



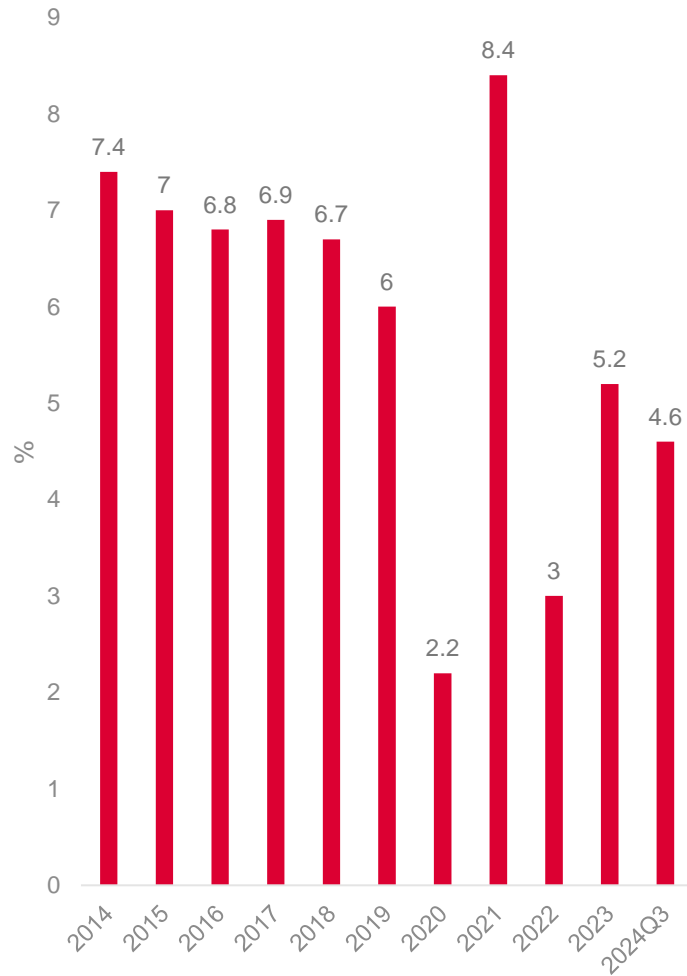
Absa AgriBusiness – Market Insights

October 2024

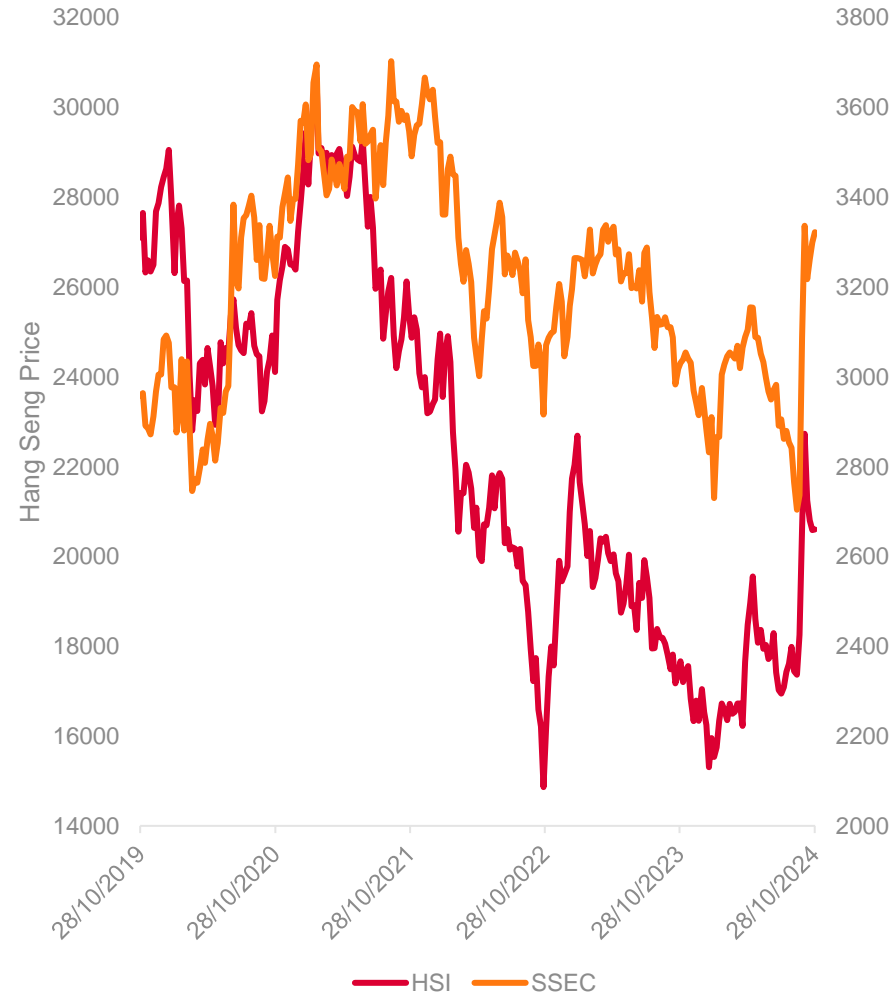
The Chinese Economy has been under pressure for the past five years

