NEW ZEALAND BUSINESS ROUNDTABLE IN CHINA

QUARTERLY INDUSTRY REPORT

CHINA, QUARTER 4 2024

A quarterly report featuring valuable insights into China-specific industries from NZBRiC member companies operating in the region

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MESSAGE FROM OUR CHAIR

Dear Readers,

It is my pleasure to introduce the NZBRiC Quarterly Industry Report, a platform that aims to foster collaboration and share valuable insights among New Zealand companies operating in China.

Our goal is to advance the key trade sectors of both New Zealand and China by leveraging the expertise and knowledge of our NZBRiC Industry member companies.

Through this report, we provide a content-driven platform for our member companies to share their China-specific industry insights and experiences through stories, opinion pieces, official industry reports, and other means.

We are excited to present our fourth issue of the NZBRiC Quarterly Industry Report and hope that you find it both stimulating and useful.

We encourage you to share your comments, feedback, and suggestions for our future editions. If you would like to collaborate with us, please do not hesitate to get in touch.

Thank you for your support, and we look forward to hearing from you.

Best regards,

MARK ANDERTON
Chair
NZBRiC

The views expressed in the articles are those of the authors and do not necessarily reflect the views of NZBRiC.

ANZ 澳新银行

ANZ Asia Economic Outlook Q4 2024

ZHAOPENG XING
Senior China Strategist
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CHINA CEWC: WISH LIST FOR 2025

- **China will hold the annual Central Economic Work Conference (CEWC) next week after the politburo meeting. Recent candid speeches by some economists and the increasing tolerance on less than 5% growth by the People's Daily suggest the policy set will be a tough call to make.**

- **We expect China will prioritise employment over real growth in 2025. Therefore, an upgrade of urban employment target to 13 million and GDP target downgrade to 4.5–5.0% are distinct possibilities.**

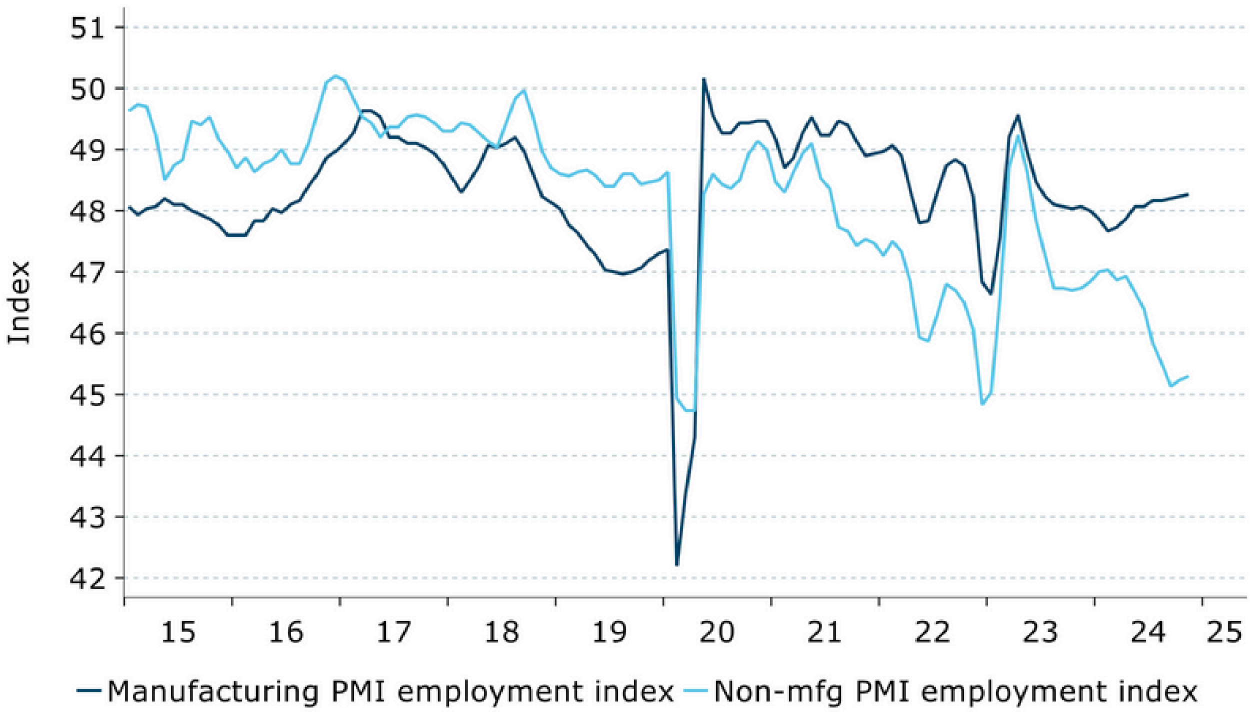
- **The policymakers would likely reserve policy room for the four-year period of the Trump administration. We will look out for domestic demand and property in the communique because it signals their importance in the year ahead.**

- **In the next few weeks, Asian data releases will be light. We expect the headline CPI to rise in Malaysia and Singapore, but soften in India. Bangko Sentral ng Pilipinas (BSP) will likely cut rate in December. Vietnam GDP, to be released on 6 January 2025, may slow to 5.6% in Q4 2024. China will revise the statistical standards for money supply from January 2025.**

Date	SGT	Event	ANZ's forecasts
09 Dec	09:30	Mainland China Nov CPI (y/y)	0.3% (Mkt: 0.5%)
10 Dec		Mainland China Nov Exports (y/y)	9.5% (Mkt: 8.5%)
12 Dec		Mainland China CEWC communique	
12 Dec	18:30	India Nov CPI (y/y)	5.70% (Mkt: 5.57%)
19 Dec	15:00	BSP policy rate	5.75%
23 Dec	13:00	Singapore Nov CPI (y/y)	1.9%
06 Jan	10.05	Vietnam Q4 GDP y/y%	5.6%

CHART OF THE WEEK

China: non-manufacturing employment deteriorates to lockdown level.



Source: Bloomberg, Macrobond, ANZ Research

THE 2025 TARGETS

China will hold the CEWC next week after the December politburo meeting, which will discuss the annual target and policy set for 2025. Recent candid speeches by some economists and the increasing tolerance on less than 5% growth by the People's Daily suggest the policy set will be hotly debated. The communique released after the meeting will conclude the policy tone next year, but the detailed numbers will not be unveiled until the National People's Congress in March 2025.

Usually, the most important data for China's economy is the full-year GDP target. To decide the 2025 target, the policymakers will take into consideration both the long-term growth goal and the short-term momentum. We have reason to believe the GDP target will be downgraded to 4.5–5.0% from around 5.0% in 2024.

- **The long-term growth goal will set the bottom. China will have to keep GDP growth average at 4.7% to double its GDP per capita by 2035. Therefore, 2025 GDP target cannot be too low.**

- **The short-term momentum suggests 2024 GDP growth will likely be 4.9% (ANZ forecast), following a series of incremental policy stimulus. Given Trump's tariff threat, a 5% target will be costly in 2025.**

However, employment may carry a high weight in 2025. The employment target will likely be upgraded to 13 million from 12 million of 2024. On 31 October, the Qiushi magazine published President Xi's speech on high-quality employment, calling to prioritise employment for economic development. The labour market headwinds in 2025 will include the following:

- **Around 12.2 million graduates will be placed on market, a new high in the history according to the estimate by the Ministry of Education (Figure 1).**

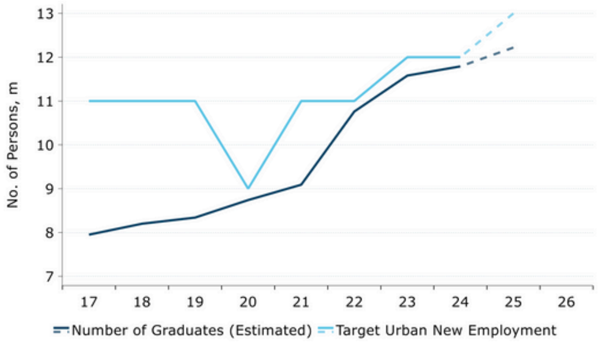
- **Millions of migrant workers will be affected by the possible US tariffs; there is a consensus is that the previous trade war during Trump 1.0 cost China almost 2 million industrial jobs.**

The labor market has continued to deteriorate in the past two years. Over 60% jobs were created by the services and construction sector according to 2020 Census data. However, the PMI non-manufacturing employment index dived to 45.1 in October 2024, similar to the level during the pandemic (Figure 2).

Authorities will likely prioritize employment over headline growth rates in the policy agenda for 2025. This is related to social stability. In Ocotober, the official urban unemployment rate for those aged 16 to 24 years remained at 17.1%. The actual jobless data may be higher as many young people have returned to schools or rural areas. China may need to enhance the labour-intensive service sector.

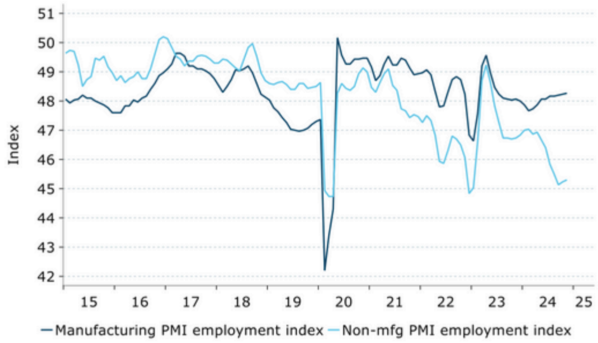
Inflation target is also a matter of concern. Core CPI has been close to zero in recent months, signalling the deflationary risk. This is mainly due to labour demand-supply imbalance. The 3% CPI target in the past was impractical. We expect a 2% CPI target for 2025 but it is still questionable given the slow policy responses.

Figure 1. Number of graduates



Source: MOE, NDRC, Bloomberg, Macrobond, ANZ Research

Figure 2. PMI employment



Source: Bloomberg, Macrobond, ANZ Research

POLICY HIGHLIGHTS

We expect domestic demand to be the top task in the communique. This will be different from the 2024 CEWC, in which domestic demand appeared after industrial upgrades. The different rank signals its importance in major tasks. In order to offset the tariff threat, China will have to rely on domestic demand in 2025.

We are waiting to see where property policy is placed in the communique. In the past several years, the authorities put property in the paragraph on derisking, which indicated property would be a drag on growth. If property is moved to domestic demand, we anticipate increased support to the sector in 2025. Media reported that the authorities may allow special local government bonds to buy existing homes, which will set a floor for the property price.

Structural policies like newborn subsidies or social security fee cut will be helpful to add household income while fixing the structural problems. China will likely see another year of declining population in 2024, despite the boost of dragon babies. The government has vowed to substantially decrease the fertility cost by 2025.

