



China Retail: 2024 Review And 2025 Outlook

The Downside Risks To Revenue Multiply

S&P Global
Ratings

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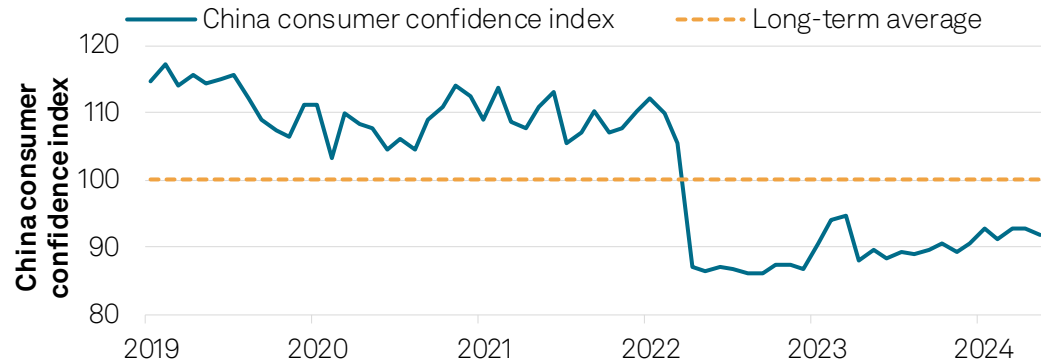
This report does not constitute a rating action

Key Takeaways

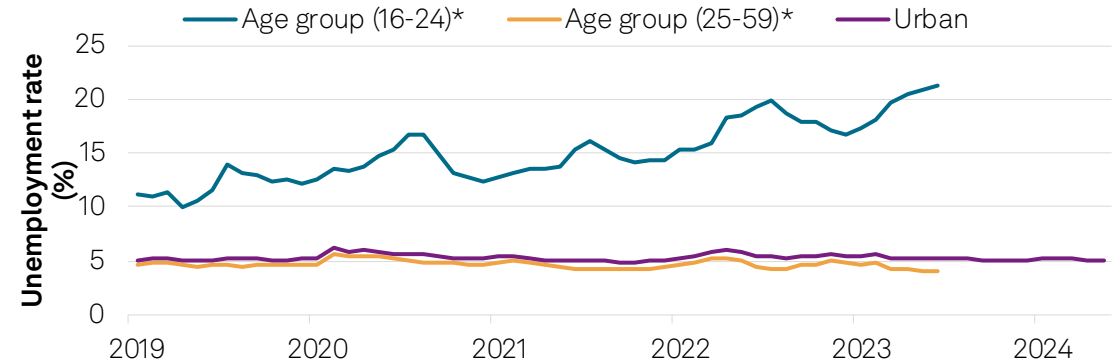
- China's retail spending growth is decelerating. We expect spending to stay tepid into the second half of 2024 and 2025.
- Soft macro conditions will likely persist, as China's weak property market and lukewarm economic outlook weigh on consumer confidence.
- Compared with 2023 where there were pockets of appetite for small-ticket luxury spending, we don't see any areas of strength this year. Trading-down dynamics have accelerated in 2024; we believe the trend will continue in 2025.
- Policies (such as trade-in programs and coupons) to have a very small, non-material boost to consumption.
- Online penetration to grow across most major categories. Investment into offline retail is geared toward creating consumer experiences, and as part of the strategy to create omnichannel platforms.
- Travel retail (particularly in the tourism-focused island of Hainan) will see more downside as retail spending per head dips and competition with outbound travel grows.
- Key risks to spending are (1) a slowdown in catering demand particularly if consumers broadly pull back from spending on services, and (2) if discretionary spending declines.

Soft Economy Weighs On Consumer Confidence

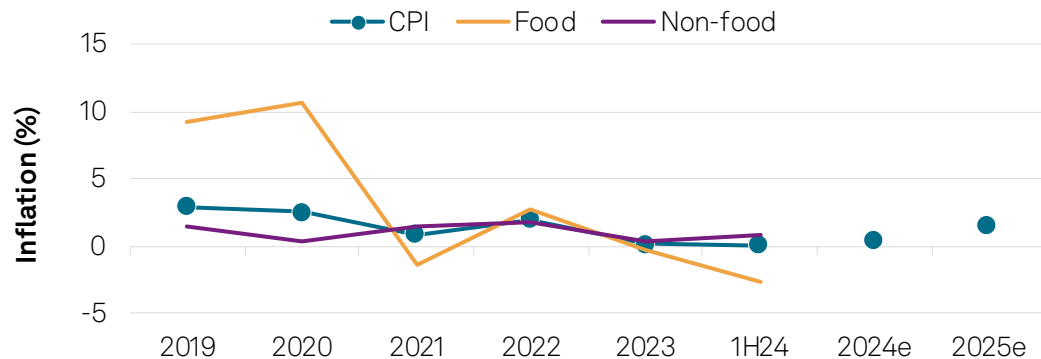
Consumer confidence to stay weak



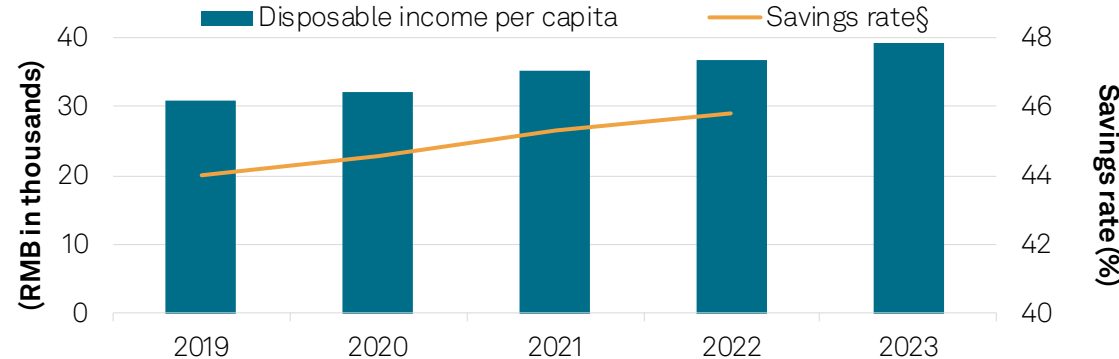
High youth unemployment adds to the lack of confidence



