

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

1.39 bn
Population
54% urban

453 mn
Households

415 mn
Millennials
(30% of population)

217 mn
Gen Z
(18% of population)



1005 mn
Working age
population

79 mn
College
graduates

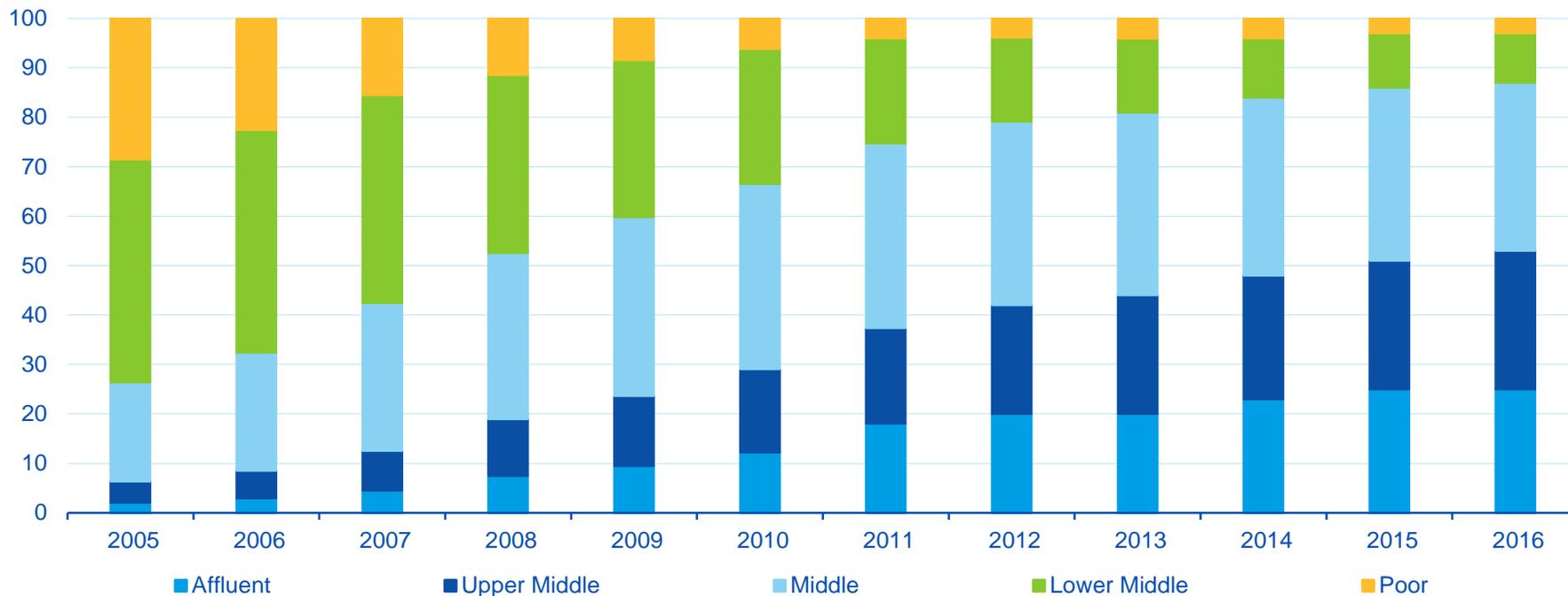
1042 mn
Smartphone
subscribers

US\$ 606 bn
Online retail
market size

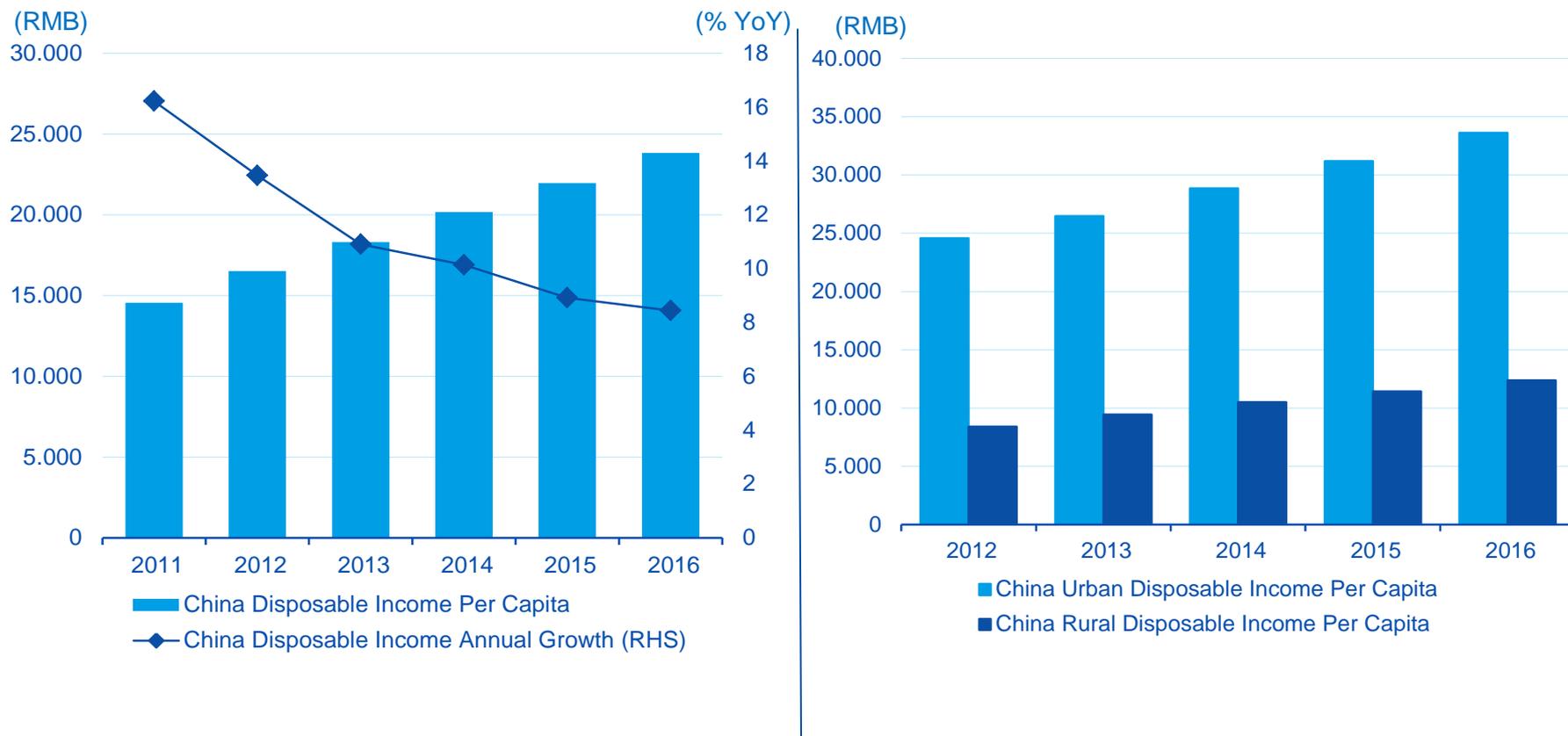
Note : Millennials are those born in the 1980s & 1990s; Gen Z : Born after 2000s
Source: BBVA Research, China National Bureau of Statistics

China's rapid transformation from a lower-middle to a middle, upper middle and Affluent class society

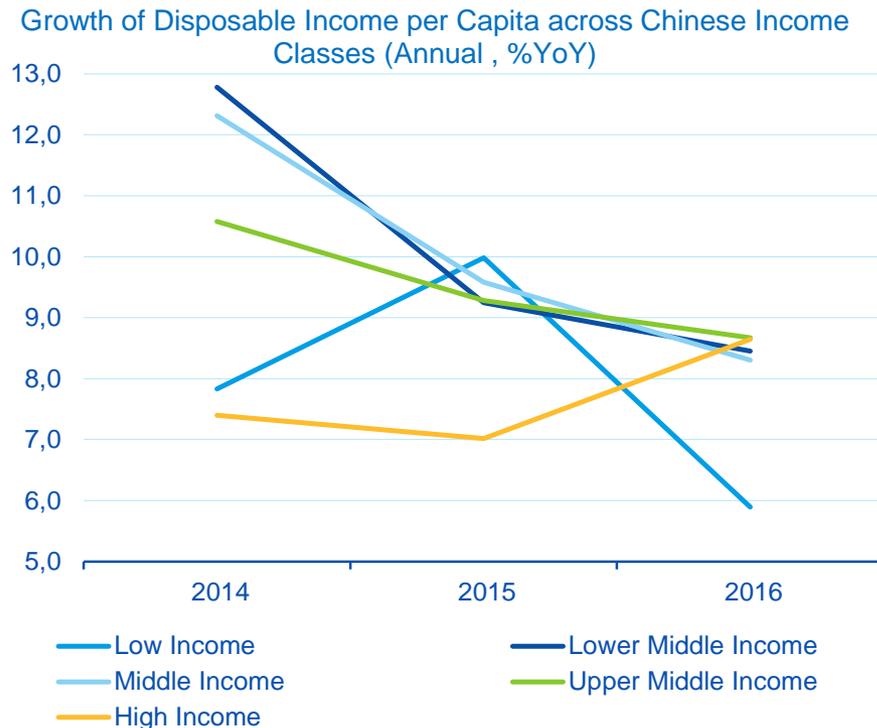
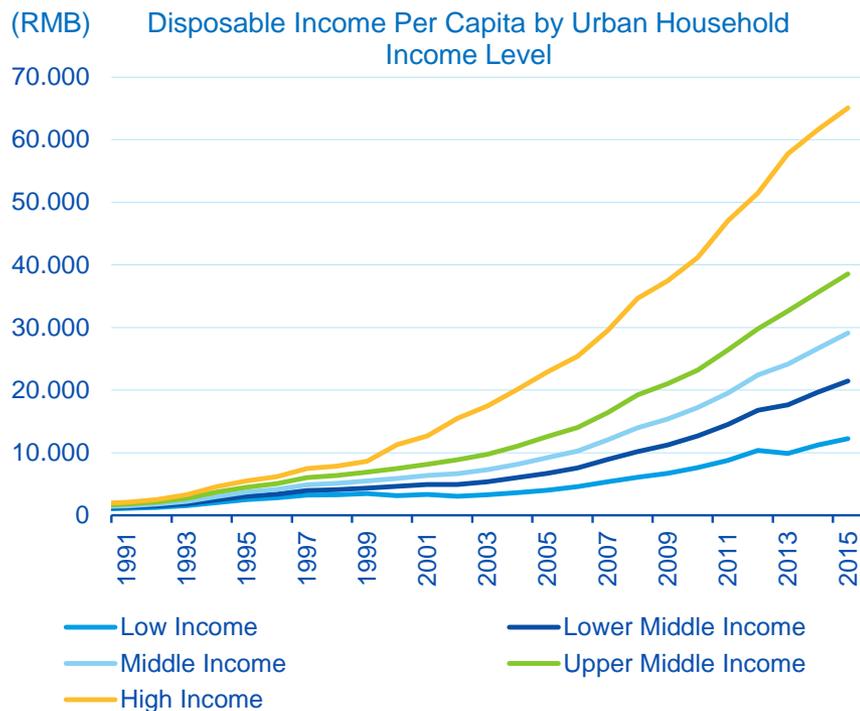
Income-wise classification of China's Urban households (%)



