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# Urbanisation drives investment opportunities in China

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Written by Charles Yong of theedgemaalaysia.com

Tuesday, 29 October 2013 10:31

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KUALA LUMPUR: President Xi Jinping's Chinese Dream envisions 70% of the population living in cities by 2030, up from 52% today. This means an influx of 20 million new urban residents every year who offer vast business opportunities, says Ninny Khor, a Malaysian economist at the Asian Development Bank.

"Think about the ... things you have to provide for these people," she said during a talk on the Emergence of China at the iCapital.biz Bhd 2013 Investor Day last Saturday.

Although China plans to construct 36 million affordable homes by 2015 — a huge investment opportunity for suppliers in construction and building materials — Khor said this will not be sufficient. Furthermore, she said, China needs better quality housing.

"According to the 2010 census, 35% of houses had no tap water and 28% had no toilets," she said.

The 20 million new city dwellers a year is over and above the 260 million urban immigrants currently living in Chinese cities without urban residency status, which deprives them of public services.

"The government has announced that it plans to integrate these migrants, who make up about 25% of the urban population. This would increase domestic demand and bring a big boost to the Chinese economy."

"These migrants have not been spending. They are saving ... in order to go home. Less than 2% of migrants report having bought a home in the cities they live in. The growth of their income has also been quite robust, faster than rural household income, which in turn is faster than urban income."

Khor said many urban migrants in Beijing live in small, shared spaces without proper toilets and kitchens.

Another area for investment in China is infrastructure, she said. "Everyone says China has too many roads. But if you look at the airport density of China, it is only 10% of Malaysia's."

Apart from the demands of a growing number of urban residents, Chinese consumers are also developing an appetite for leisure.

"The travel and leisure industry in China is huge," said Khor. "Between 2010 and 2012, the size of the travel industry in China doubled."

An ageing demographic will also see higher demand for healthcare and elderly care, said Khor.

"The government has set a target to increase healthcare spending to eight trillion yuan by 2020 (RM4.13 trillion), almost double today's level of spending."

She also cited green technology and food safety as areas of opportunity in China, on concerns over pollution and food contamination in recent years.

Khor said that in order for China to achieve its target of doubling its 2010 per capita GDP by 2020, the country would have to grow 6.3% per year, and she is cautiously optimistic that this is achievable. The official growth target for China this year is 7.5%.

