

Market insight update

- China



March 2024

Global Market Insights & Adoption



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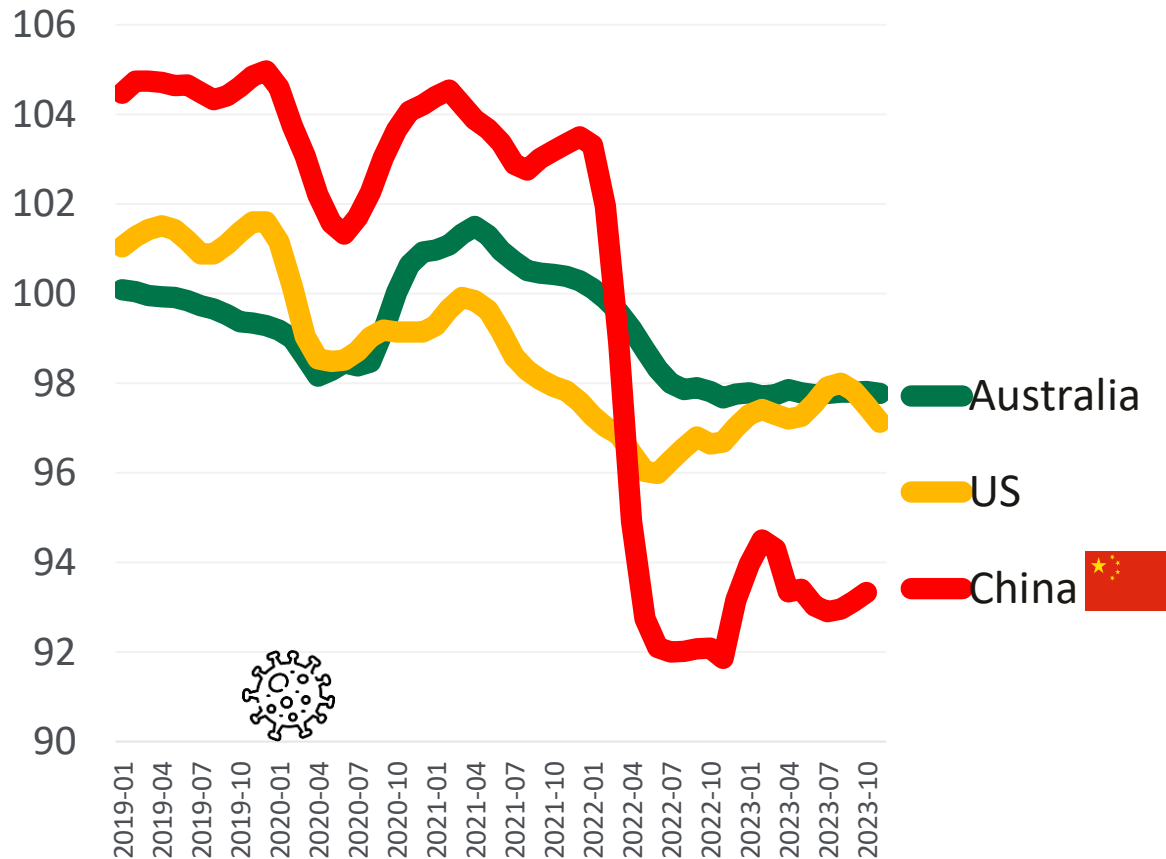
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Some challenging headwinds

Chinese consumer confidence fell as a result of extended pandemic lockdowns when the rest of the world was opening up and has remained weak due to signs of economic weakness and uncertainty

