THE STATE OF CONSUMERS IN THE US AND CHINA

- In the US, those surveyed seem to suffer from a lack of confidence in the economy, which is reflected in their cautious spending plans. Most consumers surveyed said they plan to spend more only on groceries over the next three months—the spending outlook for other categories is declining.
- China, on the other hand, presents a more optimistic picture for retailers. The Chinese consumers surveyed are generally confident in the economy and are willing to spend more in the coming months. The product categories that will benefit the most are children's clothing, casual apparel, footwear and groceries.
- Chinese consumers are continuing to shop online regularly: 68% of those surveyed said they shop online regularly, versus only 29% in the US.

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THE STATE OF CONSUMERS IN THE US AND CHINA

COMPARING CONSUMER ATTITUDES IN THE WORLD'S TWO LARGEST ECONOMIES

A REPORT BASED ON SURVEYS BY PROSPER INSIGHTS & ANALYTICS AND ON ANALYSIS BY FUNG GLOBAL RETAIL AND TECHNOLOGY

Key Findings

- US consumers are showing declining confidence in the economy: only 50% of millennials, 47% of Gen Xers and 37% of baby boomers surveyed in May said they felt confident or very confident in the economy.
- In the US, most consumers surveyed said they plan to spend more only on groceries over the next three months—the spending outlook for other categories is declining.
- Chinese consumers surveyed indicated they are feeling positive in terms of both confidence and willingness to spend; apparel, footwear and groceries are the categories that will benefit the most from improving consumer sentiment.
- Chinese consumers are continuing to shop online regularly: 68% of those surveyed said they shop online regularly, versus only 29% in the US.

US consumers are showing declining confidence in the economy: only 50% of millennials, 47% of Gen Xers and 37% of baby boomers surveyed in May said they felt confident or very confident in the economy.

In the US, those surveyed seem to suffer from a lack of confidence in the economy, which is reflected in their cautious spending plans. Less than half of US respondents feel that they are better off financially than they were last year and, regardless of age or income, they seem to be willing to spend more on only one category: groceries.

China, on the other hand, presents a more optimistic picture for retailers. The Chinese consumers surveyed are generally confident in the economy and are willing to spend more in the coming months. The product categories that will benefit the most are children's clothing, casual apparel, footwear and groceries. Chinese consumers are also heavy e-commerce shoppers, with approximately 70% of those surveyed indicating that they make regular purchases online.

About This Report

This report provides the latest data available on consumer spending behavior in the world's two largest economies. It also presents an overview of US and Chinese consumers and a spending outlook, segmented by selected product categories and channels.

This report is a collaboration between Fung Global Retail & Technology and Prosper Insights & Analytics. It uses propriety data from surveys conducted by Prosper in the US and by ProsperChina in China that track shopping behaviors and the future purchase intentions of consumers. Prosper surveys more than 6,000 consumers 18+ in the US and more than 5,000 consumers between the ages of 18 and 54 in China, on an ongoing basis.

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THE US

Macro Overview

According to data from Prosper's *Monthly Consumer Survey*, US consumer confidence has been dropping over recent months. In May, over half of the US consumers surveyed said they do not feel confident in the economy.

Even though the drop has been felt most acutely by millennials (who are referred to as "Gen Y" in the graphs that follow), the group remains the most optimistic of the three age cohorts surveyed; just over 50% of millennials surveyed in May said they feel confident or very confident in the economy, compared to 47% of Gen Xers and 37% of baby boomers.

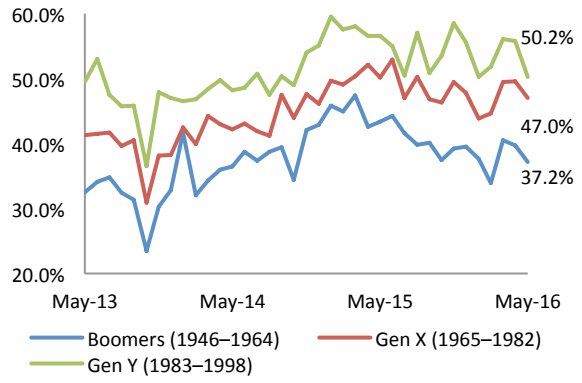
Only 17.4% of millennials surveyed in March said they save 0% of their monthly income. In contrast, the baby boomers surveyed by Prosper are the least prudent savers; 27.6% of boomers surveyed in March said they save none of their monthly income.

