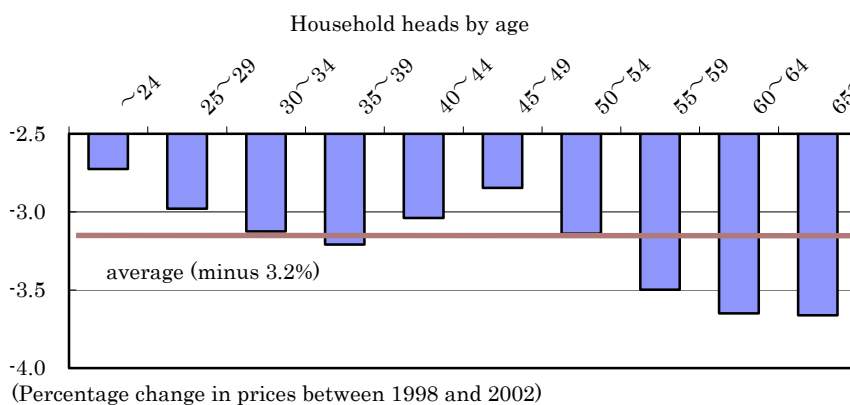


Elderly Spending on Leisure Activities Is Growing¹

Private consumption as a whole has remained sluggish. Only a very mild recovery is expected, due to slow growth in the number of households and their income. But the elderly's consumption, especially on leisure activities, is likely to grow continuously, owing to their relatively better financial and health conditions and flexibility with schedules.

The main income source for aged households² is social security benefits, which are more stable than salaries and income earned from their own businesses. Aged households, particularly those without occupations, rely on their own savings. As social security benefits have increased, the amount of savings needed to cover spending for retired households is estimated to have decreased. As a result, the actual amount of savings held by the elderly is higher than the minimum required level, fueling their increasing consumption. In addition, the elderly spend less than other households on items whose prices are rising, such as car maintenance fees. As shown in the chart below, if the price index is recalculated to reflect the differences in expenses according to the age of the household head, it is apparent that aged households benefit most from the recent deflation.

Difference in deflationary impact according to the age of the household head



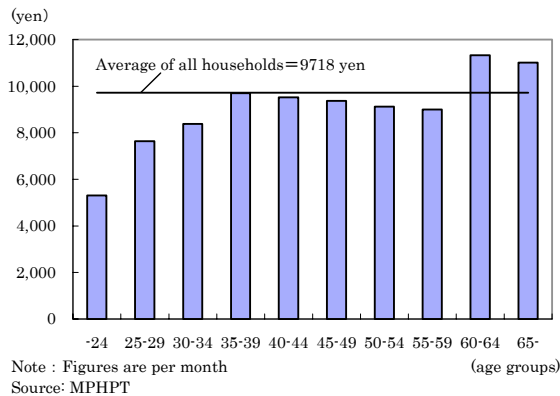
Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT)

¹ This is an English summary of a report originally published on July 8, 2003. The full report is available only in Japanese, but the author will answer questions regarding the topic by e-mail.

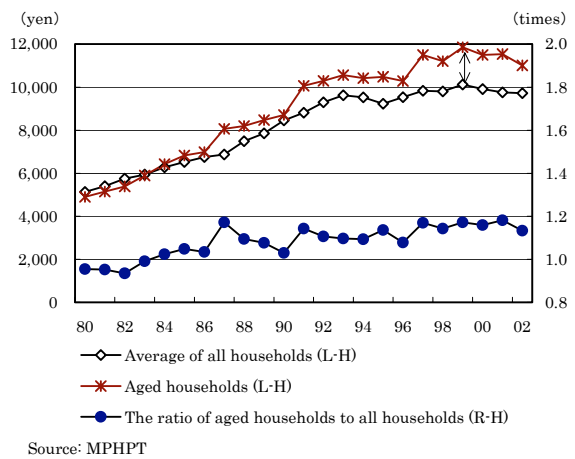
² Aged households: households comprised of males aged 65 years and over and/or females aged 60 years and over, and one household member aged 65 years and over. (MPHPT: Annual report on the Family Income and Expenditure Survey)

Moreover, as the burden of housing loans and expense for educations peak when household heads are in their early 40s and early 50s, respectively, aged households spend more on reading and recreation per person, compared with younger households.

