

## Tomorrow's China Example

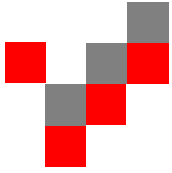
Global Demographics Limited  
July 2009



© Global Demographics

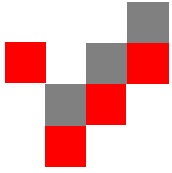
Copyright: Global Demographics Ltd

GLOBAL DEMOGRAPHICS LTD. MAKES NO WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM THE USE OF INFORMATION PROVIDED AND MAKES NO WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. IN NO EVENT SHALL GLOBAL DEMOGRAPHICS LTD OR ITS AFFILIATES BE LIABLE TO USERS OR ANY THIRD PARTIES FOR DIRECT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, HOWEVER ARISING, INCLUDING WITHOUT LIMITATION IN THE EVENT SUCH DAMAGES WERE DUE TO THE NEGLIGENCE OF GLOBAL DEMOGRAPHICS LTD OR WHETHER SUCH DAMAGES WERE FORESEEN OR UNFORESEEN.



# Table of Contents

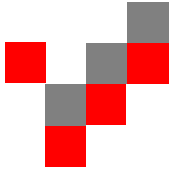
<b>Summary</b>	<b>4</b>	Growth of Lifecycle Stages	24
<b>Overall Population Trends</b>	<b>6</b>	<b>Urbanisation</b>	<b>25</b>
Total Population	7	Overall Trend	26
Relative To Other Provinces	8	Urbanisation Relative To Other Provinces	27
Current and Future Age Profile	9	<b>Education</b>	<b>28</b>
Current and Future Age Profile (Con't)	10	Education Profile of Adults	29
Age Profile Relative To The Other Provinces	11	Projected Demand for Education Facilities	30
Factors Affecting Total Births	12	Indexed Value Relative To Other Provinces	31
Projected trend in total Births	13	<b>Employment</b>	<b>32</b>
Death Rates and Trends	14	Working Age Population and Employed Population	33
Overall Population Dynamics	15	Propensity to be Employed by Gender Relative To Other Provinces	34
Population Growth Rate Relative To Other Provinces	16	Dependency Ratio	35
<b>The Household</b>	<b>17</b>	Dependency Ratio Relative To Other Provinces	36
Number of Households – Urban and Rural	18	Productivity Trend and GDP Implications	37
Household Size	19	Return on Wages	38
Household Size Relative To Other Provinces	20	Return on Wages Relative To Other Provinces	39
Presence of Children In The Household	21		
<b>Lifecycle Profile of the Population</b>	<b>22</b>		
Profile and Implications	23		



# Table of Contents (Con't)

---

<b>Household Incomes</b>	<b>40</b>
Overall Trend in Average Household Income	41
Average Household Income Relative To Other Provinces	42
Changing Distribution of Households by Income – National	43
Expenditure Pattern by Income Group Total Households	44
Expected Trend in Average Urban Household Expenditure Over Time	45
Expenditure Pattern by Income Group All Households	46
Expected Trend in Total Household Expenditure Over Time	47
Total Category Growth (Urban Households) 2009 to 2029	48
<b>Country Summary Profile</b>	<b>49</b>
Country Summary Profile	50
<b>Copyright</b>	<b>51</b>



# Summary

---

The total population of Example in 2009 is 62.65 million persons. It is projected to reduce to 62.3 million by 2019 and 59.6 million by 2029. This represents growth rates of -0.1% pa to 2019 and -0.4% pa for 2019 to 2029. This compares with 0.3% pa for 1999 to 2009.

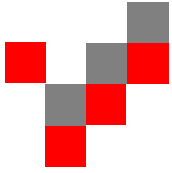
This slower population growth rate is a reflection of the projected change in total births per annum. 1999 there were 769.7 thousand births pa and this reduced to 633.7 thousand per annum in 2009. The long term projection shows that total births per annum is reducing and by 2029 there is expected to be 387.3 thousand births per annum. Also over the next 20 years total deaths per annum is expected to increase from 470.9 thousand per annum in 2009 to 674.7 thousand per annum in 2029.

As a result of the change in births and deaths per annum, the overall age profile of Example changes over the next two decades. The proportion of the population that is under 25 years of age is projected to decline from 33.0% in 2009 to 20.9% in 2029. In the context of a reduce total population this does mean that the total youth population reduces from 20.64 million in 2009 to 12.47 million in 2029.

In contrast the proportion of the population aged between 40 and 64 years (inclusive) is expected to grow from 35.2% in 2009 to 38.2% in 2029. This means that this age group grows in absolute size from 22.1 million in 2009 to 22.7 million in 2029, a 3.1% increase in absolute size. Finally, the 65 yr + age segment is of some growing importance at 11.6% of the total population in 2009.

Education is the other key variable (apart from birth rates and death rates) to substantially shape the future nature of a population. It influences the propensity to have children, age of marriage, wellness, urbanisation, occupation and of course, earning power.

The proportion of the adult (15 +) population with secondary and above education is the key variable to consider. In the case of Example this category is 55.7% in 2009, up from 42.5% in 1999. It is projected to continue to increase through to 2029 by when it is projected that 73.3% will have a vocational or tertiary qualification. With the improving standard of education so the proportion of the population that is in urban areas is projected to increase.



# Summary

---

At present 40.2% are urban residents. That is 25.2 million persons. Given the projected improvement in education, the level of urbanisation is expected to reach 62.5% in 2029. That means a total of 37.2 million urban residents.

These changes in age profile, birth rates and education also impact the nature and number of households. One impact of a reducing birth rate and improved education, is a reducing average household size. In 2009 the average household had 2.95 persons in it. This is projected to decline to 2.63 by 2029.

This decline in average household size, combined with the projected reduce total population means that the total number of households will increase over the next 20 years. From 21.2 million in 2009 to 22.64 million in 2029. That is a 6.7% increase in the absolute number of households.

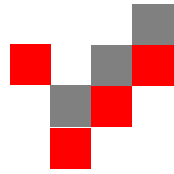
With increased urbanisation, the number of urban households is projected to increase at a faster rate than total households. From 9.3 million in 2009 to 14.10 million in 2029. A 52.1% increase.

The changing age profile and education standard of the population impacts the number of persons of working age, their propensity to work (be employed) and their productivity.

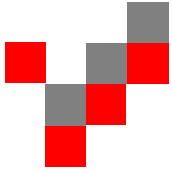
The total employed population is projected to decrease by - 3.9 million to reach 32.71 million in 2029. Overall, productivity per worker is expected to increase by 5.2% per annum over the next two decades.

This increase in productivity has a positive impact on household incomes. Real average household income is projected to increase from Rmb 22,024 in 2009 to Rmb 69,708 in 2029. This is a 5.9%pa increase.

Furthermore the absolute number of households with an income in excess of Rmb 75,000 is projected to increase, from 0.3 million in 2009 to 8.5 million in 2029.



# Overall Population Trends

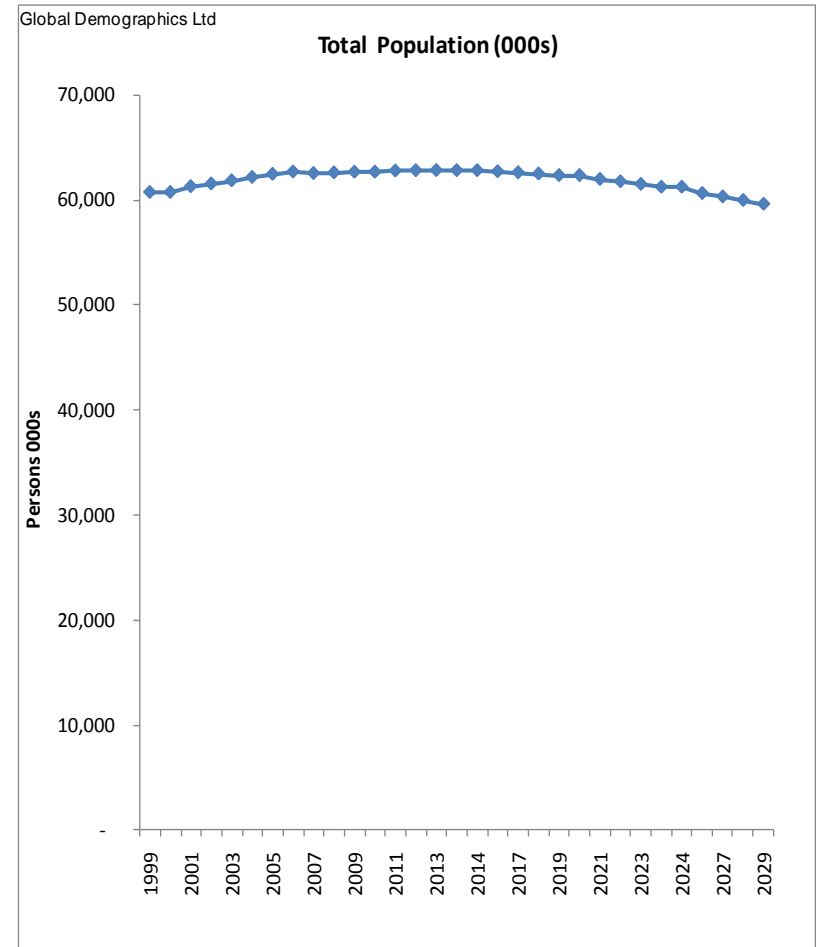


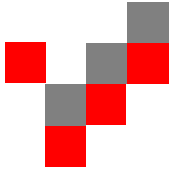
# Total Population

The total population of Example is currently 62.7 million persons.

Based on projected trends in births and deaths, as discussed later in this report, the population is expected to decline at -0.1% per annum to 2019 and then decline at -0.45% pa to 2029.

Persons Mns	Absolute % Change	CAGR
1999	60.7	
2009	62.7	1999-2009 3.2%
2014	62.8	2009-2014 0.2%
2019	62.3	2014-2019 -0.7%
2024	60.9	2019-2024 -2.3%
2029	59.6	2024-2029 -2.2%





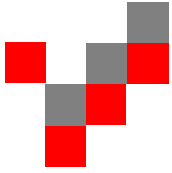
# Relative To Other Provinces

With the size of 626.5 million population, Example ranks 8th out of the 31 Provinces of China.

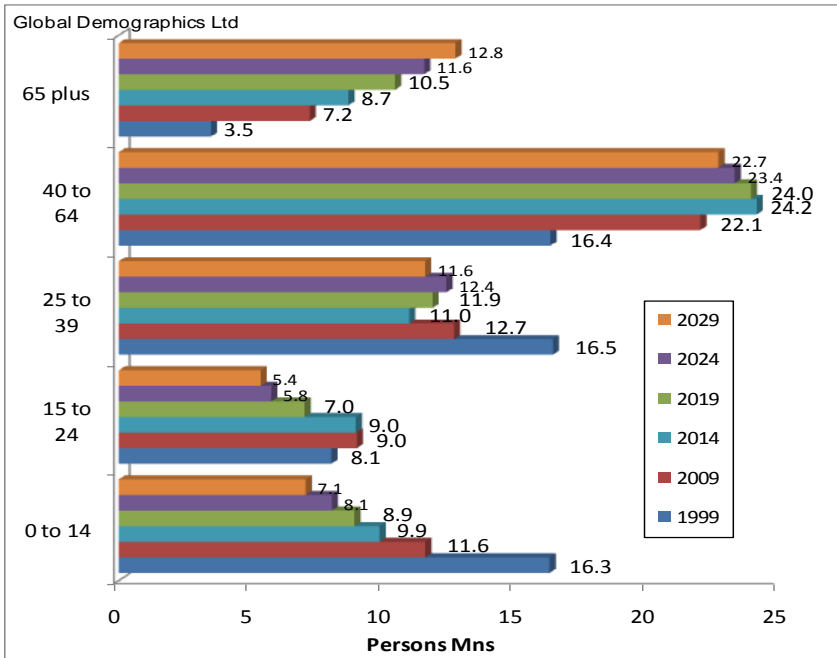
Example accounts for 4.5% of the China's population.

Population 000s	Rank	Share of Total
-----------------	------	----------------

Guangdong	1	0.0%
Henan	2	0.0%
Shandong	3	0.0%
Sichuan	4	0.0%
Jiangsu	5	0.0%
Hebei	6	0.0%
Hunan	7	0.0%
Anhui	8	0.0%
Hubei	9	0.0%
Zhejiang	10	0.0%
Guangxi	11	0.0%
Yunnan	12	0.0%
Jiangxi	13	0.0%
Liaoning	14	0.0%
Heilongjiang	15	0.0%
Guizhou	16	0.0%
Shaanxi	17	0.0%
Fujian	18	0.0%
Shanxi	19	0.0%
Chongqing	20	0.0%
Jilin	21	0.0%
Gansu	22	0.0%
Mongolia	23	0.0%
Xinjiang	24	0.0%
Shanghai	25	0.0%
Beijing	26	0.0%
Tianjin	27	0.0%
Hainan	28	0.0%
Ningxia	29	0.0%
Qinghai	30	0.0%
Tibet	31	0.0%



# Current and Future Age Profile



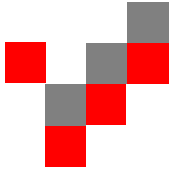
In 2009 an estimated 33.0% of the population is under 25 years of age. This reduces to 20.9% by 2029. In the context of a decreasing total population this means the total number of such persons reduces by -8.17 million persons.

For the same time period the number of persons aged 25 to 39 reduces as a proportion of the population (from 20.3% to 19.5%) and in absolute number reduces by -1.10 million.

