

# China Internet

## November online retail sales recap

Based on NBS data, 11M23 online retail sales GMV/ online physical goods GMV reached RMB14.0/11.8tn, up 11.0/8.3% YoY. The YoY growth of online physical goods GMV/total retail sales in Nov 2023 came in at 7.6%/10.1% (Oct 2023: 4.9/7.6%), which implies a two-year CAGR of 4.3%/1.8% (slowed from 10.0%/3.5% in Oct 2023). In our view, this heralds that overall consumption sentiment still takes time to recover. Looking into 2024, we expect a mild consumption recovery trend driven by the implementation of stimulus policy, while we expect quality growth for domestic business to remain a key theme for e-commerce platform. We estimate 7.3% YoY growth for online retail sales of physical goods GMV on the back of 5.3% YoY growth forecast for total retail sales in 2024E. Meanwhile, leveraging strong domestic supply chain capability, overseas expansion remains vital to drive for 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 10.1% in Nov 2023, per NBS data, shy of Wind consensus of 12.6%. Also, two-year CAGR trended down to 1.8% in Nov (Jul/Aug/Sep/Oct: two-year CAGR of 2.6%/5.0%/4.0%/3.5%). However, offline activities demonstrated a sequential improvement trend, in our view, evidenced by the 7.3% two-year CAGR of catering services GMV (Sep/Oct: two-year CAGR of 5.8%/3.7%).
- **Online physical goods GMV delivered mild growth.** Per NBS, China's online retail sales GMV/online physical goods GMV grew 11.0/8.3% YoY to RMB14.0/11.8tn in 11M23. Online retail sales penetration of physical goods rose to 27.5% in 11M23 from 27.1% in 11M22, thanks to structural change in consumption behaviour from offline to online. YoY growth in online retail sales GMV of physical goods demonstrated a marginal improvement on a MoM basis on a low base, came in at 7.6% in Nov 2023 (Oct: 4.9%), while the two-year CAGR trended down to 4.3% in Nov (Oct: 10.0%). By type of consumption, online retail sales GMV of food/ clothing/ consumer goods grew 12.0/9.2/7.5% YoY in 11M23, implying a two-year CAGR of 13.5/6.3/6.8% (10M23: two-year CAGR 14.0/6.4/7.3%).
- **Expecting healthy e-commerce industry growth in 2024.** Looking into 2024, we expect a mild consumption recovery trend driven by the implementation of stimulus policy, while we expect quality growth to remain a key theme for e-commerce platform. For domestic business, e-commerce platforms will aim at enhancing quality product supply at a decent price, driving for engagement improvement of core user base to grow GMV. Aided by strong interactive feature, 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 further marginal easing trend in 2024. We estimate 7.3% YoY growth for online retail sales of physical goods GMV on the back of 5.3% YoY growth forecast for total retail sales in 2024E.
- **Stock recommendations: maintain BUY for Alibaba and PDD.** For **Alibaba**, looking into 2024, we expect the recovery in macro to drive a recovery for Alibaba's revenue growth, while the loss reduction of non-core asset likely continues to drive an improvement for margins. Leveraging improving profitability, Alibaba is able to increase shareholder return, which should drive a valuation rerating, in our view. For **Pinduoduo (PDD)**, in the ecommerce sector, PDD has relatively more proactive room to drive GMV growth through targeting bigger consumer wallet share, and further increasing monetization rate given its relatively better ROI compared with peers. Also, leveraging strong domestic supply chain, overseas expansion is on track to support PDD's long-term revenue and earnings growth, in our view.