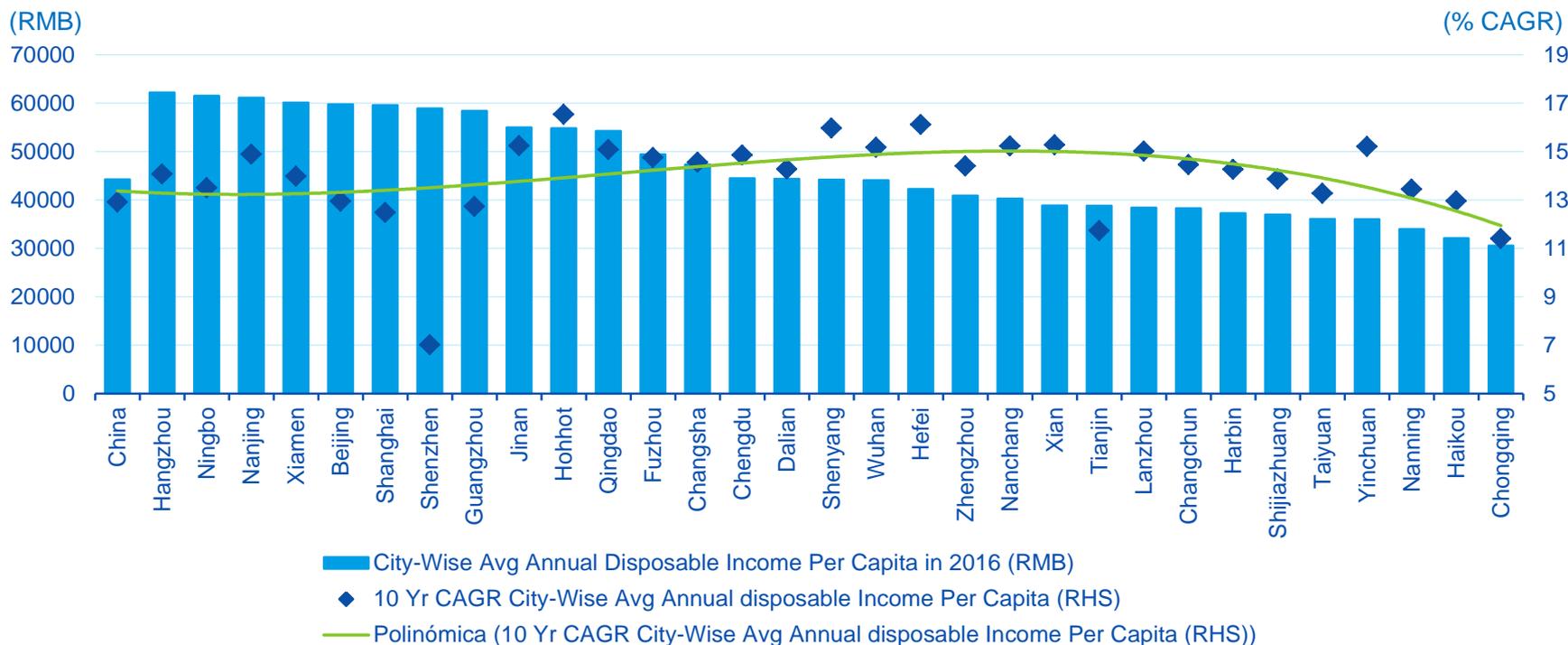
A steadily increasing disposable income, albeit at a moderating but robust pace, with wide urban-rural gap



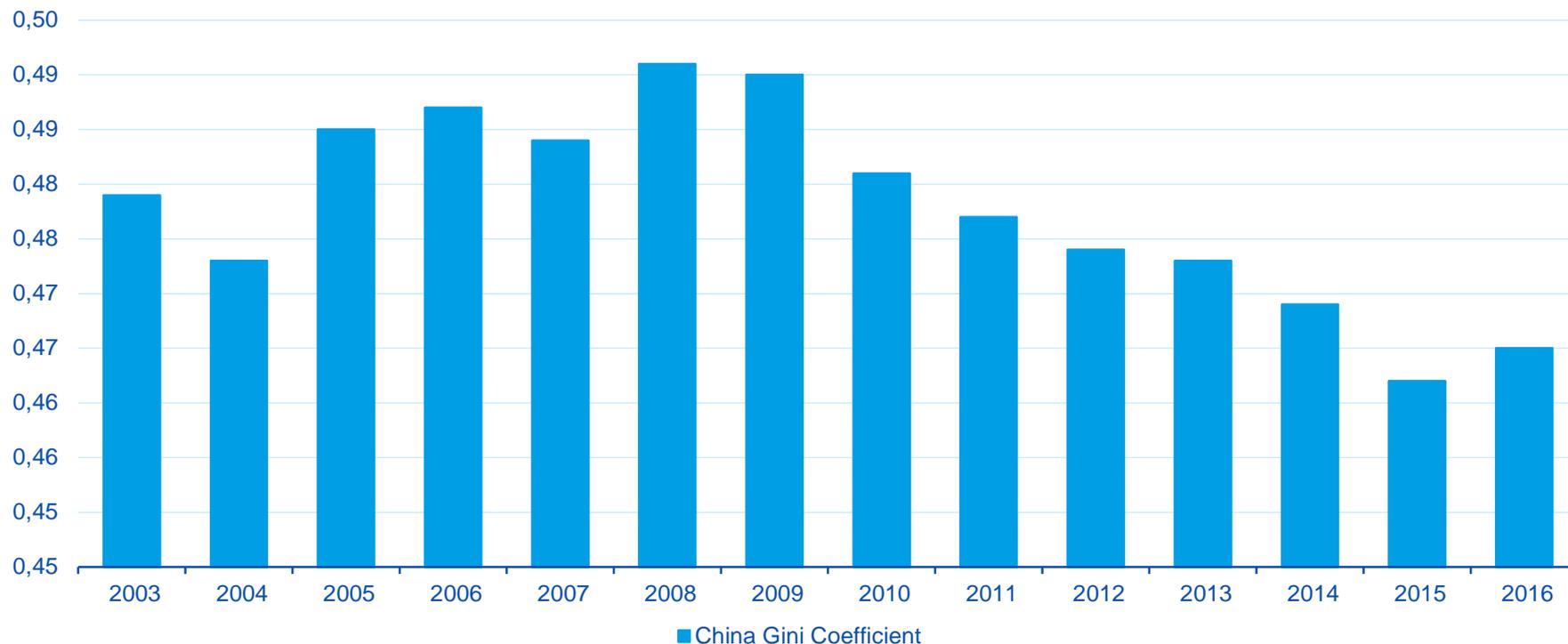
Recent years have seen a sharp pick up in disposable income of high-income Chinese households



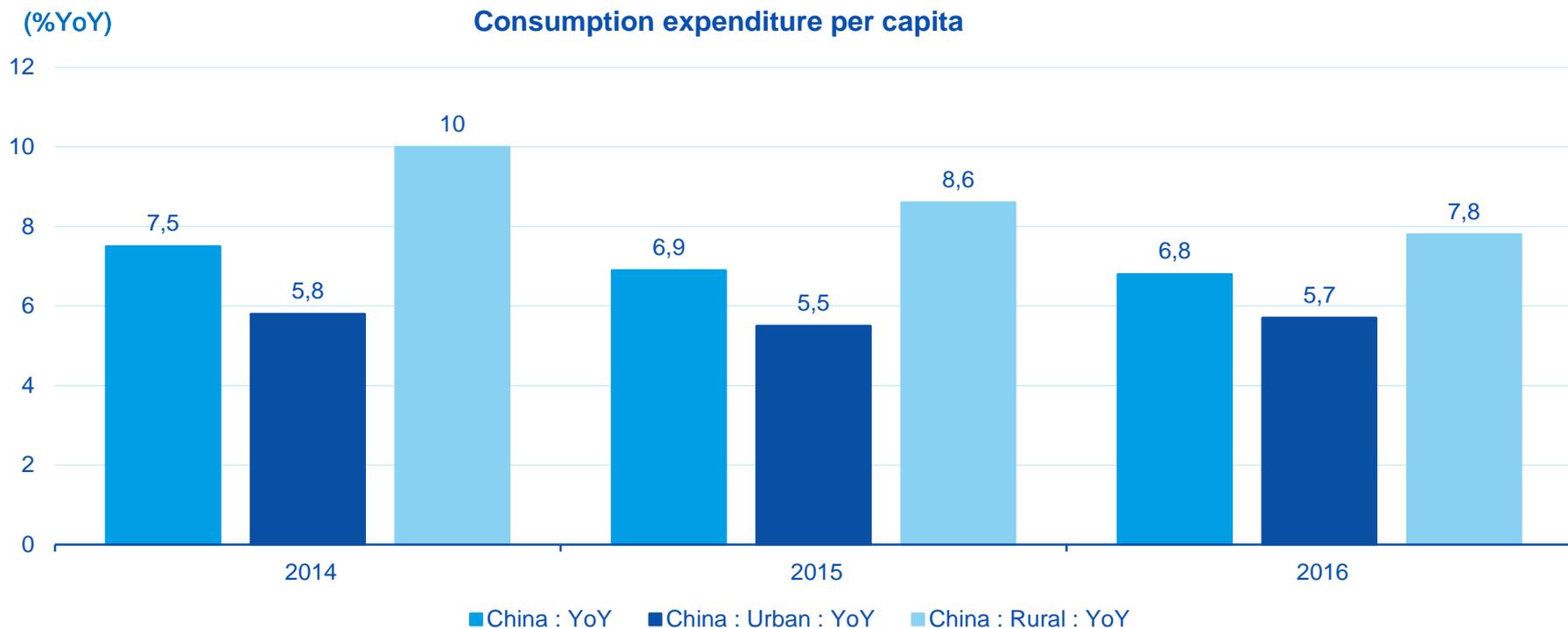
City-wise differences in disposable incomes across China, with higher growth in lower income cities



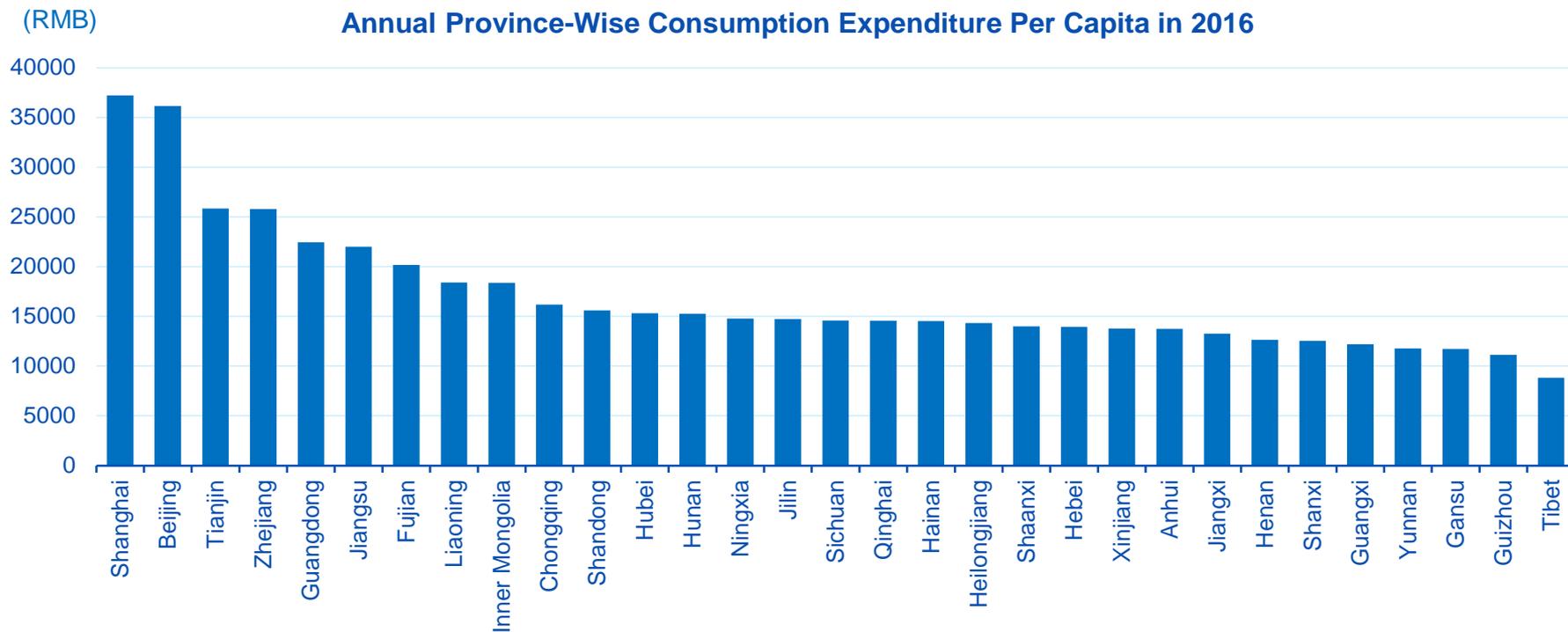
Reassuringly, income inequality has broadly been on a declining trend over the past decade



