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Comparative Study of Millennial and Gen Z Spending Patterns Under COVID-19 Recessionary Conditions

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Abstract
The present analysis is a systematized one which examines the different spending trends of Millennials (born 1981-1996) and Gen Z (born 1997-2012) during the economic downturn caused by the COVID-19 pandemic, through secondary research from scholarly articles and newspapers from all over the globe and India (2020-2024). The Millennial generation, who were at the height of their careers, faced a cut in their incomes from 15% to 30%. First on their priorities list came health (which saw a 20-25% rise) and next was housing; vacation and leisure (which saw a 50-70% drop) expenditures were cut down drastically and thus the buying of big-ticket items was postponed; the use of digital channels for shopping went up by 40-50%. On the other side of the spectrum, even the youngest of the working population (Gen Z) who had their incomes heavily cut at the rate of 30-50% in the first few months of their employment took an extremely cautious approach to spending that was characterized by a whopping increase of 60-80% in e-commerce backed by social media, huge cuts in discretionary spending (55-75%), and increased savings (15-20%). One of the major differences is that Gen Z is more flexible with the brands while Millennials are more loyal, meanwhile, one of the similarities is that they both have been using the internet for the most basic of needs. The results provide marketers with insights into the digital tactics targeted to specific cohorts and make it known to the policymakers the necessity of including the young ones through UPI and gig protections thus calling for primary longitudinal studies.
Keywords: *Millennials, Generation Z, COVID-19 recession, Spending patterns, E-commerce adoption*

I. Introduction

Characterising Millennials and Generation Z

Millennials are typically defined as individuals born between 1981 and 1996, who are now in their late 20s to early 40s. This group moved into adulthood during the 2008 financial crisis and developed traits such as being tech-savvy, adaptable, and conscious about their purchases; however, many faced delayed milestones in getting houses and starting families due to student loans and relying on the gig economy for income[1]. In India, Millennials consist of a large portion of the workforce, mainly in urban IT, services, and professional jobs, having high disposable incomes but at the same time being very sensitive to changes in the job market.

Generation Z are those born around 1997 to 2012 and the current members are mostly in their late teens to late twenties. This group is characterized as the first true digital natives, as their lives have always been influenced by mobile phones, social networks, and major global events like climate protests. During the pandemic, Generation Z was very careful, saved a lot, and preferred to work with companies selling green and cheap goods even in hard times. This was especially the case in India, where the Gen Z tribe solely depended a lot on e-commerce, gig economy, & unorganized jobs. This dependence on low-skilled sectors which made them vulnerable to economic downturns.

Overview of the COVID-19 Recession

Lockdowns, destruction of the supply chain, and massive unemployment were the major reasons for that the COVID-19 pandemic brought about a global recession, and consequently, a 3.4% decrease in the world GDP in 2020. Consumers in all sectors, not only in the non-discretionary, cut their costs by large margins, with sectors like tourism and fashion going down by 40-60% plus, while grocery sales were only slightly boosted by stockpiling. Youth groups were the most affected, with worldwide youth joblessness rate hitting 24%, and at the same time, the service industries—the young workers' main employers—were going through a long-lasting recovery.

The pandemic in India made a very difficult turn with the application of a nationwide lockdown of 68 days which led to a 6.6% shrinkage of GDP and daily losses more than ₹32,000 crore. The relocation of migrant workers impacted the lives of 40 million people, and this was one of the reasons for a 20-30% reduction in urban consumption of non-essential goods; households changed their spending to food (going up by 10-15%) and health, besides a 50% rise in electronic money transfers [2]. Young Indians who relied on casual jobs lost 30-50% of their income, which in turn sped up the use of e-commerce through Amazon and Flipkart.

Justification for Research and Existing Gap

The comparison of Millennial and Gen Z spending during economic downturns points out a big gap in consumer behavior literature, which usually clusters "young consumers" together without making distinctions among the cohorts [3]. Though the two age groups made similar moves to online essentials and cost-saving practices, the stable careers of Millennials softened some difficulties, while Gen Z had to face the opposite of that through the insecure job positions in their first career stages; however, still, information about specific differences like Gen Z's brand-switching inclination is not available yet. In the case of India, the evidence that is region-specific indicates that the changes are dependent on the context, for example, wellness expenses have increased as a response to the urbanization struggle.

Objective of the Research

This review combines the secondary literature in order to assess the specific spending changes of different groups, and at the same time, it points out the trends in the cuts of essentials versus luxuries, the digital shift and the evolution of financial living standards staff in the latter case. Marketers have to be very selective in their digital advertising and governments need to focus on the financial inclusion of the young, which makes the analysis of post-recession scenarios in unstable economies like India clearer.

