

News Release

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China's rising middle class source of next boom

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**** Non-resource exports to rise from 32% to 41% of Australia's exports to China by 2025 ****

Tony Cripps, Chief Executive Officer of HSBC Australia, has urged business to capitalise on the continued growth of China's role in the global economy by targeting its rapidly growing middle class.

"China's economy is moving slowly but surely from industrial to service-based; from rural to urban; and from growth through exports to growth led by domestic consumption. An estimated 60-80% of China's urban population will be middle class by 2025 with considerable spending power," Mr Cripps said.

"China is already the world's largest e-commerce market and more cars were sold in the country in 2015 than in the US, Japan, Germany, India and UK combined. Chinese travelers made also 120 million trips abroad last year, three times as many as in 2007."

"The spending power of this new middle class presents considerable opportunities for Australian business in sectors including tourism, health, education and agriculture."

Mr Cripps made his remarks today at HSBC's Australia's third annual Australia-China Conference in Sydney. This year's conference highlighted the continuing evolution of China's society and the likely impact on Australia's economic future.

A new report from HSBC Global Research this week¹ forecast that non-resource exports will rise from 32% to 41% of Australia's exports to China by 2025 as the services sectors become the next driver of Australia's economic growth.

Chinese tourists to Australia rose from 350,000 in 2009 to 1.2 million visitors in 2015, and are forecast to exceed 2.5 million visitors by 2024. Chinese student enrolment numbers have risen from 140,000 to 170,000 in the past three years, and HSBC forecasts they could exceed 280,000 by 2020.

According to the HSBC report, the signing of the China-Australia FTA in 2015 was a positive step, but more needs to be done to turn the provisions in the agreement into action, such as Australian authorities focusing more on improving local urban infrastructure to lift the productivity and competitiveness of the services sectors.

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¹ HSBC Global Research, 'Australia's broadening economic links to China' (8 Nov 2016)

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