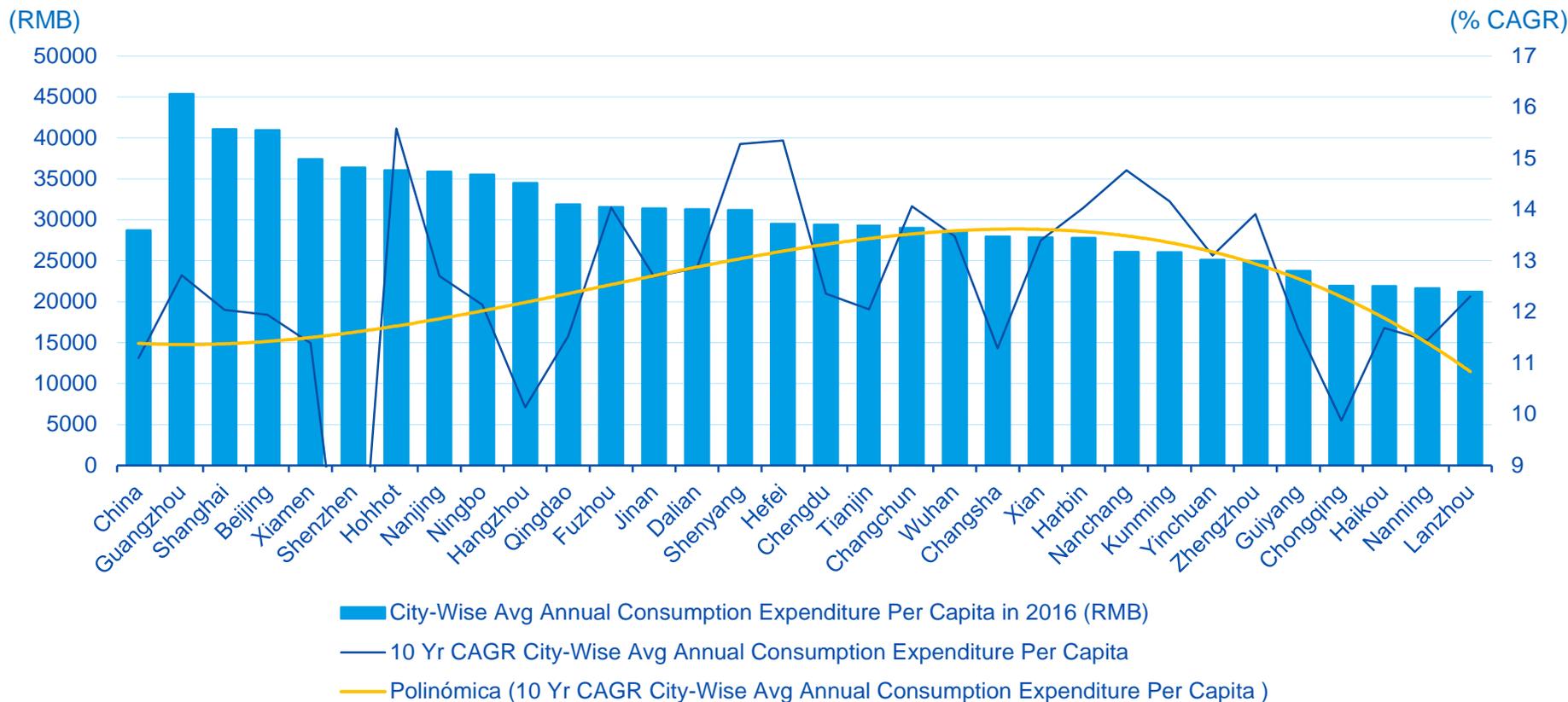
Rural China leads consumption expenditure per capita growth, pace has moderated but still healthy



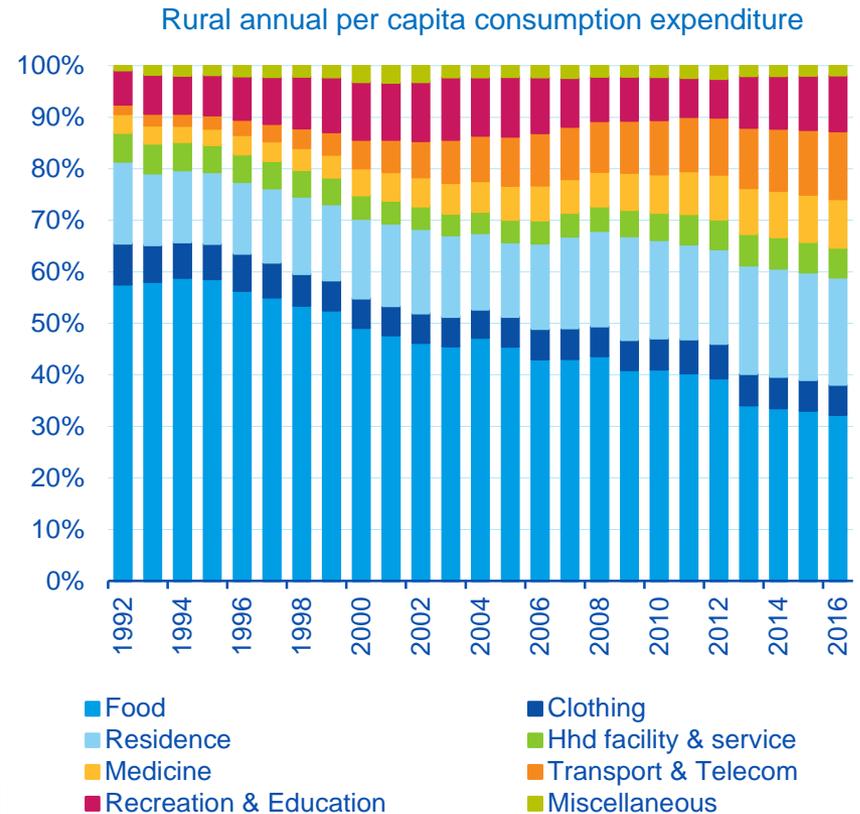
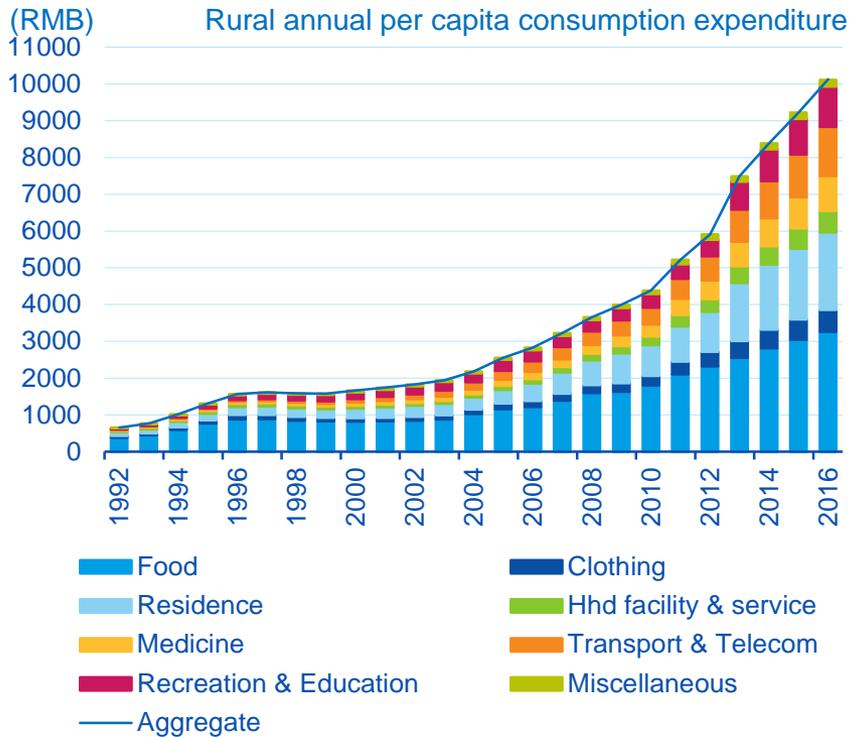
Province-wise consumption expenditure per capita



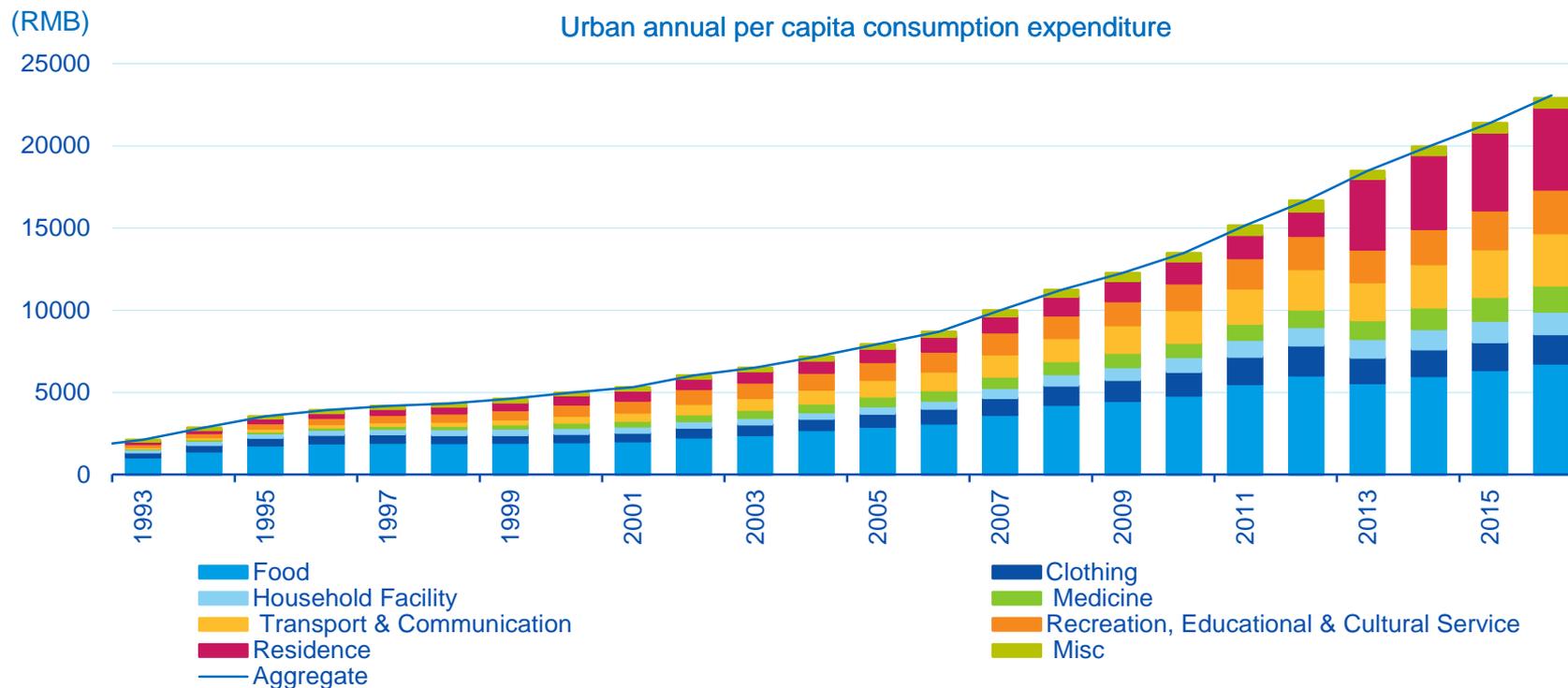
Per capita consumption in Tier-1 cities is visibly high but several Tier-2 & Tier-3 cities top in growth terms



