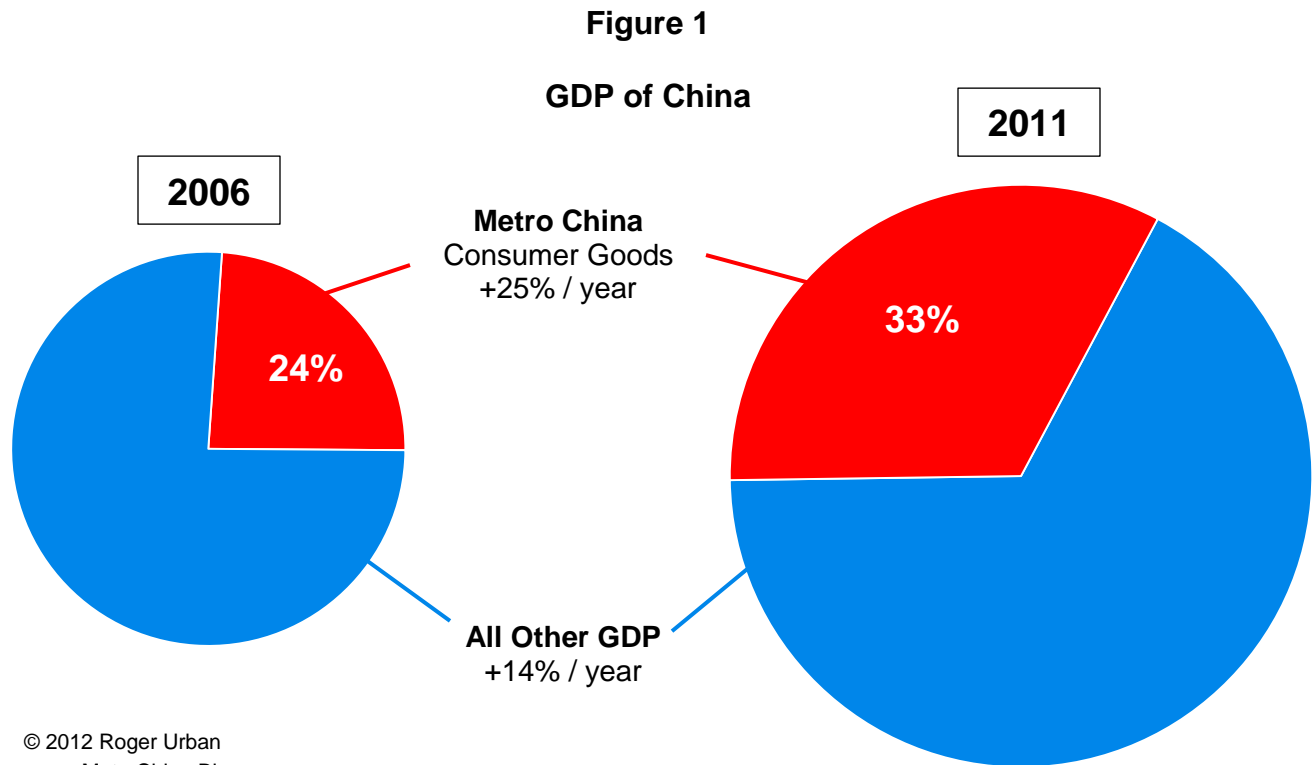


# China's Growing Domestic Consumer Economy

While economists, politicians, and commentators continue to question whether the consumer part of the Chinese economy will ever generate the demand for goods that their economy needs for continued growth, Chinese retail sales of domestic goods have taken off. And, as we have shown in previous papers, during the past five years this economic growth has come entirely from China's cities.

## Domestic Goods Sales Growth

Retail Sales of Consumer Goods in Metro China are the new growth engine of the Chinese economy. In the last five years (2006-2011) Metro Area Total Retail Sales of Domestic Goods have tripled to \$2.8 Trillion a year.<sup>1</sup> Five years ago the Metro Area consumer economy (measured as Retail Sales of Domestic Goods) accounted for only 24% of China's total GDP.<sup>1</sup> By the end of 2011, these sales grew to 1/3 of China's entire economy.<sup>1</sup> (see Figure 1 below)



Between 2006 and 2011 the nominal growth rate (CAGR) of Total Retail Sales of Domestic Goods in Metro Areas (as shown in Figure 1) has been 25% per year.<sup>2</sup> This contrasts with the nominal growth rate of all China's other GDP which has been "only" 14% per year.<sup>2</sup>

**Source**

Roger Urban is a well-known marketing strategy consultant and supply chain expert. He has helped grow the revenue and margins of more than 200 clients in 21 industries. His work includes a large number of food and beverage assignments, as well as, consumer products, transportation, financial services and retailing. A graduate of Dartmouth College (BA) and Stanford University (MBA), he also taught mathematics and conducted research in International Finance at IMD in Lausanne, Switzerland.