II. Literature Review

The effects of Millennial spending patterns on income, employment, and financial security

Millennials went through the harshest income and employment shocks during the COVID-19 recession. In fact, the world youth unemployment rate reached a whopping 13 to 15 percent in 2020, which affected this generation the most since it was during their prime earning years [4]. In the U.S, Millennial families saw their average income drop by 10 to 20 percent, with the downfall of the gig economy and widespread layoffs in the service sector further aggravating the situation. This led to the exhausting of savings and the doubling up of loans. Indian Millennials, who usually work in urban IT and services, witnessed a 25–30% drop in their income despite having a solid career before. Moreover, 40% of them report being laid off or furloughed due to the lockdown in 2020.

Alterations in the Relationship Between Essentials and Discretionary Spending

During the pandemic, a notable shift from discretionary to necessary spending was mostly observed globally—the main areas being food & housing taking up to 15-25% of the global household budget, respectively. Enhanced demand for hygiene and immunity products drove the health and wellness industry to a staggering 20-30% revenue increase. On the other hand, the travel and leisure industries faced a dramatic downturn of 50-70%. In India, the Millennials category switched the most to grocery (18%) and pharmaceuticals (22%) while clothing (35%) and dining out (60%) were the biggest cuts made in their budgets during the recession [5]. This is a clear indication of the transformation in prioritization brought about by the recession.

Cutbacks, postponed purchases, and an increase in digital activity

There are signs that extensive cuts are happening all over, besides the 45% of Millennials who are putting off buying costly things like cars and houses and a 30% drop in sales of non-essential goods in retail. The consumption of digital services skyrocketed by forty percent, with streaming subscriptions and online grocery shopping becoming the most preferred [6]. As per the statistics from the US, sixty percent shifted to online shopping for basic necessities. Indian Millennials pushed the online store BigBasket, which led to a fifty percent rise in digital payments and a seventy percent uptake of contactless solutions for security.

Early Career and Educational Vulnerabilities, as well as Reductions in Income

Worldwide entry-level job losses of more than 25% and student loan burdens that made it more difficult to cope with the situation have caused profound vulnerability to Generation Z, who are still very much in the early stages of their careers or studies. In the U.S., half of the population reported a loss of income of over thirty percent because they relied on part-time jobs that were canceled during the lockdowns [7]. The income of the Indian Generation Z varied from 35 to 50 percent, and 60% of the urban youth employed in the constantly changing sectors such as retail and delivery lost their jobs, thus the educational disruptions were further intensified.

A behaviour that is value-conscious, cautious, and focused on saving money

To give an example, the increase in savings rates by 15–20 percent of total income was noticed in 65 percent of Gen Z members and switching to cheaper brands was the action taken by 55 percent due to the fear of the upcoming crisis. 70 percent of the global population considered value-for-money as the highest priority and cut their non-essentials by 40–50% and preferred promotions [8]. This was manifested in India as an overall 50% cut in discretionary to be spending on clothing and electronics, with the income being channeled towards essentials & emergency savings.

How E-commerce, Social Media, and Digital Habits Contribute to Our Lives

The very nature of the digital natives played a pivotal role in the takeover of e-commerce, which in turn, amounted to 60-80% increase of online buying by Gen Z. TikTok and Instagram becoming the main platforms for bargain hunting and reviews were the major sources of this growth. 75% of the respondents in the US became aware of the companies via social media, which caused the wellness sector to see a 35% increase in impulsive purchases while at the same time the whole market remained careful. The online purchase patterns of Generation Z in India skyrocketed for Flipkart and Myntra, with 80% of them using UPI even for the tiniest amounts and social commerce being 40% of their purchase considering that retail stores were closed.

Comparative analysis: Millennials vs Gen Z

Impacts on Debt, Savings, and Current Income

The Millennials, who had built up their careers in already precarious sectors, suffered more absolute income losses than Gen Z did. Global studies indicate that the income of Millennial households fell by 15-25%, while Gen Z took a 25-40% hit in entry-level roles. The loss of savings was heaviest for Millennials as 40% of them depleted their emergency funds as opposed to 30% of Gen Z [9]. This indicates that the already stronger buffers of the Millennials were worn out. Surveys in the US and India show that Millennials, on average, added 20% more credit card debt for necessities, whereas Generation Z, who started from a low point, increased their student loan debt by 15% albeit with education interruptions. The Indian Millennials in the IT and services sector saw their incomes drop by 25%, but they still saved 10%. In contrast, Gen Z's income from gigs was slashed by 45%, which pushed them into a negative savings situation..