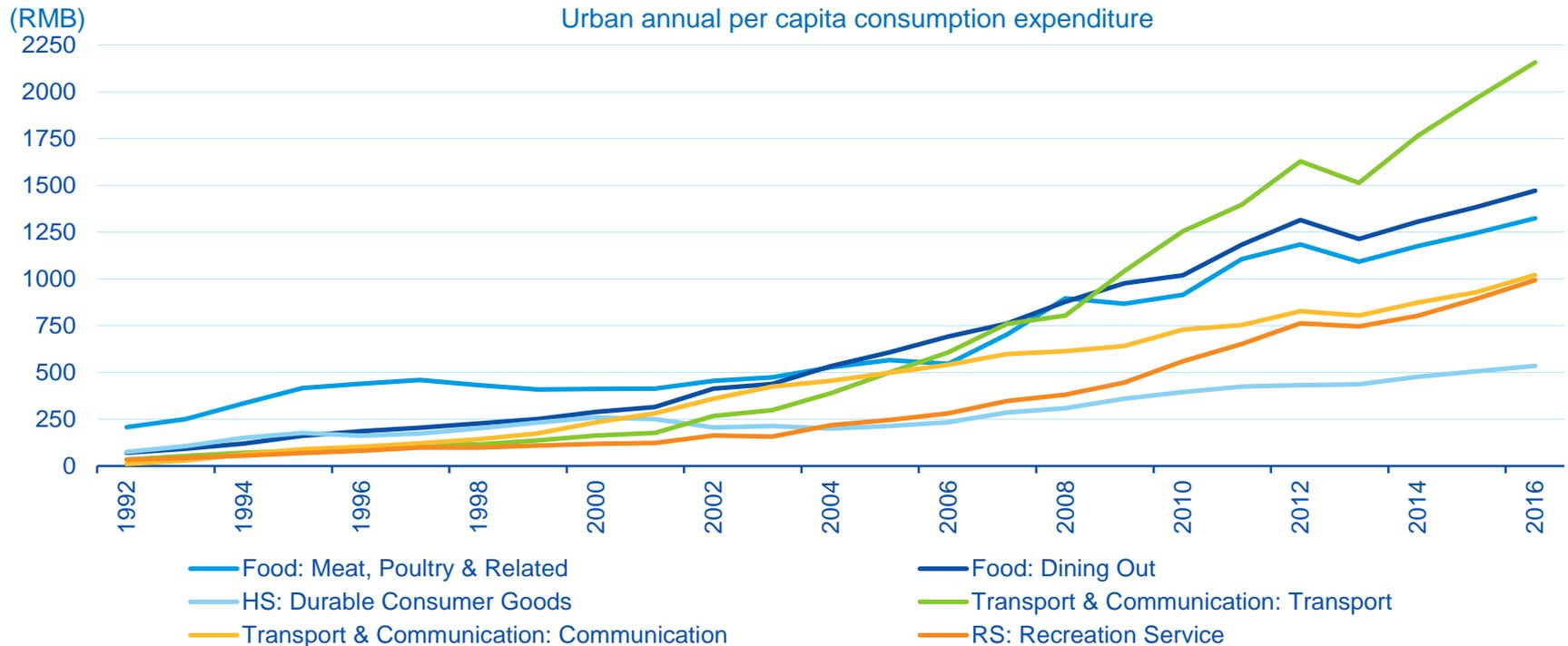
Share of food in rural China's per capita consumption basket is declining, offset by higher value purchases



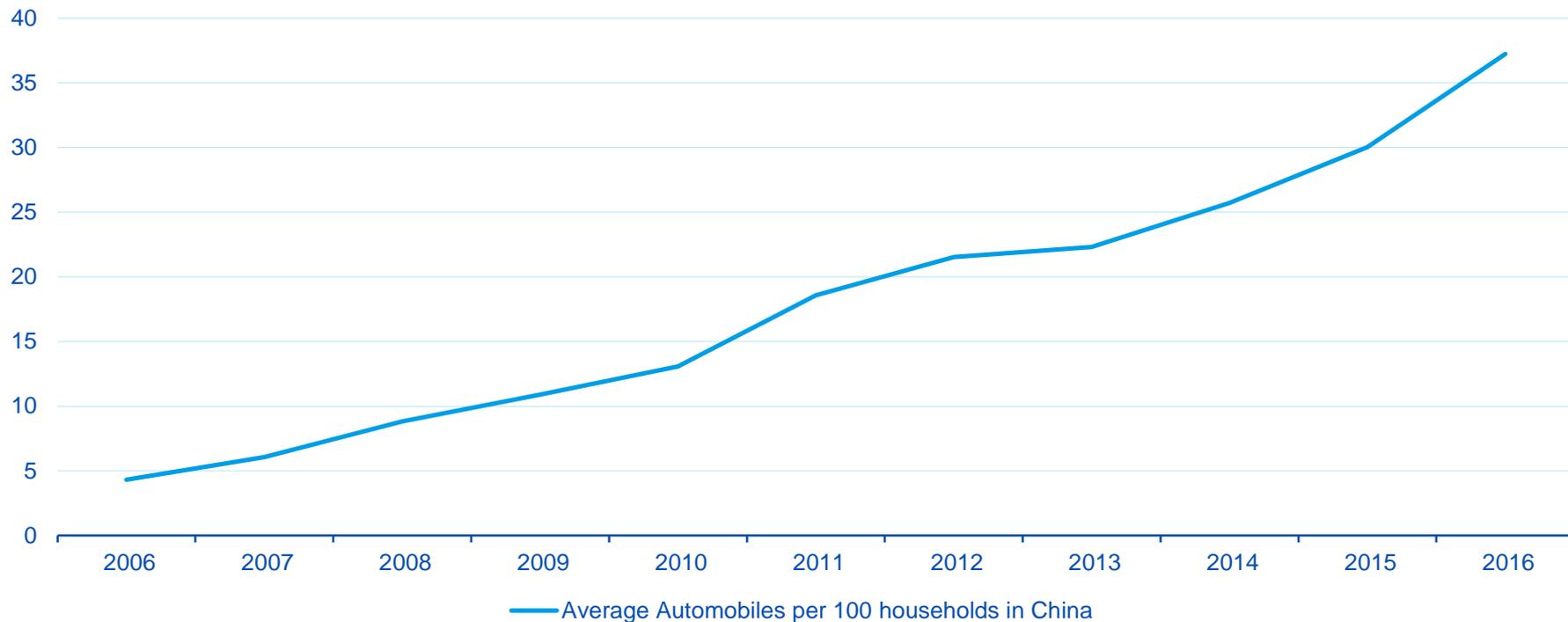
Increasing wallet share of urban Chinese towards residence, travel, communication, recreation & food



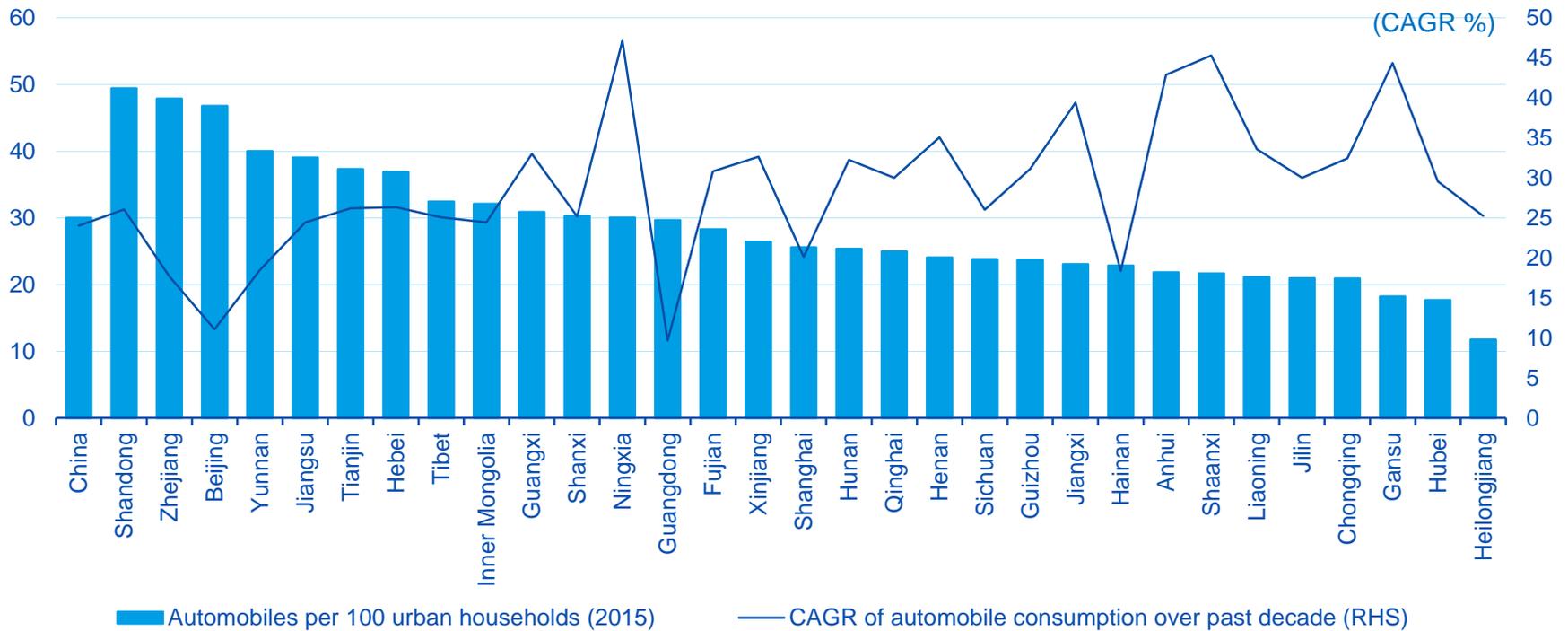
Urban Chinese prefer to travel, stay connected, buy protein rich food, durable goods & recreation



Automobile consumption has grown at a robust 24% CAGR over the past decade in urban China



