

China's developing urban landscape

Over the past 30 years China has witnessed a migration of people from the countryside to towns and cities. In 1980, only 31% of the population lived in towns and cities; this figure is now 52%¹ and China has over 140 metropolitan areas with a population of more than 1 million – in contrast, the US has 52 metropolitan areas with a population north of 1m.² China's economic growth and boom in urban population has boosted China's burgeoning middle class.

For a long time the Tier 1 cities – Beijing, Shanghai, Guangzhou and Shenzhen – have been home to the country's middle class. But as China's economy has grown and the middle-class swelled, other cities have blossomed. Many of the Tier 2 cities are provincial capitals that have benefited from China's 12th Five-Year Plan (2011-15), which has national policies supportive of their development.

Looking ahead, a raft of Tier 3 and Tier 4 cities will see their middle-classes continue to grow, and this cohort will continue to increase its wealth and spending. Many of these cities will benefit from China's increasing domestic trade, improved transport infrastructure, and government policies designed to support their growth.

China's transition from an investment led economy to one with a greater reliance on consumption will not be without difficulty, but direction of travel is clear: China's middle-class is expected to grow from 300 to 500 million by 2020³ and the nation's wealth will increasingly be spread across the country and population.

As explained in this report, notwithstanding the economic risks that may lie ahead, these factors are supportive of gold demand over the medium term and we expect Chinese private sector gold demand to be at least 1,350t by 2017.

This map depicts a small subset of China's Tier 1-4 cities.

- Tier T1
- Tier T2
- Tier T3
- Tier T4

1 World Bank; National Bureau of Statistics.

2 National Bureau of Statistics; United States Office of Management and Budget.

3 Ernst & Young, *The growth of the middle class in emerging markets*.