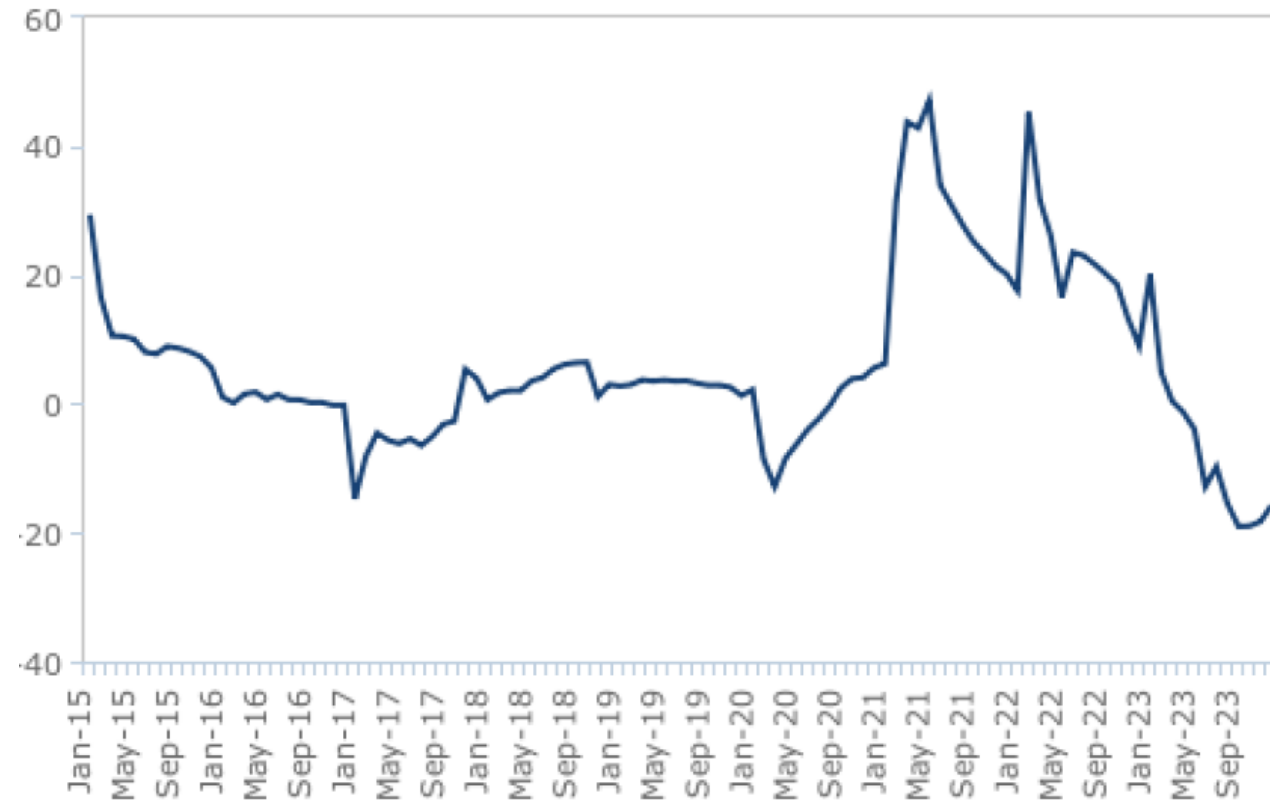
OECD consumer confidence index



Source: OECD, Data up to October 2023

Weak Foreign Sentiment To Persist

China (Mainland) - Utilised Foreign Capital, YTD % chg

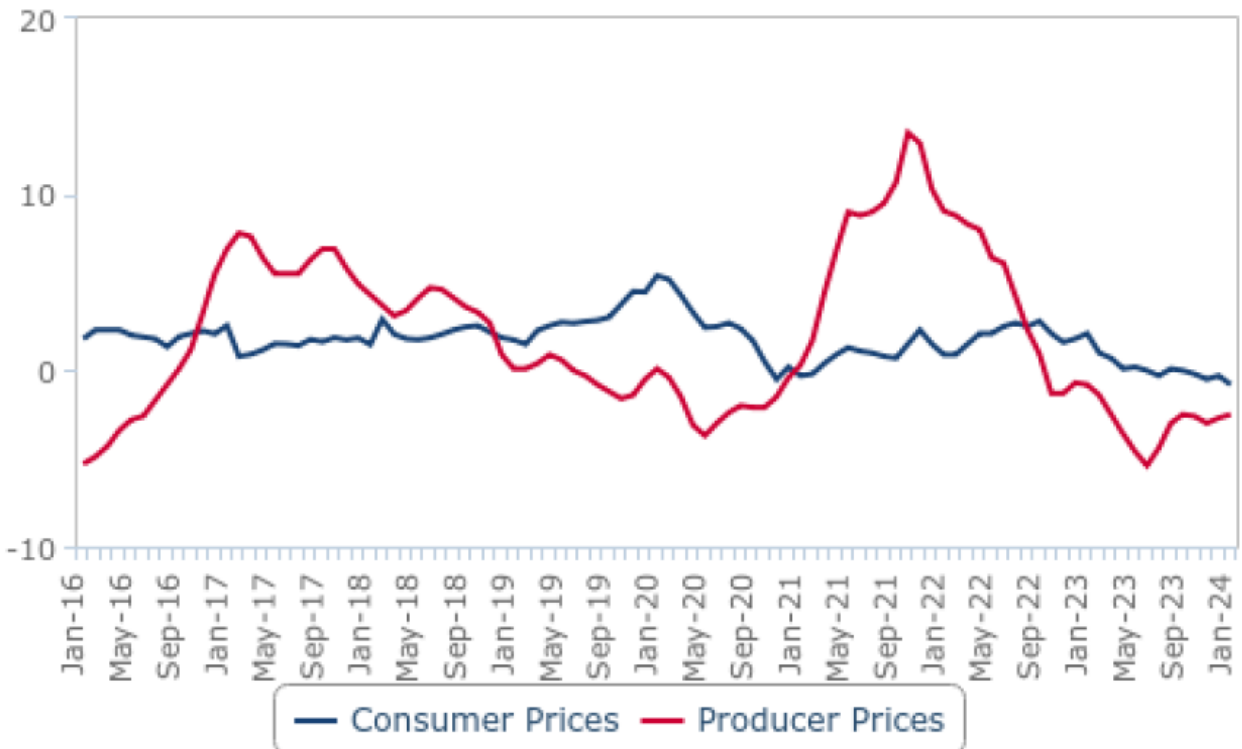


Source Fitch Solutions, BMI

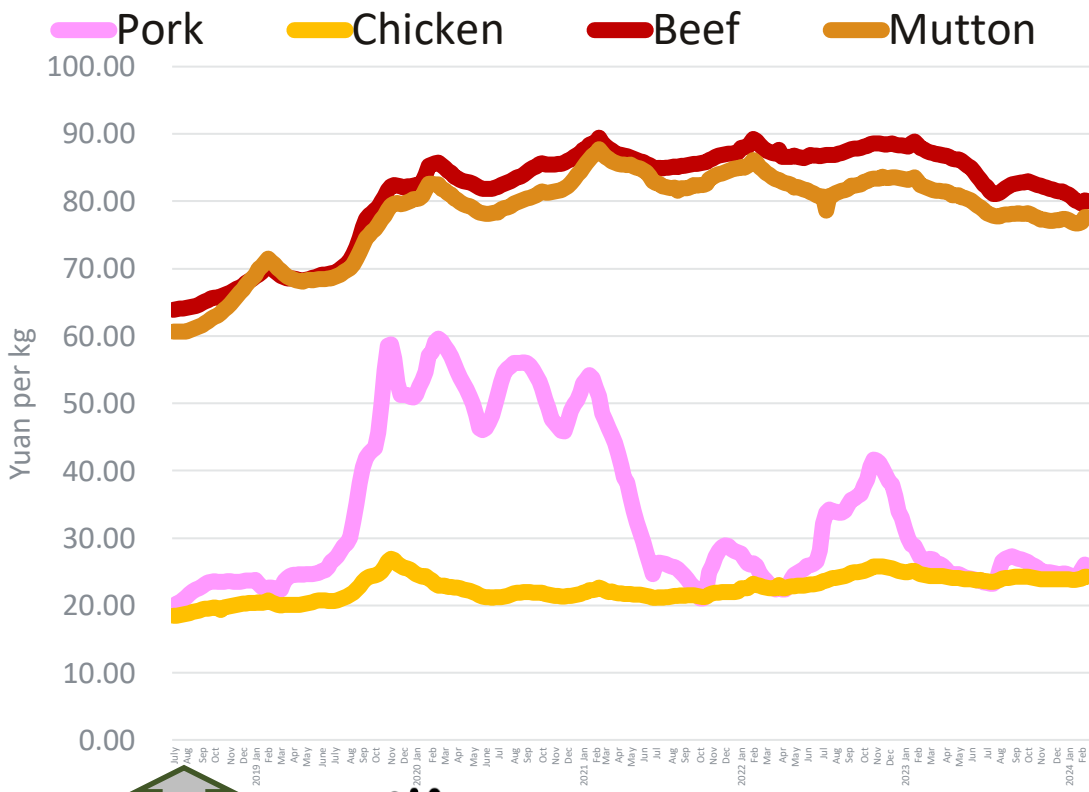
Weak discretionary spending and surplus stock has seen deflation across most product and service categories, including red meat