In 2019, structural issues in the property sectors started to emerge and were amplified by the COVID pandemic and associated lockdowns

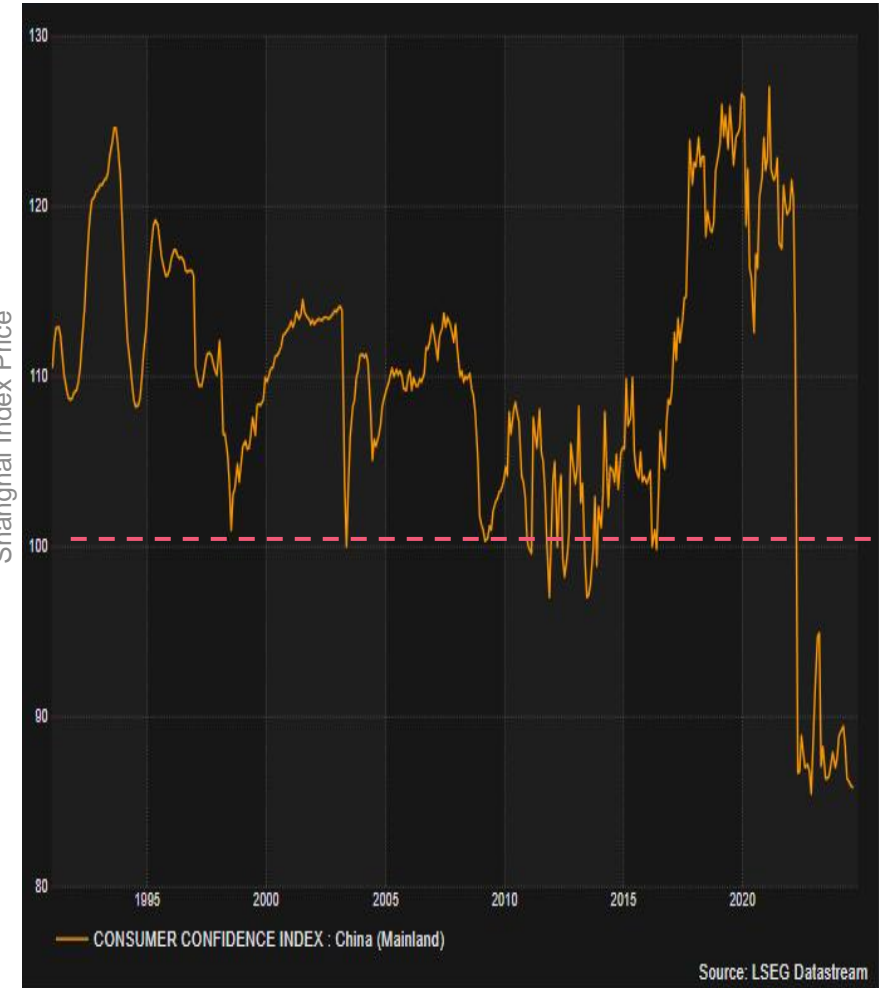
Economic Growth



Equities



Consumer confidence



Source: Refinitiv, 2024

Source: LSEG Datastream

Why is the Chinese property sector important?

