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

NEW ZEALAND BUSINESS ROUNDTABLE IN CHINA

QUARTERLY INDUSTRY REPORT

CHINA, QUARTER 3 2024

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

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EDITORIAL TEAM

For inquiries about the NZBRiC Quarterly Industry Report or other questions, please email information@nzbric.com

MESSAGE FROM OUR CHAIR

MARK ANDERTON
NZBRiC 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 third 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

ANZ 澳新银行

ANZ Asia Economic Outlook Q3 2024

ZHAOPENG XING

Senior China Strategist

ANZ Bank

INTERNAL CIRCULATION HOLDS THE KEY

- **China's economic recovery is primarily export driven so far. As rising protectionism is threatening China's trade outlook, China counts on domestic demand to hedge against a potential downturn of exports.**
- **Despite a slew of supportive policy measures, the property market remains weak, which has resulted in sluggish household consumption, fixed asset investment and fiscal spending.**
- **We maintain our 2024 GDP forecast at 4.9%. As 5% growth is not a done deal, we continue to expect a 10bp policy rate cut in H2.**

MACROECONOMIC OUTLOOK

The improvement in China's economy is primarily export driven. Export volume increased 12.7% in the first five months of 2024, resulting in a solid trade performance. The recent surge in China Export Containerised Freight Index as well as the rising chip price indicate a sustained recovery in the external demand. We expect exports to grow 5% in USD terms in 2024 and net exports to contribute 1.0ppt to China's GDP growth. On the other hand, property woes continue to weigh on the economic outlook. New property sales fell 27.9% in the first five months of 2024, back to the level seen in 2012. New home and second-hand home prices dropped 4.3% and 7.5% y/y, respectively, in May 2024, back to the level seen in 2017. Property is a 600trn yuan problem for China. We do not expect a turnaround can be achieved without a large adjustment in home price or mortgage rate.

The property downturn – along with sluggish household consumption, fixed asset investment and fiscal spending – weakened domestic demand. In the first five months of 2024, these activities recorded growth rates well below 5%. The underperforming data had a broad impact on confidence, which then passed on to the property outlook that spiralled.

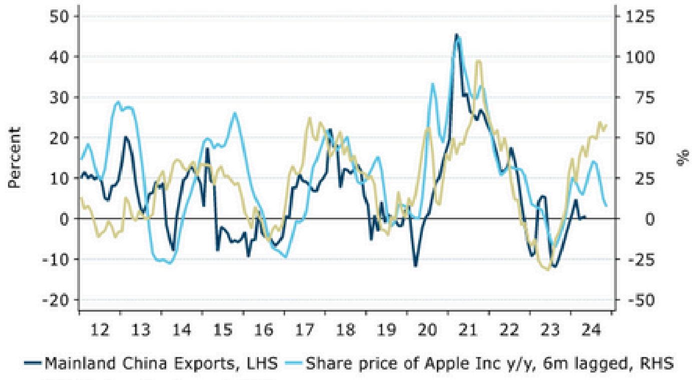
Given the capacity slack, inflation pressure is timid. PPI may decline again in Q4 2024 after a favourable low base effect in Q3 2024. CPI has risen gradually in recent months, but the main driver is from the supply side, that is, rising pork price, which jumped 16% in the first five months. The non-tradeable prices remain subdued because of the weakness in the demand side. Thus, we maintain our forecast of CPI at 0.7% and PPI at -1.5% in 2024.

The PBoC will replace quantitative policy targets with an interest rate target in future. It is unlikely that PBoC will use credit expansion to support growth going forward. The weak credit demand also reflects a methodological change by the National Bureau of Statistics in computing financial value add, which counts on net interest margin rather than gross expansion of the loan book. We expect M2 to stay around 7%.

The export-driven economic recovery is not entirely consistent with the policy preference for a domestic- driven growth. As rising protectionism is threatening China's trade outlook, the economic blueprint of the current leadership is to use 'domestic circulation' to hedge against a potential downturn of 'external circulation'.

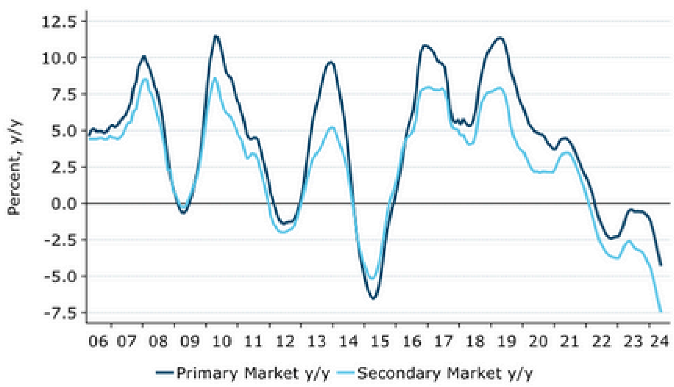
2024 is significant for policymakers: the People's Republic of China will celebrate the 75th anniversary of its founding in October. Prior to that, the Party will hold the Third Plenum of the 20th Central Committee in July. This event used to be a platform for new leadership to lay out an economic blueprint. In 2021, the authorities laid out the Vision for 2035, focusing on high-quality development instead of GDP growth. China is already undergoing a structural transitioning, notably from a property-driven growth to technological advancement and energy efficiency. The authorities will likely stick to this policy stance.

Figure 1. China's export recovery is tech driven



Source: Bloomberg, Macrobond, ANZ Research

Figure 2. Property price reaches new low



Source: NBS, Bloomberg, Macrobond, ANZ Research

MONETARY AND FISCAL POLICY

We maintain our easing bias on China's monetary policy. The delayed rate cut can be attributed to two near-term constraints: (1) the health of commercial banks' balance sheets that are depressed by the declining loan rates, and (2) the depreciation pressure on RMB exchange rate brought by the widening interest rate gap between China and the US. Therefore, we forecast a mild rate cut of 10bp. The authorities will also likely reduce deposit interest rate and required reserve ratio in H2.

