



CHAPTER 7

THE RISE OF THE MIDDLE CLASS IN CHINA AND ITS IMPACT ON THE CHINESE AND WORLD ECONOMIES

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“It is manifest that the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered, in which the middle class is large.”

Aristotle, 306 BC

Executive Summary

China is undergoing the most sweeping social and economic transformation the world has ever seen – and at a pace that is unprecedented. Rapid economic growth, accompanied by a huge and rapid shift to urban living, is rocketing incomes higher and creating a middle class with significant spending power. China’s urban middle-class population alone, if considered as a country, is larger than the total U.S. population.

There are many strains associated with rapid urban expansion, including traffic congestion,

pollution and chronic shortages of clean water and living space. China will need to manage these to sustain growth and accommodate the demand and aspirations of its new middle class. If it does, the rise of China’s middle classes will have profound implications for its economy – and that of the world – and offer very significant opportunities for business in the U.S. Consider that China’s middle class will be consuming goods and services valued at US\$3.4tr by 2022 – or 24% of gross domestic product (GDP).

The Rise of the Middle Class in China and Its Impact on the Chinese and World Economies

The magnitude of China’s middle-class growth is transforming the nation

As recently as 2000, only 4% of urban households in China was middle class¹; by 2012, that share had soared to 68%. And by 2022, we expect China’s middle class to number 630 million – that is, 76% of ur-

ban Chinese households and 45% of the entire population. China is fast becoming a middle-class nation.

Central to this huge surge in numbers of middle-class Chinese has been the country’s industrialization and urbanization. China’s middle-class expansion is largely happening in cities – and will continue to do so. Today, urbanites account for 52% of the entire Chinese population; by 2022, their share is likely to be 63%. There will be 170 million new urban residents between now and 2022. The average urban income per capita is roughly triple that in the countryside.

¹ We have defined ‘middle class’ as those with annual household disposable income of between RMB60,000 and RMB229,000, a range that – in purchasing power parity terms – is between the average income of Brazil and Italy. Such of households are likely to spend 50% on necessities and have quite distinctive consumption patterns from other income segments.



Figure 1: The upper middle class will become the new mainstream

Average annual household income (class) – US\$		Urban households – Millions			Change in number of households 2002-22, millions
		100% = 165 2002, %	100% = 256 2012, %	100% = 357 2022E, %	
Affluent	>34,000	1	3	9	29
Upper middle class	16,000 to 34,000	2	14	54	188
Mass middle class	9,000 to 16,000	7	54	22	66
Poor	<9,000	90	29	16	-92

Source: McKinsey Insights China – Macroeconomic model update, April 2012

The expanding base of urban middle class is creating increasing numbers of skilled workers who are contributing to higher productivity. Their productivity is enabled, in turn, by urbanization – both ‘hard’ benefits in the form of infrastructure development and ‘soft’ **benefits through** higher provision of, for instance, education, healthcare and personal financial services. The enormous growth in China’s urban infrastructure is well known. Perhaps less appreciated is the investment the government is putting into the soft enablers that will truly unleash the economic potential of the growing middle class. Take insurance, for example: as recently as 2005, fewer than 150 million people had basic medical insurance in China; today, this figure has mushroomed to more than 95% of the population. In the case of those urban citizens who have insurance, their out-of-pocket expenditure ratio has fallen from 59% to 35%. This is an example of the Chinese government recognizing that the quality of middle-class development is just as important as the number of middle-class citizens. A balanced urbanization approach will continue to be critical for robust middle-class growth.

The transformation of China into a country characterized by a productive middle class with a modern perspective will shape China’s economic growth model over the next several decades into one in which productivity becomes an increasingly

important growth engine. This will cement China’s position as a core market for businesses.