Changing Spending Categories: Increases versus Decreases in Spending

Increased spending on necessities was common amongst both generations, but the differences in patterns were noticeable: Millennials spent 25% more on health and wellness (immunity goods, gym-at-home) while Gen Z's total expenditure was up by 35% (mental health apps, inexpensive supplements). Food delivery had a universal increase of 40%, but Millennials went for the deluxe services (which saw a rise of 30%), while Gen Z stayed with the economical options (which had a 50% increase). Education was a category wherein Millennials increased their spending by 15% (online courses for upskilling), while Generation Z was doing so by 25% (edtech like Byju's despite disruptions). Travel (down 65% for Millennials and 75% for Gen Z) & luxury (down 50% for Millennials and 70% for Gen Z) were two heavy areas of decline in this nature [10]. Apparel experienced a cutback of 35% against 55% almost. Indian data supports this trend: Millennials kept up housing (10% increase), while Gen Z reduced the leisure segment significantly (60% decrease).

Positions with regard to risk, planning, and expectations for the future

Millennials exhibited a small degree of risk aversion, as half of them showed preference for the cautious tactics and long-term planning based on debt repayment, expecting a longer recovery. The most careful generation, Gen Z, ranked high-yield savings and side hustles as the top financial strategies for their lives, with 65% of the whole generation doing so [11]. Also, the pessimistic views regarding the job market led to a rise in the goal for emergency funds by 20%. Though the younger generation stayed away from the markets and went for safer means like cash, which was 70% of their portfolio, the millennials were only 15% more liberal in their retirement plans. While in India, Millennials focused on family in managing their finances, Gen Z made their choice between the diversity and sustainability of their gig jobs.

Comparative Analysis of the Principal Distinctions

Forty percent is the rate at which both companies have raised their digital offerings and at the same time reduced their non-essential spending by fifty percent. Their focus has also been shifted towards essentials and online shopping by fifty to sixty percent. E-commerce dependency and global hoarding helped to close the gap between the different groups, especially in India where UPI adoption was a major factor [12]. Through larger cuts (45% vs. 30% overall), social media-driven discoveries, and other means, Gen Z showed its adaptability, with 55% of them switching brands compared to only 35% of Millennials showing loyalty to the companies. Gen Z experimented on the platforms, whereas Millennials managed to get through the networks.

Repercussions for companies, marketers, and those who establish public policy

Value bundles for Gen Z, luxury basics for Millennials, and e-commerce personalization are just some examples of products and services that the companies should cater to their consumers. Besides, marketers should consider TikTok as the main platform for promoting brands among the younger audience, while during the case of Millennials, stability is better delivered through LinkedIn [13]. Over and above all that, financial literacy should be a shared support along with youth-specific stimulus opportunities like skill subsidies for Gen Z and debt write-off for Millennials that policymakers would need as tools to completely eliminate the discrepancies in India's informal sector. These findings contribute to the development of resilient strategies in markets that are prone to recession.

III. Methodology

Design of Secondary Research

The current research adopts a descriptive secondary research design and a systematic literature review to integrate existing literature. This research aims to scrutinise the consumption patterns of the two generations, Millennials and Gen Z, during the COVID-19 recession. The method is built up of qualitative and quantitative data from past studies and thus eliminates the need for raw data collection. Moreover, it secures the thorough understanding of literature which has been approved by experts in the field. The method facilitates pattern recognition both in the global and Indian settings at the same time it allows one to bypass the ethical and logistical challenges that come with new survey conducting.

Varieties of A Sources Employed in

The academic journals like Journal of Consumer Research and Economic & Political Weekly, market studies like Nielsen and Kantar, consultancy analyses like McKinsey and Deloitte, statistical portals like World Bank, RBI and Statista, and reputable news channels like Economic Times and BBC are all examples of sources that are relevant. The actual data on income, spending categories and behavioural patterns changes are provided by these sources which ensures a multi-perspective view with quantitative indicators like percentage declines in discretionary expenditure.

Participation and Exclusion Specifications and a Timetable

The studies that are concerned with the impacts of COVID-19 on young people's spending and that provide empirical evidence (surveys, econometrics) and disaggregation by specific cohorts are prioritized in the inclusion requirements. The study has to be conducted after the year 2020. The publications made prior to 2020, non-peer-reviewed blogs, and the aggregated data on "youth" that do not specify the dividing line between Millennials and Gen Z are kept out of consideration. The period (2020-2024) brings together the most intense moments of the recession and the trends of the recovery.

The constraints imposed by secondary data

There might be a tendency to publish only the major findings, the issue of comparability between sites (such as, the US and India measures), and the use of outdated snapshots that do not reflect long-term trends. Self-reported surveys could be one of the reasons why the care level is overestimated in the case of India while rural adolescents are often left out in the dataset of India. Thus, apart from these limitations a very cautious synthesis is needed which, in turn, highlights the necessity of additional primary validation in the future.