China's fiscal spending is expected to pick up in H2. The lack of qualified projects amid local government financing vehicle deleveraging is the reason for the slow fiscal spending so far. The funds raised through special treasury bonds will likely be distributed in H2 to support the 5% GDP target. The leverage up of the central government will play a key role, but it is insufficient to fill the holes in the budget of local governments. The funds from state-owned enterprises will be mobilised to support growth.

INTEREST RATE OUTLOOK

We expect the 10-year treasury yield to be traded in a narrow range 2.25–2.40% in H2. The lower bound looks to be the bottom line of the PBoC, which warned to sell Chinese government bonds at that level. The upper bound will be determined by sluggish growth and inflation dynamics. The chance for a new bottom will be low, as investors have fully priced in 10bp policy rate cut. Both 1-year and 2-year tenors on the yield curve are now well below 1.80% policy rate. We expect the coming government bond supply peak to move 10-year yield away from the lower bound in H2.

EXCHANGE RATE OUTLOOK

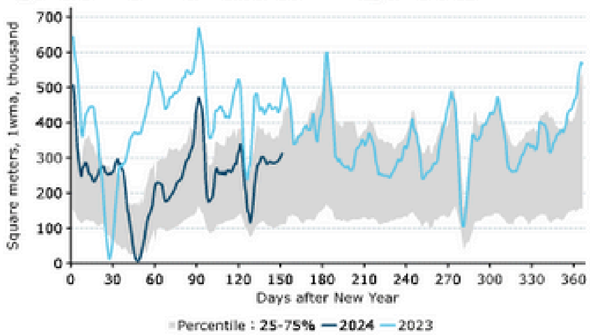
Possibility of further monetary easing by the PBoC and the wide yield differential between US and China have continued to strain CNY. Authorities have allowed the daily fixings to drift weaker to accommodate the trend of depreciation but are maintaining a broadly stable exchange rate overall.

We do not expect a large one-off depreciation, as the currency is not overvalued at present. The RMB real effective exchange rate has declined and is back to levels seen in 2014. China's exports are strong, indicating that the currency is already at a competitive level. We see CNY recovering as we get closer to the Fed easing cycle. Any escalation in US-China tensions could see CNY staying weaker than we expect.

	2019	2020	2021	2022	2023	2024f	2025f
Real GDP growth (%)	6.0	2.2	8.4	3.0	5.2	**4.9**	**4.5**
- Final Consumption (contribution, ppt)	3.5	-0.2	4.9	1.2	4.3	**2.3**	**2.4**
- Gross Capital Formation (contribution, ppt)	1.7	1.8	1.7	1.4	1.5	**1.6**	**1.5**
- Net Exports (contribution, ppt)	0.7	0.6	1.9	0.4	-0.6	**1.0**	**0.6**
Headline Inflation (%)	2.9	2.5	0.9	2.0	0.2	**0.7**	**1.5**
Core Inflation (%)	1.6	0.8	0.8	0.9	0.7	**0.8**	**1.0**
Current Account Balance (USD bn)	102.9	248.8	352.9	443.4	253.0	**313.0**	**322.0**
- as % of GDP	0.7	1.7	2.0	2.5	1.4	**1.7**	**1.6**
Overall Balance of Payments (USD bn)	-19.3	28.9	188.2	96.4	4.8	**10.0**	**20.0**
- as % of GDP	-0.1	0.2	1.1	0.5	0.0	**0.1**	**0.1**
Overall Budget Balance (CNY bn)	-2,760	-3,760	-3,570	-3,370	-4,880	**-4,060**	**-4,180**
- as % of GDP	-2.8	-3.7	-3.1	-2.8	-3.9	**-3.0**	**-3.0**
USD/CNY (end of period)	6.96	6.53	6.36	6.90	7.10	**7.20**	**7.08**
PBoC Policy Rate (%, end of period)	2.50	2.20	2.20	2.00	1.80	**1.70**	**1.50**

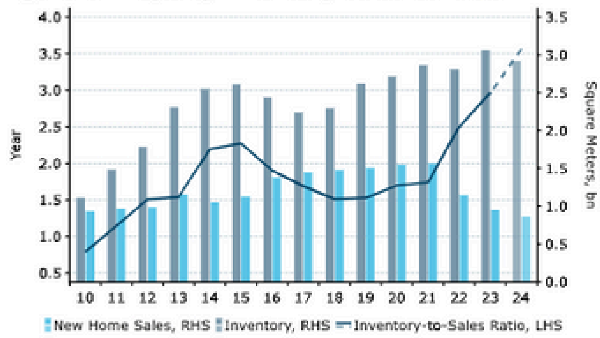
Source: Bloomberg, Macrobond, ANZ Research

Figure 3. New home sales in major cities



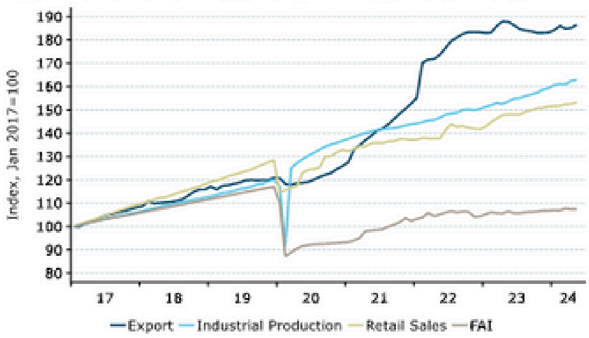
Source: Wind, Macrobond, ANZ Research

Figure 4. Property inventory-to-sales ratio



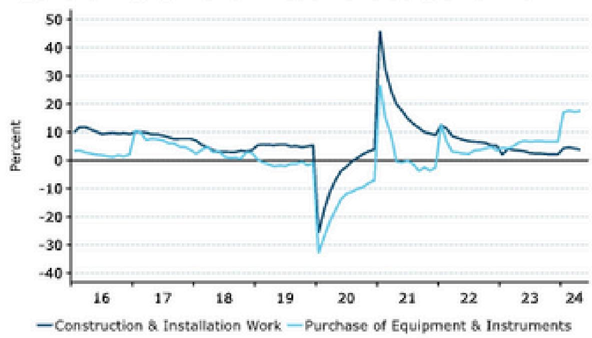
Source: NBS, Bloomberg, Macrobond, ANZ Research

