

# China Consumer Sector

## An inline golden week but we will stay cautious

- **We have found the retail sales during this Mid-Autumn and 10-1 National Day holiday was roughly inline with expectations.** But in terms of sub-sectors, we think the money were mostly spent on travelling and catering, rather than other consumer goods and services. **Since price wars and destocking are still in place, we do think retail discounts or GP margin have come below expectation.** Moreover, as we are still highly cautious on the sustainability of purchasing power after the holidays, we **maintain our MARKET-PERFORM rating** on the consumer discretionary sector.

1) According to the Ministry of Culture and Tourism/ 文化和旅游部, the recovery rate of domestic tourism volume/ spending during this 10-1 holidays were at 104%/ 102%, which are lower/ slightly higher than the 113%/ 95% in Dragon Boat Festival and the 119%/ 101% in 5-1 holidays. We believe such recovery rates are inline with market expectation, as more and more investors are not expecting a sequential improvement going into 2H23E. In fact, we think the traffic was a miss (if we combine numbers of 2022's Mid-Autumn festival and 10-1 holidays, the tourism volume recovery rate could have dropped to just 93%) but spending per person (a 43% YoY increase to RMB 912) was a beat.

2) We think the miss in traffic was partially due to the jump in outbound tourism, as the recovery rate of visitors to HK/ Macau have already reached about 70%/ 88% (vs 2018/ 2019), which are far better than the 60%/ 70% back in 5-1 holidays.

3) Even though the tourism spending per person was stronger than expected, we believe that does not necessarily mean the purchasing power had gone up. In contrast, we suspect more money were spent on both travelling and catering (20%+, according to Ministry of Commerce), and that could mean less money on other sub-sectors (e.g. luxury goods, AV equipment, sportswear and apparel). Noted that <2023 Mid-Autumn and 10-1 National Day holidays WeChat data report> has suggested a 46%-83% spending increase in hotels, transportation and tickets for other experience-based entertainment. Also, referring to Meituan's data, daily average spending per person had increased by 153% vs the 2019 level, and we do think this is a clear indication of robust food delivery demand, even in the post-covid era.

4) According to the Ministry of Commerce/ 商务部, retail sales growth of certain key enterprises was at 9% during this holidays and tier 1 and 2 cities are likely outperforming. Based on various official sources, retail sales (for key enterprises or commercial zones) had increased by 22%/ 8%/ 11%/ 20% in Beijing/ Shanghai/ Guangzhou/ Shenzhen and by 58%/ 20%/ 17%/ -3%/ 8%/ 10%/ 17% in Tianjin/ Chongqing/ Hangzhou/ Ningbo/ Jiangsu/ Henan/ Sichuan.

5) Movie box office was much weaker than expected, and this could also point to a weak appetite to spend. According to Beacon Professional Edition/ 灯塔专业版, the movie box office generated in this 10-1 holidays was just RMB 2.7bn, up 83% YoY, but recovered to only 54% of the 2019 level and fell a lot from the 99% in 5-1 holidays and the 30% / 87% in the 2022/ 2021 10-1 holidays. Moreover, the ASP had stayed flattish at RMB 42, compared to the 18% YoY increase during the 5-1 holidays.

- We prefer sectors like home appliances (esp. exports), tourism (esp. hotels) and apparel, more than catering and sportswear.

### MARKET-PERFORM (Maintain)

#### China Consumer Discretionary Sector

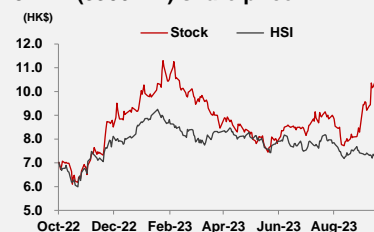
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#### Vesync (2148 HK) share price



Source: Bloomberg, CMBIGM estimates

#### JNBY (3306 HK) share price



Source: Bloomberg, CMBIGM estimates

#### Yum China (9987 HK) share price



Source: Bloomberg, CMBIGM estimates

#### Anta (2020 HK) share price



Source: Bloomberg, CMBIGM estimates

- **Sportswear sector (MARKET-PERFORM).** According to the VAT invoice data by State Administration of Taxation/国家税务总局增值税发票数据, retail sales of sports related goods and services was growing at about 27%, slightly faster than the overall retail sales growth of 21%.