IV. Findings, Discussions, Limitations

Key Comparative Findings

The literature review has been finished and three major deductions relating to the Millennial and Gen Z spending comparison during the COVID-19 recessionary period have been reached. The income of the Millennials had been reduced by 20-30% on average because of the mid-career instability, while the income of the Gen Z had been cut by 30-50% because of the precarity of the entry-level. Nevertheless, the Millennial generation was able to use the savings made earlier (15-20% buffers) while the Gen Z had to build their emergency reserves from near-zero baselines. Spending on essentials went up in all age categories (food and health went up by 15–25%), while the cutbacks in non-essential spending differed: Millennials postponed the buying of pricey products such as houses by 45 percent, whereas Gen Z lowered their spending on clothes and gadgets by fifty percent and that too only for value brands [14]. The acceptance of digital technology was a unifying factor in the consuming behavior, with online purchasing gaining 40–60% in different age categories.

Millennials and Gen Z differed, however, when it came to the social media-induced micropurchases of the former, as millennial-focused subscriptions were where the latter's more conscious spending pattern lay.

Spending Category	Millennials (% Change)	Gen Z (% Change)	Key Driver
Essentials (Food/Health)	+18-25%	+20-30%	Stockpiling needs
Discretionary (Travel/Leisure)	-50-70%	-40-60%	Income shocks
Digital/E-commerce	+40-50%	+60-80%	Tech nativity
Savings Rate	+10-15%	+15-20%	Caution levels

Theoretical Implications for Consumer Behavior

Crisis has shown both cohort groups that the precautionary saving theories of behavioural economics are right. This has quickly moved people from spending for pleasure to spending for necessity, exactly as prospect theory predicted. People were expecting losses to be higher than gains. Lifecycle hypothesis adjustments were illustrated by the Millennials, who used their past to help them with their debt. Conversely, the flexibility of Gen Z stressed the digital disruption theory that pointed out social influence as a main factor in magnifying value-seeking. By widening the consumption crisis models these patterns indicate that cohort-life-stage is an important moderator that surpasses age alone.

Practical Implications for Marketers and Institutions

To gain the majority of Millennials regarding big-ticket recovery through loyalty programs, marketers should promote these programs for late recovery of big purchases like auto loans and houses since 60% of them support the brands they trust after the crisis. In the case of Gen Z, social commerce on TikTok/Instagram, which accounts for 40% of India's total purchases, requires influencer partnerships and environmental communication as 70% of the consumers in this group are concerned about price [15]. With the increase in debts, financial organizations can give Millennials the refinancing tools, while micro-savings apps, which are Gen Z targeted, and UPI-linked credit will build inclusion, tapping their 65% saving intention.

Stakeholder	Millennial Strategy	Gen Z Strategy
Marketers	Loyalty rewards	Influencer deals
Banks	Debt consolidation	Micro-savings apps

V. Limitations and Future Directions

This secondary appraisal depends on the synthesis of research papers (2020-2023), which exposes it to the risk of publication bias and difficulties in comparing cross-country results, besides having very little longitudinal data from India. The surveys based on self-reporting might exaggerate the predominance of caution, therefore, ignoring the informal economy's implications.

In the coming years, researchers will need to gather primary data through surveys that will track recovery after 2023, make country-specific comparisons (e.g., India vs US), and conduct mixed-methods studies to examine psychological mediators such as anxiety. Moreover, researchers can also use a simulation of recession in an experimental design to test and confirm the changes in causality.

VI. Conclusion

This study represented by the text indicates that though the Millennials and Gen Z have different pathways, they eventually reach the same destination concerning buying habits during and after the COVID-19 crises. The Millennials handled the situation better than the younger ones, as they still had the stability of their jobs to rely on. They channeled their funds mainly into health and housing while deferring the purchase of expensive items and slowly moving to digital technology services. On the other hand, Gen Z, which suffers from the most serious of early-career vulnerabilities, has developed a very cautious value-seeking strategy, which is also supported by the e-commerce success of the social media. Nonetheless, Gen Z has demonstrated greater brand adaptation and pragmatism, especially in India during the time of informal job losses due to lockdowns. Overall, both generations are spending more on the internet for essentials and saving more than the previous one.

Such trends show the development of financial resilience and basically that there is a market for digital value propositions targeting these two segments, and there are also government policies supporting youth financial inclusion through activities such as UPI extensions and gig safeguards. Among other things, there will be future primary studies of post-recession behaviors that will help fill any gaps caused by biases in the secondary data used, as well as the inability to compare cities in India with the rest of the world. In conclusion, understanding the nuances and traits of the distinct cohorts will allow economies to rely on robust young customer groups even in future uncertainties.

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