Figure 5. Uneven recovery in major activities



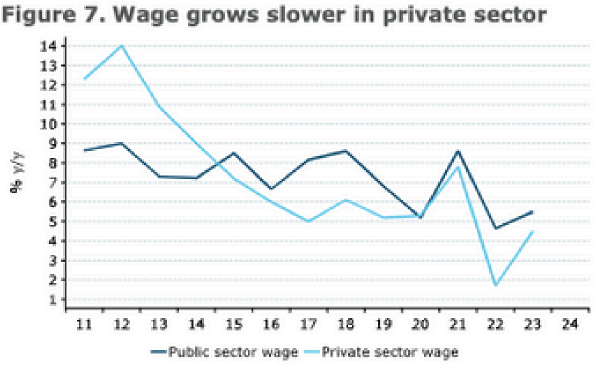
Source: NBS, GAC, Bloomberg, Macrobond, ANZ Research

Figure 6. Equipment investment outperforms



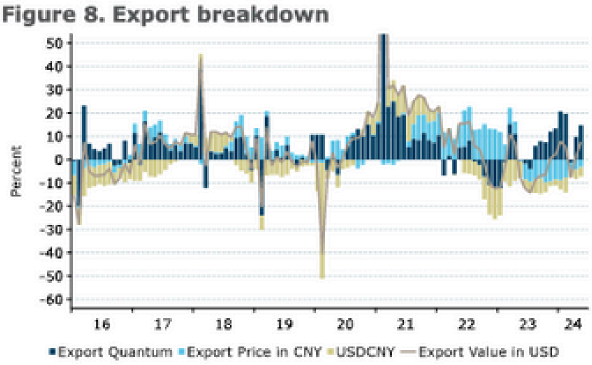
Source: NBS, Bloomberg, Macrobond, ANZ Research

Figure 7. Wage grows slower in private sector



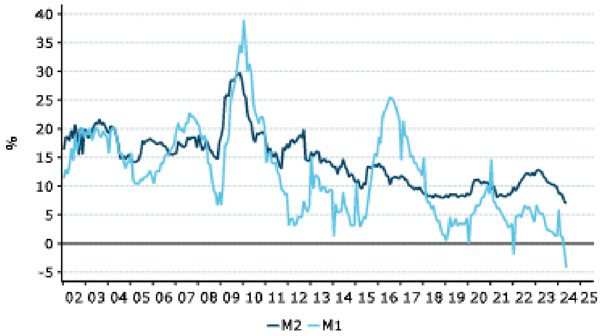
Source: NBS, Bloomberg, Macrobond, ANZ Research

Figure 8. Export breakdown



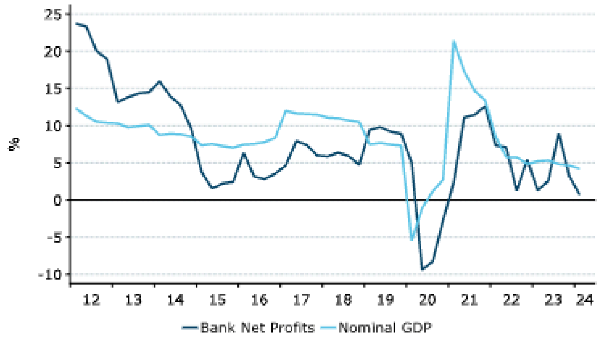
Source: GAC, CCS, Macrobond, NBS, Bloomberg, Macrobond, ANZ Research

Figure 9. Money supply is lowest in history



Source: Bloomberg, Macrobond, ANZ Research

Figure 10. Bank profit is at risk



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

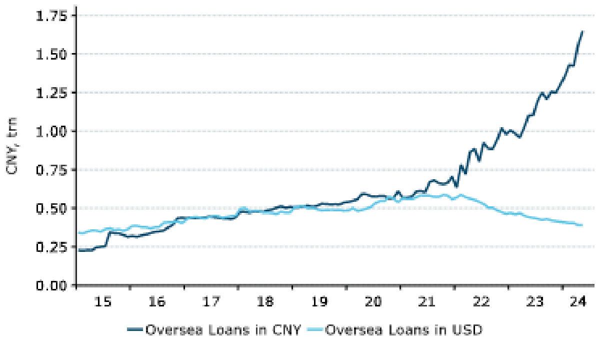
Figure 11. Property drags down long-dated yields

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

Figure 12. PBoC intervention distorts CNY forward

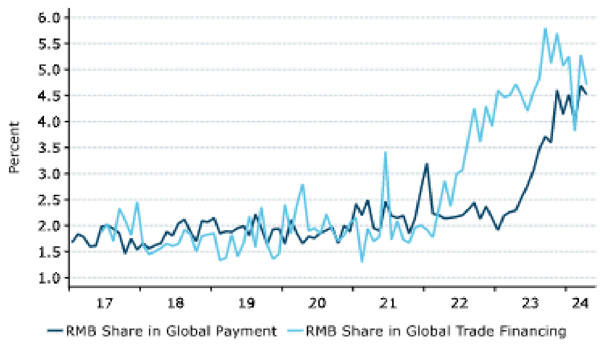
Source: Macrobond, Bloomberg, Macrobond, ANZ Research

Figure 13. Chinese banks offer more overseas loans



Source: PBoC, Bloomberg, Macrobond, ANZ Research

Figure 14. RMB share in SWIFT data



Source: SWIFT, Bloomberg, Macrobond, ANZ Research

PRIMARY COLLABORATION
NEW ZEALAND (SHANGHAI) CO., LTD
青蕨商务咨询(上海)有限公司

Q3 Review of New Zealand Business in China

DAVID BOYLE

CEO of Primary Collaboration New Zealand

Board Member at NZBRiC

Greetings.

