

# China Internet

## 2023 online retail sales recap and 2024 outlook

Based on NBS data, 2023 online retail sales GMV/online physical goods GMV reached RMB15.4/13.0tn, up 11.0/8.4% YoY. The YoY growth of online physical goods GMV/total retail sales in Dec 2023 came in at 9.4%/7.4%, which implies a two-year CAGR of 6.8%/2.7% (slightly improved from 4.3%/1.8% in Nov 2023). Looking ahead to 2024, we expect a mild consumption recovery trend. We estimate 6.8% YoY growth for online retail sales on the back of a 5.3% YoY growth forecast for total retail sales in 2024E, and we expect online retail sales growth of non-physical goods to continue outpacing that of physical goods. We believe driving quality growth remains a key theme for e-commerce platforms in domestic market, while overseas expansion remains vital to propel long-term revenue and earnings growth. Maintain BUY on Alibaba and Pinduoduo (PDD).

- **Consumption sentiment likely still takes time to recover.** YoY growth of retail sales came in at 7.4% in Dec 2023, per NBS data, shy of Wind consensus of 8.2%. However, the two-year CAGR picked up slightly to 2.7% in Dec (Aug/Sep/Oct/Nov two-year CAGR: 5.0%/4.0%/3.5%/1.8%). Offline activities edged down slightly, evidenced by the 5.7% two-year CAGR of catering services GMV (Sep/Oct/Nov two-year CAGR: 5.8%/3.7%/7.3%).
- **Online physical goods GMV growth saw a mild recovery MoM.** Per NBS, China's online retail sales GMV/online physical goods GMV grew 11.0/8.4% YoY to RMB15.4/13.0tn in 2023. Online retail sales penetration of physical goods rose to 27.6% in 2023 from 27.2% in 2022. YoY growth in online retail sales GMV of physical goods demonstrated a marginal MoM improvement on a low base, coming in at 9.4% in Dec 2023 (Nov: 7.6%), and the two-year CAGR in Dec improved to 6.8% (Nov: 4.3%). By type of consumption, online retail sales GMV of food/clothing/consumer goods grew 11.2/10.8/7.1% YoY in 2023, implying a two-year CAGR of 13.6%/7.1%/6.4% (11M23 two-year CAGR: 13.5%/6.3%/6.8%).
- **Expect healthy e-commerce industry growth in 2024.** We expect quality growth to remain a key theme for e-commerce platforms in 2024. For domestic business, e-commerce platforms will aim at enhancing quality product supply at a decent price, driving engagement improvement of core user base to grow GMV. Aided by strong interactive features, live-streaming e-commerce could maintain higher-than-overall-industry-average GMV growth in 2024, in our view. However, as an increasing number of brands are focusing more on ROI, the competition brought up by live streaming e-commerce platforms to traditional horizontal e-commerce platforms may likely see a marginal easing trend in 2024. We forecast live-streaming e-commerce GMV to grow 18% YoY in 2024. We estimate 6.8% YoY growth for online retail sales on the back of a 5.3% YoY growth forecast for total retail sales in 2024E, and we expect online retail sales growth of non-physical goods and services to continue outpacing that of physical goods.
- **Stock recommendations: maintain BUY on PDD and Alibaba.** For Pinduoduo (PDD), in the ecommerce sector, PDD has relatively more proactive room to drive GMV growth through targeting bigger consumer wallet share. Leveraging strong domestic supply chains, overseas expansion is on track to support PDD's long-term revenue and earnings growth, in our view. For Alibaba, although the room for further operating efficiency improvement is likely to be limited post an aggressive year of cost control and amid fierce competition, Alibaba remains committed to enhancing shareholder return through dividend payout and share buyback. The strategic move to drive an integrated group strategy should enhance long-term value, in our view

### China Internet Sector

#### Saiyi HE, CFA

(852) 3916 1739

[hesaiyi@cmbi.com.hk](mailto:hesaiyi@cmbi.com.hk)

#### Ye TAO

[franktao@cmbi.com.hk](mailto:franktao@cmbi.com.hk)

