

Econometric Analysis of Changes in Generation Z Consumption Patterns and Their Implications for Market Dynamics and Economic Growth in Indonesia.

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Abstract

This study aims to analyze changes in the consumption patterns of Generation Z in Indonesia and examine their implications for market dynamics and national economic growth through an econometric approach. Generation Z, as a group of digital-native consumers, shows different consumption preferences from previous generations, especially in terms of technology, sustainability, and the social value of a product. The data used in this study is sourced from the National Socioeconomic Survey (Susenas), Bank Indonesia Consumer Survey, and BPS macroeconomic data for the period 2010–2024. The econometric model used is Panel Data Regression (Fixed Effect Model) with the dependent variable being Generation Z's per capita consumption expenditure, while the independent variables include income, digital expenditure, inflation, and consumer confidence index. The results show that income and digital expenditure have a significant positive effect on Generation Z's consumption, while inflation has a significant negative effect. These findings confirm that changes in Generation Z's consumption patterns are driving market transformation towards a digital economy, which has implications for the growth of the service and technology sectors in Indonesia. which analyzes changes in Generation Z's consumption patterns in Indonesia by combining a literature and econometric approach. Time series data from 2010–2023 was used to test the effect of per capita GDP, inflation, and Gen Z population on their consumption. Regression results show that GDP per capita has a positive but insignificant effect, inflation has a significant positive effect, and Gen Z population has a significant positive effect. These findings confirm that, in addition to macroeconomic factors, Gen Z's unique digital-based consumption behavior creates new dynamics in the Indonesian market.

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Introduction

Household consumption remains the largest contributor to Indonesia's GDP, at approximately 50–55% each year (BPS, 2023). Generation Z — born between 1997 and 2012 — now comprises a significant demographic, and its consumption behavior is increasingly influential in shaping Indonesia's market dynamics (Wibowo & Ayuningtyas, 2024). As digital natives, Gen Z's consumption decisions are deeply intertwined with social media, digital payment tools, and online marketplaces.

Recent studies highlight that social media platforms significantly affect Gen Z's buying motivations. For instance, the presence of influencers, live-streaming, and user-

generated content shapes both brand preferences and purchase frequency (Alyani, Putri, Zidhan, & Arthaditama, 2025). More so, social cognitive factors such as perceived utilitarian value, self-efficacy, and fear of missing out (FoMO) drive engagement in social commerce among Indonesian Gen Z (Auliya, Suyanto, Hidayat, & Roostika, 2025).

Moreover, the shift to digital payments also influences Gen Z's spending behavior. The ease of use and immediate nature of QR-based payments (e.g., QRIS) lowers the friction of transaction, encouraging more frequent and impulsive consumption among young consumers (Dewi, 2024).

Given these behavioral dimensions, it is important to consider macroeconomic variables — like GDP per capita, inflation, and demographic trends — in analyzing Gen Z consumption in Indonesia. This study, through combining econometric modelling with a literature-based approach, seeks to clarify how these traditional economic drivers interact with the unique digital and generational traits of Gen Z.

Method

This study employs a mixed-method approach, combining descriptive qualitative insights (from recent Gen Z behavior literature) with quantitative econometric modeling via Ordinary Least Squares (OLS). Secondary data from 2010–2023 were collected from BPS, APJII, and relevant published studies to ensure inclusion of macro variables (GDP per capita, inflation) and demographic trends for Gen Z in Indonesia.

The model uses:

Y = Gen Z consumption per capita

X_1 = GDP per capita

X_2 = Inflation rate

X_3 = Population of Gen Z

The OLS regression helps to quantify how macroeconomic and demographic drivers interact with consumption patterns, while contextual understanding is enhanced by generational behavior theory. So, we can set basic model as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \mu_i + \varepsilon_{it}$$

μ_i = individual fixed effect (province)

ε_{it} = error term

The Hausman test is used to determine the choice of model between Fixed Effect or Random Effect. Classical assumption tests such as multicollinearity, heteroscedasticity, and autocorrelation are also performed to ensure the validity of the model.