The Structure of the Middle Class is Shifting

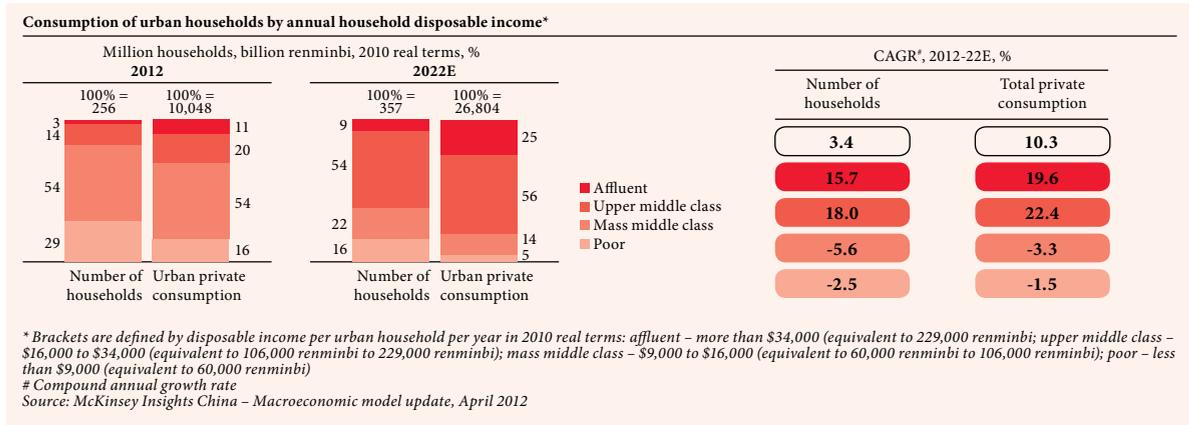
Apart from the sheer magnitude of the growth in the middle class, the pattern of that growth has changed and will continue to do so. Major shifts in the structure of the middle class are underway.

The ‘upper middle class’ will become the new mainstream

We have divided the Chinese middle class into two segments: the mass middle class – defined as those with annual household income of RMB60,000 to RMB106,000, equivalent to US\$9,000 to US\$16,000 – who in 2012 accounted for 54% of all urban households; and the upper middle class – with a household income of RMB106,000 to RMB229,000, equivalent to US\$16,000 to US\$34,000 – who accounted for 14 % of urban households in that same year (see Figure 1). The upper middle class already punches above its weight in terms of consumption, accounting for 20% of China’s urban private consumption (see Figure 2).

This structure will look very different in ten years’ time. By 2022, the upper middle class will account for 54% of total urban households and 71% of all middle-class households – becoming the

Figure 2: The Consumption Behavior of China's Middle-Class by Annual Household Disposable Income



new mainstream. The upper middle class will account for 56% of urban private consumption and about 49% of total private consumption by 2022 compared with around 13% in the case of the mass middle class.

The structural shift toward upper middle class will naturally lead to a more mature and attractive market for businesses. Relative to the mass middle class, upper-middle-class consumers are more willing to pay a premium for quality products, have a high level of trust in well-known brands and are more likely to spend more of their income on discretionary products and services as opposed to basic necessities such as food, clothing and shelter (see Figure 2). They are also much more international in their outlook and open to – and even eager for – international brands.

Armed with higher incomes, the upper middle class are more-seasoned shoppers than their compatriots in the mass middle segment. Nearly 60% of upper middle-class consumers have bought digital cameras compared with just 40% of mass middle-class consumers. In the case of laptops, 51% of the upper middle bought this item, but only 32% of the mass middle. A similar pattern is evident in purchases of laundry softeners, where 56% of the upper middle bought this product compared with 36% of the mass middle class (see Figure 3).

Trends in the first-time purchase of basic product categories illustrate that the mass middle-class consumer is at an earlier stage of consumption behavior. Of this group, consumers who reported spending more on kitchen appliances, for example, 69% said this was the first time they had spent money on these products compared with only 24% of the upper middle class.

Stark disparities exist between the two middle-class segments in what makes a product attractive. Basic functional benefits appeal to mass middle-class consumers, two-thirds of whom mention ‘durability’ as one of their top five buying factors for a washing machine, compared with less than half of upper middle-class consumers citing this factor. In the case of smartphones, 62% of mass middle-class consumers cited durability in their top five considerations compared with only 36% of upper middle-class consumers. The mass middle-class are twice as likely to cite a low price as a factor in their purchase of products – including laundry detergent, smartphones and instant noodles – as are upper-middle-class consumers.