It is strongly entrenched in household wealth and local government finances



Property sector comprised close to a third of GDP over the past decade



Estimations suggests that property covered close to 80% of urban household wealth ~ 96% of urban Chinese households own property



It is estimated that land sales and associated taxes accounted for 37% of local government revenue



October policy interventions to support growth

Although markets received the September interventions very positively, it should be seen as a recovery package and not a stimulus package

What was done?

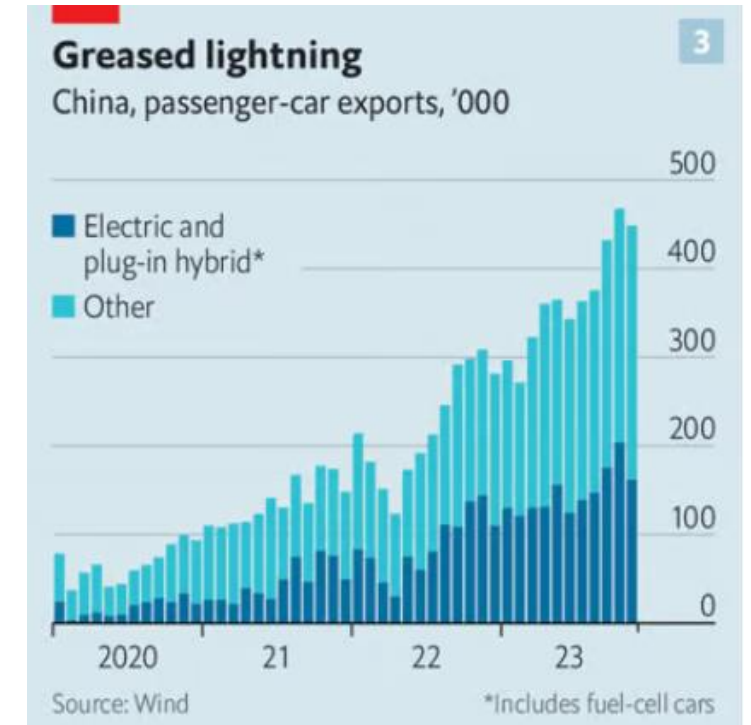
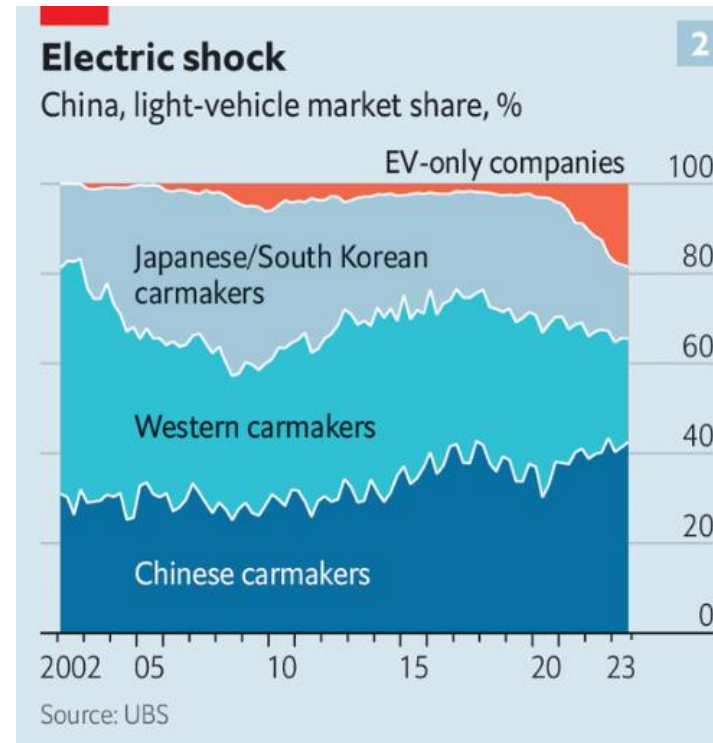
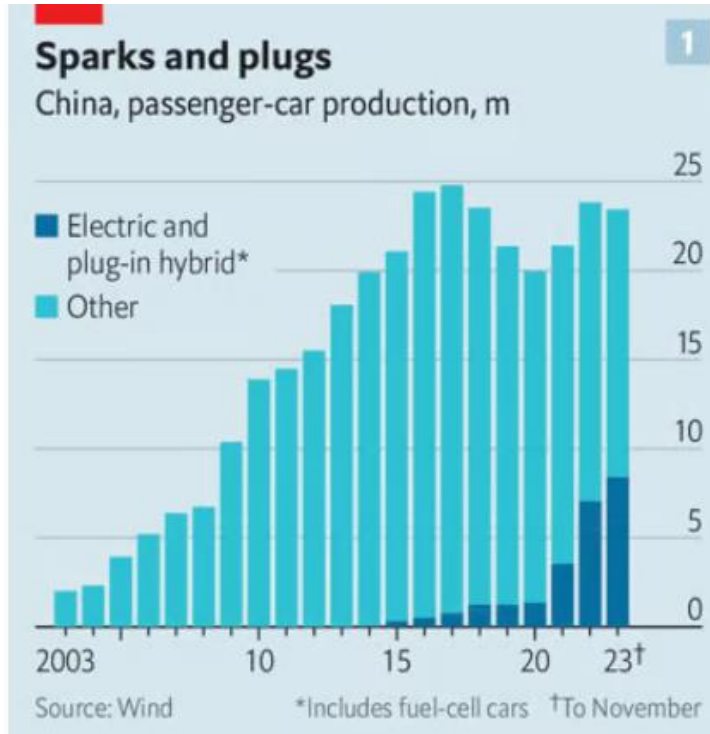
- Interest rate cut of 20 basis points
- Lowering bank's reserve requirements
- Cutting of existing mortgage interest rates by 50 basis points – Goldman Sachs estimate that this will put an additional USD 21 billion back into the pockets of around 50 million Chinese consumers
- Refinancing bank loans to help firms buy back their own shares
- Facilitate institutional investors with fund raising by allowing them to borrow liquid assets using their own stock holdings as collateral.

