

China Watch

February Consumer Survey: Slight tick-up in sentiment amid holiday season

This is the 9th installment of our proprietary BofA China Consumer Survey, which has been conducted every other month since October 2022. The survey results in this report were collected from 1,003 consumers aged 18+ in China during February 15-20.

Sentiment ticked up; future expectation barely changed

Our latest Feb survey showed a slight pick-up in overall consumer sentiment compared with Dec and Oct. A higher share of respondents indicated that they went out more and spent more over the last two months (52%, vs. 39% in Dec). The share of respondents who plan to spend more over the next six months edged up to 44% in Feb (vs. 42% in Dec and 31% in Oct). Income growth stayed roughly unchanged. Future income expectation also largely remained steady, with 37% of respondents expecting an increase in income (same as in Dec but higher than 26% in Oct). It is encouraging to see slightly better consumer sentiment in Feb, though part of it could reflect seasonality.

Home buyers' confidence picked up slightly in Tier-1 cities

Home buyers' sentiment remained fragile overall. In Feb, a larger share of respondents expect home prices to decline over the next year (33%, vs. 24% in Dec), whereas only 32% expect home prices to increase (vs. 40% in Dec). That said, the confidence of home buyers in Tier-1 cities picked up, likely helped by the recent relaxation of home purchase restrictions. Overall, future home purchase/upgrade plans for the next six months declined. Purchase plans for large-ticket items (home appliances & auto) also weakened.

LNy consumption improved on services and travel

Holiday spending improved further, as 74% of respondents spent more than the pre-COVID level, up from 64% during the Oct golden week. Services and travel were the key drivers. Consumers dined out more often during the holiday (37% went out 5 times or more vs. only 22% in Oct). Most survey respondents were on the road, with domestic short-distance travel being the most popular (63%). More people travelled across border as well, and Japan, Hong Kong, and Macau were the most popular destinations. We also see rising traveler preference for Southeast Asia, Australia & New Zealand, and Europe.

Practical purchasing behaviors

Consumer propensity towards trading-up settled into a largely stable trend in February, after the earlier positive shift in December. A slight improvement in sentiment in Tier-1 cities was offset by softer trends in Tier-2 and below cities. Categories with trade-up potential still centered on services (travel, sports, and gyms) and groceries (dairy and packaged food), with softer demand for luxury. Consumers shifted back to practicality in Feb, with more participants prioritizing product characteristics over brand origin. Around half of the survey participants still prefer local brands (slightly down from 54% in Dec), while preference for international brands dropped to 18% (vs. 26% in Dec).

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Refer to important disclosures on page 15 to 16.

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Abbreviations:

F&B: food and beverage

LNy: Lunar New Year

[December Consumer Survey: Modest pick-up in sentiment as year-end approaches, 12 December 2023](#)

[October Consumer Survey: Not out of the woods yet, 11 October 2023](#)

[August Consumer Survey: Slight uptick in sentiment on summer services boost, 22 August 2023](#)

[June Consumer Survey: Willingness to spend lost steam amid weaker sentiment, 20 June 2023](#)

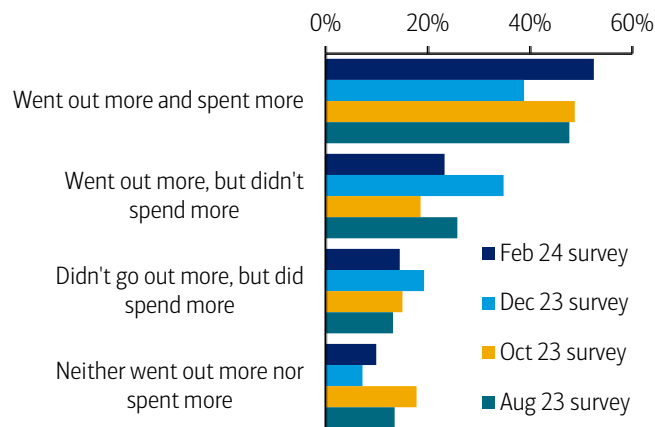
Key survey takeaways

Consumer sentiment ticked up amid holiday season

Our latest February survey shows that consumer sentiment overall had picked up amid the LNY holiday season. Compared with last time, a much higher share of respondents indicated that they went out more and spent more over the last two months (52%, vs. 39% in Dec; Exhibit 1). An improvement was seen across all city tiers (Exhibit 2). That said, the share of respondents that didn't go out more but did spend more dropped slightly (15%, vs. 19% in Dec).

