

MIDDLE CLASS CONSUMERS IN CHINA

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Executive Summary

1. The emerging middle class not only represents China's fast economic growth and accumulation of social wealth but also demonstrates its purchasing power potential in both domestic and global consumer markets.
2. Basic consumption of food and clothing remains as the major component of total household living expenditure for lower-income families (48%), middle-income families (40%), and higher-income families (30%).
3. In 2008, the Durable Consumer Goods (DCGs)/100 urban households in developed cities and provinces exceeded the national average, especially for middle class DCGs; there was also a sharp rise in ownership of automobiles among the middle class.
4. Housing consumption for middle-income family is a way of saving as well as investment for the future. Over 4/5 of new middle class and 2/3 of marginal middle class owned a property in 2005, with an average of over 40% purchasing a commodity house.
5. Though the housing market has become overheated since 2006, in 2007, there were still over 1/5 of new middle class in Beijing who were reported to own more than one property.
6. Higher education in China has undergone massive expansion in the past decade. The cost in higher education has increased 25 to 30 times since then. It takes roughly ¥30,000 to ¥100,000 to complete higher education in China.
7. Travelling has become one important middle class leisure activity in China. From 1998 to 2008, outbound journeys made by mainland Chinese tourists for private purposes increased 11.5 times.

8. Hong Kong and Macau are the most popular destinations, followed by Southeast Asia and Europe. Ninety percent of middle class travellers purchase luxury goods overseas and over 1/3 of them travel more than once a year; the majority would continue to purchase luxury goods from the domestic market.
9. During the economic downturn, the consumption of middle-aged consumers (25 to 44 years old) was impacted most. In contrast, the consumption behaviours of consumers below 25 appeared to be most stable.
10. Common middle class lifestyle and consumption culture have yet to be formed. The group makes up of people of all age groups, life experiences and consumption philosophy.
11. Most middle class families facing challenges from rising housing prices and costs of children's education survive by living on their parents' life savings, lowering overall budget, or moving to places with lower cost of living.
12. To create better living conditions for the young and vulnerable middle class, the Chinese government would do well to deal with the real estate bubble and rebalance the allocation of resources to refine the welfare system.