Source: Frugarules

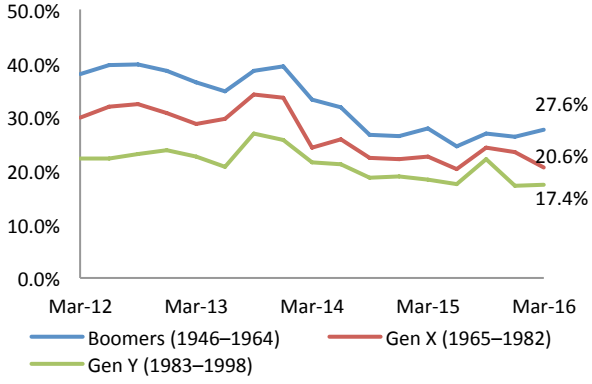
The survey data also show that millennials are the most prudent savers. Only 17.4% of millennials surveyed in March said they save 0% of their monthly income. In contrast, the baby boomers surveyed by Prosper are the least prudent savers; 27.6% of boomers surveyed in March said they save none of their monthly income.

Figure 1. Consumer Confidence and Savings Rate

The % of respondents feeling confident or very confident in the economy, by age group



The % of respondents who don't save any of their annual income, by age group



Source: Prosper Insights & Analytics Monthly Consumer Survey

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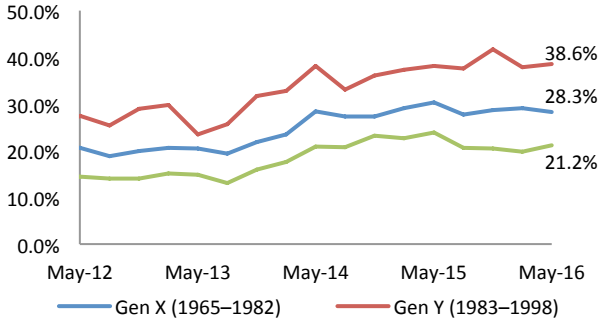
Looking at the personal financial situation of the survey respondents provides a clue as to why millennials are saving more and feeling more confident in the economy: 38.6% of them believe their financial situation has improved over the last 12 months versus 28.3% of Gen Xers and 21.2% of boomers.

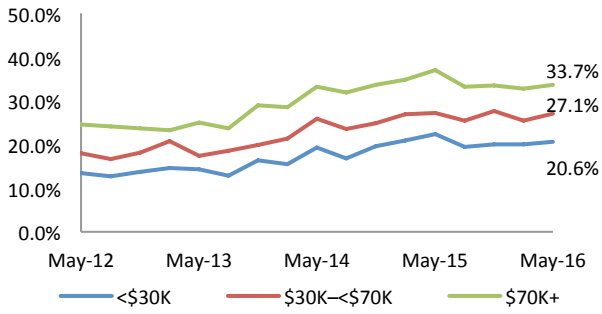
The data also show that the highest percentage of respondents who view themselves as better off now than they were a year ago earn $70,000 or more annually.

Figure 2. Current Financial Situation

The % of respondents who view their financial situation as better off versus last year, by age group



The % of respondents who view their financial situation as better off versus last year, by household income



Source: Prosper Insights & Analytics Monthly Consumer Survey

Based on the US consumer data above, it appears that millennials in the highest earnings bracket represent the highest spending momentum.

Shopping Behavior

In this section, we provide a view of US consumers' shopping preferences. The data show that there is little that distinguishes millennials from Gen Xers when it comes to online shopping, as 32.1% of the millennials and 31.7% of the Gen Xers surveyed said that they shop online regularly. Surprisingly, the survey data show that the percentage of millennials buying online regularly has increased over time and has actually caught up with the percentage of Gen Xers who shop online regularly, versus the other way around.

32.1% of the millennials and 31.7% of the Gen Xers surveyed said that they shop online regularly.

