MONTHLY REPORT

TRADE SERVICING

– WUSATA

April 2023

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Market: China & HK **Submitted by**: China In-market Representative **Month & Year:** April 2023

Executive Summary

On April 28, the General Administration of Customs of the People's Republic of China (GACC) stated that they would “like to raise an alarm over fake online portals” related to the E-government platform for the China Import Food Enterprise Registration (CIFER) single window that is being used in conjunction with the PRC's Decree 248 registration requirements. Facilities producing a self-registered product subject to Decree 248 requirements can only be registered through GACC’s CIFER single window official portal and there is no charge for registration.

With the market reopening again for more business opportunities between U.S. suppliers and Chinese buyers, more companies are going to go through the registration process in order to do business in China. However, the process can be complex and challenging to navigate. Prospective exporters to China should be mindful of such spam operations to take advantage of them, and stay alert about any websites or services which charge a fee to register with the GACC. Both SMH and the USDA FAS offices in China are available to provide assistance with identifying potential spams and provide guidance in the registration process.

Market Intelligence Update

China’s economy shakes off Covid legacy to grow 4.5% in Q1
China’s economy got off to a solid start in 2023, as consumers went on a spending spree after three years of strict pandemic restrictions ended.

Gross domestic product grew by 4.5% in the first quarter from a year ago, according to the National Bureau of Statistics on Tuesday (April 18). That beat the estimate of 4% growth from a Reuters poll of economists.

But private investment barely budged and youth unemployment surged to the second highest level on record, indicating the country’s private sector employers are still wary about longer term prospects.

Consumption posted the strongest rebound. Retail sales jumped 10.6% in March from a year earlier, the highest level of growth since June 2021. In the January to March months, retail sales grew 5.8%, mainly lifted by a surge in revenue from the catering service industry.

“The combination of a steady uptick in consumer confidence as well as the still-incomplete release of pent-up demand suggest to us that the consumer-led recovery still has room to run,” said Louise Loo, China lead economist for Oxford Economics.

Industrial production also showed a steady increase. It was up 3.9% in March, compared with 2.4% in the January-to-February period. (China usually combines its economic data for January and February to account for the impact of the Lunar New Year holiday.)

Last year, GDP expanded by just 3%, badly missing the official growth target of “around 5.5%,” as Beijing’s approach to stamping out the coronavirus wreaked havoc on supply chains and hammered consumer spending.

After mass street protests gripped the country and local governments ran out of cash to pay huge Covid bills, authorities finally scrapped the zero-Covid policy in December. Following a brief period of disruption due to a Covid surge, the economy has started showing signs of recovery.

Last month, an official gauge of non-manufacturing activity jumped to its highest level in more than a decade, suggesting the country’s crucial services sector was benefiting from a resurgence in consumer spending after the end of pandemic restrictions.

As the economic recovery gains traction, investment banks and international organizations have upgraded China’s growth forecasts for this year. In its World Economic Outlook released last week, the International Monetary Fund said China is “rebounding strongly” following the reopening of its economy. The country’s GDP will grow 5.2% this year and 5.1% in 2024, it predicted.

Brazil resumes fresh beef exports to China, 124,400 tons in March
Brazilian exports of fresh beef reached 124,440 tons in March, a drop of 26.4% year-on-year, amid the self-imposed suspension of protein shipments to China that was only lifted at the end of last month, according to data from the federal government this month.

Government data shows revenue from exports of beef protein fell from almost one billion US dollars in March 2022 to US$ 598.79 million, accompanied by an 18.5% drop in the average price per ton.

Following a protocol signed by the two countries, Brazil automatically suspended beef exports to the Chinese market as of February 23 due to the detection of an atypical case of Bovine Spongiform Encephalopathy (BSE), known as “mad cow disease.”

The Chinese government allowed purchases to resume almost 30 days after the self-embargo began. This decision was made during a visit to China by the Brazilian Minister of Agriculture, Carlos Fávaro.

Preliminary government data confirmed that exporters kept shipping cargo at the beginning of March, but it wasn't enough to offset the total impact measured at the end of the month.

Also according to the government's foreign trade data, soybean exports totaled 13.27 million tons last month, outperforming the volume of 12.2 million sent abroad in March 2022, given a record harvest in the 2022/23 season.

The amount of corn sold internationally increased to 1.33 million tons from 14.28 thousand tons a year earlier due to solid external demand for the oilseed and increased supply.

Likewise revenue from exports of fresh, frozen pork meat in the 23 working days of March outstripped the figures seen in the same month last year by more than 30%, as well as from a month ago.

Pork exports brought in US$ 231,765,681 in revenue as of the end of March, which was 33% more than what was made in March 2022 (US$ 174,257,651). Also, 95,304.095 tons were shipped, which is 17.24% more in volume than the 81,288.375 tons registered in March of last year.

There was an increase of 34.6% in revenue from February to March, from US$ 172,135,000 to US$ 231,765,681. The 95,304,095 tons exported in March represented a 36.5% increase in volume compared to the 69,800,000 tons shipped in February.

The average volume exported per day was 4,143.656 tons, up 12.1% from March 2022 and 2.4% down from the previous week. The price per ton paid, US$ 2,431,854, is 13.4% dearer than in March last year.

Will China continue the downtrend in dairy demand?
China plays a vital role in setting price direction on global dairy markets. During recent times, they have been buying less amid high imports in 2021 and comfortable domestic milk supplies.

Farmgate milk prices have been declining in recent months in response to weaker global market prices. While milk production has improved, the reduction in demand has been more instrumental in driving down market prices. So what is the outlook for China's import demand this year?

Historically there has been a strong relationship between China's economic growth (as measured by GDP per capita) and its level of dairy imports. So much so, that comparing the two trends can give an indication of expected imports and potential risks around stock building.

Following heightened import volumes in 2021 to ensure food security, imports fell by around 19% in 2022. The drop was in part a response to the high stock levels, but will also have been impacted by China's zero-Covid policy, low GDP growth, and lower consumer spending on the back of high prices.

All products saw lower imports in 2022, although for most, import volumes were similar or slightly above 2020 levels. Butter was an exception showing marginal increase compared to previous year. The products recording the largest year on year decline in 2022 were liquid milk & cream and whey products.

Based on predicted economic growth of 4.5% for 2023 and 2024, import volumes would be expected to increase by around 6.7% per year. While imports in the first two months remain below previous year levels, it is expected that demand will recover through the year, pulling up import demand.

There are of course, other factors which could impact on import volumes going forward. As stocks dissipate through the year, imports are likely to improve. In addition, as consumers return to pre-Covid habits, per capita consumption may return to growth helping to bolster import requirements. However, the upside could be curtailed if milk production shows good growth and consumer spending is weak.

Thank You!

Submitted by SMH, China/Hong Kong In-market Representative

SMH International