

# China's middle class to rise to more than third of population by 2030, research firm says

PUBLISHED : Thursday, 03 November, 2016, 7:32am

UPDATED : Thursday, 03 November, 2016, 7:32am



*A Sandro store in Beijing. Most new high-income earners were predicted to emerge in interior provincial capitals, according to the Economist Intelligence Unit. Photo: AFP*

## Consumer spending expected to reach level currently seen in European Union, according to Economist Intelligence Unit

Mainland China's middle class will account for more than a third of its population by 2030, taking consumer spending to the level now seen in the European Union, an analytics company said.

About 35 per cent of the population will have in excess of US\$10,000 of annual disposable income by then, up from about 10 per cent today, according to the report released on Wednesday by The Economist Intelligence Unit.

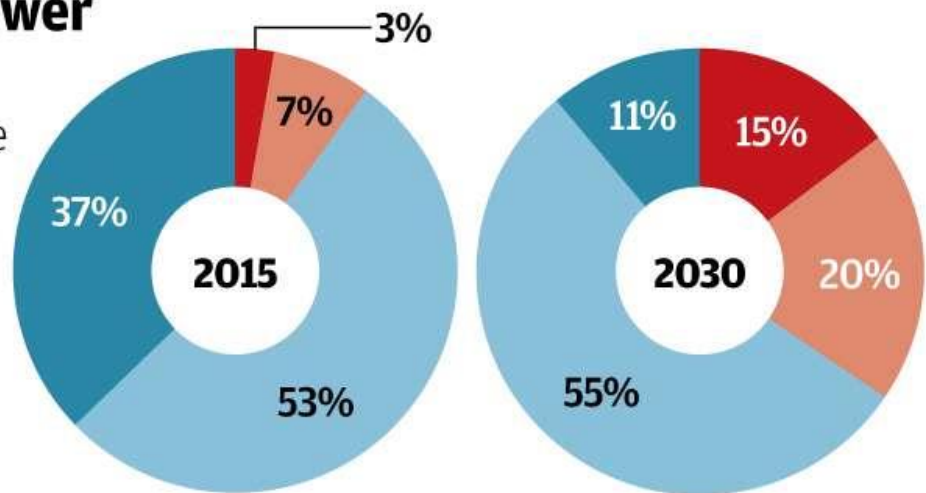
Private consumption, which includes both goods and services, as well as rent, is expected to grow by 5.5 per cent on average each year, faster than the expansion of the country's gross domestic product, according to the report.

# South China Morning Post

## Spending power

Per capita annual disposable income (% of population, 2015 prices)

- High income
- Upper middle
- Lower middle
- Low



Source: The Economist Intelligence Unit

\*Rounding errors apply

SCMP

“We expect that the purchasing power of individual Chinese consumers in 2030 will be roughly akin to that of South Korea today or the US in 2000,” said Dan Wang, China analyst at the company.

Inequalities in wealth were expected to persist, although most of the high-income earners would likely emerge in interior provincial capitals such as Chongqing, Xian and Changsha, it said. Traditionally, the coastal provinces have been the wealthiest.

“Compared to the US and South Korea, China has a much bigger percentage of low-wealth population, mostly because of the large rural population,” Wang said. “China’s inequality in wealth is generally considered lower than that in the US and South Korea, but it is likely to be higher in the future,” she said. “As development deepens, wealth will depend more on capital rather than labour. People owning more capital to start with will be able to accumulate wealth [like housing] a lot faster.”

The report divides mainland consumers into four types, depending on annual disposable income: low income (less than 13,000 yuan, or HK\$14,900), lower-middle income (13,000-67,000 yuan), upper-middle income (67,000-200,000 yuan) and high income (above 200,000 yuan).



*The report defines high-income earners as ones who can afford financial services, overseas travel and high-end consumer goods and services. Pictured, a Beijing wine expo in 2013. Photo:AFP*

Upper middle-income consumers are defined as those able to purchase cars, branded goods and properties in first and second-tier cities, while high-income ones can afford financial services, overseas travel and high-end consumer goods and services.

Many international organisations have released similar reports on China's growing middle class in recent years. In one of the most recent and frequently cited reports, by Credit Suisse last year, the mainland had a middle class of 109 million, who were defined as adults with wealth of at least US\$ 28,000.

Xu Mingqi, a professor at the Shanghai Academy of Social Sciences' Institute of World Economy, said although both individuals and the state had seen an increase in wealth, the gains could have been overestimated by overseas observers.

"One tangible example is the surge in outbound tourism and overseas spending. Among such a huge population, some, having achieved a relatively higher income, have showed much more diversified consumption needs than before," Xu said. "One tangible example is the surge in outbound tourism and overseas spending.

"But let's not forget the vast underdeveloped areas where income is still quite low," he said.

At the government and corporate level, growing investment overseas was also attracting the attention of overseas observers, which suggested surging levels of growth, he added.