Conservatively speaking, we tend to believe that the sportswear could only grow at a similar rate vs China's retail sales (about 10% to 20%). Based on our channel check, we estimate that the growth rate could be faster for brands like 361 degrees, Xtep and FILA (20% or above) but slower for Li Ning and Anta (10% or even lower).

Because of the weaker than expected sales growth (esp. domestic brands) and the relatively faster trade fair growth (the back log), de-stocking pressure could persist, hence retail discounts and GP margin would still be high and weak, plus the low SSSG that could induce operating deleverage, we are still quite cautious about the sector in 2H23E and 1H24E.

**Preference: Topsports (6110 HK, BUY) = Anta (2020 HK, BUY) > Xtep (1368 HK) = 361 Degrees (1361 HK, NR) > Li Ning (2331 HK, BUY).**

- **Catering sector (MARKET-PERFORM).** According to data from the Ministry of Commerce, we believe catering sales growth (at about 20%) is clearly outperforming the entire consumer sector (around 9%).

In terms of SSSG, catering sector's average SSSG have slowed down to 0% in Aug 2023 (from 6% in Jul 2023) due to high base. And we think that could accelerate mildly in Sep 2023 and in 10-1 holidays. But in terms of SSS recovery rate, it was stagnating at about 85% in Jun 2023 to Aug 2023 and we estimate the rate to remain stable during the 10-1 Holidays, which should be inline with the market expectations. Based on our channel check, we believe Yum China and HDL can enjoy a roughly 90% recovery rate (thanks to improved services and product quality), while that could be slightly lower for other brands.

More importantly, we do expect the price war to continue and the consumers to actively trade down their meals, then the GP margin could still be under pressure. Hence, we are still fairly neutral on the sector in 2H23E.

- **Preference: Yum China (9987 HK, BUY) > HDL (6862 HK, BUY) > Nayuki (2150 HK, BUY) > JMJ (9922 HK, BUY) > XBXB (520 HK, BUY).**

- **Tourism - Hotel sector (OUTPERFORM).** According to our channel check, we believe the RevPAR recovery rate during this mid-autumn and national day golden week may not be as strong as that in the labour day golden week. For instance, that could be at 120%+ for Atour and H-World in 10-1 holidays, while those were at 130%+ back in the 5-1 Holidays, because of less aggressive hike in room rates.

We attributed the reasons behind this soft result to: 1) drop in spending appetite, as macro environment weakens, 2) surge in outbound tourism and more money were spent overseas, 3) lengthened holidays (average spending per day could be diluted in 8 days of holidays, compared to the 5-day labour day holidays).

However, thanks to the rather conservative management guidance and already low valuation (de-rating was done in the past 2 quarters), we believe the potential downside could be limited and hence stay optimistic on the sector in 2H23E and 1H24E. We think the structural opportunity is still here (top mid to high-end hotel brands to further consolidate the China's market).

- **Preference: Atour (ATAT US, BUY) > H-World (1179 HK, NR) > JJ Hotels (600754 CH, NR) = BTG Hotels (600258 CH, NR).**

