

Is China's Retail Industry on the Upswing?

Some consumers are wary, while others remain optimistic

ARTICLE | MARCH 26, 2020

Man-Chung Cheung

In a signal that it has flattened the curve, China reported zero new domestically transmitted cases of COVID-19 in the mainland last week, though that may slightly change as there have been cases brought back by overseas returnees. (Additionally, there is some [speculation](#) around the accuracy of these reports.) Still, this marks a potential turning point in the global fight against the coronavirus and paves the way to revive a struggling economy—especially one in need of a serious resuscitation after two months of travel restrictions and quarantines.

During the height of the coronavirus outbreak in China, cities across the country imposed strict lockdown policies to contain the spread. The dramatic overnight drop in foot traffic led to many brick-and-mortar businesses struggling to stay afloat. Data published by the [National Bureau of Statistics](#) (NBS) in China found that retail, as well as restaurant and dining sales, declined by 20.5% from January to February 2020 on a year-over-year basis. Dining services suffered a jaw-dropping 43.1% decrease.

On one hand, there appears to be a silver lining. According to research from [AutoNavi](#), a maps app operated by Alibaba, traffic in the major shopping districts of several upper-tier cities in China increased by 30%

on average during the weekend of March 14, compared with the same period a month prior, when infections were at their height.

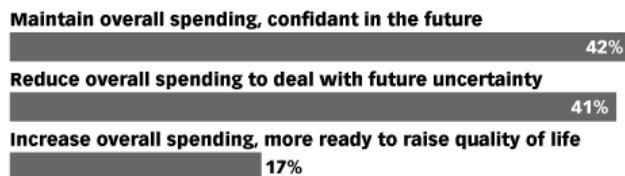
But it's still a fragile time for brick-and-mortar, as China's consumers remain wary of potentially sparking another outbreak. Some retailers are rolling out new promotions and discounts, hoping to incentivize shopping. However, consumers' current worries run deeper than getting a good deal.

They are faced with anxieties about not only their personal finances, but also job security. In a February 2020 Ipsos survey, 47% of respondents worried about pressure from work and a potential salary cut. Roughly 29% were concerned about layoffs. As such, consumers are more inclined to save up their money during these difficult times.

That same study, however, found that there are consumers in China who are generally optimistic about the future of their country's economy, and more than half (59%) planned to either maintain or increase spending in the coming months.

Primary Attitude Toward Future Spending During the Coronavirus Outbreak According to Internet Users in China, Feb 2020

% of respondents



Note: n=1,497 ages 18+ living in tier 1-3 cities; survey was conducted in the midst of the COVID-19 outbreak

Source: Ipsos, "Optimism and Anxieties during COVID-19 Outbreak - Chinese Consumers in Difficult Time," March 13, 2020

253909

www.eMarketer.com

Data from Bain & Company predicts a recovery pattern similar to the 2002-2003 SARS pandemic, when consumption of food and cosmetics quickly recovered after the outbreak, while apparel-buying surged above the pre-pandemic level.

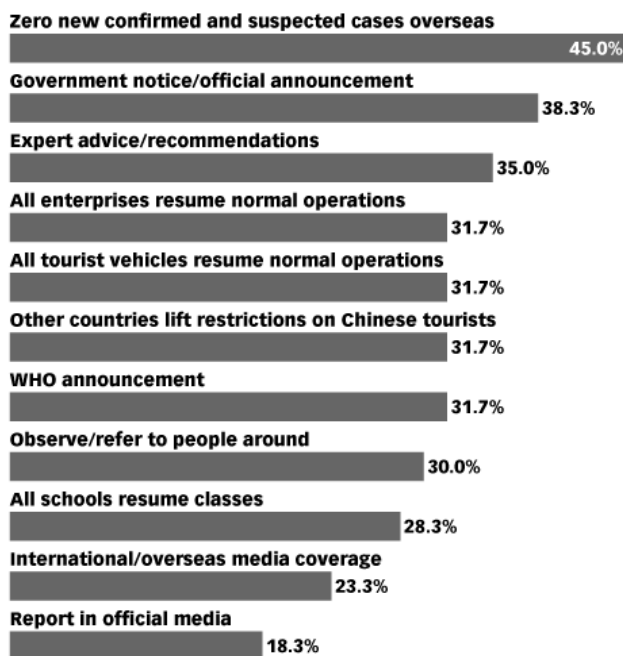
Travel has taken some of the heaviest blows during the coronavirus outbreak in China, as trips were canceled and airlines were forced to ground flights in accordance with restrictions implemented by

governments globally. In the near term, the outlook for the travel industry is a bit less certain, particularly for overseas excursions. *(Editor's Note: At the time this article was written, many countries outside of China were still experiencing rapidly rising new cases of COVID-19.)*

When consumers in China were asked when they would consider resuming their travel plans, the most popular response (45%) was when there were "zero new confirmed and suspected cases worldwide," per the Ipsos study.

Info that Internet Users in China Will Use to Consider Resuming Travel After the Coronavirus Outbreak, Feb 2020

% of respondents



Note: ages 18+ living in tier 1-3 cities; survey was conducted in the midst of the COVID-19 outbreak

Source: Ipsos, "Optimism and Anxieties during COVID-19 Outbreak - Chinese Consumers in Difficult Time," March 13, 2020

253910

www.eMarketer.com