

THE OUTLOOK FOR CHINA'S HEALTH SECTOR

Australia China Health Summit

11 August 2015

Efic

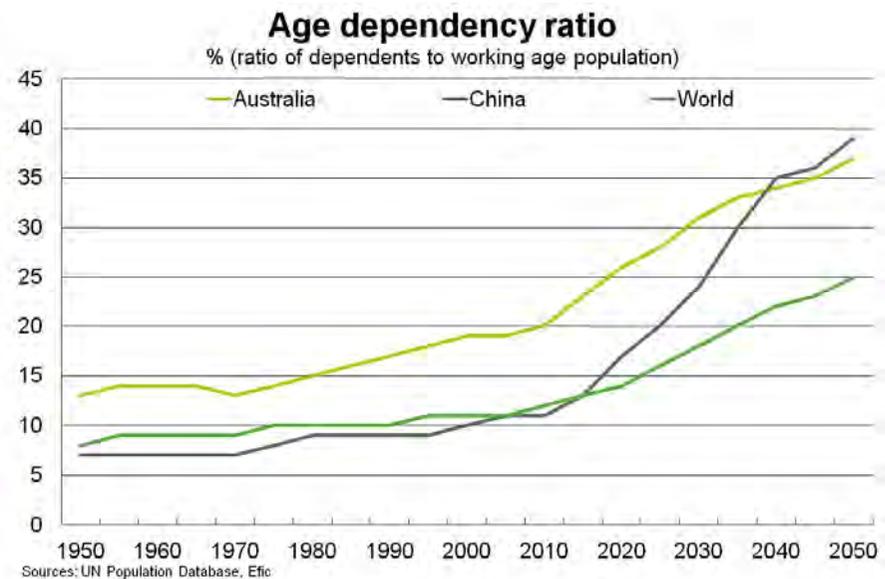
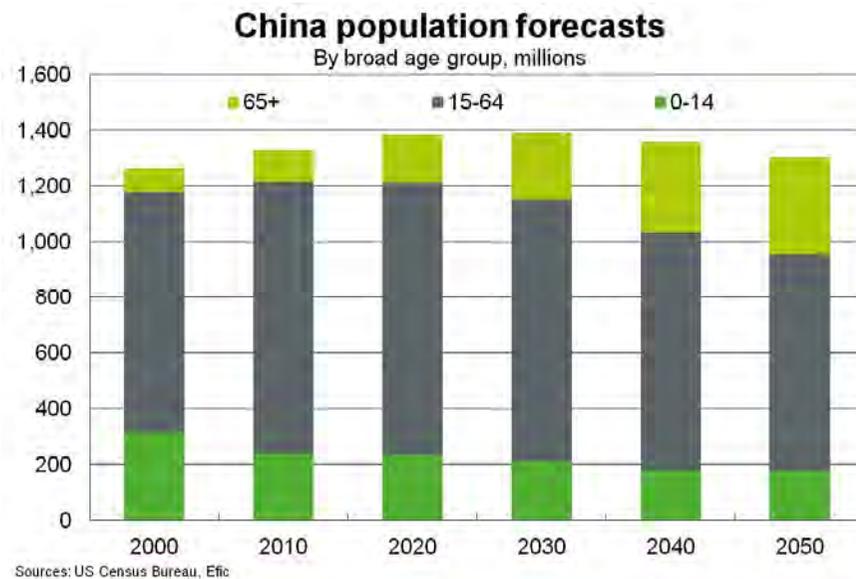
Finance for
Australian
Exporters

Why China?



