

# China Consumer Sector

## CNY was mixed and we stay conservative

- **A mixed CNY, robust topline was likely aided by seasonality while the fall in spending power and price war continued.** We do agree both passenger flows and overall sales were strong during the CNY holiday, given that the spending power was somewhat diluted by the resumption of outbound tourism.

But on the other hand, the 2024 CNY holiday was a longer-than-usual one and contained one more Saturday and also the Valentine's Day, hence the recovery rate after adjustment may just be stable (instead of improvements vs 4Q23).

Moreover, considering: 1) the decline in purchasing power (evidenced by a weak recovery rate of spending per tourist or the fall in ASP of movie ticket), 2) a highly promotional environment, 3) extremely intensive competition, and 4) the likelihood of sluggish post-holiday demand, we remain conservative on the consumer discretionary sector after this CNY.

- **Domestic tourism volume/spending during the CNY recovered to 119%/108% of 2019 levels, better than that in the New Year's Eve and National Day holidays.** During the 2024 CNY, domestic tourism volume increased by 34% YoY to 474mn and reached 119% of the level in 2019, far better than 109%/104% in the New Year's Eve/National Day holidays. The domestic tourism spending increased by 47% YoY to RMB632.6bn, which recovered to about 108% of the level in 2019, and improved mildly from 106%/102% in New Year's Eve/National Day holidays, based on data from Ministry of Culture and Tourism/文化和旅游部.
- **Number of cross-regional passengers already surpassed the 2019 level.** Based on data from the Ministry of Transport/交通运输部, during the 2024 CNY (eight days, from 10 Feb to 17 Feb 2024), the average daily cross-regional passengers increased by 24% YoY, and also increased compared to the level in 2019. By type, passengers travelling by railway/airline/boat increased by 45%/59%/49% YoY and the recovery rate was roughly at around 15%-25%. We also note that the traffic was much weaker before the CNY and improved gradually afterwards. This trend was also captured by the Baidu Migration Index/百度迁移指数, which dropped by 3% YoY in the week before CNY but jumped by 8% YoY after that, and the recovery rate (vs 2019) was 112%/137% respectively.
- **The overall growth rate should be prudent, but tourism, catering, gold and jewelry, and supermarkets outperformed.** According to the Ministry of Commerce/商务部, sales growth (of those key retail and catering enterprises) was only at 8.5% YoY during the 2024 CNY. In terms of categories, catering and gold & jewelry grew much faster at 17% and 20%, while the growth for supermarkets was at 10%. Moreover, based on VAT invoice data by the State Administration of Taxation/国家税务总局增值税发票数据, consumption-related sales increased by 52.3% YoY during the CNY and tourism/hospitality/catering/sports related services sales grew by 120%/25%/32%/43% YoY.
- **The movie box office increased by 18% YoY, not particularly exciting given highly favorable seasonality.** According to real-time data from the Beacon Professional Edition/灯塔专业版, the total box office during the 2024 CNY exceeded RMB8.0bn, which jumped by 18% YoY, and the number of viewers was at around 163mn, while the ticket size slightly decreased by 7% YoY to RMB49.1.

### MARKET-PERFORM (Maintain)

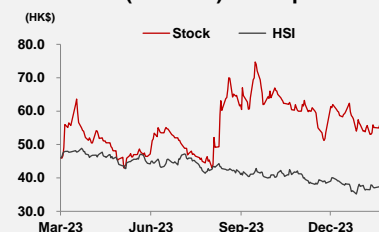
#### China Consumer Discretionary Sector

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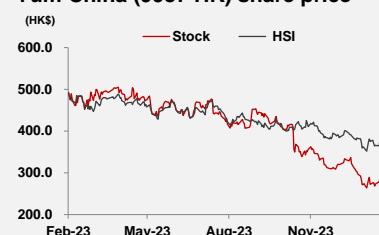
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#### DPC Dash (1405 HK) share price



Source: Bloomberg, CMBIGM estimates

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



Source: Bloomberg, CMBIGM estimates

#### Anta (2020 HK) share price



Source: Bloomberg, CMBIGM estimates

#### Topsports (6110 HK) share price



Source: Bloomberg, CMBIGM estimates

- **Catering sector (neutral).** Based on official statistics, catering sales growth could still be fast at 20%+ during the CNY (outperforming the overall consumer sector), but we are still very cautious about the sector given the pressure from price wars and a high base for SSSG. Moreover, the performance could be rather diversified. Based on our channel checks and company announcements, during the 2024 CNY, HDL's table turnover increased by 40%+, Tai Er's SSSG was positive, Yum China's SSSG was negative, and Nayuki's SSSG was at -20%. Currently we prefer DPC Dash, Yum China and HDL, supported by their value-for-money products and services.