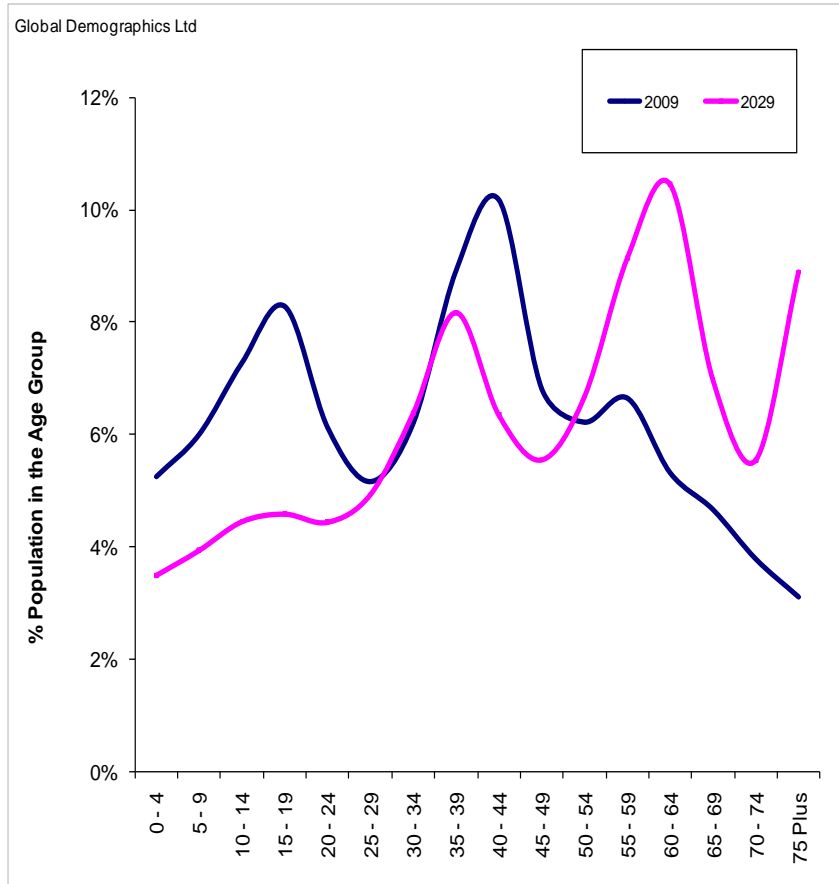
The 40 to 64 age group is projected to increase in absolute size by 0.69 million persons, taking it from 35.2% of the population to 38.2%.

Finally, as for nearly every country in the world, the 65+ age group increases as a proportion of the total population. In the case of Example it is from 11.6% to 21.4%, an increase of 5.5 million persons.

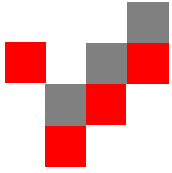
% Population in age group	Age Group				
	0 to 14	15 to 24	25 to 39	40 to 64	65 plus
1999	27%	13%	27%	27%	6%
2009	19%	14%	20%	35%	12%
2014	16%	14%	18%	39%	14%
2019	14%	11%	19%	38%	17%
2024	13%	9%	20%	38%	19%
2029	12%	9%	19%	38%	21%



# Current and Future Age Profile (Con't)

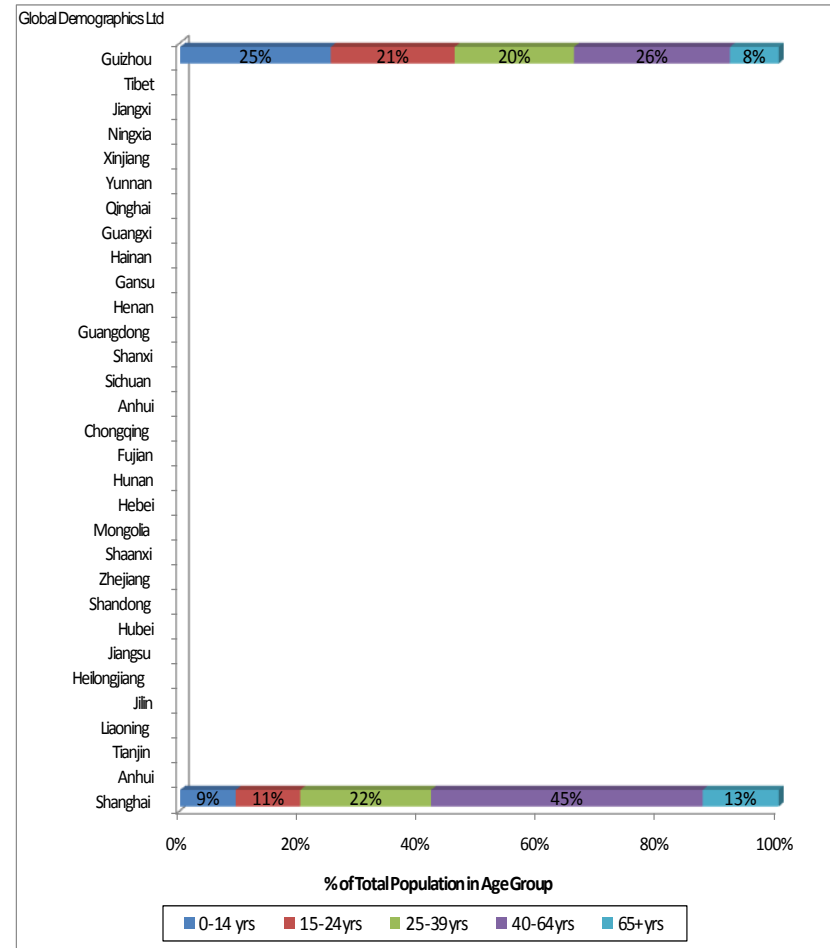


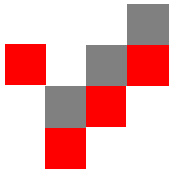
This chart summarizes the future shape of the age profile of Example's population. In 2009, the average age of is 34.5 and it is expected that in 20 years time, it will be 38.2 years.



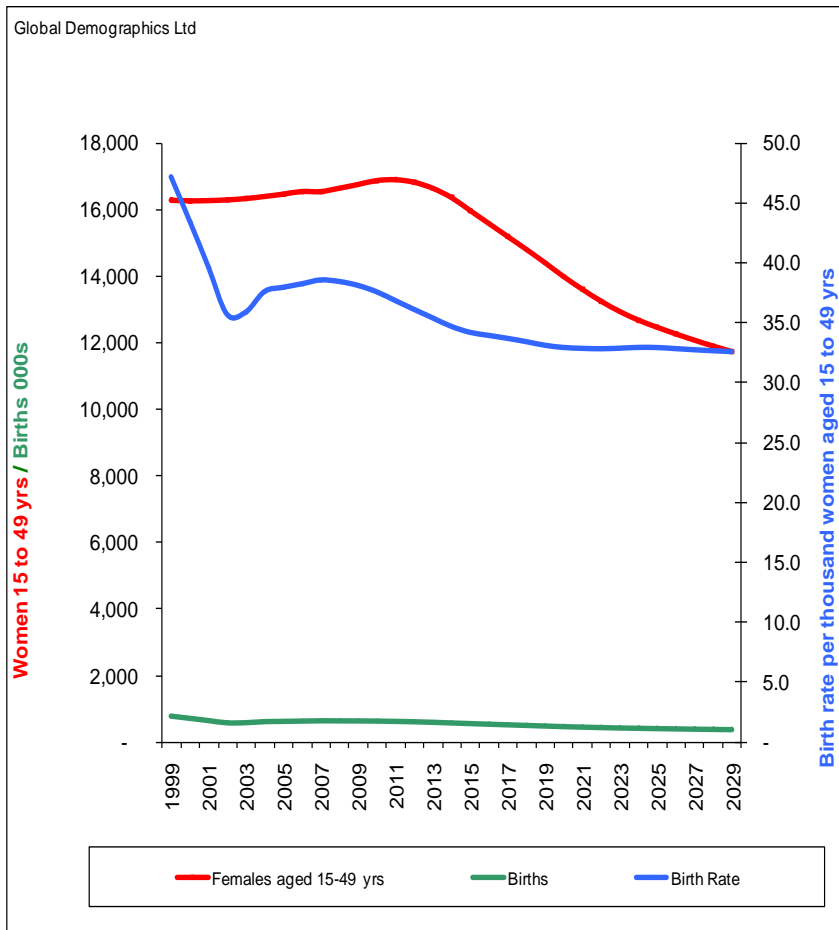
# Age Profile Relative To Other Provinces

It has 46.8% of its population over the age of 40, compared with the national average of 46.1% nationally. Conversely it has 33.0% under 15 years compared with the national average of 33.0%.





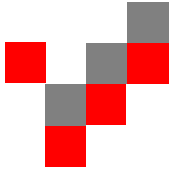
# Factors Affecting Total Births



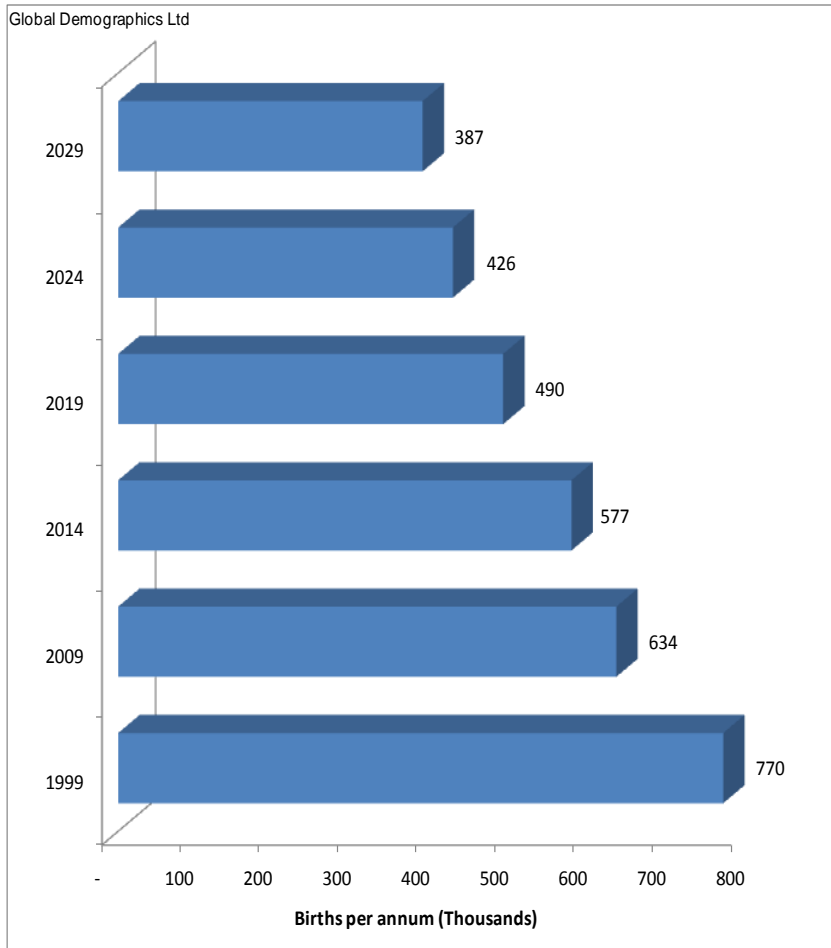
The number of women of child bearing age – defined as 15 to 49 years inclusive - and the propensity of those women to have children, determine total births in a country.

The propensity to have children has steadily declined to 2009 and is projected to show a decline for the next decade.

In addition the number of women of childbearing age is expected to decline in number in the next decade. By 2029, the number of women in this age group will be 11.7 million person compared with 16.8 million in 2009 - a drop of -30.0% in 20 years.

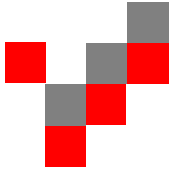


# Projected Trend in Total Births



In 2009 there are estimated to be 634 thousand births. Down -17.7% from 770 thousand in 1999, reflecting the combination of a decrease in propensity to have children and an increase in the number of women of childbearing age.

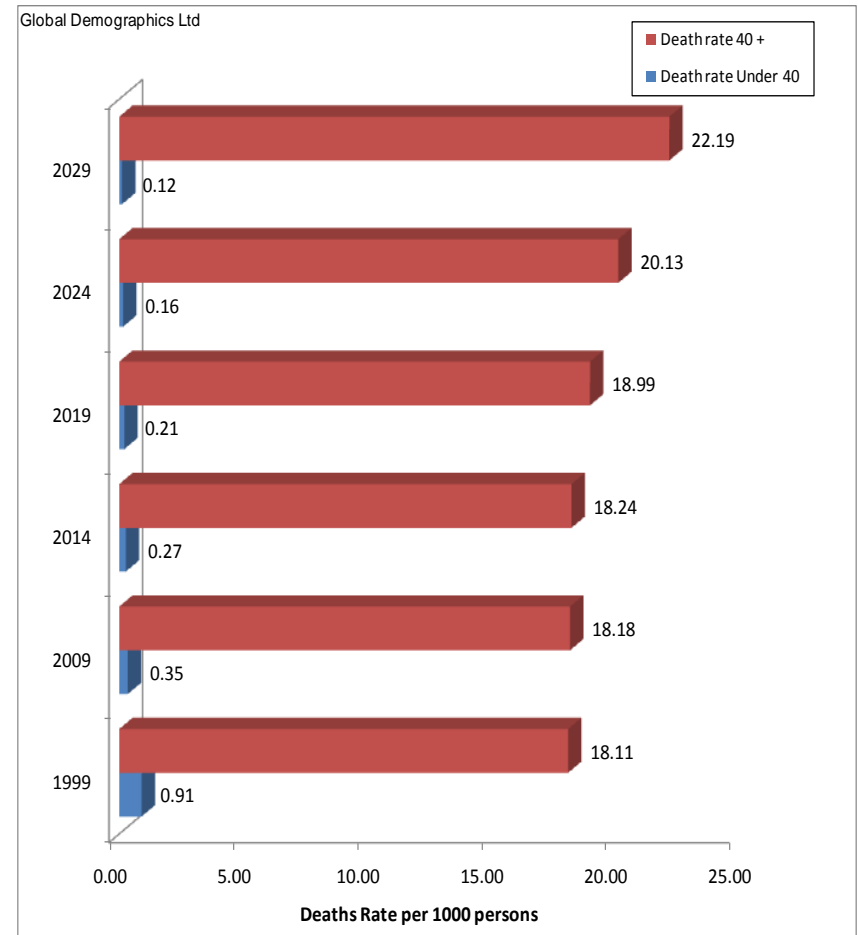
By 2019 total births per annum are expected to be 490 thousand and by 2029 they will total 387 thousand per annum. In total over the next 20 years to 2029 the total number of women of child bearing age will decrease by -30.0%. Over the same period their propensity to have a child is projected to decrease by -14.5%.