Emotional and social benefits are becoming increasingly important to upper middle-class consumers, who are more than 50% more likely than mass consumers to cite considerations behind their purchases of shampoo and mobile phones, such as



Figure 3: There are stark differences in the characteristics of the upper middle and mass middle classes

		Upper middle class	Mass middle class
Who they are	Household income	▲ 106,000 to 229,000 RMB	60,000 to 106,000 RMB
	% of consumers below age 35	▲ 45%	38%
What they buy	% of households own digital camera	▲ 58%	40%
	% of households using laundry softener	▲ 56%	36%
What they are looking for	Durability*	36%	▲ 62%
	Emotional benefits [#]	▲ 23%	16%
How they spend their money	Willingness to pay a premium [†]	▲ 49%	40%
	Trading up [‡]	▲ 39%	24%

* % of respondents who cited “durable” as one of the top five key buying factors in smartphone purchases
[#] % of respondents who felt emotional benefits (e.g., “shows my taste”) were an important consideration in choosing a mobile phone
[†] % of respondents who say they “pay premium price for the best consumer electronic products, within bounds of affordability.”
[‡] % of respondents who spent more in real terms (i.e., for reasons other than inflation) by trading up for white home appliance
 Source: McKinsey Insights China – McKinsey Annual Chinese Consumer Survey, 2012

‘showing my taste’ and ‘makes me feel that my family is living a better life’.

China’s expanding upper middle class is much more outward looking than the broad swath of Chinese citizens—a dramatic break from the past that has broad implications for their consumption behavior. This group is much more willing to buy foreign brands. In the case of personal digital gadgets, 65% of the urban upper middle class prefers foreign brands compared with 56% of the total urban population. Foreign-branded food and beverages are favored by 34% of upper-middle-class urbanites compared with 24% of all city dwellers. The upper middle class is much more likely to travel abroad—over the past year, 10% of the urban middle class has made trips overseas compared with 3% of all urban Chinese. In 2011, close to half of these consumers have increased their spending on traveling abroad by an average of 36%.

This international perspective reflects a number of factors. Upper middle-class citizens are better educated and more likely to be able to speak a foreign language – 34% of the upper middle class has a bachelor’s degree or above and 26% can speak and understand English. Widespread adoption of the internet is another important ingredient in this new internationalism; 68% of the middle classes have ac-

cess to the internet compared with 57% of the total urban population. Of these middle-class internet users, 80% have been using this medium for more than four years.

The Chinese market will continue to retain its own unique characteristics, but as the upper middle class becomes the new mainstream, we should expect it to bear an increasing resemblance to other international mature markets.

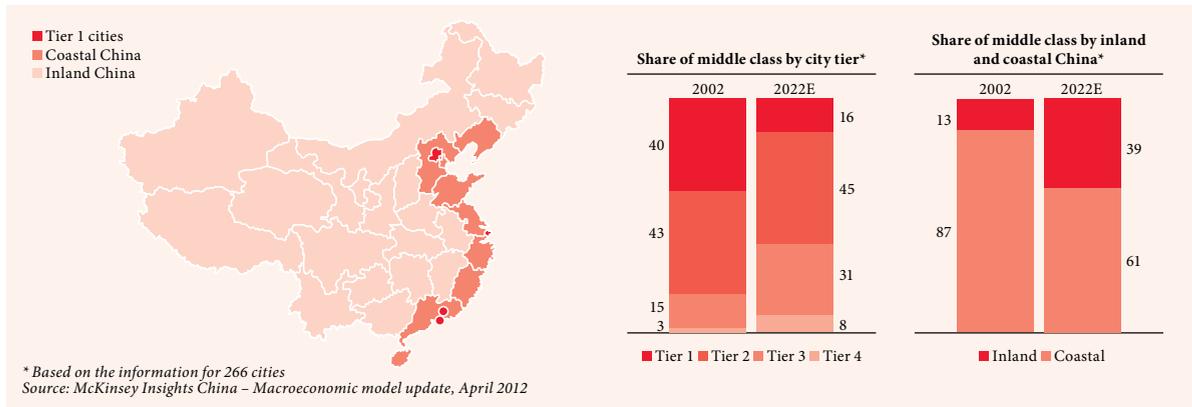
The geographic center of middle-class growth is shifting

Businesses looking to serve these consumers will need a granular understanding of where the greatest growth in middle-class numbers will be – and this is changing.