Persistent Deflationary Pressure

China (Mainland) - Consumer Price Index & Producer Price Index, y-o-y % chg



China county retail meat prices



ASF reported from August 2018

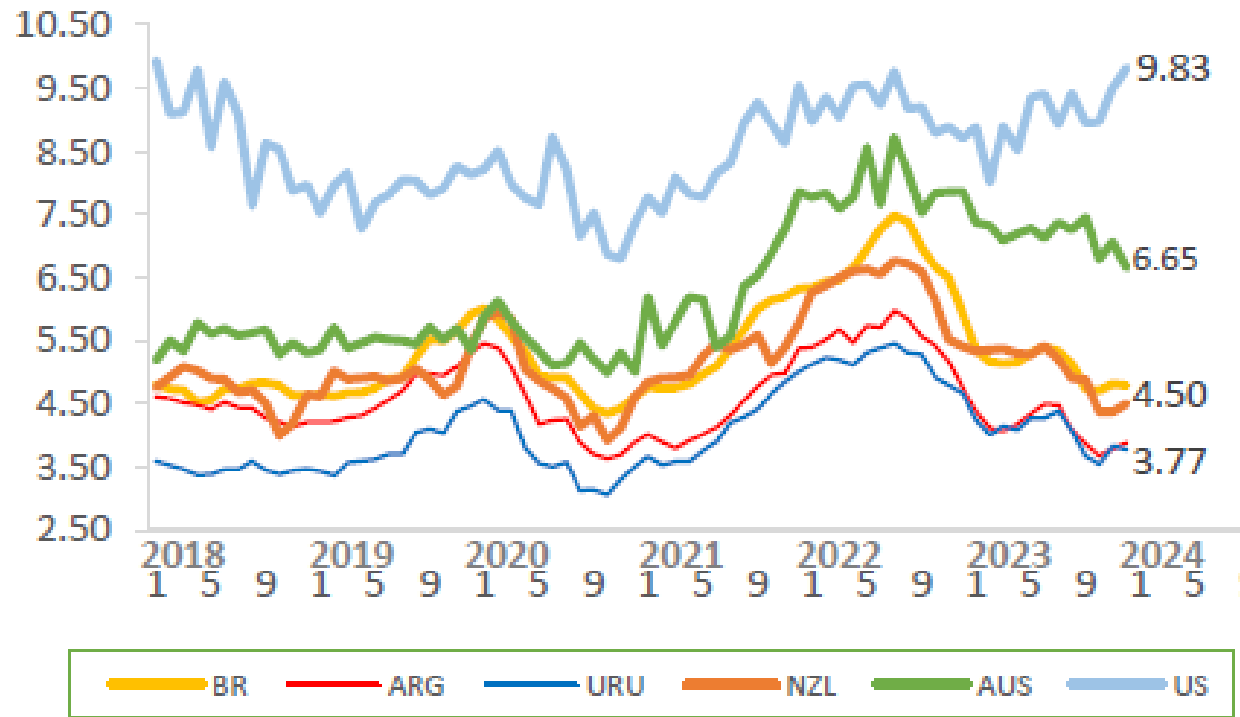


Source: Macrobond, BMI

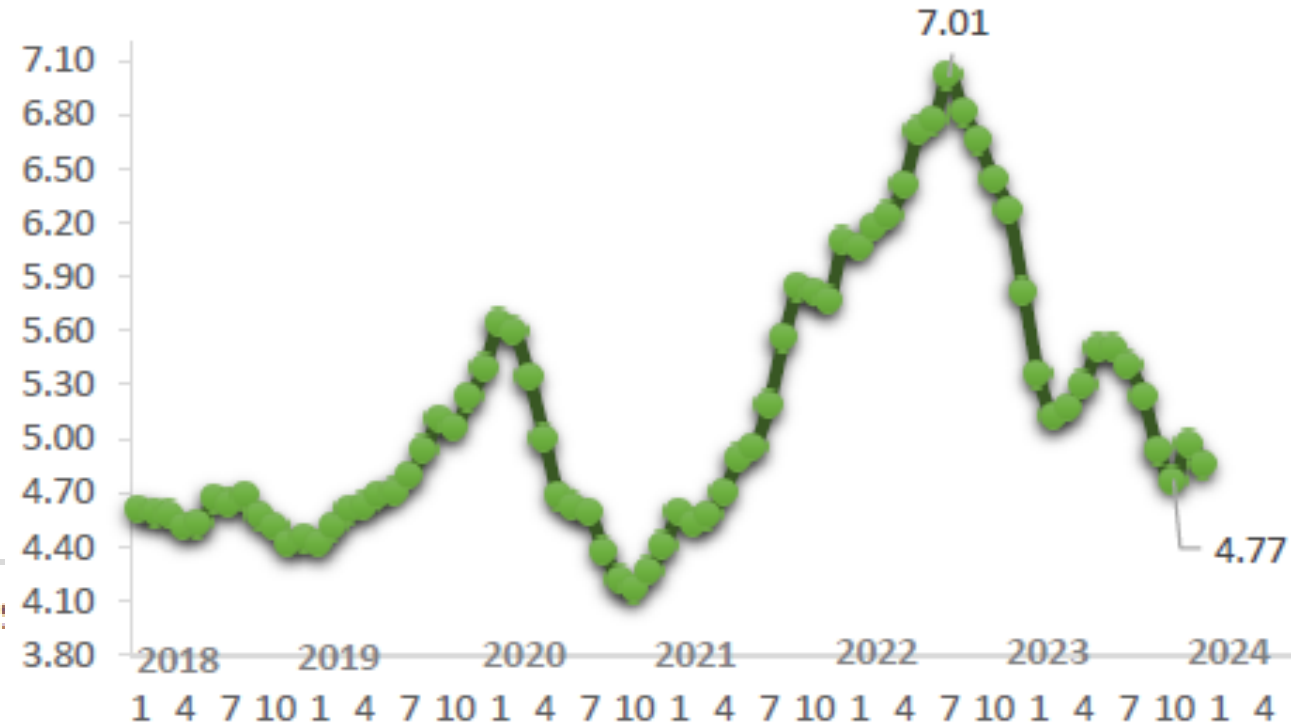
Source: Ministry of Agriculture and Rural Affairs, China. Prices collected from 500 county markets across China.

Imported beef prices have been notably lower for some time, with new market access approvals likely to keep downward pressure on average prices until demand rebounds

Beef Price of China's Major Importers (USD/KG CIF)



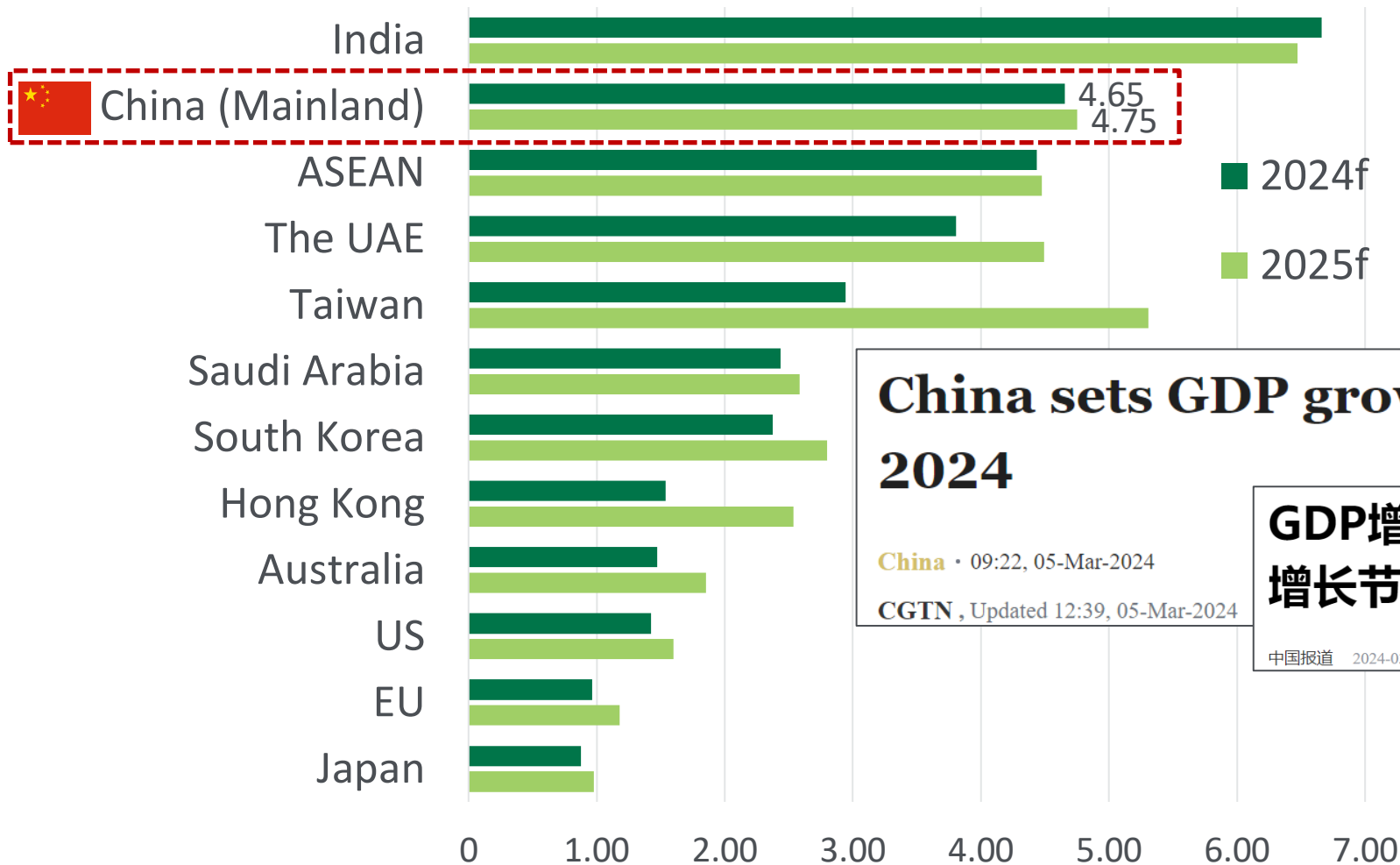
China Imported Beef Price (USD/KG CIF)



Positive long-term tailwinds of growth

Despite the headwinds, the economic growth outlook for China is still positive by both regional and global standards with the government setting an ambitious target