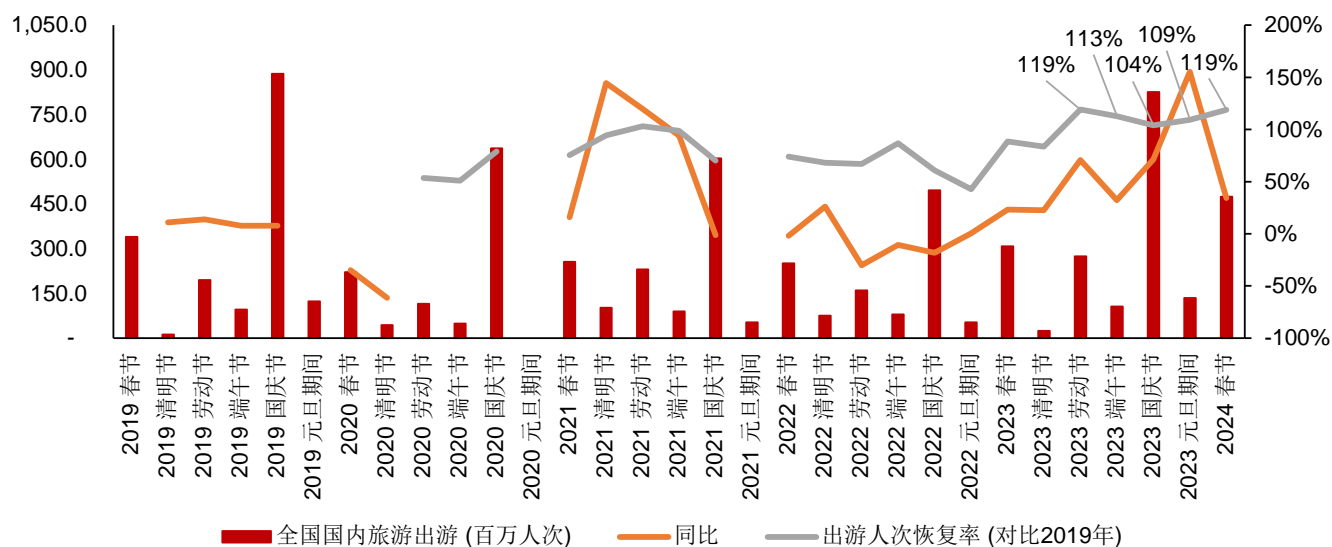
**Top picks: DPC Dash (1405 HK, BUY) > Yum China (9987 HK/ YUMC US) = CDC (341 HK, BUY) > HDL (6862 HK, BUY) > JMJ (9922 HK, BUY) > Nayuki (2150 HK, BUY) > XBXB (520 HK, BUY).**

- **Sportswear and apparel sector (neutral).** Based on our estimates, we expect sportswear sales growth to be at around 5%-15% during the CNY, where the offline traffic was strong but the conversion rate was low. Apparel sales growth should have picked up and outperformed sportswear as the weather turned colder in recent months. Also the environment remains promotional, but we expect this to gradually improve after the CNY, as the inventories become healthier. We continue to prefer Anta, due to its multi-brand strategy and we are looking forward to Anta brand's reform in FY24E. For Topsports, despite the weak sales trend, we are still confident on its efficiency gains and also look forward to product launches by overseas brands in FY24E.

**Top picks: Anta (2020 HK, BUY) > Topsports (6110 HK, BUY) > Pou Sheng (3813 HK, NR) = Xtep (1368 HK, BUY) = Li Ning (2331 HK, BUY).**

