

**URBANIZATION AND CHINA'S
URBAN-RURAL DIVIDE
IN CONSUMPTION**

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Executive Summary

1. Due to the urban registration system (*hukou*), there had been a large rural-urban divide in China in both economic development and people's living standards over the last 50 years.
2. As economic growth and urbanization gather pace, income and living standards between rural and urban areas started to converge, especially in the consumption of consumer durables.
3. The narrowing of rural-urban divide in the consumption of home appliances was particularly significant between 2001 and 2011, as technologically advanced durables spread from the city to the countryside.
4. Surveys indicate that the demand for consumer durables is highest in small cities and small towns at county or township level. This could be the result of an acceleration of urbanization and changes in lifestyles.
5. The young generation also plays a key role in generating new demands. Compared with older generations, the young generation across areas tends to form a similar vision of life and thus a demand for similar products is evident.
6. At the same time, rural ownership of and especially demand for consumer durables also increase significantly, due to either the rise in income or product differentiation.
7. In particular, residents in rural areas and small cities have strong demand for mobile phones, at levels that are comparable to that in large cities or even higher than that in medium-sized common cities.
8. As the demand for consumer durables converges across regions, from big cities to rural countryside, China will not necessarily see the rural-urban economic divide develop into a digital and technological divide.