Real GDP growth % year-on-year



China sets GDP growth target of around 5% for 2024

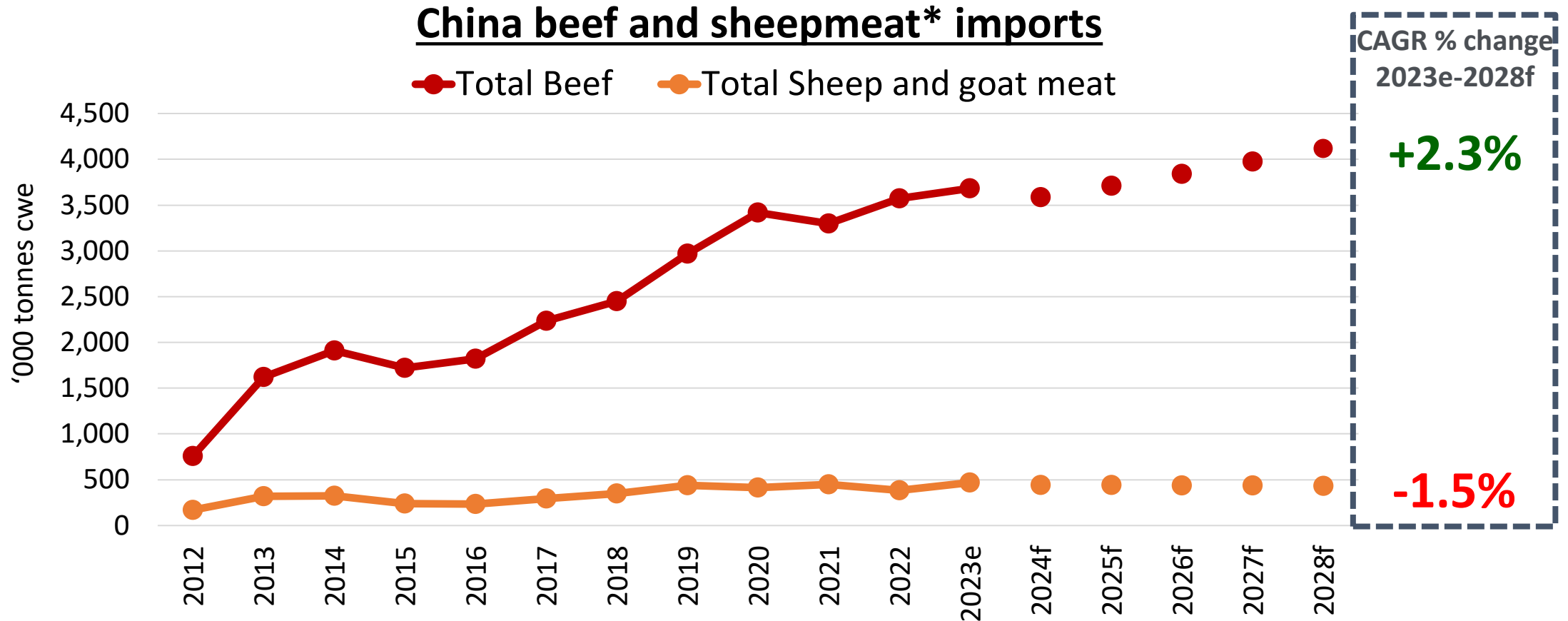
China • 09:22, 05-Mar-2024

CGTN, Updated 12:39, 05-Mar-2024

GDP增长5%左右! 委员、专家: 预计全年增长节奏呈“前低后高”形态

中国报道 2024-03-06 11:14 北京

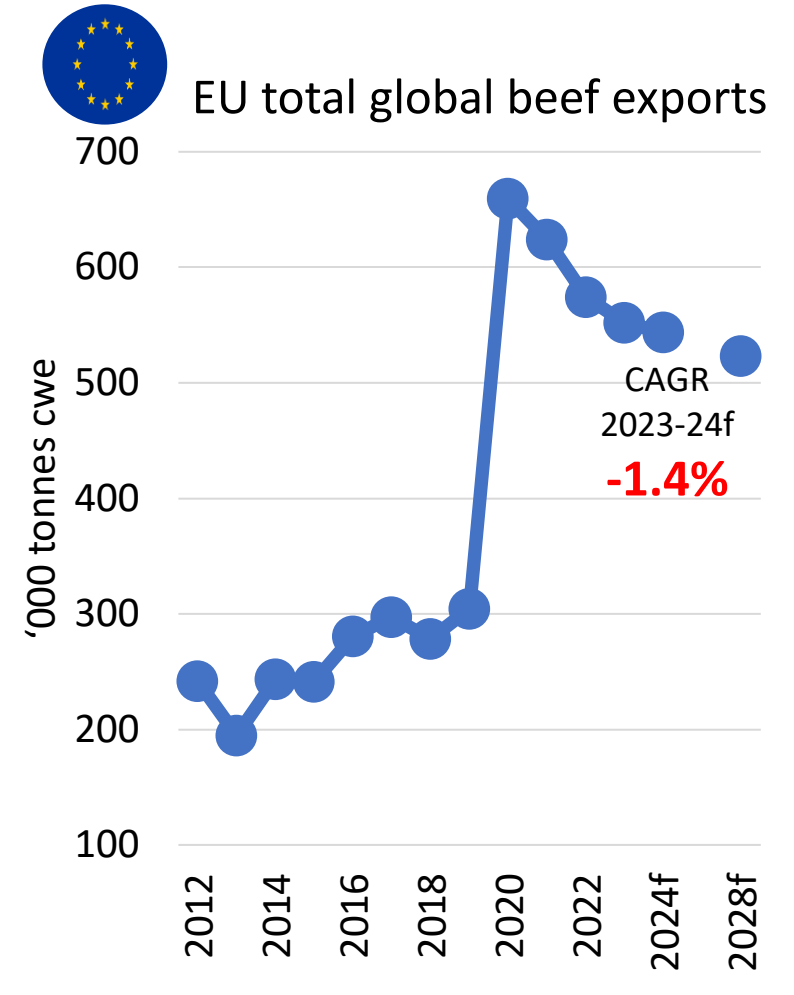
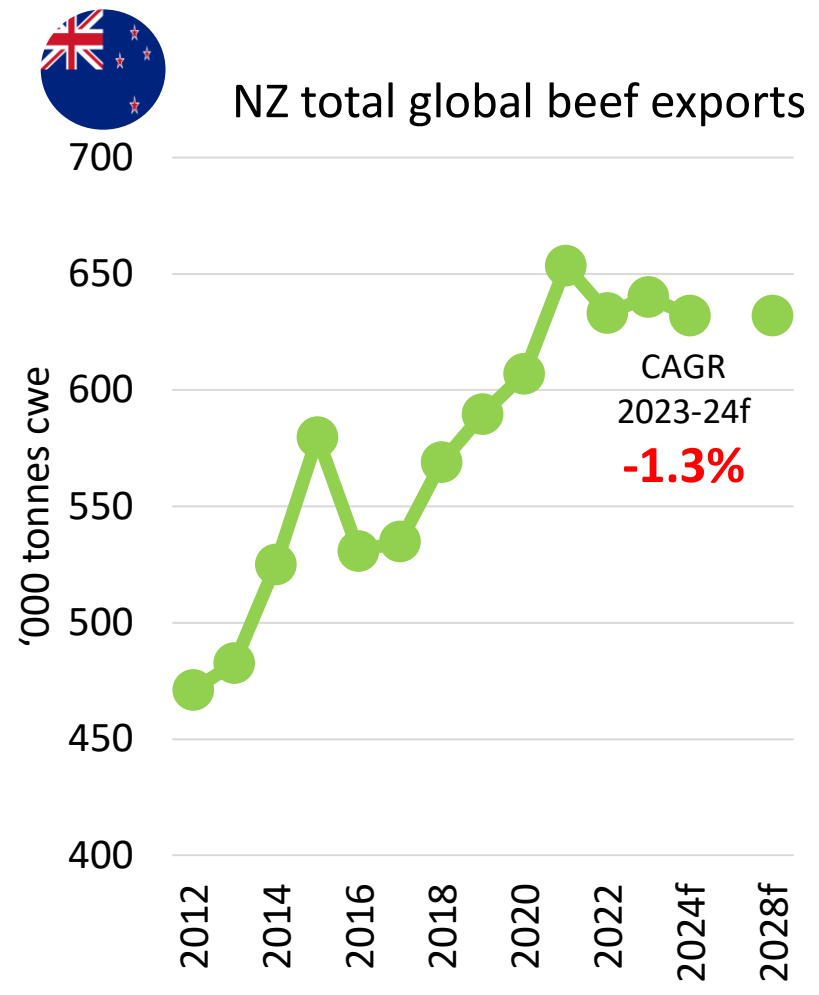
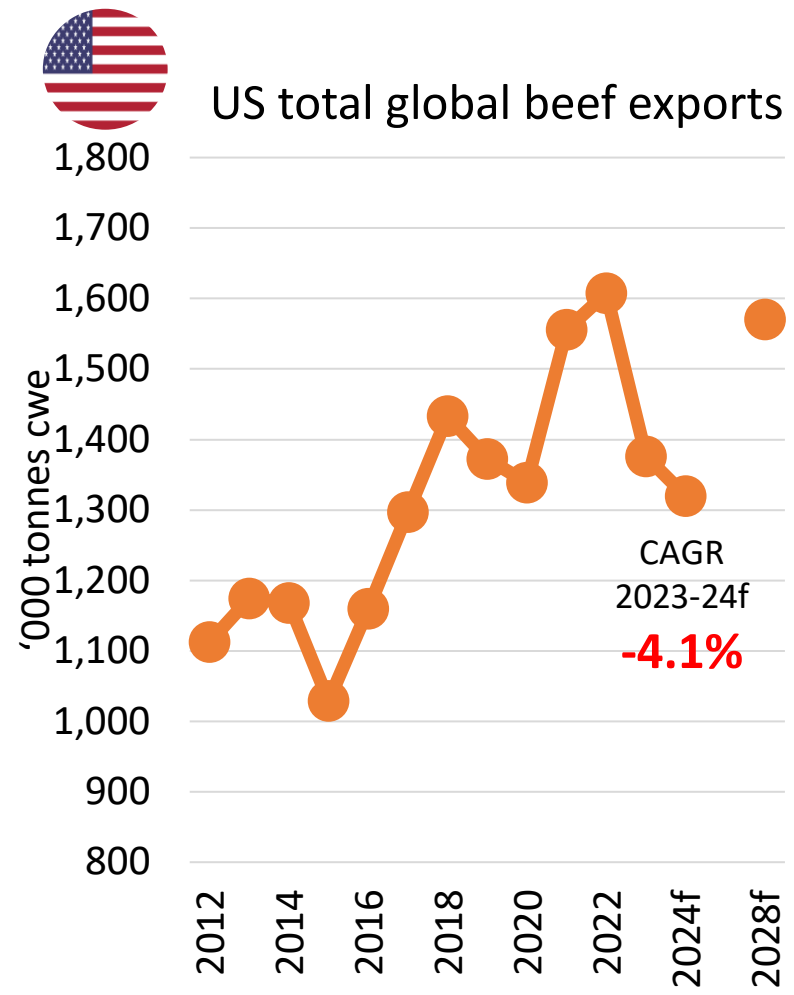
China's short to medium-term import demand will be slightly softer for sheepmeat (with increased domestic production) but notably stronger for beef



Source: GIRA GMC 2023. CAGR = compound annual growth rate. *Sheepmeat includes goat meat.