## Focus Charts

Figure 1: Key sales figures and details during 10-1 golden week

地区	行业	主要销售数据和信息	同比增长	增長率(%) vs 2019	时间	来源
全国	國內出遊人次	全国国内旅游出游人数8.26亿人次	71.3%	4.1%	中秋国庆假期前8天	文化和旅游部
全国	國內旅遊收入	实现国内旅游收入7534.3亿元	129.5%	1.5%	中秋国庆假期前8天	文化和旅游部
全国	國內出遊人次	国内游出游人数达到了7.54亿人次	78.9%		中秋国庆假期前7天	文化和旅游部
全国	國內旅遊收入	国内旅游收入6680.9亿元	132.6%		中秋国庆假期前7天	文化和旅游部
全国	國內出遊人次	全国国内旅游出游合计3.95亿人次	75.8%		中秋国庆假期前3天	文化和旅游部
全国	國內旅遊收入	国内旅游收入3422.4亿元	125.3%		中秋国庆假期前3天	文化和旅游部
全国	示范步行街客流量	示范步行街客流量	94.7%		中秋国庆假期前7天	商务部
全国	重点商圈客流量	36个大中城市重点商圈客流量	164.0%		中秋国庆假期前7天	商务部
全国	全行業	消费相关行业销售收入	21.3%		中秋国庆假期前7天	国家税务总局
全国	旅游	旅游游览服务销售	110.0%		中秋国庆假期前7天	国家税务总局
全国	住宿和餐饮	住宿餐饮服务销售	25.5%		中秋国庆假期前7天	国家税务总局
全国	文化和体育	文化和体育服务销售	45.4%		中秋国庆假期前7天	国家税务总局
全国	体育相关服务	体育相关服务销售	27.1%		中秋国庆假期前7天	国家税务总局
全国	日用品、化妆品及服装鞋帽类	日用品、化妆品及服装鞋帽类商品销售	27.5%		中秋国庆假期前7天	国家税务总局
全国	粮油食品	粮油食品销售	21.5%		中秋国庆假期前7天	国家税务总局
全国	综合零售业	综合零售业销售	25.0%		中秋国庆假期前7天	国家税务总局
全国	金银珠宝	金银珠宝销售	15.5%		中秋国庆假期前7天	国家税务总局
全国	通讯器材	通讯器材销售	16.5%		中秋国庆假期前7天	国家税务总局
全国	零售和餐饮	全国重点监测零售和餐饮企业销售	9.0%		中秋国庆假期前7天	商务部
全国	粮油食品	重点零售企业粮油食品销售	10%以上		中秋国庆假期前7天	商务部
全国	饮料	重点零售企业饮料销售	10%以上		中秋国庆假期前7天	商务部
全国	金银珠宝	重点零售企业金银珠宝销售	10%以上		中秋国庆假期前7天	商务部
全国	通信器材	重点零售企业通信器材销售	10%以上		中秋国庆假期前7天	商务部
全国	汽车	重点零售企业汽车销售	7%左右		中秋国庆假期前7天	商务部
全国	化妆品	重点零售企业化妆品销售	7%左右		中秋国庆假期前7天	商务部
全国	电影	全国电影票房收入突破27亿元	83.0%		中秋国庆假期前8天	商务部
全国	酒旅、交通、影剧演出等行业	《2023年中秋国庆微信数据报告》显示，全国酒旅、交通、影剧演出等行业日均消费金额	46%-83%		中秋国庆假期前7天	微信
全国	全行業	全国服务零售日均消费规模	153.0%		中秋国庆假期前7天	美团