Soft demand and oversupply hurt food CPI



Savings are growing amid this uncertainty

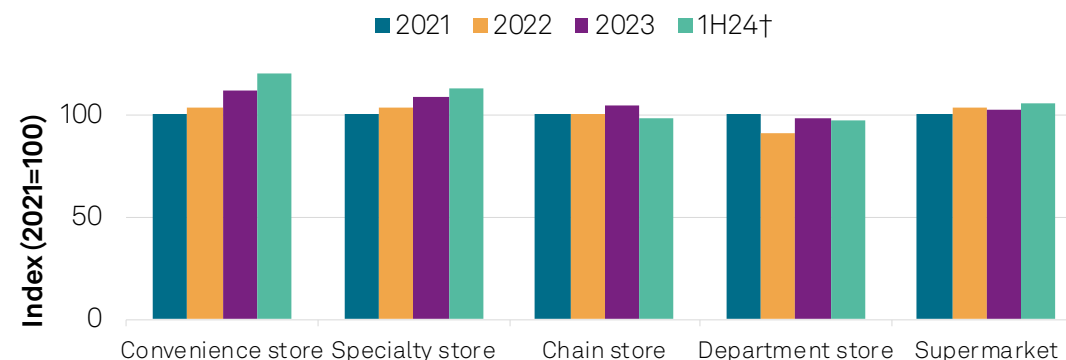


* Unemployment data by age group has not been updated by NBS since August 2023. §2023 annual savings rate is not available yet. e--estimate. CPI--Consumer Price Index. RMB--Chinese Renminbi. Source: NBS, S&P Global Ratings

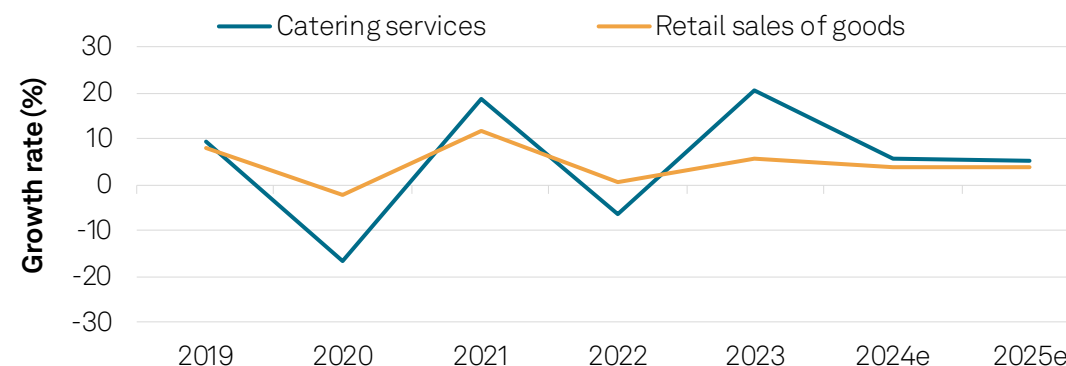
Retail Growth To Decelerate Into 2025

	China key data (%)			Change from prior forecast
	2023a	2024e	2025e	2024
GDP	5.2%	4.8%	4.6%	+0.2%
Retail sales*	7.7%	4.3%	3.8%	-0.1%
By category				
Catering	20.4%	5.6%	5.0%	-0.9%
F&B	6.3%	6.8%	5.0%	+1.8%
Apparel	11.6%	0.9%	2.0%	-3.1%
Household appliances	-2.1%	4.6%	-0.4%	-0.4%
Auto	8.5%	2.6%	3.0%	-0.9%
Others	2.8%	5.1%	5.1%	+1.1%
By channel				
Offline sales	7.2%	3.0%	2.9%	+0.3%
Online sales§	8.8%	7.0%	5.7%	-0.4%
Online penetration* §	31.8%	32.7%	33.3%	-0.1%

Sales of chain stores and department stores are declining



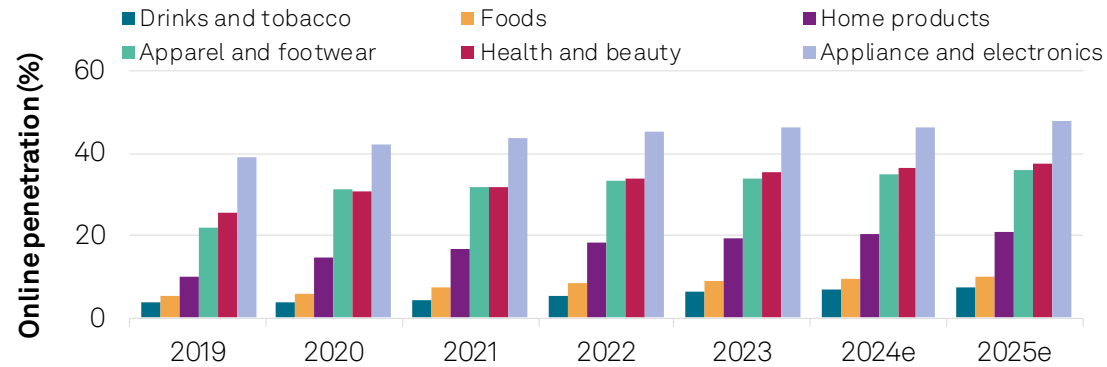
Sales of services outperform sales of physical goods



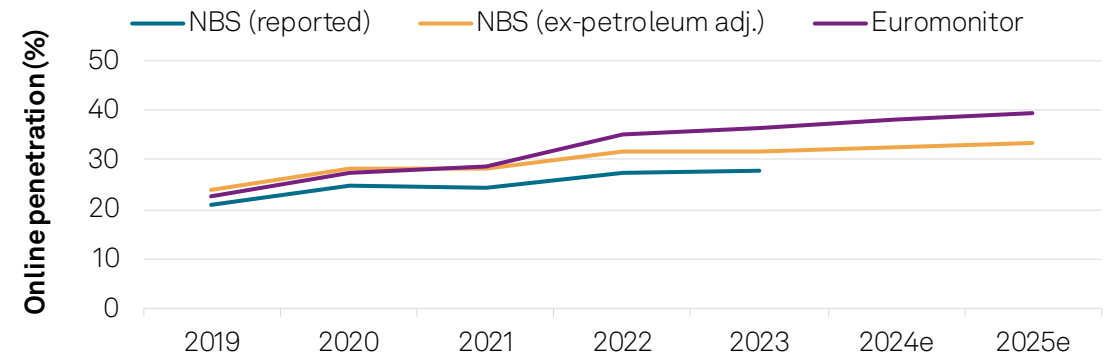
*Adjusted to exclude petroleum. §For physical goods. †1H24 index is calculated by using 1H21 as base. a--actual. e--estimate. F&B--food and beverage. Source: NBS, S&P Global Ratings.