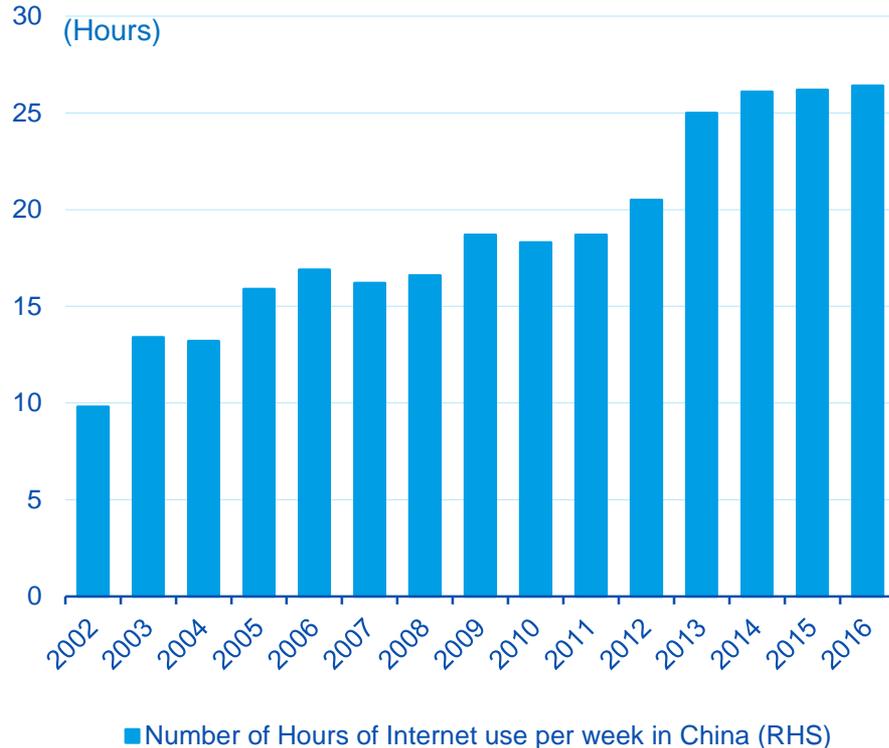
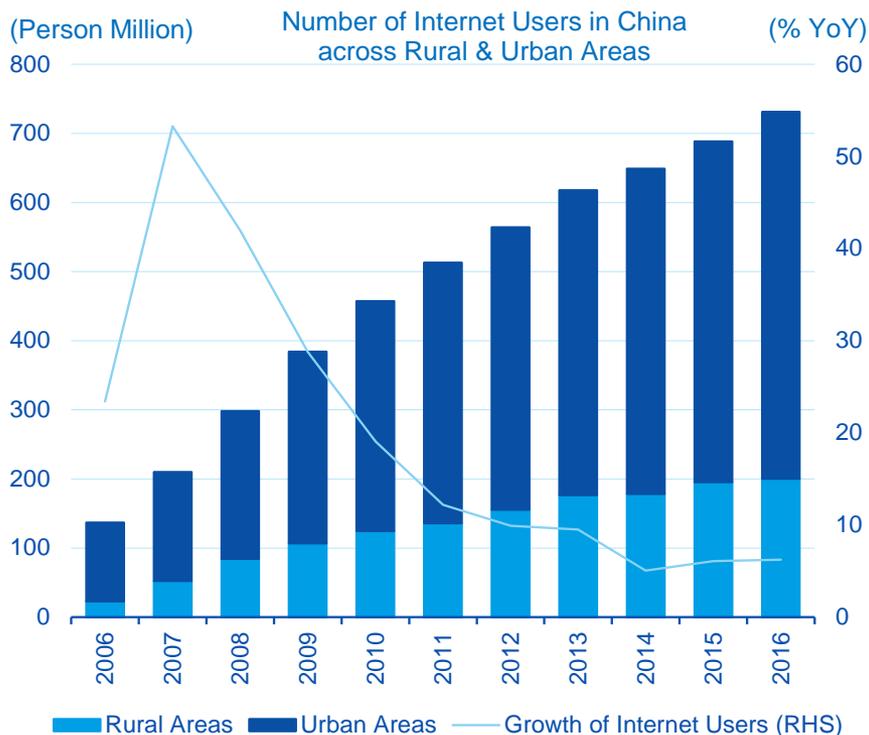
Auto consumption growth has been most rapid in less developed provinces over the past decade



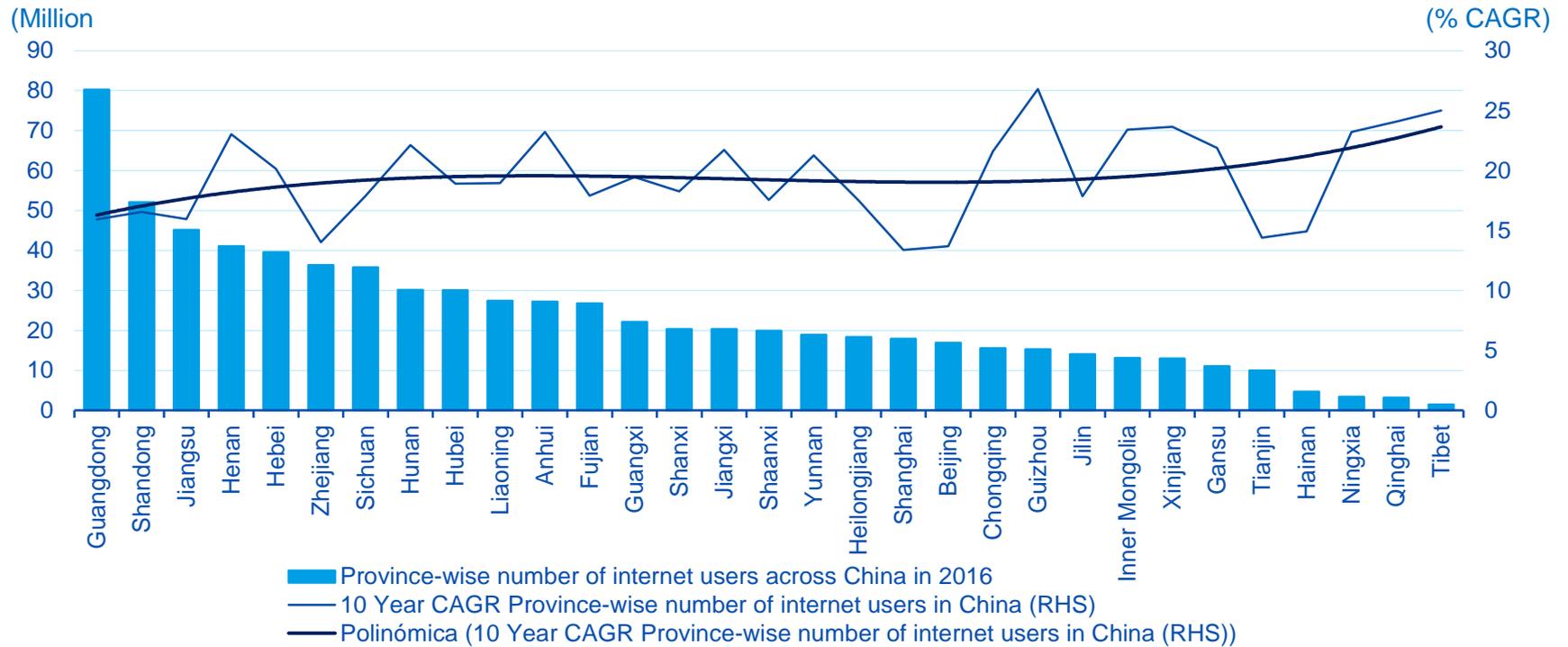


China's internet usage

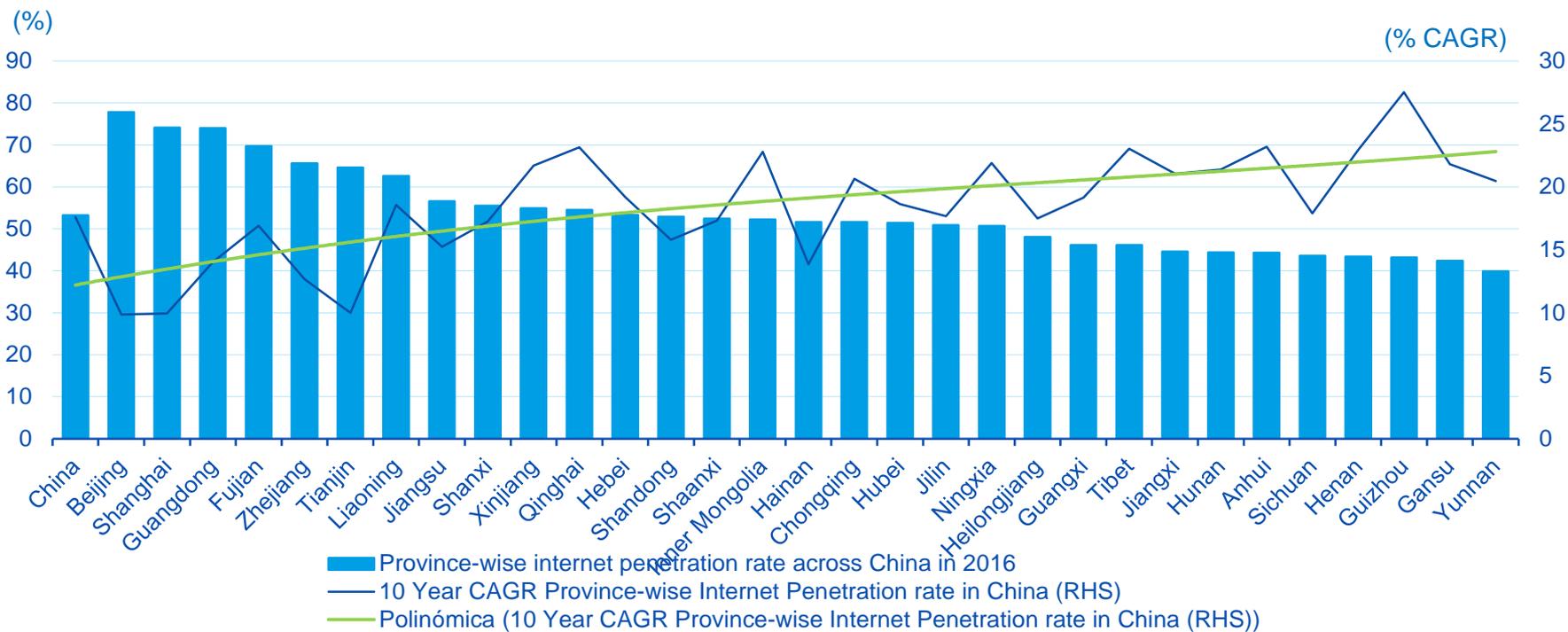
700 million plus internet users in China, bulk of them in urban areas, using 25 hours of internet per week



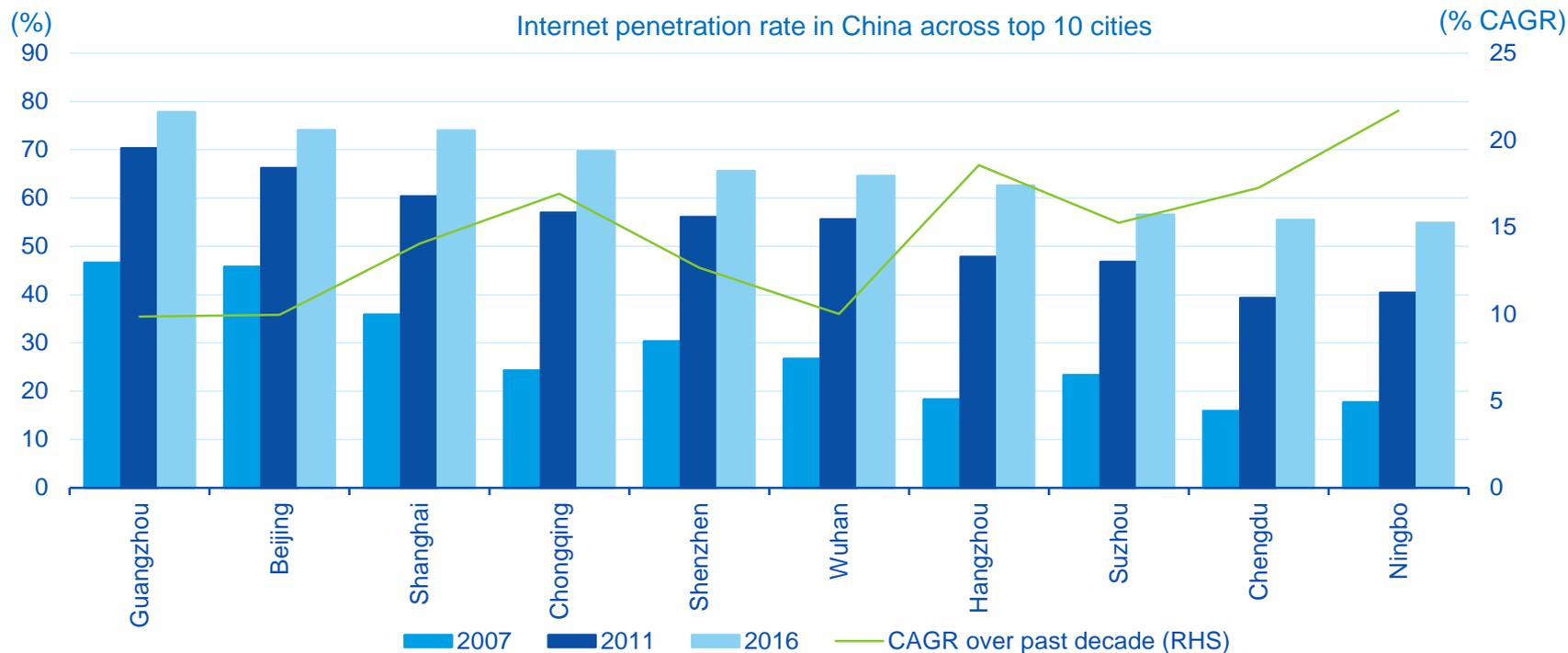
Guangdong province tops with the most number of internet users followed by Shangdong and Jiangsu