Exhibit 1: Consumer spending behavior

Did you go out more and spend more over the last two months? 52% of the respondents said so in Feb, vs. 39% in Dec...

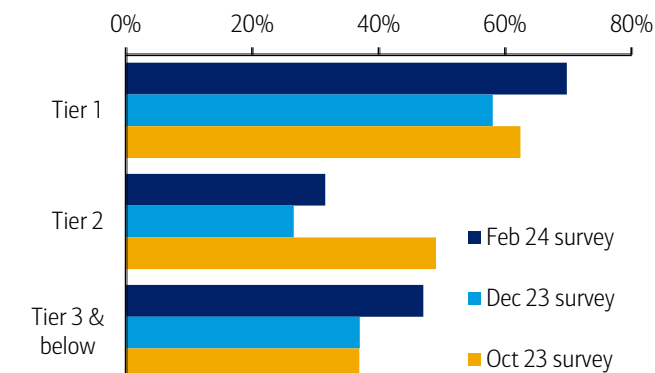


Source: BofA Global Research

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Exhibit 2: Respondents choosing "went out more and spent more" (by city tier)

...with improvement observed across all city tiers



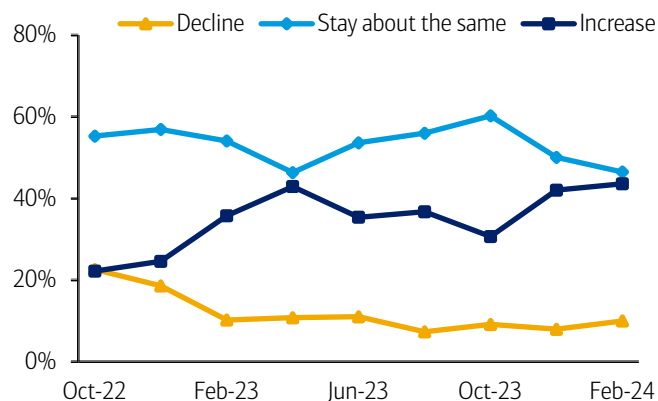
Source: BofA Global Research

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Consumers' future spending plans also showed a slight tick-up compared with Dec. In Feb, 44% of our respondents said that they expect to increase spending over the next six months, vs. 42% in Dec (Exhibit 3). Willingness to spend improved in Tier-1 and Tier-2 cities, while weakening in Tier-3 cities and below (Exhibit 4). Sentiment improved notably for the age groups of 26-35 and >56 (Exhibit 5), as well as for the middle-income group (annual income RMB100-500k; Exhibit 6).

Exhibit 3: Expected spending change over the next six months

How do you expect your spending will change? 44% of the respondents expect to increase spending over the next six months, up from 42% in Dec...

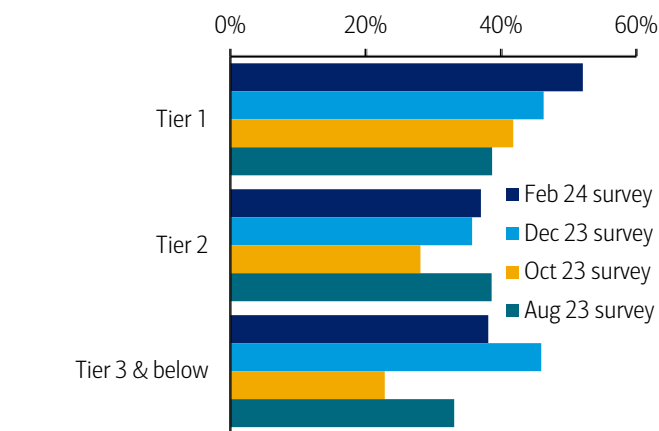


Source: BofA Global Research

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Exhibit 4: Respondents expecting an increase in spending (by city tier)