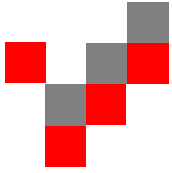


# Death Rates and Trends

Total deaths are a function of the death rate per thousand persons in each age group and the relative age profile of the population. The more older persons the greater the total number of deaths and also the average death rate. As such in an ageing population it is possible to get an increasing number of total deaths even though the death rates within each 5 year age group is declining.

Over the next two decades the under 40s death rate is expected to decrease at -5.3% per annum to reach 0.12 deaths per thousand in 2029 compared with 0.35 deaths per thousand in 2009. For the over 40 age group, the death rate per thousand increases from 18.18 in 2009 to 22.2 in 2029. This reflects the fact that an increasing proportion of this age group is in the over 60 age range which has a higher death rate.



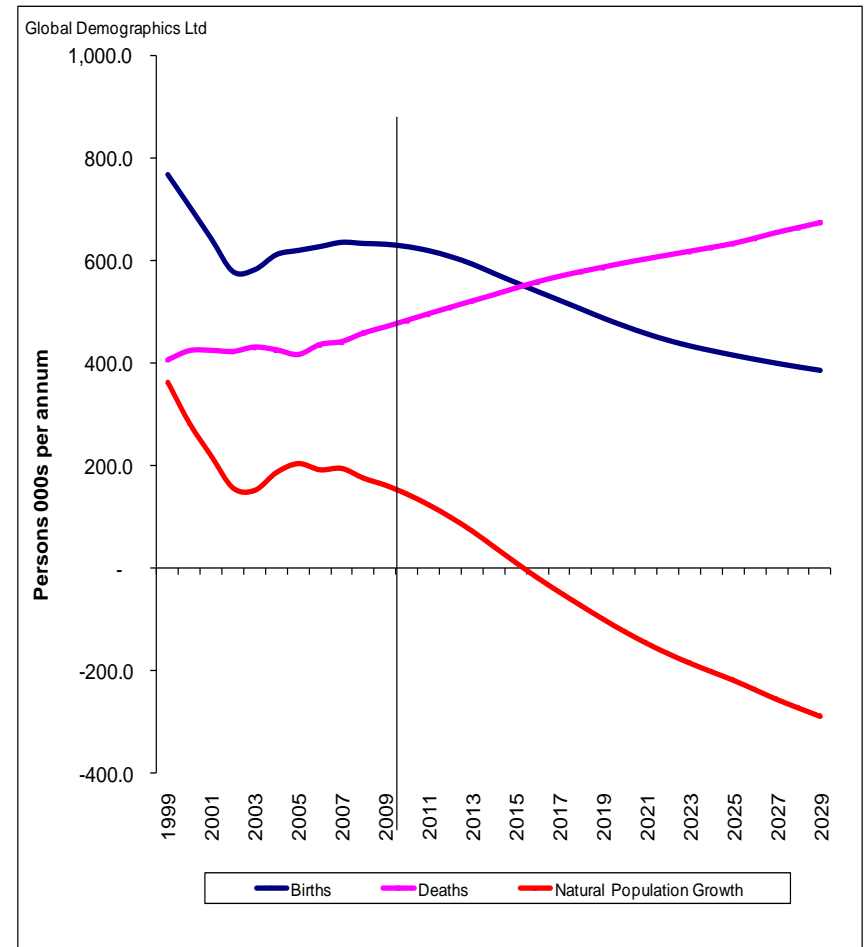


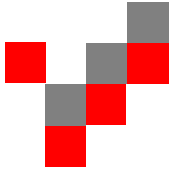
# Overall Population Dynamics

Total deaths are projected to increase by 43.3% for the next two decades from 471 thousand pa in 2009 to 675 thousand pa in 2029 as an increasing proportion of the population is over 40 years of age.

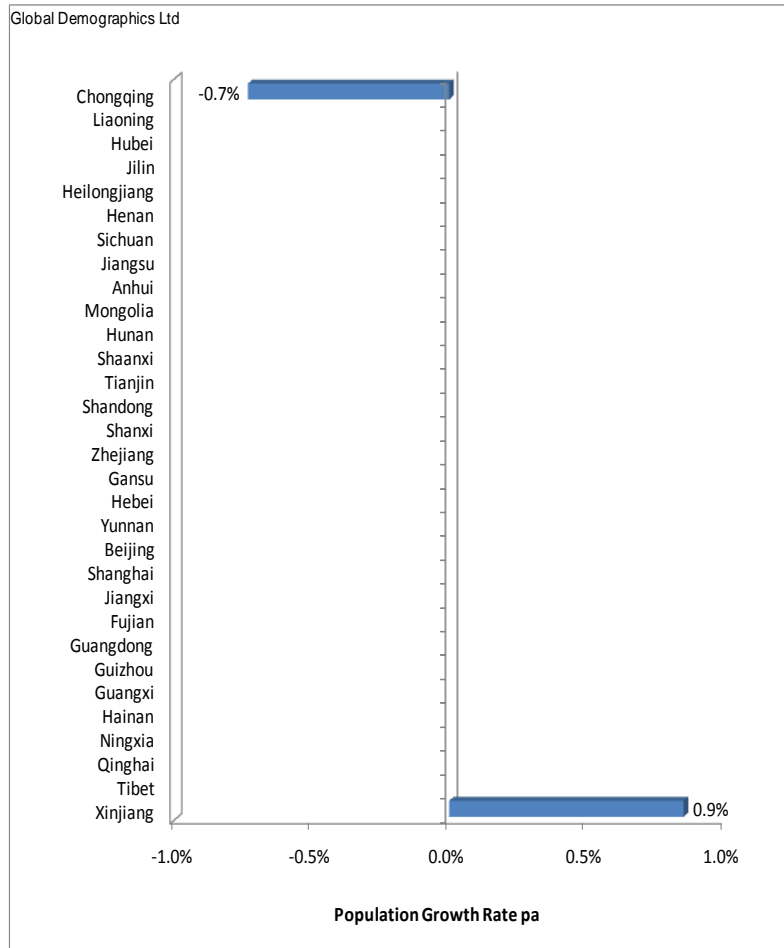
As explained earlier, births are expected to show a -22.7% decrease over the next decade (from 634 thousand pa in 2009 to 490 thousand pa) – and then decrease by -20.9% between 2019 to 2029 to reach 387 thousand pa.

As a consequence, natural population growth (births minus deaths and excluding migration) decreases. In 2009 the net annual change to the population was an additional 162,821 persons. By 2019 this is projected to decline to -97,767 per annum and by 2029 decline to -287,431 persons per annum.

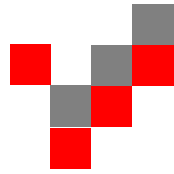




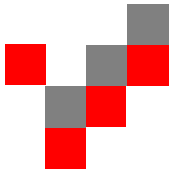
# Total Population Growth Rate Relative To Other Provinces



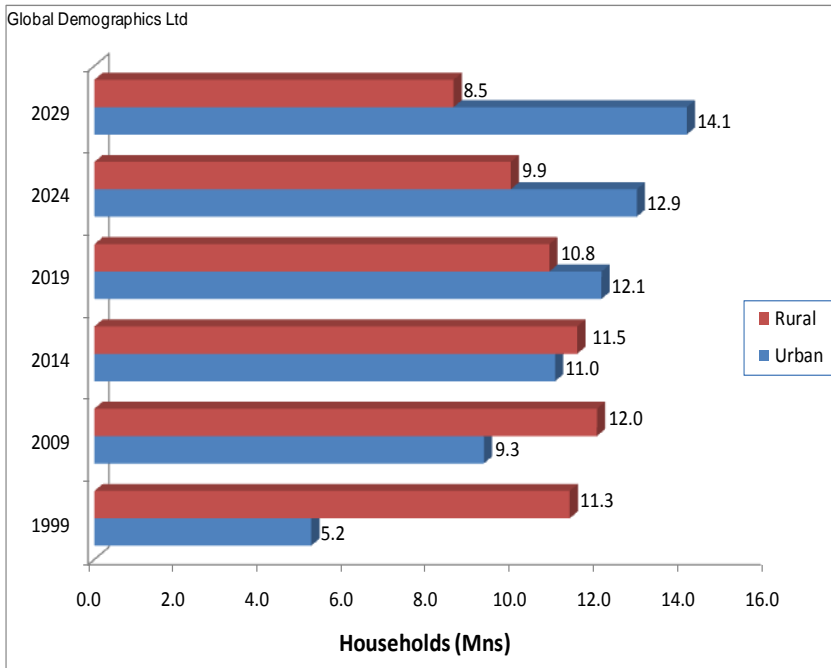
Example's population growth rate of -0.2% pa is slow relative to China average.



# The Household



# Number of Households – Urban and Rural

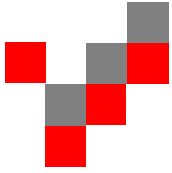


Example has a total of 21.2 million households in 2009, and with a projected -10.8% decline in average household size for reasons discussed subsequently, the total number of households increases through to 2029, when there are expected to be 22.6 million.

The combined effects of increased urbanisation of the population and continued decline in urban household size means that the number of urban households will grow from 9.3 million in 2009 to reach 14.1 million in 2029. This is a 6.7% increase. By 2029 Urban accounts for 62.3% of all households.

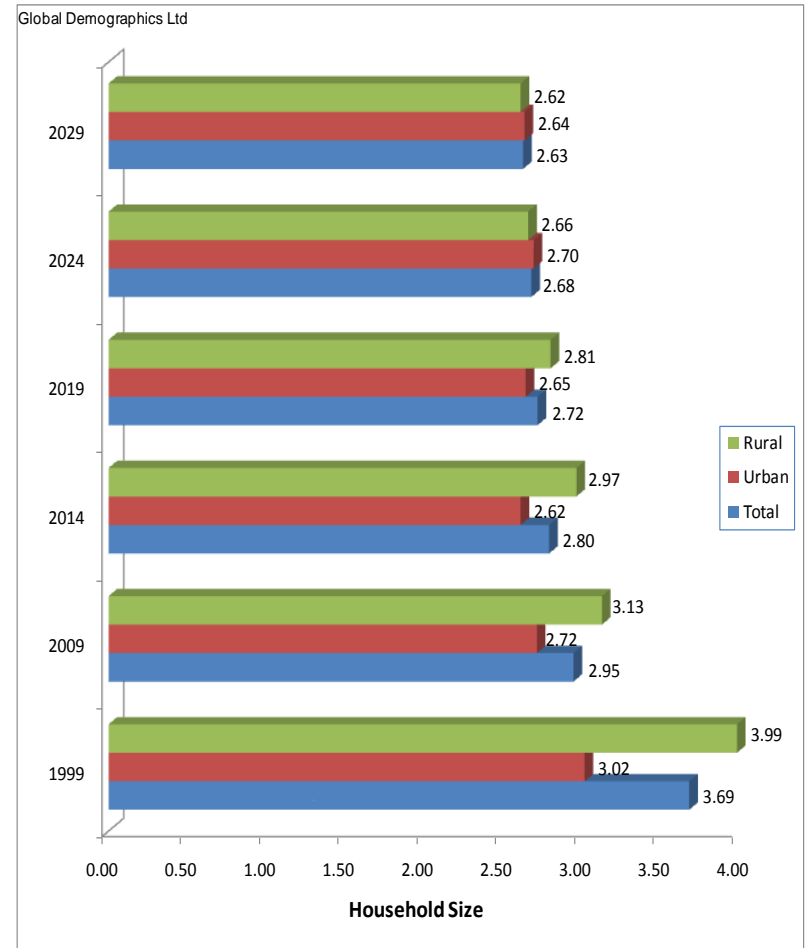
The number of rural households decreases from 12.0 million in 2009 to 8.5 million in 2029 - a -28.5% decrease.