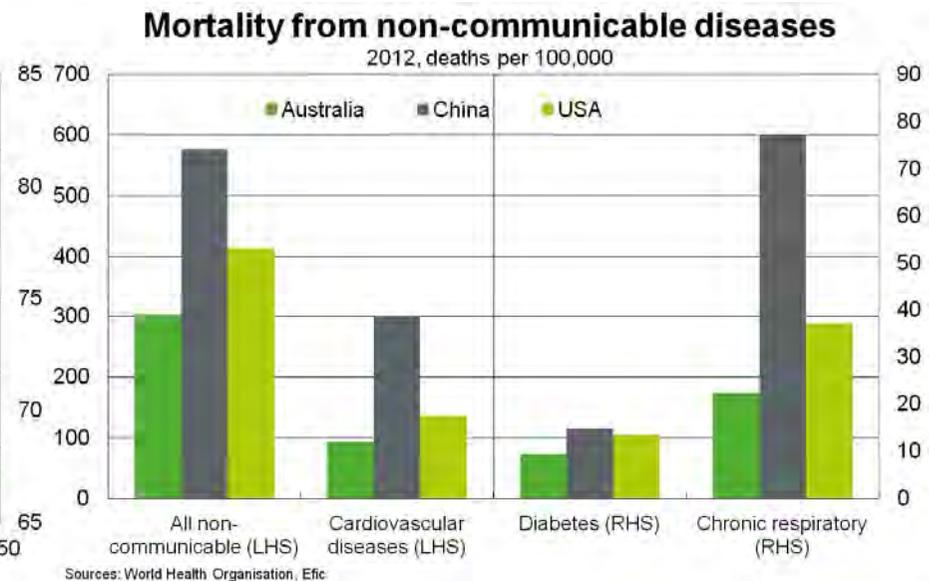
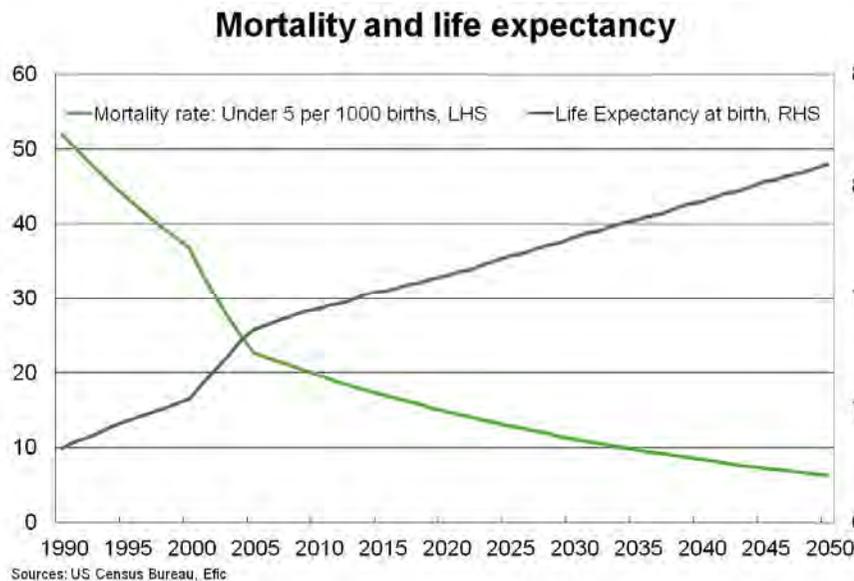
Favourable demographics for healthcare

- China's 1.3 billion population is ageing rapidly
 - Population expected to peak at 1.4 billion people in 2026
 - Share of 65+ citizens will *treble* between 2010 and 2050



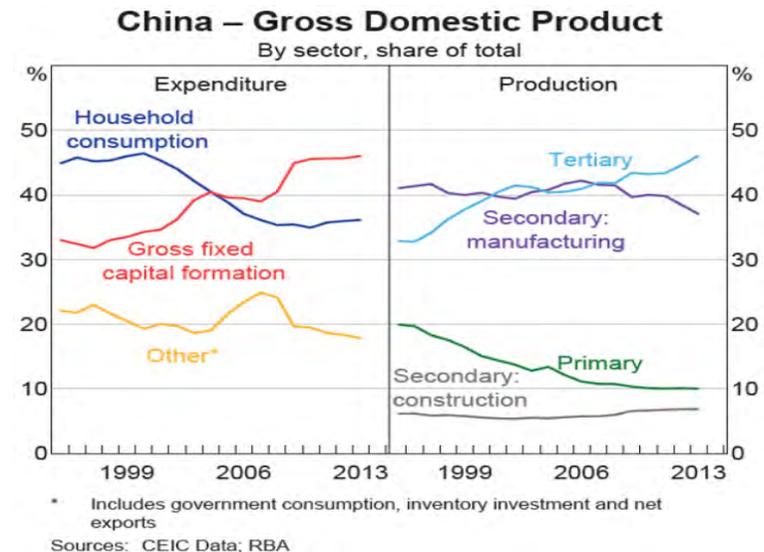
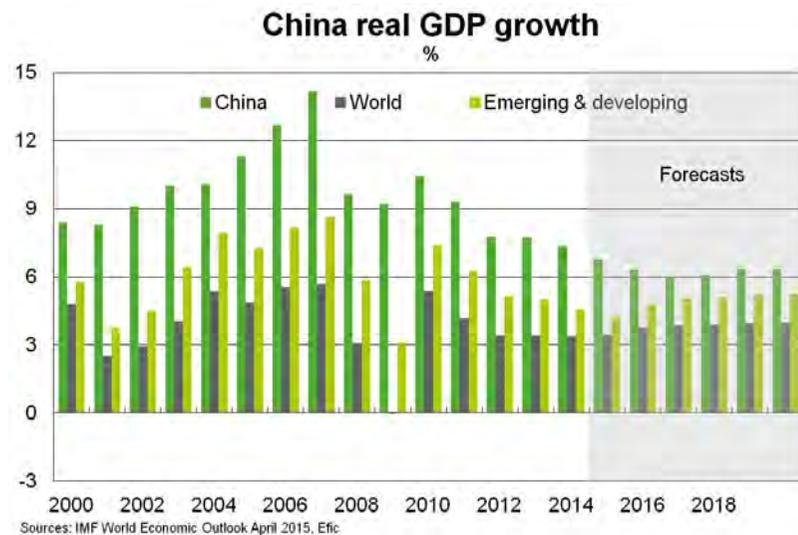
Increasing disease burden