Source: Atlantisbahamas

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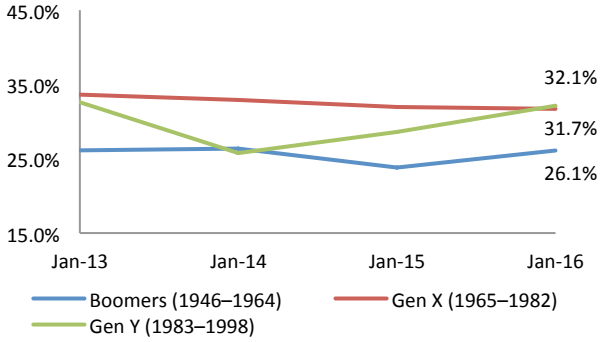
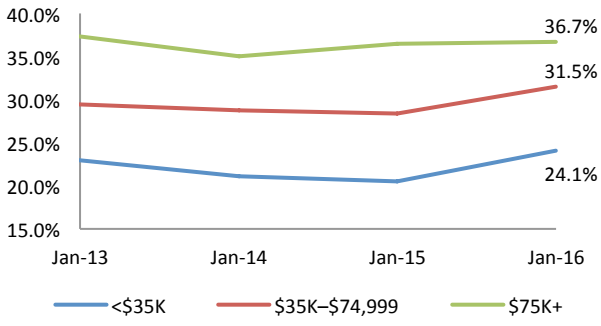
The highest earners are the ones who shop online most often, but the percentage of e-commerce shoppers who earn $35,000 or less annually increased over the 12 months ending in January.

Figure 3. Online Shopping

Frequency of purchasing products online, by age group



Frequency of purchasing products online, by household income



Source: Prosper Insights & Analytics Monthly Consumer Survey

Category Analysis

Prosper uses a spending score to measure the 90-day outlook for consumers' buying intentions. A spending score higher than 100 means more consumers are planning to spend more on that category over the next 90 days than are planning to spend less on it.[1]

Source: Luxetravel

May's survey data show that children's clothing was the only product category that had a spending score of higher than 100 for both millennials and Gen Xers. In addition to children's clothing, millennials will look to spend more on groceries, while Gen Xers will be purchasing more women's dress clothing. Boomers, on the other hand, are planning to spend less than millennials and Gen Xers are across all categories over the next 90 days.

[1]The spending score is calculated as percent of consumers planning to spend more and the same/percent of consumers planning to spend less and the same × 100.

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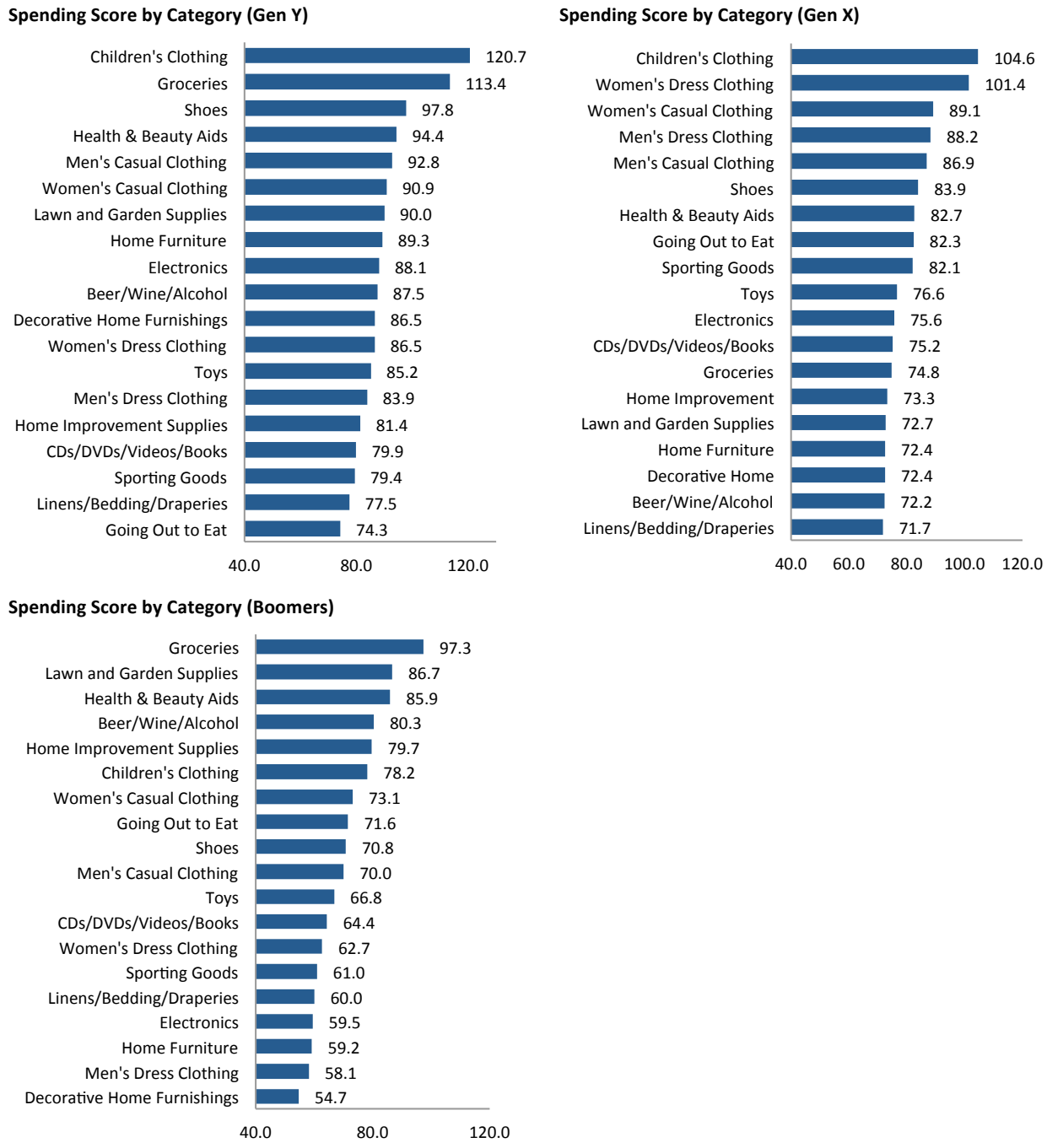
When the survey data are segmented by household income, groceries are the category that US consumers of all income brackets are most likely to increase their spending on over the next three months. Consumers making more than $70,000 will also likely spend on lawn and garden supplies, which is consistent with the pickup in sales this category has seen as the US housing market has recovered.