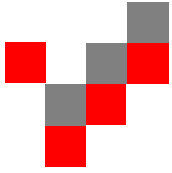
Households Mns	Total	Urban	Rural	Urban %
1999	16.5	5.2	11.3	31.3%
2009	21.2	9.3	12.0	43.7%
2014	22.4	11.0	11.5	48.8%
2019	22.9	12.1	10.8	52.7%
2024	22.8	12.9	9.9	56.6%
2029	22.6	14.1	8.5	62.3%



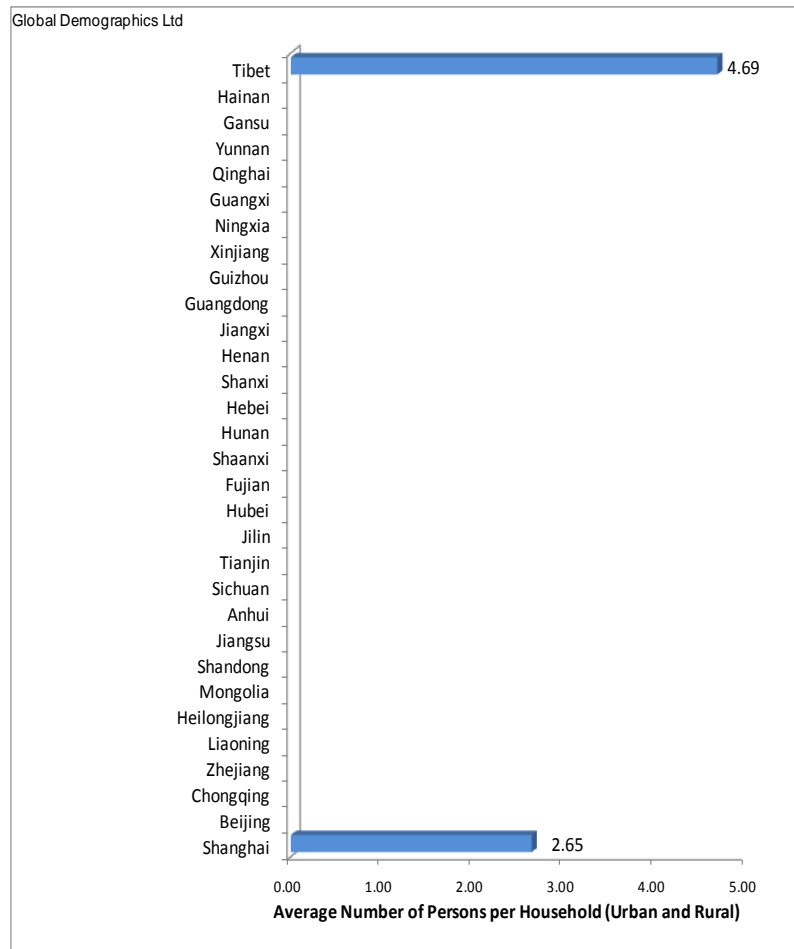
# Household Size

In 2009 the average households size is 2.95 persons. Urban Households are at 2.72 persons and rural households at 3.13 persons. By 2029 it is projected that urban household size will have decreased to 2.64 persons. Rural will have decreased to 2.62 persons per households.



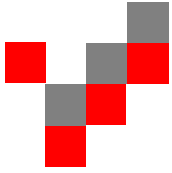


# Household Size Relative To Other Provinces

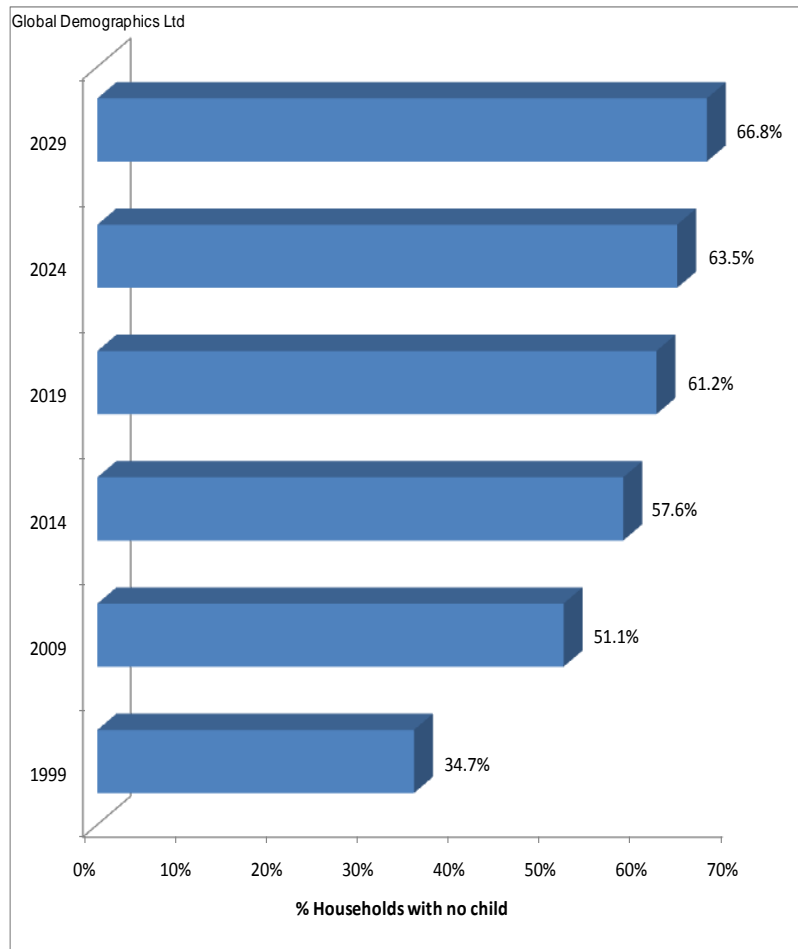


With an average household size of 2.95 persons in 2009, Example is currently biased to the lower end of the provinces of China in terms of household size .

As explained, this is an important variable as it does impact per capita incomes and is a good indicator of household structure – such as an increasing number of older two person households and fewer family households.



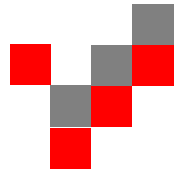
# Presence of Children In The Household



Using data on probability of being married/in a relationship and probability of having a child in the last 18 years it is possible to estimate the proportion of households that have at least one child under 18 years of age in them, and by default the proportion that have none.

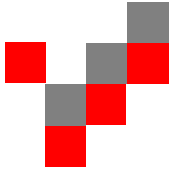
At present, the proportion of households without children in them is just 51.1%. However with the reduction in the birth rate and an increasing number of families reaching the point where the children have left home, this proportion increases. By 2029 it is expected to be 66.8% of all households.

In the context of an increasing number of households, this means that between 2009 and 2029 the number of childless households increases from 10.8 to 15.1 million.

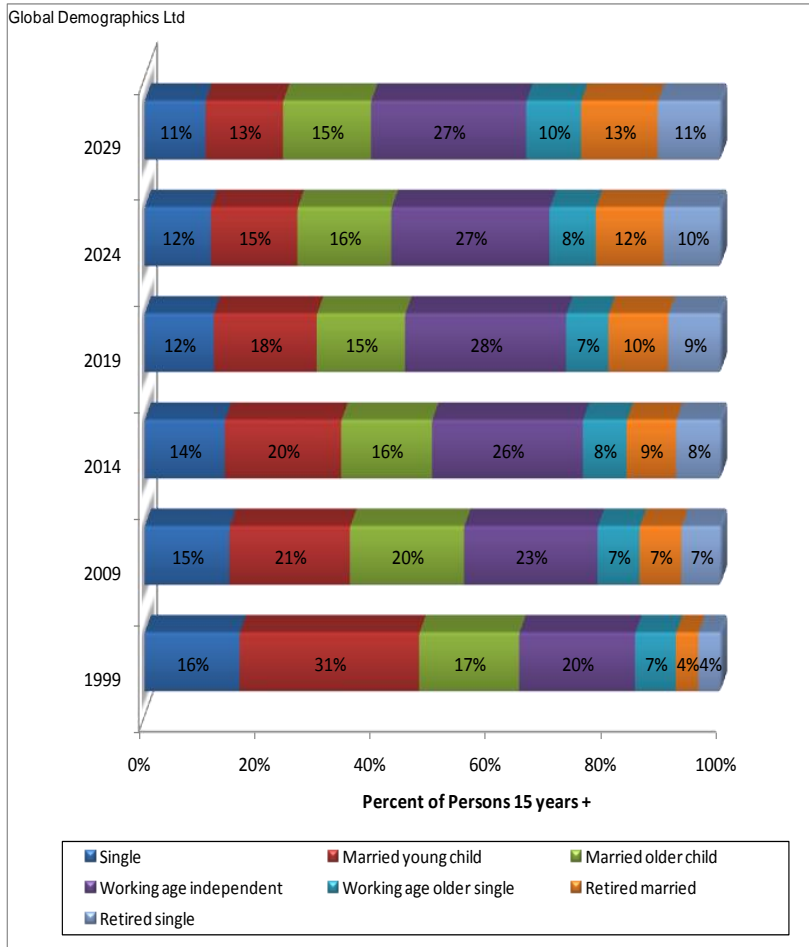


**GlobalDemographics**

# Lifecycle Profile of the Population

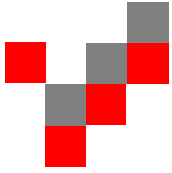


# Profile and Implications



This chart shows how rapidly the consumer market of might be expected to change. In 2009 the family stages account for 40.7% of all adults. (Married with young child and married with older child at home). By 2029 this is projected to decrease to 28.7%.

Conversely the older lifecycle stages will increase in importance – and particularly the older working age adult . At present they are 30.5% of all adults and by 2029 they are expected to be 36.4%. In the context of a decreasing total population, in absolute size it goes from 15.6 million persons to 19.1 million. That is a 23.0% increase. This is an important segment with higher discretionary expenditure, and therefore worth paying attention to.

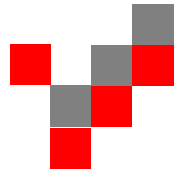


# Growth of Lifecycle Stages

This chart shows the absolute (in persons thousands) change in the size of each lifecycle stage for the next two decades and reinforces how dramatic the change in size of the different lifecycle stages will be.

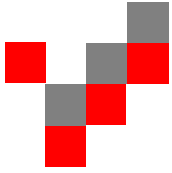
Perhaps the important point to be taken from this chart is that the growth in the 'opportunity' segment of working age adults with no children. This increases by 188.3 thousand in the next decade, and a further 1,089.7 thousand for the subsequent decade.

Absolute Change Lifecycle Stage								
Persons 000s in age group	Single	Married young child	Married older child	Working age independent	Working age older single	Retired married	Retired single	Total
1999-2009	222	- 3,162	2,421	2,901	591	1,986	1,760	6,721
2009-2014	- 155	25	- 1,767	2,026	291	852	613	1,886
2014-2019	- 949	- 1,131	- 156	1,089	- 103	1,005	760	515
2019-2024	- 306	- 1,566	470	- 356	348	694	416	- 299
2024-2029	- 564	- 948	- 649	- 457	741	728	450	- 699

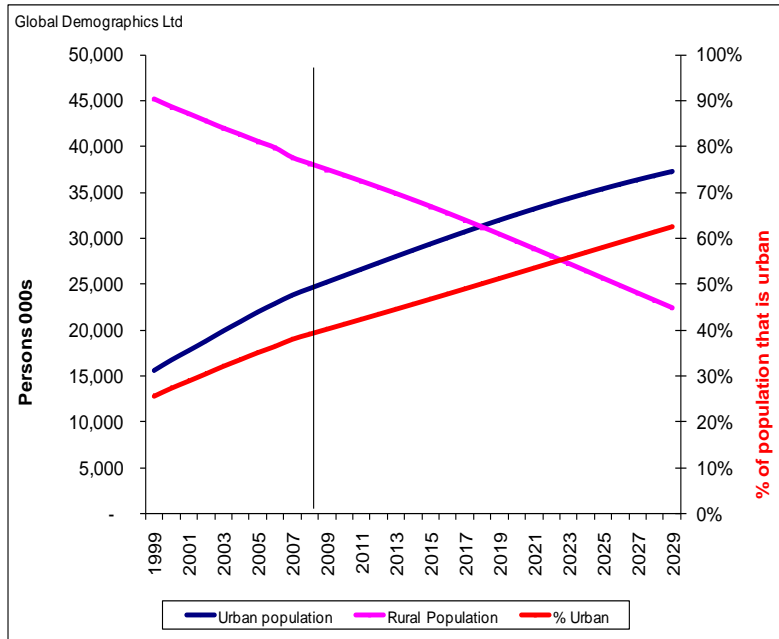


**GlobalDemographics**

Urbanisation



# Overall Trend



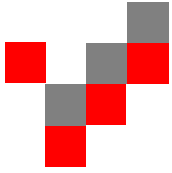
Persons (Mns)			%
Total	Urban	Rural	Urban

1999	60.7	15.6	45.1	25.7%
2009	62.7	25.2	37.5	40.2%
2014	62.8	28.7	34.1	45.7%
2019	62.3	31.9	30.4	51.3%
2024	61.2	34.8	26.4	56.9%
2029	59.6	37.2	22.4	62.5%

Urbanisation is a major issue in China as an increasing proportion of the population moves from agricultural based employment to urban based employment. Not surprisingly this is driven by improvements in the level of education of the population.

In Example urbanisation has been increasing quite steadily. In the last decade the urban population has increased by 61.6%, to reach 25.2 million people.

With improving education the trend will continue and by 2029 it is expected that 62.5% of the total population will be living in an urban area (40.2% in 2009). This takes the total urban population from 25.2 million persons in 2009 to 37.2 million in 2029.

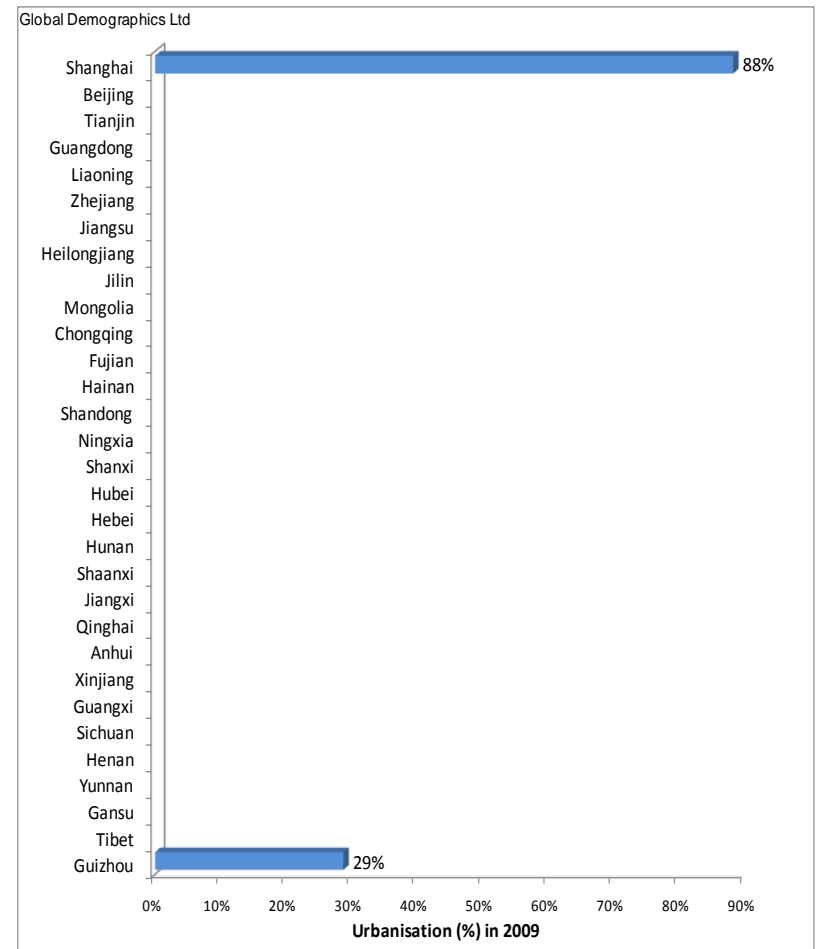


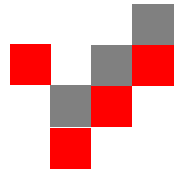
# Urbanisation Relative To Other Provinces

Overall at 40.2% Example appears to be below average (58%) in terms of urbanisation when compared to the rest of China.