In 2002, 40% of China’s urban middle class lived in the four tier 1 megacities of Beijing, Shanghai, Guangzhou and Shenzhen². However, this share is expected to decline to 16% in 2022, and the share will rise in tier 2 and tier 3 cities. Tier 2 cities were home to 43% of the middle class in 2002, but that share should rise to 45% in 2022. Tier 3 cities host-

2. China’s four tier 1 cities have GDP of more than RMB932bn and populations of 10 million or more. Tier 2 cities have GDP of more than RMB120bn and, on the whole, populations of between 2 million and 8 million. Tier 3 cities have GDP of more than RMB22bn and populations mostly between 400,000 and 1.5 million. Tier 4 cities have GDP of less than RMB22bn and largely have populations of between 100,000 and 900,000.

Figure 4: The geographic center of middle-class growth is shifting



ed only 15% of China’s middle-class households in 2002; by 2022, that share should rise to 31% (see Figure 4).

This shift in the weight of the middle-class households from megacities to medium-sized cities means that there is also a movement from the huge urban centers of the coast to urban areas inland. In 2002, only 13% of the urban middle class lived in inland provinces, but that number is expected to rise to 39% in 2022.

Examples of two small cities illustrate the magnitude of this change. Jiaohe in Jilin province is a northern inland tier 4 city, which is growing quickly due to its position as a transportation center at the heart of the Northeast Asian economic zone. It is also abundant in natural resources such as Chinese forest herbs and edible fungi, and it is China’s most important production base for grape and rice wine. In 2000, fewer than 900 households out of 70,000 were middle class; by 2022, the city is expected to grow to 160,000 households, and about 90,000, or nearly 60%, are predicted to be middle class. Another city, Wuwei in Gansu province, is an inland tier 4 city with the advantages of being within the Jinchang-Wuwei regional development zone; having rich sources of minerals – with nearby graphene and ilmenite reserves among the largest in the nation; and it is at the junction of two railways and

several highways. In 2000, less than 900 of 87,000 households were middle class. By 2022, the city is expected to grow to 650,000 households, of which around 390,000, or 60%, will be middle class.

A historical transition to post-reform G2 middle-class consumers is taking shape

A new generation of middle-class consumers born after the mid-1980s is emerging. While their parents lived through many years of a shortage economy and are primarily concerned about building economic security for their families, members of ‘Generation 2’, (G2) were born and raised in relative material abundance. With a stronger sense of security, the emerging G2 consumers are more interested in ‘living it’. Most of them are also the only child in the family due to the strict enforcement at the time of the one-child policy.

McKinsey & Company (McKinsey) research has found that members of G2 are much more confident consumers than their parents and are more willing to pay a premium for the best products; indeed, they regard expensive products as better products. They are happy to try new products and eager to experience new technologies. Compared with their parents, they are more loyal to the brands they trust and prefer niche over mass brands. Importantly, they take advantage of more sources of information than



Figure 5: The consumption behavior of the G2 middle class is significantly different from that of the previous generation

	G2 upper-middle-class consumers	Example of survey statement	G2 upper middle class	Non-G2 upper middle class
How confident they are	Confident about their financial future	“My household income will significantly increase in the next five years”	▲ 64	55
How they spend	Are willing to trade up	“Within a range of prices I can afford, I always pay a premium price for the most expensive and best products” – personal care example	▲ 41	34
How they value innovation	Happy to try new products	“I am typically the first or second person I know to try new things”	▲ 29	23
How important is brand to them	Are more brand loyal	“When I buy a variety of consumer electronics, I would prefer to purchase the products from the same brand”	▲ 46	42
How they collect information	Rely on the Internet more to conduct search	“Before purchasing new products, I always check the Internet for other people’s usage experience/ comments/ feedback” – personal care example	▲ 21	12

Source: McKinsey Insights China – McKinsey Annual Chinese Consumer Survey, 2012

the previous generation, and they rely heavily on the internet for product information (see Figure 5).

This generation is becoming a crucial consumer group for the Chinese economy. In 2020, 35% of total consumption in China is expected to come from these young consumers who will be major purchasers of leisure, personal services, travel and high-end hospitality.

The Growth of China’s Middle Class is Having a Profound Macroeconomic Impact

The rise of China’s middle class has already been a powerful driver of economic growth, underpinning expanding domestic consumption and rising private investment, as well as serving as an incubator for innovation through improved educational attainment.