Figure 4. Spending Score Breakdown May 2016, by Age



Source: Prosper Insights & Analytics

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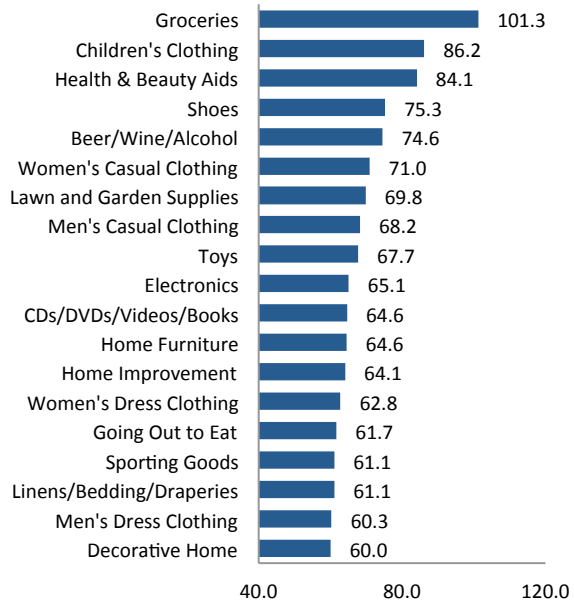
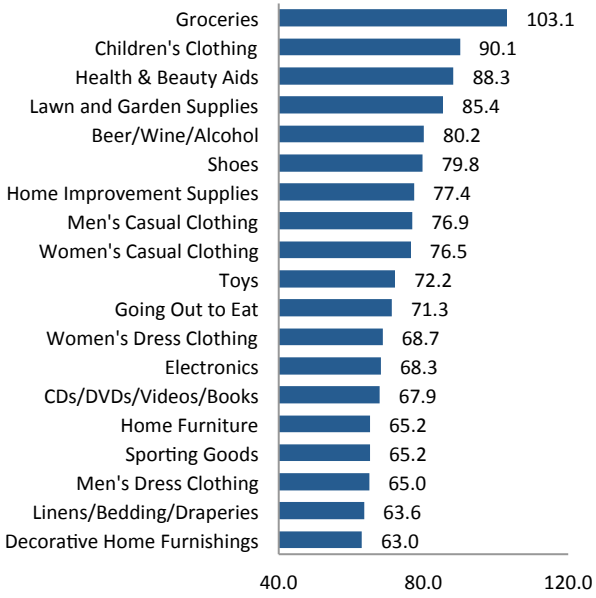
Figure 5. Spending Score Breakdown May 2016, by Household Income