Based on the rural age profile of the population in this province, their propensity to move to urban areas in the last 5 years as well as migration trends, Example will rank 6 out of 31 Provinces in terms of rate of urbanisation increase.

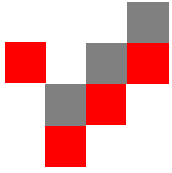
As a result by 2029, 62% of its population will be living in urban areas.





**GlobalDemographics**

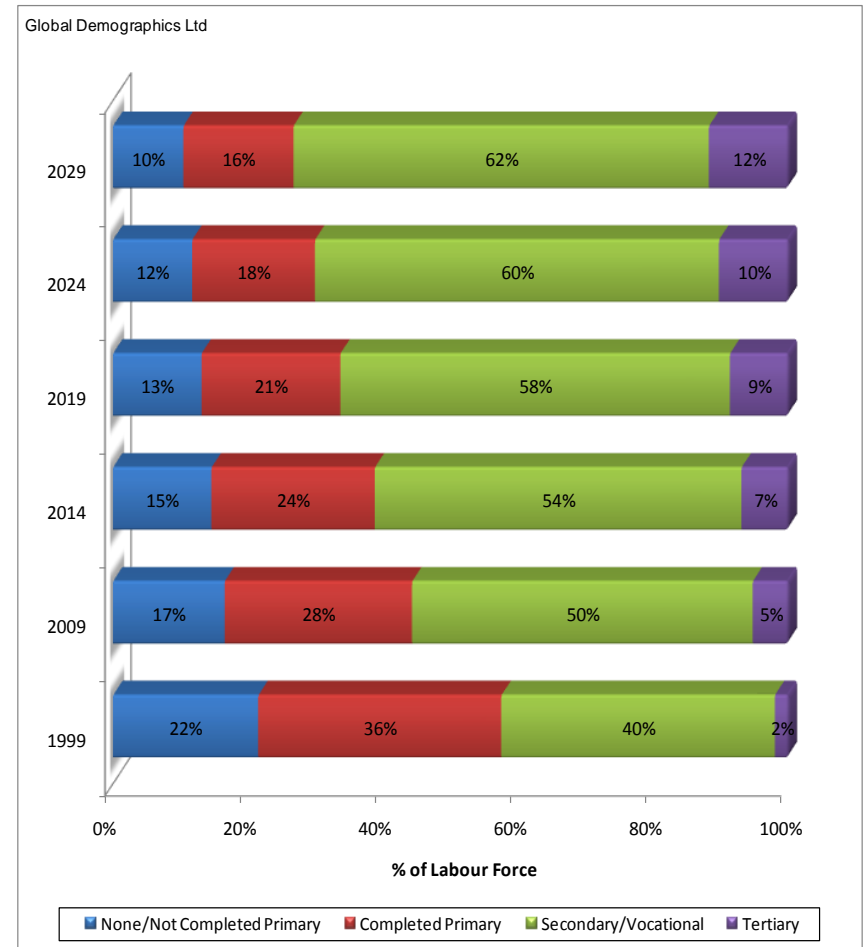
Education

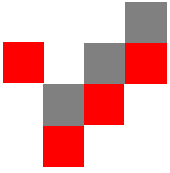


# Education Profile of Adults

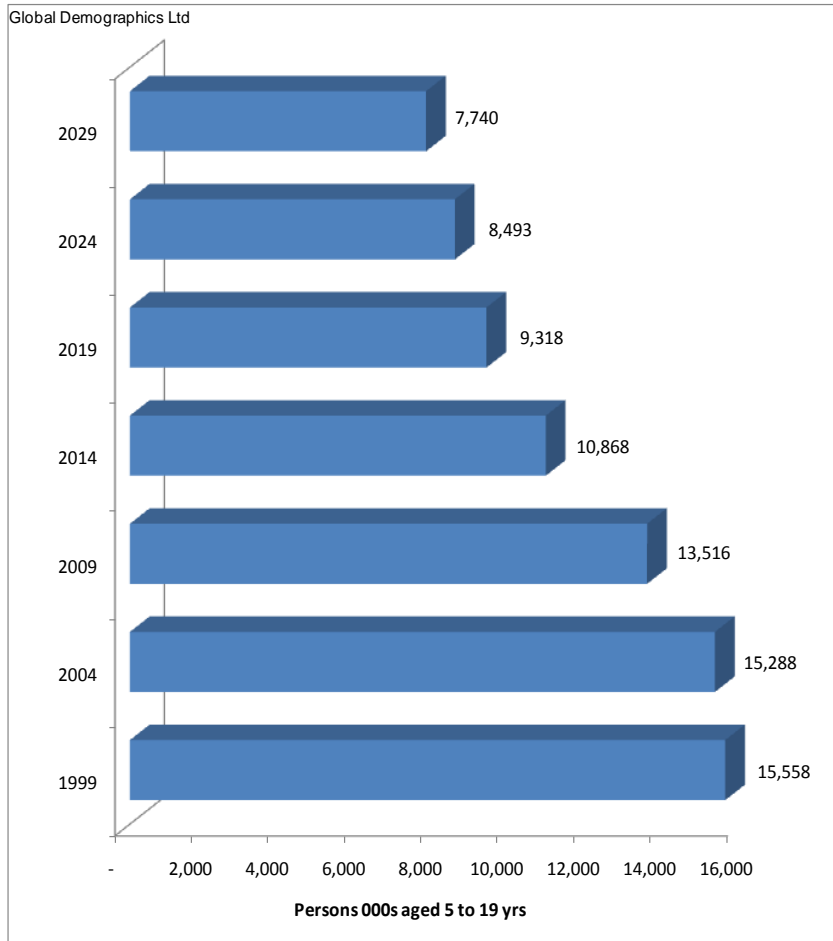
In the last decade the proportion of Example's labour force that has secondary and above education increased from 42% to 56%.

Given the profile of persons leaving the education system, by 2019 this is expected to reach 66% and by 2029 reach 73%.



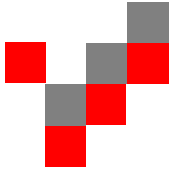


# Projected Demand for Education Facilities



A good measure of the demand for educational facilities (Schools, teachers etc) is the number of persons aged between 5 and 19 years inclusive. These are the ones attending primary, secondary, vocational and, to some extent, tertiary.

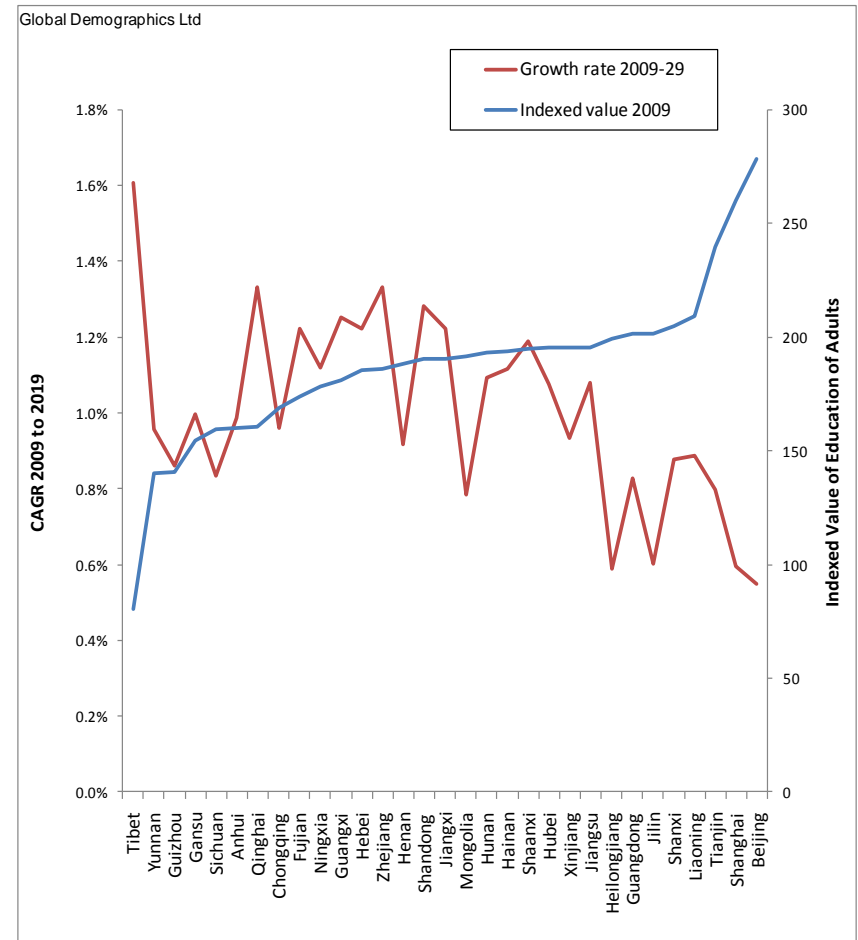
Given the changing age profile of the population as discussed earlier, the demand for education facilities is going to decrease. In 2009 there are 13.5 million people of school age. By 2019 there are projected to be 9.32 million and by 2029 it is projected to be 7.7 million.

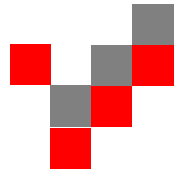


# Indexed Education Value Relative To Other Provinces

At an indexed value of 160 for the education profile of the adult (15 yrs +) population, Example is a less well educated Province.

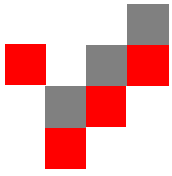
However, it should be noted that Example has one of the fastest growth rates of improvement in the projected education index value and this means it achieves a value of 185 in 2019 and 204 in 2029 which should have positive implications for economic growth.



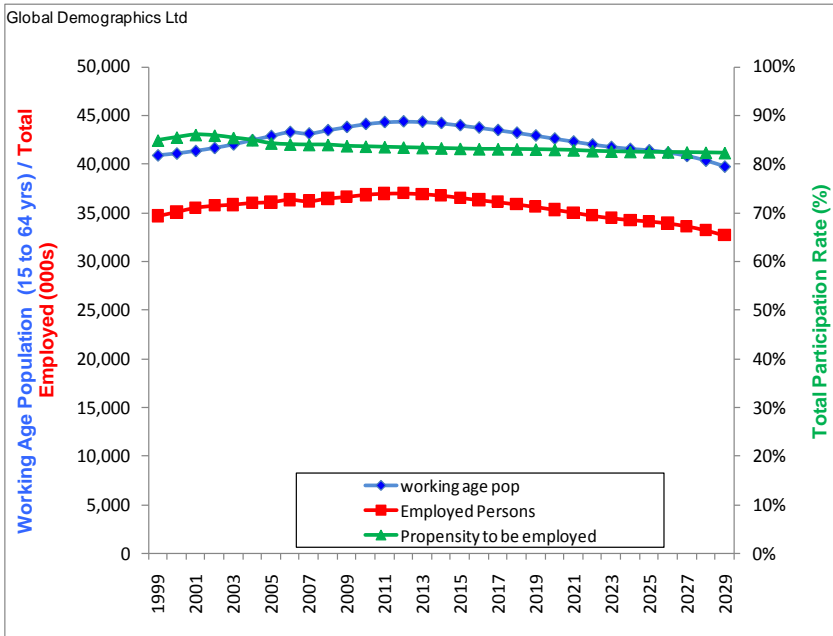


**GlobalDemographics**

Employment



# Working Age Population and Employed Population



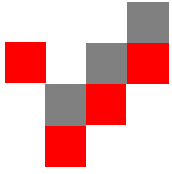
The size of a Province's labour force is determined by the number of persons it has of working age (defined as ages 15 to 64 inclusive) and their propensity to be employed.

The 'working age population' is of course determined by the age profile of the population, and it is projected to grow through to 2012 when it peaks at 44.4 million persons and then declines to 39.7 million in 2029.

The propensity to be employed is quite stable in China – as it is in most countries, with there being a marginal increase for females.

