THE AUSTRALIAN

Business
AMP CEO Craig Mellor: Australia must gear up to tap China's middle class

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644 words
15 April 2018
The Australian - Online
AUSTOL
English

'Step up to tap China growth'. AMP boss Craig Meller says Australia needs to gear up for the rapid rise of the Chinese middle class, and position its education and tourism industries to capture the growth of the Asian giant as it rapidly transitions to a consumption-led economy.

The chief executive of AMP, which is the only foreign company with a stake in a Chinese-owned pensions company, said it had taken a long time for China to transition from a production economy that was reliant on the rest of the world for its growth, to a position where Chinese consumption would be the strongest growth driver.

"The world was not worried about selling into China historically as there wasn't the consumption. But as people look forward and see that uptick in consumption, we want to balance things out, which is the American mentality at the moment," he said, referring to US President Trump's push for lower import tariffs in China.

"Australia has been doing better than any other county in the world at that, partly because of our mining industry and when you start to look at education and tourism, we have been huge beneficiaries of China more broadly than just being the place where we send our iron ore."

Mr Meller said the pace of consumption had exceeded the expectations of Chinese authorities and would only accelerate.

"For Australia, our education system needs to be ready and our tourism industry needs to be ready," he said.

"We have just gone through one million Chinese tourists a year and that could be 20 million in 10 years.

" If we want to be a tourist destination for China's 1.3 billion population, Australia has to view how systematically it wants to approach the development of those industries, as it could be a really big business for us."

Mr Meller, who attended the Boao Forum for Asia last week, said it was important that Australian businesses still engaged strongly with China, highlighting that AMP was now doing more business in China than its Chinese partner did in Australia.

"We have aligned ourselves with what is good for China and China policy. Our partner China Life is one of biggest blue chip state-owned enterprises and their approach on driving growth in the pensions market is solving the social problem of an ageing population and is also a big business opportunity."

Mr Meller added that there were increasingly new opportunities in China, adding that the Australian company had agreed to work further with China Life.

He highlighted that with the rise of the Chinese middle class, more people were seeking different types of insurance.

"We think there is a huge opportunity to do more with China Life," Mr Meller said.

"The China Life business is a traditional insurance company and in many ways they are going through the same transition that a traditional insurance company like AMP has been through, only we did it in a 160-year period and they are accelerating it."

AMP set up a representative office in China in 1997 and held its first discussion with China Life in 2006, before signing a memorandum of understanding with the group in 2009.

The partners set up a greenfield sites investment management business in 2013, with AMP taking a 15 per cent stake. That business has gone from zero to about 160 billion yuan ($32bn) in assets under management in just over three years and is growing at more than 60 per cent a year.

AMP also has a 19.99 per cent stake in China Life's pensions company, which has been growing around 30 per cent a year and has assets under management and administration of around 600 billion yuan.

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