


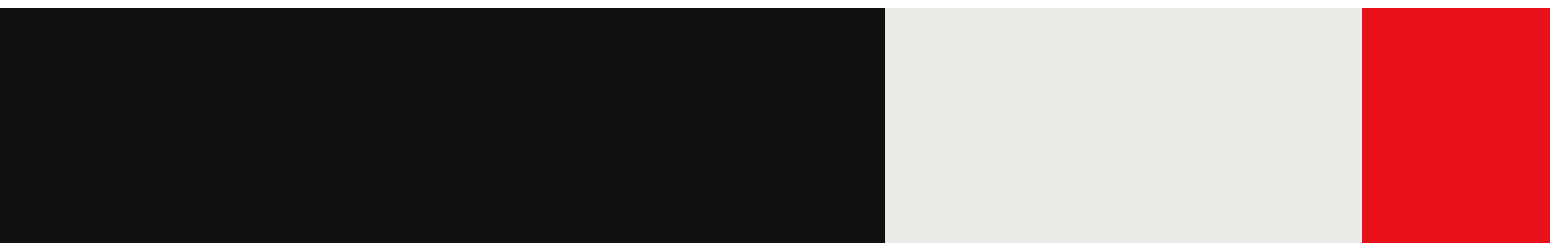
# What retailers need to know about China heading into 2025

Article



**The overview:** Retailers in China have had a rough year. The country's property crisis is taking its toll on consumer confidence—and, consequently, retail spending—as shoppers prioritize saving money over discretionary purchases.

While there are some indications that consumers are loosening their purse strings, several variables—including Trump's proposed tariffs of up to 60% on goods manufactured in China



and Beijing's uncertain consumer stimulus plans—could dampen sentiment and impede economic recovery.

### Here are 3 things retailers should know about the Chinese market:

**Consumers are highly price sensitive.** China's economic malaise has triggered shoppers' penny-pinching tendencies, forcing retailers and quick-service restaurants into a fierce [price war](#) that is hurting profitability and fueling deflation.

- The country's largest ecommerce retailers—**Alibaba**, **JD.com**, and **Pinduoduo**—are investing billions of yuan to lower prices for consumers, with mixed results. Both Alibaba and JD.com are losing share, while Pinduoduo's relentless push to offer cheaper products is resonating with cost-conscious shoppers.
- Shoppers are relying on social platforms “to really look for the best deal,” **Nestlé CEO Anna Manz** said in September. Blockbuster shopping events like the 618 and [Singles Day festivals](#) are no longer the reliable growth drivers they once were.
- Even wealthier households are spending cautiously, in part because of the country's economic struggles but also because a government crackdown on “wealth flaunting” has discouraged conspicuous consumption— particularly of [luxury goods](#).

**Consumer sentiment and demand are better in lower-tier cities.** While consumer sentiment in China is, broadly speaking, at its lowest point since the COVID-19 lockdowns, households in lower-tier cities are more optimistic. That's in part due to lower living expenses and more job opportunities, which is fueling discretionary spending.

- For example, 75% of millennial consumers in lower-tier cities said they were confident in China's economy, compared with 65% in higher-tier cities, per the 2024 McKinsey China Consumer Survey.
- Consumer spending in smaller cities accelerated in nearly every category in the second half of 2023, but contracted in China's largest metropolises, according to UBS Evidence Lab data reported by Bloomberg.
- Companies from [lululemon athletica](#) to **Pizza Hut** are focusing their expansion efforts on lower-tier cities to capitalize on healthier demand and reach broader audiences.

**Global brands are losing ground to local competition.** The price war, coupled with the *guochao* (“China chic”) movement, is giving [domestic brands an edge](#), as Chinese consumers

shop local both to make a political statement and save money.

- That's causing companies like **Starbucks** to lose share fast as lower-priced competitors like **Luckin Coffee** use steep discounts and menu innovation to attract customers.
- **Nike**, once by far the dominant sportswear brand in China, has watched its advantage slip as companies like **Li Ning** and **Anta** narrow the quality gap and introduce more products.
- And **local beauty brands** are growing at the expense of global players like **Estée Lauder** and **Shiseido** thanks to a better understanding of local consumers' shopping behaviors, preferences, and product needs.

