



## Issue Brief

# Don't Blame China's Economy for Its Slowing Agricultural Imports

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### Economy Slipping, Food Spending Rising

China's economy is slowing. That much is understood, and it has become one of the biggest stories of the past year. Investors, central bankers, and business leaders alike have grown concerned about the fallout from China's deceleration, and how it could derail several industries globally.

Agriculture is not immune to these concerns. China is the world's largest consumer and importer of several agricultural commodities, and its slowing economic trajectory has set off alarms about whether the nation can continue to spur the demand growth that it has in years past.

Thus far, the fears have been overblown. Despite China's steady decline in real GDP growth, urban disposable incomes continue to ratchet higher at a 10 percent year-over-year (YoY) pace. Urban disposable income in 2015 is actually accelerating more than in 2014, and is on pace to match the growth of 2013. Rural incomes are improving at a much slower pace, and have recently been negatively impacted by reduced domestic crop prices.

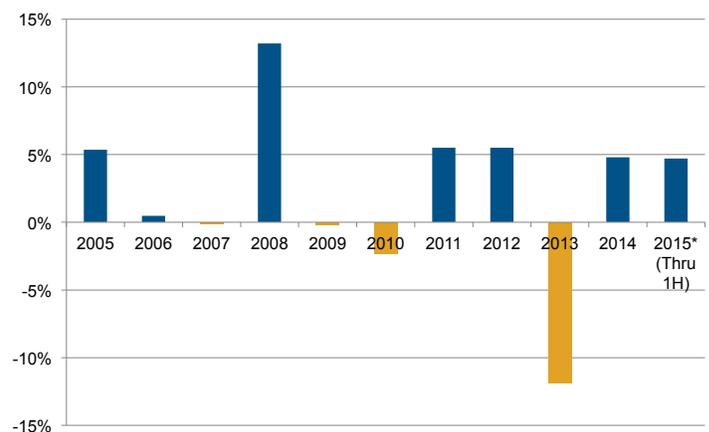
It's the urban population, however, that has moved the needle for China's food and agricultural consumption. Since 2000, China's urban population has swelled by more than 300 million people. Most of that surge has come at the expense of the rural population, which has shrunk by 200 million over the same period. China's city dwellers are also much better off financially, and are spending much

greater amounts on high-value food items such as dairy and meat products. With food inflation stripped out, urban households are spending roughly 4 percent more on food in 2015 than they did last year. (See Exhibit 1.) That figure is actually above the previous 10 year average of 2 percent annual gains.

### Will Sliding GDP Clip Food Spending in 2016?

The data indicates that food consumption in China has been largely insulated from its economic downturn. But will that change if China's economy continues to decelerate

### Exhibit 1: China Urban Household 'Real' Food Spending (Year-over-Year)



Source: National Bureau of Statistics of China