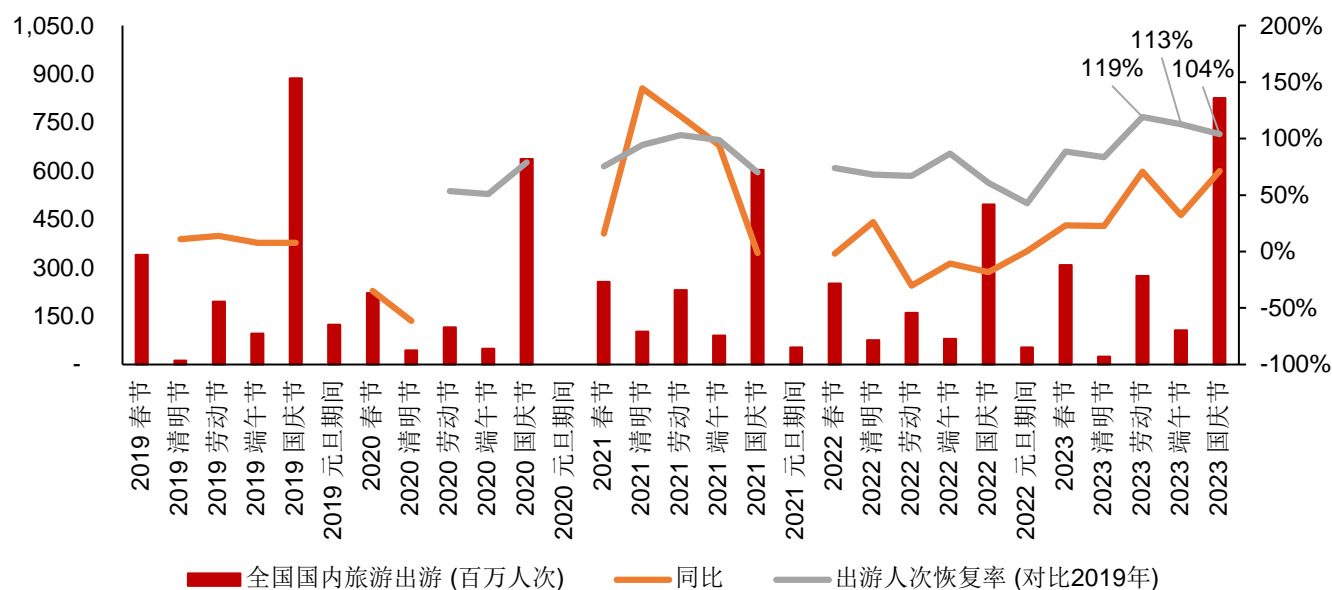
Source: State Administration of Taxation/ 国家税务总局增值税发票数据, Ministry of Commerce/商务部, CMBIGM estimates

Figure 2: Key sales figures and details during 10-1 golden week

地区	行业	主要销售数据和信息	同比增长	增長率(%) vs 2019	时间	来源
上海	客流量	35个重点商圈进店线下客流总量达到3789万人次	34.6%	19.8%	中秋国庆假期前7天	消费大数据监测
上海	客流量	8天长假期间本市共接待游客2129.67万人次，主要旅游景区景点累计接待游客925万人次	25.0%		中秋国庆假期前7天	上海旅游大数据
广州	客流量	“双节”期间，天河路商圈客流量超1200万人次；北京路商圈客流量380万人次	71.8%		中秋国庆假期前7天	广州市商务局
深圳	客流量	“双节”假期期间，深圳市重点监测的商圈客流总量	122.0%		中秋国庆假期前7天	深圳市商务局
天津	客流量	据监测的496家商贸企业数据显示，假期8天累计客流1810.2万人次	87.0%		中秋国庆假期前8天	天津市商务局
北京	百货、超市、餐饮	百货、超市、专业专卖店、餐饮和电商等企业实现销售额92.7亿元	21.8%		中秋国庆假期前7天	北京市商务局
上海	全行业	长假8天步行街36家样本企业销售额合计6.1亿元	7.9%		中秋国庆假期前8天	上海市商务局
上海	全行业	上海地区吃、住、行、游、购、娱等全要素旅游消费交易总金额为292.38亿元	29.7%		中秋国庆假期前7天	银联商务大数据
广州	全行业	万博商圈客流量近300万人次，同比增长6%，销售额约1.7亿元	11.0%		中秋国庆假期前7天	广州市商务局
深圳	全行业	“双节”假期期间，深圳市重点监测的商圈销售据监测的496家商贸企业数据显示，假期8天累计	19.8%		中秋国庆假期前7天	深圳市商务局
天津	全行业	销售30.9亿元	57.8%	9.1%	中秋国庆假期前8天	天津市商务局
重庆	全行业	重庆市重点商圈消费总额	19.9%	13.0%	中秋国庆假期前7天	重庆市商务委
杭州	全行业	杭州市全市消费总金额为237.53亿元	17.2%	13.9%	中秋国庆假期前7天	杭州市商务局
宁波	全行业	重点监测的50家样本企业累计销售总额13.81亿元	-3.4%	21.2%	中秋国庆假期前8天	宁波市商务局
江苏	全行业	重点商贸流通企业累计实现销售额约71.5亿元	7.6%	12.3%	中秋国庆假期前8天	江苏省商务厅
河南	全行业	重点监测的360家零售和餐饮企业累计实现销售总额31.33亿元	9.7%	14.4%	中秋国庆假期前8天	河南省商务厅
四川	全行业	全省550家重点商贸流通企业累计实现销售额(营业额)58.8亿元	16.9%	19.8%	中秋国庆假期前8天	四川省商务厅
广州	餐饮	据重点监测企业和平台大数据测算，全市住宿餐饮消费约45亿元，同比增长超15%。	15.0%		中秋国庆假期前7天	广州市商务局
重庆	餐饮	重点监测餐饮企业销售	30.3%		中秋国庆假期前7天	重庆市商务局
杭州	餐饮	重点监测餐饮企业销售	19.3%		中秋国庆假期前7天	杭州市商务局
武汉	餐饮	重点监测餐饮企业销售	16.3%		中秋国庆假期前7天	武汉文化和旅游部
重庆	餐饮	餐饮行业营业额	29.2%	13.4%	中秋国庆假期前7天	重庆市商务委
杭州	餐饮	餐饮消费金额为32.78亿元	59.4%	43.4%	中秋国庆假期前7天	杭州市商务局
河南	餐饮	重点监测的15家餐饮企业累计实现营业收入772.5万元	42.7%	24.3%	中秋国庆假期前8天	河南省商务厅
四川	餐饮	重点监测的152家餐饮企业实现营业额14.9亿元	23.6%		中秋国庆假期前8天	四川省商务厅