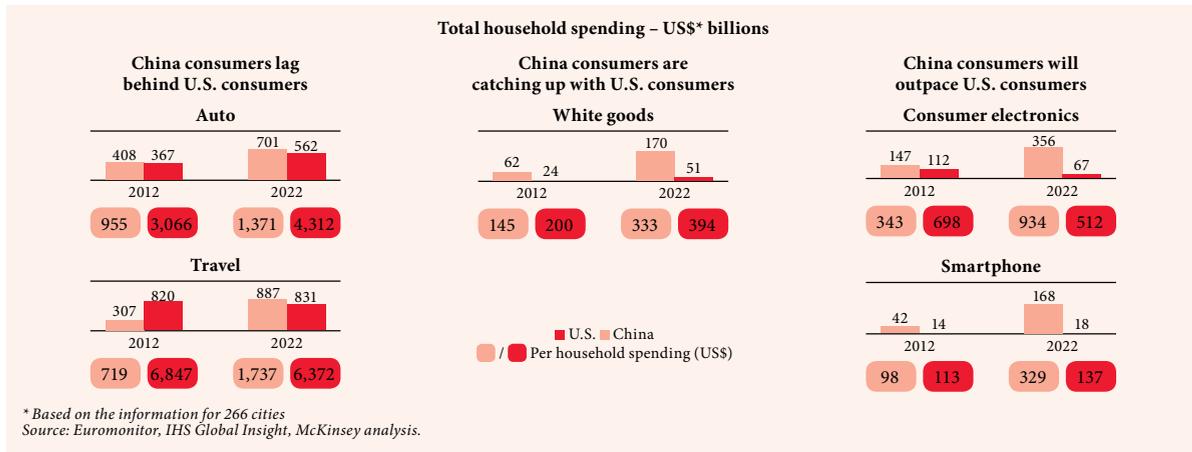
Today, the middle class already accounts for 74% of urban China’s private consumption and 58% of the private consumption of China as a whole. In terms of its contribution to GDP, the middle class accounts for 24% of urban GDP and 20% of China’s total GDP. By 2022, private consumption by China’s middle class is expected to reach US\$2.3tr, more than double the level of 2012, and represent 24% of

GDP. The consumption of the upper middle class will grow more than sevenfold and contribute 49% of total private consumption of urban China.

The rise of China’s middle classes will also influence the quality of China’s growth in the years ahead by boosting productivity. They are already driving explosive growth of personal services. The service sector has contributed almost 40% of the economy’s productivity growth over the last decade.

There is every reason to anticipate that the middle-class growth premium for China is only in its early stages. As the Chinese middle class receives better education and healthcare and broadens its perspectives through fuller global integration, it will form the largest pool of skilled talent in the world. This development will provide the basis for innovation and technological advancement in China, enabling industry to upgrade and climb the value chain. The growth of personal financial services will put middle-class consumers’ massive collective wealth to use, creating a powerful, and likely more efficient, resource-allocation system to run in parallel with the state financing system, enhancing capital productivity. And as consumers close the gap with their Western counterparts – in their retail and restaurant purchases, visits to beauty salons, the use of private tutors and train-

Figure 6: Consumer Market Size and Household Spending by Category



ers, and health service providers – there will be a considerable boost to the creation of new urban jobs and significant new opportunities for business. An increasingly prosperous and productive middle class will continue to be the key to China’s sustainable growth in the long term.

Rising Numbers of Middle-Class Consumers offer Large Market Opportunities for Business

Strong, continuing growth in the size of China’s middle class and its rising incomes will create exciting market opportunities for global consumer companies in a range of sectors that supply goods and services to these new consumers, as well as in all aspects of urban infrastructure construction. China’s spending on white goods is catching up with that of U.S. consumers and is set to outstrip U.S. spending in the case of consumer electronics and smartphones by 2022 (see Figure 6).

Businesses Can Capture a Wave of Consumers Trading Up

The penetration of most product categories has already increased significantly over the past five years. The penetration of high-tech products has