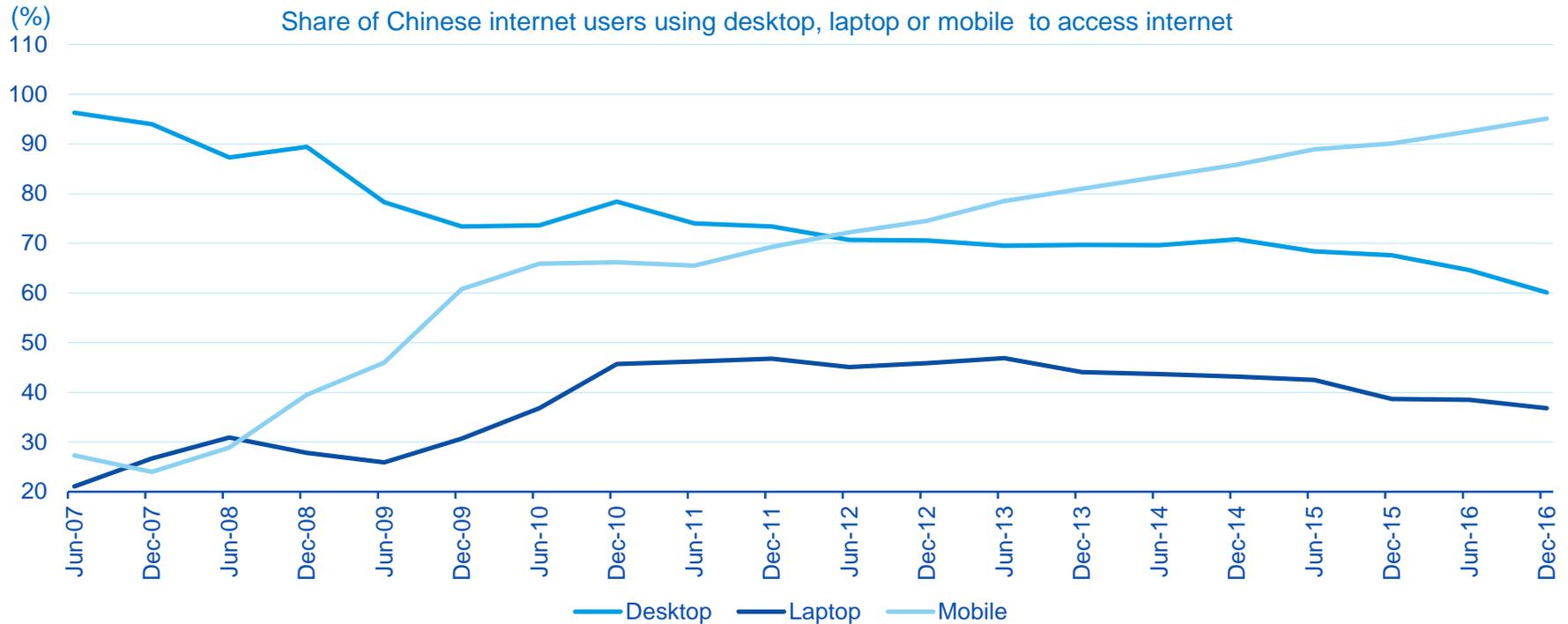
Beijing, Shanghai & Guangdong top in internet penetration, rapid growth seen across most provinces



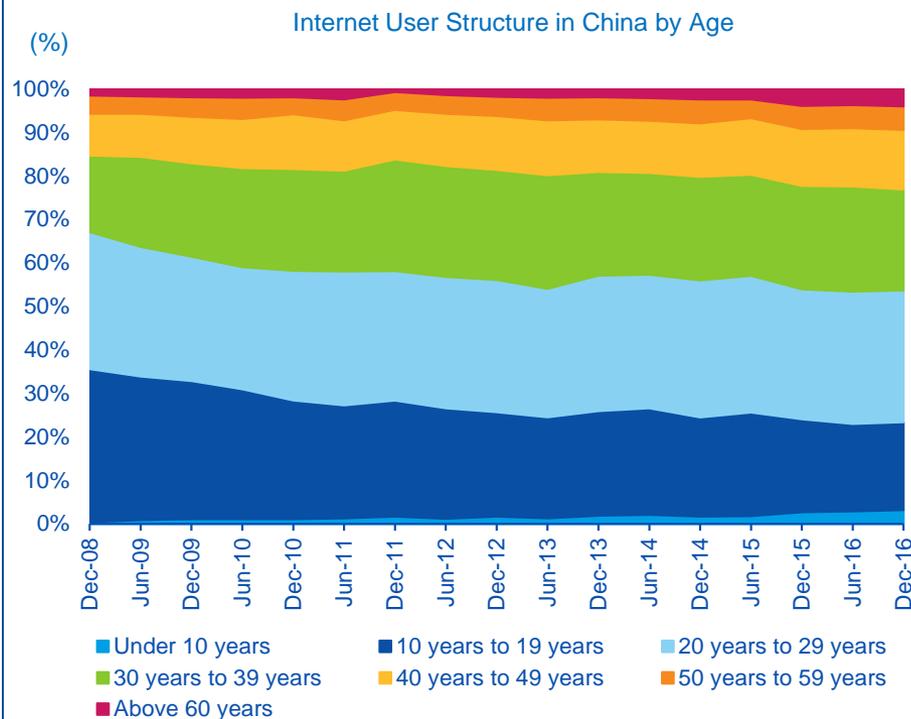
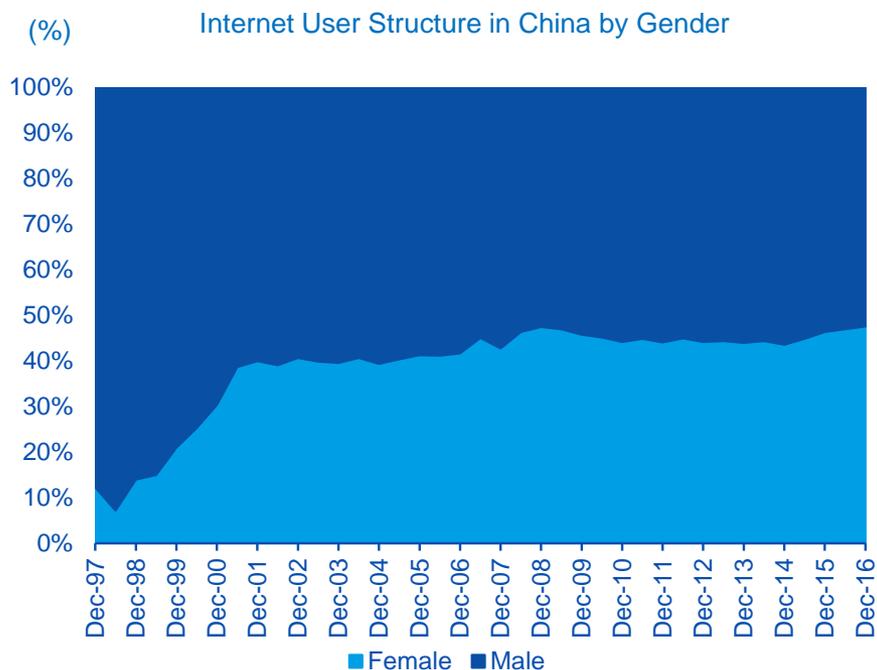
Across top cities, internet penetration growing most rapidly Ningbo, Hangzhou, Chengdu, & Chongqing



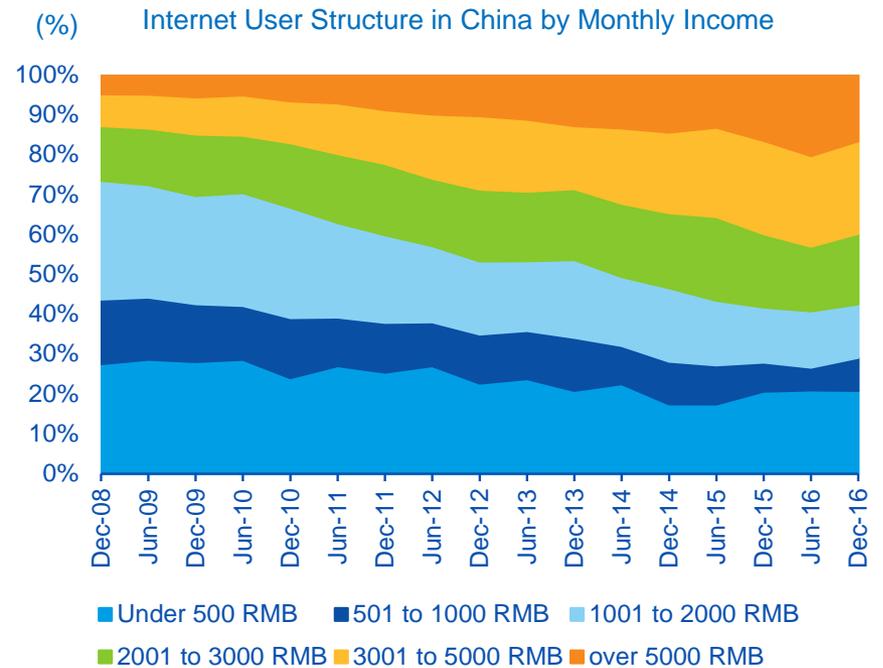
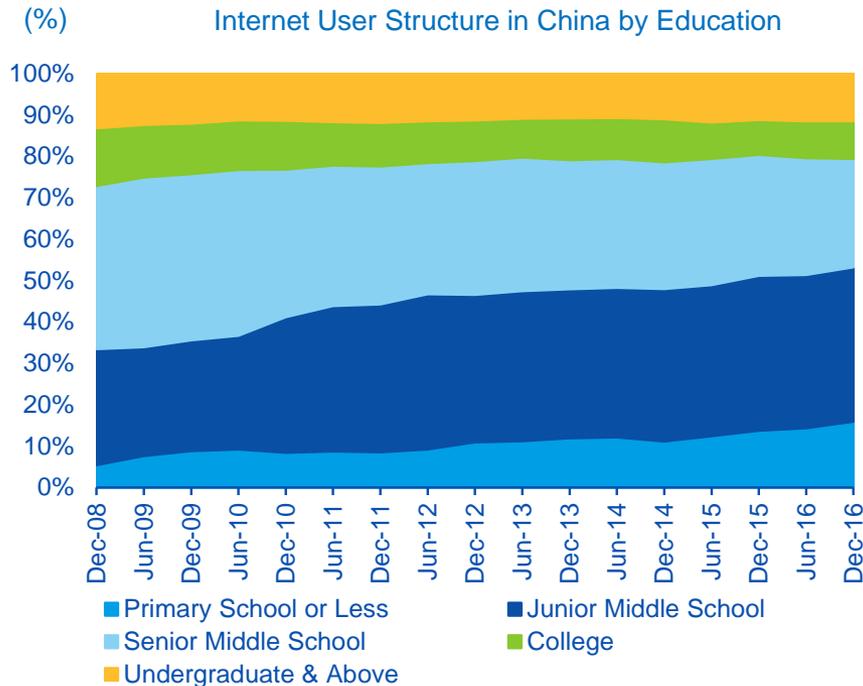
The use of mobile phone to access internet has far outdone that of desktop and laptop in China