Is it enough?

- To alleviate the slump in aggregate demand there needs to be increased government, investment and consumption spending.
- **Government spending:** Fiscal support would also be needed – Social welfare programs to increase consumption spending and decrease propensity to save
- There is however a reluctance from the Communist party to finance welfare packages from debt - Permanence
- **Investment spending: Offerings with real returns** – Alternative for wealth growth with an ailing property sector
- **Consumption spending** – Induced by increase in disposable income

Government spending on manufacturing – Can tech and advancements in batteries serve as a catalyst for growth?

In 2023, China became the largest exporter of cars, in part due to the surging sales of EV's

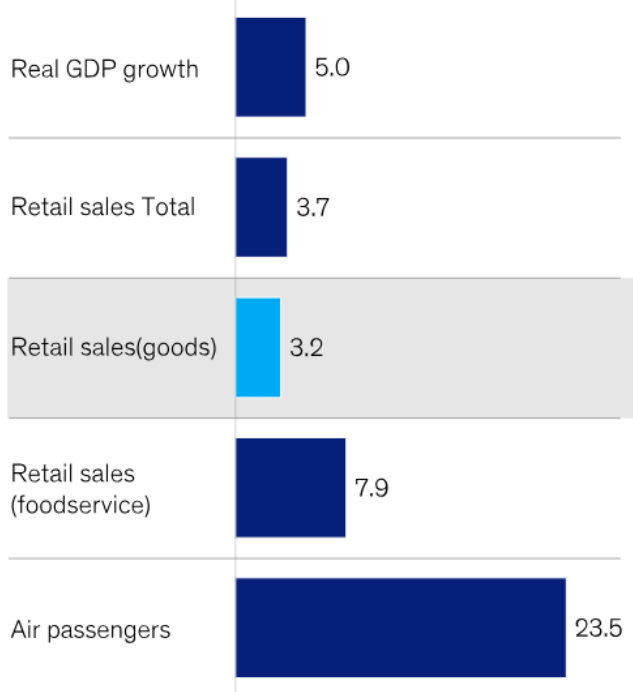


Source: The economist, 2024

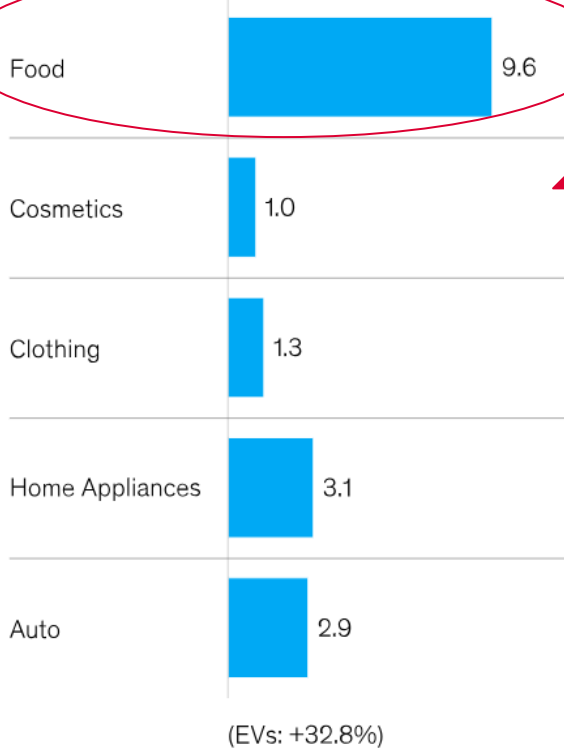
Relating Overall Macro Economic performance to retail sales

Although timid is a theme in China's economy, the picture for sub-industries is nuanced

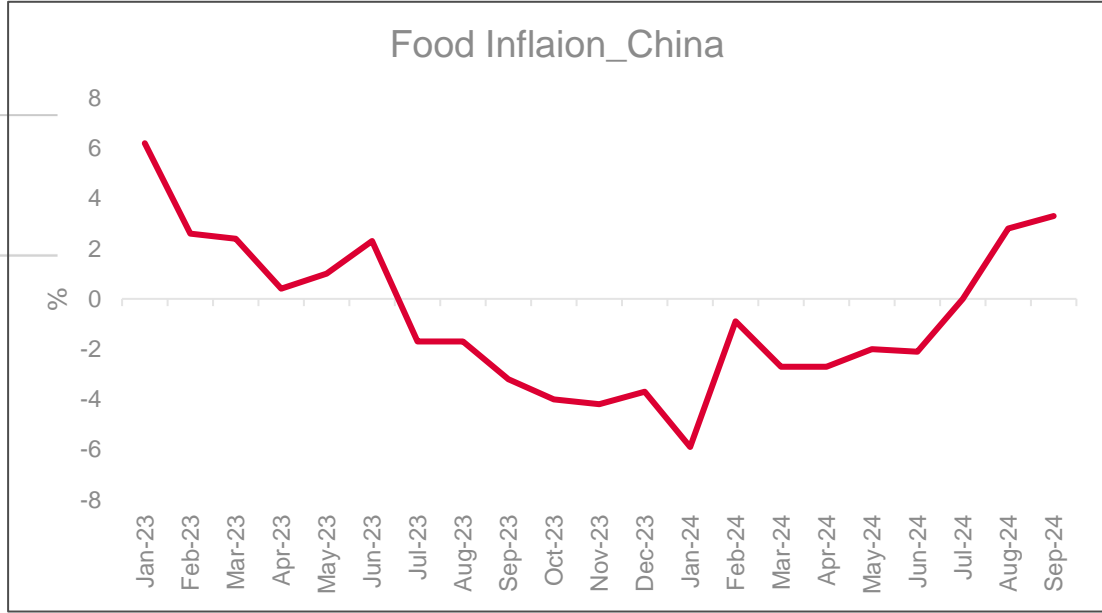
China macroeconomic indicators
2024 H1 growth vs. 2023 H1



Retail sales growth by key consumer product categories
2024 H1 growth vs. 2023 H1, %¹



Against a backdrop of an average monthly disinflation rate of 2.7% for food



Source: National Statistics Buro, China (2024)

¹Volume for autos (CATARC), value for other categories.
Source: NBS; CATARC; CAAC

Some views on specific food categories...