- The economic boom has dramatically improved living standards
 - Life expectancy expected to increase > 10 years over 1990 – 2050
- But chronic diseases are proliferating due to changing lifestyles and preferences
 - Share of deaths from NCD increased from 80% to 87% over 2000 – 2012
 - Mortality rates from NCD are double those in Australia



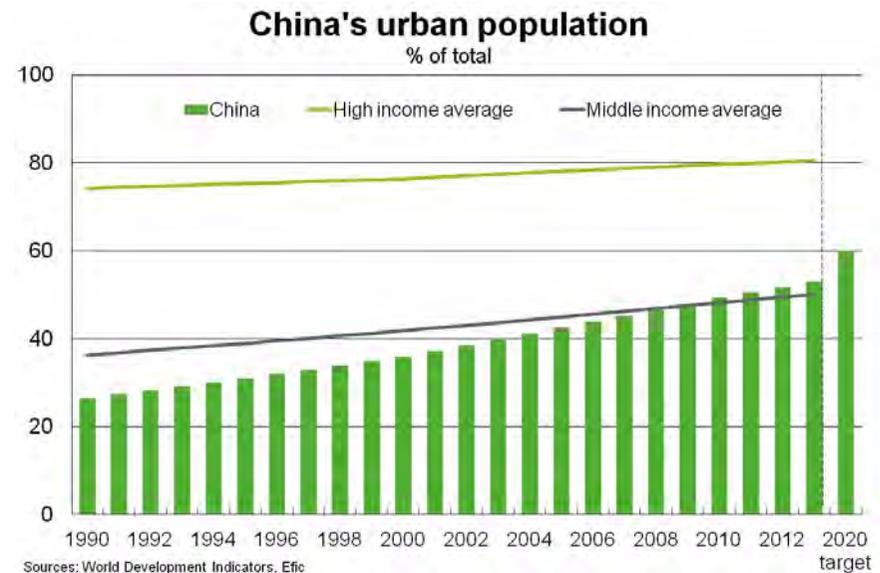
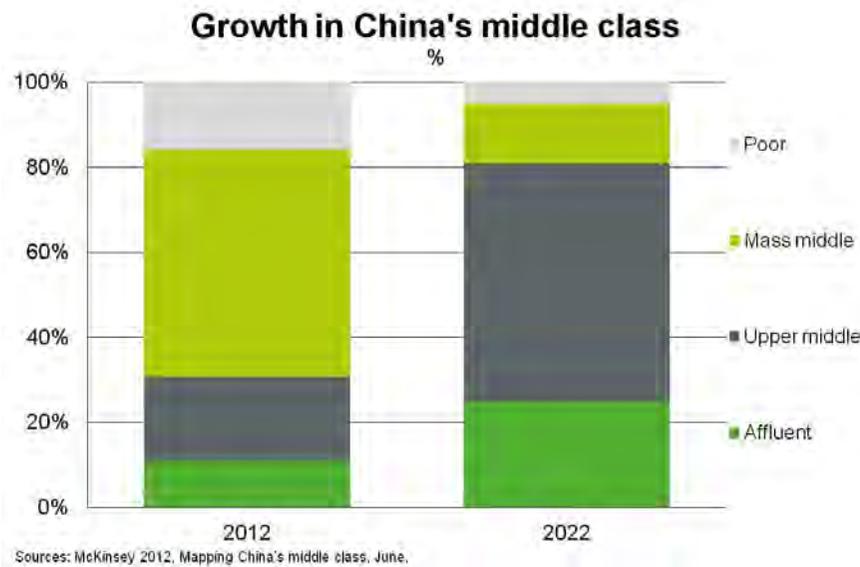
Favourable economics for healthcare