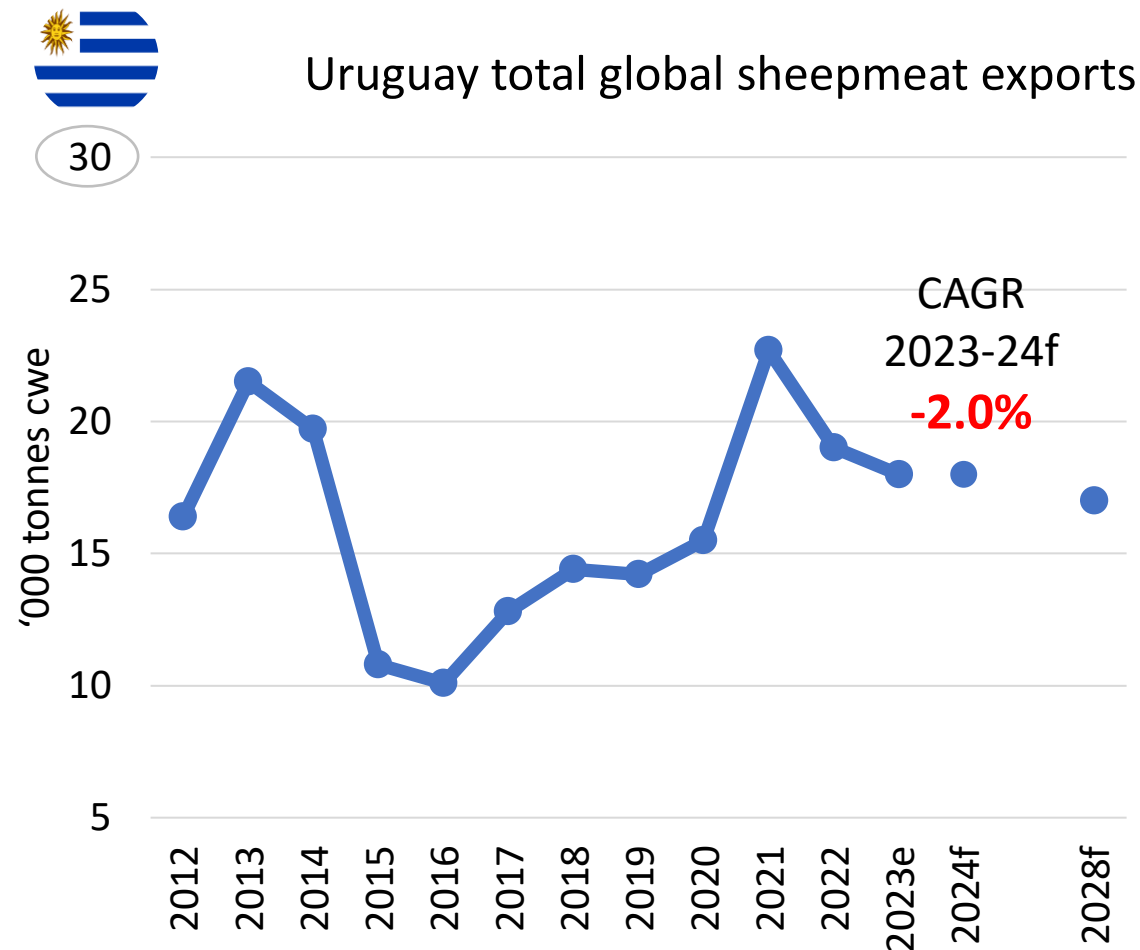
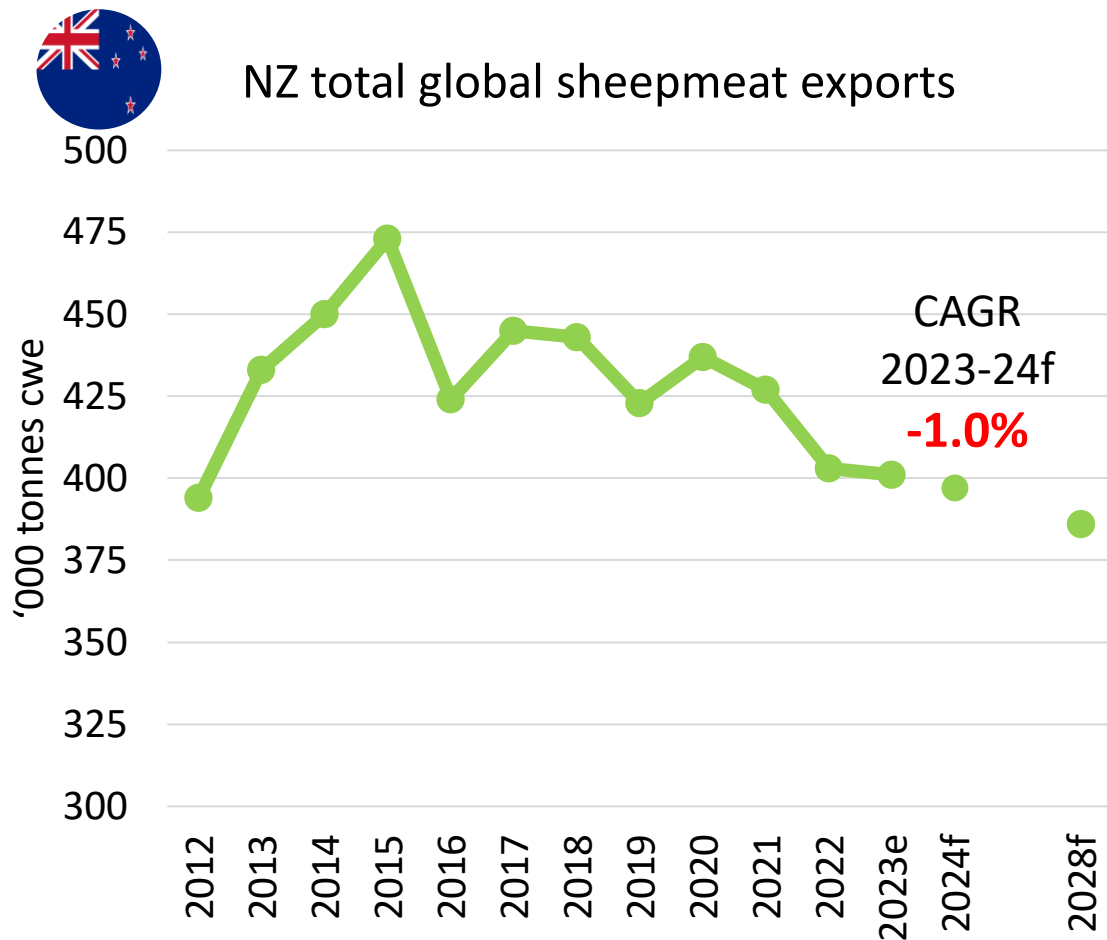
Australia faces slightly softer competitive pressure in China's premium beef market in the coming years



Source: GIRA GMC2023. NB different scales.