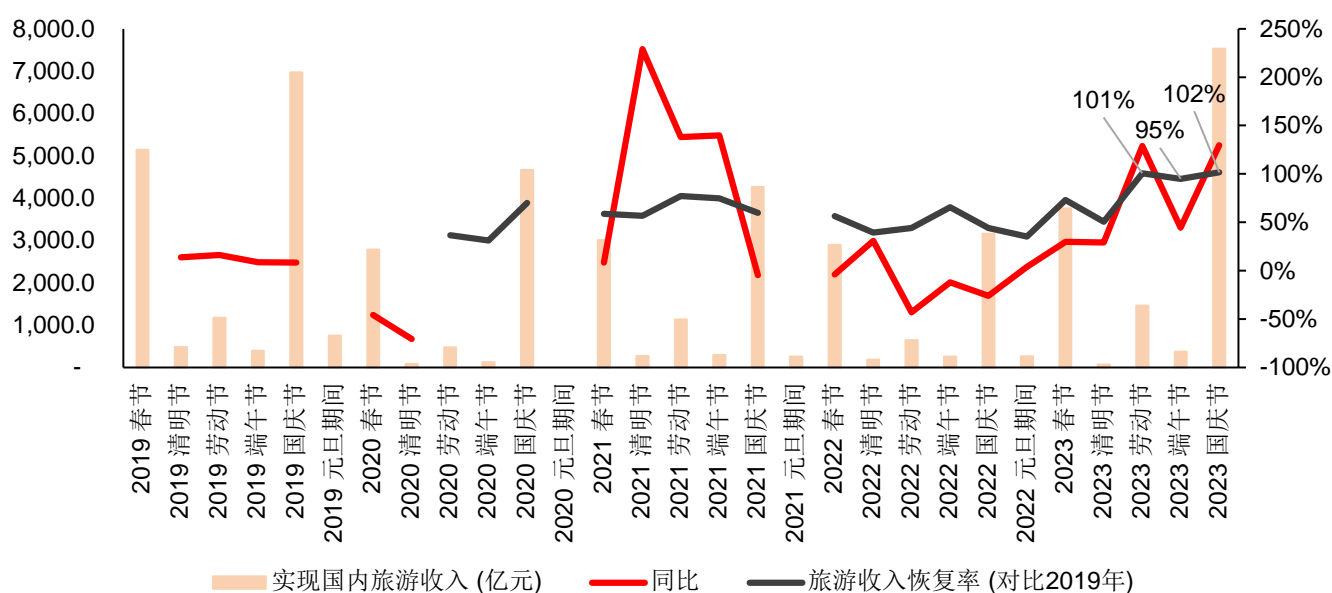
Source: State Administration of Taxation/ 国家税务总局增值税发票数据, Ministry of Commerce/ 商务部, CMBIGM estimates