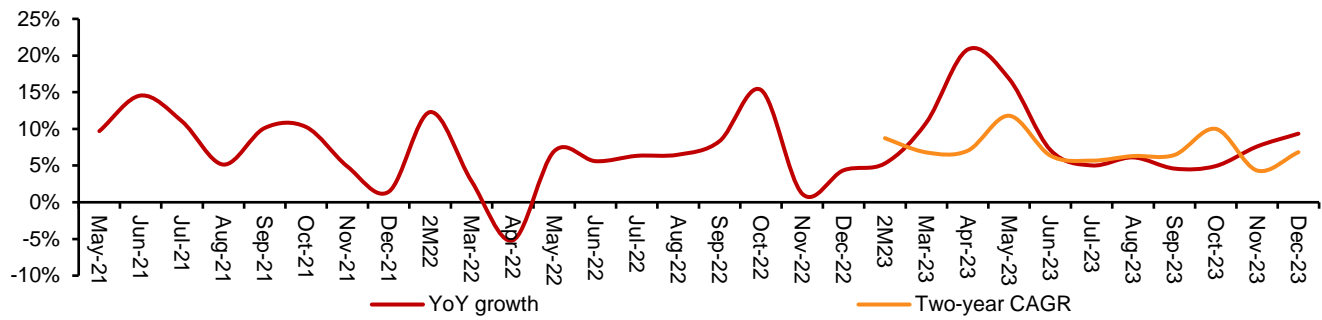
#### Wentao LU, CFA

[luwentao@cmbi.com.hk](mailto:luwentao@cmbi.com.hk)

#### Related Reports

1. [Alibaba \(BABA US\) – Business transition ongoing – 10 Jan](#)
2. [Internet - E-commerce: November online retail sales recap – 15 Dec](#)
3. [Pinduoduo \(PDD US\): International expansion drove a strong beat for 3Q results – 29 Nov](#)
4. [Meituan \(3690 HK\) – Proactive competitive strategy may weigh on near-term margin but benefit LT growth – 29 Nov](#)
5. [Trip.com Group \(TCOM US\): Release of pent-up demand as expected – 22 Nov](#)
6. [Alibaba \(BABA US\): Remain committed to enhance shareholder returns – 17 Nov](#)
7. [JD \(JD US\): Better-than-feared 3Q results – 16 Nov](#)
8. [E-commerce: Trends observed from this year's Double 11 shopping festival – 13 Nov](#)
9. [Internet: Trends observed from National Day Holiday – 9 Oct](#)

**Figure 1: YoY growth of online retail sales of physical goods**



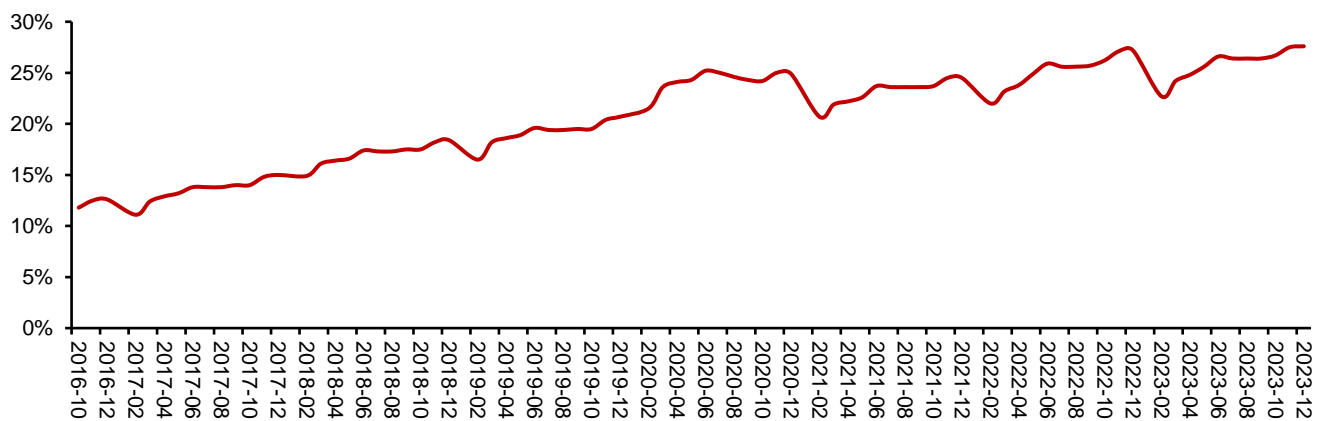
Source: NBS, CMBIGM

**Figure 2: YoY growth of online retail sales GMV of food/clothing/consumer goods**



Source: NBS, CMBIGM

**Figure 3: Online penetration of physical goods retail sales**



Source: NBS, CMBIGM

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months

## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

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

---

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

---

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.