After the plum rains in June, we have felt the arrival of the stifling Shanghai heat in July and August with the mercury soaring over the 40 degree mark on several days. At this middle point of the year, it has been a good time to take stock of our respective business performance versus annual plans, and there were varying levels of achievement, optimism, and confidence (or nervousness) amongst the teams. One thing is consistent; there is no lack of effort by our teams to make their targets. For PCNZ's brands, we have seen prices holding for apples, sagging for beef, soft for dairy and very pleasingly, uplifting for NZ Sauvignon Blanc! The lifting of various Chinese tariffs on Australian imports has however made several of our primary sectors very competitive.

The much awaited Third Plenary Session in mid-July, when the central government released its economic plans for the next 5 years, did not quite deliver the 'hoped-for' economic policy boosts. Why hoped-for? Fundamentally because consumption has slowed in China since 2023, and consumer confidence is down, however the nearest signal of any push to boost spending and consumption was a 10bp rate cut by the People's Bank of China. The Plenum's 63 policies emphasized investment in 'highly productive sectors', including hi-tech manufacturing, (EVs, semi-conductors), science and technology. China seeks not only self-sufficiency, but technological world leadership in these sectors. The plenum also noticeably de-emphasized the financial and property sectors, which have been under-performing, and dragging down the economy.

THE STATS

New Zealand exports to China enjoyed a slightly improved month in July, compared to May and June.

- New Zealand's total goods exports to China were up NZ$ 107 million (8.5%) in July, vs 2023.
- The largest rises of exports to China were fruit (up NZ$76 million) led by large Kiwifruit (up 28%) and apple shipments. Milk, and starch were up (NZ$53 million), and logs up NZ$ 52m.
- The largest falls were meat and edible offal (down NZ$83 million) and wood and waste paper were also down NZ$ 12 million.
- China is still New Zealand's largest export market by some considerable measure, buying 25.6% of our total NZ exports. To put that in context, the sum of our exports to both USA (12.7%) and Australia (12.6%), combined, does not surpass our purchases from China.

However, the broader China economy slowed in Q2, with the most significant drag being the property sector, as it has been for some time, which has affected consumer confidence.

- Real GDP growth slowed to 4.7% YoY in Q2, after 5.3% growth in Q1.
- Retail sales growth slowed to 2.7% in July, up from 2.0% in June
- Core CPI fell marginally to 0.4%
- Exports in renminbi terms rose another 5.9% in Q2, and 7% in July.
- Property sales declined 15.4% in July, worse than the 14.5 % fall in June
- Total Unemployment remains level at a tick over 5.0%

Summarily, Exports posted strong gains, while domestic demand drivers mostly softened. Retail sales remained flat, versus 2019 levels. Household disposable incomes increased only 4.5% in Q2 due to the soft labour market, which suggests a nervous resumption of the consumer spending increase which we are all looking for.

Economic growth has relied on Exports for much of this year. Even the other major economic bright spot, manufacturing investment, is to a large degree determined by export demand. External demand for China exports will probably continue to be strong in the coming months. But the risks are mounting with the possibility that Donald Trump will win the US presidency and impose additional tariffs as soon as next year. In just the last week, Canada imposed 100% tariffs on Chinese Electric Vehicle exports. China is responding with tariffs on Canadian dairy sales.

Many economic pundits postulate that most effective way to stimulate China's economy is through support to the property sector, which has been the major problem since 2019, inter-twined with layers of debt issues. But the policy package announced in mid-May is too small to have moved the needle.

OTHER TRENDS

Coverage of the Olympic Games has been widespread on CCTV, reflecting an overall trend that is seeing Chinese consumers taking to sport like never before. In particular, Douyin (TikTok) has been capitalizing on the games, enticing the millions of consumers who follow sports to also buy food, music, dance, animals' and car products, using co-branding sponsorships. In a similar vein, BYD was a sponsor of the European football Cup, replacing Germany's Volkswagen as the tournament's "e-mobility" sponsor. Sports, recreation, health and fitness themes are dominating the marketing space, and our brands are watching consumer interest in these areas.

I have been in New Zealand in the last week, talking to our Shareholder and Member companies, and presenting the NZ Business Roundtable in China's annual business survey report. One of the notable features of the survey, further corroborated by talks with kiwi businesses, is the gap in business confidence evident between NZ companies in China, and NZ companies in New Zealand, about their commercial prospects in China. Our conclusions are that for the Kiwi businesses on the ground in China, there is stronger confidence, based on a well-tuned sensitivity to frequent change which enables them to not only navigate the headwinds, but also quickly seize any new opportunities.

Surely further validation of the old adage of the value of having "boots on the ground."

Warm Regards,
David

馬鴻 MAHON CHINA

Mahon China Q3 Economic Summary for NZBRiC

DAVID MAHON
Owner, Mahon China Investment Management
Corporate Member of NZBRiC

1 **Chinese consumption is recovering slowly, but as long as real estate values and salaries fail to improve, Chinese householders will not spend as freely as they did pre-COVID. Haunted by the ballooning corporate and government debt that followed the Great Recession, the Ministry of Finance is cautious. In the recession it overstimulated the economy creating industrial surpluses and barely manageable levels of bad bank loans. Beijing is reluctant to repeat that mistake, but has gone too far in hoping the market will self-correct and consumer confidence will recover without its intervention.**

2 **Growth slowed in July and in the first half of August on a five-year CAGR basis, indicating macro growth is also slowing. The picture is not all bleak, for while export growth cooled, year-on-on-year export volumes remained firm, and will probably improve into next year. China is nevertheless unlikely to meet this year's GDP growth target of 5%- perhaps achieving 4.6% or 4.8%.**

3 **While the July Politburo meeting called for the swifter implementation of existing measures, it made no announcements of new stimulus packages. We expect the government to destock the property sector faster and lower bank reserve ratios to sustain growth, but it will need to find more creative ways to convince its citizens that the market has passed its nadir, and that the near future is bright. Published macro data has less influence on consumer psychology than how people simply feel about their economic lives.**