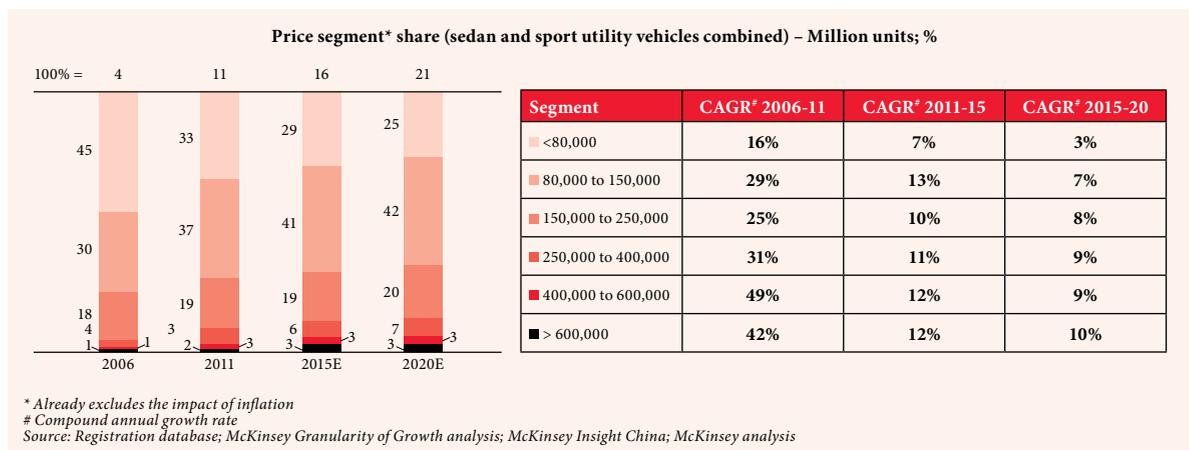
soared, particularly in the upper middle class. For example, the penetration of flat-screen televisions in the upper middle class has jumped from 24% in 2007 to 68% in 2012. In 2007, 10 million flat-screen TVs were sold in China; by 2012, sales had jumped fivefold to 50 million – more than the 42 million units sold that year in North America (the U.S. and Canada). In the case of smartphones, penetration has soared from zero in 2007 to 50% in 2012.

A related development is an appreciable rise in the number of consumers expressing willingness to pay premium prices for good quality. Close to half of upper middle-class consumers claimed that they “always pay premium prices for the best product, within the bounds of affordability”, compared with around 40% of all respondents.

A good case in point would be the auto market. China’s passenger vehicle market is likely to continue its double-digit growth until 2015 before slowing down to a still healthy growth rate of around 6% from 2015 to 2020. Robust current growth is due to three major factors: urbanization, increasing household incomes and the fact that the penetration of autos is still rather low. The most prevalent price for autos is between RMB80,000 and RMB250,000 (US\$12,000-40,000); about 60% of vehicles fall into this price bracket. At this price, growth is coming largely from first-time lower middle-class buyers.



Figure 7: A pattern of trading up is clear in the auto market



Over the next ten years, we anticipate a wave of ‘trading up’ as more consumers move into the upper middle class. During this period, sales of premium cars are likely to pick up. In 2011, the penetration rate of premium cars was 8%, overtaking Japan and South Korea. In 2016, McKinsey anticipates that China will overtake the U.S. as the world’s largest market in terms of volume of sales of premium cars (see Figure 7).

While growth in penetration rates for a range of products and services will continue, trading up will become an ever more important theme of China’s evolving consumer landscape as the middle class expands. In McKinsey’s 2012 consumer research, around one-third of upper middle-class respondents said they spent more over the past year. Inflation, across the categories, explains around 60% of that increased spending, but around one-third of those reporting higher spending in real terms cited trading up as the main reason³.

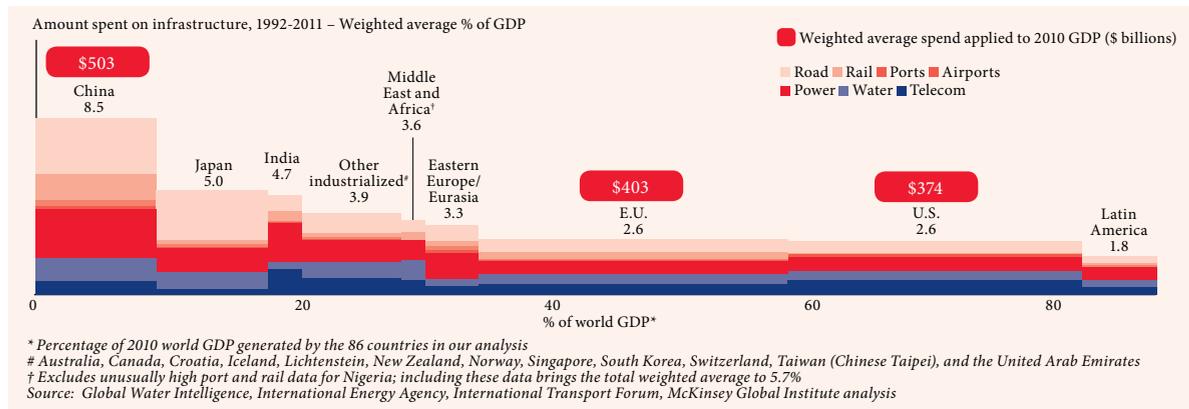
According to McKinsey’s consumer research, Chinese people tend to associate good quality with well-known brands and high prices⁴. For that rea-