Fiscal policy will likely focus on efficiency in the communique, implying a measured policy tone in 2025. We expect around CNY2trn additional budget to help the economy, including:

- **CNY1.2trn from general budget, if the official deficit is raised to 3.8%**
- **CNY500bn from special treasury bonds; the quota may increase to CNY2trn from CNY1trn in 2024, but CNY500bn will be used to add state bank capital**
- **CNY300bn from special local bonds; the quota may increase to 6.2trn, taking into account the debt swap program**

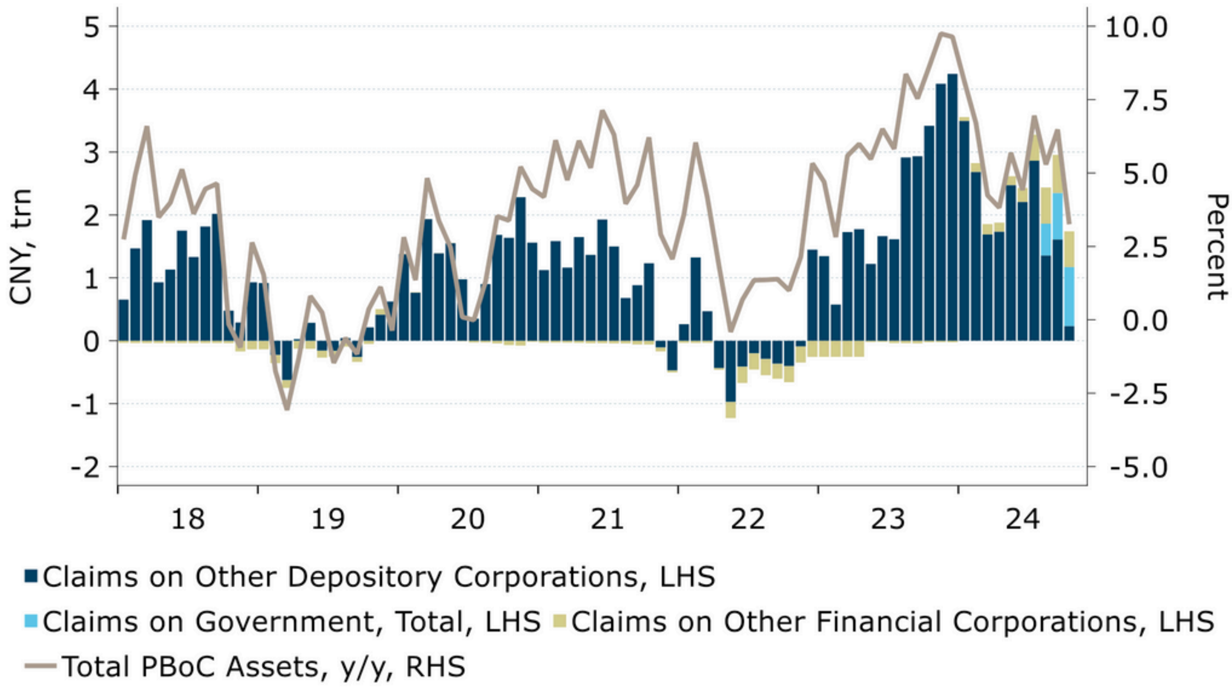
Quasi-fiscal activities will play a big role in 2025. In November, the State Council approved two central state-owned enterprises to issue CNY500bn special bonds. The debt-to-asset ratio of central enterprises still has room to grow. In addition, the authorities just announced 1 million units of shanty town renewal, which will likely require CNY2trn Pledged Supplementary Lending support from the People's Bank of China (PBoC).

Monetary policy will insist on the supportive stance in our view. With the implementation of the new monetary policy framework, the PBoC has adopted the following new tools, which changed its balance sheet qualitatively (Figure 3):

- **Cash bond trading: Since August, PBoC has bought CNY700bn treasury bonds on net basis. A reasonable pace is CNY200bn per month.**
- **Securities, Funds and Insurance Companies Swap Facility (SFISF): Qualified non-banking institutions can swap their holdings of bonds, ETFs or CSI300 constituent stocks for high-liquidity assets, including treasury bonds and central bank bills from the PBoC. In October, non-banking institutions applied CNY50bn swap in the first operation.**
- **Lending facility for share buybacks and shareholding increases: This tool encourages 21 national banks to lend to listed companies and shareholders for equity purchases.**
- **Outright reverse repo: The PBoC buys rate or credit bonds under an outright reverse repo agreement from primary dealers. It has injected CNY500bn and CNY800bn via outright reverse repo in October and November, respectively.**

We expect the PBoC to buy over CNY2trn treasury bonds on a net basis in 2025. In addition, the bank will likely cut 7-day reverse repo rate by 30bp and required reserves ratio by 100bp. The interest rate gap between China and the US will be carefully managed, as Chinese authorities will prevent excessive weakness in view of the selling pressure of the yuan.

Figure 3. The PBoC changed balance sheet qualitatively



Source: PBoC, NBS, Bloomberg, Macrobond, ANZ Research

REACTIONS TO TRUMP 2.0

The CEWC communique will likely stress on the external challenges. The threat of tariffs from Trump poses a risk to China's economic outlook. However, we are adopting a wait-and-see approach and do not consider his social media posts as reasons to downgrade China's economic prospects. What we do know is that the authorities are preparing measures to address various scenarios under Trump 2.0.

Although Trump spoke of increasing the tariff rate for China to 60%, this is not our base case scenario for 2025. The most likely scenario involves the new US administration reinstating the original plan from the Trump 1.0 era. Our baseline scenario anticipates that Trump will maximise the tariff revenues, so a progressive hike will be most likely. The implementation of additional tariffs after his inauguration will include:

- **Restoring a 30% tariff on Lists 1-3 (USD250bn) and a 15% tariff on Lists 4A/B (USD300bn), which was previously delayed due to the COVID-19 outbreak. This would increase the average tariff to 22% from the current 13%.**

- **Impose an additional 10–15% tariff across all lists. This would result in an average tariff of 32–37%, reflecting the magnitude suggested by Trump's social media post.**

We estimated that Trump's policies in his first term reduced China's GDP by about 0.5ppt. However, due to structural changes in China's economy (notably supply-chain diversion), the impact of new Trump policies on GDP growth will depend on specific trade announcements.

China typically retaliates in trade disputes with measures like import barriers, export controls and restricted market access. Likely targets include US agricultural and energy imports, such as natural gas, ores, cars, and cereal grains. For agricultural products, Brazil is a prominent alternative (for example, soybean and corn are exported to China). China began buying Australian beef in May, which can be a substitute for US beef.

The Chinese authorities can also limit shipments of critical supplies, such as rare-earth metals. Last year, China imposed restrictions on gallium and germanium. Furthermore, some US companies, especially in consumer products and tourism- related activities such as aircrafts will likely be targeted, although China will play this card carefully. Any tightening measure will be implemented after taking into consideration the impact on consumption and foreign direct investment.

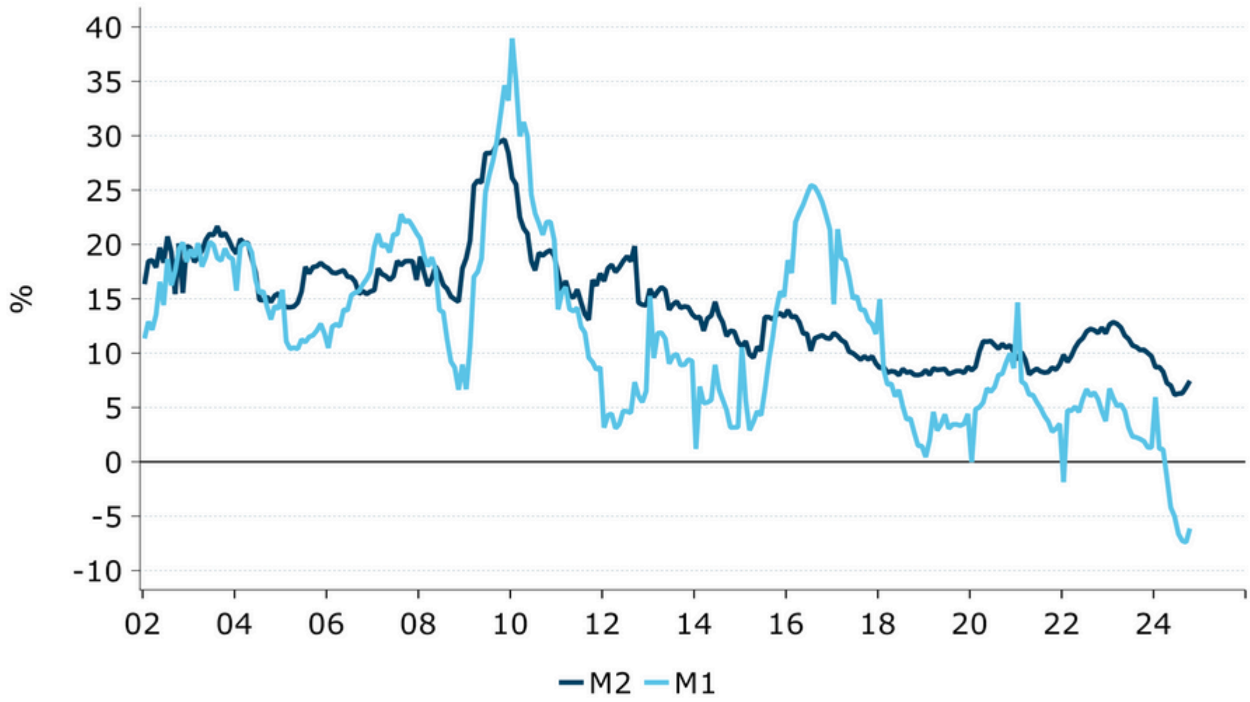
MAINLAND CHINA

November CPI and PPI (Monday 9 December at 09:30 SGT) are forecast at 0.3% y/y and -2.9%, showing no improvement in deflation. Lower prices in both food and fuel will be offset by the low base last year, resulting in a flat CPI forecast in November. We also expect a slight drop in the core inflation from 0.2% in October to 0.1% in November. The PPI print will remain sluggish with significant drop in both input and output prices within the PMI subindexes. Policy measure to address overcapacity concerns and youth employment might take years to be effective; therefore, there is no quick fix for China's deflation.

Trade data (Tuesday 10 December) is expected to stay robust in November. On a year-on-year basis, export in USD terms will likely reach 9.5% and import will rise to 0.4% in November. The strong exports forecast is supported by a seven-month-high new orders PMI subindex and a rebound in China Containerized Freight Index (CCFI). Trump's recent tariff announcement further destabilised the market, encouraging front-loading of exports. China's shipments are likely to lean towards the upside in the next few months.

In November, money supply (9-15 December) will show further stabilisation. M1 is likely to rebound to -5% in November from -6.1% in October, reflecting improved business activities and consumer spending. On 2 December, PBoC announced to broaden M1 money supply measure, effective from January 2025. The new methodology will include residential demand deposits and non-bank payment institutions provision to better reflect the amount of liquid assets in the economy.

Figure 4. China: M1 and M2 money supply



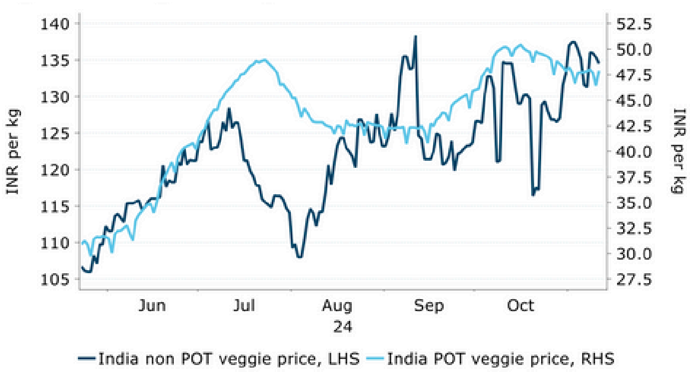
Source: Bloomberg, Macrobond, ANZ Research

INDIA

We expect headline CPI inflation for November at 5.70% y/y, lower than 6.2% y/y in October. Food inflation likely decelerated as vegetable prices fell month-on-month, as reflected in the daily food price data. As fresh crop arrival has picked up, food prices will likely fall further, bringing down inflation. Core inflation likely remained steady around 3.7%.