China's E-commerce Market Continues To Take Share From Offline Channels

Online penetration is deepening across categories



Online penetration rates to grow steadily

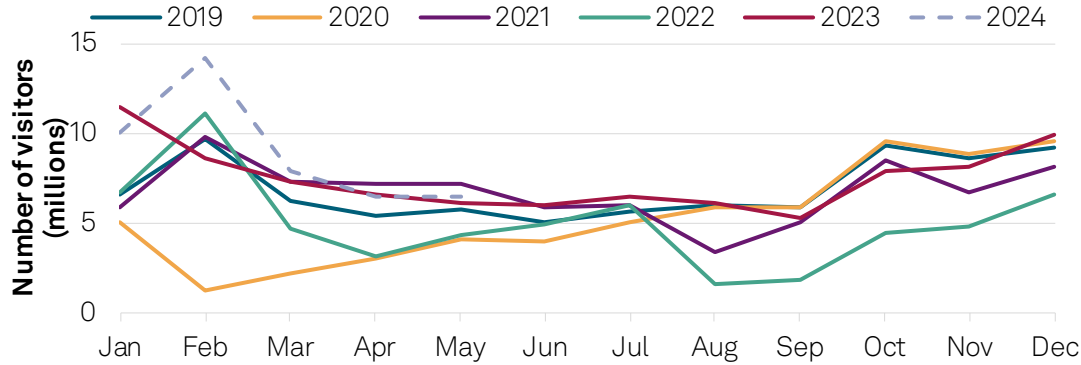


Revenue growth	2021a	2022a	2023a	2024e	2025e
Alibaba--China commerce retail revenue	42.4%	21.4%	-1.7%	4.8%*	3.3%*
JD.com--net product revenue	25.1%	6.1%	0.7%	6.0%	4.0%
Pinduoduo	57.9%	39.0%	89.7%	69.3%§	31.3%§

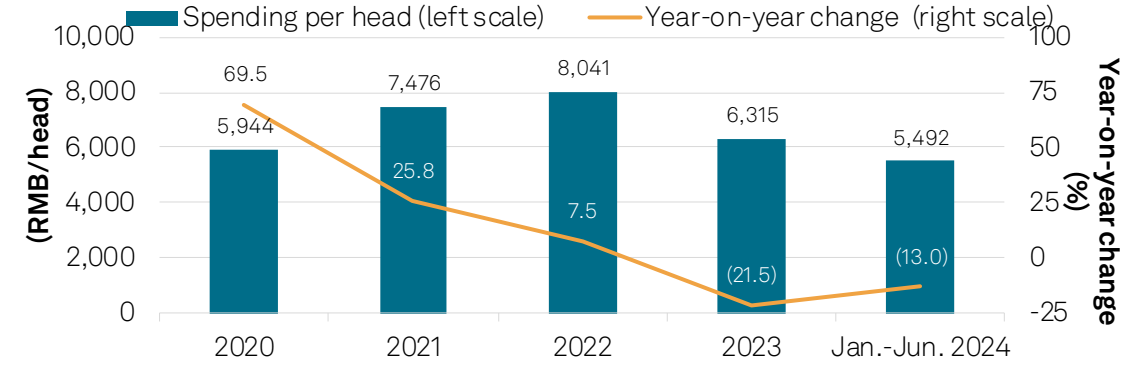
*2024 and 2025 China commerce retail revenue for Alibaba is presented in FY2024 and FY2025 financials. §Forecast consensus from Bloomberg. a--actual. e--estimate. Ex-petroleum adj.-- adjusted by excluding petroleum and related products based on NBS reported numbers. Source: NBS, Company disclosure, Euromonitor, Bloomberg, S&P Global Ratings.

More Downside For Hainan Duty-Free Sales

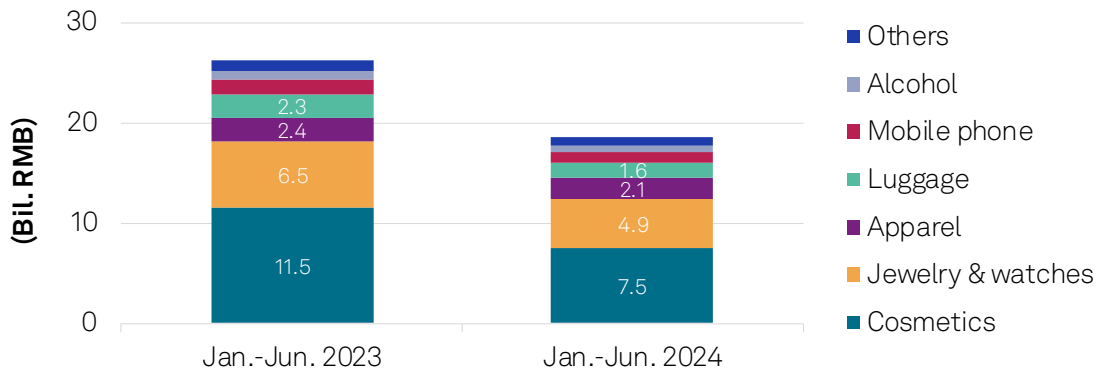
Growth in visitation is not translating into spending



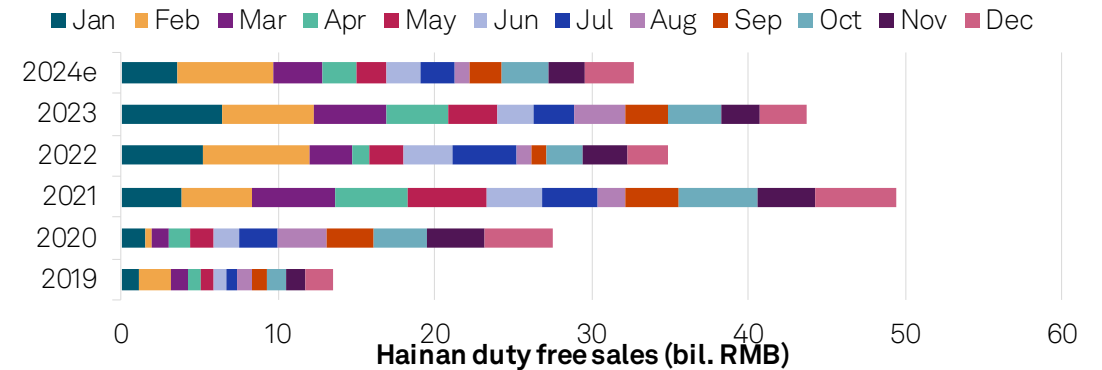
Spending per head in Hainan is trending lower



Cosmetics sales are leading declines



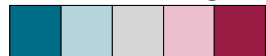
Hainan sales are down meaningfully from the 2021 peak



Bil.--Billion. RMB--Chinese Renminbi. e--estimate. Source: Hainan Province Department of Tourism, Culture, Radio, Television and Sports, Wind, Haikou Customs, S&P Global Ratings.