4 **The Chinese economy has grown over the last three decades by responding and adapting to demand and investment trends set by the world's most developed economies. Now it is setting trends itself, initially in green tech but increasingly in other fields of innovation and technology, from manufacturing robotics to synthetic biology and radio frequency communications, such as 5G and 6G. China now leads the world in 37 of the categories which key Western think tanks identify as the core 44 technologies.**

5 **China will lead the global market for electric vehicles, batteries, wind and solar technology, meeting the demand for these products that the rest of the world can no longer produce competitively onshore. Despite attempts by the US and the EU to hinder China's economic growth, this increased productivity and exporting capability will boost domestic consumer and corporate investment confidence within the next 12 to 18 months. Although there are short-term imbalances in other parts of the economy, the technology sector has the potential to bring about a significant change and enable China to become a global trendsetter rather than simply responding to manufacturing demands from the US and Europe. China already dominates global sales of electric vehicles and internal combustion engines, surpassing Japan as the world's largest vehicle exporter. Additionally, China produces five times more solar and wind power systems than the US, and twice as much as the EU and US combined.**

6 **Whatever the outcome of the US elections, Washington will keep high tariffs on Chinese technology. A Trump-Vance victory would invariably result in tougher sanctions, and while demonstrations of strategic containment may abate, US-China relations are unlikely to improve. A Harris-Walz administration would sustain trade tariffs, but perhaps Walz's long relationship with China will mean he will bring positive nuances to the fraught relationship.**

7 **Walz worked for a year in China, honeymooned here and spent the following decades working to improve understanding of the country, establishing 'Educational Travel Adventures' to facilitate study trips to China for American high school students. He has not been shy of criticising China's human rights record while serving on the Congressional Executive Commission on China, a stance that, counter-intuitively, would have earned him a measure of respect in Beijing, more than the efforts of those who simply parrot Chinese Government propaganda. Yet, given the inertia of Washington's anti-China sentiment, which is arguably stronger than any one individual could hope to change, we should not expect any major reset of US-China relations.**

8 At last months' Washington NATO summit, New Zealand Government officials restated their commitment to the ANZUS Cold War alliance, subsequently echoed by the Prime Minister in his speech at the Lowy Institute in Sydney. Washington suspended New Zealand from ANZUS in the mid-1980s after Wellington refused to accept US nuclear ships in its ports.

9 New Zealand's nuclear-free policy grew out of its resistance to French atmospheric nuclear tests in the South Pacific and became a metaphor for the 'non-allied' status that the country has maintained for 40 years. Small nations with little political agency rely on international law, the UN, the International Court of Justice, and forums such as the WTO- not the suzerainty of larger powers for their security.

10 If New Zealand were to rejoin ANZUS, let alone the AUKUS alliance, it would effectively mortgage its sovereignty for an illusion of security, just as Canberra has done over the last 15 years. It would lose the respect earned in the region over decades for its courage in negotiating each issue between historical allies and trading partners with modest independence.

11 Some in the current New Zealand Government appear to be seeking reflected power from Washington and Canberra, unaware that in exchange for this ephemera they will have to front Washington's agendas to challenge China, absorb Beijing's ire and pay a high economic price. New Zealand's leaders appear to be acquiescing to a cohort in the Wellington bureaucracy, long determined to disengage with China and focus on relations with New Zealand's former Western allies. Perhaps these bureaucrats hope to recover an aura of colonial moral and cultural superiority, or simply prefer dealing with less challenging cultures more like their own.

12 Henry Kissinger said, 'The US does not have allies, only interests.' New Zealand should consider what it has to gain by being a passing 'interest' to Washington. No American president has ever hosted a state banquet for a New Zealand Prime Minister, or discussed a free trade agreement comprehensively. Small Asia-Pacific nations should be wary of grasping at the shadows of past alliances out of fear of a bewildering present, or an uncertain future. Most Southeast Asian countries understand this, informed by their experiences pushing out colonial powers and rebuilding their nations, while maintaining relationships with equanimity with countries often in dispute with each other. Few want the US to leave the region, preferring a counterpoint to the power of China, but creating a balance rather than a struggle for hegemony.

13 If New Zealand were to join AUKUS II, Beijing may not embargo Kiwi products immediately as it did Australian barley, wine, seafood, and beef three years ago. New Zealand has maintained a respectful, frank dialogue with China for 50 years, and Beijing understands the nature of coalition governments and short election cycles. Joining AUKUS would, however, send a signal that New Zealand no longer has an independent foreign policy and now speaks for Washington, allied with it militarily against China. A great deal depends upon what the New Zealand Prime Minister says in public in the coming months.

Over time, Beijing would likely re-assess its relationship with New Zealand, the imports from which it can ultimately replace with those from other countries, albeit at much greater cost. Sources in Beijing, trade war warriors seasoned by eight years of conflict with Washington, indicate that a draft plan of tariffs and non-tariff barriers is already in place for them to implement if New Zealand shows it is committed to Chinese containment.

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.**

How New Zealand Dairy can tap into China's growing awareness for Health and Wellness

VANESSA LEUNG

Technical Associate to Fonterra Greater China CEO

In recent years, China has experienced a significant shift in its approach to health and wellness influenced by significant demographic changes such as urbanisation and a rising middle class. Additionally, the aging population has further amplified the focus on health, prompting a demand for nutritional products that support longevity and vitality. What was already a growing trend was expedited by the pandemic where the market is now forecasted to grow at a CAGR rate of 9.27% (2024 – 2028)[1].

The pandemic not only highlighted the vulnerabilities of the health and wellbeing of the Chinese population, but also led to a noticeable shift in consumer behaviour. In 2023, surveys show that health and wellbeing was the top concern of Chinese consumers, with 4 out of 5 survey participants signalling this as their top concern[2]. Many of these consumers look to address this concern through focusing on their health and nutrition by adopting a balanced and healthy diet.

