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THE CONVERSATION



Two extremes – how the rich and poor spend Chinese New Year

February 5, 2016 3.18pm GMT

EPA/Narong Sangnak

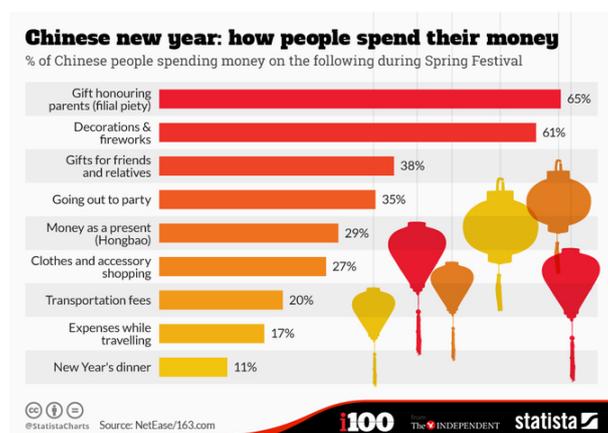
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One of the biggest annual celebrations around the world is upon us. February 8 marks the start of the Lunar New Year in China. Also known as the Spring Festival, it is the most important holiday in the Chinese calendar, akin to Christmas in the West. An important time of family reunions and catching up with old friends, it is also a huge consumer holiday, as people usher in the year of the monkey.

Spending during this season in 2014 on shopping and dining was around 610 billion yuan – about US\$100 billion. This is almost double the amount American shoppers spent over the Thanksgiving weekend. The festival is celebrated by everyone and, in a country of extreme wealth that is also home to 7% of the world's poor, the way that it is celebrated varies greatly.

There are a few things that all Chinese citizens have in common though. Most buy gifts for their parents and elderly family members, and 65% of respondents in a survey last year showed that clothes were a favoured item. Other significant areas of spending are decorations and fireworks, party goods, transportation costs and New Year's dinner.



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Another Spring Festival custom is to give friends and relatives money in red envelopes known

as *hongbao* for good luck. China's internet companies began to capitalise on this two years ago, with the popular messaging app WeChat launching a way to share money through messaging. Last year saw 500m yuan (US\$80m) transferred using the app, which we can only expect to increase this year as other apps offer the service too.

The long journey home

No matter how far away family members may have migrated across China, they are expected to make the journey home. As a result, Chinese New Year is believed to be behind the largest movement of people in the world. Up to 2.91 billion trips are expected to be made this year via road, railway, air and water, up 3.6% from last year, according to the National Development and Reform Commission, the country's top economic planner.

Spare a thought for the 100,000 migrant workers stuck in Guangzhou train station in the heart of China's manufacturing region due to train delays, as they try to make their long journey home for the holiday.



People's Daily,China

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Over 100k passengers trapped in Guangzhou Railway Station on Mon, due to train delays in [#SpringFestival](#) travel rush

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Migrant workers are the backbone of China's low-cost and labour intensive economy. They make up an estimated 278m workers who have migrated from rural parts of China to work in the big cities and for many, Chinese New Year is their only holiday. It's often the only chance they have to spend some time with their entire family, including children who are left with their grandparents.

Migrant workers also bring home their hard earned cash, which is vital to the local rural economy. Earnings from the big cities enable families to move into new and better homes, send their children to school, purchase livestock and other home additions such as new flat screen TVs.

The other half

A growing number of wealthier Chinese opt to avoid the New Year chaos and social obligations by travelling abroad for their holidays. Last year 5.2m left mainland China over the

holiday. The most popular destinations are other countries in East Asia, as well as the US and Australia.

Chinese tourists are well known for spending big abroad. China is the biggest outbound tourism spending country, with vast amounts spent on luxury goods. Many Chinese consumers consider foreign products to be of superior quality and better designed than their domestic competitors – Hermès handbags, Burberry trench coats and Patek Philippe watches are often top of Chinese tourists' shopping lists.

In 2015 Chinese consumers spent more than US\$100 billion on luxury goods, accounting for 46% of the world's total. Around 80% of these sales are made abroad. Attracted by the weaker euro and Japanese yen, Chinese consumers are increasingly opting for Europe and Japan, instead of their traditional shopping hotspots of Hong Kong and Macau.

So as well as seeing the largest migration of its citizens as they crisscross the country, Chinese New Year sees a surge in spending by its elites both inside and outside of China. This feeds into the crucial shift the country is making from having an economic growth model driven by manufacturing to one based on consumption and services, of which tourism and entertainment are crucial elements.

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