Revenue downside risk by sector

Low risk High risk

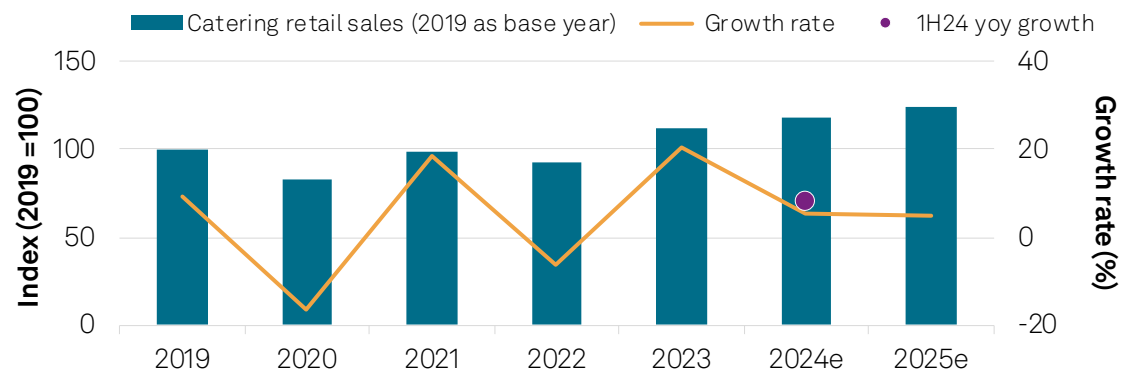


Sector	Risk factor intensity	What are the downside risks?
Catering		<ul style="list-style-type: none"> • Demand for services could slow in the second half of 2024 after 18 months of strong spending. • Dining could see reduced spending per meal as trading-down trends intensify. • Demand for deliveries could slow into 2025 as penetration growth slows.
Auto retail		<ul style="list-style-type: none"> • While the decline in average selling price should ease in the fourth quarter of 2024, such price declines could continue if competition intensifies. • New car volumes could slow further in 2025 in the absence of price cuts and subsidies for trade-ins.
Appliances		<ul style="list-style-type: none"> • A stronger pullback in demand could happen in 2025 after demand rose in 2024. • Product upgrades could slow amid weaker sentiment.
Apparel		<ul style="list-style-type: none"> • A milder seasonal change in temperature could weaken demand (particularly during winter). • Apparel is more discretionary and could see bigger declines in spending than other consumer categories.
Food and beverage		<ul style="list-style-type: none"> • Unfavorable demographics and low birth rates could hit demand faster than expected. • Product mixes are shifting to mid/mass products; this trend could accelerate as consumers trade down.

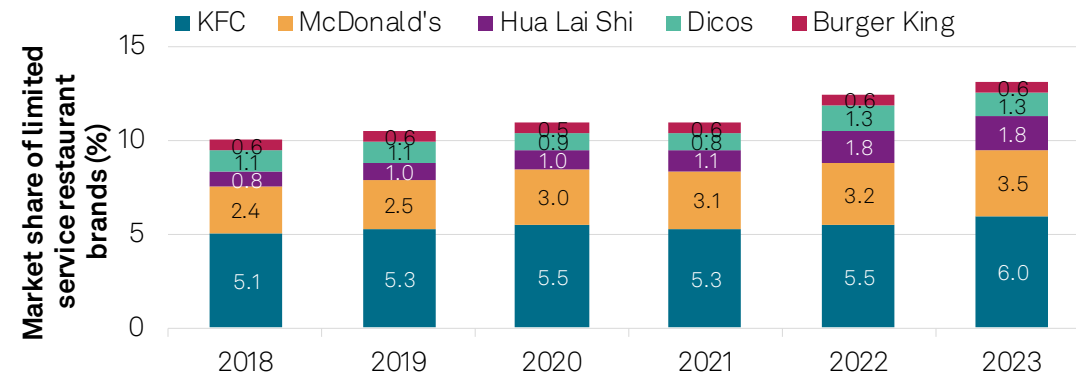
Outlook by sectors

Catering: Catering Slows As Delivery Growth Moderates

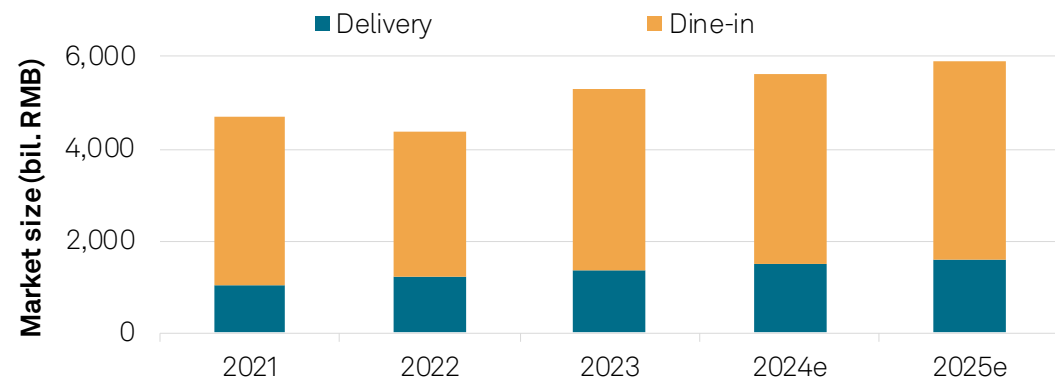
Growth to stabilize after several years of volatility



Major chains are gaining share



Food delivery sales growth outpaces dining-in receipts

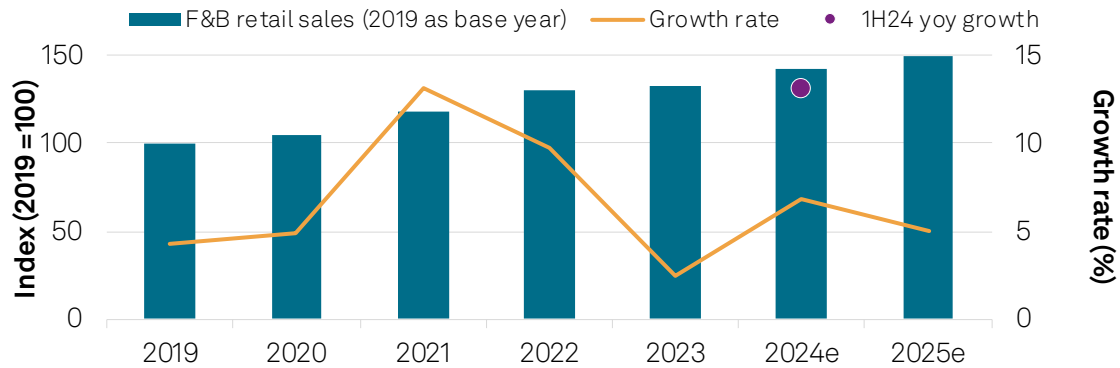


Revenue growth	2021a	2022a	2023a	2024e	2025e
Haidilao	36.0%	-20.2%	33.6%	11.8%	7.7%
Luckin	97.5%	66.9%	87.3%	41.0%*	23.0%*
Meituan	56.0%	22.8%	25.8%	14.8%	10.3%
Xiabuxiabu	12.7%	-23.1%	25.3%	8.9%*	12.1%*
Yum China	19.2%	-2.9%	14.7%	6.5%*	9.6%*