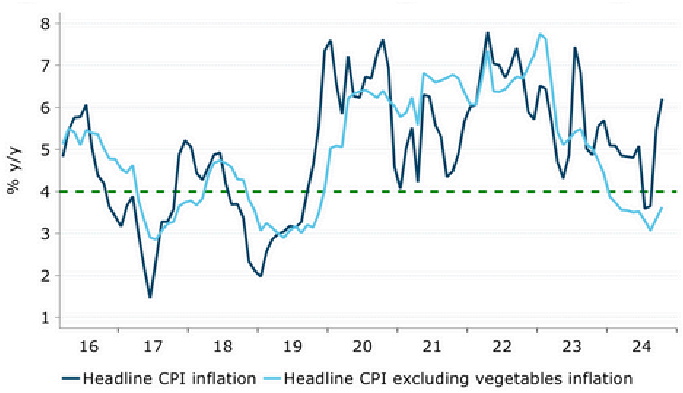
Overall, India's high headline inflation remains narrowly based on vegetable prices, excluding which, inflation is below 4%. A host of food inflation determinants beyond weather (such as farm input cost inflation, per capita income growth and food demand) are easing, lending credence to the view that food inflation will fall decisively in the coming months.

Figure 5. Vegetable prices



POT stands for potato, onion, tomato.
Source: DoCA, Bloomberg, Macrobond, ANZ Research

Figure 6. India inflation ex-vegetables is benign

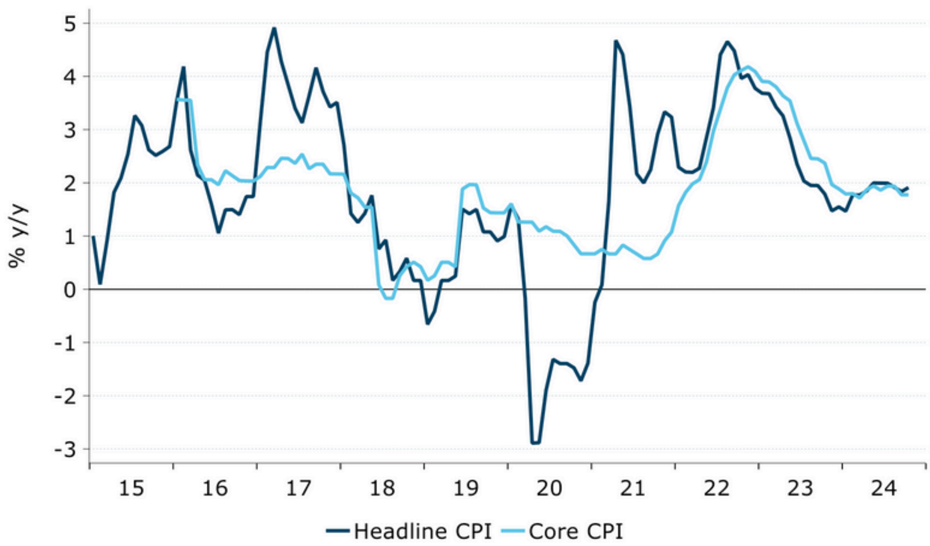


Source: MoS&PI, Bloomberg, Macrobond, ANZ Research

MALAYSIA

We forecast headline CPI inflation in November (Friday 20 December at 12:00 SGT) to have risen to 2.2% y/y from 1.9% in October. The increase is likely to be driven by higher food prices amid unfavourable weather conditions in the region. Housing rental inflation is expected to pick up slightly in November. These increases will be partly offset by lower transport inflation. Overall, Malaysia's near-term inflation outlook remains benign. Even with the petrol subsidy rationalization, which is likely to be carried out in mid-2025, inflation should remain manageable as the policy is intended to impact only the top 15% of earners. We think Bank Negara Malaysia will keep the policy rate unchanged at 3.00% in 2025.

Figure 7. Malaysia inflation outlook is benign

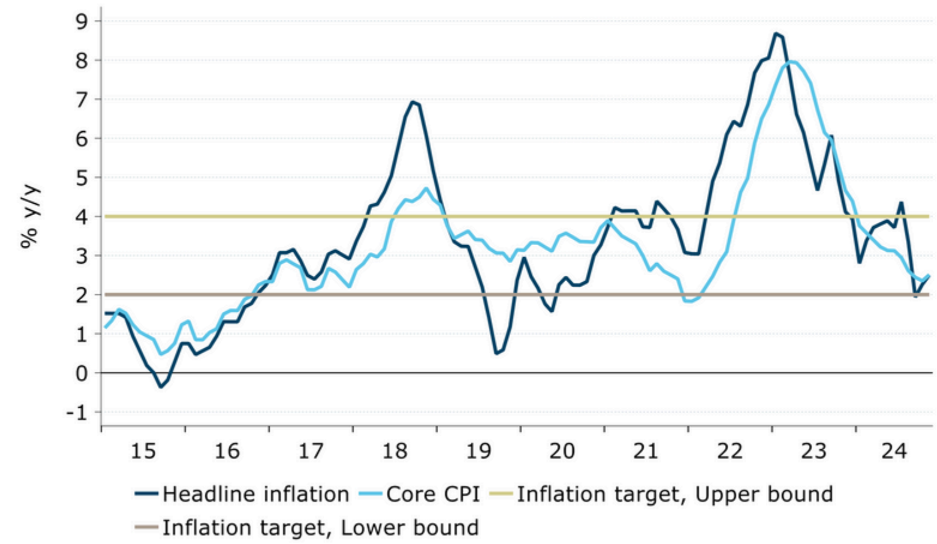


Source: DOSM, Macrobond, ANZ Research

PHILIPPINES

We expect the BSP to lower its policy rate by 25bp to 5.75% at its upcoming monetary policy meeting (Thursday 19 December at 15:00 SGT). Headline CPI inflation rose to 2.5% y/y in November, driven mainly by rising vegetables and meat prices. This was mainly due to unfavourable weather conditions in the region and was partly offset by easing rice inflation. Transport inflation remained in deflationary territory for the fourth consecutive month, while utilities inflation decelerated for a third month is a row. Overall, the inflationary pressures were not broad-based, and the near-term outlook remains benign. Therefore, we think the BSP will lower its policy rate by 25bp at its next meeting in December along with cumulative cuts of 75bp in 2025 to help bolster domestic demand.

Figure 8. Philippines near-term CPI outlook remains stable

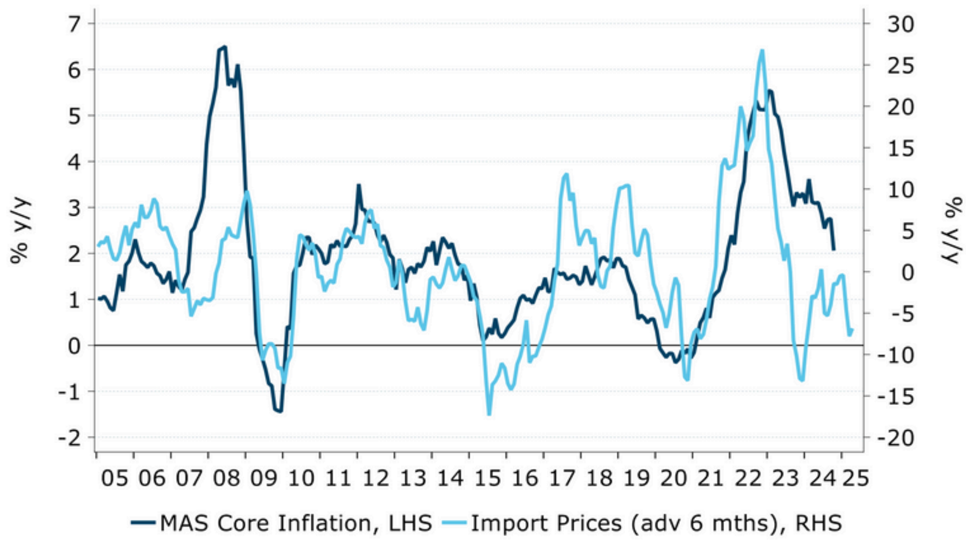


Source: PSA, BSP, Macrobond, ANZ Research

SINGAPORE

We forecast a rebound in Singapore's CPI-All Items inflation to 1.9% y/y in November, but for the MAS Core Inflation to ease to 2% y/y (Monday 23 December at 13:00 SGT). The headline inflation number for November is higher mainly due to base effects. Core inflation should stay subdued on a month-on-month basis, as the effects of a strong Singdollar and favourable global commodity prices push retail goods related prices down. Services related inflation is expected to be contained despite signs of a pick-up in the labour market. The MAS Core Inflation is forecast to fall below 2% y/y in December and head towards its long-term average in 2025. This will allow the MAS to ease policy slightly at their first Monetary Policy Statement of 2025 in late January.

Figure 9. Singapore core inflation to fall further



Source: MAS, SingStat, Macrobond, ANZ Research

VIETNAM

We expect Vietnam GDP (Monday 6 January) to have grown by 5.6% y/y in Q4 2024, moderating from 7.4% y/y growth in Q3. This takes the full-year total GDP growth to 6.5% y/y in 2024. In the first two months of Q4, exports momentum showed signs of slowing down after peaking in Q3. New export orders PMI slipped in negative territory in November to 46.4. In the absence of strong support from domestic demand, we expect GDP growth momentum to have moderated in Q4.

We expect Vietnam CPI inflation to have increased to 3.3% in December on the back of higher food prices caused by loss of crops due to typhoon Yagi. At the same time, a weaker dong is expected to have added to the imported inflation. We expect exports to have grown by 10.0% y/y in December, while imports grew by 11.3% y/y. As a result, trade surplus moderated to USD1.2bn over the month.

Figure 10. PMI showing signs of slowing

TAIWAN

We forecast exports (Monday 9 December at 16:00 SGT) to grow 5.3% y/y in November. Our view is that cyclically the electronics cycle is at or near its peak. However, frontloading demand ahead of the Trump presidency beginning January 2025 will support electronic demand outlook in the near term. South Korea's exports rose 1.4% y/y in November, down from 4.6% y/y before. Adjusting for working days, the export growth stood at 3.6% y/y. We forecast Taiwan's imports to be up 8.8% y/y, taking the trade surplus to USD9.4bn. In its upcoming meeting (Thursday 19 December), we expect the CBC will keep policy rate unchanged at 2.000%. Inflation pressures in the economy are reined in, with both headline and core CPI inflation below the 2% level. On the growth front, outlook is robust. The DGBAS forecasts GDP growth at 3.29% in 2025 thanks to the growth in exports and investments. Our view is that the CBC is unlikely to join the global rate-easing cycle in 2025. We expect macroprudential measures to be deployed if there are any financial stability concerns.