This focus has been evident through the significant increased demand for functional foods amongst Chinese consumers. Products that once served merely as sustenance are now sought after for their added health benefits. Fortified cereals, beverages, and dairy products enriched with vitamins, minerals, and probiotics are at the forefront of this demand. Consumers are becoming increasingly selective, opting for items that promise more than just basic nutrition, but also contribute to overall health and well-being.

This shift towards functional foods opens the opportunity for dairy to cater to this demand. Dairy products have emerged as a key player in this shift as they are known for their rich nutritional profile. The consumption of dairy to improve health and wellness is also promoted by the Chinese government through the Healthy China 2030 initiative, where dairy is highlighted as a food that can help improve overall health, due to its rich content of calcium, protein and essential vitamins which are vital for overall nutrition. The initiative has a recommended daily dairy intake of initially 300g, but later increased to 300-500g during the pandemic by the China National Health Commission to boost immunity.

To meet this daily dairy intake, traditional dairy items such as milk, yogurt, and cheese are encouraged to be consumed as they are packed with essential nutrients crucial for maintaining bone health, muscle recovery, and boosting the immune system. New Zealand dairy, known for its high quality and nutritional value is well positioned to cater to this demand which is forecasted to increase as currently not a single city in China has achieved the recommended daily target. Even consumers in Tier 1 cities fail to meet the target on average.

However, beyond the traditional methods of consuming dairy such as milk, yoghurt and cheese, dairy also contains different components such as protein fractions, milk fats and probiotics that can cater to various functional needs such as immunity, cognition and gut health. As the Chinese market continues to evolve, companies will innovate and increase their functional food offerings to cater to these health-conscious consumers. These dairy components will be the ingredient solutions that these Chinese are looking for.

Not only is New Zealand dairy superior due to its quality and nutritional value, but New Zealand has long been recognized for its expertise in dairy production, particularly in producing specialty nutritional ingredients such as protein fractions, milk fat globule membrane (MFGM), and probiotics. This technical expertise allows New Zealand dairy producers to create high-quality, functional dairy products that align with the health trends in China. In contrast, China's domestic dairy industry currently lacks the same level of technical proficiency, creating a unique opportunity for New Zealand dairy products to take a leading position in this burgeoning market.

Sources:
1. Euromonitor International. (2024). Health and Wellness in China; Market Research Report
2. © Ipsos – Health & Wellbeing Consumer Index 2023

China Market Remains Big Draw for most MNCs- Ziwi Peak's Perspective

JAMIE ZHU
General Manager of Ziwi
Board Member of NZBRiC

1.The third plenary session of the 20th Communist Party of China Central Committee in mid-July has rolled out the reform and opening-up roadmap for the Chinese economy in the coming years. What are your major takeaways from the plenum? What are the biggest opportunities you spotted in China's new measures to deepen reform and further open up its economy? How do you plan to capitalize on these opportunities in your specific industry?

Firstly, I have observed the ambitious goals of China's economic reform and opening-up, as well as the confidence in the rapid development of the Chinese economy. Among the various measures, build a high-standard socialist market economy provides a friendly, fair, and secure development environment for foreign enterprises. As a foreign enterprise, seeing China's support and friendliness towards foreign companies presents significant opportunities for our business development.

Currently, our business focus is on first-tier, new first-tier, and second-tier cities. With the continued opening up of the Chinese economy and the ongoing improvement of the market environment, we have the opportunity to expand our market coverage into more cities and regions.

The reform and opening-up measures have created a favourable environment for the development of digital marketing, accelerating the application of digital marketing technologies and strategies, enabling us to more effectively reach target consumers and enhance our market competitiveness. This also requires our capability to implement an omnichannel growth strategy to address market changes, challenges, and opportunities.

Online, we will continue to maintain a consistent brand image, build a high-quality content matrix, and enhance brand awareness. Through refined content strategies, we can better understand the needs of pet owners and pets, as well as trends in pet care lifestyles, allowing us to develop more effective marketing strategies.

Offline, we plan to continuously expand our distribution network, leveraging the favorable conditions created by China's ongoing economic openness to enter more cities and regions and increase our market share. Additionally, we are continually enhancing our brand awareness and product experience in the Chinese market. We opened our first brand offline flagship store in May 2024, using it as a start point to expand our interactions with consumers via offline. We also plan to open more offline flagship stores in the future to cover more cities.

Moreover, the emphasis on a green economy in China's economic reform and opening-up aligns closely with our brand. As a pet food brand from New Zealand, we are committed to providing high-quality products that meet pets' natural needs. We will also follow the green development trend by continuously introducing ultra-premium pet foods to meet consumers' demand for high-quality pet products. We will introduce our newly launched product at PFA, ZIWI Peak Steam & Dried pet food, continues to adhere to our commitment to ethically and sustainably sourced raw meat and seafood, promoting sustainability and delivering pure nutrition to consumers. Through these initiatives, we look forward to better seizing the development opportunities in the Chinese market and achieving business growth and expansion.

2. In your view, how will the reform and opening-up measures rolled out at the plenum help strengthen the Chinese economy and bolster its prospects of achieving modernization? Do you think China’s new reform and opening-up blueprint will make new contributions to the world economy? If yes, how?

The reform and opening-up measures introduced at the plenary session will strengthen the Chinese economy and enhance its modernization prospects through a variety of initiatives. By continuing to uphold open policies and align with high international economic and trade standards, these measures will undoubtedly contribute to the global economy. As a foreign enterprise, we have experienced the numerous conveniences brought by these reform and opening-up measures, which have not only improved our business environment but also increased our confidence in the Chinese market.

Particularly, the simplification and acceleration of license application processes have greatly enhanced our business efficiency, allowing our products to reach the market more quickly and providing us with greater confidence and motivation in research and development new innovations. As a foreign company, we have leveraged the advantages of China’s support for digital technologies through collaboration with leading Chinese data service enterprises, driving the development of our new products and better aligning with market demands and trends.

Our successful experience in the Chinese market enables us to better understand and respond to international market changes, facilitating the coordinated development of our global business.