Expenses for reading and recreation per person by age groups of household head

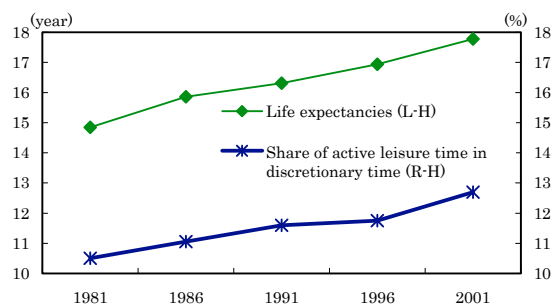


Expenses for reading and recreation per person



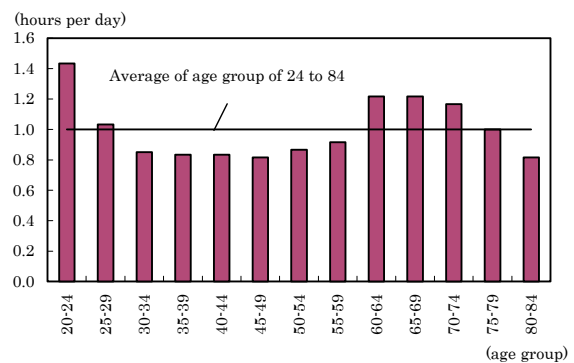
Aged households have more discretionary time³ than younger households, and the elderly are healthier than ever before, as longer life expectancies imply. As a result, elderly households spend free time more actively: they spend more time on leisure activity, such as studying, research, hobbies, amusements, and sports, rather than on passive activity, such as rest, relaxation, TV, radio, and newspapers or magazines.

Life expectancy at the age of 65 and share of active leisure time in discretionary time



Note: Discretionary time: time spent on meals, shopping, and moving other than commuting; TV, radio, newspapers, magazines, rest, relaxation, study, research, sports, volunteer activities and social life. Leisure time: time spent on study, research, hobbies, amusements, and sports.
Source: MHLW, MPHPT

Time spent on study, research, hobbies, amusements, and sports (2001)



³ Discretionary time: time spent on activities other than sleeping, doctors, working, housework, etc.

According to our regression analysis on leisure-related consumption by age, the coefficient of income is lower, but savings are higher for aged households, compared with younger households. Meanwhile, the coefficient of discretionary time is not significant for younger households, but it is significant for aged households, indicating that an increase in discretionary time will expand leisure-related consumption. In addition, the coefficient of life expectancy, a substitute of healthiness, is not significant for households heads in their 40s, but it is significant for household heads in their 50s and 60s; it is more significant for 60 years and over than for those in their 50s.

Results of regression on leisure-related consumption by age group

Age groups of household head	Income		Savings		Discretionary time		Life expectancy		Constant		adjusted R*R
	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value	
60 and over	0.345	(2.6)	0.301	(5.0)	0.134	(3.1)	0.953	(3.6)	0.208	(0.2)	0.947
50s	0.654	(4.8)	0.164	(1.7)	-0.088	(-1.2)	0.284	(2.2)	2.470	(4.7)	0.928
40s	0.526	(3.4)	0.229	(2.7)	0.179	(1.9)	-0.553	(-0.7)	—	(—)	0.965

Estimated equation:

