

GlobalDemographics

The Key 100 Consumer Household Cities in China

Global Demographics Limited

May 2010

Preview Only

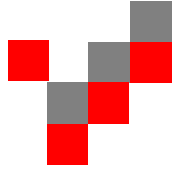
As presented to **IMA Asia** members at peer group briefings in Melbourne, Sydney, Hong Kong, Shanghai and Singapore, April 15-22nd 2010.



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Introduction

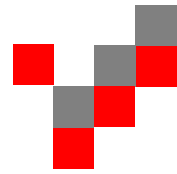
The question confronted by most companies now in terms of China is not:

“Should we be active in China’s consumer market?”

But rather

“Where should we focus our resources in China to best ensure profitability?”

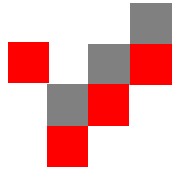
The purpose of this report is to help identify where in China the best opportunities exist for consumer products and services over the next decade.



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Key Findings

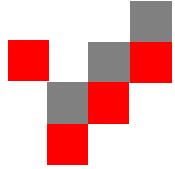
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Parameters

It is important to understand the following aspects of China in order to understand the forecasts contained in this report

- 1.The total population of China has almost stopped growing and after 2020 will start to decline in absolute number.
- 2.China's population is relatively old by international standards. Already (2010) 48% of the population is over the age of 40 years and by 2020 it will be 57%
- 3.The Rural Urban migration which helped drive the growth of urban populations (as well as productivity per worker) is now slowing rapidly. This is a function of the rural areas now being 'hollowed out' in terms of 15 to 34 year olds – who were the migrants. In 2008 there was an estimated 14 million migrants – by 2020 there will be 8 million
- 4.Urban populations are maintaining the absolute number of births as a result of it being over represented in the child bearing age population. In contrast, total rural births are declining rapidly.
- 5.As a result total urban population is projected to increase from its 2010 level of 663 million to reach 783 million in 2020. A higher figure makes unreasonable assumptions about birth rates and the propensity of older rural populations to migrate to urban areas.



Parameters Continued

6. Household income levels are a key criteria for determining the key cities of China. As such the reported household incomes in future years is important. This is a function of GDP forecasts.
7. Global Demographics currently forecasts total GDP to grow at an average annual rate of 6.6% per annum between 2010 and 2020. This is a function of the fact that the number of working age persons (and employed persons) peaks in 2013 and then declines, and the productivity gains as a result of rural urban migration are now reducing as a result of lower absolute levels of migration.
8. Based on that forecasts, average urban household income is projected to grow from its 2010 level of Rmb 52,000 in (2008 values) to reach Rmb 92,000 in 2020 (in 2008 values).
9. As a consequence it is only income segments Rmb 60,000 and above that will grow in size in future years – all others will decline. For this reason the number of Households with an income in excess of Rmb 60,000 is a key criteria for prioritising cities