Figure 11. Export demand to stay robust going into year end

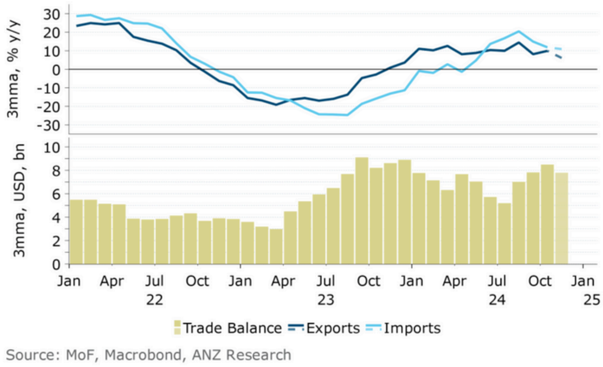
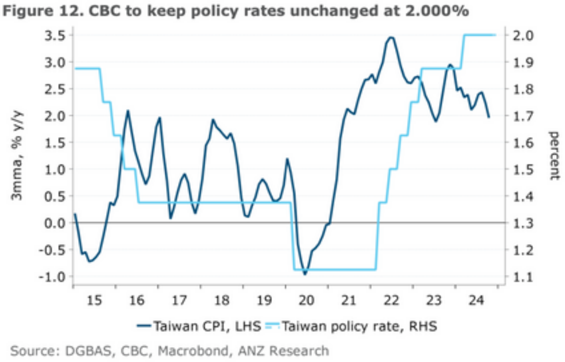


Figure 12. CBC to keep policy rates unchanged at 2.000%



ASIA'S DATA CALENDAR

Economy	Key data/events	Period	ANZ	Market	Last	SG/HK time	GMT
Monday, 9 December							
Mainland China	CPI (y/y)	Nov	0.3%	0.5%	0.3%	9:30	1:30
Mainland China	PPI (y/y)	Nov	-2.9%	-2.9%	-2.9%	9:30	1:30
Taiwan	Exports (y/y)	Nov	5.3%	8.5%	8.4%	16:00	8:00
Taiwan	Imports (y/y)	Nov	8.8%	...	6.5%	16:00	8:00
Taiwan	Trade Balance (USD)	Nov	9.4bn	...	6.9bn	16:00	8:00
Tuesday, 10 December							
Philippines	Exports (y/y)	Oct	-6.4%	-3.2%	-7.6%	9:00	1:00
Philippines	Imports (y/y)	Oct	6.0%	3.7%	9.9%	9:00	1:00
Philippines	Trade Balance (USD)	Oct	-5.3bn	-5.0bn	-5.1bn	9:00	1:00
Malaysia	Industrial Production (y/y)	Oct	1.5%	...	2.3%	12:00	4:00
Mainland China	Exports (y/y)	Nov	9.5%	8.5%	12.7%	...	...
Mainland China	Imports (y/y)	Nov	0.4%	0.9%	-2.3%	...	...
Mainland China	Trade Balance (USD)	Nov	96.0bn	92.0bn	95.7bn	...	...
Thursday, 12 December							
India	CPI (y/y)	Nov	5.70%	5.57%	6.21%	18:30	10:30
India	Industrial Production (y/y)	Oct	3.3%	3.6%	3.1%	18:30	10:30
9-15 December							
Mainland China	Money Supply M1 (y/y)	Nov	-5.0%	-5.0%	-6.1%	...	...
Mainland China	Money Supply M2 (y/y)	Nov	7.5%	7.7%	7.5%	...	...
Mainland China	New Yuan Loans (CNY)	Nov	17510.0	17420.0bn	16520.0bn	...	...
Mainland China	Aggregate Financing (CNY)	Nov	29650.0	29710.0bn	27060.0bn	...	...
13-16 December							
India	Exports (y/y)	Nov	5.0%	...	17.2%	...	...
India	Imports (y/y)	Nov	6.0%	...	3.9%	...	...
India	Trade Balance (USD)	Nov	-23.0bn	-25.0bn	-27.1bn	...	...
Monday, 16 December							
Mainland China	Industrial Production (y/y)	Nov	5.3%	5.5%	5.3%	10:00	2:00
Mainland China	Retail Sales y/y	Nov	4.2%	5.0%	4.8%	10:00	2:00
Mainland China	Fixed Assets Ex Rural YTD (y/y)	Nov	3.3%	...	3.4%	10:00	2:00
Indonesia	Exports (y/y)	Nov	...	...	10.3%	12:00	4:00
Indonesia	Imports (y/y)	Nov	...	...	17.5%	12:00	4:00
Indonesia	Trade Balance (USD)	Nov	...	...	2.475bn	12:00	4:00
Philippines	Overseas Cash Remittances (y/y)	Oct	2.9%	...	3.3%	...	...
16-25 December							
Mainland China	1Yr Medium Term Lending Facility Rate	Dec-25	...	...	2.0%	...	...
Tuesday, 17 December							
Singapore	Non-oil Domestic Exports (y/y)	Nov	-0.3%	...	-4.6%	8:30	0:30
Wednesday, 18 December							
Malaysia	Exports (y/y)	Nov	0.3%	...	1.6%	12:00	4:00
Malaysia	Imports (y/y)	Nov	3.7%	...	2.6%	12:00	4:00
Malaysia	Trade Balance (MYR)	Nov	8.50bn	...	11.98bn	12:00	4:00
Thailand	BoT Benchmark Interest Rate	Dec-18	2.25%	...	2.25%	15:00	7:00
Indonesia	BI-Rate	Dec-18	5.75%	...	6.00%	15:20	7:20
Thursday, 19 December							
Philippines	BSP Overnight Borrowing Rate	Dec-19	5.75%	...	6.00%	15:00	7:00
Taiwan	CBC Benchmark Interest Rate	Dec-19	2.000%	...	2.000%	...	...
Friday, 20 December							
Mainland China	5-Year Loan Prime Rate	Dec-20	3.60%	3.60%	3.60%	9:00	1:00
Mainland China	1-Year Loan Prime Rate	Dec-20	3.10%	3.10%	3.10%	9:00	1:00
Malaysia	CPI (y/y)	Nov	2.2%	...	1.9%	12:00	4:00
Taiwan	Export Orders (y/y)	Nov	6.7%	...	4.9%	16:00	8:00

ASIA'S DATA CALENDAR

Economy	Key data/events	Period	ANZ	Market	Last	SG/HK time	GMT
Monday, 23 December							
Singapore	CPI (y/y)	Nov	1.9%	...	1.4%	13:00	5:00
Singapore	CPI (m/m nsa)	Nov	0.3%	...	-0.3%	13:00	5:00
Singapore	Core CPI (y/y)	Nov	2.0%	...	2.1%	13:00	5:00
Thursday, 26 December							
Singapore	Industrial Production (y/y)	Nov	6.0%	...	1.2%	13:00	5:00
Friday, 27 December							
Thailand	Exports (y/y)	Nov	...	...	14.2%	15:30	7:30
Thailand	Imports (y/y)	Nov	...	...	17.1%	15:30	7:30
Thailand	Trade Balance (USD)	Nov	...	...	1.44bn	15:30	7:30
Monday, 30 December							
South Korea	Industrial Production (y/y)	Nov	...	...	6.3%	7:00	23:00
Tuesday, 31 December							
South Korea	CPI (m/m)	Dec	0.3%	...	...	7:00	23:00
South Korea	CPI (y/y)	Dec	1.7%	...	...	7:00	23:00
South Korea	CPI Ex Food and Energy (y/y)	Dec	1.9%	...	...	7:00	23:00
Mainland China	Manufacturing PMI	Dec	...	...	50.3	9:30	1:30
Mainland China	Non-manufacturing PMI	Dec	...	...	50.0	9:30	1:30
Wednesday, 1 January							
South Korea	Exports (y/y)	Dec	...	...	1.4%	8:00	0:00
South Korea	Imports (y/y)	Dec	...	...	-2.4%	8:00	0:00
South Korea	Trade Balance (USD)	Dec	...	...	5.61bn	8:00	0:00
Monday, 6 January							
Vietnam	GDP (y/y)	4Q	5.6%	...	7.4%	10:05	2:05
Vietnam	CPI (y/y)	Dec	3.3%	...	...	10:05	2:05
Vietnam	Exports (y/y)	Dec	10.0%	...	...	10:05	2:05
Vietnam	Imports (y/y)	Dec	11.3%	...	...	10:05	2:05
Vietnam	Trade Balance	Dec	1.2bn	...	...	10:05	2:05
Thailand	CPI (y/y)	Dec	...	...	...	11:30	3:30
Thailand	CPI (m/m nsa)	Dec	...	...	...	11:30	3:30
Thailand	Core CPI (y/y)	Dec	...	...	...	11:30	3:30
Tuesday, 7 January							
Taiwan	CPI (y/y)	Dec	...	...	...	16:00	8:00
Thursday, 9 January							
Taiwan	Exports (y/y)	Dec	...	...	...	16:00	8:00
Taiwan	Imports (y/y)	Dec	...	...	...	16:00	8:00
Taiwan	Trade Balance (USD)	Dec	...	...	...	16:00	8:00
9-15 January							
Mainland China	Money Supply M2 (y/y)	Dec	...	...	...	...	...
Mainland China	Money Supply M1 (y/y)	Dec	...	...	...	...	...
Mainland China	New Yuan Loans CNY YTD	Dec	...	...	...	...	...
Mainland China	Aggregate Financing CNY YTD	Dec	...	...	...	...	...
Friday, 10 January							
Malaysia	Industrial Production (y/y)	Nov	...	...	...	12:00	4:00
India	Industrial Production (y/y)	Nov	...	...	...	18:30	10:30
10-14 January							
Singapore	GDP (y/y)	4Q A	...	...	5.4%	...	...
Singapore	GDP (q/q sa)	4Q A			3.2%		
10-20 January							
Malaysia	GDP Annual (y/y)	2024 A	...	...	3.7%	...	...

FORECASTS

	2016	2017	2018	2019	2020	2021	2022	2023	2024(f)	2025(f)	2026(f)
Mainland China											
GDP Growth (%)	6.8	6.9	6.7	6.0	2.2	8.4	3.0	5.2	**4.9**	**4.3**	**4.0**
CPI Inflation (%)	2.0	1.6	2.1	2.9	2.5	0.9	2.0	0.2	**0.4**	**0.9**	**1.0**
Policy Rate (%)	2.25	2.50	2.55	2.50	2.20	2.20	2.00	1.80	**1.40**	**1.20**	**1.20**
USD/CNY	6.95	6.51	6.88	6.96	6.53	6.36	6.90	7.10	**7.27**	**7.50**	**7.40**
Hong Kong											
GDP Growth (%)	2.2	3.8	2.8	-1.7	-6.5	6.5	-3.7	3.3	**3.0**	**2.8**	**2.5**
CPI Inflation (%)	2.4	1.5	2.4	2.9	0.3	1.6	1.9	2.1	**1.9**	**2.0**	**2.0**
Policy Rate (%)	1.00	1.75	2.75	2.49	0.50	0.50	4.75	5.75	**4.75**	**3.75**	**3.75**
USD/HKD	7.76	7.81	7.83	7.79	7.75	7.80	7.80	7.81	**7.79**	**7.80**	**7.80**
India											
GDP Growth (%)*	8.3	6.8	6.5	3.9	-5.8	9.7	7.0	8.2	**6.8**	**6.6**	**6.6**
CPI Inflation (%)*	4.5	3.6	3.4	4.8	6.2	5.5	6.7	5.4	**4.4**	**4.0**	**4.3**
Policy Rate (%)	6.25	6.00	6.50	5.15	4.00	4.00	6.25	6.50	**6.25**	**5.75**	**5.75**
USD/INR	67.93	63.87	69.77	71.38	73.07	74.34	82.74	83.21	**84.50**	**86.00**	**86.50**
Indonesia											
GDP Growth (%)	5.0	5.1	5.2	5.0	-2.1	3.7	5.3	5.0	**5.0**	**5.1**	**5.1**
CPI Inflation (%)	3.5	3.8	3.2	2.8	2.0	1.6	4.2	3.7	**2.4**	**2.5**	**2.5**
Policy Rate (%)	4.75	4.25	6.00	5.00	3.75	3.50	5.50	6.00	**5.75**	**5.25**	**5.25**
USD/IDR	13473	13568	14390	13866	14050	14253	15568	15397	**15950**	**16250**	**15800**
Malaysia											
GDP Growth (%)	4.4	5.8	4.8	4.4	-5.5	3.3	8.9	3.6	**4.8**	**4.5**	**4.4**
CPI Inflation (%)	2.1	3.8	1.0	0.7	-1.1	2.5	3.4	2.5	**2.3**	**2.7**	**2.3**
Policy Rate (%)	3.00	3.00	3.25	3.00	1.75	1.75	2.75	3.00	**3.00**	**3.00**	**3.00**
USD/MYR	4.49	4.05	4.13	4.09	4.02	4.17	4.40	4.59	**4.45**	**4.60**	**4.52**
Philippines											
GDP Growth (%)	7.1	6.9	6.3	6.1	-9.5	5.7	7.6	5.5	**5.9**	**5.7**	**6.0**
CPI Inflation (%)	1.3	2.9	5.2	2.4	2.4	3.9	5.8	6.0	**3.4**	**3.2**	**3.3**
Policy Rate (%)	3.00	3.00	4.75	4.00	2.00	2.00	5.50	6.50	**5.75**	**5.00**	**5.00**
USD/PHP	49.73	49.92	52.58	50.65	48.03	50.99	55.73	55.39	**59.00**	**60.00**	**59.00**
Singapore											
GDP Growth (%)	3.6	4.5	3.5	1.3	-3.9	9.7	3.8	1.1	**2.8**	**2.5**	**1.9**
CPI Inflation (%)	-0.5	0.6	0.4	0.6	-0.2	2.3	6.1	4.8	**2.3**	**2.0**	**1.7**
3m SORA (%)	0.13	0.84	1.45	1.27	0.13	0.19	3.10	3.71	**3.04**	**2.60**	**2.60**
USD/SGD	1.447	1.336	1.363	1.346	1.322	1.349	1.340	1.320	**1.350**	**1.375**	**1.360**
South Korea											
GDP Growth (%)	3.2	3.4	3.2	2.3	-0.7	4.6	2.7	1.4	**2.2**	**2.0**	**2.0**
CPI Inflation (%)	1.0	1.9	1.5	0.4	0.5	2.5	5.1	3.6	**2.4**	**1.9**	**2.0**
Policy Rate (%)	1.25	1.50	1.75	1.25	0.50	1.00	3.25	3.50	**3.00**	**2.50**	**2.50**
USD/KRW	1208	1071	1116	1156	1086	1189	1266	1288	**1400**	**1435**	**1415**
Taiwan											
GDP Growth (%)	2.2	3.3	2.8	3.1	3.4	6.6	2.6	1.3	**4.1**	**3.2**	**3.0**
CPI Inflation (%)	1.4	0.6	1.4	0.6	-0.2	2.0	2.9	2.5	**2.2**	**1.8**	**1.7**
Policy Rate (%)	1.375	1.375	1.375	1.375	1.125	1.125	1.750	1.875	**2.000**	**2.000**	**2.000**
USD/TWD	32.25	29.80	30.71	30.04	28.30	27.68	30.72	30.71	**32.50**	**33.00**	**32.40**
Thailand											
GDP Growth (%)	3.4	4.2	4.2	2.1	-6.1	1.6	2.5	1.9	**2.5**	**2.9**	**2.7**
CPI Inflation (%)	0.2	0.7	1.1	0.7	-0.8	1.2	6.1	1.2	**0.5**	**1.1**	**1.1**
Policy Rate (%)	1.50	1.50	1.75	1.25	0.50	0.50	1.25	2.50	**2.25**	**2.00**	**2.00**
USD/THB	35.80	32.58	32.55	29.97	29.95	33.41	34.61	34.14	**34.80**	**36.00**	**35.40**
Vietnam											
GDP Growth (%)	6.7	6.9	7.5	7.4	2.9	2.6	8.0	5.0	**6.5**	**6.3**	**6.4**
CPI Inflation (%)	1.9	3.5	3.5	2.8	3.2	1.8	3.2	3.3	**3.7**	**3.4**	**3.6**
Policy Rate (%)	4.50	4.25	4.25	4.00	2.50	2.50	4.50	3.00	**3.00**	**3.00**	**3.00**
USD/VND	22761	22698	23175	23173	23098	22826	23633	24269	**25450**	**25650**	**25700**

