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Asia Consumer Blast: How to Revive China's Economy? Lessons from Henry Ford

Eunice Lee, CFA +852 2123 2606 eunice.lee@bernsteinsg.com

China's demand problem is becoming increasingly resistant to traditional policy tools. Subsidies and trade-in programmes can pull demand forward, but have done little to address the underlying weakness in consumption. As policymakers search for a new playbook, Henry Ford's century-old insight may be worth revisiting.

China's Demand Dilemma: When stimulus stops working. China's economy remains under pressure. While exports have remained relatively resilient, domestic demand has been a persistent drag. Retail sales growth has largely stagnated at around 0-1% YoY, while auto demand has weakened significantly, with new vehicle sales down c.20% YoY in 2026 YTD. Policymakers have responded with a combination of monetary easing, consumer subsidies, and trade-in programmes aimed at supporting consumption. Over the past few years, consumers have been offered financial incentives to replace home appliances, electronics, and automobiles, yet the overall impact has been limited. The property market remains depressed, consumer confidence subdued, and deflationary pressures persistent. A key challenge is that repeated subsidies and price promotions often generate only a temporary boost to demand before their effectiveness fades. Over time, consumers have become conditioned to expect lower prices or future government incentives, encouraging them to postpone purchases. (Exhibit 4 - Exhibit 5)

Time for a New Playbook? What Henry Ford can teach China. I'm no macroeconomist, but perhaps it's the auto analyst in me: as China searches for new solutions, it may be worth revisiting Henry Ford's century-old playbook. More than 100 years ago, Henry Ford championed a radical idea: higher wages and shorter working hours could be good for business. In 1914, Ford doubled wages to US$5 per day and cut the workday from nine hours to eight. By 1926, he had adopted the five-day, 40-hour workweek. (Exhibit 1)

Pay more. Work less. Consume more. Ford's move was not purely altruistic. He believed that better-paid workers with more leisure time would consume more goods, travel more, and ultimately buy more cars, making automobiles increasingly valuable as a means of enjoying that leisure. In Ford's words: *"The people with a five-day week will consume more goods than the people with a six-day week. People who have more leisure must have more clothes. They must have a greater variety of food. They must have more transportation facilities. They naturally must have more service of various kinds."* (*Why I Favor Five Days' Work With Six Days' Pay*)

EXHIBIT 1: **Henry Ford was an early pioneer of shorter working hours and higher pay, doubling wages to US$5 per day while reducing the workday from 9 to 8 hours in 1914**


THE DETROIT JOURNAL

HENRY FORD GIVES $10,000,000 IN 1914 PROFITS TO HIS EMPLOYE

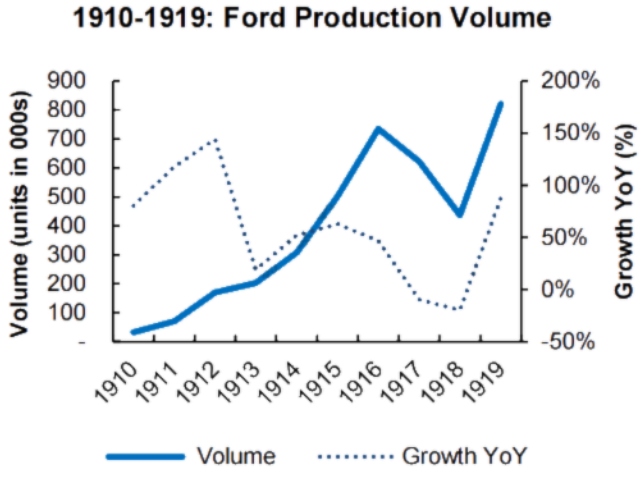
HOUSES SWEPT INTO ATLANTIC BY STORM; CREW OF 32 DROWNS

NATION-WIDE STRIKE IS BEING DISCUSSED BY LABOR LEADERS

DOUBLES PAY OF 25,000 I AUTO WOR

Source: Ford company website

EXHIBIT 2: **Ford's sales growth reaccelerated in 1914, slowing only in 1917-18 due to wartime constraints before rebounding strongly in 1919**



