OVERVIEW
CHINA CONSUMPTION TRENDS
China Digital Banking Report 2017
China has rapidly transitioned from a predominantly lower-middle class society to a middle, upper-middle and Affluent class society over past decade.

Recent years have seen rising disposable incomes for high-income Chinese households, boosting demand for high value products – A visible shift from mass to premium.

Per capita consumption in Tier-1 cities is visibly high but several Tier-2 & Tier-3 cities record high growth. Rising preference for travel, staying connected, recreation, & buying durable goods.

700 million plus internet users in China, bulk of them in urban areas, using 25 hours of internet per week. Beijing, Shanghai & Guangdong top in internet penetration, rapid growth across provinces.

Rapid rise in use of smartphones for online shopping and payments over past 5 years. Online retail sales still forms a small part of China’s total E-commerce business, which is led by business to business (B2B) sector.
SOCIAL TRENDS
CONSUMPTION EXPENDITURE PATTERNS ACROSS PROVINCE AND INCOME CLASSES
### China’s demographics – large is beautiful

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1.39 bn</td>
</tr>
<tr>
<td>Urban population</td>
<td>54%</td>
</tr>
<tr>
<td>Households</td>
<td>453 mn</td>
</tr>
<tr>
<td>Millennials (30% of population)</td>
<td>415 mn</td>
</tr>
<tr>
<td>Gen Z (18% of population)</td>
<td>217 mn</td>
</tr>
<tr>
<td>Working age population</td>
<td>1005 mn</td>
</tr>
<tr>
<td>College graduates</td>
<td>79 mn</td>
</tr>
<tr>
<td>Smartphone subscribers</td>
<td>1042 mn</td>
</tr>
<tr>
<td>Online retail market size</td>
<td>US$ 606 bn</td>
</tr>
</tbody>
</table>

**Note:** Millennials are those born in the 1980s & 1990s; Gen Z: born after 2000s

**Source:** BBVA Research, China National Bureau of Statistics
China’s rapid transformation from a lower-middle to a middle, upper middle and Affluent class society

Source: BBVA Research, China National Bureau of Statistics
A steadily increasing disposable income, albeit at a moderating but robust pace, with wide urban-rural gap
Recent years have seen a sharp pick up in disposable income of high-income Chinese households
City-wise differences in disposable incomes across China, with higher growth in lower income cities

Source: BBVA Research, China National Bureau of Statistics
Reassuringly, income inequality has broadly been on a declining trend over the past decade.

Source: BBVA Research, China National Bureau of Statistics.
Rural China leads consumption expenditure per capita growth, pace has moderated but still healthy

Source: BBVA Research, China National Bureau of Statistics
Province-wise consumption expenditure per capita

Annual Province-Wise Consumption Expenditure Per Capita in 2016

Source: BBVA Research, China National Bureau of Statistics
Per capita consumption in Tier-1 cities is visibly high but several Tier-2 & Tier-3 cities top in growth terms.
Share of food in rural China’s per capita consumption basket is declining, offset by higher value purchases
Increasing wallet share of urban Chinese towards residence, travel, communication, recreation & food

Source: BBVA Research, China National Bureau of Statistics
Urban Chinese prefer to travel, stay connected, buy protein rich food, durable goods & recreation

Source: BBVA Research, China National Bureau of Statistics
Automobile consumption has grown at a robust 24% CAGR over the past decade in urban China

Source: BBVA Research, China National Bureau of Statistics
Auto consumption growth has been most rapid in less developed provinces over the past decade.

Source: BBVA Research, China National Bureau of Statistics
China’s internet usage
700 million plus internet users in China, bulk of them in urban areas, using 25 hours of internet per week.
Guangdong province tops with the most number of internet users followed by Shangdong and Jiangsu.

Source: BBVA Research, China National Bureau of Statistics
Beijing, Shanghai & Guangdong top in internet penetration, rapid growth seen across most provinces

Source: BBVA Research, China National Bureau of Statistics
Across top cities, internet penetration growing most rapidly Ningbo, Hangzhou, Chengdu, & Chongqing

Internet penetration rate in China across top 10 cities

Guangzhou, Beijing, Shanghai, Chongqing, Shenzhen, Wuhan, Hangzhou, Suzhou, Chengdu, Ningbo

Source: BBVA Research, China National Bureau of Statistics
The use of mobile phone to access internet has far outdone that of desktop and laptop in China
Gender gap in internet usage has largely closed while 20-50 years age group are the main users of internet.

Source: BBVA Research, China National Bureau of Statistics
Most using internet have at least attained secondary education, while usage is even across income groups.

Source: BBVA Research, China National Bureau of Statistics
Mobile phone ownership across Chinese households has risen to an average above 2 per household.
Mobile phone ownership in urban Chinese households across provinces

Source: BBVA Research, China National Bureau of Statistics
Mobile phone ownership in rural Chinese households across provinces

Source: BBVA Research, China National Bureau of Statistics
Ecommerce in China
China has seen rapid rise in use of smartphones for online shopping and payments over past 5 years.
Online shopping has far outdone offline shopping in China over the past five years.
Chinese are shopping online to buy an increasingly diverse range of goods today than ever before

Category-wise online shopping as a share of online & offline shopping in China

Source: BBVA Research, Ministry of Commerce, China General Chamber of Commerce
Online retail sales forms a small but growing part of China’s total E-commerce business, led by B2B

Source: BBVA Research, China National Bureau of Statistics
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