

# China Internet

## March online retail sales recap

With a low base, March online retail sales data demonstrated steady recovery trend as expected, with YoY growth in online physical goods GMV increased to 10.9% from 5.3% in 2M23, which indicates a two-year CAGR of 6.8%. Aided by the constant recovery in online travel related services, YoY growth of overall online retail sales GMV of 12.9% in March continued to outpace that of online physical goods GMV. Potential recovery in online virtual products sales in 2Q23 is likely to aid a further recovery for online retail, in our view. Aiming at long-term healthy business development and in order to gain more business agility amid intensified competition, leading e-commerce platforms such as Alibaba and JD have launched reorganization plan in the recent month. Although competition remains fierce in China E-commerce space, the ability to drive for better consumer engagement and merchants ROI are still key factors to excel over the long run. Maintain BUY on Pinduoduo (PDD), Alibaba, Meituan and JD.com (JD).

■ **YoY growth of online retail sales GMV saw constant recovery trend as expected.** Per NBS, China's online retail sales GMV grew 8.6% YoY in 1Q23 vs 6.6% in 1Q22 and 6.2% in 2M23. Specifically, online physical goods GMV rose 10.9% YoY in March 2023 vs 2.9% in March 2022. Online retail sales penetration of physical goods rose to 24.2% in 1Q23 from 23.2% in 1Q22 and 22.7% in 2M23, in our view, and we attribute the sequential growth to increase in offline activities. By types of consumption, online retail sales GMV of food/ clothing/ consumer goods grew 7.3/8.6/6.9% YoY in 1Q23 (1Q22: 13.5/0.9/10.6%).

■ **Offline activities saw robust recovery.** According to NBS, total retail sales GMV of consumer goods was up 10.6% YoY in March 2023 (2M23: 3.5% YoY), better than Wind consensus of 7.2% YoY. Due to a low base and constant recovery in offline activities, catering services GMV saw YoY growth of 26.3% in March 2023 (Feb 2023: 9.2%; March 2022: -16.4%), per NBS data, and the daily average subway passenger volume in China's 10 large cities last week (10-14 April 2023) grew 10.6% compared to the comparable period in 2019, per Wind. The recovery in consumption and offline activities could aid recovery of advertising sentiment, in our view, and ads platforms that have greater exposure to offline verticals will likely benefit more than its peers.

■ **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 for its deep value discount. **Alibaba's** core China marketplace GMV is on a stable recovery track, aided by discretionary consumption recovery, macro recovery, and Alibaba's strategy to enhance value proposition for both customers and merchants. For **Meituan**, investment opportunities may appear after the market has fully digested competition impact, in our view. For **JD**, although we expect the investment to drive for greater consumer mindshare on value for quality products and better 3P operating environment takes time to bear fruit, we are positive on JD's strong management execution capability, and we believe JD's established user mindshare on quality products could help it fend off near-term competition.

### China Internet Sector

**Saiyi HE, CFA**

(852) 3916 1739

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

**Ye TAO**

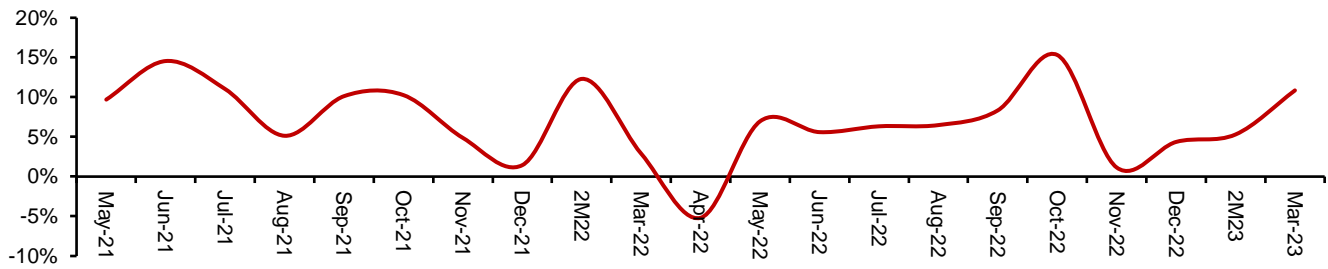
[franktao@cmbi.com.hk](mailto:franktao@cmbi.com.hk)

