



Media release

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Older consumer preferences likely to boom, says AMP.NATSEM Report

Christmas in Australia in 2020 is likely to see more walking canes than candy canes, according to the latest AMP.NATSEM Income and Wealth Report released today.

The report, *Tomorrow's consumers*, forecasts that sales of goods and services preferred by older Australians will increase rapidly over the next 15 years due to demographic change, while those associated with children will face a relative slump.

Demographic change will alter consumer markets, predicting above average spending growth in areas like health care, caravan sales, gambling, golfing green fees and live theatre.

Markets likely to face a relative decline include children's goods and services such as baby foods, toys, clothing and footwear, sporting lessons, driving lessons and cordials.

The report forecasts that there are likely to be more "grey nomads" touring the country by 2020, with a 69 per cent increase in caravan sales. Golf courses will also boom, with a projected 73 per cent increase in green fees.

Australians are also likely to increase their appetite for alcoholic beverages and gambling, although tobacco consumption is forecast to decrease.

However, as baby boomers become more cautious about damaging their joints, active sports will become less popular. Spending on squash court hire, water sports and ski resorts is expected to grow at a rate that is below average, although spending on health and fitness studios will remain popular.

AMP Financial Services Managing Director Craig Dunn said people will be generally wealthier in 2020, although economic growth is expected to decline because of a fall in labour force participation rates among older Australians and a shortage of younger workers taking their places.

"The Australian Bureau of Statistics projects that between June 2006 and June 2020 the number of children aged zero to 19 years will increase by a mere 58,000, compared with overall population growth of 3.1 million.

"This means that by 2020, if you walk down a typical Australian main street you might see more TABs than toy shops, and more Zimmer frames than strollers," Mr Dunn said.

Older consumer preferences likely to boom, says AMP.NATSEM Report.../2

He said that predicting the future was always difficult but it would be foolish to bet against the inevitability of demographic change and its significance for Australia's future.

"Spending trends indicate that, while the future could be challenging, it would also be entertaining for those currently aged in their 40s and older.

"Most baby boomers can plan for their older years in an environment that is more conducive than ever to good retirement outcomes – strong markets, flexible retirement incomes policy and, according to AMP's own research, a group of Australians who are motivated to take action and prepare," he said.

"Arguably there has never been a more exciting time to approach retirement."

Report co-author and National Centre for Social and Economic Modelling (NATSEM) Director Professor Ann Harding said the double effect of longer life spans and falling fertility rates would really highlight the impact of population ageing in the future.

"The baby boomers will be older, their children will have finally left home, and they will start to spend more on their leisure, health and fitness. So we will see increased consumer spending in these areas.

"But the shift in demographics will bring its own challenges for both industry and government," Professor Harding said.

While the number of households headed by someone aged 65 or more will increase by around 1 million to represent more than 25 per cent of all Australian households, the over 65s are likely to only contribute 15 per cent of total spending.

"Industry will also have to adapt to slower growth in consumption and profound changes in the types of goods and services demanded by consumers."

In addition, the ratio of working age Australians available to support the over 65s will fall from as high as 7.3 working age people for every one retiree in 1960, to one retiree for every 2.4 working age Australians by 2040.

"Governments are already starting to consider how to manage the higher health, aged care and pension costs associated with an ageing population," Professor Harding said.

Professor Harding said consumption trends during the past decade were partly driven by the rising number of two-income working age families who spawned a boom in childcare and home help services, take-away and restaurant meals and short holiday breaks.

"Over the coming years to 2020, change will be more strongly driven by empty-nester baby boomers in their 50s and 60s – who are frequently two-income and saving more seriously for their looming retirement – and by those who have already retired."

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