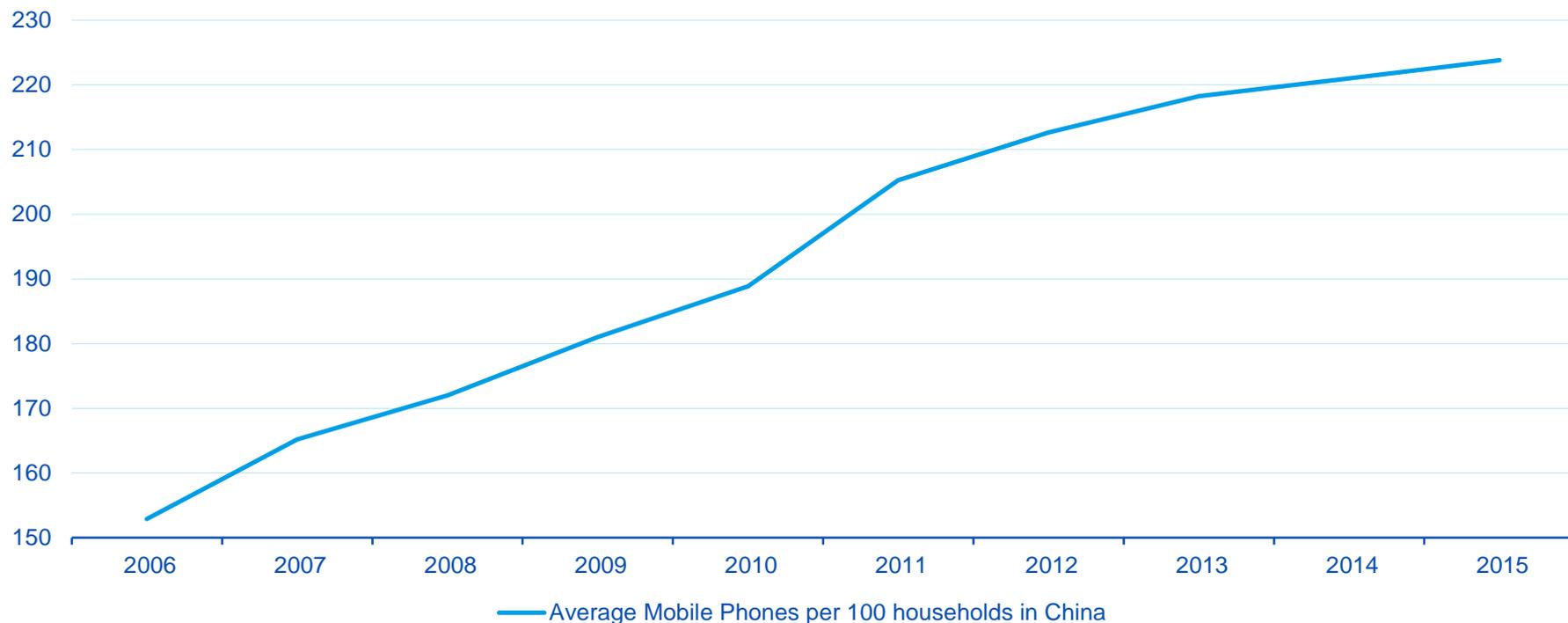
Gender gap in internet usage has largely closed while 20-50 years age group are the main users of internet



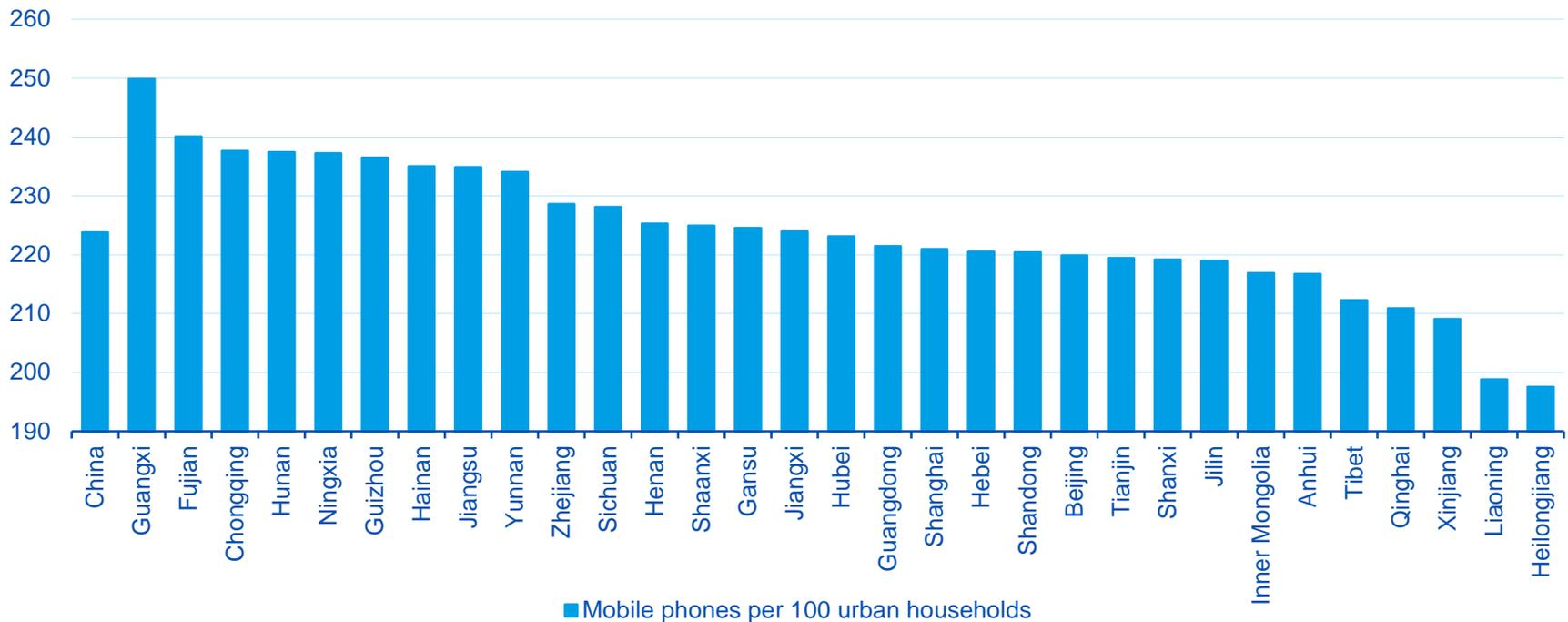
Most using internet have atleast attained secondary education, while usage is even across income groups



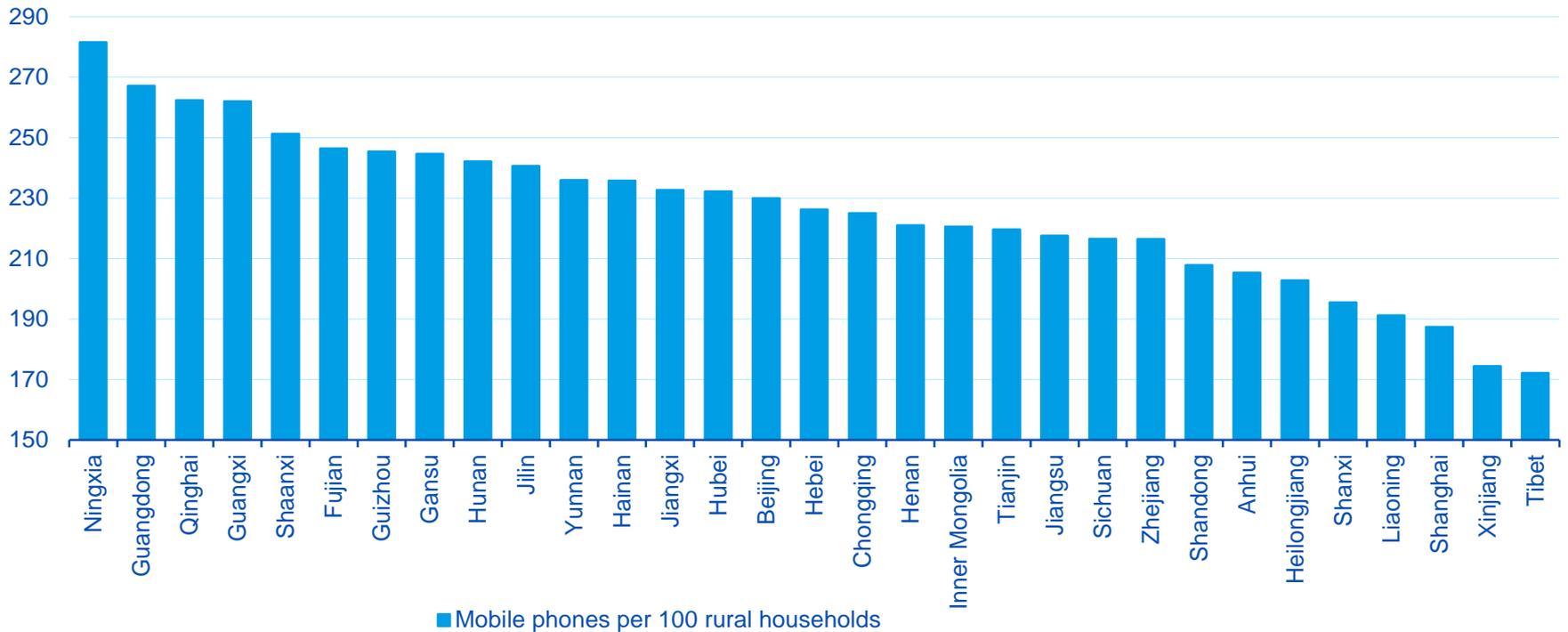
Mobile phone ownership across Chinese households has risen to an average above 2 per household



