Why China matters with Jackie Mau
Head of Global Private Banking, Mainland China

Sarah Lowther:
Hello and welcome. I'm here with Jackie Mau, Head of Global Private Banking, Mainland China, to discuss the shifts underway in China and the opportunities they present for investors. Jackie, it is a pleasure to meet you.

Jackie Mau:
Thanks for having me, Sarah.

Sarah:
So, Jackie, what do you see as the strongest investment trends in China, for example green investment, health and wellness, and technology?

Jackie:
China's pursuit of common prosperity and its net zero transition by 2060 will drive a massive structural growth of its economic model from property construction towards more high-end manufacturing and green investments.

China aims to reach peak carbon emissions by 2030 and achieve net zero by 2060. To achieve this green transformation, the International Energy Agency actually estimates that China will need to invest at least 200trn renminbi into investments from now to 2060 – into clean energy and industrial upgrading – to achieve net zero.

So growth in high-end manufacturing, especially green-related, is set to quicken. This actually poses a lot of sustainable investment opportunities for financial institutions, asset managers and individual investors.

Technology, for sure, is a big trend. Technology has now created a big ecosystem in China – spanning across electronic payments, shopping, data analytics, etc.

Last but not least, China's further urbanisation, rising income levels, expansion of the middle class to support the job market and the economy should help improve consumer sentiment. All of these should support demand for consumption upgrades, digital usage, green consumption, as well as healthcare services.

Sarah:

What are the key demographic and socioeconomic shifts happening in the country, and how are they changing the consumer and investment landscape?

Jackie:
The massive scale of China's consumer market continues to matter. China actually now offers a USD5trn consumer growth opportunity over the next decade, and this arouses a few key consumer segments in the market.

First is what I call the online seniors. The over-60s are expected to account for around one-quarter of China's population by 2030. Their consumption is expected to grow by 150%, actually twice as fast as overall consumption growth in China.

And coupled with the widespread use of digital means in their daily lives, a minimum of two-thirds of these seniors are expected to be online by 2030. So the elderly market, and the associated industries like healthcare, is set to be a big potential.

Second is what I call the digital natives. More than 40% of Chinese digital natives buy products on the go, much more compared to the 20% to 30% in Australia, Japan or South Korea. The power of online shopping and the associated logistic demands are definitely going to grow.

Third is domestic travellers. As income rises, spending on consumer discretionaries tends to rise. So travel now actually constitutes around 16% of household consumption and is expected to rise to around 19% by 2030. So this actually creates a lot of opportunities for family-related industries like hotels, childcare, insurance, etc., as families in China are now driving for quality of family life.

Sarah:
What are the opportunities for foreign investment in China in light of the objectives of the Five-Year Plan?

Jackie:
So China's 14th Five-Year Plan focuses on high-quality growth, innovation and domestic demand.

In order to hedge against some external uncertainties, the country is making conscious efforts in boosting domestic demand, supply chain upgrading, and also ensuring that they are self-sufficient in terms of technology. More importantly, China also vows to further open up the domestic market.

Foreign direct investment into the country actually expanded 15% year-on-year to a record high of 1.15trn renminbi in 2021. China will further expedite its opening up, enhance its services for foreign firms and projects, and make a conscious effort to optimise the business environment in 2022.

Sarah:
How significant is the Wealth Connect service for individuals? I'm just wondering, how will it increase connectivity with global markets?

Jackie:
Wealth Management Connect is actually a very key strategic initiative for financial institutions in the Greater Bay Area. It actually signifies a major step towards opening up China's financial markets.

It creates an innovative cross-border regulatory mechanism to connect mainland China to the global markets. So Wealth Management Connect is also a very important milestone for China on capital account opening. It expands cross-border use of renminbi and actually accelerates renminbi internationalisation.

Wealth Management Connect is there to widen the choices that fast-growing, mass affluent, high net worth individuals will be able to diversify their investments into overseas assets.

Sarah:
HSBC Global Private Banking has recently opened its onshore booking centre in China. So what does this mean about the opportunity that you see in the country?

Jackie:
We at HSBC Global Private Banking, as an integral part of HSBC Wealth and Personal Banking's growth story in mainland China, have a big ambition to build and develop a unique and differentiated onshore private banking proposition here.

So we've now established offices in the big four Tier 1 cities: in Shenzhen, Shanghai, Guangzhou and Beijing, and we are going to penetrate into Tier 2 cities in the second half of the year.

With this massive expansion plan, we also aim to serve internationally minded Chinese ultra high net worth and high net worth customers by fully leveraging the HSBC China ecosystem: Global connectivity, our investment expertise, as well as with a very competitive digital tool.

Sarah:
Jackie Mau, Head of Global Private Banking, Mainland China. It's been an absolute pleasure. Thank you very much.

Jackie:
Thank you for having me, Sarah.