

Living for the city

Urbanisation and the rise of the middle class

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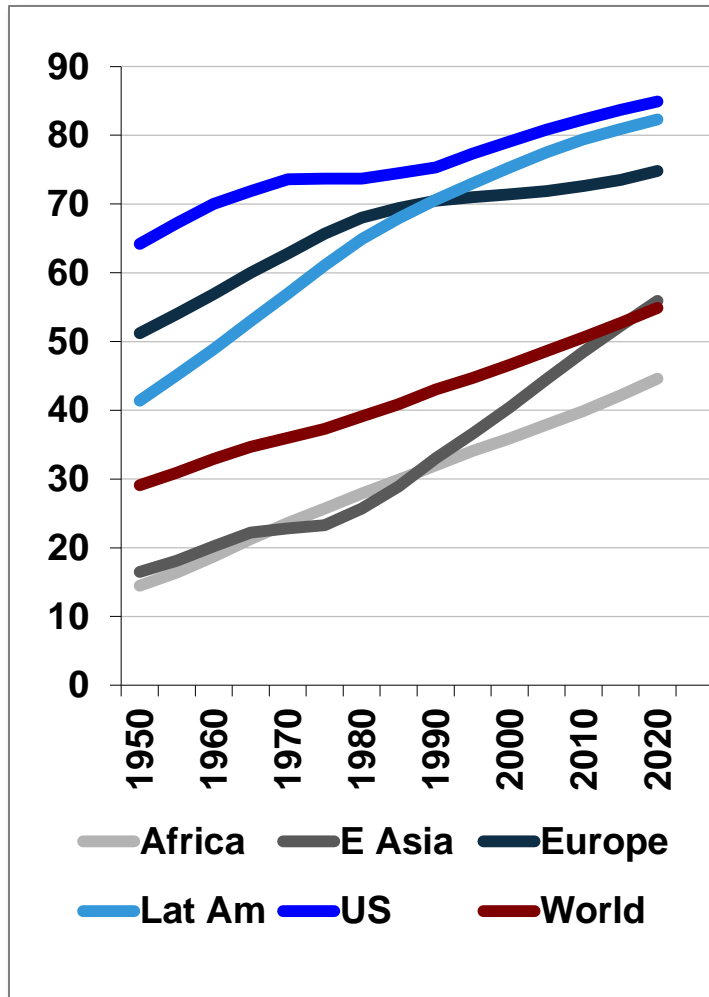


Urbanisation: The great transformation

“ We are currently in the middle of the largest migration in human history, as over two billion people, a third of humanity, move from rural to urban areas ”

