ECONOMIC GROWTH AND NEW MIDDLE-CLASS CONSUMERS IN DEVELOPING NATIONS

CHINA'S MIDDLE CLASS

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The extraordinary growth of the 1980s has slowed in the last ten years.

Nevertheless, for the 1990s as a whole, China’s nominal GDP grew by a phenomenal 340 percent.

The leadership’s challenge: Collect the rents derived from this growth to finance SOE reform/commercialization and a new social safety net, while supporting consumption.
Who is the Middle Class?

- Earn 100,000-150,000 RMB after taxes (above $12,500 USD)
- have ownership of an apartment
- secure assets of 1 million RMB

... Far fewer than 1% of the population. (cf. the super rich)

("Mr. and Mrs. Middle Class Move
In": Clara Li, china.scmp.com)
In 2001, it was predicted that two-fifths of the Chinese population would be in the middle class in the next ten years.

Geographically, 490M people in ten cities along the coastline are well positioned to achieve middle class status by 2010.
What are the constraints on middle class growth?

Failure to provide adequate consumer credit represents a major bottleneck.

- Virtual absence of credit cards and non secured lending.
- Lack of property and chattel mortgages (cf. Shanghai experiment) restricts access to capital. Car loans?
- Absence of national credit reporting systems.

("The Different Faces of the Chinese Consumer": Geng Cui)
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- Transformational effect of WTO on Middle Class? - A two-edged sword.
- Government need to foster inflation may support broadening of consumer credit to unlock 40% savings rate. (NB: Generational gap in attitudes toward debt.)
- Fourth Generation leadership attitudes?