* India: Years refer to fiscal years ending in March of the following year (for example, 2024 refers to the period between April 2024 and March 2025)
Source: Bloomberg, Macrobond, ANZ Research

FORECASTS

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
FX												
USD/CNY	7.22	7.27	7.02	**7.27**	**7.30**	**7.38**	**7.45**	**7.50**	**7.50**	**7.45**	**7.43**	**7.40**
USD/CNH	7.26	7.30	7.01	**7.27**	**7.30**	**7.38**	**7.45**	**7.50**	**7.50**	**7.45**	**7.43**	**7.40**
USD/HKD	7.82	7.81	7.77	**7.79**	**7.80**	**7.80**	**7.80**	**7.80**	**7.80**	**7.80**	**7.80**	**7.80**
USD/INR	83.40	83.39	83.80	**84.50**	**85.00**	**85.30**	**85.50**	**86.00**	**86.20**	**86.30**	**86.50**	**86.50**
USD/IDR	15855	16375	15140	**15950**	**16000**	**16150**	**16200**	**16250**	**16250**	**16150**	**16000**	**15800**
USD/MYR	4.73	4.72	4.12	**4.45**	**4.50**	**4.55**	**4.58**	**4.60**	**4.60**	**4.58**	**4.55**	**4.52**
USD/PHP	56.22	58.61	56.05	**59.00**	**59.30**	**59.50**	**59.80**	**60.00**	**60.00**	**59.50**	**59.30**	**59.00**
USD/SGD	1.349	1.356	1.285	**1.350**	**1.350**	**1.360**	**1.370**	**1.375**	**1.375**	**1.370**	**1.365**	**1.360**
USD/KRW	1347	1377	1315	**1400**	**1410**	**1420**	**1425**	**1435**	**1435**	**1430**	**1420**	**1415**
USD/TWD	32.00	32.44	31.66	**32.50**	**32.60**	**32.80**	**32.90**	**33.00**	**33.00**	**32.80**	**32.60**	**32.40**
USD/THB	36.39	36.70	32.17	**34.80**	**35.00**	**35.30**	**35.70**	**36.00**	**36.00**	**35.80**	**35.60**	**35.40**
USD/VND	24791	25455	24568	**25450**	**25500**	**25550**	**25600**	**25650**	**25700**	**25700**	**25700**	**25700**
Policy rates (%)												
Mainland China	1.80	1.80	1.50	**1.40**	**1.30**	**1.20**	**1.20**	**1.20**	**1.20**	**1.20**	**1.20**	**1.20**
Hong Kong	5.75	5.75	5.25	**4.75**	**4.25**	**3.75**	**3.75**	**3.75**	**3.75**	**3.75**	**3.75**	**3.75**
India	6.50	6.50	6.50	**6.25**	**6.00**	**5.75**	**5.75**	**5.75**	**5.75**	**5.75**	**5.75**	**5.75**
Indonesia	6.00	6.25	6.00	**5.75**	**5.25**	**5.25**	**5.25**	**5.25**	**5.25**	**5.25**	**5.25**	**5.25**
Malaysia	3.00	3.00	3.00	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**
Philippines	6.50	6.50	6.25	**5.75**	**5.50**	**5.25**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
South Korea	3.50	3.50	3.50	**3.00**	**2.75**	**2.50**	**2.50**	**2.50**	**2.50**	**2.50**	**2.50**	**2.50**
Taiwan	2.000	2.000	2.000	**2.000**	**2.000**	**2.000**	**2.000**	**2.000**	**2.000**	**2.000**	**2.000**	**2.000**
Thailand	2.50	2.50	2.50	**2.25**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**
Vietnam	3.00	3.00	3.00	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**	**3.00**

Scheduled central bank meeting dates in 2024

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
RBI (India)	..	8	..	5	..	7	..	8	..	9	..	6
BI (Indonesia)	17	21	20	24	22	20	17	21	18	16	20	18
BNM (Malaysia)	24	..	7	..	9	..	11	..	5	..	6	..
BSP (Philippines)	..	15	..	8	16	27	..	15	..	16	..	19
MAS (Singapore)	29	..	..	12	..	..	26	..	..	14	..	..
BoK (S. Korea)	11	22	..	12	23	..	11	22	..	11	28	..
CBC (Taiwan)	..	..	21	..	..	13	..	..	19	..	..	19
BoT (Thailand)	..	7	..	10	..	12	..	21	..	16	..	18

Source: Bloomberg, ANZ Research

GLOSSARY

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Vietnam: strong start to Q4	20 November
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*Registration required at research.anz.com

Acronyms and abbreviations

Country/Region	ISO	Currency	FX code
China	CHN	Yuan/Renminbi	CNY/RMB
Hong Kong (Special Administrative Region)	HKG	Hong Kong Dollar	HKD
India	IND	Rupee	INR
Indonesia	IDN	Rupiah	IDR
South Korea	KOR	Won	KRW
Malaysia	MYS	Ringgit	MYR
The Philippines	PHL	Peso	PHP
Singapore	SGP	Singdollar	SGD
Taiwan (Province of China)	TWN	New Taiwan Dollar	TWD
Thailand	THA	Baht	THB
Vietnam	VNM	Dong	VND

Central bank	Abb	Monetary policy instrument	Bloomberg ticker
People's Bank of China	PBoC	7-day Reverse Repo Rate	PBOC7P
Hong Kong Monetary Authority	HKMA	Base Rate	HKBASE
Reserve Bank of India	RBI	Policy Repo Rate	INRPYLDP
Bank Indonesia	BI	7-day Reverse Repo Rate	IDBIRRPO
Bank of Korea	BoK	Base Rate	KORP7DR
Bank Negara Malaysia	BNM	Overnight Policy Rate (OPR)	MAOPRATE
Bangko Sentral ng Pilipinas	BSP	O/N Reverse Repurchase (RRP) Rate	PPCBON
Monetary Authority of Singapore	MAS	S$NEER	ANZNEERS
Central Bank of the Republic of China (Taiwan)	CBC	Discount Rate	TAREDSC
Bank of Thailand	BoT	1-day Repurchase Rate	BTRR1DAY
State Bank of Vietnam	SBV	Discount Rate	VNDISC

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馬鴻 MAHON CHINA

Avoiding Folly

DAVID MAHON

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1 Over the past year New Zealand companies in China have been watching Wellington grapple with its relationship with Beijing with disquiet and increasing alarm. A few influential politicians and bureaucrats appear to want to take the country back to a time of greater social and cultural certainty – one existing only in their selective imaginations. The prime minister and his key international interlocutors have been asking New Zealanders to accept the country needs to be closer to Washington and Canberra, implying New Zealand's sovereignty is under threat from China. But the increased threat to peace in the region and New Zealand's economic stability comes from Washington, not Beijing.

2 As US economic and political influence wane in Asia and the Pacific, Washington is resorting increasingly to its military might to maintain its power. But might alone is no substitute for diplomacy, and despite the very slim chance of a confrontation over Taiwan, there are no immediate means by which the US may confront China militarily. And so it will invariably continue escalating its threat against China through tariffs, sanctions and media disinformation.

3 New Zealand companies are right to worry that their country's favoured and respected status is at risk and therefore their commercial endeavours may become even harder in China. The Chinese Government has made every effort to reinforce its relationship with Wellington, sending Premier Li Qiang and other ministers and senior officials to meet their counterparts in New Zealand this year. Perhaps fearful of upsetting Washington and Canberra, the New Zealand Government has not reciprocated with a foreign minister visit, despite the minister having visited dozens of other countries and some more than once. This is a diplomatic slight at best and has likely been taken as a direct political message by Beijing.

4 Wellington has muted its hawkish pro-Washington, anti-Chinese rhetoric over the last month, and Sir John Key's recent comprehensive reaffirmation of China's commercial importance and New Zealand's need to remain independent in its foreign policy may be having some limited traction in Wellington. His voice joins those of political elders Dame Helen Clark and Sir Don Brash, although the New Zealand media seems largely indifferent to the debate.

5 Australia has learned that it may trade freely with China even while engaging in US military manoeuvres that are tacit rehearsals for war with China, so long as it does not condemn and threaten China publicly. New Zealand's coalition government may believe it is similarly licenced as Canberra to collaborate in containing China while enjoying full trade privileges and diplomatic trust. But New Zealand does not have the economic or political agency of Australia, and the government would be mistaken to believe China would not consider taking punitive trade measures against it.

6 It is in New Zealand's interests to reassert its sovereign independence, or it will risk damaging its trade with China and losing the respect it enjoys regionally and internationally as an audacious, principled small nation. A country, like an individual, does not need to be powerful to cultivate mana (Māori: strength and integrity); it needs though to be principled, courageous and true to its own rational interests.

