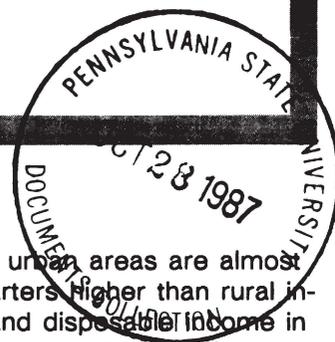


Statistical Brief

From the Bureau of the Census



China's Escalating Consumer Markets

By the year 2000, China will probably double its per capita consumption.

Why think about doing business in China? Because a number of factors have converged to make it a potentially lucrative market. This Brief describes recent trends in consumption in China using data collected by the Chinese government. The Bureau of the Census compiled and analyzed these data from household surveys.

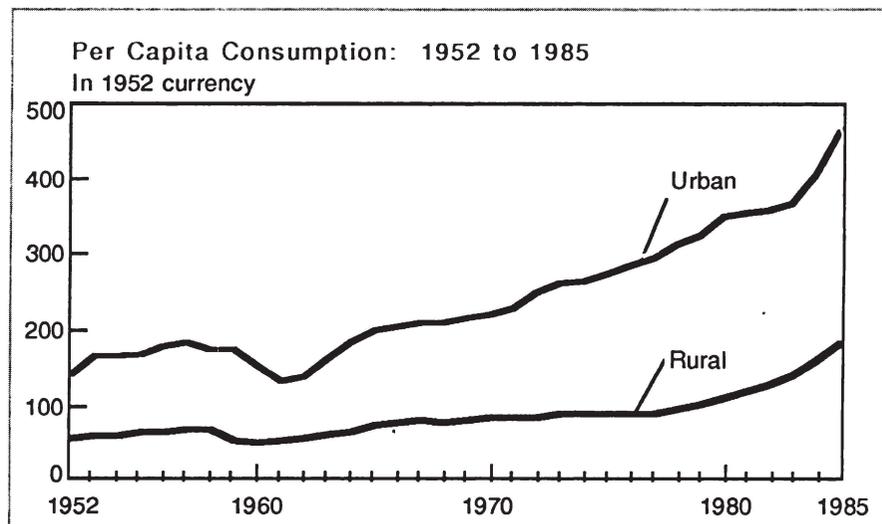
The foremost factor in China's favor as a potential market is its size.

China has almost five times as many people as the United States. It has a very young population (about half are under 21 years old), but the sharp reduction in fertility over the past 30 years will cause rapid aging of the population in the future. Of its more than 1 billion people, almost two-thirds are 15 to 64 years old, the prime spending ages. Over the next 15 years, the number of persons in their prime spending years will increase by 176 million. China's urban areas, where transportation links are good, access to markets is high, and incomes are growing rapidly, have half again as many people as the entire U.S. population.

Several other demographic factors have come together to stimulate markets. Although the extended family system still predominates, household size is declining as more couples set up their own households. China has the highest female labor force participation of any major country and a correspondingly high percentage of dual-earner families.

Because of the wide array of income and consumption subsidies not available in rural areas, urban residents enjoy a higher standard of living and higher income. In-

comes in urban areas are almost three-quarters higher than rural incomes, and disposable income in urban areas doubled in a 6-year period, a yearly growth rate of 12 percent. Rural residents are closing the income gap, however, and could eliminate much of the gap in a little over 10 years if current patterns continue. Increasing government income supplements, provided as incentives for workers to locate in rural areas, and a widespread switch from the home production of needed goods to the purchase of ready-made commodities on the open market both mean that rural areas show great potential for increased consumer demand also.



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U.S. Department of Commerce
BUREAU OF THE CENSUS

Ownership of Consumer Goods: 1984
(per 100 households)

	Urban	Rural
Bicycles	163	75
Sewing machines	78	43
Watches	283	109
Radios	103	61
Televisions	85	7
Color	5	N/A

While income and consumption levels have skyrocketed, output of consumer goods has not kept pace with demand.

The consumption of goods in China has grown steadily for the last 30 years and, in recent years, has increased by 10 percent each year in urban areas. All indications are that overall consumption should continue to expand by 3 to 5 percent each year. Although the greatest growth in consumption in recent years has been for clothing, by far the greatest portion of the family budget goes for food. Growth in the sale of liquor was the fastest in this category, closely followed by poultry and vegetable oil.

The consumption of some durable goods has also been high and the markets for others look very promising. Although 8 out of 10 urban households already own a television set, new consumer growth for TV's is high. In rural areas less than 1 out of 10 households owns a TV but the rate of ownership is growing by over 100 percent per year. Such avid TV consumption suggests an excellent market for color TV's in the years to come. (Only 5 percent of urban households own one now.) Other lucrative markets for appliances such as refrigerators and washing machines are developing rapidly.

High and rising savings rates suggest that there is a substantial unmet demand for consumer goods.

Chinese households save a very high proportion of their incomes: almost one-fifth for rural residents and one-eighth for urban residents. These savings rates are still rising, suggesting that the production of consumer goods has not kept pace with the growth in demand. As more goods come onto the market, consumers may liquidate part of their savings to acquire items previously in short supply.

Chinese demand for consumer goods is likely to increase the demand for imports of producer goods.

The vast majority of China's imports in recent years have been producer goods, that is, direct and indirect components for China's consumer products industries. In 1985, 9 out of 10 items imported were manufactured goods that will be used to produce other finished goods. China will continue to require increasing amounts of producer goods in order to manufacture the consumer goods the Chinese now demand. Chinese imports of American goods document this trend. The share of Chinese imports from the U.S. that are producer goods has risen from just

over one-half in 1981 to nearly three-quarters in 1986.

China remains a tightly controlled market which the government could close at any time. Nevertheless, the potential opportunities this market presents are promising.

For Further Information on China
See: **Consumer Demand in China: A Statistical Factbook**
Published by
Westview Press, Inc.,
5500 Central Avenue,
Boulder, Colorado 80301

Contact: Jeffrey Taylor
(301) 763-4012

For Information on
Statistical Briefs
Contact: Jennifer Marks
(301) 763-3814

This is one of a series of occasional reports providing timely data on specific policy-related issues. This Brief presents data from a series of Chinese household surveys that have been analyzed by the U.S. Bureau of the Census. The results are subject to errors such as undercoverage of the population, processing errors, and respondent reporting errors. If each of the surveys was repeated with different samples of respondents, the results would vary from sample to sample. However, the use of data not generated by the U.S. Bureau of the Census precludes performing the same statistical reviews that the Bureau does on its own data.