...sentiment picked up in Tier-1 & 2 cities but weakened in Tier 3 cities and below

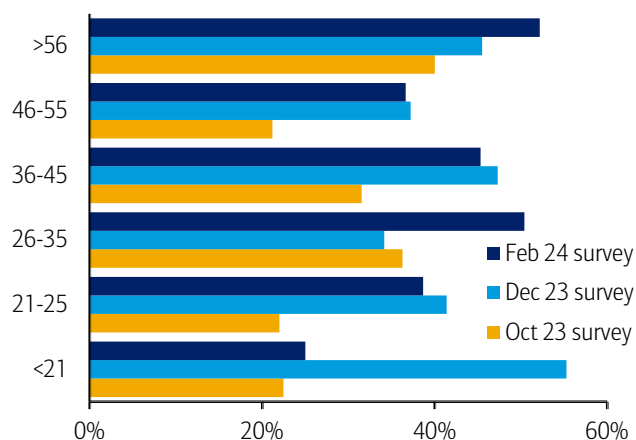


Source: BofA Global Research

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Exhibit 5: Respondents expecting an increase in spending (by age)

...Sentiment improved notably for the age groups of 26-35 and >56

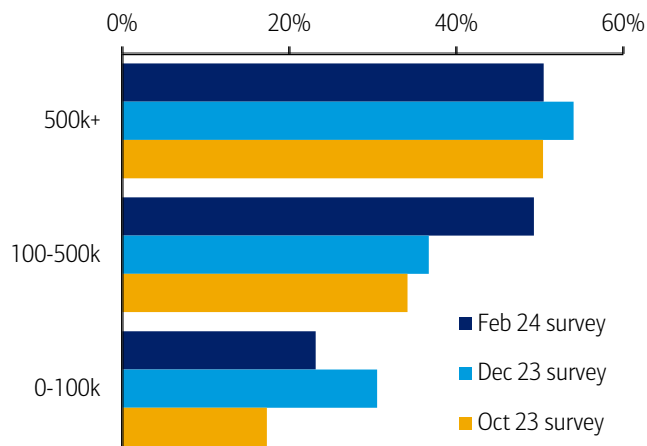


Source: BofA Global Research

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Exhibit 6: Respondents expecting an increase in spending (by income)

...for the middle-income group (annual income RMB100-500k)



Source: BofA Global Research

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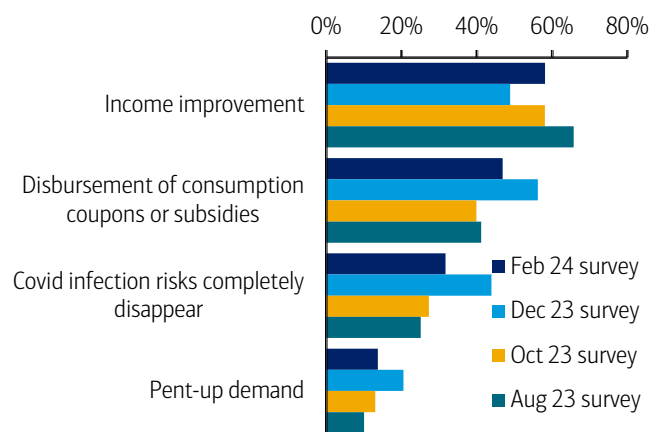
Income growth improved slightly

In the Feb survey, “income improvement” was ranked as the #1 factor that will lead to more spending over the next six months, followed by “disbursement of consumption coupons or subsidies” (Exhibit 7). Concerns about virus infection risks subsided after the previous wave of respiratory illnesses in late 2023.

Income growth remained largely unchanged compared with two months ago. Around 42% of our respondents reported an increase in income in the Feb survey (vs. 43% in Dec), while around 18% witnessed a decline (same as in Dec; Exhibit 8). Income improvement was reported mostly among those aged 26-35 and the middle-income group (annual income RMB100-500k).