7 Beijing seems keen to encourage New Zealand companies that they are welcome in the China market and will not be censured, despite their government's rhetoric and actions, and the apparent xenophobia of New Zealand's immigration policies that are frustrating Chinese business travel and tourism. These policies carry the distant echoes of the 1881 poll tax imposed on Chinese wishing to travel to New Zealand. Any move on the part of the New Zealand Government to increase the isolation of New Zealand's society and economy risks impoverishing the nation, economically and culturally.

8 It is positive that the Shanghai-based New Zealand Business Round Table, ostensibly New Zealand's chamber of commerce in China, continues to speak out for common sense and balance in the relationship, and this may help forestall or even limit retaliation against New Zealand goods at the border. It does not take an order from Beijing against a nation's goods for local customs and quarantine bureaucracy to erect non-tariff barriers. There are many zealous officials at Chinese ports who may take matters into their own hands and slow the passage of products by applying existing regulations more strictly. As a nation exporting many perishable or limited shelf-life products to China, New Zealand is particularly vulnerable.

9 New Zealand companies based in China and trading with it are speaking up, but they need to speak louder and in greater unison to penetrate the echo-chambers of Wellington. The National Party prides itself on its affinity with the business sector, and the Labour Party strives to prove to a sceptical electorate that it understands business. Collective pressure on Wellington by companies that do business in or with China may catch enough attention from Members of Parliament to avert economic disaster.

10 While New Zealand still enjoys a trade surplus with China, fewer New Zealand companies are exploring opportunities in the market, managing distributors actively or seeking domestic partnerships. This is not yet a crisis and reflects companies' natural reticence when facing mixed consumer demand and lower confidence post the pandemic and deep geopolitical anxiety. But it is still a lost opportunity. As business leaders and their boards turn to once-respected economic commentary from the US and the UK on China's economy, society and politics, they find a chorus of scepticism and condemnation. Bits of it are fair but most is misleading and much of it deliberately false. New Zealand and New Zealand companies should strive to stand outside the present east-west culture wars and deal with China objectively.

11 The US is telling countries in Asia that it is acting in the region's interests by opposing and containing China, to prevent Chinese domination. In reality, Washington is coercing Asian countries to align with its interests, which is to preserve its regional hegemony. Yet China's Asian trading partners are not constraining exports to and investments in China, because they understand that it is in their interests to maintain a positive relationship with China. On the contrary, the more the US and the West isolate China, the more they will drive deeper relationships to form between China and nations in Asia and the Global South.

12 According to Bloomberg, China will account for 21% of global economic growth over the next five years, larger than the share of all G-7 countries combined. Some in New Zealand assert that Wellington need not take sides in the US - China struggle. This is true, but New Zealand can and should decide where its current and future commercial interests lie and acknowledge it is already largely an Asia Pacific economy.

13 Throughout this year the Western commentariat has pushed views that the Chinese era of growth and stability is over, that some degree of collapse is imminent, or that China is at least in for a long recession. China is indeed a patchwork of stagnation and recovery, but both the macro numbers and grassroots evidence show a largely positive trend. Beijing triggered many of the country's immediate problems, such as the steep downturn in real estate. This was an attempt to avert greater instability and possibly a destructive collapse of the property bubble over the next few years. Stimulus packages initiated by Beijing in recent months will create positive momentum in the economy and be catalysts for the recovery of corporate and consumer confidence by the second quarter of 2025.

14 Demand will recover for New Zealand protein and fibre exports, and Chinese manufacturing sectors are keen for investments of technological innovation and knowhow. Recovery will not be swift, but as some Western nations try to decouple their economies from China's, opportunities for New Zealand companies will increase in ways they would never have done under steadier geopolitical times.

14 **New Zealand risks destroying 50 years of balanced, non-allied status, a period during which it followed the principles of international law rather than the whims of its historical allies. The same allies have violated these principles from time to time (New Zealand refused to join the US invasion of Iraq), as has Beijing on occasion.**

15 **New Zealand companies doing business with China are rightly concerned for their trade and investment interests should Wellington stay the present course and realign with the US. The government has yet to ask the New Zealand business community and the New Zealand people what they want. Wellington may have assessed that a weak domestic media and public apathy and indifference will ensure they can do as they choose, unencumbered by democratic process. To be a party to ANZUS or AUKUS is to ally against China, participate actively in its containment and possibly wage war against it. It is not only the economy that the New Zealand Government is putting at risk, or just New Zealand's relationship with China, it is the nation's sovereignty.**

The Unique Proposition of New Zealand's Grass-fed Dairy Products

ANSON YANG
Sales Director, Fonterra
& NZBRiC Dairy Industry Forum Chair

New Zealand's dairy industry has long been celebrated for its high-quality products derived from milk produced by grass-fed cows. Unlike other major dairy producing regions such as the United States and Europe, New Zealand dairy cows spend on average 350 days grazing on pasture and roughly 96% of their diet is pasture-based*. As China's demand for dairy products continues to surge, there is a significant opportunity for Chinese producers to leverage New Zealand's grass-fed dairy advantage and translate that into unique value propositions in the products they produce. There are two great reasons to choose pasture-based dairy:

1. CLIMATE IMPACT / SUPPORT SUSTAINABLE DAIRY FARMING

The grass-fed pasture-based system in New Zealand helps New Zealand farmers be amongst the world’s most emissions efficient dairy producers.[1] Moderate temperatures, fertile soil, plentiful rainfall and abundant sunshine helps to grow lush green grass which cows graze year-round. New Zealand's pastures commonly have multiple species that serve different purposes and have a range of co-benefits. For example, legumes like white clover are excellent at capturing atmospheric nitrogen and converts into a form that helps all the pasture species to grow and provides protein in the cow’s diet. Grazed pastures can have more organic matter and carbon content in the soil than cultivated fields[2], helping the soil to have a better structure, increasing the amount of water and nutrients it can hold.

As China aims to achieve peak carbon emissions by 2030 and carbon neutrality by 2060, this inherent aspect of New Zealand dairy products will become increasingly important as consumers and producers become more environmentally conscious.

2. ANIMAL WELFARE

Being outside on pasture in the open air has positive animal health and wellbeing benefits for our cows. They have the freedom to roam and exhibit natural behaviours, leading to better overall health and reduced stress levels. Pasture also provides both natural nutrition and a soft surface for cows to rest and roam. This approach to dairy farming not only benefits the animals but also resonates with ethically-minded consumers who are willing to support such practices.[3]

UNLOCKING NEW OPPORTUNITIES

MARKET DIFFERENTIATION

Global food production contributes 20-30% of global GHG emissions, with dairy accounting for 2-3% of this total. However, dairy delivers a significant amount of the world’s total nutrients, including 12% of protein, 24% of vitamin B2 and 49% of calcium.[4] In a market where consumers are increasingly discerning about the origins and quality of their food, grass-fed dairy products offer a unique selling point. Chinese food producers can capitalize on the growing demand for premium, health-oriented dairy products by marketing the benefits of grass-fed milk. This differentiation can help build brand loyalty and command higher prices, ultimately boosting the bottom line.

EXPORT POTENTIAL

China's burgeoning middle class and rising incomes have led to a greater demand for high-quality dairy products. By adopting grass-fed practices or using grass-fed dairy ingredients, Chinese producers can not only cater to domestic demand but also explore export opportunities. Other markets in Asia and beyond, with their growing health consciousness, represent lucrative opportunities for products produced using grassfed dairy ingredients. Leveraging New Zealand's expertise, reputation and data-based grass-fed claims can further enhance the appeal of such products in the international arena.

BENEFITS FOR CONSUMERS

Milk is a natural superfood that delivers an array of nutrients in every glass. It contains a unique combination of more than 10 essential nutrients that give milk its wide-ranging health benefits:

- **Protein, which builds and repairs muscles and bones**
- **Carbohydrate, the body's primary source of energy**
- **Fat, essential for cell function and a source of energy**
- **Calcium, vital for healthy bones and teeth, and important for muscle contraction ,contraction,**
- **Phosphorus, which helps maintain body's normal pH and activation of many enzymes**
- **Potassium, required for nerve response and muscle contractions**
- **Magnesium, support muscle function and maintaining bone strength**
- **Zinc, required for optimal immune function and wound healing**
- **Riboflavin, needed to convert food into energy**
- **Vitamin B12, for the central nervous system and normal blood function**
- **Vitamin A, found in full-fat milk, for healthy eyesight, cell growth and immune function**

Because they provide you with such a range of nutrients, milk and dairy products have health benefits throughout your body's vital systems.

1. BONE HEALTH

Your bones are continually being renewed and rebuilt, and milk contains many of the building blocks needed to keep them strong. Calcium-rich foods like milk, accompanied by weight-bearing exercise and safe sun exposure, are integral to maintaining optimal bone health. To get the same amount of calcium as one 250ml glass of full-fat milk you would have to eat [5] 9 cups of raw spinach, or 10 cups of raw broccoli, or over 100g of tinned salmon, or over half a cup of whole almonds.

2. DENTAL HEALTH

Healthy nutrition and good eating habits have a major role to play in maintaining strong teeth. Milk contains a combination of nutrients that supports dental health, including calcium, phosphorus, as well as specific caseins and peptides. Together, these nutrients help [6] reduce the risk of cavities [7] and demineralisation.

3. MUSCLE MASS

Post-workout protein helps build your lean muscle mass[8], and milk is a great choice to provide that. The proteins in milk contain all the essential amino acids your body needs to build and maintain muscle [9]. Consuming milk also helps you replace the fluids and electrolytes – sodium and potassium – lost during a workout.

4. DIGESTIVE HEALTH

Yoghurt and other fermented products have been consumed by cultures around the world for thousands of years. These support digestive health[10], because they contain a complex combination of beneficial bacteria which can help build a healthy microbiome and improve overall digestive health.

5. CARDIOVASCULAR DISEASE

Regularly consuming milk and dairy products may provide protective benefits. A healthy, balanced diet, including milk, has been associated with a reduced risk of stroke[11], metabolic syndrome[12], and help manage blood pressure[13].

ENVIRONMENTAL AND ETHICAL CONSIDERATIONS

The environmental and ethical considerations associated with grass-fed dairy farming align with the growing consciousness about sustainable and humane food production. By choosing grass-fed dairy products, consumers can support practices that support animal welfare, fostering a sense of social responsibility and environmental stewardship.

CULINARY EXCELLENCE

Grass-fed dairy products are often praised for their rich, natural flavours, which can enhance the culinary experience. From artisanal cheeses to golden-coloured butter to creamy yogurts and beyond, grass-fed dairy products serve as an excellent base for a wide range of high-quality foods. Chinese consumers, with their sophisticated palates and appreciation for gourmet foods, are becoming more and more likely to embrace these premium products, enriching their culinary traditions.

KEY CHALLENGES

In a market where affordability plays a significant role in consumers' purchasing decision, providing value-for-money products is critical. Creating awareness and educating consumers about the benefits of grassfed dairy products is crucial for driving demand. Marketing campaigns, public health initiatives, and collaborations with health professionals can help spread the message about the nutritional, environmental, and ethical benefits of grass-fed dairy. Transparent labelling and certification schemes can also build consumer trust and ensure that grassfed claims are credible and verified. Equally, it's important to continue listening to consumers' changing needs and understand what kind of experiences they desire in the products they purchase. While a grassfed claim alone may not suffice, combining it with other consumer-centric elements can significantly enhance product value.

FINAL THOUGHTS

Since 2020, over 113 new dairy products 14 were launched in China with reference to "grassfed", along with other claims such as "high-protein" and "bone health" claims. The trend peaked in 2022 when consumers health consciousness heightened as a result of the pandemic. New Zealand dairy companies like Fonterra, are well positioned to support and take advantage of this growing trend, however we must not take for granted that it takes a lot of hard work at the farmgate and in our supply chains to maintain this unique advantage.

