



MONTHLY REPORT

TRADE SERVICING

– WUSATA

May 2023



Monthly Trade Servicing Report

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

Executive Summary

In May, SMH attended two major food and drink trade shows in Hong Kong and mainland China, namely HOFEX and SIAL China. Based on observation from both shows, it offered a glimpse of how each market is recovering from the impact of COVID. At HOFEX, overall visitor number seemed less than pre-COVID years, while the number of visitors at SIAL China seemed to be on the higher side. However, when speaking with traders at both shows, the desire to resume business with overseas suppliers seemed to be higher in Hong Kong, with many importers indicating they wanted to quickly engage with suppliers to make orders. On the other hand, traders in China were less ready to engage, with many still having reservations when it comes to importing, and may not be ready to purchase immediately. It is believed that the Decree 248 policy which requires overseas suppliers to have the manufacturing facilities registered with the China Customs has played a major part in the purchasing decision of the buyers, as they are seeking suppliers or products which are allowed to enter the market, and thus new players which may not have been aware of the process, or those that are still undergoing the registration process, have been placed further back in the priority list. As a result, it is suggested that U.S. suppliers looking to do business with Chinese buyers in the near future should ensure they are export-ready before engaging.

Market Intelligence Update

May Day holidays set to be 'most prosperous'

China's consumption has been firing on all cylinders during the just-ended May Day holidays, ranging from tourism, box office, transportation, entertainment to catering sectors. This year's five-day holidays are believed to have beaten the 2019 pre-epidemic level in terms of both trips made and revenue generated to become what industry insiders celebrated as the "most prosperous," giving a huge boost to GDP.

From the barbecue craze in Zibo, an industrial city in East China's Shandong Province, the camel-riding "traffic jam" in a desert spot in Dunhuang, Northwest China's Gansu Province to the lengthy queues at the doorstep of naughty, fluffy giant panda Meng Lan at Beijing Zoo, tourist destinations across the country were flooded with millions of Chinese visitors, who set their sights on the May Day holidays - the first long break after the seven-day Spring Festival holidays - to release pent-up travel desire.

The tourist boom offers an unmistakably sign that the world's second-largest economy has been steadily moving out of the epidemic haze after three tedious years, analysts said. More importantly, it shed light on the strength and sustainability of China's consumption rebounding momentum, which analysts predict could wow global investors with double-digit growth in the second quarter of the year and serve as a major pillar underpinning a whole-year economic recovery of above 5 percent.

A total of 274 million trips were made during the May Day holidays this year, up 70.83 percent year-on-year, equivalent to 119.09 percent of 2019's on a like-for-like basis, according to data released by the Ministry of Culture and Tourism late on Wednesday. Domestic tourism income soared 128.9 percent year-on-year to 148.1 billion yuan (\$21.43 billion), slightly higher than in 2019 on a comparable basis at 100.66% of 2019.

According to data released by the Ministry of Commerce, sales of major retail and catering enterprises jumped 18.9 percent from a year earlier during the holiday. And key food chains saw revenues uptick by 57.9 percent year-on-year.

Data from food delivery platform Meituan showed that in the first three days of the May Day holidays, the online daily consumption volume mushroomed 133 percent compared with 2019.

The May Day holidays serve as a yardstick for consumption. The flurry of data reflects that this year's holiday is set to be "most prosperous," ever since the data start was recorded in 2017.

"Banking on positive momentum during the holidays, retail sales growth is expected to post a double-digit rate in the second quarter, and contribute to near 80 percent of GDP [for the quarter]," Tian Yun, former vice director of the Beijing Economic Operation Association, told the Global Times on Wednesday.

He expects the positive numbers will buttress China's first-half GDP to expand at 5.5 percent. And in the second half, the revved-up economic engine would steer the Chinese economy over multiple headwinds including waning external demand and the spillover effect of a potential US finance crisis, likely propelling GDP growth to land at over 5 percent for the whole year, Tian noted.

Plant-based meat gains popularity among Gen Z in China

The awareness of Gen Z about plant-based meat, which represents a more sustainable model of nutrition and living, is expanding in China, with health, animal welfare, and environmental preservation being the driving forces, a report released on Thursday said.

The survey found that 19.3 percent of Gen Z respondents in China were flexitarians in terms of diet.

ProVeg International, an international food awareness organization, based the research on a recent poll of 1,024 people aged 19 to 28 with college or higher education in Beijing, Shanghai and Guangzhou.

In total, 65.3 percent of interviewees were aware of plant-based meat, and 43.2 percent had tried it in the past 12 months.

More than 30 percent said they would definitely or probably buy plant-based meat, with women and those with a high education level being more likely to do so.

Their primary concerns were flavor, safety, and nutritional value.

However, only 17.6 percent of Gen Z in China were aware of cultivated meat, and the buying intent was also low.

According to the report, more than 12 percent of respondents cited animal-friendly as the primary reason for their purchase of plant-based and cultured meat, with the rapid expansion of the post-1995 pet-raising generation presumably playing a role.

The China Animal Agriculture Association claimed that the post-1995 generation accounted for 36.8 percent of pet owners in China last year.

"The meat industry in China will be transformed by health-conscious Gen Z, who are also increasingly animal-loving and environmentally conscious," said Shirley Lu, managing director of ProVeg Asia.

According to Cristina Tirado, president and director of Climate Initiatives of the SHE Foundation and Lead Author of the IPCC AR6 WGII Health Chapter, the food system has an impact on climate change and is responsible for at least 30 percent of greenhouse gas emissions.

"This opens up enormous opportunities for food adaptation and mitigation by promoting both the demand and supply sides."

China's food industry sees steady growth in 2022

China's food industry registered steady growth in 2022 and is expected to maintain growth momentum this year, according to an industrial association.

Major food companies with an annual turnover of at least 20 million yuan (about

2.8 million U.S. dollars) reported revenues of 9.8 trillion yuan last year, marking a yearly increase of 5.6 percent, said Zhang Chonghe, head of the China National Light Industry Council.

Their profit went up 9.6 percent year on year to 681.5 billion yuan, Zhang said during a just-concluded conference on China's food industry.

"The food sector has shown strong momentum and resilience," said Yu Xuejun, director of the National Food Management Center of China Light Industry.

Benefiting from the continuous expansion of China's domestic market, the food industry is expected to maintain robust growth this year, and revenues of major companies are projected to rise by about 7 percent, said Yu.

Despite the optimism, Zhang said the sector faces multiple challenges including grim international food security and shrinking profit margins, and called for greater efforts to develop industrial clusters to fuel future development.

Thank You!

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