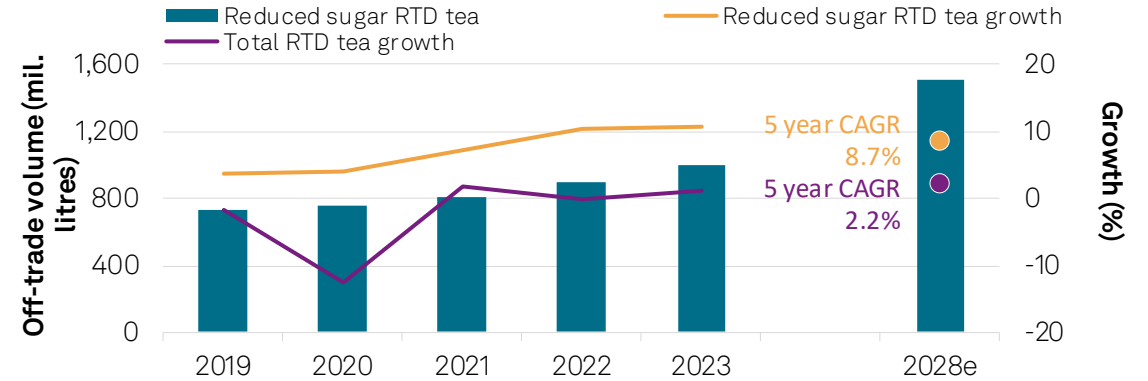
*Forecast consensus from Bloomberg. e--estimate. yoy--year on year. RMB--Chinese Renminbi. Bil--Billion. Source: NBS, Company disclosure, Euromonitor, Bloomberg, S&P Global Ratings,

F&B: Beverages And Supplements Are The Bright Spots

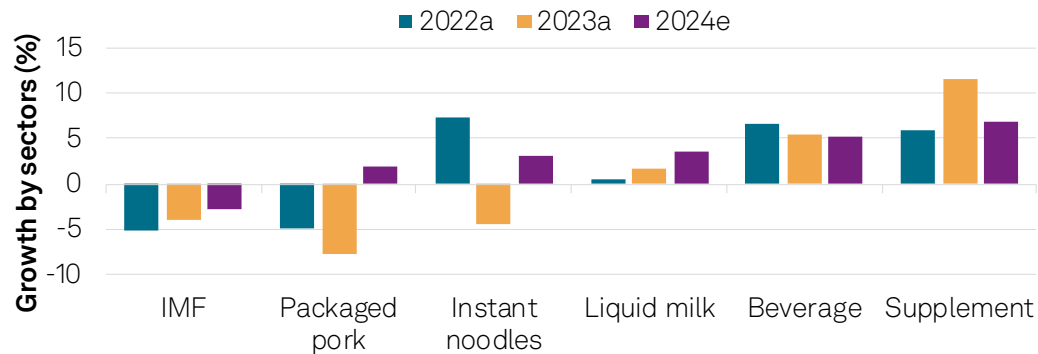
F&B demand holds up



Growth in sales for low-sugar drinks is accelerating



Sales of baby formula are declining amid low birth rates

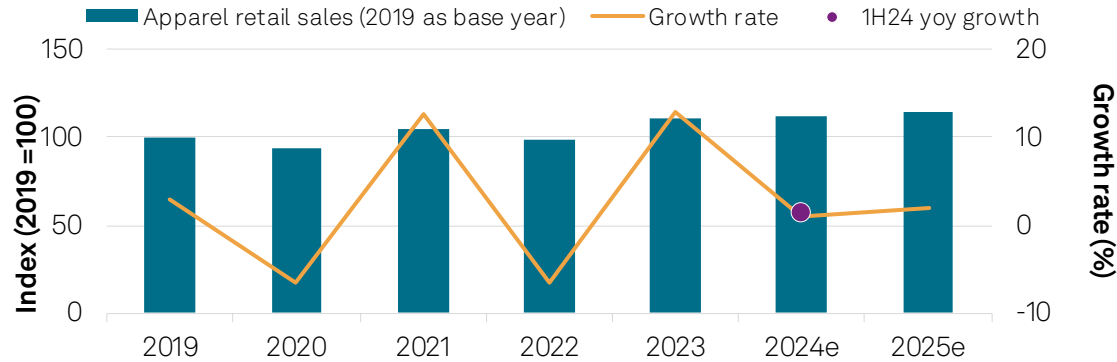


	Revenue growth	2021a	2022a	2023a	2024e	2025e
Dairy	H&H	3.2%	10.6%	9.0%	4.5%	6.6%
	Mengniu	15.9%	5.1%	6.5%	2.1%	3.5%
	Yili	14.1%	11.4%	2.5%	2.0%	3.5%
Mixed group	Bright Food	-3.1%	-8.8%	-3.6%	3.1%	3.4%
	COFCO	25.8%	11.6%	-7.5%	-4.9%	-0.3%
Beverage and noodles	Nongfu Spring	29.8%	11.9%	28.4%	14.7%*	14.4%*
	Tingyi	9.6%	6.3%	2.2%	4.3%	4.1%
	Unipresident	10.8%	12.0%	1.2%	7.0%*	5.9%*
Protein	WH Group – China	4.4%	-4.9%	-7.8%	2.0%	2.8%
	Packaged Meat					