MARKETS

China's red meat market 18 months from recovery



Neal Wallace
October 1, 2024



Market is not so much shrinking as stable, say experts on the ground in the world's largest sheepmeat market.



THE BUSINESS TIMES

China's beef demand poised for smallest growth in a decade, USDA says

Economic headwinds will also curb China's intake of pork, the country's favourite meat

BT

Published Wed, Aug 21, 2024 · 11:43 PM

NEWS

Pernod Ricard sales lower than expected

25 APRIL 2024

By Ron Emler

Pernod Ricard's third quarter sales figures were lower than expected as its largest and third biggest markets in U.S. and China remained affected by global economic conditions with consumers resisting price rises and trading down the quality scale.



PRODUCE REPORT



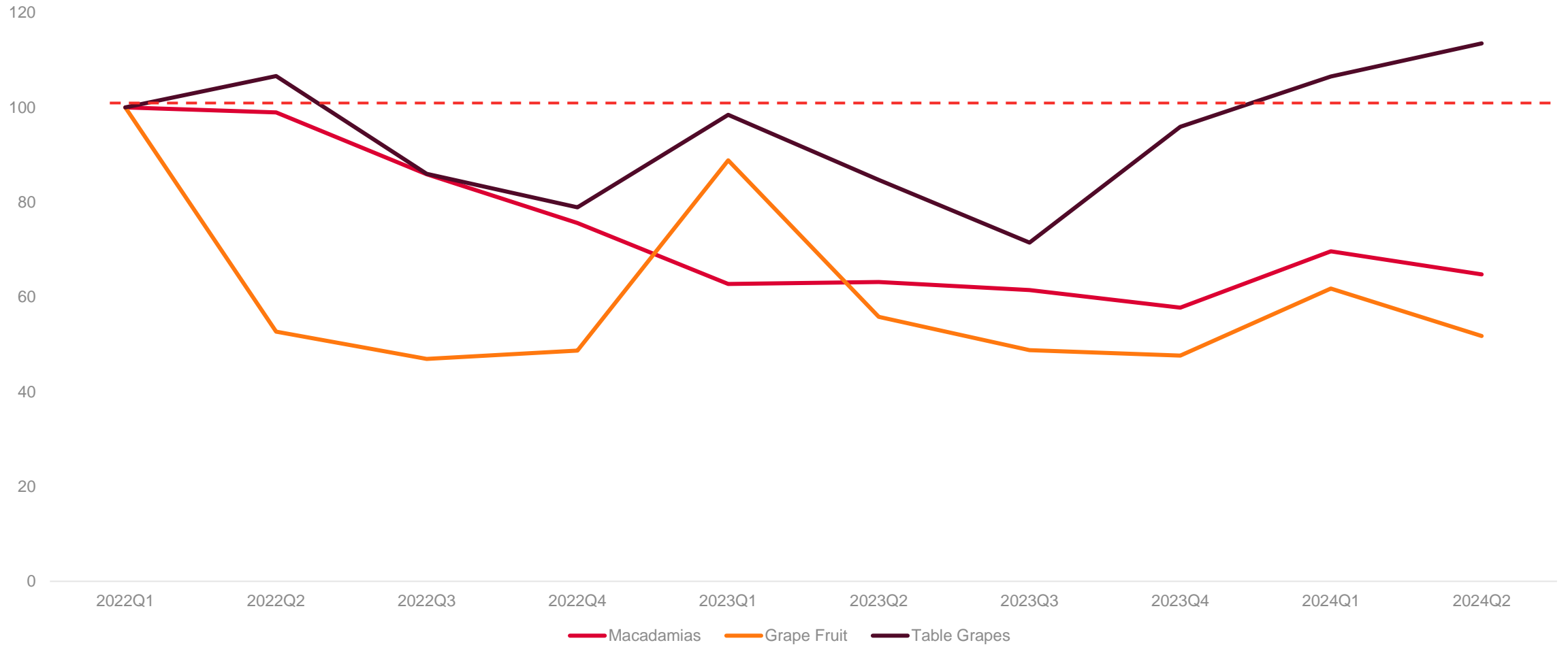
PRODUCE ✓

REGIONS

CHINESE CONSUMERS FOCUS ON COST-EFFECTIVENESS

Chinese cherry consumption is forecast to increase as supplies improve. Additionally, enhanced marketing efforts for imported cherries beyond first-tier cities are boosting the consumption of counterseasonal cherries from Southern Hemisphere countries. However, the economic downturn has affected cherry consumption in China, especially in the gift-giving market. Consumers tend to seek out medium-sized cherries that offer better value for money, with larger two-kilogram packages proving particularly popular. Despite these trends, premium cherries, including imported varieties, continue to attract wealthier consumers owing to their larger size, firm texture, deep color and high Brix values.