- Slower economic growth the ‘new normal’
 - History of rapid growth — 300 million people lifted out of poverty since 1980
 - But growth reached its slowest pace in nearly a quarter century in 2014
- Economic rebalancing: from investment towards a sustainable consumption-driven model
- But China is now expanding from a larger base and urban job creation remains strong



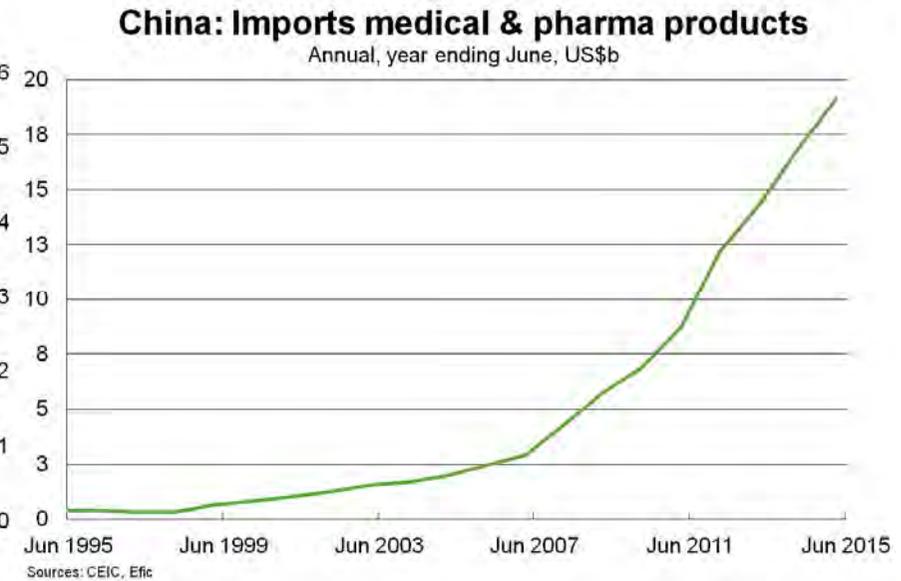
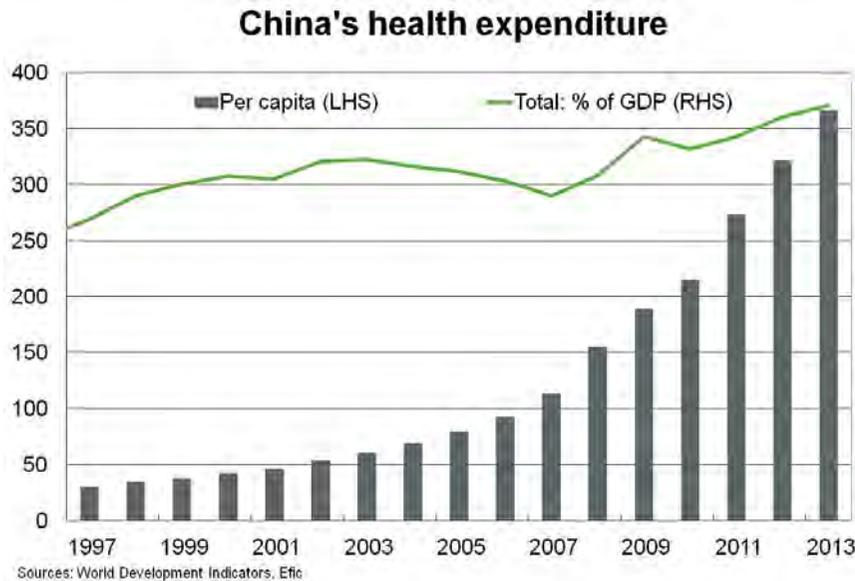
Favourable economics for healthcare

- Middle class to expand by 400 million people over decade to 2022
 - Driven by rapid urbanisation — relocation of 100m rural Chinese over decade to 2020
- Per capita incomes will continue to rise — IMF estimates by 35% over the next 5 years
- Private consumption to remain strong — 10% p.a. growth expected over decade to 2022