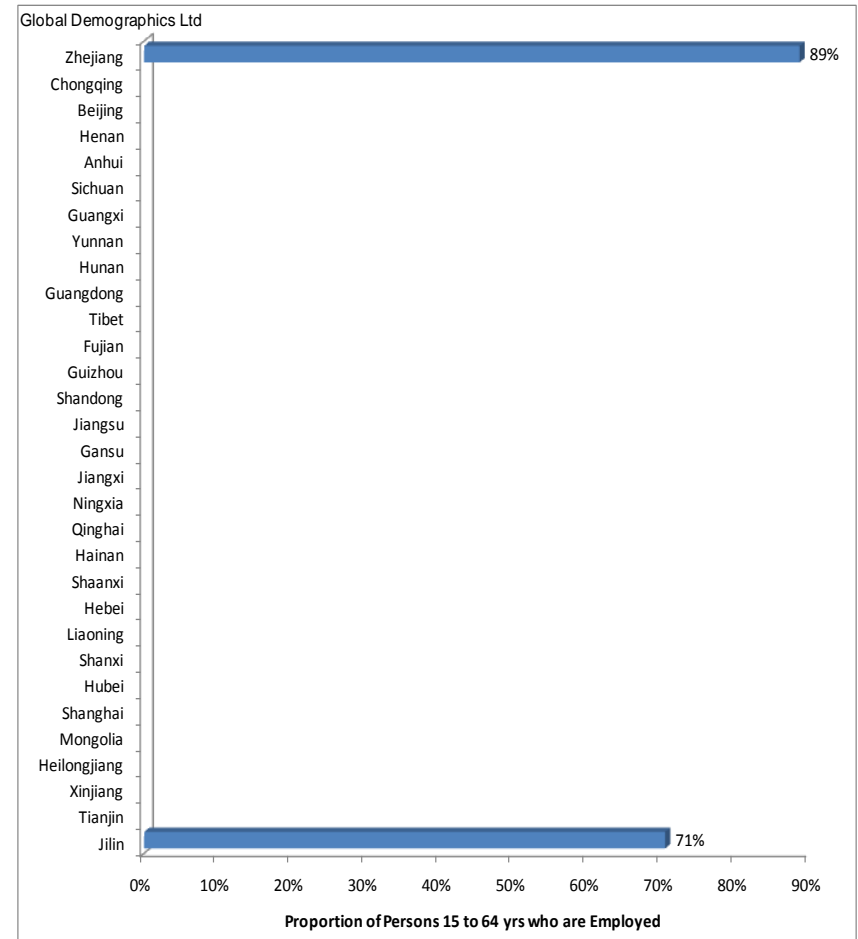
As a consequence the labour force is expected to grow through to 2012 when it peaks at 37.0 million persons and then declines to 32.7 million in 2029.

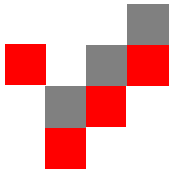
Employment	Working age Persons mns	Propensity to employ	Employed Persons mns
1999	40.88	84.9%	34.70
2009	43.79	83.7%	36.66
2014	44.20	83.3%	36.80
2019	42.92	83.0%	35.63
2024	41.41	82.5%	34.15
2029	39.74	82.3%	32.71



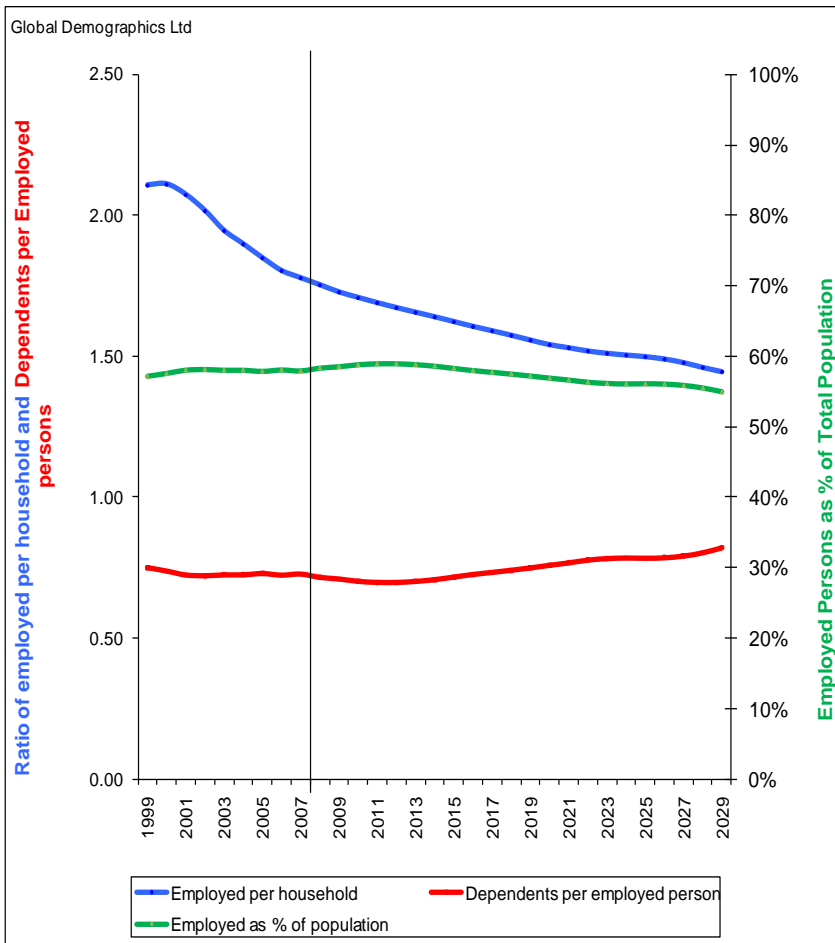
# Propensity to be Employed by Gender Relative To Other Provinces

At 84%, Example has an above average rate of labour participation compared with China nationally.





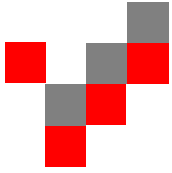
# Dependency Ratio



The proportion of the population that is working age (15 to 64 years) is 69.9% and this is projected to decrease to 66.7% by 2029.

As the propensity of these people to be employed is relatively stable over time this means that the proportion of the population that is in the labour force will also decrease.

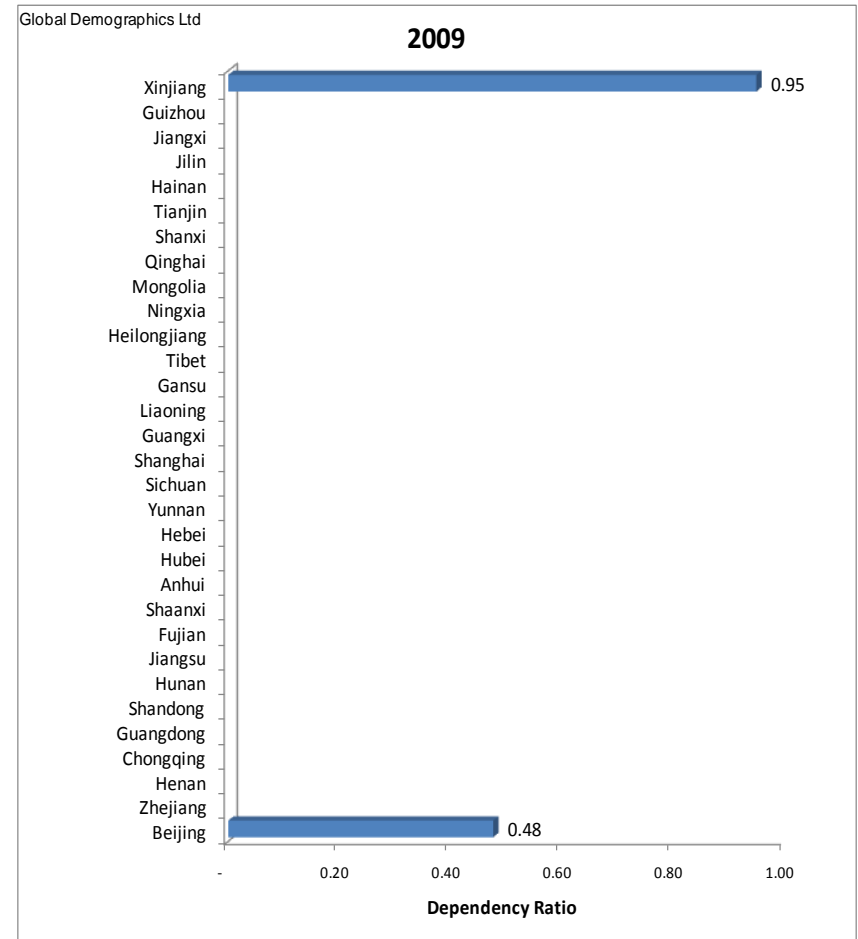
The number of dependents per worker (which directly impacts per capita income) is projected to continue to increase for the next decade to 2019 from 0.7 dependents per worker to 0.75. For the decade to 2029 it is projected to increase further to 0.82 dependents per worker.

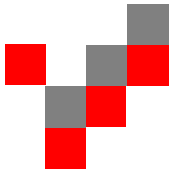


# Dependency Ratio Relative To Other Provinces

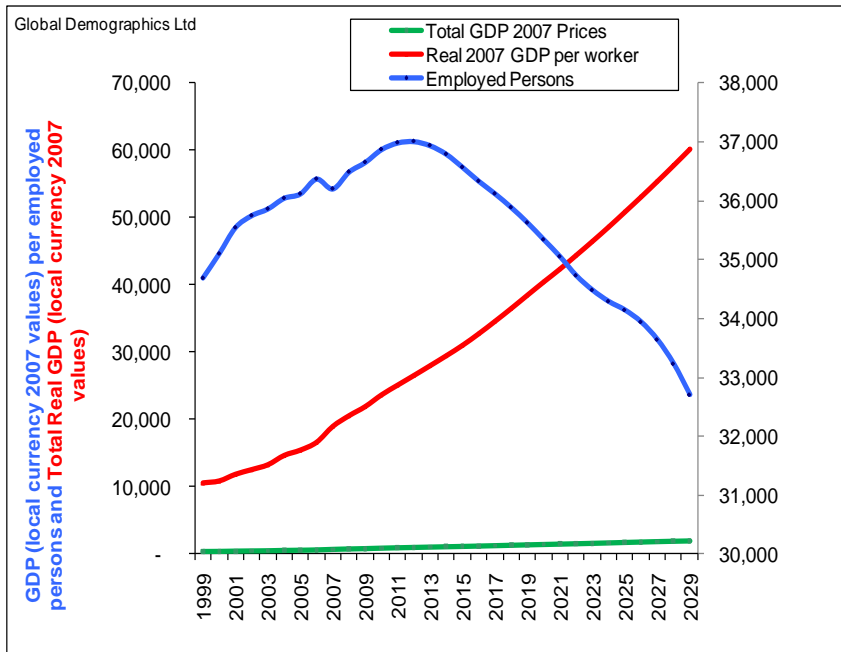
Example has an average rate of dependency ratio as compared with the rest of China.

There is room for the market to lift its GDP per capita with reasonably high proportion of working age population.





# Productivity Trend and GDP Implications

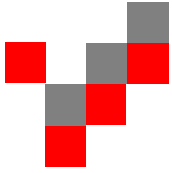


One approach to forecasting total real GDP of a country is to combine the projected trend in the number of employed persons with the projected trend in the productivity per worker. There is a good historic fit between Gross productivity per worker – as measured by total GDP divided by number of workers – and the education index discussed earlier which is projected to improve quite rapidly.

The projected trends in the education index of Example gives an expected productivity growth of 6.1% pa to 2014 and 5.5% pa to 2019. This, multiplied by the decreasing number of workers over the same time period gives a total real GDP growth of 6.2% pa to 2014 and 4.8% pa to 2019.

	Total GDP Bn 2007	GDP per Employed	Employed (000)	CAGR	TL GDP Bn 2007	GDP per Employed	Employed Persons
1999	365	10,520	34,696				
2009	802	21,873	36,662	1999-2009	8.2%	7.6%	0.6%
2014	1,083	29,439	36,799	2009-2014	6.2%	6.1%	0.1%
2019	1,370	38,452	35,634	2014-2019	4.8%	5.5%	-0.6%
2024	1,666	48,585	34,298	2019-2024	4.0%	4.8%	-0.8%
2029	1,967	60,136	32,714	2024-2029	3.4%	4.4%	-0.9%

After 2019 the total real GDP growth rate slows to 3.7% pa as there is a decline in the number of workers, although their productivity is still expected to be increasing.



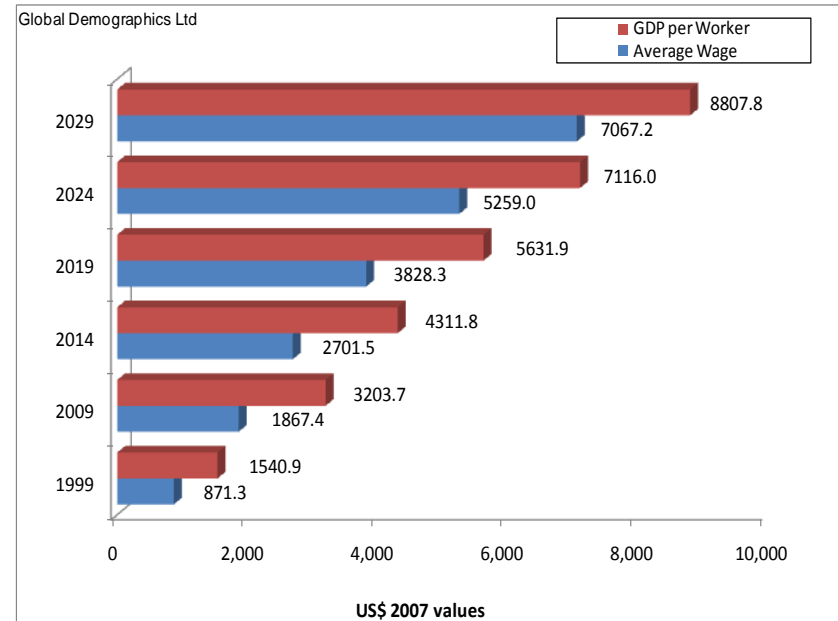
# Return on Wages

It is useful to understand how the efficiency of the labour force has developed over time. The best measure for this is the return a country gets from each worker for every dollar of income/wage paid to the worker.

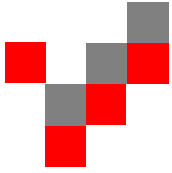
Average Household income multiplied by number of households and divided by number of employed persons gives the average wage of the country. Output per worker is total real GDP divided by the number of workers.

Over the last decade the efficiency of Example's workforce has been decreasing – from Rmb 1.77 return per Rmb 1 wage in 1999 to \$1.72 in 2009.

