

# China Development Forum 2021

## *China on a New Journey of Modernisation*

### Panel Session 7 – Venue 2

#### Silver Economy: Tapping the Potential

##### Moderator

Li Sixuan, Anchor and Financial Commentator, CCTV Business Channel

##### Speakers

Cai Fang, Chief Expert of National Think Tank, Chinese Academy of Social Sciences

Vasant Narasimhan, CEO, Novartis AG

Daniel Houston, Chairman, CEO & President, Principal Financial Group

Du Peng, Vice President, Renmin University

Giovanni Caforio, Chairman & CEO, Bristol-Myers Squibb

Chen Dongsheng, Founder, Chairman and CEO, Taikang Insurance Group

##### Synopsis

Cai Fang began the session by pointing out that promoting the development of the silver economy helps develop potential on the supply side and stimulate spending on the demand side. He then set out three effects of the silver economy:

First, the total population effect. By 2025, China will have reached a balance between birth and death rates and started to show population decline, adversely affecting consumption growth. Seniors will be a vital part of China's focus on expanding domestic demand. Second, age structure. The elderly will have lower spending power and propensity to consume. With the cost of having children and seniors' living costs rising constantly, middle aged people will tend to spend less and save more to be prepared for the crises their children and parents might face. Third, income distribution. Low-income groups increase spending as their incomes grow, whereas high-income groups save most of their income for the future.

Vasant Narasimhan and Giovanni Caforio stressed that a health crisis for older adults could constrain development of the silver economy. Protecting the health of elderly people represents great opportunities to stimulate their consumption capacity. Non-infectious diseases, especially cardio-cerebrovascular disease, are the greatest enemy of the ageing population. By 2019, 330 million elderly people in China, or a quarter of

the population, had suffered from cardio-cerebrovascular diseases, with a fatality rate as high as 48%. China has since put forward the Healthy China 2030 initiative. This demands mutual cooperation between enterprises and government to protect the health of elderly people. Measures can be taken to achieve this, including jointly establishing a facilitated payment system, relieving R&D difficulties, and strengthening regulations and data protection.

Daniel Houston then talked about building a pension system with multiple pillars. A sustainable pension fund system will build sufficient capacity and confidence for the elderly to consume more. It will also help advance development of the silver economy. Currently, China relies heavily on first-pillar basic pension insurance, while second-pillar enterprise annuities and occupational pensions, and third-pillar individual pension schemes, remain weak. It is important that China switch from the first pillar to the second and third pillars. Only in this way can it increase the consumption and purchasing power of the elderly.

Chen Dongsheng also addressed the importance of having a well-established pension system. As Chen noted, there is still a huge shortage of pension funds, with contributions at less than 8% and under RMB2 million held in enterprise annuities. The silver economy indicates our entry into an era of longer life expectancy and an age of health and wellness. There will be substantial demand for strong support for the second and third pillars.

Du Peng then pointed out that by 2050, China will have more than 480 million people aged 60 or older, by which time elderly demand will represent the largest consumer market. To develop the silver economy, companies should focus on differentiation, because only 17% of elderly people believe they have serious health problems and it is important to pay more attention to their actual demands; vitality, because the elderly are experiencing many changes and, as their health education improves, their demands will change; and innovation, where companies should innovate and upgrade on the basis of traditional forms while fulfilling elderly people's needs.

<End>

---

*Acknowledgement:* **Deloitte.**  
德勤