How Differences in Residents' Spending Preferences Lead to Structural Imbalance in Domestic Demand: A Look at the Transmission Channels

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***Abstract*—Data from China's State Council show that domestic economic circulation has been hitting quite a few real structural snags lately. Simply put, people don't show a steady desire to spend, and the overall household consumption rate still lags 10 to 30 percentage points behind developed countries. On top of that, investment efficiency is insufficient with a sustained downturn in private investment, accompanied by severe supply-demand structural mismatch. These bottlenecks substantially restrict the full expansion of domestic consumption potential. Against this backdrop, this paper looks at how the fact that different groups of residents prefer different things to buy messes with the domestic demand structure, and traces the specific pathways through which that happens. Adopting a literature research approach, this paper first systematically elaborates on inter-group consumption disparities and prevailing structural defects in domestic demand, and further clarifies the formation mechanism of market fragmentation and supply-demand mismatch induced by differentiated household spending behaviors. The results show that consumption gaps caused by income differences, generation gaps, regional gaps, and the urban-rural gap all gang up through multiple transmission channels to make the domestic demand imbalance worse. In the end, this paper puts forward some practical, targeted suggestions for improving the domestic demand structure and helping the domestic cycle grow in a more steady way.**

***Keywords*—spending preference differences, structural imbalance of domestic demand, transmission channels, supply-demand mismatch, consumption layering**

I. Introduction

A smooth domestic flow is key to China's high-quality growth. However, China's current domestic demand system exhibits prominent structural defects. Official reports point out that weak consumer motivation, sluggish private investment, and supply-demand contradictions have become big roadblocks to domestic growth (State Council of the People's Republic of China. 2024). Most earlier studies on domestic demand imbalance tend to work with big macroeconomic numbers—they focus on how total consumption, total investment, and GDP growth relate to each other. Not many scholars zoom in on the tiny differences in what individual people choose to buy (Li, 2023). This paper firstly defines three core research concepts with standardized and rigorous academic connotations. Differences in spending preferences means the steady gaps you see among resident groups in what they spend on, how willing they are to open their wallets, the types of products they pick, and the shopping contexts they choose (Wang, 2022). This isn't just random variation between people; it's about long-lasting gaps shaped by income limits, age, and the place they live. Second, structural imbalance in domestic demand means the mix of domestic demand is out of proportion. In concrete terms, household spending doesn't pull the economy enough, the country leans way too heavily on fixed-asset investment to keep things going, domestic demand develops lopsidedly between cities and the countryside and across regions, and what the market supplies can't really fit people's real needs well (Zhang, 2023). Third, transmission mechanism means the whole process where small-scale consumption differences gradually mess with how consumer markets work and eventually trigger the big structural imbalance in domestic demand.

Drawing on classic micro consumer theory, the idea of supply-demand equilibrium, and the marginal propensity to consume, this paper uses individual consumption differences to explain the larger domestic demand trouble. That basically connects how micro-level buying behavior works with the way the whole economy runs. The paper spells out the full logical chain from the differences in what people buy to the distortion of domestic demand, filling a gap between micro-level consumption and macro-level domestic demand operation. The research conclusions provide practical references for optimizing the consumption-investment structure, stimulating resident consumption potential, and alleviating supply-demand mismatches in China's consumer market.

II. Manifestations of Consumption Differences and Domestic Demand Imbalance

A. How Consumption Preference Differences Show Up

Significant inter-group disparities in resident consumption preferences can be reflected across four dimensions. Income-wise, high-income groups tend to spend on upscale stuff, service experiences, and things that feel meaningful, while middle- and low-income groups mostly stick to the basics just to get by (Chen, 2023). Looking at generations, young people chase personalized, online, and trendy ways of buying things, while middle-aged and elderly folks pay more attention to how practical something is and whether it's good value for money. Regionally, people living in the eastern coastal areas are more willing to spend and move up the consumption ladder faster, while those in central and western China are more careful and conservative about spending. Between city and countryside, city residents enjoy well-developed supporting facilities, but rural consumption is held back by poor infrastructure and a narrow range of available goods.

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B. Typical Features of Domestic Demand Structural Imbalance

Combined with official macroeconomic statistics, China's structural imbalance of domestic demand presents four typical characteristics. First, the household consumption rate has stayed low for ages, and consumption just can't take over from investment as the main engine of growth. Second, China's growth leans very heavily on infrastructure and real estate spending, and for a long time large-scale investment has covered up the shortage of consumer spending (Zhou, 2022). Third, supply-demand mismatch has turned into a normal thing: piles of low-end, similar products sit unsold, while high-end custom items and public services are in short supply. Fourth, the consumer market presents obvious artificial segmentation between regions and urban and rural areas, hindering the nationwide free flow of commodities and factor resources.

III. Transmission Pathways of Spending Preference Differences

In this part, this paper first analyzes the impacts of four types of consumption disparities, namely the income gap, generational differences, regional imbalance and urban-rural divide, and explores their respective economic consequences. Subsequently, this paper summarizes the macroeconomic outcomes jointly caused by the four categories of consumption disparities.