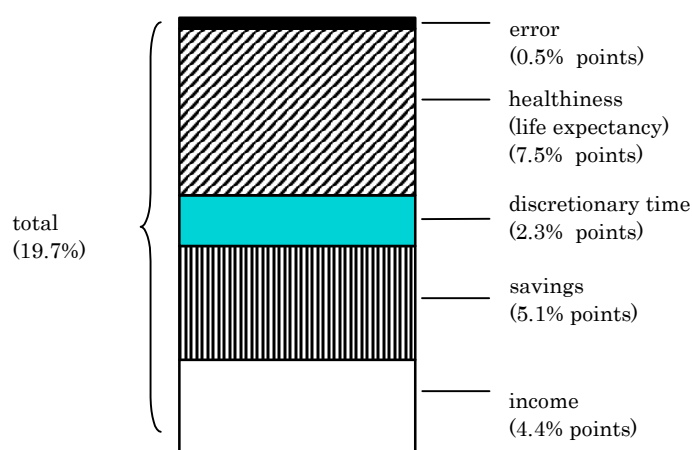
$$\ln(\text{expenses for reading and recreation}) = a * \ln(\text{income}) + b * \ln(\text{savings}) + c * \ln(\text{discretionary time}) + d * \ln(\text{life expectancy}) + \text{constar}$$

Period: 1981 to 2000

Source: MPHPT, MHLW

Based on the results of the above regression, the increase of 19.7% in expenses for reading and recreation of aged households between 1990 and 2000 is explained by an improvement in general health (7.5% points) and an increase in discretionary time (2.3% points), in addition to economic factors.

Factors behind an increase in expenses for reading and recreation of aged households



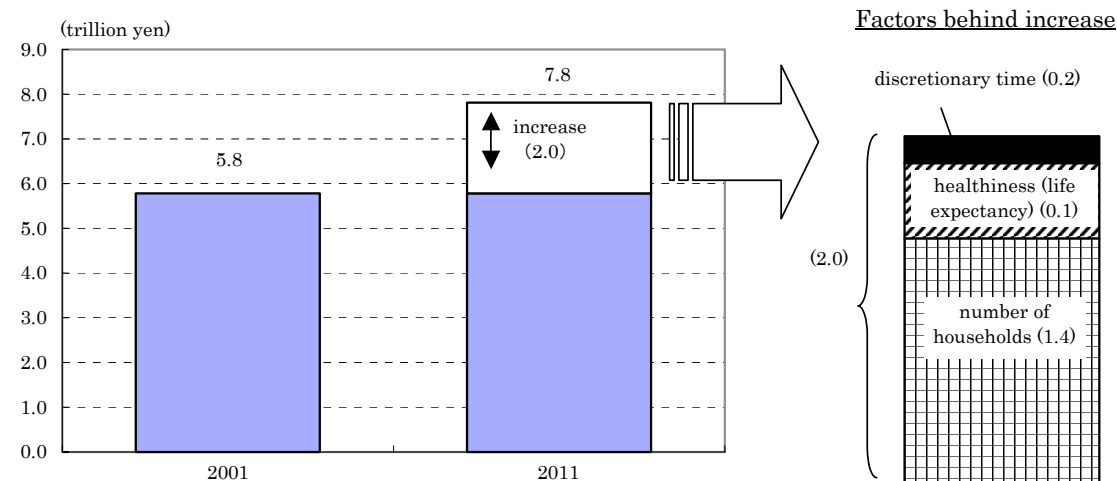
Source: Own estimates.

In 2011, leisure-related consumption of aged households is expected to reach 7.8 trillion yen, increasing by 2.0 trillion yen compared with 2001, according to our estimates. Through experience, aged households have acquired tastes for fine things. To satisfy this huge, sophisticated, elderly market, companies must enhance the quality of their products and services, which will, in turn, enrich Japan's leisure and consumer markets as a whole.

Assumptions of estimates

	2001	→	2011
Number of aged households	11.61 million	→	15.14 million
Average annual income of aged households	unchanged at 5.65 million yen		
Average savings held by aged households	unchanged at 27.39 million yen		
Discretionary time for aged households	10.0 hours	→	10.2 hours
Average life expectancy at the age of 65	17.78 years	→	19.25 years

Forecast results of leisure-related consumption of aged households



Source: MPHPT, Cabinet Office, etc.

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*The information and the views contained herein are subject to change without notice.

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