Despite New Zealand farmers already being amongst the most emissions efficient dairy producers in the world, as a Co-Op we are committed to reducing our emissions even further. Fonterra has an ambition to be net zero by 2050. We have committed to reduce our absolute Scope 1 and 2 GHG emissions by 50.4% by FY2030 from a FY2018 base year [i]. We have also committed to reduce Scope 1 and 3 FLAG GHG emissions from dairy by 30.0% per tonne of fat-and-protein corrected milk (FPCM) by FY2030 from a FY2018 base year [ii].

We are also working closely with partners in New Zealand and abroad to fund innovative methane-mitigating technologies through our investment in AgriZeroNZ. AgriZeroNZ has committed over $34 million in innovative technology and R&D with the aim of helping to reduce emissions for New Zealand pastoral dairy farming. All these efforts are critical to ensure we can retain our grassfed advantage for generations to come.

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2

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13. Consumption of Dairy Products and the Risk of Overweight or Obesity, Hypertension, and Type 2 Diabetes Mellitus: A Dose-Response Meta-Analysis and Systematic Review of Cohort Studies - PubMed. https://pubmed.ncbi.nlm.nih.gov/36047956/

14. Mintel GNPD
i. The target boundary includes land-related emissions and removals from bioenergy feedstocks

ii. The target includes FLAG emissions and removals.

* 96% is an average calculated on an ‘as consumed’ basis. Average is measured over the previous three seasons' data and subject to minor variation. Grass includes: grass, grass silage, hay and forage crops (legumes and brassicas).

Our Fonterra New Zealand cows spend on average 97% of their non-milking time outside on pasture, that’s over 350 days in a year. Average is measured over the previous three seasons' data and subject to minor variation. Calculation excludes milking times because this only accounts for being off-pasture for on average up to 3 hours per day.

This data is reported at a Fonterra NZ milk pool level and is reviewed annually.

New Zealand Horticulture Sector Update

IVAN KINSELLA

Vice President of Corporate Affairs, Zespri & Board Member of NZBRiC

OVERVIEW

- This report updates the NZBRiC March 2024 horticulture sector report.
- Overall the value of China's fruit market declined due to a slowdown in the economy. In the first half of the year the fruit price was lower 7.8% while for the full calendar year it is expected to be down around 5%.
- Despite the contraction in the domestic fruit market, in the 9 months to September, China's imported fruit increased by 5% to nearly US$16 billion (NZ$28 billion).
- Durians have maintained their top position among China's imported fruits with a 40% share. The value of imported durians grew by 6% to reach US$6.2 billion (NZ$10.5 billion).
- The largest exporter to China is Thailand, but volumes declined in 2024 while imports from Vietnam grew from nearly zero in 2022 to US$2.45 billion (NZ$4.3bn) this year to September.
- In the 12 months to September NZ's horticultural exports to China totalled NZ$1.14 billion, up 24% on the same period last year.
- Kiwifruit and apples comprise the big bulk of NZ's fruit exports to China with 75% and 22% share respectively. Other fruits included cherries, avocados and pears.
- Fruit was one of the few major NZ food categories to see growth in China exports during this period.
- New Zealand now ranks fourth by value as a supplier of fruit to China.

KIWIFRUIT

- The large increase in the 2023/24 season in kiwifruit exports to China comes on the back of a record harvest in New Zealand which saw volume increase by around 45% to 665,000 tonnes/190 million trays. This comes after the 2023/24 season which saw production decline more than 15% due to major weather events.
- This season, China's volume share increase is around 40% which comes on top of a record volume of Zespri SunGold sold in China last season.
- Due to the larger production season, the average size profile of kiwifruit was slightly smaller which has meant an extra 50% of pieces of fruit to be sold. This large increase is a major challenge for Zespri as kiwifruit in China retail is traditionally sold by piece rather than by weight.
- This has meant an additional 500 million pieces giving a total of 1.5 billion kiwifruit. On average this is 1 Zespri kiwifruit for every person in mainland China, the first time this level of consumption has been reached.
- In the year to September, the value of NZ kiwifuit exported to China increased 25.8% to NZ$876 million. By the end of the season this is expected to reach around 30% growth and total more than NZ$1.1 billion.

KIWIFRUIT

- Continued investment by Zespri in brand development has also supported value growth in the China market. The most recent Zespri's brand tracking survey showed that consumer's unaided brand awareness has held steady at 60% in Zespri's targeted urban consumers.

- The China market has played a significant role in the increased forecast with returns in mainland China growing more strongly than other regions.

- In Zespri's November forecast for the 2024/25 season, SunGold Kiwifruit was $11.22 a tray, up from $10.68 in August, while for Green Kiwifruit the forecast was for $8.10, up from $7.80.

- At a per tray level, across the Zespri business, forecast Orchard Gate Returns (OGRs) have increased for all categories other than RubyRed, while forecast per hectare returns are now at record levels for Green and Organic Green following improved yields while maintaining strong value in the market.

- The lift in forecast OGRs reflects the strong fruit quality this season together with a record crop.

- New Zealand grown kiwifruit has a very dominant share of China's total imports at 98.5% in the 9 months to September. When Zespri's imports of Italian fruit are included the share increases to around 99.5%.

KIWIFRUIT PHYTOSANITARY PROTOCOL / EXPORT PLAN

- During Prime Minister Hipkins trade mission to China in June 2023, a kiwifruit phytosanitary protocol (now known as the 'export plan' in English) was signed after more than 3 years of negotiation.

- The export plan defines the pests of concerns to China and the process for managing cases where such pests are found. This has provided greater assurance to the development of NZ's kiwifruit trade.

- The kiwifruit export plan came into force in February in time for the 2024 season. Previously China's imports of kiwifruit were covered by the historical trade provisions of the World Trade Organisation (WTO).

- The Export Plan has resulted in a large reduction in the inspection rate of kiwifruit at the border. The visual inspection rate has fallen from 40% to around 30% while the lab inspection rate has reduced from 30% to 3.3%. This has significantly improved customer delivery times and supply chain efficiencies.

UNAUTHORISED G3

- **In August 2023 Zespri initiated legal action against a large unauthorised G3 grower and also a vendor. The defendants appealed the decision to China's Supreme Court regarding the jurisdiction where the hearing should take place. The Supreme Court's decision was that the case should be transferred to a court in the province where the grower defendant is located.**

- **The hearing is expected to start in that new jurisdiction early in 2025. An outcome in the civil case could take 18 months while the case works its way through the courts.**

APPLES

- **Apple exports to China increased to NZ$250 million, up 52.% by value and 54% by value. This follows the 2022 season which was impacted by major adverse weather events leading to lower production and reduced exports to China.**

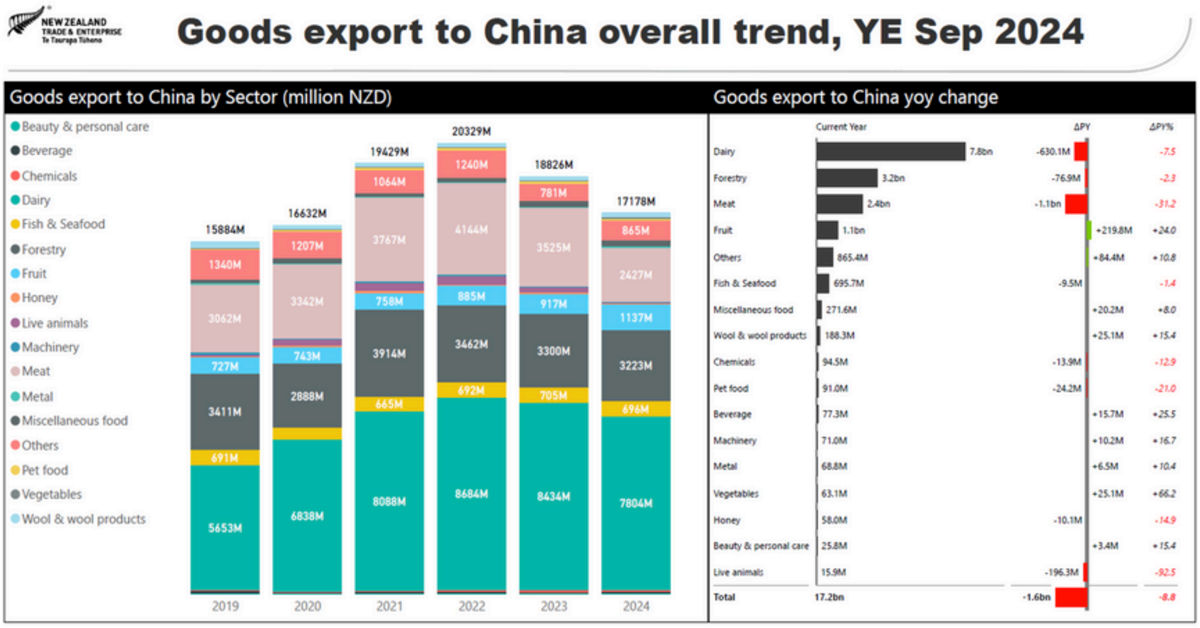
- **New Zealand apple exports to China accounted for 80% of the total value of apples imported by China.**

CHINA'S FRUIT EXPORT MARKET

- **In the 9 months to September China's apple exports grew by 16% to US$725 million (NZ$1.26 billion) while the average FOB unit value fell by 10% to US$1.11/kg (NZ$1.93).**

- **China's kiwifruit exports increased by 103% to US$25 million (NZ$43 million) , with per unit value increasing 15% to US$1.44/kg (NZ$2.50). The large percentage increase and strong unit price growth could indicate that unauthorised Zespri's G3 grown in China is now being exported. This unit price is around 36% of the unit value of imported kiwifruit which is almost all from Zespri.**

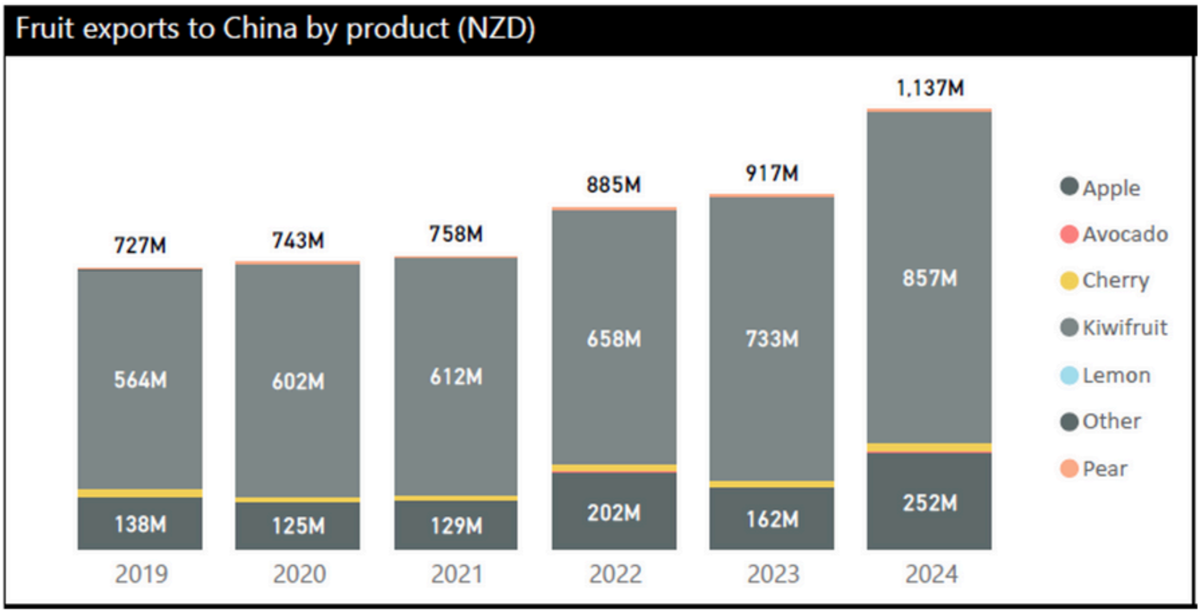
NEW ZEALAND FRUIT'S SHARE OF TOTAL EXPORTS TO CHINA YE SEP 2024



Source: Global Trade Atlas

Notes: ΔPY = Change vs. Past Year; ΔPY% = Change Rate vs. Past Year.