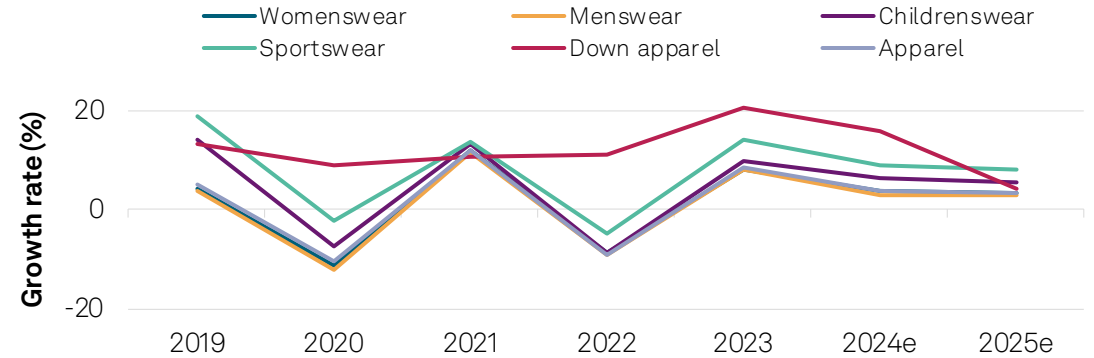
*Forecast consensus from Bloomberg. Off-trade refers to beverage sales through retail outlets other than catering channel. a--actual. e--estimate. F&B--food and beverage. yoy--year on year. Mil.--million. IMF--infant milk formula. RTD--ready-to-drink tea. e--estimate. Source: NBS, Euromonitor, Company disclosure, Capital IQ, Bloomberg, S&P Global Ratings.

Apparel: Athleisure To Propel Growth In The Category

General apparel weakness weighs on outlook



Sportswear supports apparel growth



Apparel industry breakdown by market size in 2023

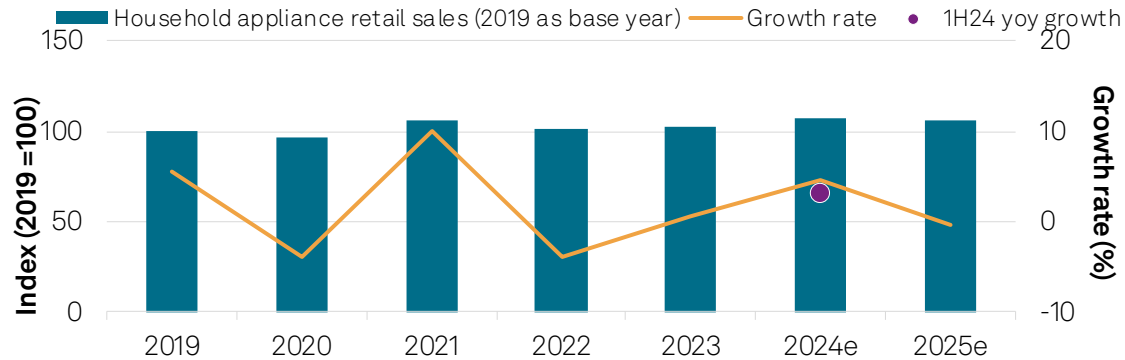


Revenue growth	2021a	2022a	2023a	2024e	2025e
Adidas – Greater China*	3.0%	-36.0%	8%	n/a	n/a
Anta	38.9%	8.8%	16.2%	13.2%†	12.4%†
Bosideng	10.9%	20.0%	3.5%	38.4%§	8.4%§
Fast retailing – Greater China*	16.7%	1.2%	15.2%	n/a	n/a
Nike – Greater China*	19.0%	-13.0%	4.0%	n/a	n/a
Vipshop	14.9%	-11.9%	9.4%	-0.4%	2.0%

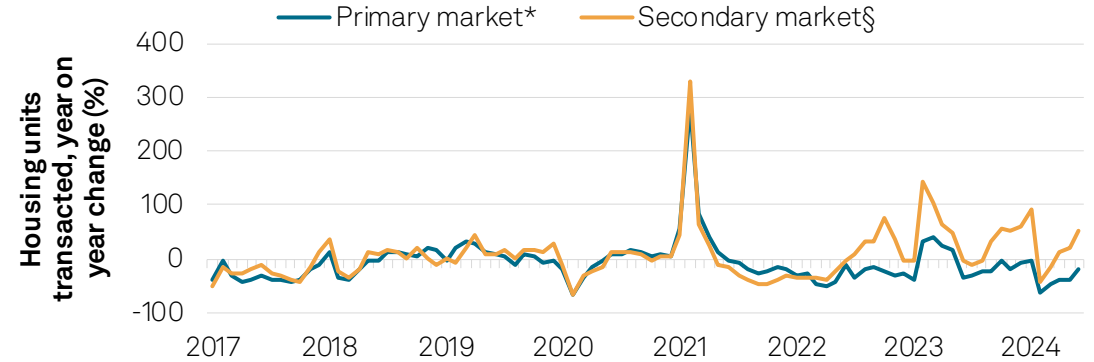
*Currency neutral change. §2024 and 2025 revenue growth for Bosideng is presented in FY Mar.2024 and FY Mar.2025 financials. †Forecast consensus from Bloomberg. e--estimate. Yoy--year on year. n/a--not available. Source: Company disclosure, Bloomberg, NBS, Euromonitor, China National Garment Association, S&P Global Ratings.