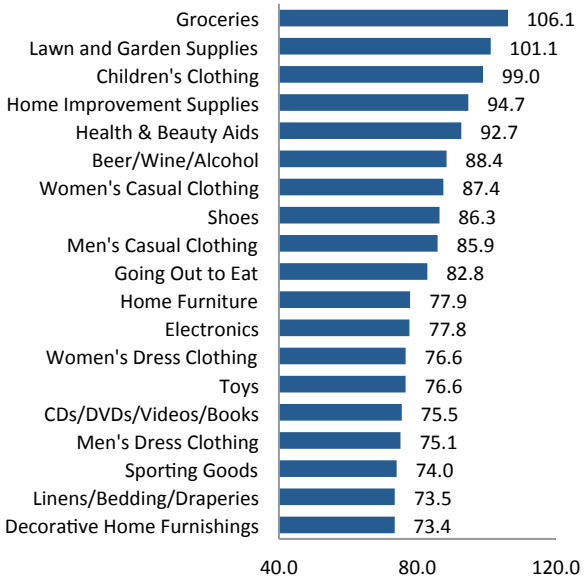
Spending Score by Category (Household Income <$30,000)



Spending Score by Category (Household Income $30,000–$70,000)



Spending Score by Category (Household Income $70,000+)



Source: Prosper Insights & Analytics

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CHINA

Macro Overview

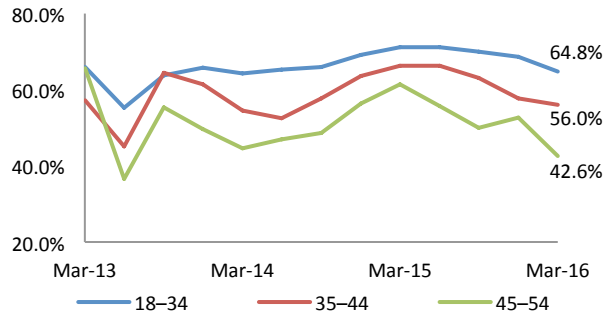
ProsperChina's most recent *Quarterly Survey* showed that Chinese consumers had a relatively high level of confidence in the economy at the end of the first quarter of 2016. As in the US, the youngest age group of respondents (ages 18–34) was the most confident, with 64.8% of them saying they feel confident or very confident in China's economic prospects. By contrast, the oldest age group of survey respondents (ages 45–54) showed decreasing levels of optimism; the percentage of confident consumers in that age group decreased to 42.6% from 52.7% in the third quarter 2015 survey.

The World Bank estimates that gross savings in China represented 49% of GDP in 2014, compared to 18% in the US.

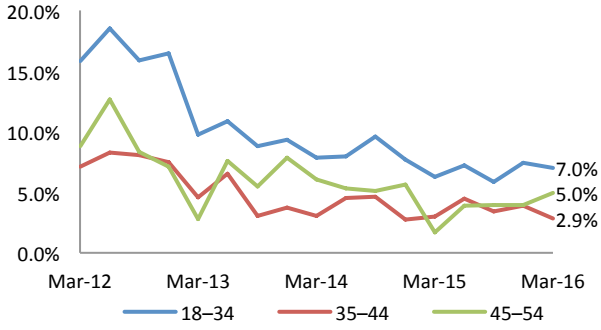
In China, the savings rate is high compared to that of other economies. The World Bank estimates that gross savings in China represented 49% of GDP in 2014, compared to 18% in the US. ProsperChina's survey results reflect Chinese consumers' propensity to save. The most recent survey shows that less than 10% of respondents are not saving any of their monthly income, with the 35–44 age group being most frugal; only 2.9% of respondents in that age group said they do not save. In addition, the data show that the savings profile of survey respondents has improved over time. In 2016, many fewer respondents said they save 0% of their monthly income compared to those surveyed in 2012 and 2013.

Figure 6. Consumer Confidence and Savings Rate

The % of respondents feeling confident or very confident in the economy, by age group



The % of respondents who don't save any of their annual income, by age group



Source: ProsperChina Quarterly Survey

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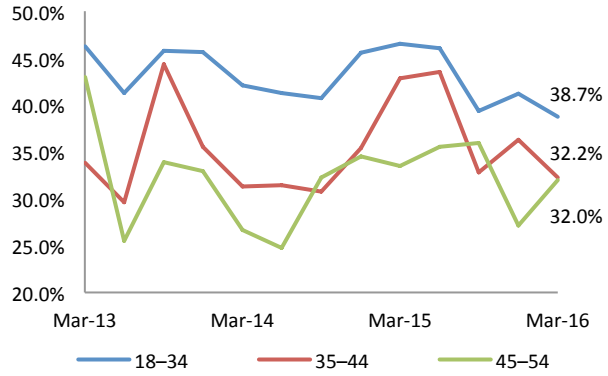
Looking at the personal financial situation of ProsperChina's survey respondents, we see that about a third of them believed they were financially better off in March 2016 versus the year before. What is interesting is that the percentage is similar across age groups, which is different from what Prosper's survey found in the US, where millennials are clearly more upbeat than older age groups are about the state of their finances.

