

What drives the Chinese consumer

By WU ZHIJIAN

NAPOLEON Bonaparte is supposed to have once said: China is a sleeping lion; let her sleep; for when she wakes, she will shake the world. Certainly at the moment, China is rocking the world of commodities. As at late 2008, China contributed to 10 per cent of world's oil consumption, 35 per cent of world's coal consumption, 16 per cent of world's aluminium consumption, 20 per cent of world's copper consumption, 40 per cent of world's cotton consumption and 18 per cent of world's wheat consumption.

What is more impressive, however, is China's seemingly unlimited appetite for bulk commodities in the current uncertain economic environment.

For example, the fact that 90 capesized vessels – ships too large to transit the Suez Canal – wait outside the Chinese ports to discharge a record amount of iron ore makes the country stand out as a silver lining in a gloomy world economy.

Looking back 200 years, China has never been so important to the global economy as now. But looking back to an even more distant past, however, China has almost always been an important and powerful civilization.

So is the lion going to be able to hold the fort of global economic recovery? It is a big question. One of the keys to the answer is China's domestic consumption.

In this global downturn, China also suffers from a severe slowdown of

export growth. But the central government has been quite aggressive in launching an investment campaign and easing bank lending.

According to economic theory, however, whether such a measure is effective in sustaining the economic growth would depend highly on the performance of consumption sector.

So are the Chinese able and ready to spend more? For such a big country with so many people, it is never easy to find a straightforward answer. Sometimes people outside this country are even more interested in this question than the Chinese themselves. Instead of guessing how Chinese might think or behave, we try to provide an alternative to the above question: from inside out.

There were a lot of interesting findings in our study. For example, the global downturn is not as deeply felt by the Chinese as it is in the West.

And there are huge variations in people's responses to their spending agenda in the next 12 months. However, we also find some overlapping points among the majority of our respondents, especially on the concerns that might stop them from spending.

The chart on the right lists the biggest concerns that prevent people from spending as freely they like. Not surprisingly, housing costs tops the list of concerns. This is particularly understandable as China has very limited living space per capita, especially in the big cities, and most people have a strong desire to own their homes.

Other potential reasons that might curb aggressive spending by the Chi-

nese are: the traditional value of thrift; overall rises in living costs; chances of salary cuts/job retrenchment in a slowing economy; plans for children's schooling; and unexpected medical expenses.

Our study is no way near impeccable. For example, the result of the survey is largely subjective to the sample size and demography, which could be biased based only on the Internet drawing method. In addition, there is a lot more detailed work to be done to quantify the negative impact of people's unwillingness to consume more of the country's economic growth. We have no ambition to tackle the above challenge in this study.

Complicated real world

What we would like to stress, however, are the following points. First, there are quite a few concerns that might prevent the Chinese from spending more. The world should not get too excited about the nation's capability to hold the global economic fort. While the import and growth numbers look good on paper, the real world is much more complicated.

Second, instead of guessing what China's next step might be, based on economic models or "logic", maybe we should pause and listen to what Chinese people think. Here, we mean the ordinary people on the street. The purpose of our study aims to provide the global audience with an unbiased reflection of what is going on at the grassroots and what the people think or care about.



No direct answer: There are huge variations in Chinese consumers' responses to their spending agenda in the next 12 months

Tightening their belts

What is stopping the Chinese from spending more?

