



Media Release

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China's shift to consumption-led growth set to double Australia's exports to China by 2030

ANZ Research today released a new report examining China's shift from investment-led to consumption-driven growth which predicted Australia's exports to China could double to around A\$250 billion by 2030.

Report Highlights – Key Shifts by 2030

- A further 300 million new middle class consumers will emerge in China's urban areas.
- China's middle class will more than double its spending, lifting China's consumption as a portion of GDP to nearly 50%, up from about 38% in 2014.
- Urban disposable income per capita will reach around RMB105,000 (\$A46,000 in PPP), from RMB29,000 (A\$11,000 in PPP) in 2014.
- Australia's total exports to China could increase from \$A130 billion in 2014 to around \$A250 billion, driven by agriculture and services exports.

The '*Sleeping Giant: China's Consumer*' report details China's next phase of economic evolution will involve a moderation in savings rates and rapid growth in consumer spending, driven by almost quadrupling disposable incomes in urban regions over the next 15 years.

ANZ CEO International and Institutional Banking Andrew Géczy said: "Growth in spending by China's middle class will not only transform China's economy and place it on a more sustainable path but will rebalance the global economy."

"As China moves to a consumption-led economic model and spending power increases, new export opportunities will emerge for Australian businesses particularly service providers, in tourism, education, financial services and healthcare."

"These opportunities will be supported by the recently signed China–Australia Free Trade Agreement," Mr Géczy said.

Agricultural exports are also expected to continue to grow strongly driven by urbanisation in China, rising living standards and Australia's reputation for producing high-quality, safe food.

These opportunities will be supported by continued growth in Chinese investment in Australian businesses with a shift in emphasis from hard commodities to industries aligned with China's changing growth drivers – consumer-orientated and services businesses.

Despite the opportunities, the shift away from investment-led growth in favour of domestic consumption is also expected to mean lower growth on average for China creating immediate challenges for some sectors.

ANZ Chief Economist Warren Hogan said: "China's reduced investment, especially in heavy industries such as steel making, is likely to see lower overall demand for hard commodities."

“While Australia’s commodities will still be needed for China’s growing housing, infrastructure and energy markets, Australia needs to adapt to China’s new growth model by moving towards service exports, as well as opportunities in agriculture and manufacturing” he said.

The *Sleeping Giant* report also cautions that reforms to increase household incomes and lower precautionary savings will be critical to the rebalancing of China’s economy. These include initiatives to widen medical insurance, pension reform, labour law amendments, and land reform, designed to lift consumer confidence and expand spending capacity.

Mr Géczy added: “Volatility in China’s stock market, uncertainty about the RMB’s outlook and downward revisions to China’s growth forecasts have recently raised questions about China’s vision for the future.

“However continued momentum of economic and financial reform is the first-step towards a more open economy and it is ultimately fundamental to a rise in Chinese consumption,” he said.

For an abridged copy of the report visit <http://anz.co/TjV90>

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