Exhibit 7: Key drivers to increase future spending

What factors will lead you to spend more over the next six months? (select all that apply) “Income improvement” ranked as the #1 factor in Feb

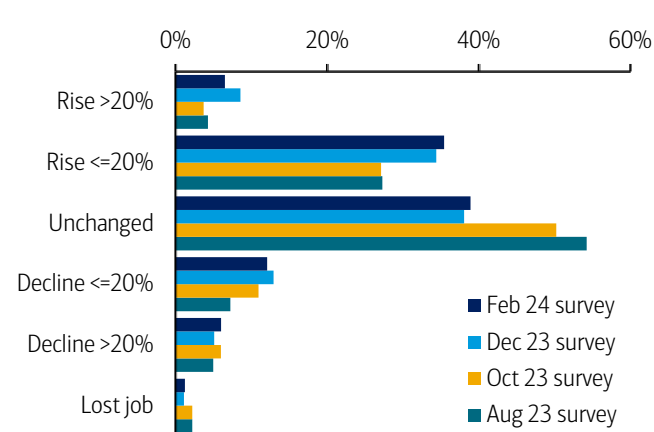


Source: BofA Global Research

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Exhibit 8: Income change compared to a year ago

Compared with a year ago, how has your income changed? 42% of the respondents reported an increase in the Feb survey, vs. 43% in Dec...



Source: BofA Global Research

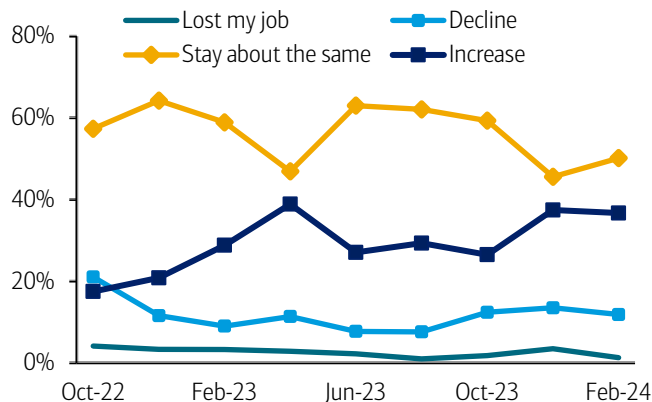
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Future income expectation barely changed

Future income expectation remained largely steady in our Feb survey compared with two months ago. About 37% of our respondents expect an increase in income over the next six months, roughly the same as in Dec (Exhibit 9). The improvement was mainly driven by Tier-1 cities (Exhibit 10), the middle-income group (annual income RMB100-500k; Exhibit 11) and those aged 26-35 (Exhibit 12).

Exhibit 9: Future income expectation over the next six months

Compared with right now, how do you expect your income to change over the next six months? About 37% of our respondents expect an increase in Feb...

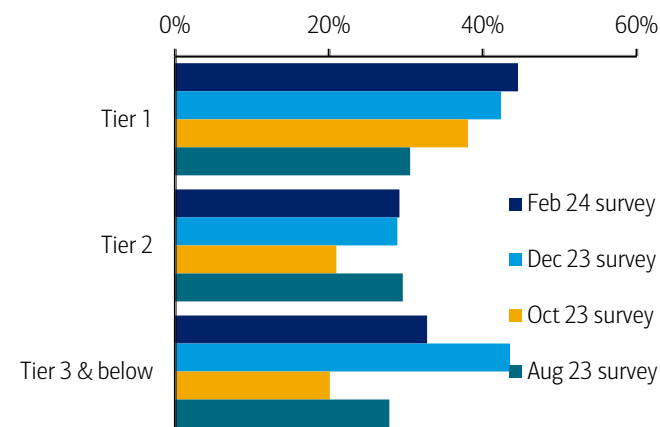


Source: BofA Global Research

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Exhibit 10: Respondents expecting an increase in income over the next six months (by city tier)