**Wentao LU, CFA**

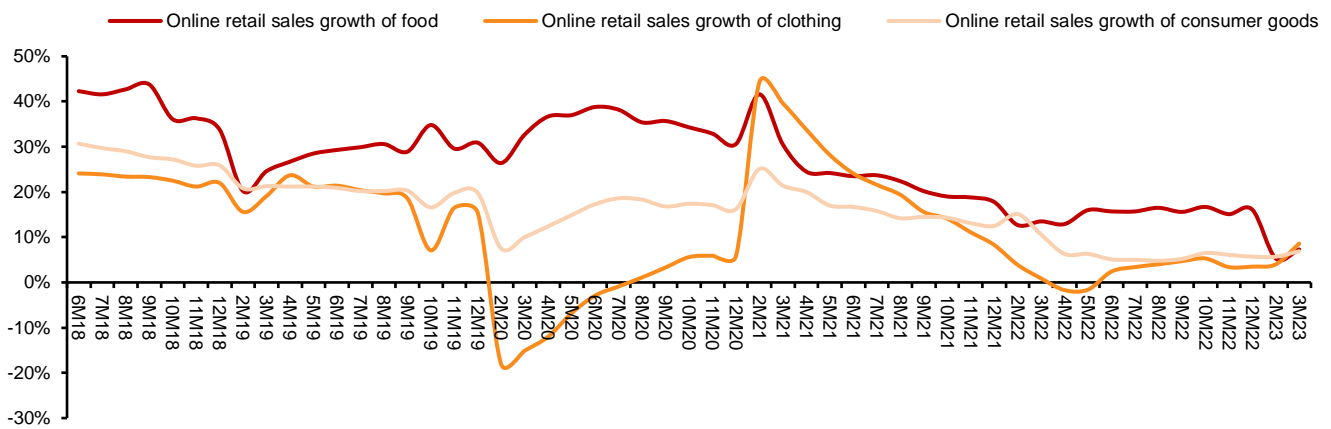
[luwentao@cmbi.com.hk](mailto:luwentao@cmbi.com.hk)

### Related Reports

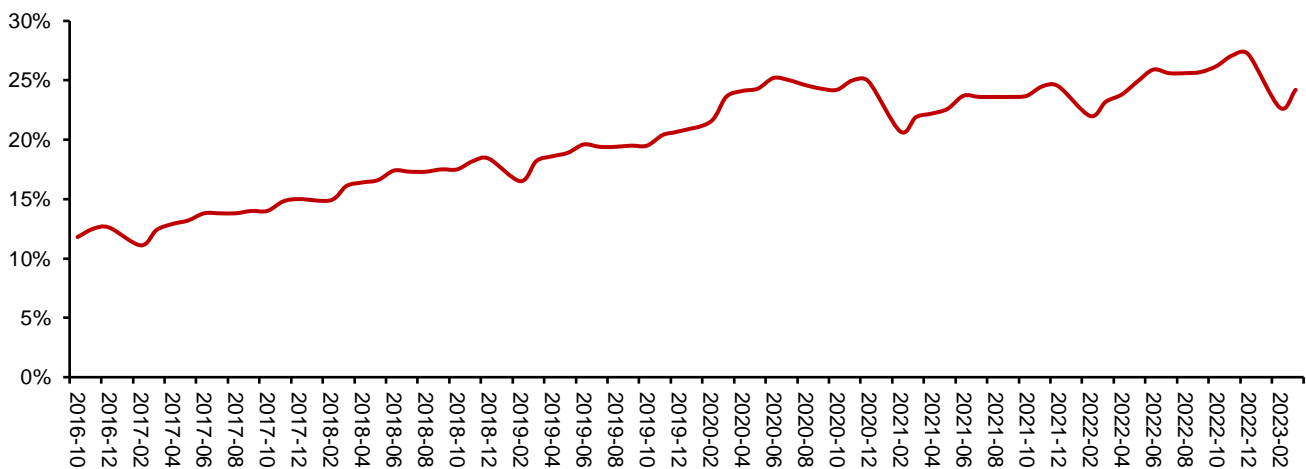
1. [JD.com \(JD US\) - Entering into a year of business transition - 14 April](#)
2. [阿里巴巴 \(BABA US\) - 2023 云峰会：让算力更普惠、让 AI 更普及 - 12 April](#)
3. [Alibaba \(BABA US\) - A recovery year ahead with more to expect - 6 Apr](#)
4. [阿里巴巴 \(BABA US\) - 组织变革 或有望助力业务竞争力提升及估值重估 - 30 Mar](#)
5. [Meituan \(3690 HK\) - Embracing tougher fight ahead - 27 Mar](#)
6. [PDD \(PDD US\) - Investment to enhance long-term development prospect - 21 Mar](#)
7. [E-commerce - 2M23 online retail sales recap - 16 March](#)

**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 Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<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

## 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.