Figure 3: Domestic tourism volume, growth and recovery rate (vs 2019) in different holidays



Source: Ministry of Culture and Tourism/ 文化和旅游部, CMBIGM estimates

Figure 4: Domestic tourism spending, growth and recovery rate (vs 2019) in different holidays

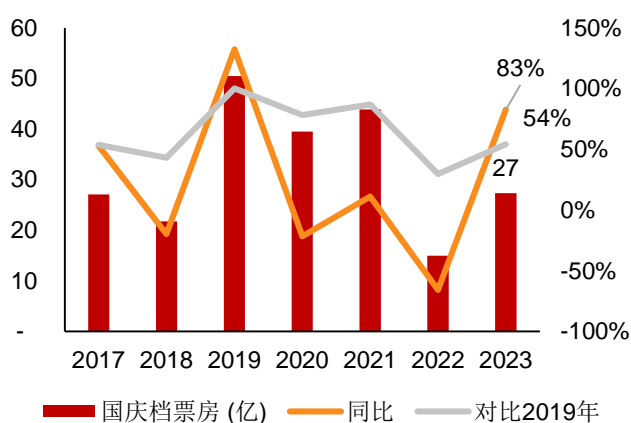


Source: Ministry of Culture and Tourism/ 文化和旅游部, CMBIGM estimates

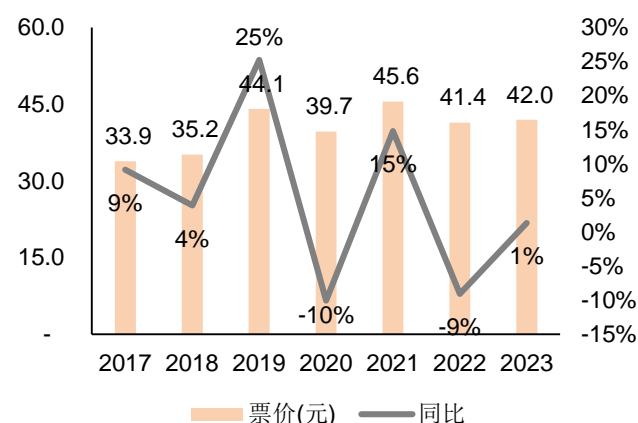
**Figure 5: Domestic tourism volume and spending, growth and recovery rate (vs 2019)**

Length	7 days	8 days	7 days	8 days
Year	2019	2019	2023	2023
Date	1 Oct 2019	1 Oct 2019	1 Oct 2023	1 Oct 2023
Festival	国庆节	中秋+国庆节	国庆节	中秋+国庆节
Domestic tourism volume (mn)	782	887	754	826
YoY			79%	71%
vs 2019 level (CMBI est.)			96%	93%
vs 2019 level (official)				104%
Domestic tourism spending (RMB bn)	650	697	668	753
YoY			133%	130%
vs 2019 level			103%	108%
vs 2019 level (official)				102%