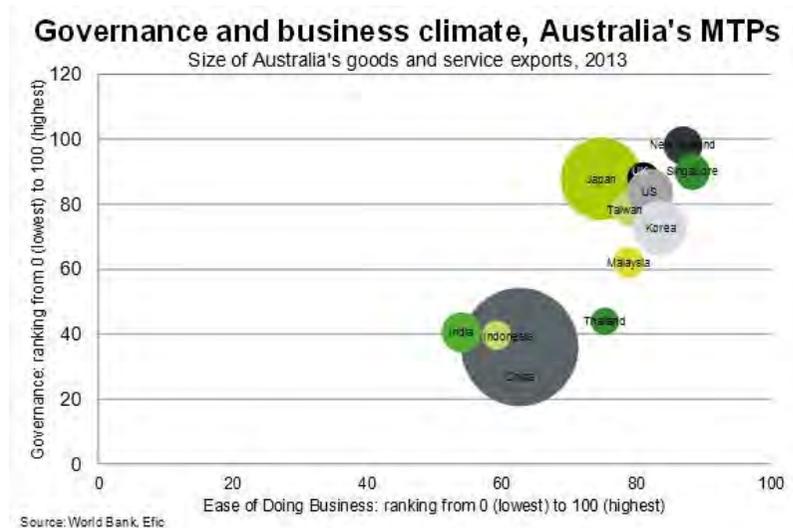
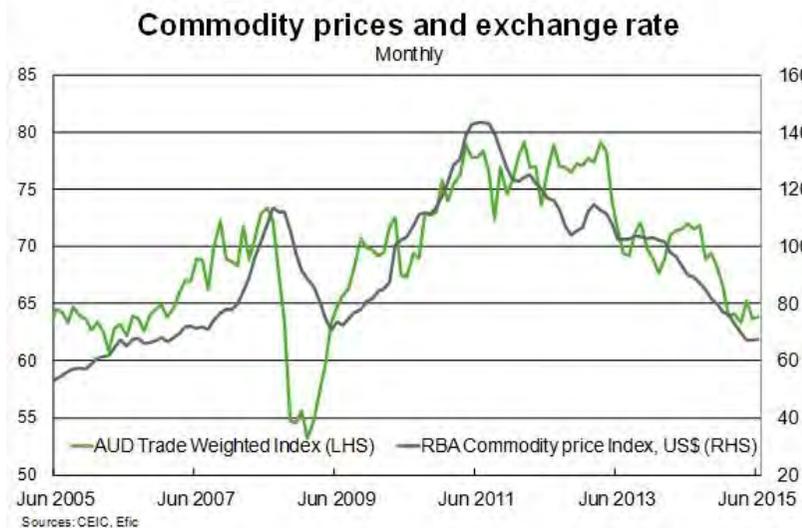
Favourable government policies for healthcare

- 13th Five Year Plan stipulates public focus on health care – social and strategic priority
- Rapid increases in public health spending will be maintained
 - Spending grew six-fold over the decade to 2013 – but large demand gap remains
 - Spending expected to double from 2012 levels – to reach \$900b by 2018
- China’s imports of medical & pharma products has risen 10-fold over the decade



Australia's export edge

- China Australia FTA = unprecedented market access
 - Eliminate Chinese tariffs of 3 – 10% on health products within 4 years
- AUD depreciation improving export competitiveness
 - RBA: *'exports of services expected to benefit further from the lower exchange rate...'*
- Exporter optimistic and enthusiasm for China — despite the challenges
 - AIBS 2015: China 2nd most popular new market; but 70% consider it more difficult



Efic case study

Compumedics

Industry: Manufacturing
Country: China, Hong Kong, Taiwan, Japan, Kuwait & Italy
Product: Export working capital guarantee
Efic support: A\$1 million

Customer:

Compumedics Limited is a Melbourne-based company which designs and manufactures computer-based medical products.

Need:

Faced with a backlog of orders, Compumedics needed additional working capital to fulfil contracts for six overseas buyers.

Result:

We provided a A\$1m export working capital guarantee which gave the company access to the finance they needed to fulfil these contracts.



Conclusion

- Prognosis for China's healthcare sector is good
 - Large and ageing population
 - Increasing disease burden
 - Favourable household economics
 - Government policy prioritization
- Despite considerable challenges, Aussie exporters in a great competitive position
 - Excellent reputation for quality
 - Unprecedented market access
 - Ongoing benefits from a more competitive exchange rate

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