son, they are more willing to trade up if affordability allows. In 2012, 39% of the upper middle class traded up on white home appliances, including refrigerators, air conditioners and washing machines, compared with 23% of the urban Chinese as a whole. Take washing machines as an example: the upper middle class spent an average of RMB2,100 for the latest purchase in 2012, RMB300, or 17%, more than in 2009 – yet during this period, the average price of this item rose by less than 5%. We can also observe trading up in the case of black home appliances, including flat-screen televisions and home theater systems – 52% of the upper middle class said they had traded up on such items in 2012, 23% higher than the total urban population. Further, a great deal of trading up has been seen in leisure and entertainment and, again, the upper middle class was at the forefront of this activity. Nearly one-third of those who reported higher real spending on leisure and entertainment said they had traded up in 2012, a significantly higher figure than the 19% who reported doing so in 2011.

³ “From Mass to Mainstream: Keeping Pace with China’s Rapidly Changing Consumers”, McKinsey and Company, “McKinsey Insights China 2012 Annual Chinese Consumer Report”, September 2012.

⁴ “McKinsey Insights China 2012 Chinese Consumer Research” surveyed more than 10,000 Chinese households across 44 cities and covered around 50 product categories and 300 brands, to understand consumption habits, preferences and unmet needs.

Figure 8: China has overtaken the United States and the European Union to become the world's largest investor in infrastructure



A Window of Service-Sector Growth has Opened Up

The service sector is expected to account for half of China's GDP in 2022, up from 44% today, partly driven by the fact that China's upper middle class becomes increasingly willing to spend money on services such as entertainment, travel, leisure, care services for the elderly, security services and equipment (e.g. burglar alarms and security cameras), education and logistics. All these sub-segments are expected to grow more quickly as a result. Now is the time for global companies to consider creating a footprint or increasing their existing presence in these segments.

We are already beginning to see a rising trend in the consumption of services. In 2011, 41% of upper middle-class consumers spent, on average, around RMB70 more per month on dining out, for instance, than they did the previous year. This compares with only 15% of U.S. upper middle-class consumers who have increased their spending on dining out year-on-year. The same pattern appears in the case of travel. In 2012, 27% of China's upper middle-class consumers spent more than in the previous year on travel, compared with 22% of the lower middle class and 25% of the upper middle class in the U.S.

Also in 2012, China's upper middle class ac-

counted for 18% of discretionary consumption – such as education, leisure, recreation, healthcare and financial services – which represented 35% of their annual household consumption. In 2022, the upper middle class is expected to account for 52% of discretionary consumption – that is, 42% of their annual consumption. In the case of education, 37% of China's upper middle class spent an average of 25% more in 2011 than in 2010. On healthcare, 68% of the upper middle class has purchased or used healthcare services or products, 7% higher than the average in the urban population as a whole.

Financial services are likely to see rising consumption, reflecting the fact that household financial assets are growing at an annual rate of around 20%. We expect such assets to rise from US\$2.6tr in 2011 to US\$17tr in 2022. In the case of insurance, the urban middle class may contribute to about 50% of insurers' gross premiums in 2022.

Huge Infrastructure Capacity Needs are Another Business Opportunity

Beyond consumer goods and services, we see huge opportunities in all aspects of urban infrastructure. Today, the challenges facing urban China are shifting. Cities can no longer rely on abundant land and



migration to cities and need to focus on the quality and productivity of urbanization. Cities need to improve their resource productivity to slow the rising demand for water, energy and other resources. They need to control air and water pollution and reduce waste to make the cities livable for the middle classes, as well as environmentally sustainable. And they need to continue to raise the quality of urban transport, housing and public services to meet the rising expectations of increasingly wealthy citizens.