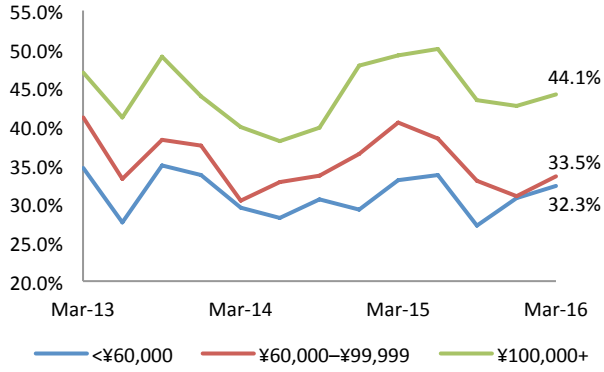
Across income levels, higher earners naturally feel that they are better off, but only about 34% of those surveyed who earn less than ¥100,000 (~US$15,000) feel that their financial standing has improved.

Figure 7. Current Financial Situation

The % of respondents who view their financial situation as better off versus last year, by age group



The % of respondents who view their financial situation as better off versus last year, by household income



Source: ProsperChina Quarterly Survey

Shopping Behavior

In contrast to consumers in the US, the Chinese consumers surveyed are very willing to make online purchases regularly. ProsperChina's survey found that 68% of all respondents regularly shop online, and the percentage shows little deviation across age groups.

ProsperChina's survey found that 68% of all respondents regularly shop online, and the percentage shows little deviation across age groups.

Source: Selinko

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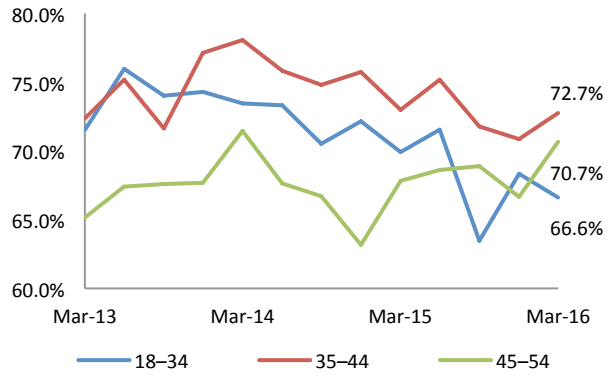
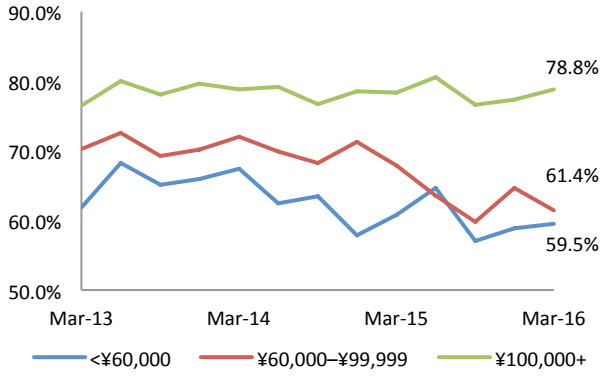
When it comes to income levels, higher earners shop online more regularly: 78.8% of all respondents who earn more than ¥100,000 (~US$15,000) per year describe themselves as regular online shoppers. Only about 60% of those who earn less than ¥100,000 said they make regular online purchases.

Figure 8. Online Shopping

Frequency of purchasing products online, by age group



Frequency of purchasing products online, by household income



Source: ProsperChina Quarterly Survey

Category Analysis

Overall, consumers in China will be buying more clothes and groceries in the second quarter of 2016, with the planned spending weighted more heavily toward groceries in the older consumer age groups. Interestingly, there are significantly more categories with spending scores over 100 in China versus the US, which reflects Chinese consumers' appetite for goods.

Children's clothing is the most favored spending category across income levels as well. The survey shows that, regardless of income, respondents in all age groups are looking to make more purchases from this category.

