, quality diet, home products and fitness as key consumption items, from water purifiers, air purifiers and dishwashers to cars with disinfection and sterilization functions and ultraviolet disinfection bags, etc. have become consumption hot spots. The consumption concept of the elderly, middle-aged and young people has also been gradually upgraded.

It is the change of the leading level at the demand side that provides the direction for the change of residents' consumption. The new round of technological revolution's reform of production, circulation and other links provides the technical guarantee and model innovation for the realization of consumption demand. Finally, under the combined effect of demand and supply, residents' consumption shows new characteristics in the new era (see Figure 2).

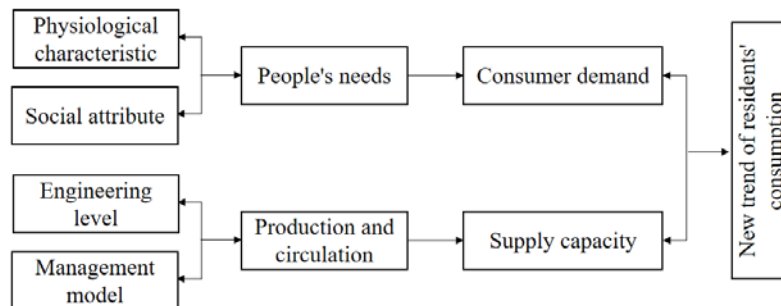


Figure 2 Logical framework of consumption development

The survey shows that [9], the number of middle-income people in China currently exceeds 300 million, and is expected to exceed 500 million by 2025, with a total disposable income of 13.3 trillion yuan, among which most of the new middle class have higher education. After the baptism of the epidemic, they not only strengthened their pursuit of "expensive" quality, but also paid more attention to "right" to buy. From the pursuit of possession to the pursuit of experience, from the focus on price to quality, from the face demand-driven to health demand priority, they have a higher awareness of the product itself and are more willing to pay for good products. In addition, in an era of highly developed information, consumers have mastered the volume of information, making their choices more complicated. They should not only consider "refined and practical", but also pay attention to the composition and origin of the products. Quality is important, but the balance of "cost performance" is even more important. Consumers seem to have become "experts" and "refined consumers". According to the data, 88.1% of consumers, even if they are rich, also want to spend their money on "cutting edge" and begin to find their own needs from multiple dimensions such as products, brands, channels, prices, after-sales and so on.

## 5. Conclusions

Only by maintaining the internal circulation of the economy, solving the long-term planning of the problems of power, ability and endurance, paying attention to the protection of external demand, giving full play to the backbone of domestic demand and building both inside and outside can the momentum of national economic development be strengthened. In the actual implementation, we should also strengthen the relevant domestic legislation to improve and intensify the efforts of the people of consumer guide. Under the technical guarantee of big data, the rapid development of internet consumption has promoted the rise of new formats. The government should innovate the perspective, through various cooperation, to improve the enthusiasm of the new type of enterprises, to create high-quality products, to play a more positive social effect, and to pull the domestic economic cycle. The change in production and circulation and the change in the structure of consumption groups work together to make residents' consumption concepts and consumption patterns personalized, customized, scene-oriented and shared, showing a new consumption trend under the economic internal cycle. Of course, new problems will also arise under the economic internal cycle, which also puts forward new requirements for our government's governance.

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