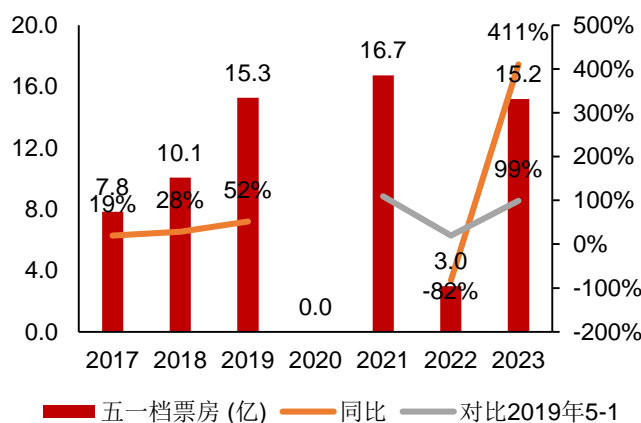
Source: Ministry of Culture and Tourism/ 文化和旅游部, CMBIGM estimates

**Figure 6: Movie box office, growth and recovery rate (vs 2019) during 10-1 golden week**

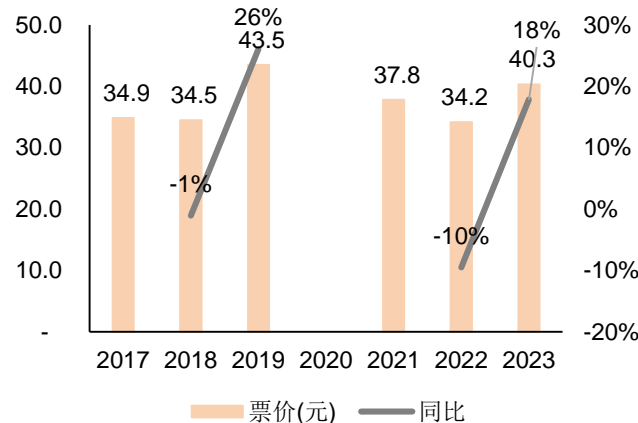
Source: Beacon Professional Edition/ 灯塔专业版, CMBIGM estimates

**Figure 7: Ticket size and growth during 10-1 golden week**

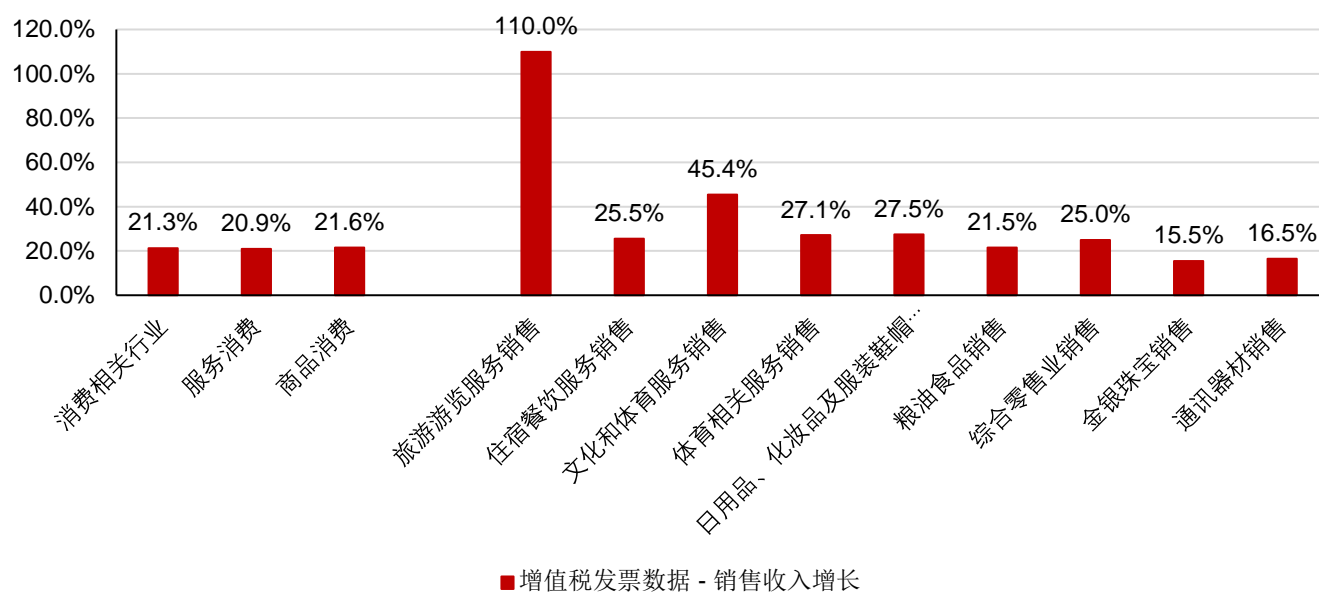
Source: Beacon Professional Edition/ 灯塔专业版, CMBIGM estimates