Source: Thehenryford.org and Bernstein analysis

And Ford's strategy worked. Ford's sales growth reaccelerated after 1914, slowed only during the wartime disruptions of 1917-18, and rebounded strongly in 1919. (Exhibit 2 - Exhibit 3)

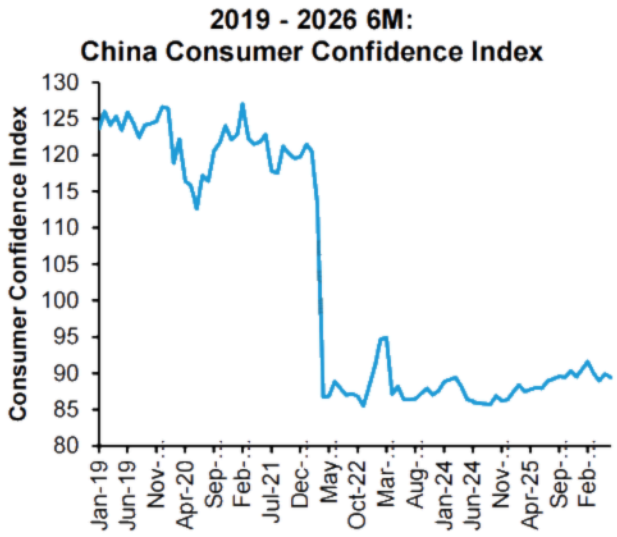
EXHIBIT 3: **Ford's business case: Better-paid workers with more leisure time would consume more goods, travel more, and ultimately buy more cars**

1918 Ford Model T, collection of The Peterson Automotive Museum
Source: Bernstein photo

EXHIBIT 4: **China's economy remains under pressure, with weak domestic demand; retail spending has stagnated, while auto demand has deteriorated sharply**

Source: National Bureau of Statistics of China, C.A.D., Bloomberg, and Bernstein analysis

EXHIBIT 5: **China's consumer confidence fell sharply in 2022 and has yet to stage a meaningful recovery**

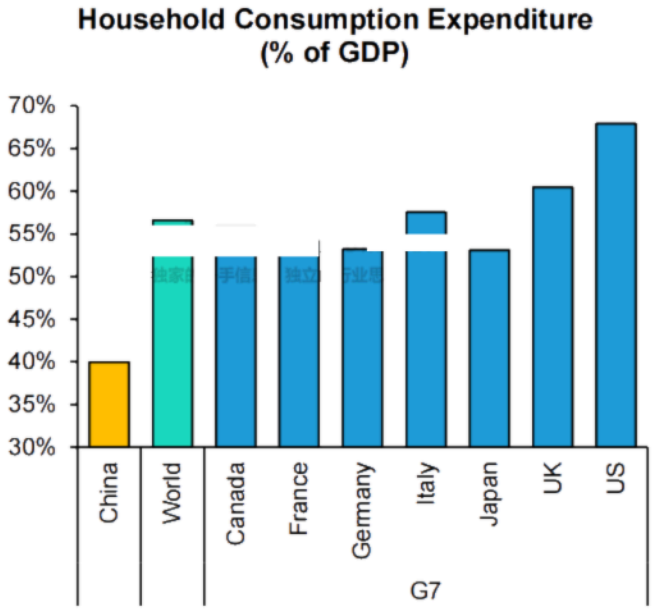


Source: National Bureau of Statistics of China, Bloomberg, and Bernstein analysis

What if the best consumption stimulus is a day off? Perhaps there is a broader lesson here for China. China's household consumption accounts for only around 40% of GDP, far below levels seen in most developed economies (e.g., 53%-68% across G7 countries). China also has some of the longest working hours globally. Annual hours worked per employee are around 45% above the G7 average, and in sectors such as technology and start-ups, the "996" schedule often serves as the baseline rather than the exception. (Exhibit 6 - Exhibit 7)

