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**China Aged Care Industry Report,
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New Private Pension Scheme amid the Aging Population in China

In April 2022, the State Council released a guideline on pushing forward the development of private pension scheme, which is recognized as an important supplement to the nation's existing pension system.

According to the guideline, residents covered by the State pension system can open a personal account at an online platform built and run by the Ministry of Human Resources and Social Security. People can then open an individual financial account at a commercial bank authorized at the platform to manage the pension payment.

Pension & Aged Care

The guideline said that people are allowed to deposit up to 12,000 yuan (\$1,870) annually to the individual account, while the funds can be used to purchase financial products featuring stable, long-term returns but lower risks. Profits or losses will be borne by the people themselves.

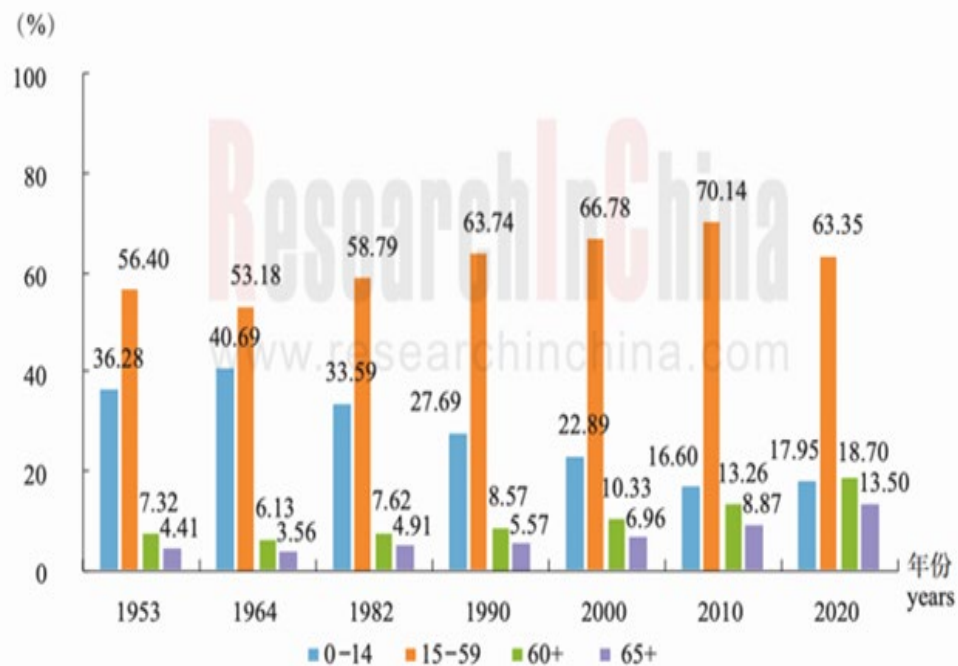
The new private pension scheme is being rolled out in part in response to an urgent need for pension reform as the country faces a massive demographic shift stemming from a plummeting birth rate and a rapidly aging population.



Population Aging Enters the Accelerated Phase

According to the data of the seventh census in 2021, as of 2020, China's population aged 60 and above is 264.02 million, accounting for 18.70% (of which, the population aged 65 and above is 190.64 million, accounting for 13.50%). Compared with 2010, the proportion of people aged 60 and above increased by 5.44 percentage points.

Age Composition from Population Censuses in China, 1953-2020



单位: % (%)

普查年份 Census Years	各年龄段人口比重 Proportion of Population by Age Group to National Population			
	0-14	15-59	60+	65+
1953	36.28	56.40	7.32	4.41
1964	40.69	53.18	6.13	3.56
1982	33.59	58.79	7.62	4.91
1990	27.69	63.74	8.57	5.57
2000	22.89	66.78	10.33	6.96
2010	16.60	70.14	13.26	8.87
2020	17.95	63.35	18.70	13.50

注：“#”表示其中的主要项。
Note: “#” indicates a major breakdown of the total.

