

China Internet

April online retail sales recap

With a low base, YoY growth in online physical goods GMV in April jumped to 20.8% (March: 10.9%), but the two-year CAGR of 7.0% only demonstrated a slight improvement from 6.8% in March, indicating a mild and gradual sequential recovery trend. Looking ahead, robust consumption data from Brand and Quality shopping festival and Labour Day (LD) holiday likely heralds a constant mild recovery for online retail sales in May. The beat on JD's 1Q23 earnings likely indicates a better than feared evolvement of competitive landscape for e-commerce industry in the near term, although industry competition remains fierce. The ability to drive for better consumer engagement and merchants ROI are key factors to excel peers over the long run. Maintain BUY on Pinduoduo (PDD), Alibaba, and JD.com (JD).

- **YoY growth of retail sales in April slightly shy of Wind consensus.** According to NBS, total retail sales GMV of consumer goods was up 18.4% YoY in April 2023, shy of Wind consensus at 20.2% YoY. Due to a low base and constant recovery in offline activities, catering services GMV saw YoY growth of 43.8% in April 2023, indicating a two-year CAGR of 5.4%, which improved from two-year CAGR of 2.8% in March.
- **Online retail sales GMV saw gradual recovery trend in April.** Per NBS, China's online retail sales GMV grew 12.3% YoY in 4M23, improved from 8.6% in 1Q23, thanks to consumption recovery and low-base. Specifically, online physical goods GMV rose 20.8% YoY in April 2023, indicating a two-year CAGR of 7.0%, slightly improved from two-year CAGR of 6.8% in March 2023. Online retail sales penetration of physical goods rose to 24.8% in 4M23 from 23.8% in 4M22 and 24.2% in 1Q23. By types of consumption, online retail sales GMV of food/ clothing/ consumer goods grew 9.0/13.5/9.6% YoY in 4M23, implying a two-year CAGR of 10.9/5.6/7.9%, for which both food and clothing categories demonstrated a constant recovery trend compared to that in March (two-year CAGR of 10.4/4.7/8.7% for food/ clothing/ consumer goods).
- **Labour Day (LD) consumption data and shopping festival data heralds a further recovery in May.** According to Ministry of Commerce, online retail sales GMV of physical goods generated during Brand and Quality shopping festival (28 April-12 May) was RMB609bn, up 11.6% YoY, and China's key retail and catering enterprises saw sales GMV growth of 18.9% YoY during this year's LD holiday. Per Ministry of Culture and Tourism, domestic tourism volume/spending was 274mn/RMB148.1bn, up 70.8/128.9% YoY, reaching 119.1%/100.7% of 2019 level during this year's LD holiday. Both consumption data and tourism data indicate a constant online consumption recovery for May, in our view.
- **Stock recommendations.** Amid a recovering consumption sentiment, e-commerce platforms are escalating investment to enhance consumer mindshare gain, which leads to intensified industry competition in the near term. **PDD** is proactively controlling the pace of expansion for its monetization rate, in order to enhance merchants ROI and consumer engagement. We remain upbeat on its long-term development prospect aided by its loyal user base and international expansion potential. We also like **Alibaba** on its deep value discount. Alibaba's core China marketplace GMV is on a stable recovery track, aided by discretionary consumption recovery, and Alibaba's strategy to enhance value proposition for both customers and merchants. For **JD**, investment to drive for greater consumer mindshare on value for quality products and better 3P operating environment takes time to bear fruit, but we are positive on JD's strong management execution capability.