For businesses, these demands lead to opportunities in the area of construction, including the building of subways and related machinery, roads and bridges, and waste-water treatment systems. China has already overtaken the U.S. and the E.U. to become the world's largest investor in infrastructure (see Figure 8). Global companies with expertise in these areas now have the opportunity to help cities set a course for the next wave of urbanization.

To give an idea of the scope of these opportunities, one need only to look at the government's current plans. In the case of railways, for example, there are plans to construct eight passenger lines, a number of intercity rail traffic trunk lines, a double line of the Lan-Xin Railway and interregional trunk lines such as the Zhengzhou-Chongqing lines. China also plans to complete an express railway network of 45,000 km to link cities with populations of 500,000 and more, as well as trunk lines in western China including the Lhasa-Shigatse Railway. Other plans include building urban rail traffic network systems in Beijing, Shanghai, Guangzhou and Shenzhen, and completing urban rail traffic systems in Tianjin, Chongqing, Shenyang, Changchun, Wuhan, Xi'an, Hangzhou, Fuzhou, Nanchang and Kunming. In addition, China plans to construct backbone lines in Hefei, Guiyang, Shijiazhuang, Taiyuan, Jinan and Urumqi. Civil aviation is another area of huge planned expansion. Current plans include the construction of a new airport in Beijing and the expansion of airports in Guangzhou, Nanjing, Changsha, Haikou, Harbin, Nanning, Lan-

zhou and Yinchuan. The feasibility of new airports in Chengdu, Qingdao and Xiamen is being studied.

Cities will also need new buildings to house urban households and provide for their retail, restaurant and office space demands. We expect Chinese cities to need 30,000 sq km more residential and commercial housing floor space and 20 billion m³ of municipal water in the largest cities alone – and almost 200 million 20-foot-equivalent units of additional container shipping capacity in China's ports just to meet the rising needs of urban consumers.

The opportunity for business is not just in building new infrastructure, but also in planning, operating and financing it. For example, Chile, the Philippines, South Africa, South Korea and Taiwan are developing frameworks that facilitate a greater role for private players in project and portfolio planning. The frameworks accommodate the growing number of unsolicited proposals these nations are receiving from private contractors and typically include bonus opportunities or special procurement processes that reward the proposer for laying the groundwork⁵. Another opportunity for business exists in financing infrastructure, including transportation and waste management. This is a time of huge global need for infrastructure, which coincides with a widening of interest-rate spreads on loans, particularly for greenfield projects that make up most of the project pipeline in developing countries, including China⁶. Furthermore, companies can work with cities to ensure that they have access to world-class information and communications technology (ICT) – a competitive requirement for successful cities. These include utilities and infrastructure with automated monitoring and controlling systems that reduce leakage, speed up response time to failures and dramatically improve overall

5 "Infrastructure productivity: How to save \$1 trillion a year", McKinsey Global Institute and the McKinsey Infrastructure Practice, January 2013.

6 Ibid. McKinsey found that the world needs to spend US\$57tr on transport, power, water and telecommunications between now and 2030, an increase of nearly 60% from the US\$36tr spent over the previous 18 years.

system efficiency. The private sector is already involved in a number of initiatives in the energy-saving arena and in the search for green urban living solutions.

Conclusion

China's rapidly growing middle class is transforming the nation and will continue to do so for many years to come. Their spending power, coupled with an outward-looking and adventurous attitude toward new brands, including those from overseas, is potentially a huge new opportunity for U.S. companies. To make the most of new markets, those businesses need to get to know these new Chinese consumers and keep track of how their behavior is evolving. But it is not just consumer-facing companies that can tap new potential in China. As cities continue to grow, there are many opportunities in helping urban China to develop the infrastructure it needs to support that growth, and to develop all the services that characterize modern cities around the world.

Author Biography

Dominic Barton is the Global Managing Director of McKinsey & Company. In his 27 years with the firm, Dominic has advised clients in a range of industries including banking, consumer goods, high tech and industrial. Prior to his current role, Mr Barton was based in Shanghai as McKinsey's Asia Chairman from 2004 to 2009 and led the Korea office from 2000 to 2004. He leads McKinsey's work on the future of capitalism, long-term value creation and the role of business leadership in society. He is an active participant in international forums and has authored articles and books on his specialist subjects, with particular focus on China and Asia.