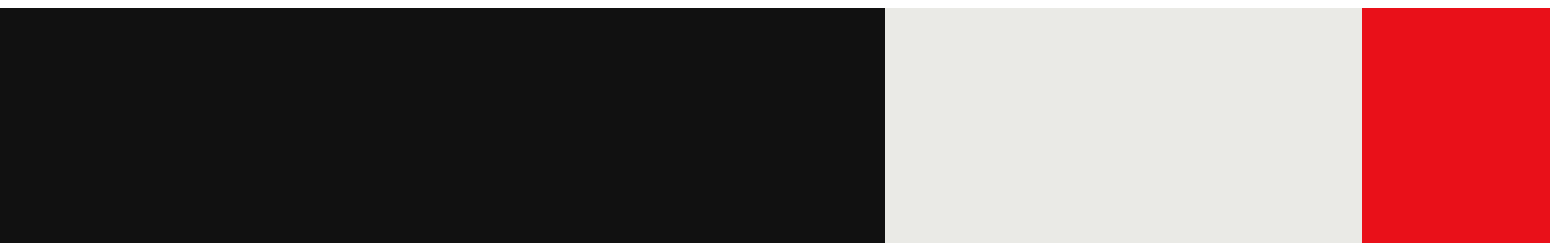


China's economic slump shows no signs of improvement

Article



The news: China's retail sales grew just 3% in November, per the National Bureau of Statistics.

- That was considerably short of analysts' expectations for 4.6% growth, per Reuters.
 - The figures are particularly dour given that a good chunk of [Singles Day](#), the country's largest sales event of the year, took place during the month.
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Why it matters: There are few signs that China's property market—and, by extension, its economy—is recovering from its protracted slump. That, along with rising local government debt and high unemployment, is weakening consumer demand and fueling the country's spiral into deflation.

- Real estate investment from January to November is down 10.4% YoY, although stabilizing home prices in upper-tier cities could signal that the property market is bottoming out—and that a recovery will soon be on the horizon.
- More worryingly, the country is in the grip of deflation as businesses resort to steep price cuts to spur spending. China's gross domestic product deflator, which gauges price levels across the economy, has been negative for six consecutive quarters—a near-record streak that is likely to be extended as consumers keep a tight lid on spending.
- China's consumer price index rose just 0.2% YoY in November, the lowest rate in five months, while the producer price index fell 2.5% YoY, marking its 26th consecutive month of declines.

The path forward: Faced with the dire state of China's economy—and the possibility of a [trade war](#) with the US—authorities have promised to loosen monetary policy and implement measures to “vigorously” [revive domestic consumption](#).

But the absence of a specific plan is fueling skepticism in Beijing's ability to engineer a recovery, especially given its reluctance to offer subsidies and other consumer-focused stimulus measures.

That said, its trade-in program has helped move the needle on retail sales—albeit in the limited categories where it's available.

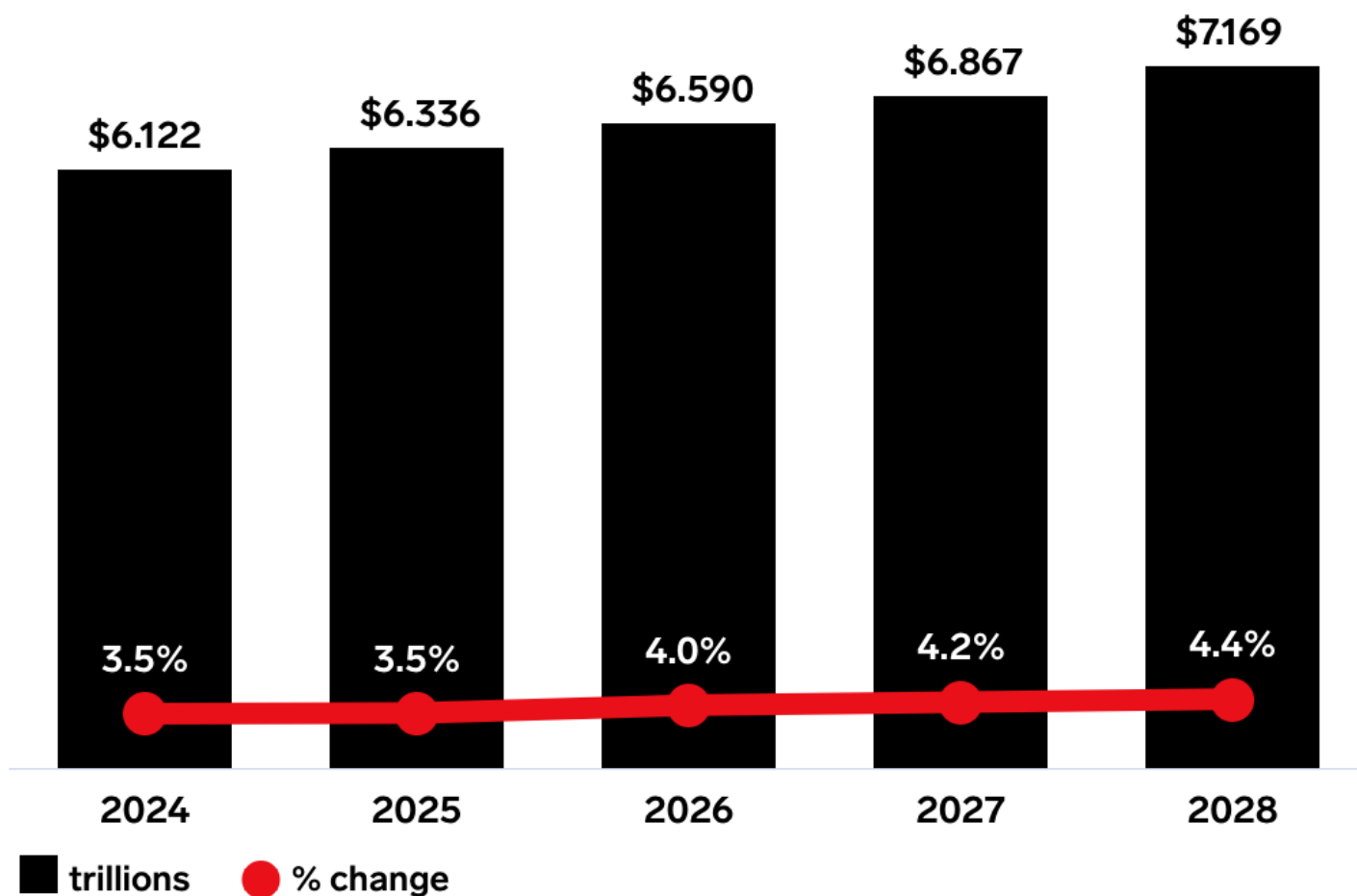
- Sales for home appliances and autos rose 22.2% YoY and 6.6% YoY, respectively, in November thanks to government subsidies.
- Those categories also performed well during Singles Day, **Alibaba** and **JD.com** said.

Our take: China's economic rough patch is unlikely to be resolved anytime soon. We expect [sales to rise just 3.5%](#) in 2025 as consumer caution puts a considerable damper on growth.

Retailers can either sit tight and wait out the price war—or pursue [growth opportunities](#) in lower-tier cities and on emerging channels like **Xiaohongshu** or **Kuaishou**.

Retail Sales

China, 2024-2028



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales; excludes Hong Kong

Source: EMARKETER Forecast, July 2024

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