Mobile phone ownership in urban Chinese households across provinces



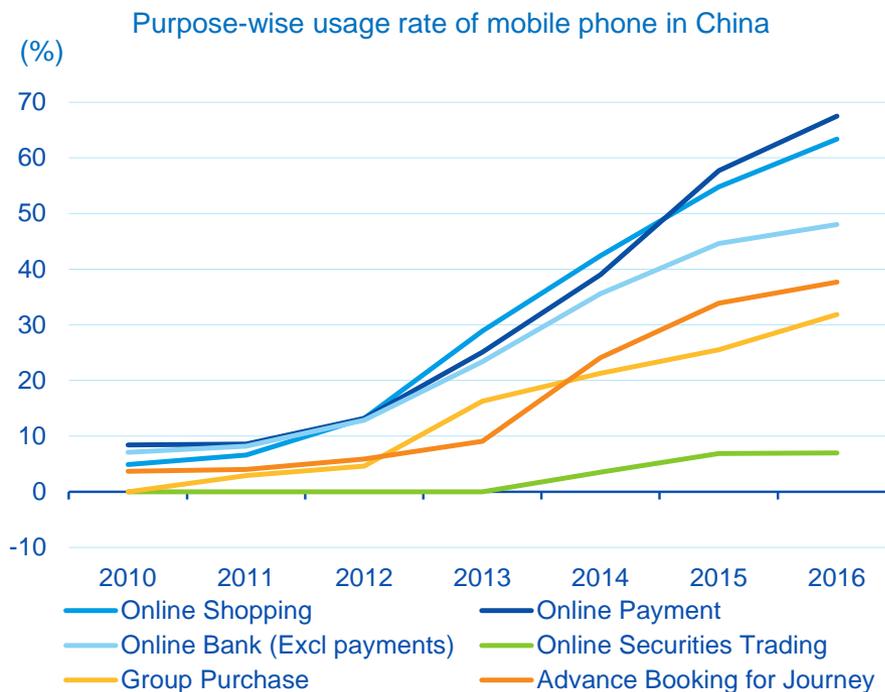
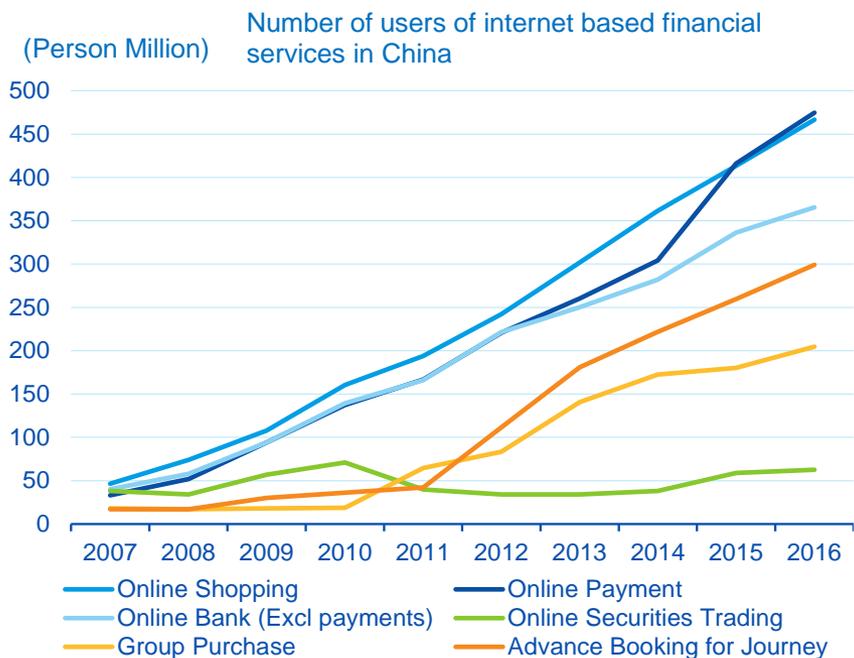
Mobile phone ownership in rural Chinese households across provinces



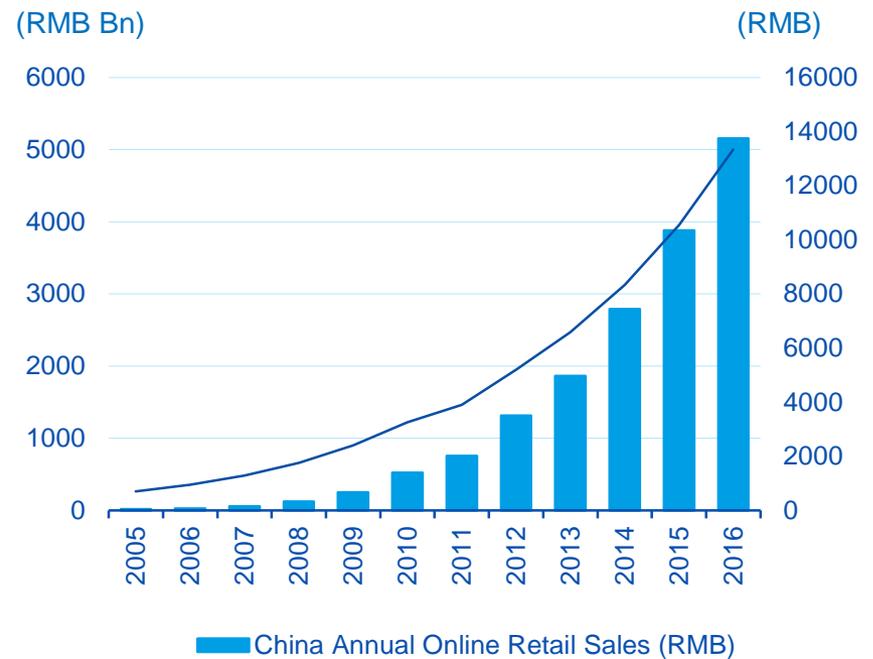


Ecommerce in China

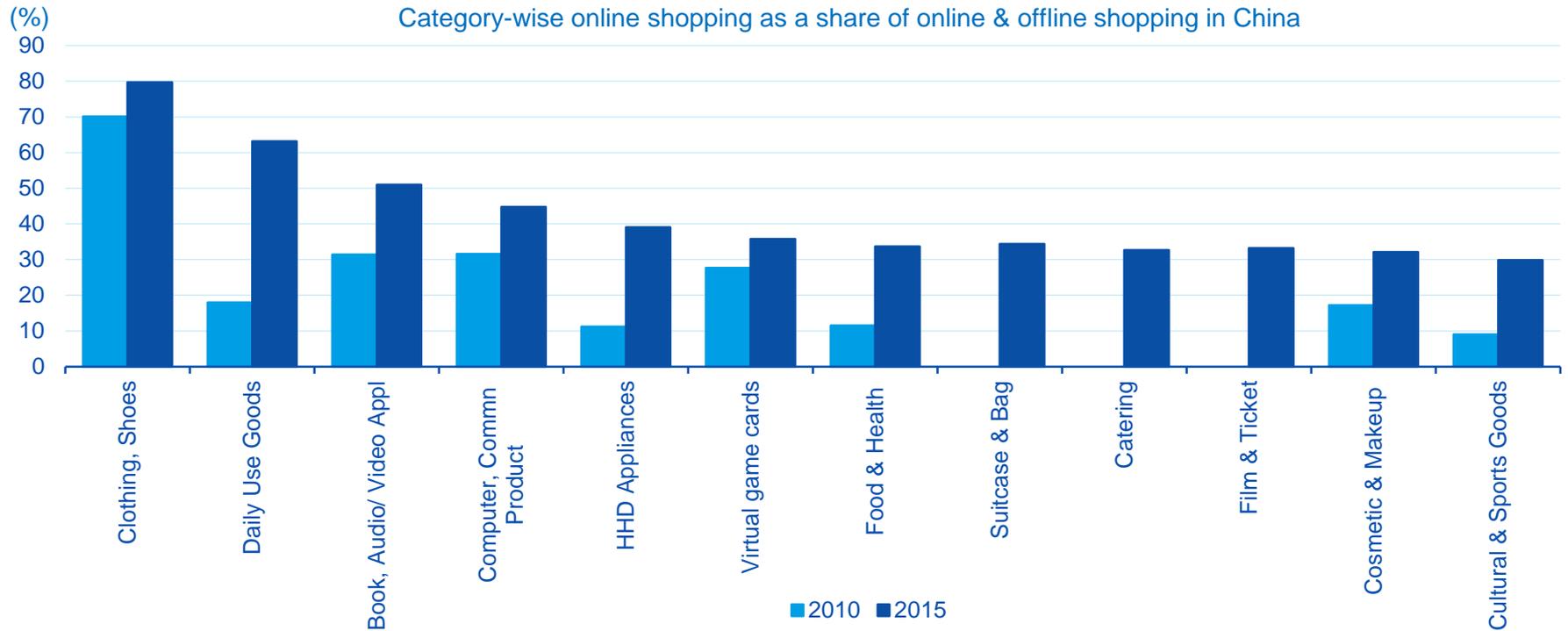
China has seen rapid rise in use of smartphones for online shopping and payments over past 5 years



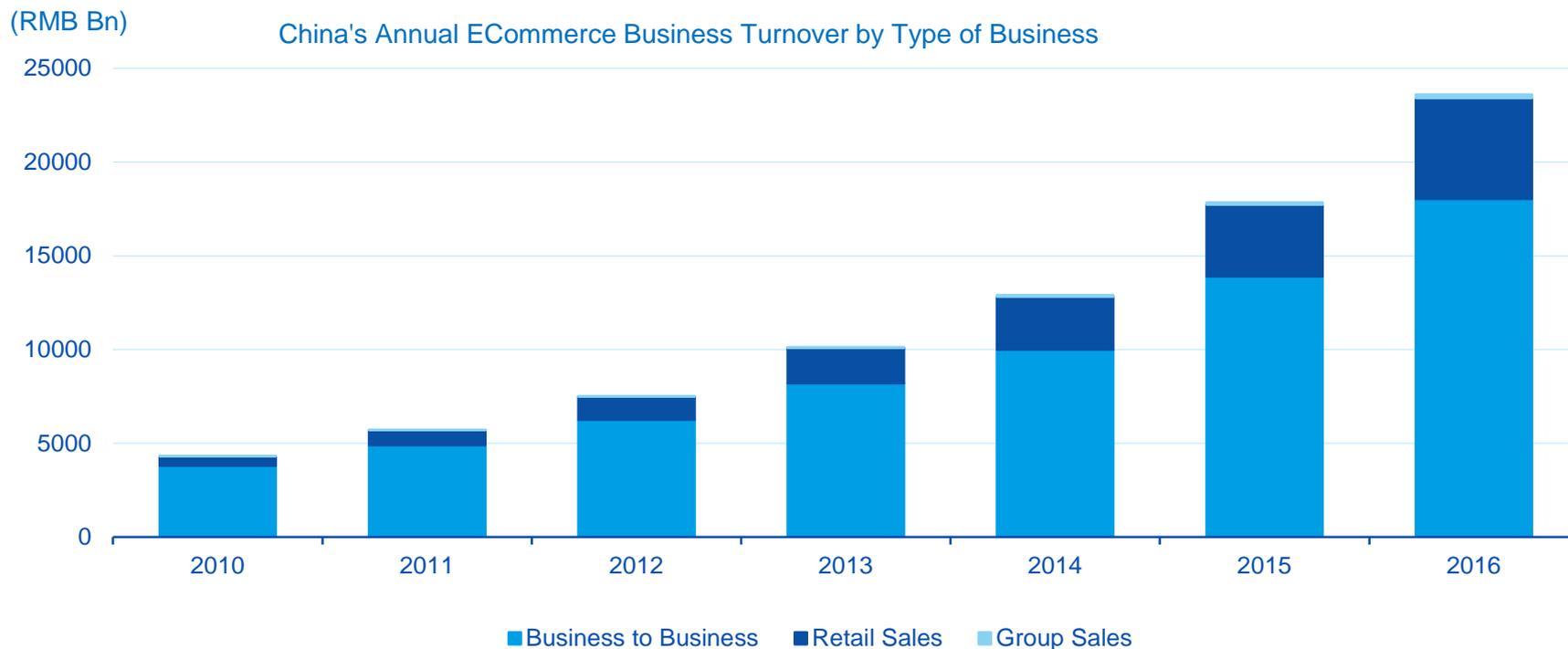
Online shopping has far outdone offline shopping in China over the past five years



Chinese are shopping online to buy an increasingly diverse range of goods today than ever before



Online retail sales forms a small but growing part of China's total E-commerce business, led by B2B



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