

## Fidelity International

### Hyomi Jie – What's consuming China?

- In China, household consumption has been gradually increasing. In contrast, capital formation has been falling
- However, what's interesting is we're still below 40% of GDP for the Chinese consumer, which is lower than 68% in the US, 66% in the UK, or around 50% in its neighbouring countries, Taiwan
- Investment spending is the Old China. The new China depends on the household
- There will be clear winners in this consistent trend, driven by a rising middle class and increasing urbanisation. Technology will create new business models
- The 'A' shares market presents opportunities; investors need to tap into it, but need a reliable partner
- In 2015, only 10% of the Chinese population made more than \$10,000. But that number is expected to increase to one third of the total population in 10 years' time. Such huge wealth creation will see Chinese consumers buy more and better things
- Urbanisation changes people's lifestyles and the way people consume
- China continues to increase its urbanisation rate. Now it's a little bit below 60% which is still much lower than US and UK
- In China, the willingness to 'trade down' in terms of product quality is very little - somewhere between 1% to 2% in any product category, but the willingness to upgrade is very high. This is very different to developed markets
- China currently has more than 1 billion daily active users in mobile internet. This huge user basis creates vast real time data every day
- Mobile payments are now the majority of payments. There are disruptive companies emerging all the time: TikTok is a great example. It now absorbs 15% of the total tech time spent in China and 12% of advertising spend
- The 'A' share market is opening up. China accounts for a 20% of global GDP but only 4% of global stock markets. This gap will narrow
- We prefer businesses that make in China and make for China

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