Appliance: Trade-Ins To Support A Modest Uplift In Demand In 2024

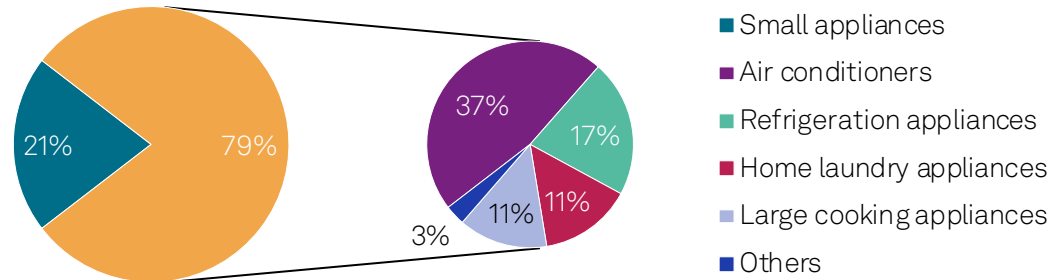
Demand is front-loaded in 2024



Subdued property market drags on home appliance demand



Appliance industry breakdown by market size in 2023

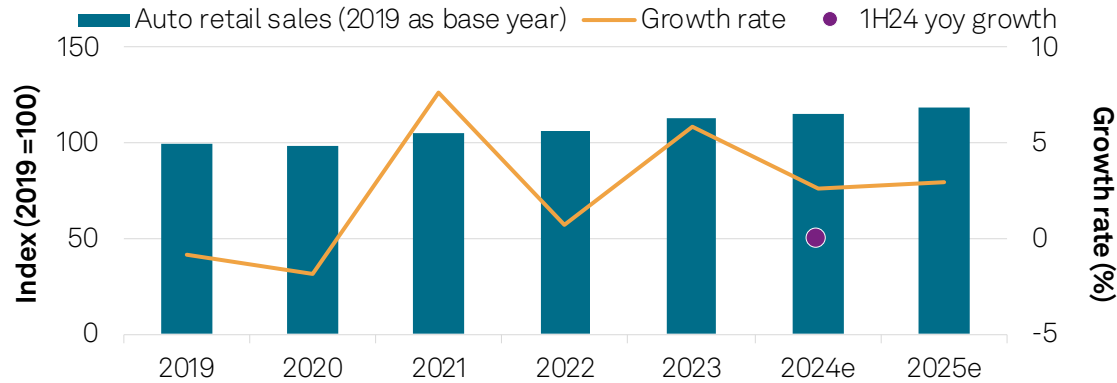


Revenue growth	2021a	2022a	2023a	2024e	2025e
Gree - Domestic	10.8%	6.2%	15.2%	n/a	n/a
Gree - Overseas	12.6%	3.3%	7.0%	n/a	n/a
Haier - Domestic	4.3%	4.4%	7.1%	n/a	n/a
Haier - Overseas	13.2%	9.9%	7.6%	n/a	n/a
Midea - Domestic	24.8%	-1.1%	9.9%	7.6%	7.3%
Midea - Overseas	13.7%	3.6%	5.8%	4.0%	4.0%

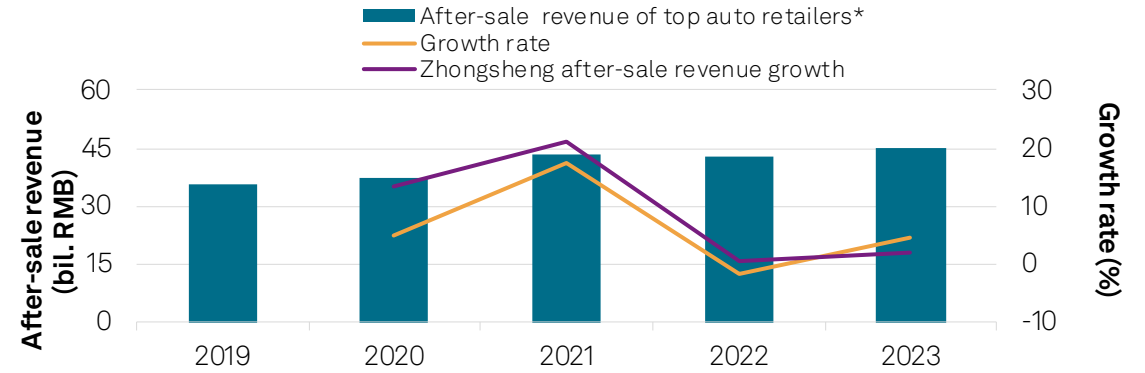
*The sample for primary market data is 30 mid-to-large cities in China. §The sample for secondary market data is 15 cities out of the 30 due to lack of data available. a--actual. e--estimate. yoy--year on year. n/a--not available. Source: WIND, NBS, Company disclosure, Euromonitor, Bloomberg, China Household Electric Appliance Research Institute, Bloomberg, S&P Global Ratings,

Auto Retail: Used Car Sales And Maintenance Revenue To Drive Growth

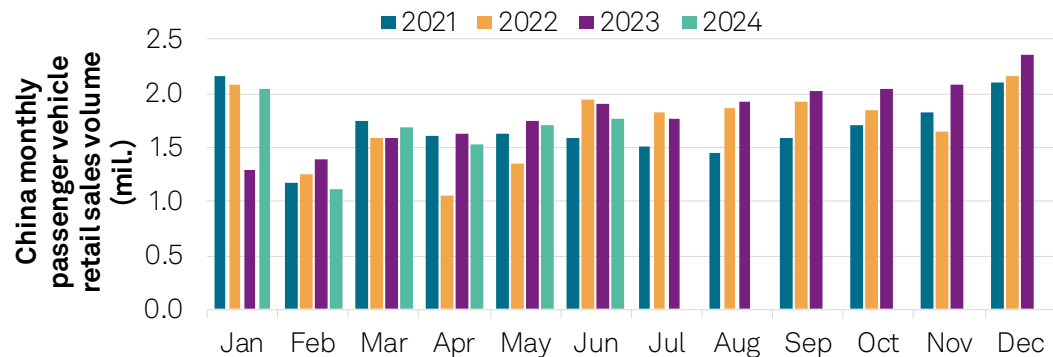
2024 sales growth to dip on lower new-car prices



The after-sales market is steady amid an autos price war



New-car sales volume is driven by price cuts and subsidies



Revenue growth	2021a	2022a	2023a	2024e	2025e
China Grand Auto	0.0%	-15.7%	3.3%	-6.1%§	-3.3%§
Yongda	14.3%	-7.6%	0.8%	-1.1%§	1.0%§
Zhongsheng	18.0%	2.7%	-0.3%	1.9%	3.7%

*Listed companies among Top 20 auto retailers in China, including Zhongsheng, Yongda, Sinomach Automobile, China MeiDong Auto and China ZhengTong Auto. §Forecast consensus from Bloomberg. a--actual. e--estimate. yoy--year on year. RMB--Chinese Renminbi. Mil.--million. Bil.--Billion. Source: CPCA, NBS, Company disclosure, CapIQ, Bloomberg, S&P Global Ratings.