Source: Ralph Lauren

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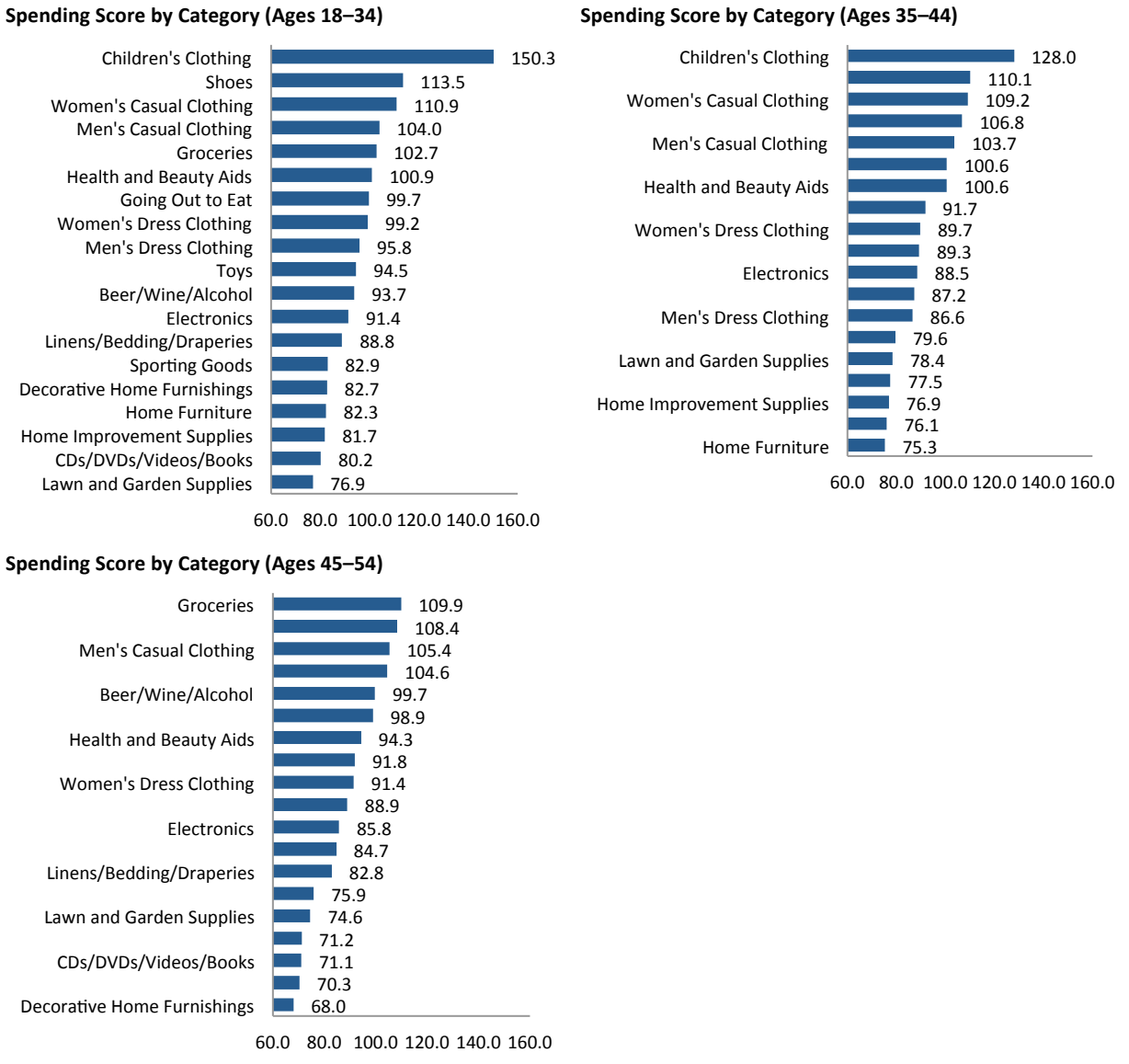
ProsperChina's data overwhelmingly show that Chinese consumers are looking to make more purchases of children's clothing in the second quarter. In the youngest age group, the spending outlook is significantly tilted toward the category. Consumers in the 35–44 age group are also planning to buy more children's clothes.

Children's clothing is the most favored spending category across income levels as well. The survey shows that, regardless of income, respondents in all age groups are looking to make more purchases from this category.

Understandably, consumers in the higher income band plan to spend more in almost half of the survey categories, while those in the lowest income band plan to spend more on only two categories.