NEW ZEALAND FRUIT EXPORTS TO CHINA BY PRODUCT YE SEP 2024

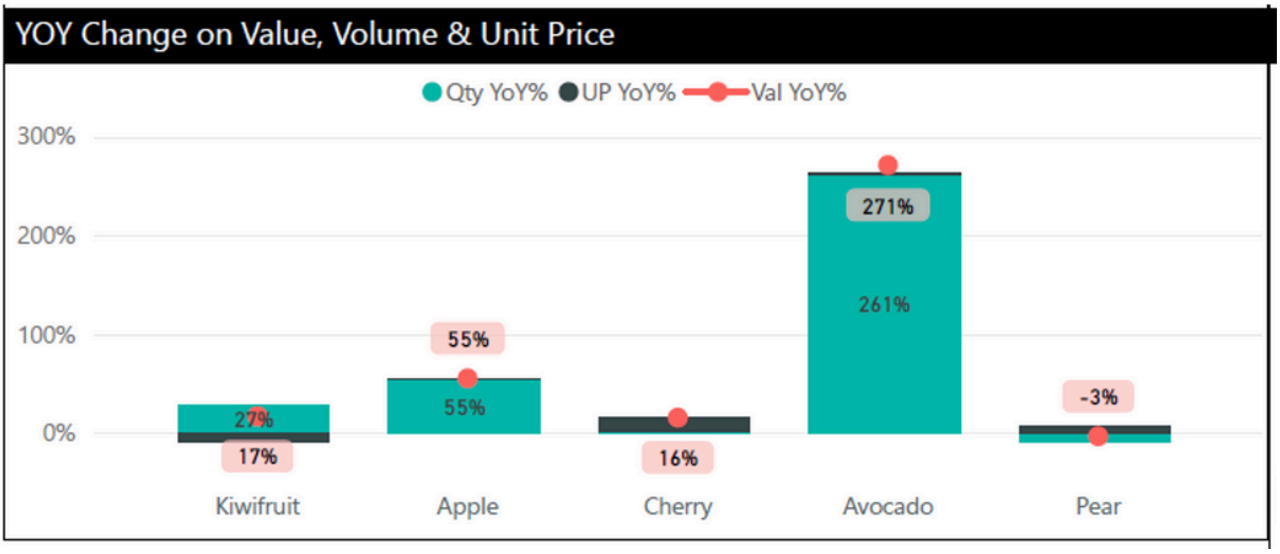


CHINA'S FRUIT IMPORT BY TOP ORIGINS (USD) YE SEPT 2024

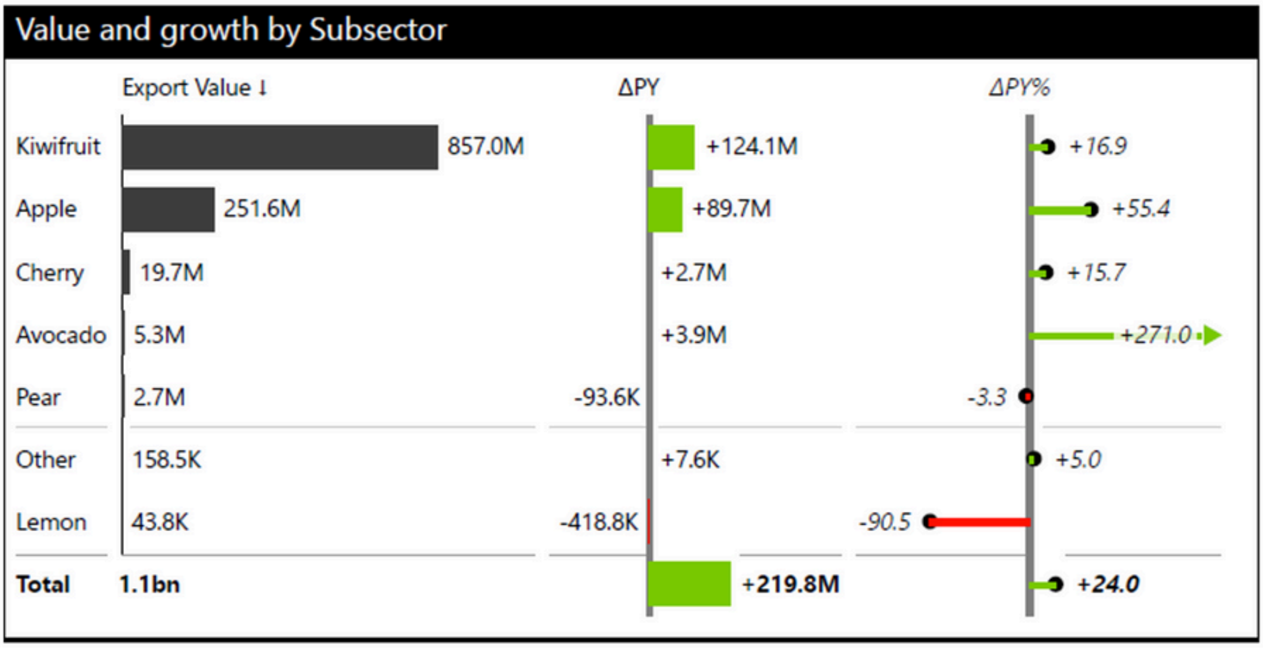
China Fruit Import by top origins (USD)

Top 5 Trade Partner	Rank by Val	Imp Val (USD)	Value Share	Imp Qty	Qty Units	Imp UP	Val ΔPY%	Qty ΔPY%	UP ΔPY%
Thailand	1	5,070M	33.0%	1,440.6M	KG	3.5	-13%	-7%	-7%
Vietnam	2	3,670M	23.9%	1,855.4M	KG	2.0	55%	36%	14%
Chile	3	3,574M	23.3%	580.9M	KG	6.2	13%	1%	13%
New Zealand	4	742M	4.8%	207.7M	KG	3.6	19%	29%	-8%
Philippines	5	483M	3.1%	699.3M	KG	0.7	-22%	-21%	-1%
Peru	6	450M	2.9%	99.5M	KG	4.5	-11%	-30%	27%
Australia	7	244M	1.6%	95.3M	KG	2.6	-9%	-6%	-3%

NEW ZEALAND FRUIT EXPORTS TO CHINA. VALUE CHANGES BY PRODUCT YE SEPT 2024



NEW ZEALAND FRUIT VALUE AND GROWTH BY SUB-SECTOR YE SEPT 2024



DATA SOURCE NZ CHINA TRADE STATUS NZTE SEP 2024 FROM GLOBAL TRADE ATLAS

Film Screening Event For Celebrating Shanghai, Dunedin 30th Anniversary of Sister City Relationship

LAWRENCE WANG

CEO of Vista Group
& Board Member of NZBRiC

Under the guidance of the Dunedin City Council in New Zealand, the "Shanghai-Dunedin 30th Anniversary of Sister Cities Film Screening Reception" was hosted by the Shanghai Film Distribution and Exhibition Association, Dunedin Economic Development Agency, and Dunedin Shanghai Association, with the co-organization of the Shanghai Art Film Alliance, on November 22nd (Friday) at the UME Xintiandi Cinema in Shanghai. A new film about the growth of a New Zealand youth became the focus of the evening. This was not just a simple movie-watching event, but also a testament to the cultural and emotional exchange between the two cities. Dunedin Mayor Jules Radich attended the event in Shanghai.

Shanghai Art Film Federation Chairman Teng Junjie gave a speech

Dunedin Mayor Jules Radich gives a speech

Since the establishment of sister city relations in 1992, Shanghai and Dunedin have engaged in extensive and in-depth cooperation in various fields, including economy, education, and technology. Through the medium of film, this time the two sides have joined hands again, aiming to open a window for each other to understand their respective cultures. The film "Uproar" screened that evening is a funny and touching new film about the growth of a New Zealand teenager. The film tells the story of an ordinary New Zealand teenager overcoming numerous difficulties and ultimately realizing his self-worth. It explores the various challenges that may be encountered on the journey of growth in a light-hearted and humorous way, while also showcasing New Zealand's unique natural scenery and cultural charm to the audience. This emotional resonance across borders allowed everyone present to feel the charm of cinema art, which knows no boundaries.

The screening of "Uproar" serves as a display of New Zealand's film art and a significant boost to the cultural exchange between Shanghai and Dunedin. It offers representatives from Shanghai's film industry a new perspective on the film production and market in New Zealand, providing fresh inspiration and possibilities for future collaboration between the two cities. The event has invited key figures from Shanghai's film sector, including producers, directors, screenwriters, and film critics, to have face-to-face exchanges with a delegation from the Dunedin city government. This serves as a platform for sharing experiences, exploring cooperation, and stimulating innovation, with the aim of promoting high-quality development in the film industries of both regions and contributing to the cultural prosperity within China's modernization process.

In addition to the exciting film screening, this event also featured a special face-to-face exchange session. Professionals from Shanghai, including producers, directors, and screenwriters, engaged in lively discussions with members of the Dunedin city government delegation who had come from afar. They delved into the current state of the film industries in both countries, future development trends, and potential opportunities for cooperation. Many participants expressed that such direct and sincere conversations help to enhance mutual understanding and lay a solid foundation for more diverse cultural exchanges in the future.

In last November, the Shanghai Film Distribution and Exhibition Association and the Dunedin City Council renewed a memorandum of friendly cooperation, which included a screenwriter exchange program, which means that in the future, more outstanding screenplays will be able to cross the Pacific, bringing a richer and more diverse storytelling experience to audiences on both sides. As the global film and television market continues to change and develop, strengthening international cooperation has become an inevitable trend. Cross-cultural exchange activities like this provide a valuable platform for promoting industry progress. From a broader perspective, this film exchange event is not only a retrospective summary of the past thirty years of friendship, but also a beautiful outlook for the infinite possibilities ahead. Just as the touching message conveyed by the New Zealand film - no matter where you are, as long as you bravely pursue your dreams, you can create your own wonderful life. Similarly, as the two cities move towards a beautiful vision together, they will also write a more glorious and brilliant historical chapter.

In summary, the "Shanghai-Dunedin 30th Anniversary of Sister Cities Film Screening Reception" not only deepened the emotional bonds between the people of the two cities but also built an important bridge for the exchange of Chinese and Western cultures. It is believed that in the future, as the areas of cooperation between the two sides continue to expand, we will witness more exciting cultural events.

NZBRiC
New Zealand Business Roundtable in China | 新西兰中国商业圆桌会

ABOUT US

The New Zealand Business Roundtable in China is a non- profit organization that brings together industry, corporate, and individual members who share a common interest in the success of the New Zealand/China trading relationship. Our goal is to promote mutual business interests and advance key trade sectors in the New Zealand and China trade relationship.

As a collaborative network of key business and government leaders in the New Zealand-China relationship, we strive to be the leading voice and advocate on New Zealand-China trade matters. Our members represent a wide range of sectors from New Zealand, including food and beverage, services, cosmetics, technology, travel, HR, FMCG, health, and more.

In the past few years, NZBRiC has focused on collaborating and supporting NZ businesses and their teams through various challenges created by ever-changing responses to the pandemic. From 2023, we have moved into our post-COVID recovery phase with an emphasis on advocacy, representation, and providing insights to our members. We are dedicated to advancing the interests of our members and promoting a successful New Zealand-China trading relationship.

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