However projected trends in real GDP (previous page) and number of workers and households mean that this declines to Rmb 1.25 by 2029 and Example becomes less competitive.

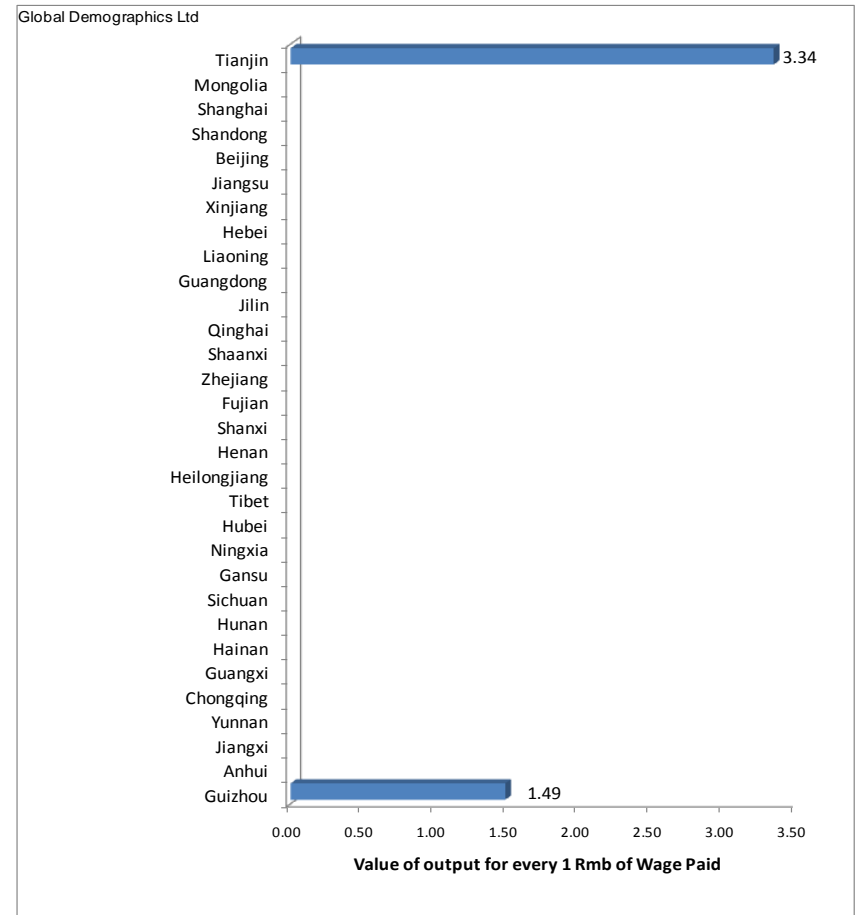


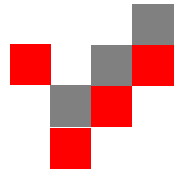
Rmb	Average Wage	GDP per Worker	Output per \$ Wage
1999	871	1541	1.8
2009	1867	3204	1.7
2014	2702	4312	1.6
2019	3828	5632	1.5
2024	5259	7116	1.4
2029	7067	8808	1.2



# Return on Wages Relative To Other Provinces

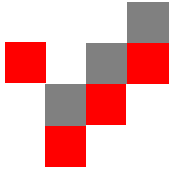
Example currently has a below average return to its overall economy for every Rmb 1 paid in wages.





**GlobalDemographics**

## Household Incomes

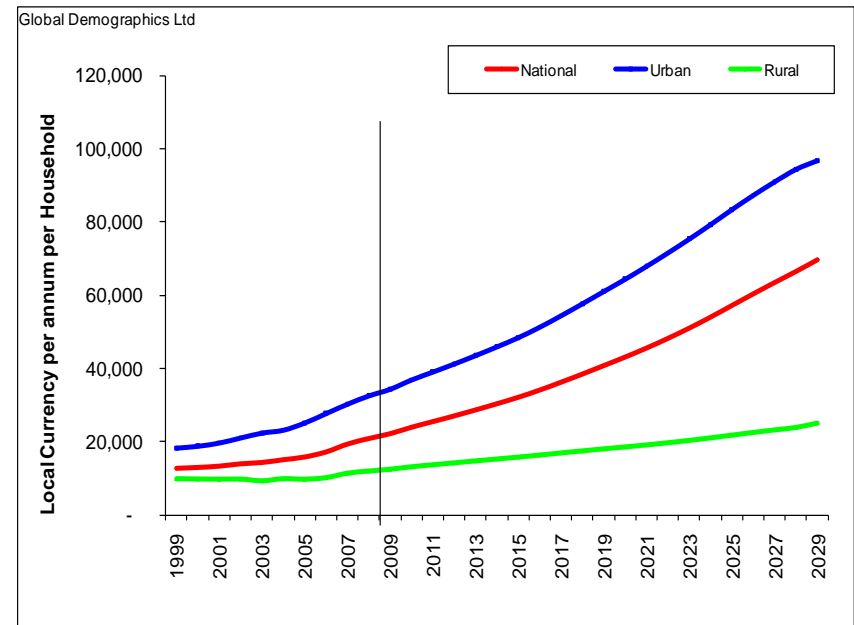


# Overall Trend In Average Household Income

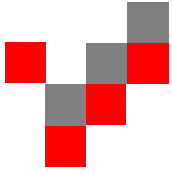
In local currency terms real average household incomes increased by 5.8% per annum for the last decade although urban grew at a faster rate than rural.

For the next decade real urban household incomes are projected to grow at 5.9% and real rural household incomes at 3.7%. Growth will continue for the next decade as well albeit at slower rates.

As rural incomes grow at a slower rate than urban incomes, the gap between urban and rural household income increases.



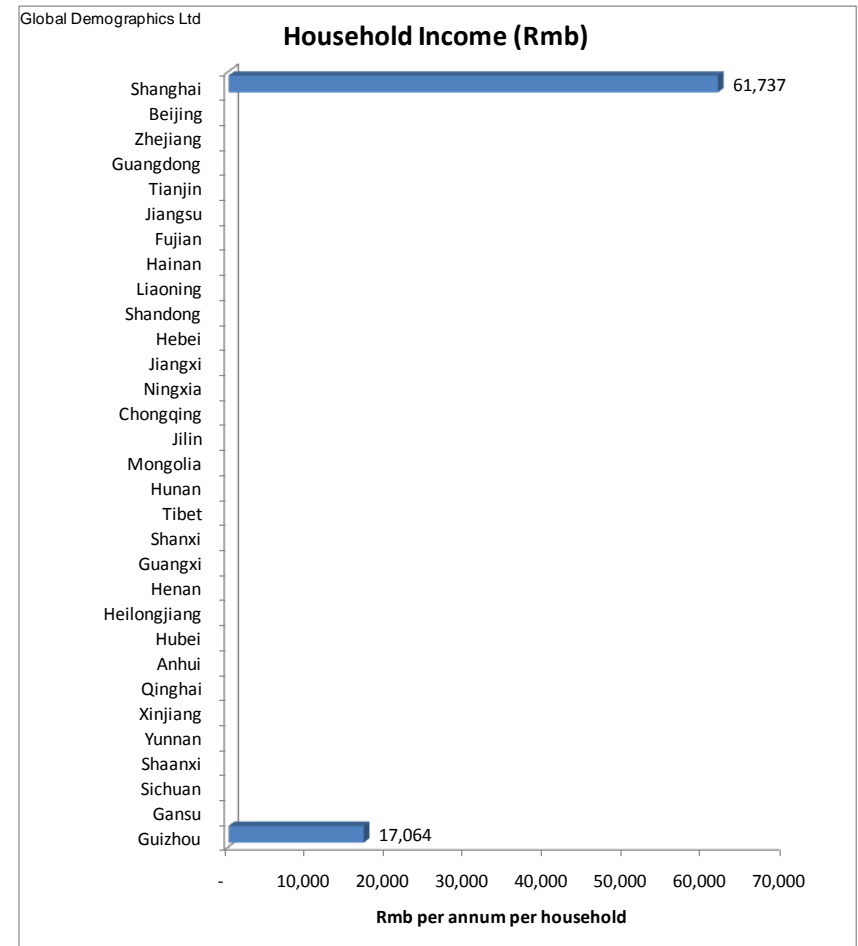
	National	Urban	Rural	CAGR	National	Urban	Rural
1999	12,532	18,279	9,911				
2009	22,024	34,352	12,470	1999-2009	5.8%	6.5%	2.3%
2014	30,236	45,935	15,258	2009-2014	6.5%	6.0%	4.1%
2019	40,691	61,039	18,015	2014-2019	6.1%	5.9%	3.4%
2024	53,987	79,299	21,013	2019-2024	5.8%	5.4%	3.1%
2029	69,708	96,796	25,034	2024-2029	5.2%	4.1%	3.6%

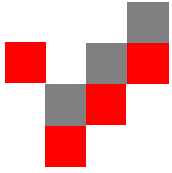


# Average Household Income Relative To Other Provinces

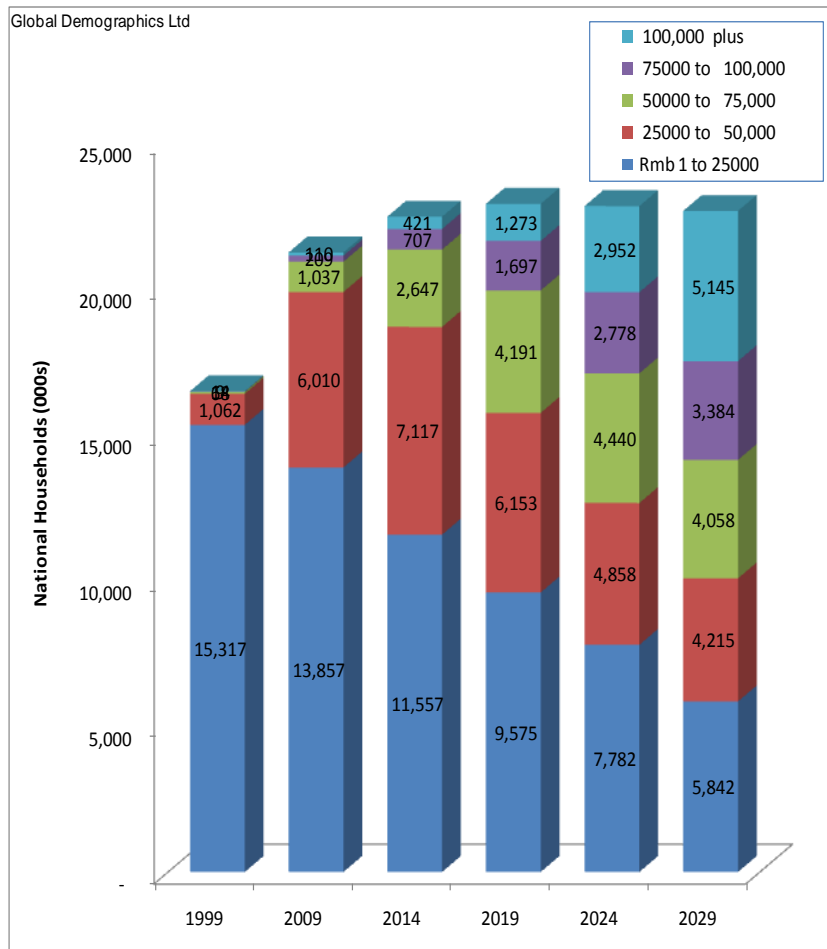
At Rmb 22024 Example has a below average household income.

Its rank position is 24 out of 31 Provinces.





# Changing Distribution of Households by Income - National

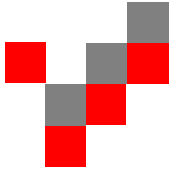


In 2009 an estimated 0.5% of all households earned an income over Rmb 100,000. The combination of an increasing total number of households and increasing affluence, means that the proportion of households with an income over Rmb 100000 (in 2007 values) is projected to increase to 5.6% by 2019 and 22.7% by 2029.

This means the absolute number of 'affluent' households increases from 109.7 thousand in 2009 to 5.1 million in 2029.

It might be noted that 83.0% of these affluent households are urban in 2009. This increases to 97.4% by 2029.

In contrast the absolute number of national households with an income less than Rmb 50000 (in 2007 values) goes from 19.9 million in 2009 to 10.1 million in 2029.



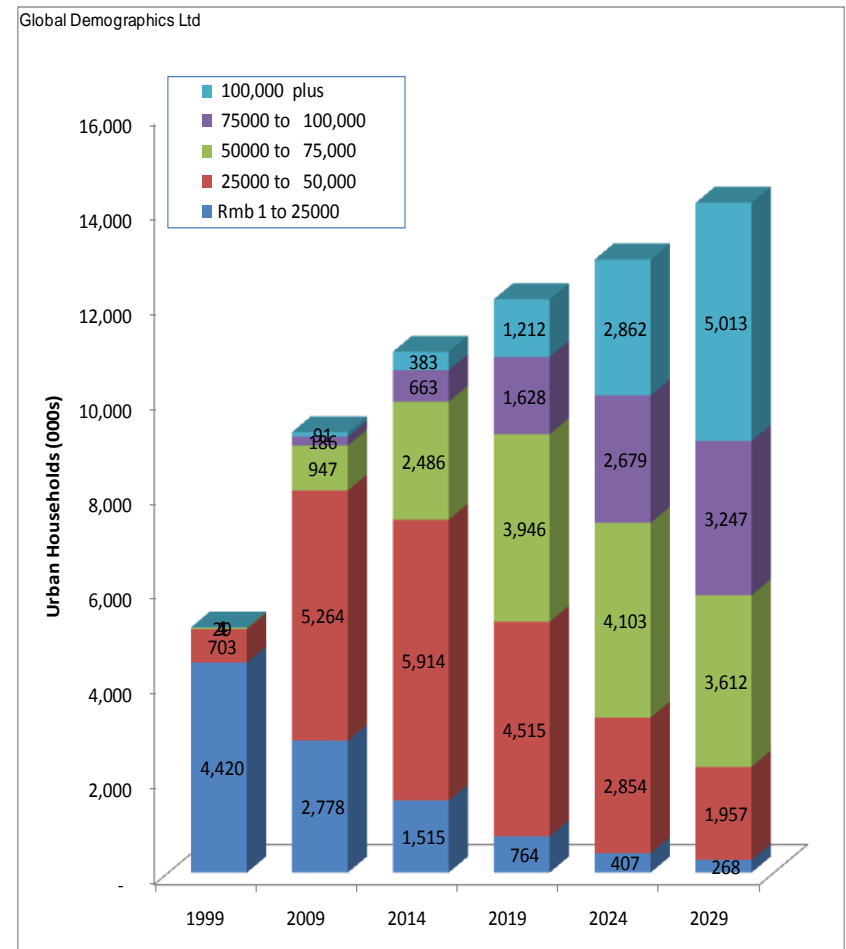
# Changing Distribution of Households by Income - Urban

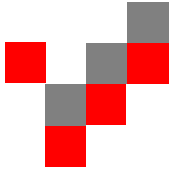
In the urban areas the proportion of households with an income over Rmb 100000 per annum is 1.0% in 2009. This increases to 35.6% by 2029.