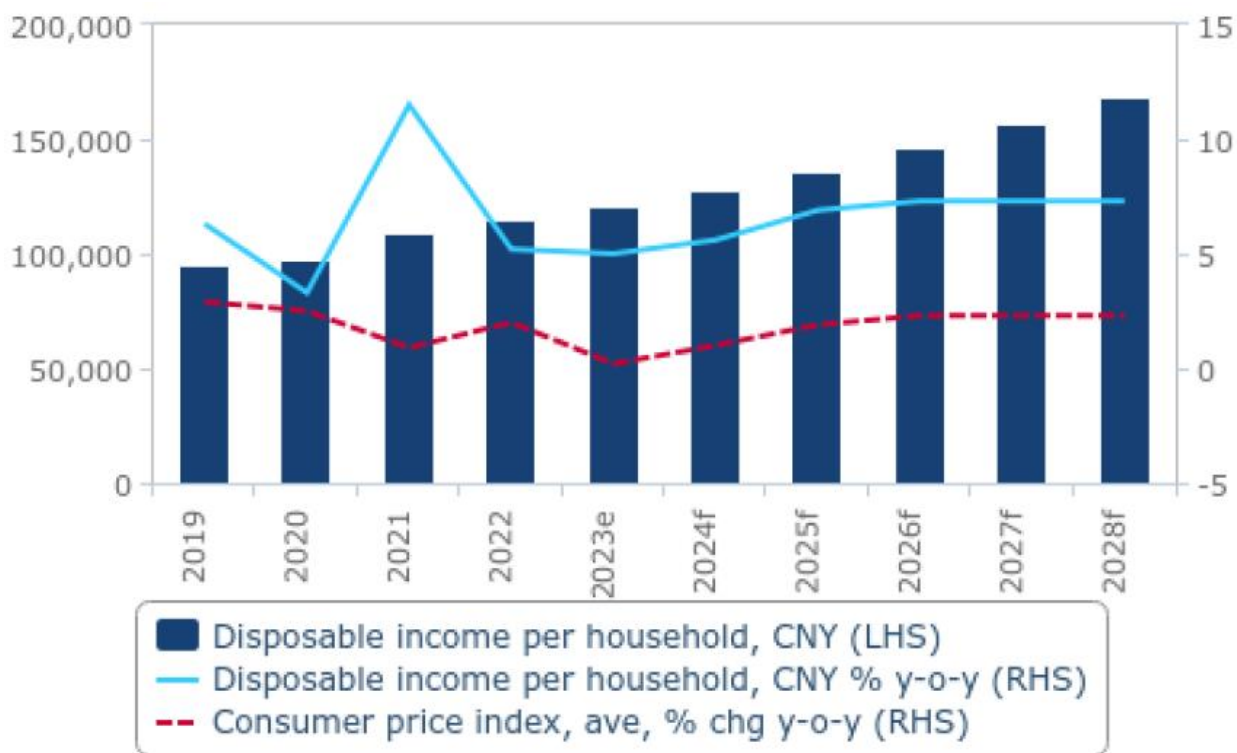
New Zealand and Uruguay sheepmeat exports are forecast to continue to decline in the coming years out to 2028



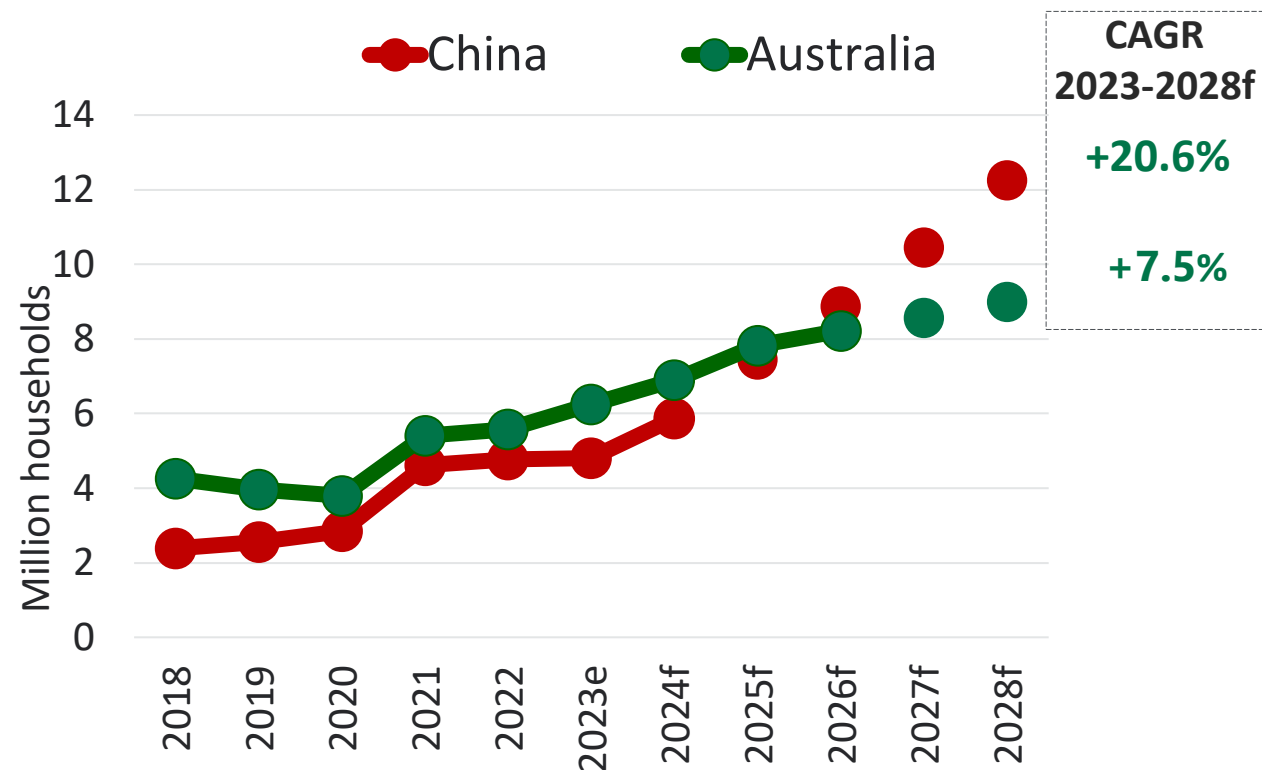
Source: GIRA GMC2023. NB different scale. CAGR = compound annual growth rate.

Household income is the single largest determinant of imported red meat consumption frequency and spend in markets, including China. China's wealthy households are forecast to increase, exceeding Australia by 2026.

China – Disposable incomes & consumer price Inflation



Wealthy households earning U\$75,000+ annual disposable income



Source: BMI, National Statistics. BMI estimates/forecast.

Source: Fitch Solutions as at 27/02/2024. China data last reviewed and revised 01/02/2024. CAGR = compound annual growth rate.

China's red meat category has been characterised by premiumisation at a level well-above the global average for a number of years



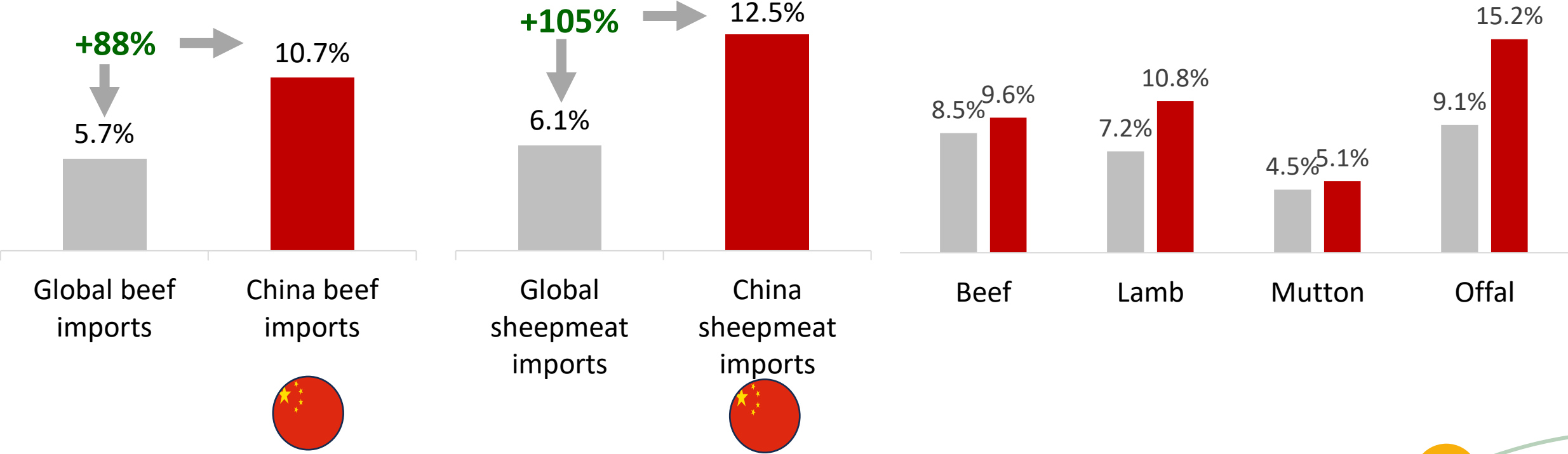
Growth* in average beef import unit price 2017-2022