A. Income Channel: Rigid Consumption Layering and Weak Overall Spending Vitality

Among all the factors, the income gap is the most fundamental reason behind different spending tastes. In recent years, the widening income disparity among Chinese residents has formed rigid consumption stratification which cannot be easily broken (Zhao, 2024). High-income groups have basically satisfied their everyday wants, so they don't have much room to spend more. By contrast, low-income groups face budget constraints, so their potential consumption demand cannot be fully released. The result is that the whole society's desire to spend keeps going down, and total domestic consumption stays sluggish. That's the core transmission pathway leading to the demand imbalance.

B. Generational Channel: Scattered Demand Makes Supply-Demand Mismatch Worse

Generational differences in consumption values fragment aggregate market demand into numerous niche segments. Most traditional manufacturing firms still crank out goods based on what middle-aged and elderly groups buy, while ignoring the unique, personalized wants of young consumers. The supply side upgrades way slower than how fast young people's tastes shift. This gap between supply updates and demand changes makes the structural supply-demand clash stick out more and more in the consumer goods market.

C. Regional Channel: Regional Consumption Differences Widen the Domestic Demand Gap

Uneven regional economic growth directly leads to different spending habits across areas. The eastern coastal provinces have a developed economy and a mature consumer market, so people there have strong spending power and upgrade quickly. In contrast, the central and western regions lag behind in economic development. Their residents have lower purchasing power and maintain relatively conservative consumption concepts. Long-standing regional gaps carve up what should be one unified national consumer market, blocking the flow of consumption resources across regions and constantly widening the domestic demand gap between the eastern, central, and western parts of the country.

D. Urban-Rural Channel: The Dual Consumption Pattern Locks in Domestic Demand Defects

Because of the long-lasting urban-rural dual economic structure, China has two separate consumption systems—one for cities, one for the countryside (Huang, 2023). Urban consumption is moving into a service-upgrading stage, while rural spending still revolves around material daily goods. The two consumption systems run independently with effective interconnection absent. This permanent dual pattern freezes the structural flaws of domestic demand in place and stops the country from building one truly integrated national consumer market.

E. Macro Comprehensive Channel: Sluggish Consumption Triggers Over-Reliance on Investment

When all four of these transmission channels work together, overall social consumption stays weak. To maintain stable economic growth, governments tend to expand investment on a large scale. But too much investment squeezes out people's spending even more, creating a vicious circle: weak consumer spending → expanded investment → more serious domestic demand imbalance. This macro-level process is what eventually shapes the long-term structural imbalance in China's domestic demand.

IV. Ways to Improve the Domestic Demand Structure

Companies need to stop doing one-size-fits-all mass production and instead slice the market into finer, targeted segments. They should develop differentiated products and services tailored to consumer groups with varied income levels, age brackets and regional characteristics. At the same time, the government should keep pushing supply-side structural reform, cut out backward low-end capacity, and nudge enterprises toward making personalized, high-end, and experience-based goods that actually fit what the mixed market wants.

The income gap is at the heart of consumption layering, so making it smaller is the real fix. The government ought to improve both primary and secondary income distribution systems, effectively raise the take-home pay of middle- and low-income groups, and make the social safety net stronger so people don't have to save so much just in case. Reduced uncertainty about future life will boost household consumption willingness and drive steady growth in aggregate social consumption.

Authorities should put more money into infrastructure in rural areas and central and western regions, improve physical shopping environments, and make cross-regional logistics and delivery systems work better. In addition, administrative barriers between regional markets should be eliminated. This would help consumption resources flow both ways between city and countryside and build one integrated national market for domestic demand.

Targeted consumption guidance should be implemented for consumer groups of different generations. For the young, it makes sense to guide them toward sensible spending and put a lid on blind, excessive buying. For middle-aged and elderly people, more service-oriented consumption scenarios should be built to unleash their potential consumption capacity. Fostering a healthy social atmosphere around consumption can really fire up the domestic consumer market as a whole.

V. Conclusion

Using basic micro and macro theories, this paper looked at four main transmission pathways through which differences in residents' spending habits feed into domestic demand imbalance—from the angles of income, age, region, and city versus countryside. The research findings reveal that multi-dimensional disparities in consumption behavior gradually spread from micro individual choices to the formation of macro domestic demand structure.

They lead to rigid consumption layering, market supply-demand mismatch, and markets sliced up by region and by urban-rural boundaries. Ultimately, this forms a distorted domestic demand structure characterized by insufficient household consumption and over-reliance on investment-driven economic growth.

To fix this real-world economic problem, the government, enterprises, and everyday consumers all need to pitch in—through supply-side reforms, better income sharing, coordinated regional development, and smart guidance on spending behavior. Nevertheless, this study is subject to obvious limitations: it merely adopts theoretical analysis and logical deduction without carrying out quantitative empirical tests with actual economic data. In future work, real macroeconomic panel data could be used to measure just how much each pathway matters. That would help come up with sharper, more targeted policy ideas for getting the domestic demand structure into better shape.

Conflict of Interest

The authors declare no conflict of interest

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