Appendix

Selected Peers

China Non-China

		Financial risk profile					
		Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Business risk profile	Excellent	<ul style="list-style-type: none"> Amazon (AA-/Stable/A-1+) 	<ul style="list-style-type: none"> Walmart (AA-/Stable/A-1+) 	<ul style="list-style-type: none"> Nestle (AA-/Stable/A-1+) Coca Cola (A+/Stable/A-1) Pepsi (A+/Stable/A-1) Unilever (A+/Stable/A-1) 			
	Strong	<ul style="list-style-type: none"> Nike (AA-/Stable/A-1+) Alibaba (A+/Stable/--) Costco (A+/Stable/A-1) 	<ul style="list-style-type: none"> Target (A-/Stable/A-1) 	<ul style="list-style-type: none"> Cargill (A-/Stable/A-1) Fonterra (A-/Stable/A-2) Starbucks (BBB+/Stable/A-2) Suntory Holdings (BBB+/Stable/--) 	<ul style="list-style-type: none"> Danone (BBB+/Stable/A-2) McDonald's (BBB+/Stable/A-2) Tyson Foods (BBB/Stable/A-2) 	<ul style="list-style-type: none"> COFCO HK (A-/Stable/--) Whirlpool (BBB-/Stable/A-3) 	<ul style="list-style-type: none"> Yum! Brands (BB+/Stable/--)
	Satisfactory	<ul style="list-style-type: none"> Fast Retailing (A+/Stable/--) Midea (A-/Stable/--) JD.com (A-/Stable/--) Tingyi (A-/Stable/--) Yili (A-/Stable/--) 	<ul style="list-style-type: none"> Best Buy (BBB+/Stable/--) Mengniu (BBB+/Stable/--) H & M Hennes & Mauritz (BBB/Stable/A-2) WH Group (BBB/Stable/--) Zhongsheng (BBB/Stable/--) 	<ul style="list-style-type: none"> Bunge Global (BBB+/Positive/A-2) AB Electrolux (BBB/Negative/A-2) Darden Restaurants (BBB/Stable/A-2) LG Electronics (BBB/Stable/--) AutoNation (BBB-/Stable/A-3) 	<ul style="list-style-type: none"> Lithia Motors (BB+/Stable/--) Penske Automotive (BB+/Stable/--) 	<ul style="list-style-type: none"> Bright Food Group (BBB/Stable/--) 	
	Fair	<ul style="list-style-type: none"> Haidilao (BBB/Stable/--) Meituan (BBB/Positive/--) Vipshop (BBB/Stable/--) Bosideng (BBB-/Stable/--) 	<ul style="list-style-type: none"> Carter's (BB+/Stable/--) Uber (BB+/Positive/--) 	<ul style="list-style-type: none"> Smithfield Foods (BBB-/Stable/A-3) 	<ul style="list-style-type: none"> Health and Happiness (BB/Stable/--) 		
	Weak			<ul style="list-style-type: none"> Papa John's International (BB-/Stable/--) 	<ul style="list-style-type: none"> Grab (B+/Stable/--) 	<ul style="list-style-type: none"> Canada Goose (BB-/Stable/--) 	<ul style="list-style-type: none"> CMD (BBB/Stable/--) Burger King (B-/Stable/--)
	Vulnerable						<ul style="list-style-type: none"> CEC Entertainment (B-/Stable/--)

Ratings as of August 6, 2024. CMD--China Modern Dairy Holdings Ltd. Source: NBS, S&P Global Ratings.

Related Research

- [China Consumer Versus Global Peers: More Direct Competition In Restaurants, Apparel, Appliances](#), July 29, 2024
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- [China Consumer Versus Global Peers: Food And Beverage Firms Get A Taste For Change](#), May 8, 2024
- [China Property Watch: Searching For A Bottom](#), May 7, 2024
- [China Food and Beverage: A Soft Economy Can't Derail The Sector's Solid Growth](#), April 2024
- [China Consumer Versus Global Peers: Similar Ratings, Different Stories](#), March 6, 2024
- [China Retail Sales Will Likely Grow Slower Than GDP This Year](#), Jan. 22, 2024

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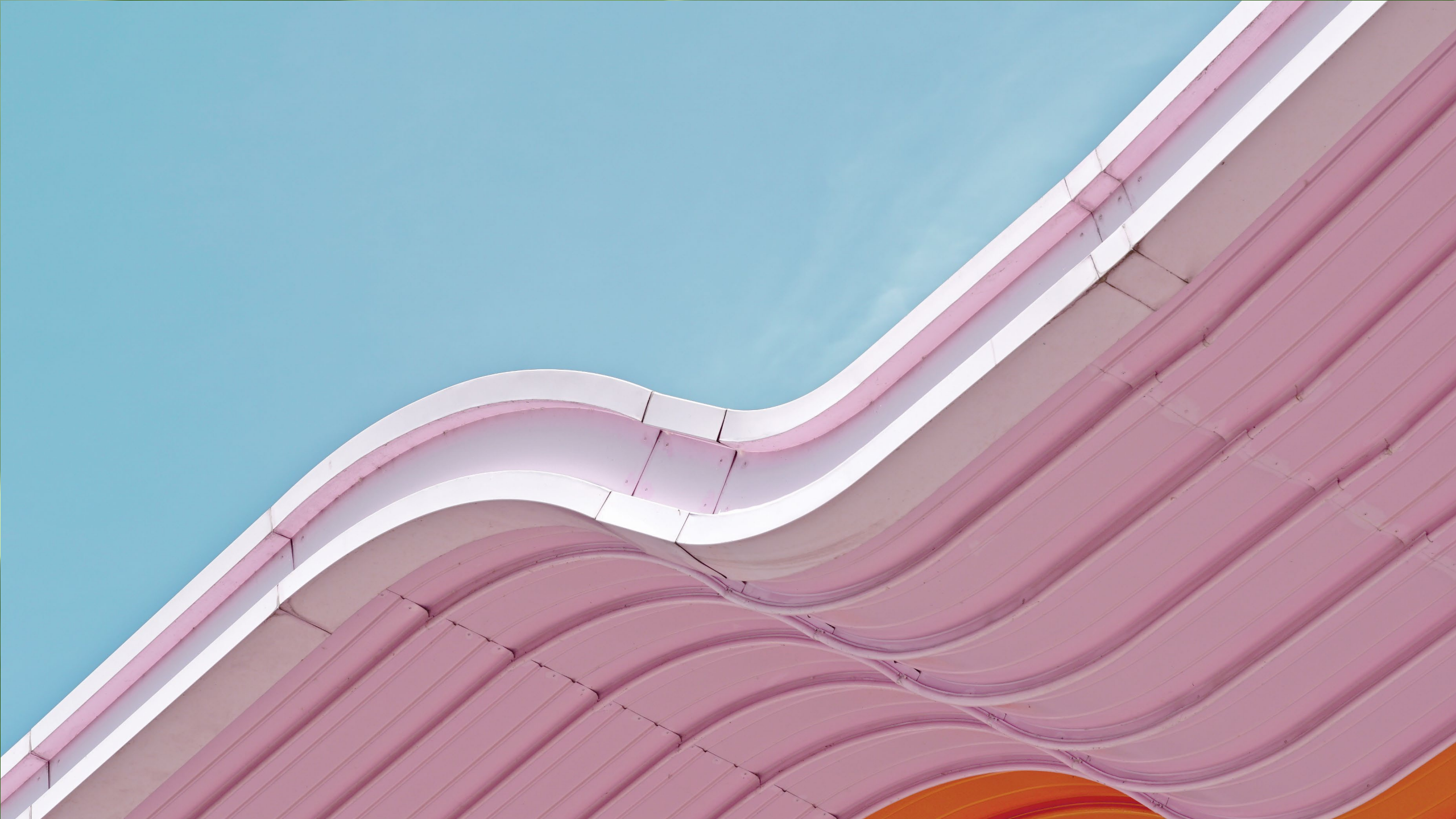
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