Growth* in average sheepmeat import unit price 2017-2022

Australian exports' growth* in average unit price 2017-2022

■ Global Average ■ China



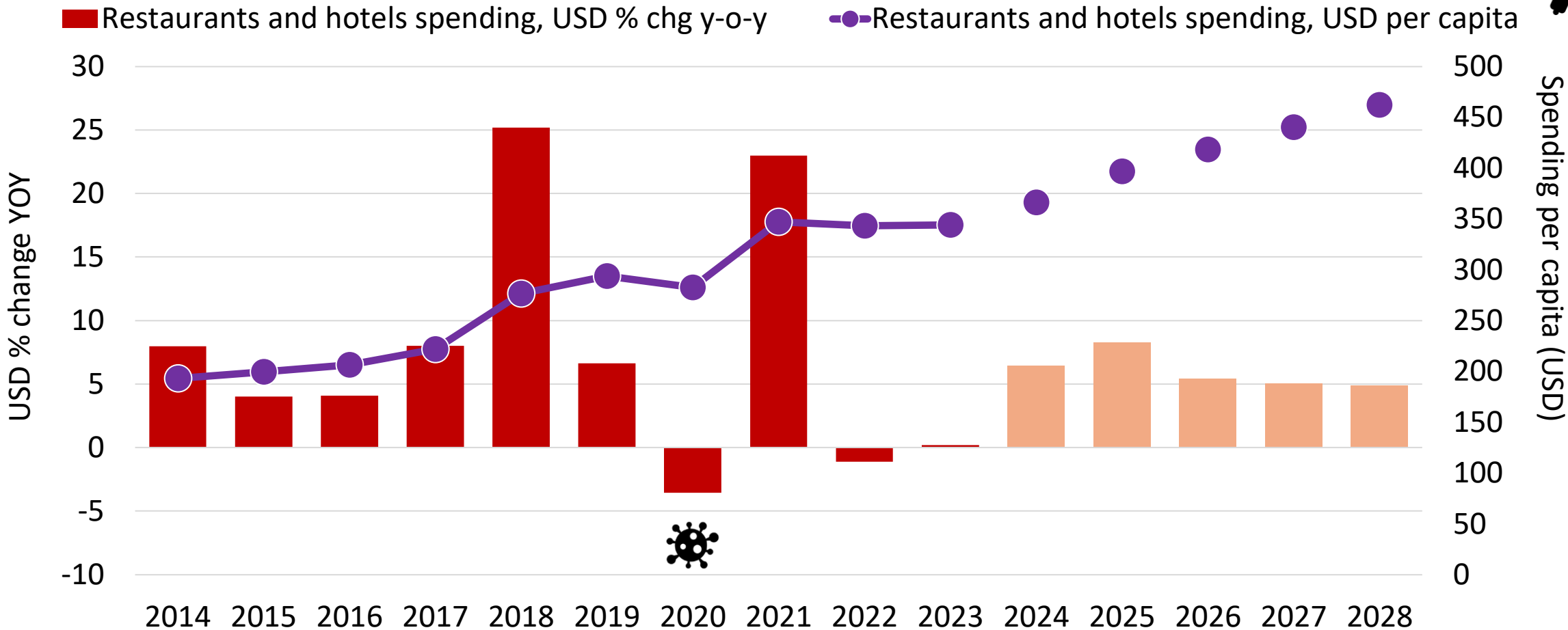
Source: S&P Global MI Global Trade Atlas (GTA). *Growth = Compound Annual Growth Rate, based on A\$ unit prices.



Hotels & restaurants spending is one discretionary spending category that is forecast to see strong growth, along with recreation and culture spending – driven by domestic tourism



China – Restaurant & hotels spending

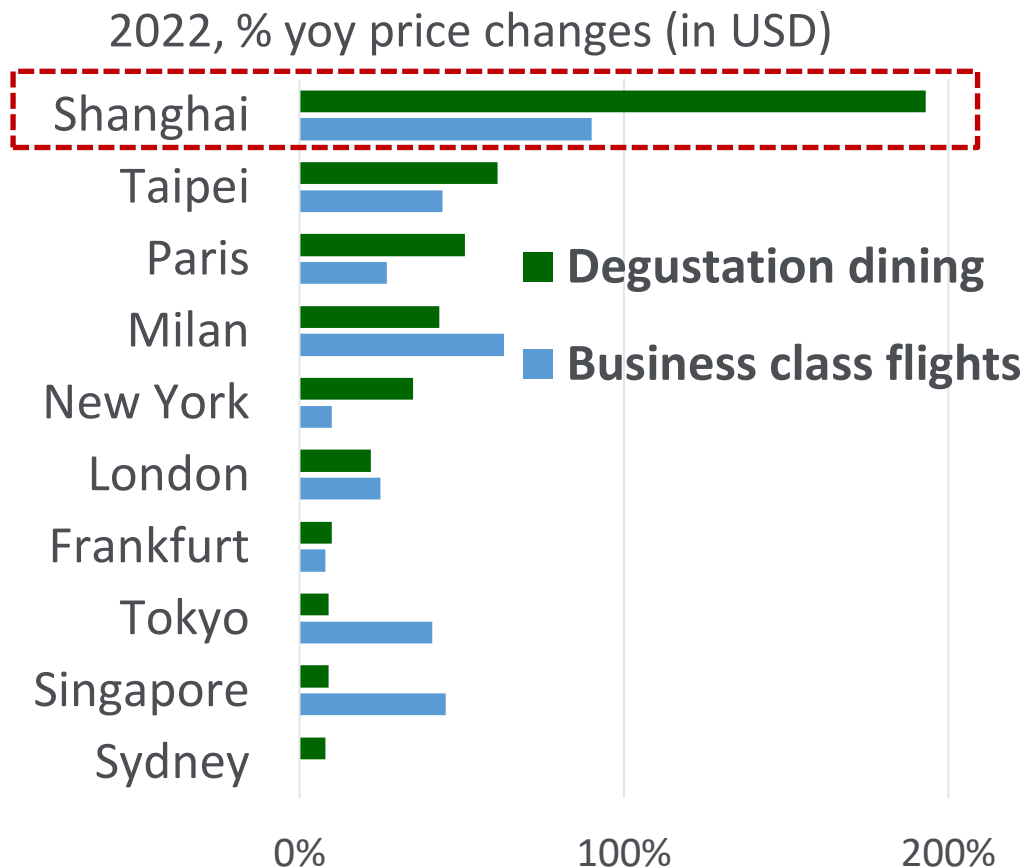


Source: BMI

China's luxury dining segment is expanding and increasingly earning world recognition

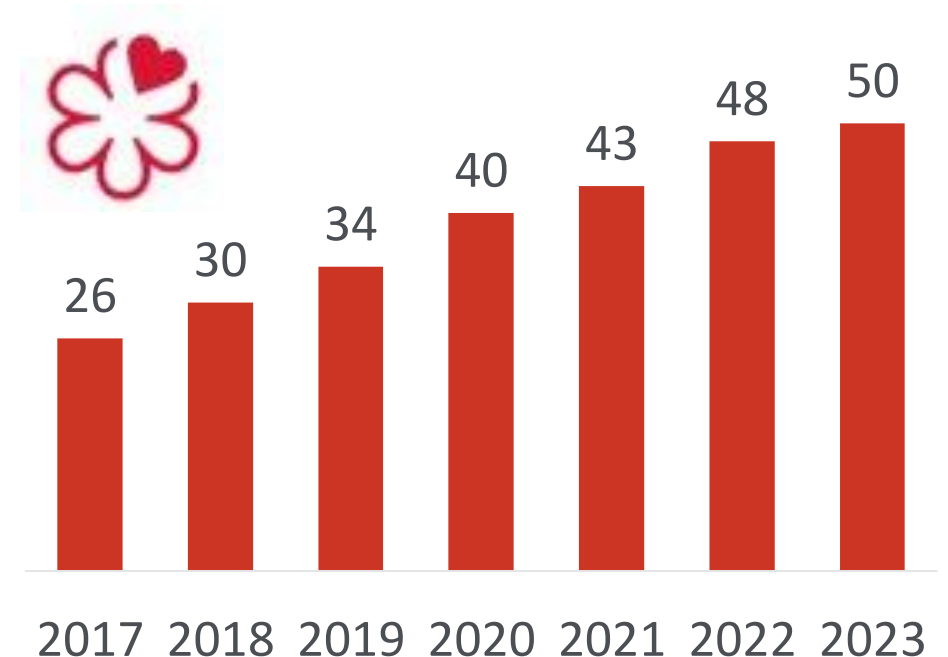


Reflecting strong demand, Shanghai has the fastest premiumising fine dining segment