3. How do you view China's new reform initiatives aimed at fostering new quality productive forces, such as those to encourage industrial upgrade and technological innovation? Do you see these as opportunities or challenges for foreign enterprises, and why?

These measures bring both opportunities and challenges for foreign enterprises. With the advancement of China's technology and industrial capabilities, foreign companies may face increasing competition from local enterprises. In recent years, we have also seen a lots of new domestic pet food brands and technologies in Chinese market. However, overall, the opportunities outweigh the challenges. The current generation of pet owners, nurtured in China's advanced digital environment, is younger, more progressive in their pet-keeping philosophies, and continuously demands higher quality, technology, and innovation in products. ZIWI's product philosophy, quality, and technology align closely with these demands, making this market environment an opportunity for ZIWI.

ZIWI has consistently upheld high standards in product production, from selecting premium New Zealand ingredients and adhering to the prey-based diet philosophy that suits pets' natural tendencies to using gentle production techniques in our own factories to preserve the natural nutrients of the ingredients. Each step is designed to ensure high product quality, meeting the modern pet owner's stringent requirements for food safety and quality. ZIWI is also actively innovating and developing new products and technologies, paying close attention to consumer feedback to ensure that we continue to meet the latest market demands while maintaining high quality.

Our latest globally pioneering production technology, Z-MicroSteam™, combines gentle air drying with delicate micro-steaming. This process aims to maintain the ingredients' natural essence by delicately micro-steaming them, followed by air-drying to seal in nutrients. This innovative process not only ensures the high nutritional value and safety of the products but also significantly enhances our competitiveness in the market, meeting the expectations of pet owners for high-quality pet food.

4. While China is expanding opening-up, some are concerned that geopolitical tensions, rising protectionism and global supply chain adjustments may weaken China's attractiveness to foreign companies. What's your take? How important will China be for your global business in the coming decade? What more opening-up measures can China take to offset the impact of the complex external environment?

The reform and opening-up measures introduced at the plenary session demonstrate China's proactive stance and methods for mitigating external environmental impacts. These measures, including enhancing market openness, reducing market entry barriers, promoting international cooperation, and optimizing the business environment, reflect China's commitment and sincerity toward openness. The Chinese market is one of ZIWI's most important markets and is crucial to our global strategy. As our CEO Stuart Irvine has stated, "Deeply rooted in the Chinese market, we are dedicated to serving Chinese pet owners." In the next decade, we will continue to invest in the Chinese market, get closer to Chinese consumers and channels, and respond more flexibly and rapidly to market demands.

5. The plenary session has stressed that reform tasks laid out at the meeting shall be completed by the time the People's Republic of China celebrates its 80th anniversary in 2029. How do you expect the new reform and opening-up measures will transform the Chinese economy in the coming five years? What strategies will your company adopt to align with the expected transformation? Looking ahead, in the second half of 2024, what are your expectations for the Chinese economy? How do you think your company will fare in this evolving landscape?

Over the next five years, the new reform and opening-up measures are expected to significantly transform China's economy by fostering a high-standard socialist market economy, promoting high-quality development, and enhancing technological innovation. The focus on market-oriented reforms, combined with robust government regulation, will create a fairer and more dynamic market environment. In the second half of 2024, China's economy will continue its steady recovery and growth, driven by the ongoing implementation of reform and opening-up measures.

To align with the new reform, ZIWI will adopt several strategies. In June 2023, we established our China office in Shanghai, signifying our commitment to exploring new partnerships, and identifying more market opportunities in Chinese market. We will remain actively engaged in the Chinese market and dedicated to meeting the needs of Chinese pet owners. We will continue to invest in R&D to innovate high-quality pet food products tailored to Chinese consumer preferences. As I mentioned earlier, with the continuous opening up of China's economy and the improvement of the market environment, we can enter different cities and regions to expand our market coverage. This requires us to consistently implement an omnichannel growth strategy. Online, we will maintain a consistent brand image, establish a high-quality content matrix, and leverage digital marketing and e-commerce platforms to enhance our market presence and reach a broader customer base. Offline, we will continue to expand distribution, leveraging the trend of China's ongoing economic opening to enter more cities and regions.

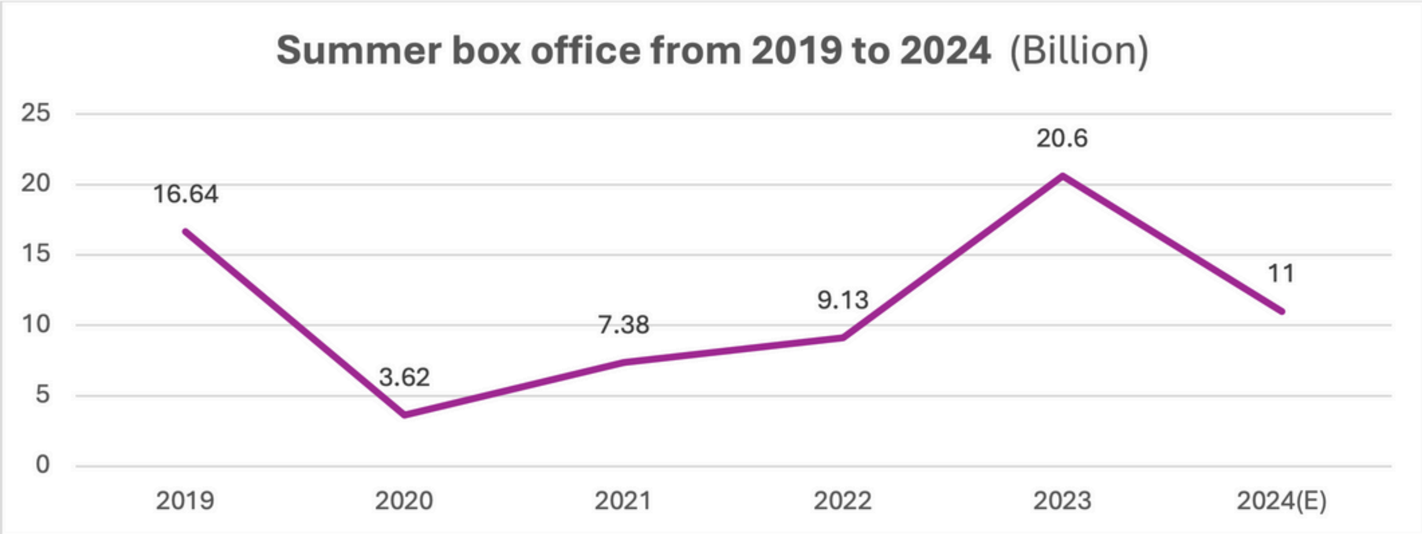
This will bring us significant opportunities, and by establishing a strong digital presence and utilizing e-commerce platforms as well as expanding offline distribution, we can effectively reach and engage with Chinese consumers, driving business growth.