Doug Saunders - Arrival City

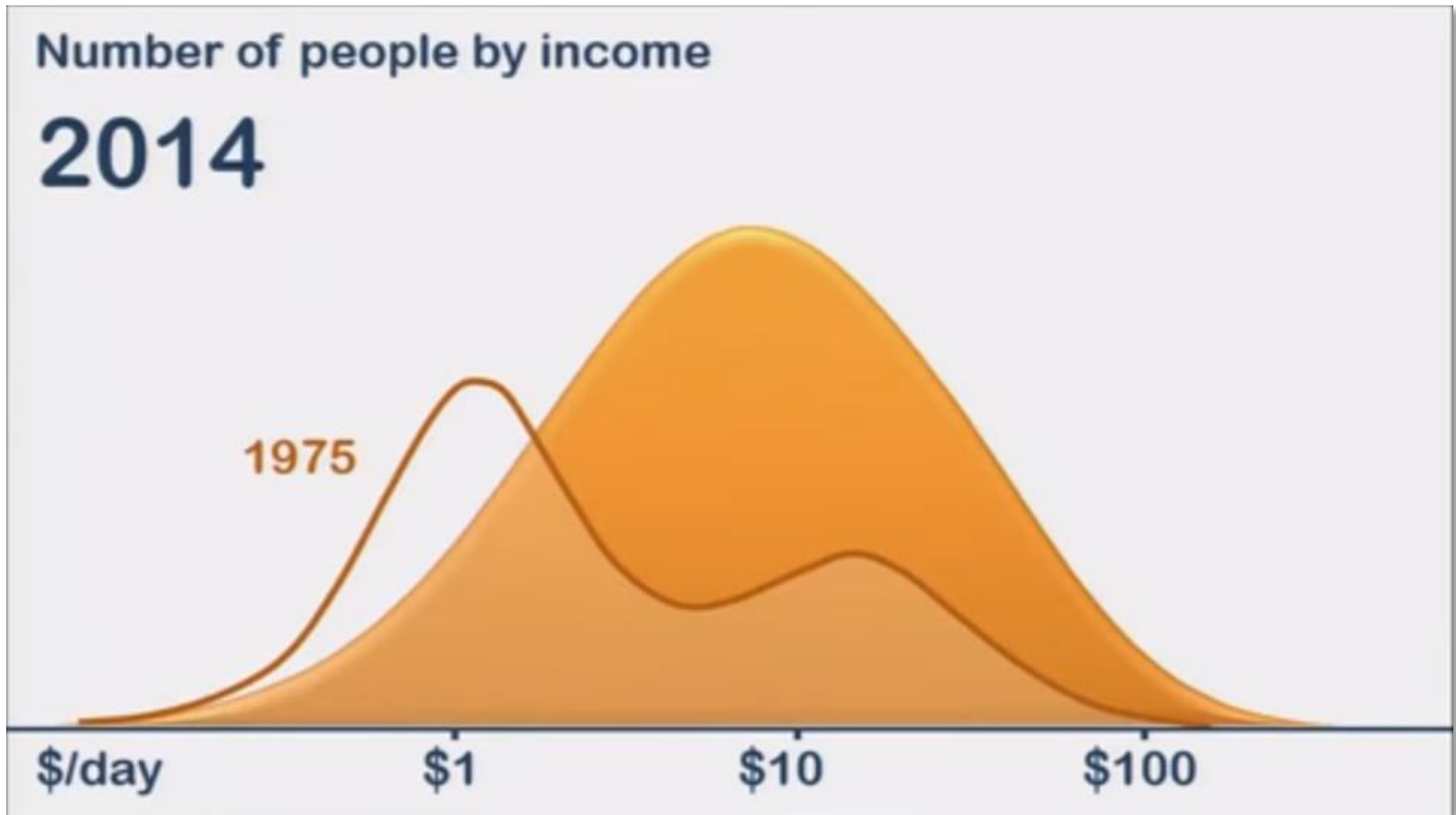
Urbanisation: The key trends



- In 2007-50 world's cities will absorb 3.1bn more people
- 600 urban centres generate about 60 percent of global GDP
- Urban development moving southwards and eastward
- Urban populations are richer, women are more empowered
- Population of world's countryside will stop growing in 2019
- In 2000-30 urban population of Asia & Africa will double
- By 2100 75% of world's population will be urban

Urban populations. %. Source: UN.

The world is middle class



Source: Free material from www.gapminder.org

Fat around the middle

- The global middle class hit 2.1 billion people in 2015.
- Almost exactly half of the global middle class lives in Asia.
- China has by far the largest middle class (301m), but it is heavily weighted towards the lower middle class.
- The US middle class is around half its population. It is perhaps smaller than observers expect, but this is in part because the upper class is large (as is the lower class).
- Africa's middle class (144 million) is almost as large as the United States middle class (161 million). Around half of Africa's middle class lives in North Africa.



Spreading wealth



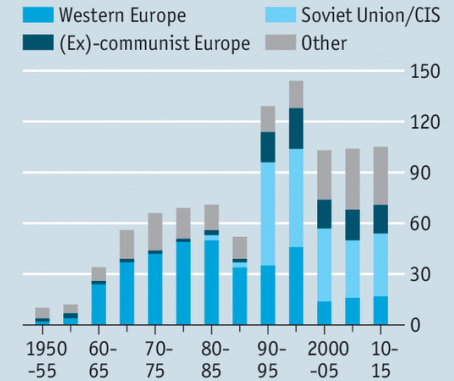
Source: EIU Canback

Not everywhere is growing

- While megacities prosper, some mid-tier cities are shrinking
 - Migration: Emigration, national and international
 - Industrial evolution
 - Demographics: Declining births, rising life expectancy
 - Immigration can help, as can 'right-sizing' – with bulldozers
- Mainly an advanced-country problem—for now
 - Pattern set in US, Europe, Japan
 - Over past three years a third of Germany's cities have lost population. Over the next five, half will
 - The future for many developing market cities
 - China's population will fall from 2050

No longer paved with gold

Number of large urban areas* with shrinking populations



Source: UN *With a population of at least 300,000 in 2014



Source: Bundesinstitut für Bau-, Stadt- und Raumforschung (BBSR)