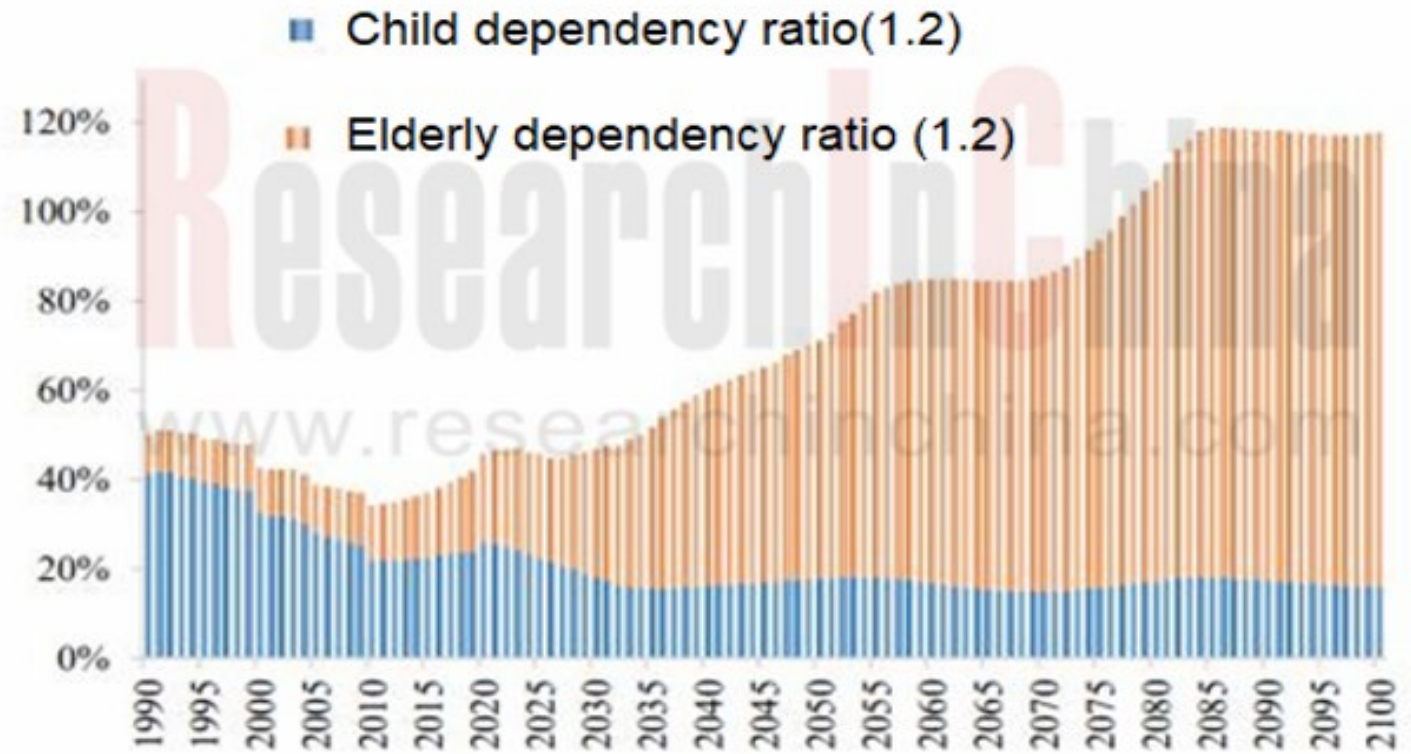
Source: National Bureau of Statistics of China

The Elderly Aged over 65: from 9.1% of Population in 2011 to 14.2% in 2021

China recorded the lowest ever natural population growth rate in 2021 at just 0.34 per one thousand, down 1.11 percentage points from the prior year. Dependency ratios are also rapidly increasing as the population ages. The proportion of over-65s has grown from 9.1 percent of the population in 2011 to 14.2 percent in 2021, which means the working-age population is shrinking rapidly.