Building on his transportation and supply chain contacts in China, Mr. Urban has established MetroChina.Biz as a source of analysis and insights about how to build a consumer business in China. He is now helping businesses adjust and refine their strategies to align with the true potential of China's major metro markets.

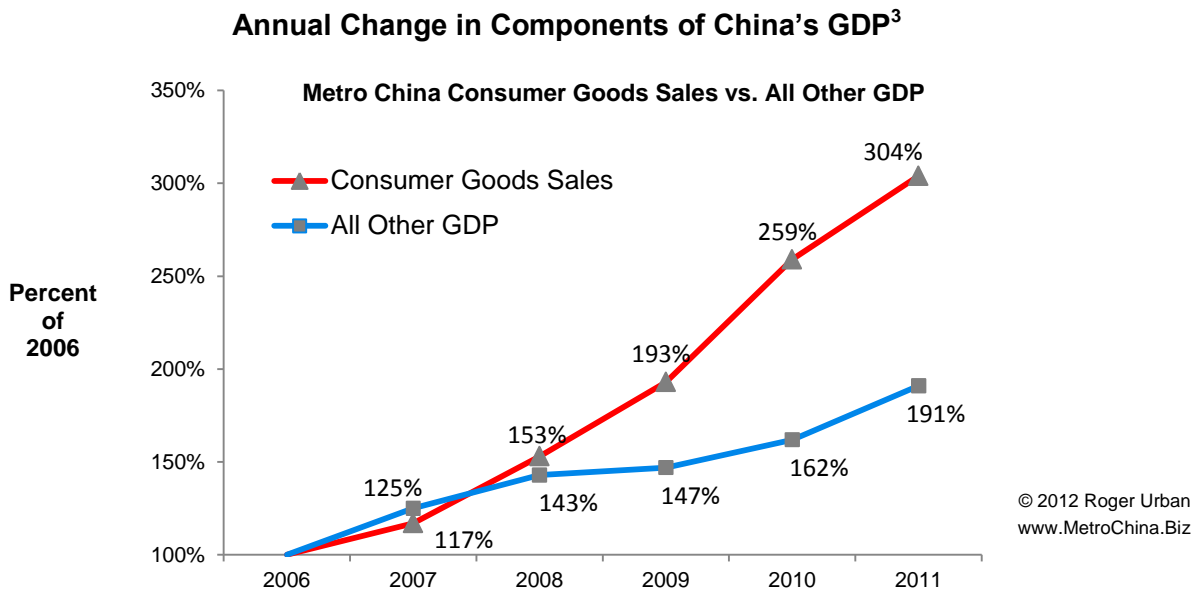
**City Residents Drive Growth of Consumer Economy**

As residents in China's metropolitan areas increase their personal consumption, the composition of China's economic growth is changing. In the last five years the Metro area share of Total Domestic Goods Retail Sales has risen from 67% to 87%.<sup>2</sup> Even more startling is the fact that 100% of all growth between 2006 and 2011 in Total Retail Sales of Domestic Goods has occurred in Metro areas.<sup>2</sup>

**Recent Trends**

The strength of Metro China's Domestic Consumer Economy relative to the rest of China's GDP is a recent trend. As you can see in Figure 2, the divergence in growth rate has occurred primarily in the past three years. From 2008 to 2011, the growth of Metro China's Domestic Goods Retail Sales accounted for half of China's total Gross Domestic Product growth.<sup>3</sup>

Figure 2



## Conclusion

China's Domestic Goods Consumer Economy is much stronger than most analysts recognize. It is clear that Metro China's consumer sector is driving growth in the whole economy. In the near future, we expect that sales of domestic goods in Metro areas will continue to contribute at least half of China's total economic (GDP) growth.

At the same time, Sales of Consumer Services in China are also growing. As large numbers of city residents earn higher income, their need and demand for services is increasing. As a result, the consumer service economy will add to the importance of China's consumer economy as an engine of GDP growth during the next decade.

---

<sup>1</sup> National Bureau of Statistics of China – Total Retail Sales of Domestic Goods

<sup>2</sup> MetroChina.Biz Analysis of National Bureau of Statistics of China Total Retail Sales of Domestic Goods Data – 2006 - 2011

<sup>3</sup> MetroChina.Biz Analysis of Data from National Bureau of Statistics