Cinema, More Than Watching Movies

LAWRENCE WANG
CEO of Vista Group
Board Member of NZBRiC

OVERVIEW OF FILM MARKET IN THIS SUMMER

The expected box office for the summer of 2024 is 11 billion yuan, which is a significant decrease compared to the box office of over 20 billion yuan in the same period of 2023. The concentrated release of high-quality films that were delayed due to COVID-19 in 2023 resulted in an unusually high summer box office, while there were fewer blockbuster films in the 2024 summer season; The rise of cultural and entertainment products such as short videos and short dramas have also to some extent diverted the audience's attention, resulting in a lack of significant increase in demand for watching movies.



There is a relatively sufficient supply of films and a more diverse range of genres in this Summer. According to Lighthouse Professional Edition data, as of August 17th, 138 films have been released or scheduled for this summer season, which is basically the same as last year's summer season. The categories include drama films, animated films, science fiction film, science fiction film, documentaries, comedy films, action films, etc., which are more diverse in genre and themes, meeting the needs of different audience groups.

As of now, there are over 34 million screenings this summer, marking a 10.9% increase compared to the same period last year; the number of operational cinemas has reached 12,515, a 4.6% increase year-on-year. According to Chen Jin, a movie data analyst, up to the current point in the summer vacation, young viewers aged under 25 account for 22%, slightly higher than the 21.3% of the same period last year. Additionally, the proportion of viewers over 40, indicating a more significant demand for family movie-watching, has reached as high as 16.8%, noticeably higher than the 15.3% of the same period last year, and has also continued the upward trend for several consecutive years.

OLYMPICS IN CINEMA

During this summer, cinemas also explored diversified business models, such as the "Watching the Olympics in Cinema" event, which combines film technology with sports events through live broadcasting of Olympic games in cinemas and explores the diversified development of cinemas. The live screening of the opening ceremony of the 2024 Paris Olympics in cinemas has come to a successful end, allowing audiences to witness the grand opening of the Paris Olympics on the big screen.

According to statistics, the cinema live broadcast of the opening ceremony of the 2024 Paris Olympics covered hundreds of cinemas in multiple cities such as Beijing, Shanghai, Guangzhou, Shenzhen, and Nanjing, and audiences witnessed this historic moment for the first time through the big screen.

The successful hosting of the "Watching the Olympics in Cinema" event marks the beginning of a new round of film and television integration, providing new directions for the expansion and innovation of the cinema industry.

Through refined arrangement and reasonable combination with excellent summer movies, this event not only meets the audience's viewing needs, but also achieves the "breaking circle" effect of traditional movie audiences.

At the end of the 17-day Paris Olympics, more than 800 cinemas across the country participated in live broadcasting, with a total of over 2300 screenings and 55000 viewers. The total ticket sales amounted to nearly 2.2 million yuan. This indicates that the audience is accepting of the new trend of watching Olympic events in cinemas, and there has been a shortage of tickets for some popular events in some cities. China Film Group plans to summarize the valuable experience of the "Watching the Olympics in the Cinema" live streaming event, continue to explore related non film live streaming content, introduce various screening contents such as drama, opera, concerts, sports competitions, etc. into cinemas, and create a diverse range of live broadcasting "second scenes".

E-SPORTS IN CINEMA

Cinemas have made active attempts and explorations in live streaming of esports events.

Tencent E-Sports collaborated with 16 top cinemas across the country to hold cinema viewing events, covering 40 cities and 508 cinemas, attracting over 90 million offline exposures and nearly 130000 ticket buyers to watch the games.

Cinema watching not only provides an immersive audio and video experience, but also combines diverse consumption such as dining, shopping, and leisure, increasing the audience's brand favorability and stickiness towards the cinema.

In the LPL(League of Legends Pro League) Finals, cinemas introduced Dolby Atmos technology, enhancing the sound quality and directional sense of live broadcasts, allowing online viewers to experience a similar sound experience as offline viewers

LISTENING MOVIES

In the summer of 2024, the film industry provided a special viewing experience for visually impaired people and simultaneously released accessible versions of movies. The highly anticipated comedy film "Successor" and the Chinese animated fantasy action film adaptation "The Traveler" have both released accessible versions, which were released in theaters on July 13th and July 26th, respectively, along with the regular version. These accessible movies help visually impaired audiences better understand the plot by adding voiceover commentary between lines and sound effects.

The production of the accessible version was guided by the China Blind Association and jointly completed by Tencent, the China Braille Library, and the Shanghai Film Distribution and Projection Industry Association. It has been screened in 74 cinemas in multiple cities including Beijing, Shanghai, Ningbo, Suzhou, Chongqing, and Chengdu, achieving a "disability integration" experience where visually impaired and normal audience can watch movies together in the same theater.

In addition, Tencent has partnered with the China Braille Library to launch Tencent Video's "Barrier Free Theater", which plans to release accessible versions of over 600 film and television works in batches, further enriching the viewing options for visually impaired people. After the accessible versions of "Successor" and "The Traveler" are released offline in theaters, they will also be launched in "accessible theaters", allowing visually impaired audiences to enjoy new films at home.

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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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