This means that the absolute number of affluent urban households increases from 91.0 thousand to 5.0 million in the next twenty years.

The number of households with an income between Rmb 50000 and Rmb 100000 pa is projected to increase. From 1.13 in 2009 to 6.86 million in 2029.

Finally, the number of urban households with an income below Rmb 50000 per annum is projected to go from 8.0 million to 2.2 million. A -72.3% reduction.



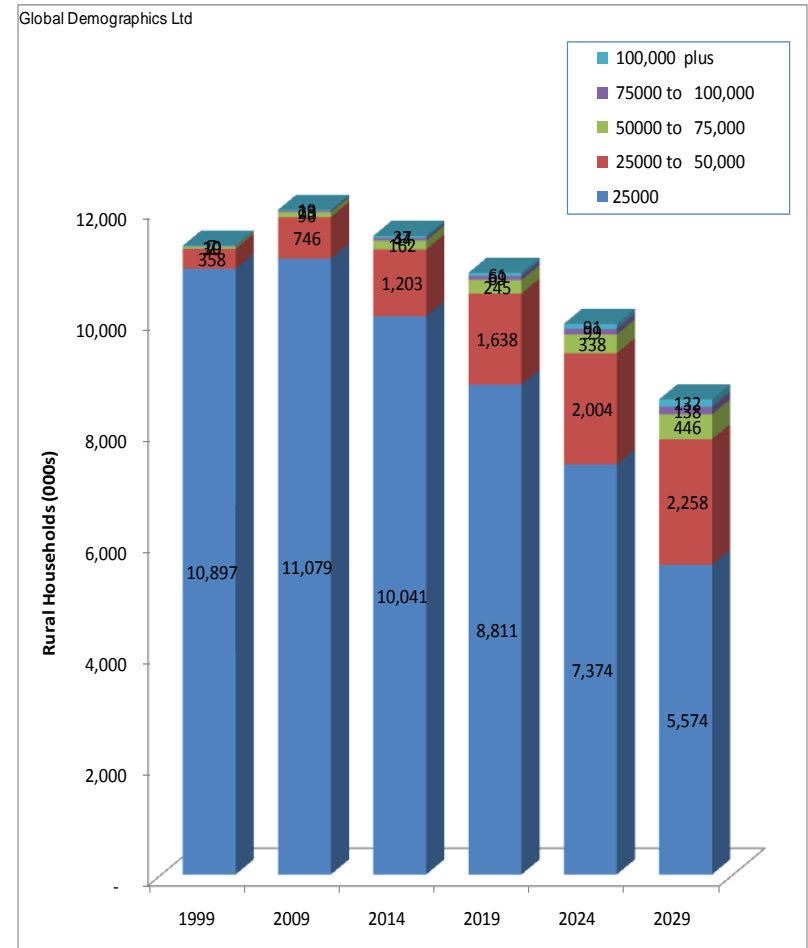


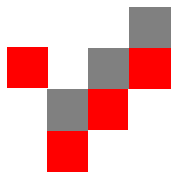
# Changing Distribution of Households by Income - Rural

In the rural areas the number of household with an income of Rmb 25000 and above is the growth segment.

However, it is only 7.3% of all rural households in 2009 increasing to 34.8% by 2029.

In absolute number this segment increases from 0.88 million rural households to 3.0 million in 2029.





# Expenditure Pattern by Income Group

## All Households

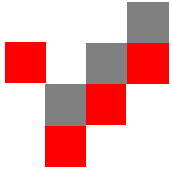
It is not surprising that as income increases so the proportion of total expenditure that is spent on food declines. In this province it is 44% of total expenditure of the lowest income group (earning less than Rmb 25,000) reducing to 33% for the highest income group (over Rmb 100,000 pa). However, this decrease does provide 'room' for other categories to grow in both proportion of expenditure as well as absolute amount spent.

Of the different categories listed in this table, Transport and Communications is the one that increases most with income. As a percentage of total income it increases from 9.0% of the lowest income group's total expenditure, to 13.6% of the highest income segment's expenditure. In absolute terms it increases from Rmb 891 per annum per household for the lowest income group to Rmb 8,049 per annum per household for the highest income group.

	0- 25000	25000- 50000	50000- 75000	75000- 100000	100000- plus
<b>Total expenditure Rmb</b>					
Total Exp	9,930	24,952	37,399	48,827	59,258
Food	4,344	9,500	13,196	16,578	19,674
Clothing	764	2,534	3,746	4,778	5,655
Household ops/Facilities	1,548	3,111	4,560	6,000	7,406
Healthcare	585	1,765	3,004	4,149	5,193
Transport and Communications	891	2,815	4,685	6,434	8,049
Recreation and Education	1,090	3,454	5,499	7,302	8,877
Residence	451	928	1,491	2,060	2,623
Other	257	846	1,217	1,526	1,781

### Share of Expenditure (%)

Food	44%	38%	35%	34%	33%
Clothing	8%	10%	10%	10%	10%
Household ops/Facilities	16%	12%	12%	12%	12%
Healthcare	6%	7%	8%	8%	9%
Transport and Communications	9%	11%	13%	13%	14%
Recreation and Education	11%	14%	15%	15%	15%
Residence	5%	4%	4%	4%	4%
Other	3%	3%	3%	3%	3%

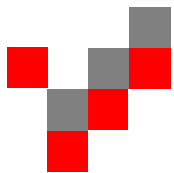


# Expected Trend in Total Household Expenditure Over Time

Household Expenditure Rmb	2009	2014	2019	2024	2029
Number of Households (000s)	21,224	22,448	22,889	22,811	22,644
Average Household Income	22,024	30,236	40,691	53,987	69,708
Estimated Tax paid	-	-	-	-	-
Estimated Savings	5,859	9,255	13,326	17,996	23,727
Total Expenditure	16,165	20,982	27,365	35,991	45,981
Food	6,437	7,834	9,774	12,434	15,538
Clothing	1,476	1,972	2,621	3,476	4,473
Household ops/Facilities	2,212	2,755	3,485	4,499	5,658
Healthcare	1,096	1,572	2,183	2,999	3,943
Transport and Communications	1,713	2,455	3,396	4,653	6,090
Recreation and Education	2,076	2,874	3,912	5,290	6,899
Residence	664	874	1,148	1,527	1,956
Other	491	644	847	1,113	1,424
<b>Share of Expenditure (%)</b>					
Food	40%	37%	36%	35%	34%
Clothing	9%	9%	10%	10%	10%
Household ops/Facilities	14%	13%	13%	13%	12%
Healthcare	7%	7%	8%	8%	9%
Transport and Communications	11%	12%	12%	13%	13%
Recreation and Education	13%	14%	14%	15%	15%
Residence	4%	4%	4%	4%	4%
Other	3%	3%	3%	3%	3%

This table shows the expected average expenditure of all households over time. The driver for change here is increasing average household income – as shown in the first row.

The pattern of change over time is not dissimilar to that by income group as shown on the previous page. This assumes that the historic trend in propensity to spend continues. It might well accelerate over time as China becomes more liberal in its attitude towards consumerism and also develops a better social safety net thereby reducing the need to save.



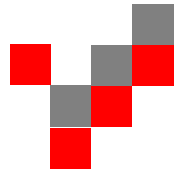
# Total Category Growth (Urban Households) 2009 to 2029

This final table looks at the potential impact of an increasing number of households and the increasing affluence of these households on the total market value (total households multiplied by average spend on category) of key product categories. As is to expected the growth is quite significant.

Expenditure on food is projected to lift from Rmb 136.6 Bn in 2009 to Rmb 223.7 Bn in 2019 (up 63.8%) and then reach Rmb 351.9 Bn in 2029 (a further 57.31% increase).

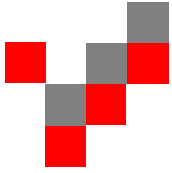
Overall, Recreation and Education and Transport and Communications are the two major categories that are projected to experience the most rapid growth in the next two decades.

	TI expenditure value Rmb Bn			CAGA		Absolute change	
	2009	2019	2029	2009-19	2019-29	2009-19	2019-29
Food	136.6	223.7	351.9	5.1%	4.6%	64%	57%
Clothing	31.3	60.0	101.3	6.7%	5.4%	92%	69%
Household ops/Facilities	46.9	79.8	128.1	5.4%	4.9%	70%	61%
Healthcare	23.3	50.0	89.3	7.9%	6.0%	115%	79%
Transport and Communications	36.4	77.7	137.9	7.9%	5.9%	114%	77%
Recreation and Education	44.1	89.5	156.2	7.3%	5.7%	103%	74%
Residence	14.1	26.3	44.3	6.4%	5.4%	86%	69%
Other	10.4	19.4	32.3	6.4%	5.2%	86%	66%



**GlobalDemographics**

## Country Summary Profile



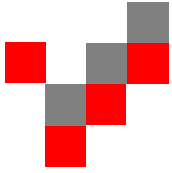
# Country Summary Profile

Example - Historic and Projected Demographic Profile					Average Growth Rate per Annum		
	2004	2009	2014	2019	2004 to 2009	2009 to 2014	2014 to 2019
<b>The Population and Household</b>							
Total Population (persons 000s)	62,151	62,651	62,799	62,331	0.2%	0.0%	-0.1%
0-14 yrs (000s)	14,192	11,616	9,896	8,938	-3.9%	-3.2%	-2.0%
15-24 yrs (000s)	8,103	9,028	8,991	7,044	2.2%	-0.1%	-4.8%
25-39 yrs (000s)	15,611	12,713	11,015	11,899	-4.0%	-2.8%	1.6%
40-64 yrs (000s)	18,728	22,052	24,189	23,977	3.3%	1.9%	-0.2%
65+ yrs (000s)	5,517	7,243	8,708	10,473	5.6%	3.8%	3.8%
Average age	32.82	35.32	37.02	38.58			
% Living in Urban Areas	33.6%	40.2%	45.7%	51.3%			
Total Number of Households (000s)	18,996	21,224	22,448	22,889	2.2%	1.1%	0.4%
Average Household Size	3.27	2.95	2.80	2.72			
<b>Labour Force and Education</b>							
Employed Persons (000s)	36,051	36,662	36,799	35,634	0.3%	0.1%	-0.6%
<b>Proportion of labour force with</b>							
Primary or Under	45%	43%	38%	33%			
Secondary	50%	50%	54%	58%			
Vocational/Tertiary or above	5%	5%	7%	9%			
<b>Occupation Profile</b>							
White Collar	28%	36%	42%	49%			
Production	19%	24%	27%	29%			
Agriculture & Other	52%	41%	31%	22%			

Global Demographics Ltd

Example - Historic and Projected Demographic Profile					Average Growth Rate per		
	2004	2009	2014	2019	2004 to 2009	2009 to 2014	2014 to 2019
<b>National Income (at 2007 constant value)</b>							
Total GDP in USD (Bn)	64	117	159	201	-11.5%	-5.8%	-4.6%
Total GDP in local currency (Bn)	526	802	1,083	1,370	-8.1%	-5.8%	-4.6%
GDP per capita (USD)	1,023	1,875	2,527	3,220	-11.4%	-5.8%	-4.7%
GDP pc in local currency	8,470	12,800	17,251	21,982	-7.9%	-5.8%	-4.7%
<b>Average Household income</b>							
US\$	2180	3226	4429	5960	8.2%	6.5%	6.1%
in local currency	14,885	22,024	30,236	40,691	8.2%	6.5%	6.1%
<b>Households earning income over Rmb 25,001 pa</b>							
Number of Households	2,791	7,257	10,470	12,042	21.1%	7.6%	2.8%
Percent of Households	15%	34%	47%	53%			
<b>Households earning income over Rmb 50,001 pa</b>							
Number of Households	215	1,246	3,354	5,888	42.1%	21.9%	11.9%
Percent of Households	1%	6%	15%	26%			
<b>Average Household Expenditure pa</b>							
In US\$	1,645	2,368	3,073	4,008	7.6%	5.4%	5.5%
in local currency	11,231	16,165	20,982	27,365	7.6%	5.4%	5.5%
<b>Expenditure Pattern</b>							
Food and Clothing	53%	49%	47%	45%			
Household Related	16%	18%	17%	17%			
Health & Education	18%	20%	21%	22%			
Transport & Communication	10%	11%	12%	12%			
Others	3%	3%	3%	3%			

Global Demographics Ltd



# Copyright

---

The copyright of this document belongs to Global Demographics Ltd. The purchaser has the right to use this document and replicate it for use within the organisation that purchased it. The document may not be disclosed in full or in part to any third party in any form whatsoever without the express written permission of Global Demographics Ltd. In particular it may not be posted on a public web site or made available through a web site in any form other than the purchasing company's intranet.