Shanghai is in the Top 10 global cities for Michelin stars, alongside San Francisco and Singapore

Shanghai, total Michelin stars awarded



Source: Julius Baer Global Wealth and Lifestyle Report 2022

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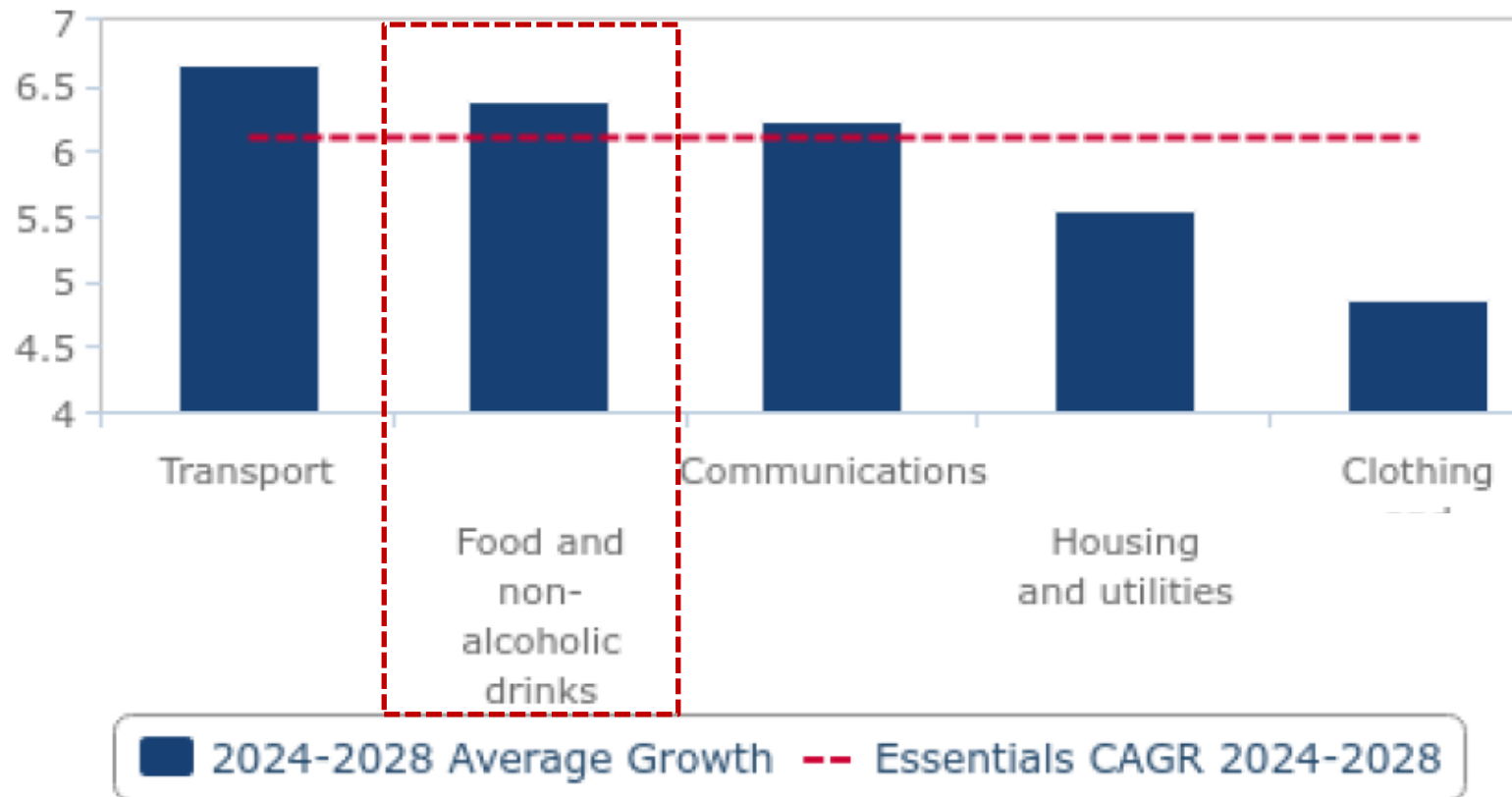
Source: Michelin Guide



Consumer spending will be generally cautious but quality-of-life essentials such as food are expected to see price point trading-up for premium and healthier items, which will impact the red meat category



China, essentials spending, CNY % year-on-year (2024f-2028f)

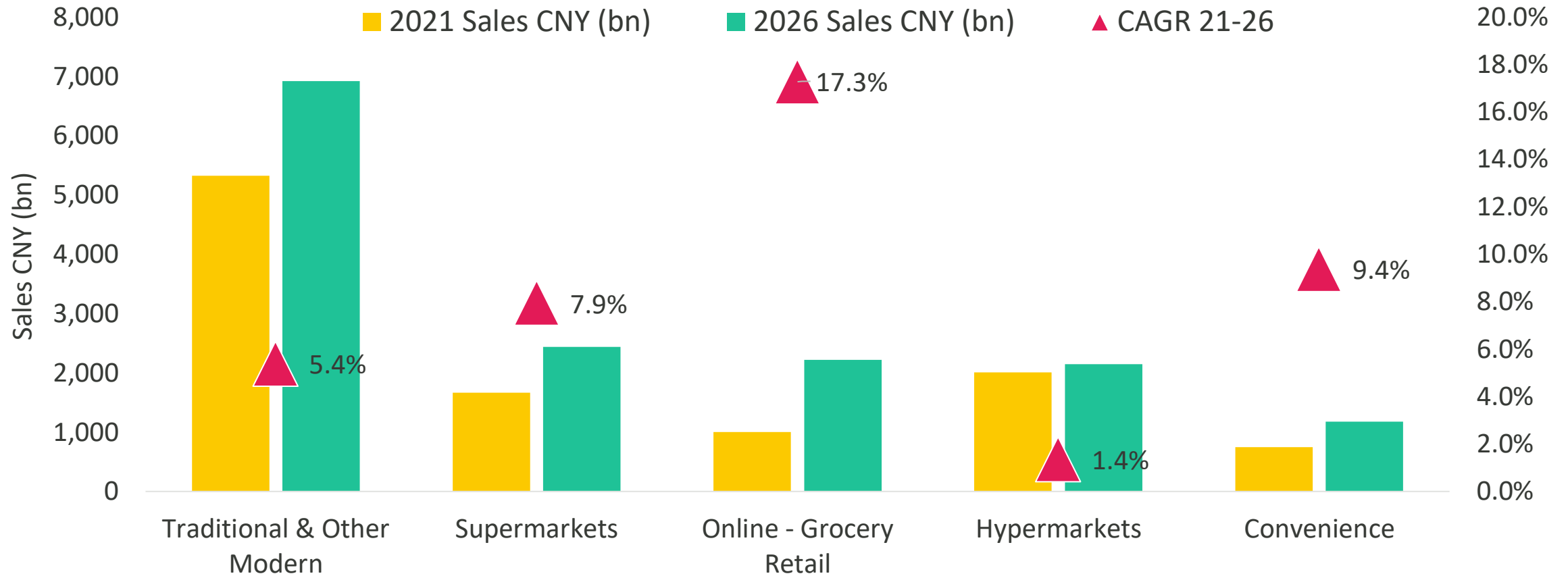


Source: BMI, National Statistics. Forecast is BMI.

Modern retail via online, convenience stores and supermarkets is expected to see the strongest grocery sales growth in coming years



China's modern trade channel growth outlook to 2026



Source: IGD Research. CAGR = compound annual growth rate.

Traditional & Other Modern Retail = wet market stalls and independent operators such as street vendors, kiosks, food markets, mini-markets, small-scale food stores.

MLA has identified the drivers of growth for different Australian red meat products in the China market for the next several years

Peace of Mind 安心享用	Live Better 天然健康	Simply The Best 卓越品质	Ultimate Experience 至臻享受	Make Life Easier 速食雅味
				
Safe (non-harmful)	Healthy, balanced diet & lifestyle	Superior eating quality experience	Luxury dining experiences	Convenience innovations
Transparent and traceable	High quality of life	Making every occasion special	Personal, meaningful indulgence	Fast, easy, healthy & quality solutions
Sustainable	Happiness and wellness support			Enjoyable variety

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Further info:

Email: vharris@mla.com.au

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