### China Internet Sector

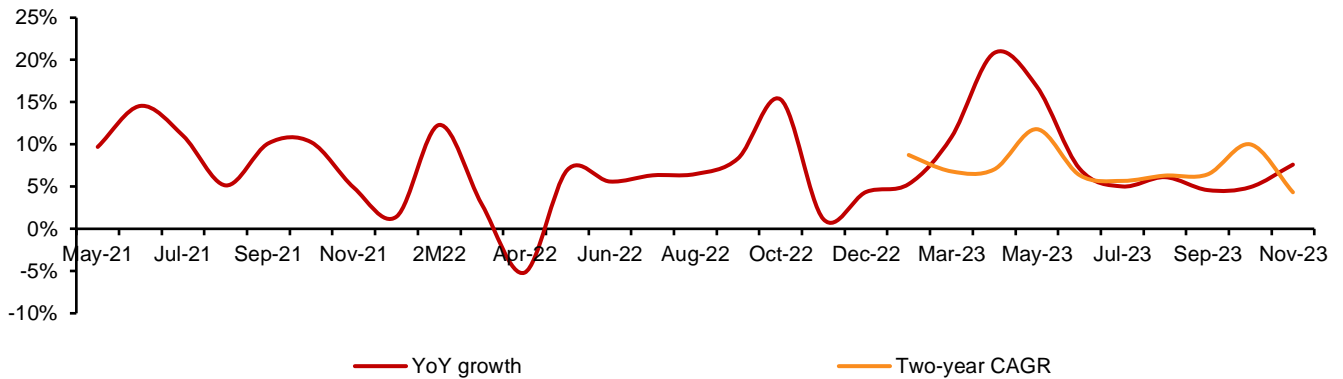
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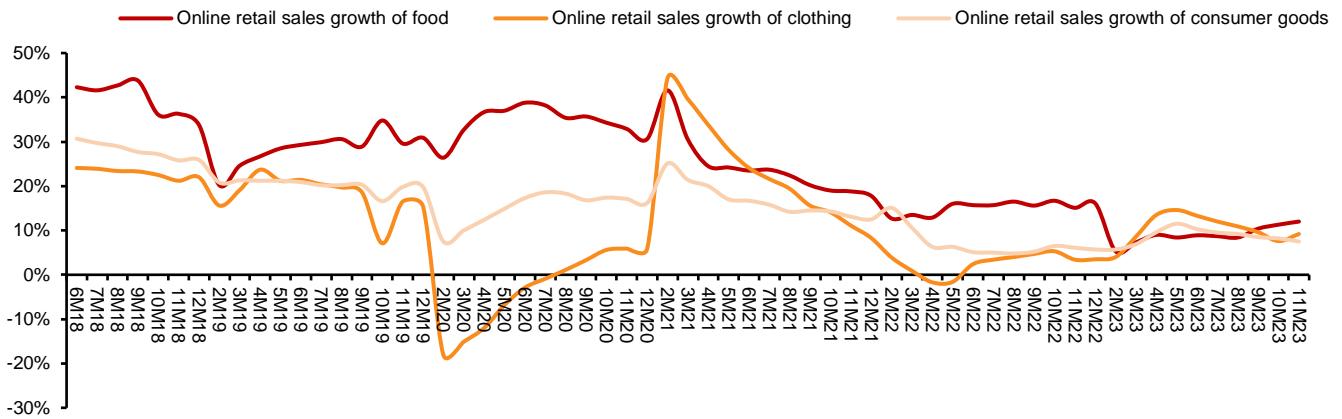
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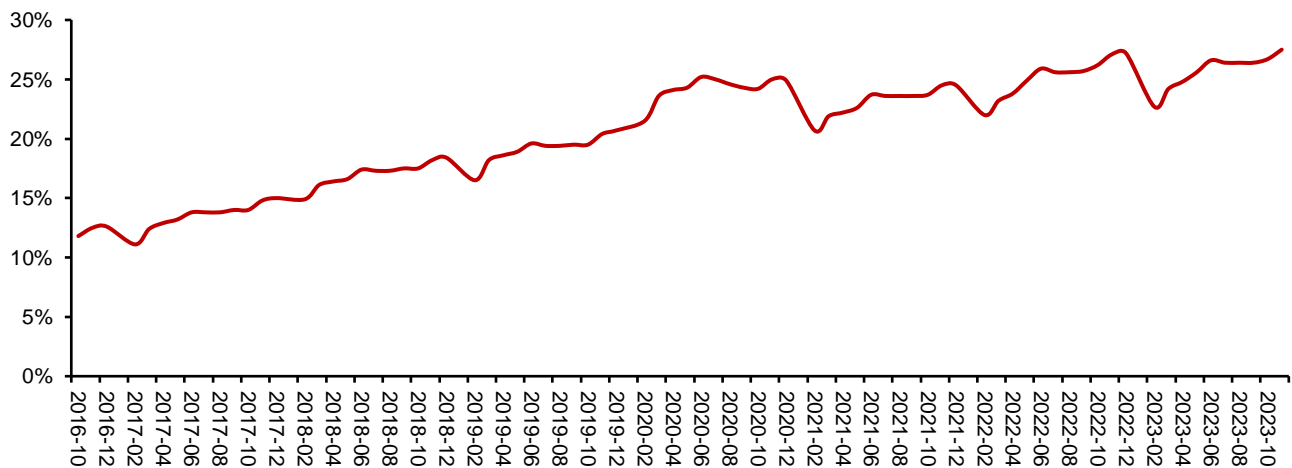
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**Figure 1: YoY growth of online retail sales of physical goods**

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

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