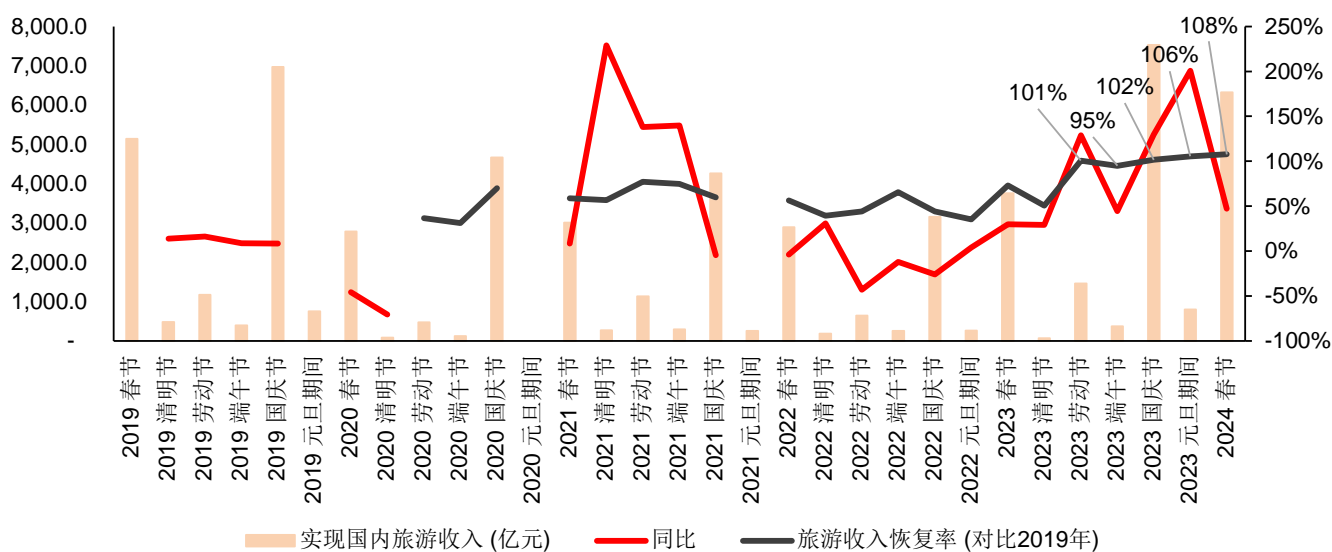
## Focus Charts

**Figure 1: 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

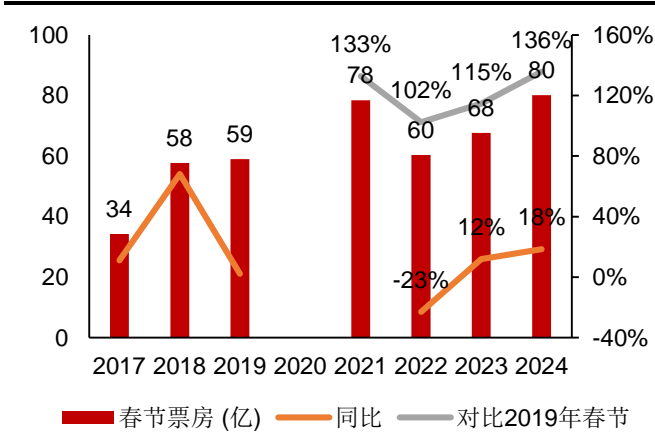
**Figure 2: Domestic tourism spending, growth and recovery rate (vs 2019) in different holidays**



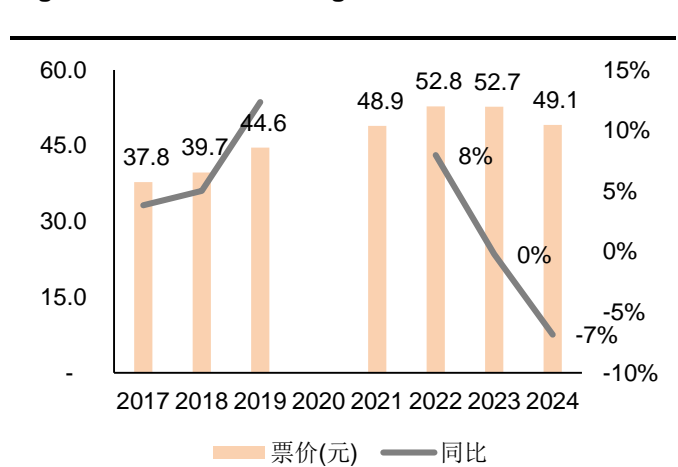
Source: Ministry of Culture and Tourism/ 文化和旅游部, CMBIGM estimates

**Figure 3: Baidu Migration Index during the CNY, by year**

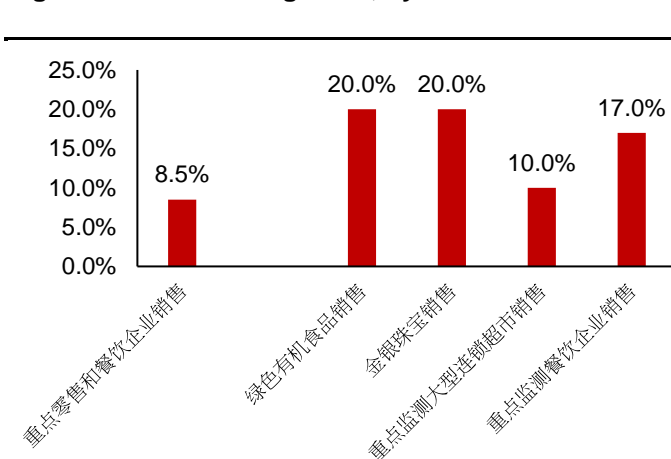
Source: Baidu Migration Index/ 百度迁移指数, CMBIGM estimates