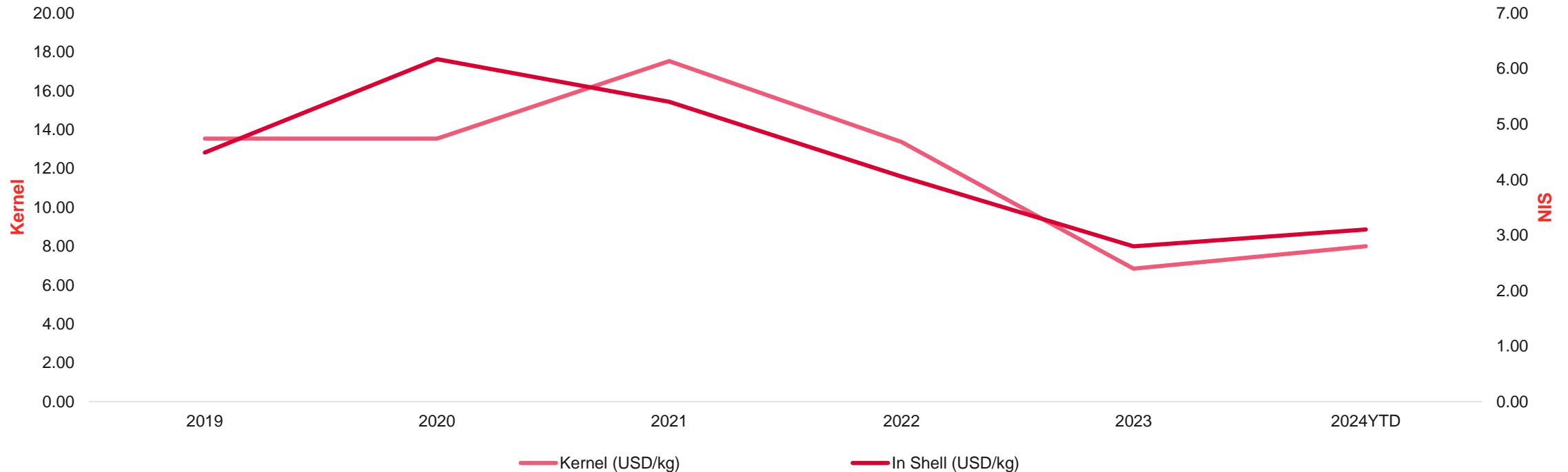
Price trends of high value export products from SA are closely linked to consumer sentiment



Source: SARS Customs Data, 2024

Learnings from the road to recovery – The case of Macadamias

- In 2024 recovery, NIS has been favoured in contracts, but Kernel has shown the largest price recovery.
- Large contracts agreed to at the start of the season have resulted in prices not being responsive to robust demand or a smaller than anticipated crop.
- The industry needs to adapt with changes in its marketing mix but holds great possibilities for market risk diversification.



Source: Trademap, 2024

An outlook and concluding thoughts

- The property market is at an inflection point, likely to show some recovery in 2025 but performance is likely to remain subdued.
- Consumer sentiment closely aligned to the performance of real estate markets and fiscal intervention is needed to take intervention stimulate the economy
- Fiscal constraints such as high debt levels and lagging economic growth are unlikely to allow for this
- Growth in retail sales of food is still performing well but consumers have a strong focus on value
- Diversified markets and value chains are critical to cater for this.
- For an overview of trends affecting agriculture and its various subsectors go to www.absagritrends.co.za

Absa Relationship Banking

AgriTrends 2024

Spring Edition

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Your story matters



) Thank you (