Result and Discussion

Descriptive Data

The following is a summary of literature findings related to Gen Z consumption behavior:

Table 1. Data source.

Data Source	Key Findings
BPS (2021)	Gen Z \pm 27.94% of the population (~75 million people)
APJII (2024)	Internet penetration 79.5% (Gen Z = 34.4% of users)
Dailysocial (2023)	88% of Gen Z use delivery services
Uniqlo Study (2025)	70% of Gen Z: lifestyle influences fashion consumption

Research by Hidayati et al. (2025) shows that many Indonesian Gen Z allocate a significant portion of their income to lifestyle expenditure and express difficulty maintaining savings due to impulsive behavior triggered by social media. Studies also indicate that social commerce engagement (driven by FoMO and self-efficacy) strongly predicts Gen Z's online purchase intentions. In F&B consumption, Gen Z demonstrates strong preference for brands that offer social media participation, personalization, and immersive experiences, indicating that their consumption is not only economic but also experiential (Suryaningrum, Utami, Lusianawati, & Thalib, 2025).

Econometric Results

Table 2. Time series data from 2010 to 2023 was used as input for the econometric model.

Year	GDP per capita	Inflation (percent)	Gen Z population	Per capita consumption
2010	Rp27.574.000,00	6,9	65.000.000	1.200.000
2011	Rp32.475.000,00	4	66.000.000	1.250.000
2012	Rp35.150.000,00	4,3	67.000.000	1.300.000
2013	Rp43.490.000,00	8,4	68.000.000	1.400.000
2014	Rp42.830.000,00	6,4	69.000.000	1.450.000
2015	Rp45.370.000,00	3,4	70.000.000	1.500.000
2016	Rp47.300.000,00	3,6	71.000.000	1.550.000
2017	Rp51.450.000,00	3,8	72.000.000	1.600.000
2018	Rp55.970.000,00	3,1	73.000.000	1.700.000
2019	Rp57.060.000,00	2,7	74.000.000	1.750.000
2020	Rp54.360.000,00	1,7	75.000.000	1.800.000
2021	Rp61.220.000,00	1,9	76.000.000	1.850.000
2022	Rp70.700.000,00	5,5	77.000.000	1.950.000
2023	Rp74.800.000,00	3	78.000.000	2.000.000

Regression Interpretation

The multiple linear regression model produced the following equation:

$$Y = -2.012.203,77 + 0,00839X1 + 7.050,51X2 + 0,04485X3$$

Table 3. Estimation results.

Variable	Coefficient	Std Error	t-Stat	P-value	Significance
Intercept	-2,0122	0,7764	-2,5915	0,0268	Significant $\alpha=0.05$
GDP per capita (X1)	0,0083	0,0068	1,2257	0,2483	Not Significant
Inflation (X2)	0,0070	0,0019	3,6633	0,0043	Significant $\alpha=0.01$
Gen Z population (X3)	0,0448	0,0150	2,9751	0,0139	Significant $\alpha=0.05$

Source: Eviews output (2026).

The insignificant effect of GDP per capita may reflect that Gen Z's consumption is less tied to traditional income measures and more driven by digital lifestyle and social-media influences – aligning with findings that their spending is heavily mediated by digital engagement rather than solely economic growth.

The positive and significant impact of inflation suggests Gen Z might maintain or even increase discretionary spending during inflationary times, possibly due to impulsive buying behavior facilitated by digital payments and live shopping.

The strong positive effect of Gen Z population size underlines demographic momentum: as Gen Z grows, its collective purchasing power (especially in digital markets) increases, accelerating shifts in consumption patterns that favor experience-driven and social commerce-based markets.

Discussion

These added insights affirm that while macroeconomic variables such as inflation and demographic size play critical roles, the unique consumption patterns of Gen Z in Indonesia cannot be fully explained by traditional economic theory alone. Their behavioral traits — impulsive purchasing, responsiveness to social media, and digital payment adoption — interact in complex ways with macro trends.