**Figure 4: Movie box office, growth and recovery rate (vs 2019)**

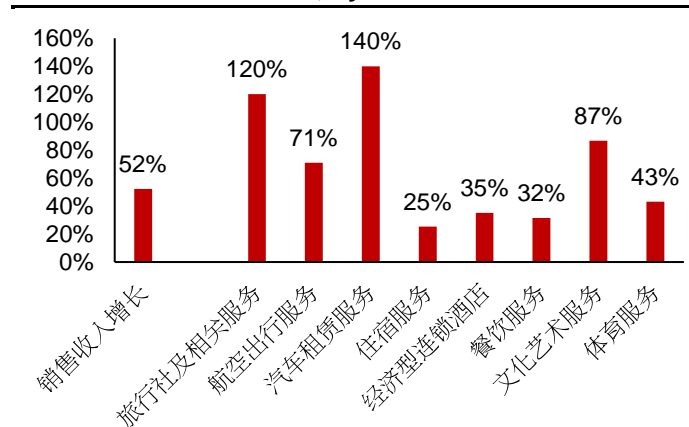
Source: Beacon Professional Edition/ 灯塔专业版, CMBIGM estimates

**Figure 5: Ticket size and growth**

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

**Figure 6: Retail sales growth, by sub-sector**

Source: Ministry of Commerce/商务部, CMBIGM estimates

**Figure 7: The consumption-related sales growth, based on the VAT invoice data, by sub-sector**

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

Figure 8: Key sales figures and details during CNY Holidays

地区	行业	主要销售数据和信息	同比增长	增长率(%) vs 2019	时间	来源
全国	旅游	全国国内旅游出游4.74亿人次	34.3%	119.0%	春节假期8天	文化和旅游部
全国	旅游	国内游客出游总花费6326.87亿元	47.3%	107.7%	春节假期8天	文化和旅游部
全国	全国重点商圈客流	全国重点商圈的客流总量	73.0%		腊月二十三到正月初七	中国联通智慧足迹大数据
全国	全行业	全国重点零售和餐饮企业销售	8.5%		春节假期8天	商务部大数据监测
全国	绿色有机食品	绿色有机食品销售	20.0%		春节假期8天	商务部大数据监测
全国	金银珠宝	金银珠宝销售	20.0%		春节假期8天	商务部大数据监测
全国	超市	重点监测大型连锁超市即时零售销售	10.0%		春节假期8天	商务部大数据监测
全国	餐饮	重点监测餐饮企业销售	17.0%		春节假期8天	商务部大数据监测
全国	全行业	增值税发票数据 - 销售收入	52.3%		春节假期8天	国家税务总局办公厅
全国	旅游	旅行社及相关服务销售收入	120.0%		春节假期8天	国家税务总局办公厅
全国	旅游	航空出行服务销售收入	71.0%		春节假期8天	国家税务总局办公厅
全国	旅游	汽车租赁服务销售收入	140.0%		春节假期8天	国家税务总局办公厅
全国	旅游	住宿服务销售收入	25.4%		春节假期8天	国家税务总局办公厅
全国	旅游	经济型连锁酒店销售收入	35.2%		春节假期8天	国家税务总局办公厅
全国	餐饮	餐饮服务销售收入	31.5%		春节假期8天	国家税务总局办公厅
全国	文化艺术	文化艺术服务销售收入	86.7%		春节假期8天	国家税务总局办公厅
全国	体育	体育服务销售收入	43.2%		春节假期8天	国家税务总局办公厅
全国	电影	全国电影票房为80.16亿元	18.5%	35.8%	春节假期6天	国家电影局
全国	电影	观影人次为1.63亿	26.4%	23.5%	春节假期6天	国家电影局
全国	全行业	生活服务业日均消费规模	36%	155%	春节假期5天	美团
全国	全行业	吃喝玩乐等生活服务业日均消费规模	153%		春节假期7天	抖音
地区	行业	主要销售数据和信息	同比增长	增长率(%) vs 2019	时间	来源
北京	重点监测企业销售	重点监测百货、超市、专业专卖店、餐饮和电商等企业销售77.4亿元	36.8%	64.1%	春节假期8天	北京市商务局
上海	监测商圈客流	监测35个商圈的线下客流总量2873万人次	11.9%			消费市场大数据实验室（上海）监测
上海	餐饮	餐饮业消费金额59.3亿元	16.3%			消费市场大数据实验室（上海）监测
广州	商圈客流	北京路步行街预计总客流量324.8万人次	62.6%	25.1%	春节假期8天	广州市商务局
广州	商圈客流销售	北京路步行街预计总营业额5.2亿元	53.1%	21.3%	春节假期8天	广州市商务局
深圳	重点商圈客流量	重点监测的21个商圈客流量达962.98万人次	20.9%		春节假期8天	深圳市商务局
深圳	重点商圈销售	重点监测的21个商圈营业额8.37亿元	22.3%		春节假期8天	深圳市商务局

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



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