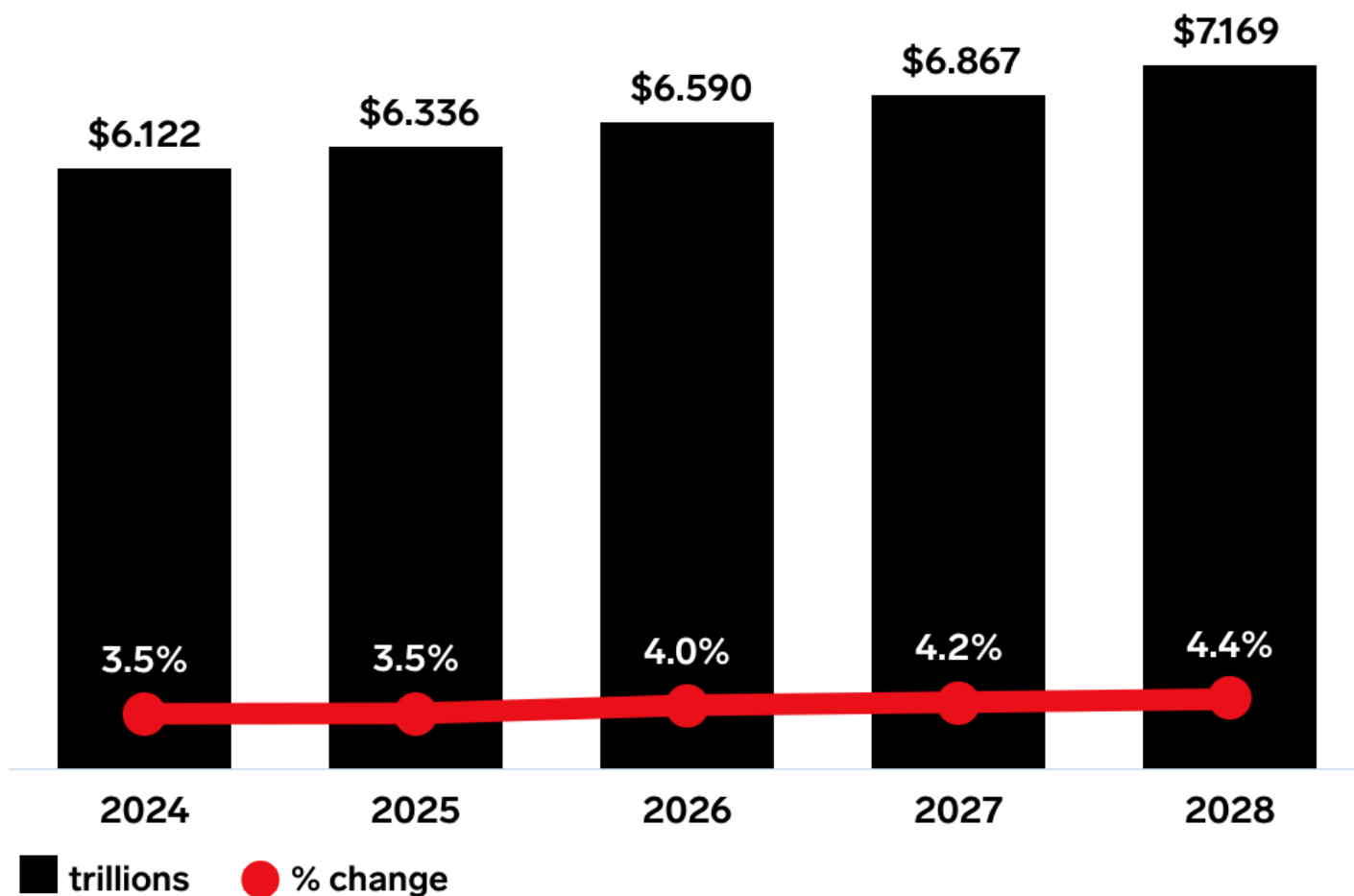
**The outlook:** Consumer sentiment in China will languish so long as the government avoids stimulus measures aimed at boosting consumption.

- While the government's trade-in program for household appliances and autos is helping **sales in those categories**, more widespread initiatives are needed to restore confidence and encourage households to spend their copious savings.
- President-elect Trump's proposed tariffs may be the motivation Beijing needs to implement more aggressive stimulus measures.

We expect **retail sales** to grow just 3.5% in 2025 as consumers' gloomy outlook weighs on their desire to spend.

## 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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