Dependency Ratio of Aged Population in China, 1990-2100



Source: National Bureau of Statistics of China, ResearchInChina

A Huge Growth Market of Aged Care

With the aggravation of the aging in China, the number of people participating in China's endowment insurance has increased year by year, which ensures the basic life of the elderly population. By the end of 2021, 480.75 million people had participated in the basic endowment insurance for urban workers in China, an increase of 24.37 million or 5.34% over the previous year.

By the end of 2021, the revenue of the basic endowment insurance fund for urban employees in China had hit RMB6,004.04 billion, a spike of RMB1,606.86 billion or 36.54% over the previous year. The expenditure of the basic endowment insurance fund for urban employees in China had been RMB5,650.03 billion, a year-on-year increase of RMB531.13 billion or 10.38%.

The revenue of the basic endowment insurance fund for urban and rural residents in China had jumped RMB43.7 billion or 9.16% to RMB520.72 billion. By the end of 2021, the expenditure of the basic endowment insurance fund for urban and rural residents in China had ascended RMB35.05 billion or 10.39% year-on-year to RMB372.45 billion.

Given, the genuine and somewhat urgent need for private pensions in China, the market is ripe for growth and innovation. Early movers with experience in providing products and services for pension funds are particularly well-positioned to gain from the opening of this market.

At the same time, good policy directives and guidance will be required to ensure active participation by the public in the scheme. Policies such as tax incentives and education campaigns will be important to encourage the uptake of private pensions.

Cumulative Balance of Basic Endowment Insurance Fund in China, 2017-2021

RMB bn	Cumulative balance of basic endowment insurance fund	Cumulative balance of basic endowment insurance fund for urban employees	Cumulative balance of basic endowment insurance funds for urban and rural residents
2021	6,161.0	5,142.7	1,018.3
2020	5,807.5	4,831.7	975.9
2019	6,287.3	5,462.3	824.9
2018	5,815.2	5,090.1	725.0
2017	5,020.2	4,388.5	631.8

Source: Ministry of Human Resources and Social Security of the People's Republic of China,

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Opportunities in the China Pension Market

Financial companies have been eagerly anticipating the announcement of private pension funds in China for many years. Now that it has come, and once the criteria for participation in the market have been clarified, financial companies stand to profit greatly. Foreign financial asset companies with decades of experience in pension funds may also enjoy a competitive advantage over domestic players who are relatively new to the field.

The Ministry of Human Resources and Social Security released "2021 National Enterprise Annuity Fund Business Data Summary", which showed that in 2021, the total scale of enterprise annuity accumulation funds nationwide was 2.6 trillion yuan, up 390.96 billion yuan or 17.38% from 2.2 trillion yuan at the end of 2020. By the end of 2021, the number of participating enterprises nationwide reached 117,500 and the number of participating employees reached 28.7524 million, up 11.69% and 5.8% respectively year over year.

Overview of Enterprise Annuity in China, 2010-2021

	Number of Enterprises (,000)	Accumulated Fund (billion RMB)
2021	117.5	2,640.6
2020	105.2	2,249.7
2019	96.0	1,798.5
2018	87.4	1,477.0
2017	80.5	1,287.4
2016	76.3	1,107.5
2015	75.0	952.6
2014	73.0	768.9
2013	66.1	603.5
2012	54.7	482.1
2011	44.9	357.0
2010	37.1	280.9

Source: Ministry of Human Resources and Social Security, ResearchInChina

Compared with 2020, the actual operating assets of enterprise annuity reached a record high of 2.6 trillion yuan. However, judging from the overall performance, the ROI of enterprise annuity in 2021 was 124.2 billion yuan, and the weighted average rate of return for the whole year was 5.33%, which decreased over 10.30% of 2020.

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Beijing Headquarters

TEL: 13718845418


FAX: 010-82601570

Email: report@researchinchina.com

Website:
www.researchinchina.com

WeChat: [zuosiqiche](#)



 [zuosiqiche](#)



Chengdu Branch

TEL: 028-68738514

FAX: 028-86930659