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China’s maturation shifts risk for Australia, Europe

China isn’t breaking - it’s maturing - and that’s the real risk for Australia and Europe, according to Balfour Capital Group.

by Olivia Grace-Curran — February 16, 2026 in Markets, News Reading Time: 5 mins read



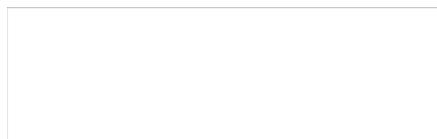
China

Johan Boos, strategic partnership manager, argues investors are mistaking structural normalisation for systemic weakness as China transitions away from the double-digit growth that defined the past two decades.

China’s economic growth is expected to slow to 4.5 per cent in 2026, down from previous years, driven by a persistent property slump, weak domestic demand and waning consumer confidence.

“I think it’s a great diversification to have Chinese exposure in your portfolio,” Boos told InvestorDaily.

As China shifts from debt-fuelled property expansion to a more measured, technology- and manufacturing-led model, investors in Australia and Europe face very different – but equally material – risks.



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Boos argues that much of the anxiety stems from unrealistic growth anchors. After two decades of double-digit expansion, markets are struggling to recalibrate to what he describes as a more "efficient" China – one no longer requiring the same intensity of infrastructure build-out or property investment.

While that normalisation dampens demand for bulk commodities and high-end discretionary goods, it does not eliminate opportunity. Electric vehicles, advanced manufacturing and energy infrastructure are expanding aggressively, reshaping trade flows and competitive dynamics – and forcing investors to reassess where China-linked exposure truly sits within their portfolios.

In practical terms, the implications diverge sharply between regions. European exporters, heavily weighted toward luxury goods and high-end autos, are more vulnerable to shifts in consumer sentiment and cyclical demand.

Australia, by contrast, faces a volume-driven challenge: with around 60 per cent of its commodity exports heading to China, any slowdown directly pressures earnings, trade balances, and the Australian dollar.

"Everyone knows Australia is on huge commodity exports, and unfortunately for Australia, 60 per cent of what they are selling is to China. So that is the challenge today that Europe is having and Australia is having with the Chinese slowdown in April. Will it be persistent? We do believe that it will. It is an economy that grew so rapidly in the last 20-25 years, with double digits. Everyone was used to it. So now that we see the economy coming closer to what we are used to in the Western world, it obviously frightens people and investors around the world," Boos said.

He suggests that while Europe may navigate the slowdown through protective measures and market diversification, Australia must urgently explore alternative export destinations and bolster domestic resilience to mitigate structural exposure.

Boos also highlights the long-term opportunities emerging from China's structural shift. As the country pivots toward advanced manufacturing, electric vehicles, and technology-driven sectors, new avenues for growth are opening both domestically and internationally.

"It will be really, really hard for anyone outside of China to compete with what China is manufacturing at the moment. So the risk is that sector, a huge pressure given China is leading within manufacturing production."

He points to healthcare, energy infrastructure, and tech-driven industrial projects as areas where investors can gain exposure to China's evolving economy without relying solely on traditional commodities or cyclical exports.

For institutional investors, the message is clear: diversification and sectoral insight are now more critical than ever.

"There is opportunity here in the healthcare sector, construction – the construction of hospitals – that is something here in Australia that needs resources, that needs institutional investors," Boos told InvestorDaily.

"We have heard it all around the world. Healthcare is a sector where you can invest, and there will be growth. You will have a return on your money for sure. We are human beings, and we need help. We need doctors."

At the same time, Boos cautions that investors must be prepared for volatility. Even sectors with strong fundamentals, such as healthcare and technology, will experience short-term swings driven by market sentiment, currency fluctuations, and shifting trade dynamics.

For Australian and European investors alike, success will depend on balancing immediate risks with the structural opportunities arising from China's transition, while maintaining a globally diversified portfolio.

China's evolving demand, whereas Europe's complex, multi-country coordination can slow responses and amplify sectoral pressures.

"Europe protects maybe too much of their market, which does not give the possibility for companies to actually grow or to actually really build something long term. And that's why we've seen very, very often great companies start in Europe and the founders just leave Europe to go to other countries, like the United States of America, for example, to be able to really develop what they want to develop," Boos told InvestorDaily.

"That is important, I believe, for Australia and as a beauty also, Australia has the possibility to actually be only one country that has the possibility to fuel trade policy, development and growth for their own companies."

This divergence, he suggests, could create valuation gaps between Australian and European equities over the next 12 to 24 months, with Australian markets potentially outperforming as they capitalise on resource demand and domestic resilience, while Europe contends with sentiment-driven volatility in its export-dependent sectors.

"We could see bigger growth in Australia than in Europe in the next few months."

Meanwhile, the rapid growth of AI, data centres, and advanced manufacturing is fuelling unprecedented demand for reliable power, highlighting vulnerabilities in regions with constrained energy infrastructure. At the same time, Boos says investment in energy – particularly renewable sources, small modular reactors, and efficient grid solutions – offers a pathway to meet that demand while supporting technological expansion.

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