Figure 9. Spending Score Breakdown 1Q 2016, by Age



Source: ProsperChina Quarterly Survey

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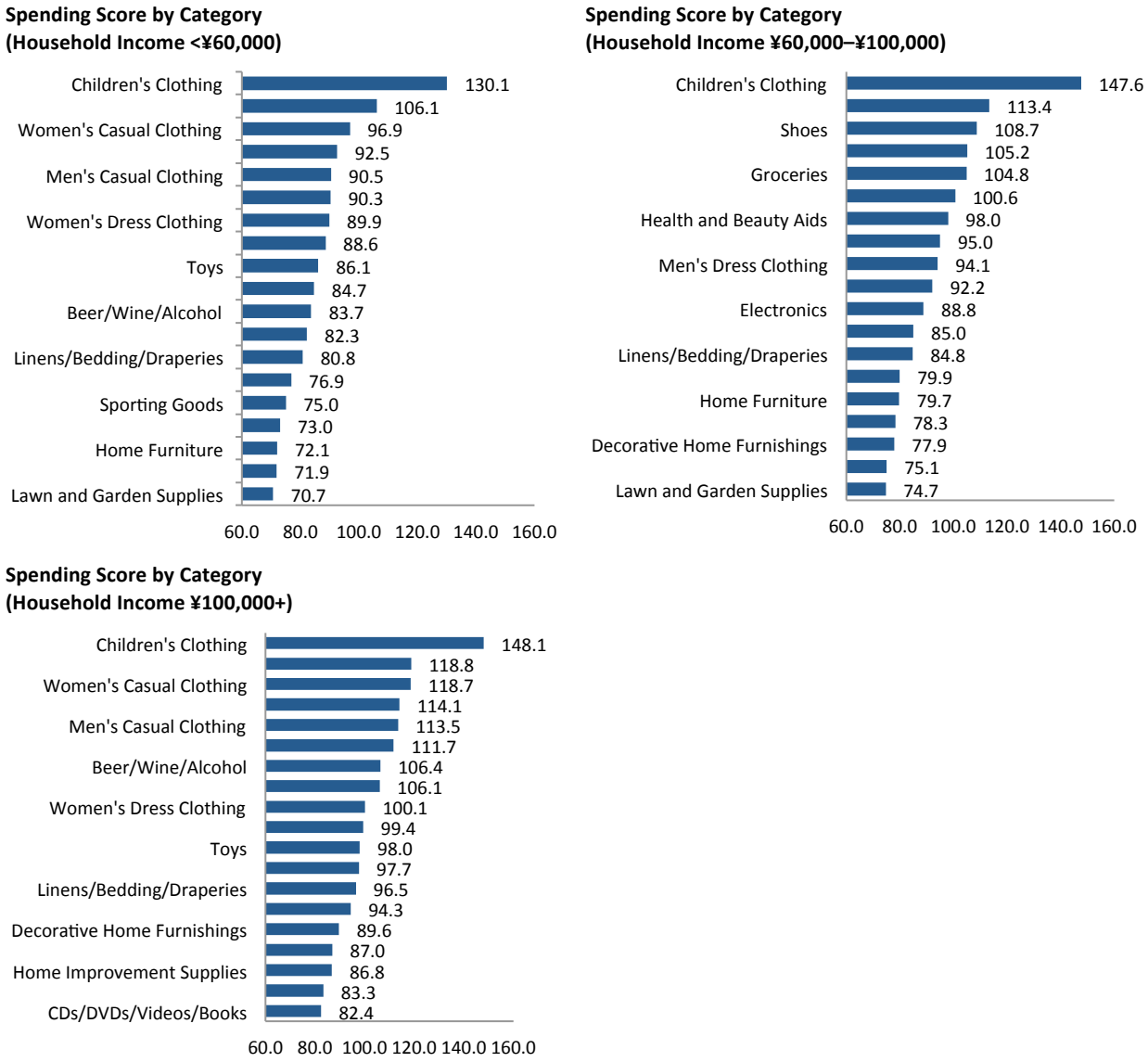
Figure 10. Spending Score Breakdown 1Q 2016, by Household Income



Source: ProsperChina Quarterly Survey

About Prosper and the Survey Methodology

Prosper Insights & Analytics provides business intelligence services based on data integration analytics from hundreds of thousands of data series to bring continuously updated solutions focused on core business processes.

The Prosper Insights & Analytics *Monthly Consumer Survey* provides insights into the US consumer market from multiple datasets and multiple sources.

Since 2006, ProsperChina has been conducting the largest online survey of consumers in China. The survey tracks vital information, such as shopping and media behaviors and future purchase intentions.

The ProsperChina *Quarterly Survey* provides insights from Chinese consumers between the ages of 18 and 54, with a primary focus on

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upwardly mobile 18–34-year-old consumers. This segment represents an estimated population of 360 million (comprising approximately 184 million men and 176 million women). The surveys are conducted online and they cover purchase behaviors, brand preferences, purchase intentions, media consumption, simultaneous media usage and media influence on purchases.

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