A matter of perspective – The world in 2025

Per Capita GDP	
1	Oslo
2	Doha
3	Bergen
4	Macau
5	Trondheim
6	Bridgeport
7	Hwasong
8	Asan
9	San Jose
10	Yosu

Source: McKinsey Global Institute

China: Wealth and development—the virtuous cycle

Year in which average disposable income per capita exceeds RMB30,000

2009

Donguan

2011

Hangzhou
Guangzhou
Ningbo
Suzhou
Shenzhen
Shanghai

2012

Beijing
Jinan
Nanjing
Wuxi
Xiamen

2013

Baotou
Hohhot
Qingdao
Taizhou
Tianjin
Yantai

2014

Changsha
Dongying
Maanshan
Wuhan
Xi'an
Yangzhou
Zhongshan
Zibo

2015

Fuzhou
Langfan
Harbin
Hefei
Jining
Linyi
Nanchang
Shenyang
Shijiazhuang
Tai'an
Tangshan
Weifang
Xiangtan
Xiangfan
Xuzhou
Zhengzhou
Zhuzhou

2016

Anyang
Changchun
Chengdu
Dalian
Guilin
Huainan
Jiaozuo
Kunming
Luoyang
Nanning
Pingdingshan
Wuhu
Zhangjiakou

2017

Anshan
Datong
Hengyang
Liuzhou
Panzhuhua
Qinhuangdao
Xiangfan
Zhaozhuang
Zhuhai
Zunyi

2018

Changde
Guiyan
Haikou
Huainan

Jilin

Chaoyang
Taiyuan
Xingtai
Luoyang

2019

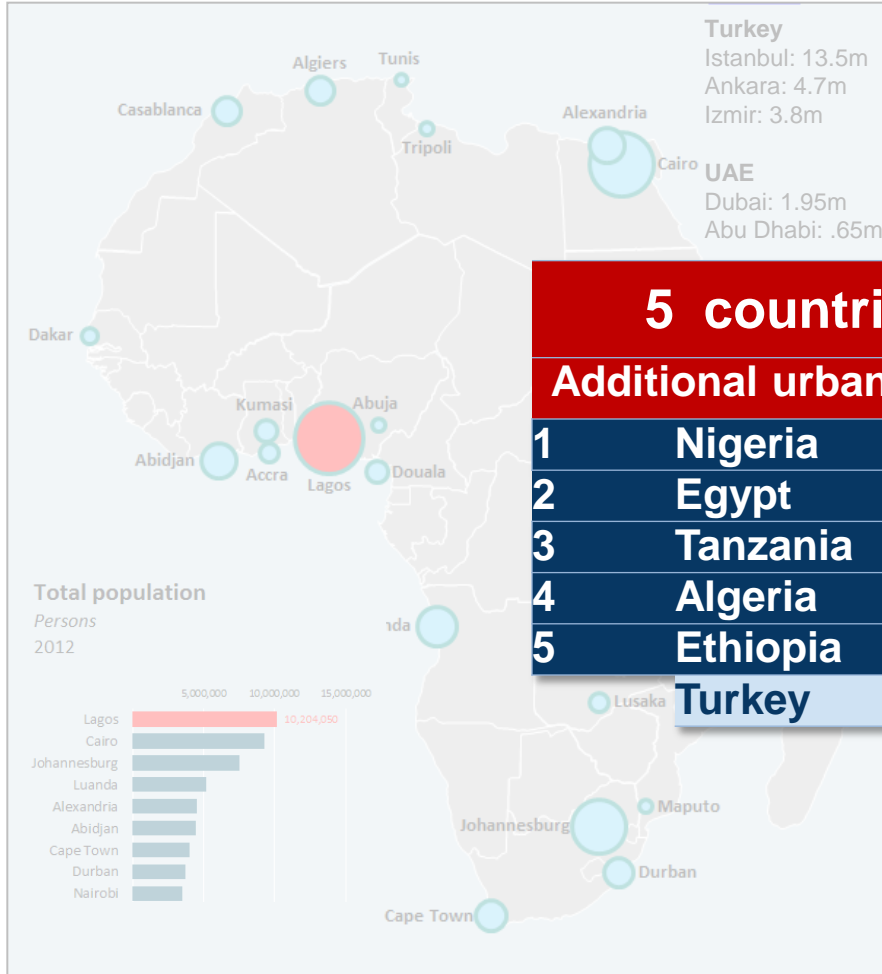
Daqing
Huaibei
Qiqihar

Source: Access China, Economist Intelligence Unit.