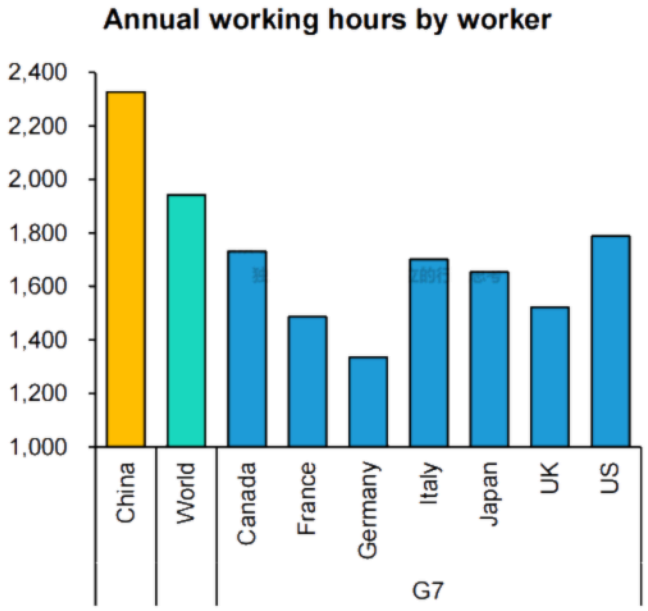
China doesn't need more factories. It needs more consumers. "996" may not be a blessing, let alone a "huge blessing", after all. Perhaps China's problem is not that people are spending too little, but that they are working too much. Historical evidence suggests shorter working hours could support consumption. Since 1970, annual working hours have been negatively correlated with consumption as a share of GDP, with an R^2 of 0.45 in the U.S. and 0.63 in China. Compared with the 1990s, China's annual working hours are around 4% higher today, while household consumption's share of GDP has fallen by approximately 8 percentage points. Despite years of stimulus efforts, consumer confidence remains weak. Henry Ford took a different approach: higher wages, shorter working hours, and more time to consume. A century later, the lesson may still hold. (Exhibit 8 - Exhibit 9)

EXHIBIT 6: **China's household consumption accounts for only around 40% of GDP, significantly below the levels (c.53-68%) seen in most developed economies**



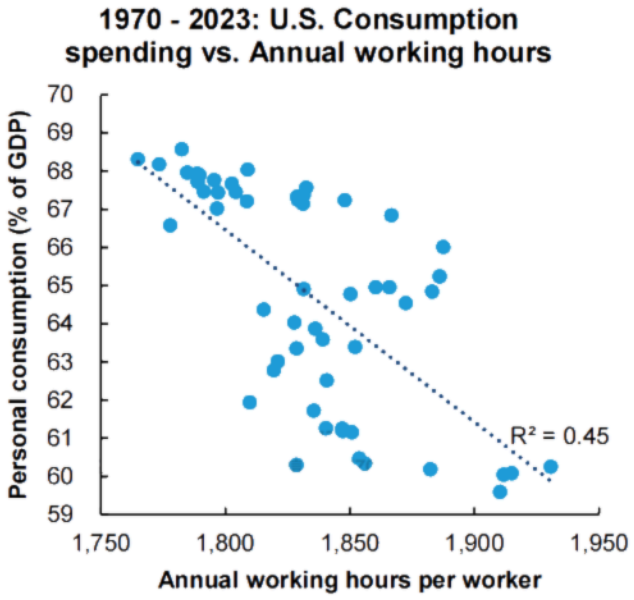
Source: World Bank, National Bureau of Statistics of China, and Bernstein analysis

EXHIBIT 7: **China's working hours are around 45% above the G7 average; many, especially in tech, work even longer than the "996" schedule**