**Figure 8: Movie box office, growth and recovery rate (vs 2019) during 5-1 golden week**

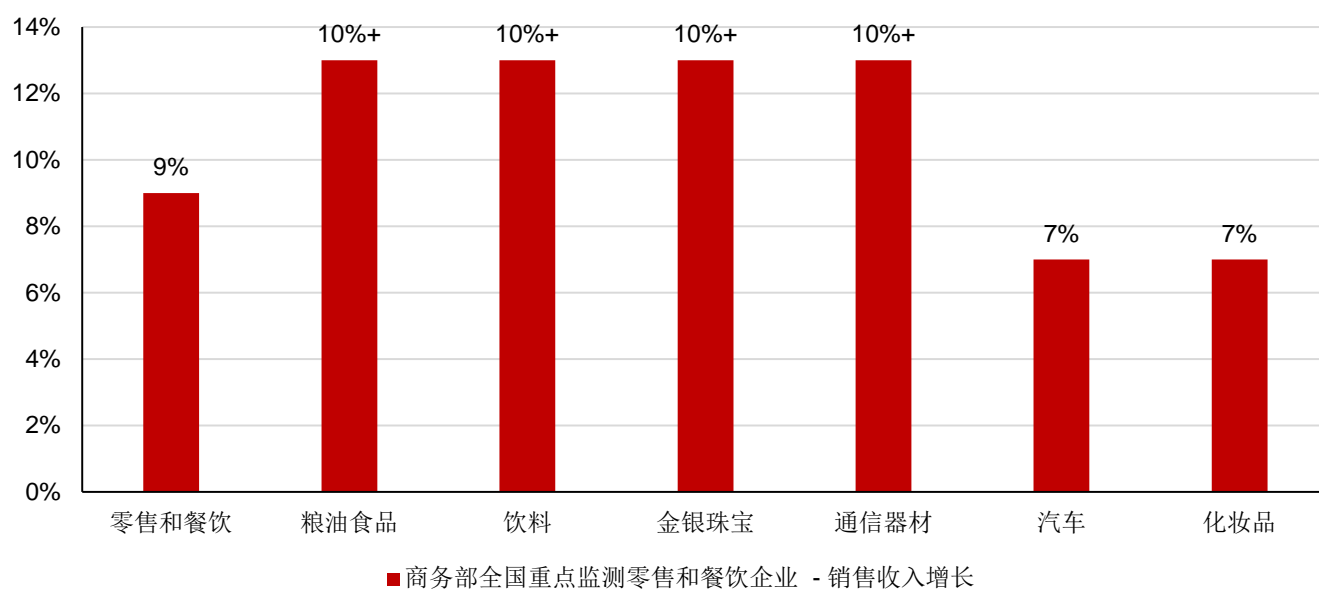
Source: Beacon Professional Edition/ 灯塔专业版, CMBIGM estimates

**Figure 9: Ticket size and growth during 5-1 golden week**

Source: Beacon Professional Edition/ 灯塔专业版, CMBIGM estimates

**Figure 10: The consumption related sales growth, based on the VAT invoice data, by sub-sectors**

Source: State Administration of Taxation/ 国家税务总局增值税发票数据, CMBIGM estimates

**Figure 11: The consumption related sales growth, based on Ministry of Commerce data, by sub-sectors**

Source: Ministry of Commerce/ 商务部, CMBIGM estimates

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<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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