Intelligence Unit

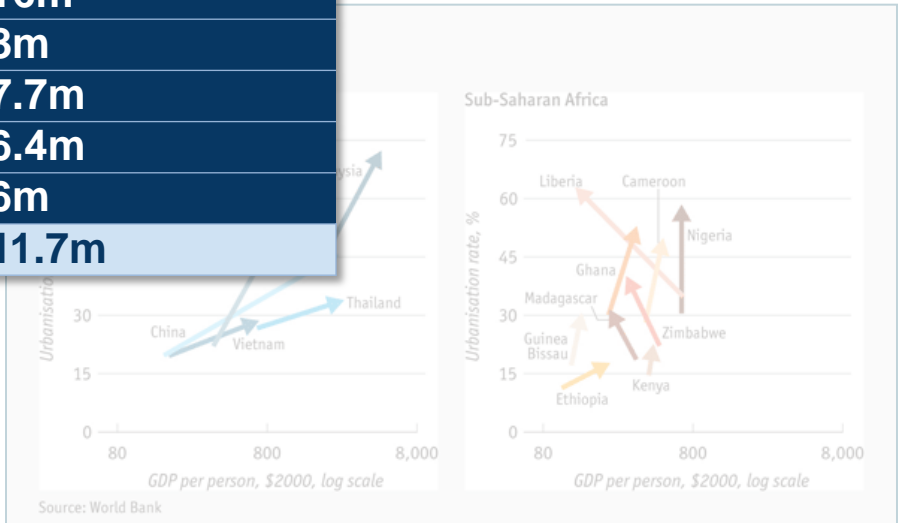
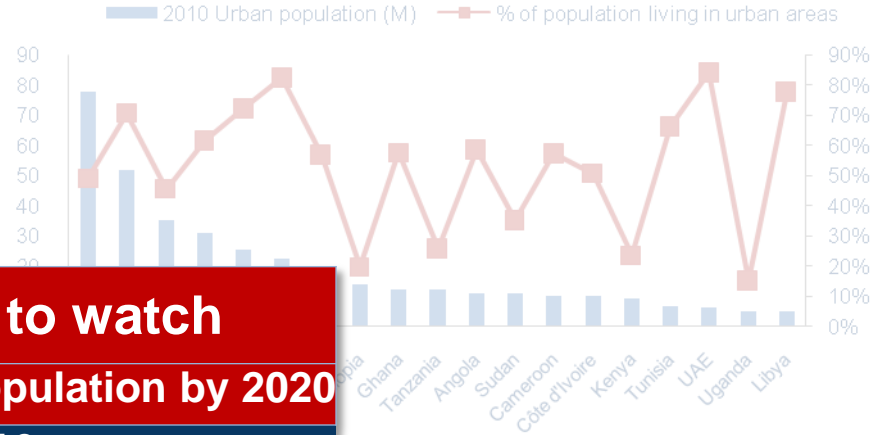
Africa's opportunity

Major African cities



5 countries to watch		
Additional urban population by 2020		
1	Nigeria	16m
2	Egypt	8m
3	Tanzania	7.7m
4	Algeria	6.4m
5	Ethiopia	6m
	Turkey	11.7m

Urban Population



Source: EIU

Country life - The impact on the rural economy

- Key question: Living standards lower outside cities, so key target for poverty reduction
- Backward linkages
 - Growing cities need feeding
- Driving up agricultural productivity
 - Reduced rural labour supply forces improvements in productivity, driving wage increase
- It's not just farming
 - Urban demand encourages commuting and non-farm activity, services, small industry
- Remittances
 - Return on initial investment by rural families to fund their urban pioneer
- Driving up rural land values
 - Re-sale and collateral value of farmland, particularly close to cities
- Driving down prices
 - Cities, with economies of scale and competitive markets, contribute to restraining inflation at the national level

When things go wrong – Fragile cities

Risk factors:

- The pace of urbanization
 - Faster growing cities generate more instability and struggle for coherence
- Income and social inequality
 - Wide differentials foment resentment and make administration tougher
- Youth unemployment
 - A young population promises a demographic bonanza, but can sour if job creation lags
- Homicidal and criminal violence
 - Usually tightly focused on high-risk areas, crime can act as a drag on activity city-wide
- Poor access to key services,
 - Tends to 'lock out' human capital
- Exposure to climate threats - are more serious than others.
 - Resilience and 'bouncebackability'