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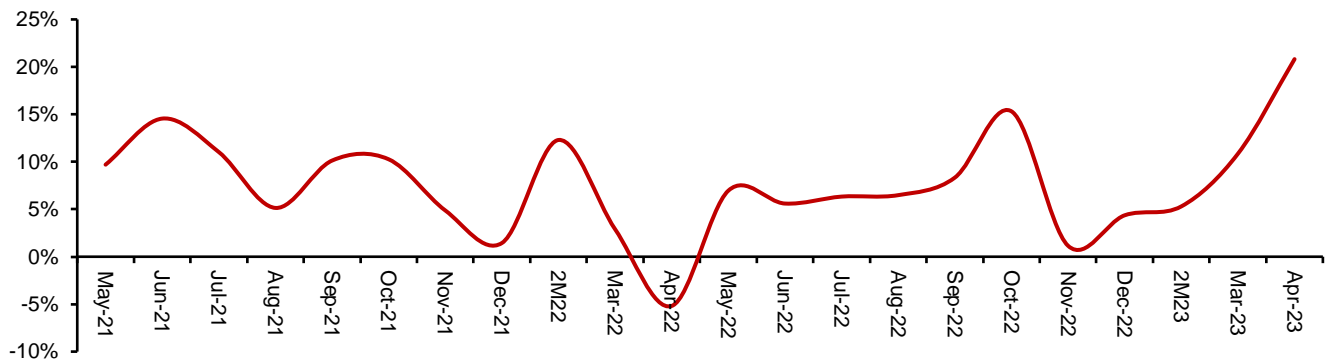
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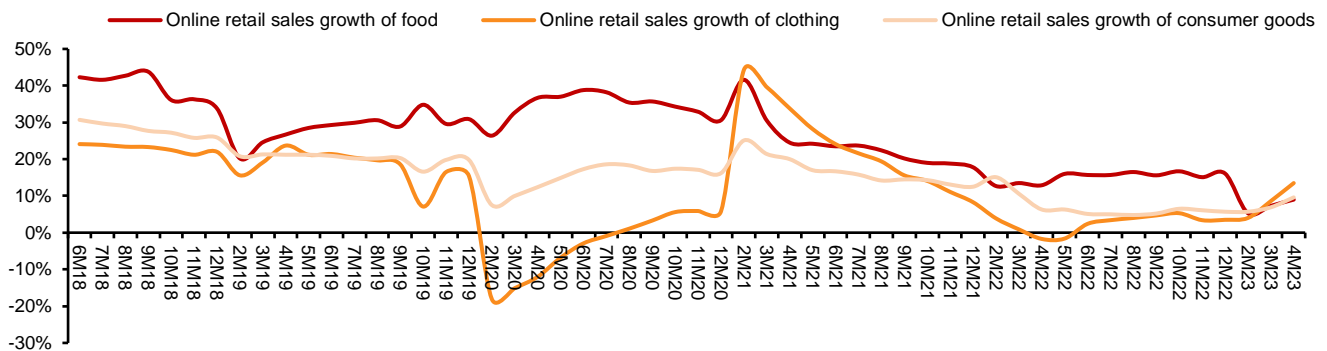
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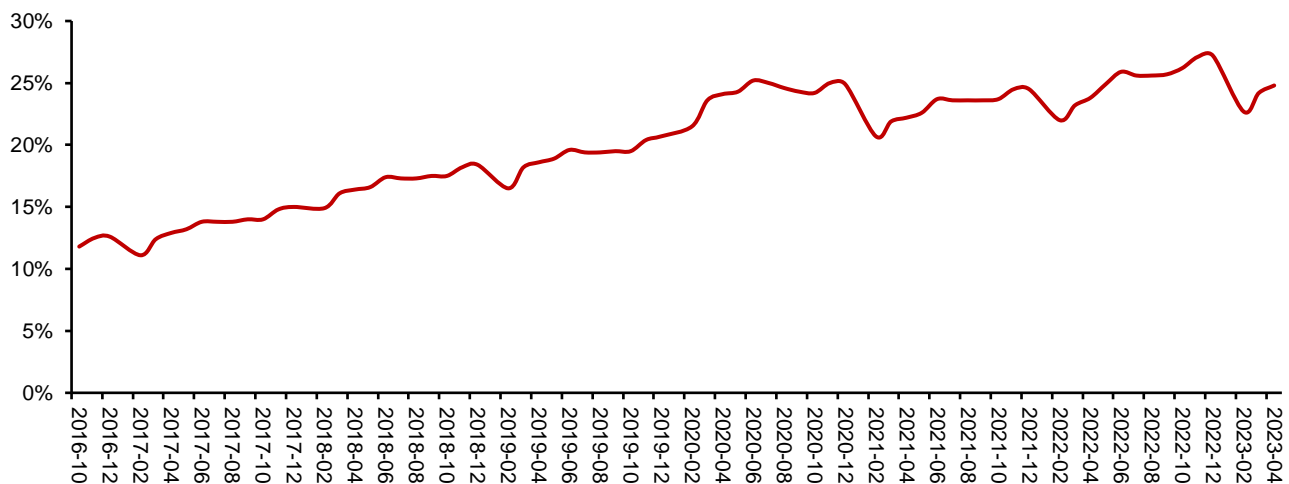
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Figure 1: YoY growth of online retail sales of physical goods

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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