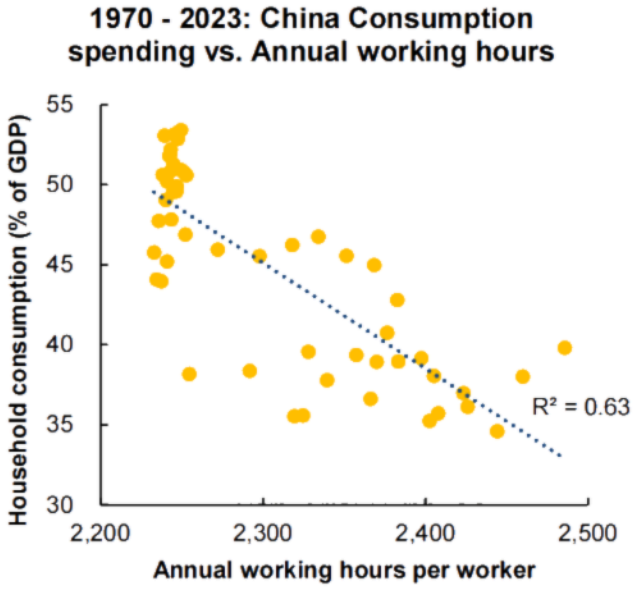
Source: Ourworldindata.org and Bernstein analysis

EXHIBIT 8: **Analysis since 1970 suggests fewer working hours may support higher consumption; the relationship is evident in both the U.S. (R^2 = 0.45) and China (R^2 = 0.63)**



Source: World Bank, Ourworldindata.org, and Bernstein analysis

EXHIBIT 9: **Since the 1990s, China's annual working hours have risen by around 4%, while household consumption's share of GDP has fallen by 8 percentage points**



Source: World Bank, National Bureau of Statistics of China, Ourworldindata.org, and Bernstein analysis

BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	20 Aug 2026 Closing Price	Price Target	TTM Rel. Perf.	Cur	Reported EPS 2025A	Reported EPS 2026E	Reported EPS 2027E	Reported P/E (x) 2025A	Reported P/E (x) 2026E	Reported P/E (x) 2027E
1211.HK (BYD)	O	HKD	91.80	130.00	(46.7)%	CNY	3.58	4.15	5.57	22.0	19.0	14.1
002594.CH (BYD)	O	CNY	90.48	114.00	(44.6)%	CNY	3.58	4.15	5.57	25.3	21.8	16.2
175.HK (Geely)	O	HKD	18.54	25.00	(35.6)%	CNY	1.67	2.09	2.29	0.4	0.4	0.3
2333.HK (Great Wall-H)	M	HKD	8.45	13.00	(82.2)%	CNY	1.16	1.21	1.40	0.4	0.4	0.4
2238.HK (GAC)	M	HKD	2.20	3.00	(65.2)%	CNY	(0.85)	(0.13)	(0.01)	(2.2)	(14.6)	(296.8)
LI (Li Auto)	M	USD	12.71	15.50	(65.5)%	CNY	1.13	(4.88)	2.27	75.6	(17.5)	37.7
2015.HK (Li Auto)	M	HKD	50.55	61.00	(73.6)%	CNY	0.57	(2.44)	1.13	76.8	(17.8)	38.3
9866.HK (NIO)	M	HKD	36.34	47.00	(40.9)%	CNY	(6.85)	(1.62)	(0.49)	(4.6)	(19.3)	(63.4)
NIO (NIO)	M	USD	4.58	6.00	(30.5)%	CNY	(6.85)	(1.62)	(0.49)	(4.5)	(19.1)	(62.7)
600104.CH (SAIC)	M	CNY	10.18	15.00	(77.7)%	CNY	0.89	0.97	1.05	11.5	10.4	9.7
1810.HK (Xiaomi)	O	HKD	27.76	35.00	(66.2)%	CNY	1.62	0.89	1.29	14.7	26.9	18.5
9868.HK (XPeng)	M	HKD	47.82	78.00	(70.0)%	CNY	(0.60)	(1.02)	0.23	(68.6)	(40.4)	181.8
XPEV (XPeng)	M	USD	11.99	20.00	(61.3)%	CNY	(1.20)	(2.03)	0.45	(67.4)	(39.7)	178.7
ASIAX			1,922.63									
SPX			7,707.98									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

175.HK, 2333.HK valuation is EV/Sales (x); 2238.HK valuation is Adjusted P/E (x);

Source: Bloomberg, Bernstein estimates and analysis.