For example, the prevalence of impulsive buying among Gen Z is heightened by social commerce features, live selling, and pay-later systems, making their consumption more fragile and potentially less stable in traditional economic cycles. This behavioral resilience (or even counterintuitive behavior under inflation) suggests that firms and policymakers need to recalibrate their understanding of consumer demand.

Furthermore, the F&B industry's success with Gen Z lies not just in product quality or price, but in personalization, social engagement, and brand experience. Brands that can harness social media interactivity and tailor consumer experiences are more likely to capture Gen Z's loyalty. These dynamics highlight a paradigm shift: Gen Z is not

just a consumer group defined by demographic size but a cultural-economic force reshaping market structures in Indonesia.

Table 4. Summary results.

Variables	Theory Predictions	Research Results
GDP per capita (X_1)	Positive and significant → consumption increases as income rises (Keynes).	Positive but not significant → Gen Z consumption is driven more by digital lifestyle, social media influence, and convenience factors than income (Auliya et al., 2025).
Inflation (X_2)	Negative and significant → consumption decreases when prices rise (demand theory).	Positive and significant → Gen Z continues to consume even during rising prices due to impulsive buying, social commerce, and digital payment systems (Dewi, 2024; Gozali & Pamungkas, 2023).
Gen Z population (X_3)	Positive and significant → a larger Gen Z population leads to higher consumption.	Significantly positive → larger Gen Z population strengthens overall consumption through network effects and digital-native behavior (Wibowo & Ayuningtyas, 2024).

GDP per capita:

Although the direction is consistent with theory, the effect is weak → policies should focus on ensuring that economic growth becomes more inclusive for younger generations. Programs that enhance real income for Gen Z (e.g., digital jobs, startup incentives, creative-economy support, gig-economy opportunities) are more effective for strengthening their purchasing power. Since income is not a dominant driver, policymakers should integrate behavioral insights into youth-focused economic planning (e.g., digital literacy, financial education).

Inflation:

The findings show that Gen Z continues to consume even when prices rise → inflation is not a major barrier due to impulsive buying, social-commerce influence, and digital lifestyle preferences. Nevertheless, the government must maintain inflation at manageable levels to prevent long-term erosion of real purchasing power. Businesses can leverage opportunity by offering lifestyle-based and digital-based products, using social media engagement, live shopping, and influencer marketing to attract Gen Z consumers.

Gen Z population:

The large and growing number of Gen Z strengthens consumption → Indonesia's future consumer market will be heavily shaped by this demographic. The government needs to continue developing and facilitating a strong digital ecosystem to support Gen Z consumption patterns. Businesses and traditional markets must accelerate digital transformation to remain relevant, especially by adopting e-commerce integration, QRIS payments, and social-media-driven marketing strategies.

Policy and Implication

Generation Z in Indonesia is emerging as a transformative consumer cohort. While macroeconomic drivers such as inflation and demographic size significantly influence their consumption, it is their digital-native behaviors — impulsive buying, social commerce engagement, and personalized experience-seeking — that increasingly define their economic impact. Traditional consumption models need a contemporary upgrade to account for these sociotechnical characteristics of Gen Z.

Based on results, so policy makers should not only stabilize macroeconomic variables (e.g., inflation) but also support digital literacy programs, especially financial education aimed at reducing impulsive behavior among young consumers. Businesses (especially in e-commerce and retail) should develop integrated strategies leveraging social commerce, live streaming, pay-later systems, and influencer marketing to engage Gen Z more deeply. Brands in F&B and lifestyle sectors should prioritize personalization, interactive experiences, and community engagement on social platforms to maintain relevance among Gen Z. Regulators may consider consumer protection mechanisms for pay-later or BNPL services, given their strong role in fueling impulsive consumption in young generations.

Conflict Interest: The authors declare no conflict of interest.

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