...with improvement driven mostly by Tier-1 cities

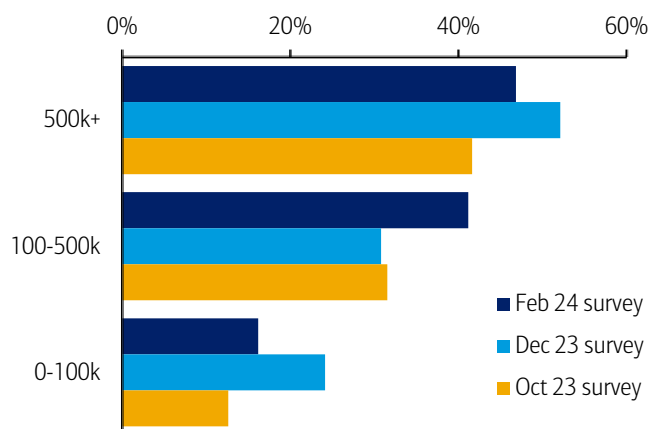


Source: BofA Global Research

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Exhibit 11: Respondents expecting an increase in income over the next six months (by income)

... the middle-income group...

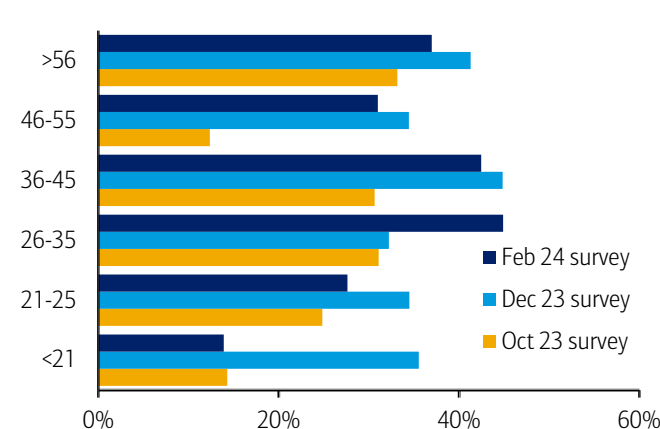


Source: BofA Global Research

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Exhibit 12: Respondents expecting an increase in income over the next six months (by age)

...and those aged 26-35



Source: BofA Global Research

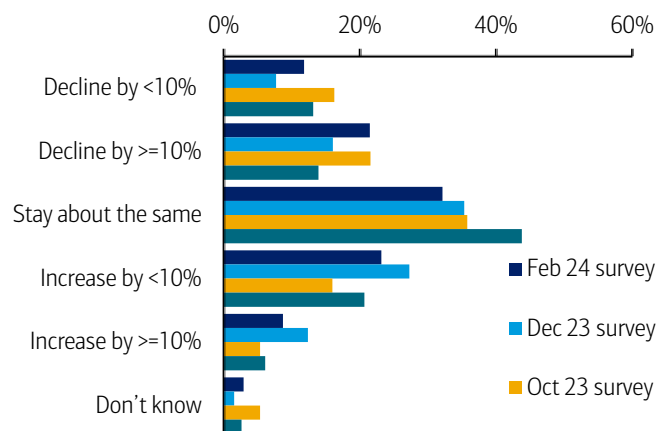
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Slightly better home buyer sentiment in Tier-1 cities

The Feb survey still points to fragile confidence among home buyers overall. In Feb, a larger share of respondents expect home prices to decline over the next year (33%, vs. 24% in Dec), whereas only 32% expect home prices to increase (vs. 40% in Dec; Exhibit 13). Tier-1 cities stand out as an exception — home buyers' confidence seemed to have strengthened, likely helped by the recent relaxation of home purchase restrictions (Exhibit 14). Future home purchase/upgrade plans for the next six months weakened in the Feb survey (Exhibit 15).

Exhibit 13: Housing price expectation

Compared with right now, how do you expect housing prices will change over the next year? 33% of respondents in Feb expected home prices to decline, vs. 24% in Dec



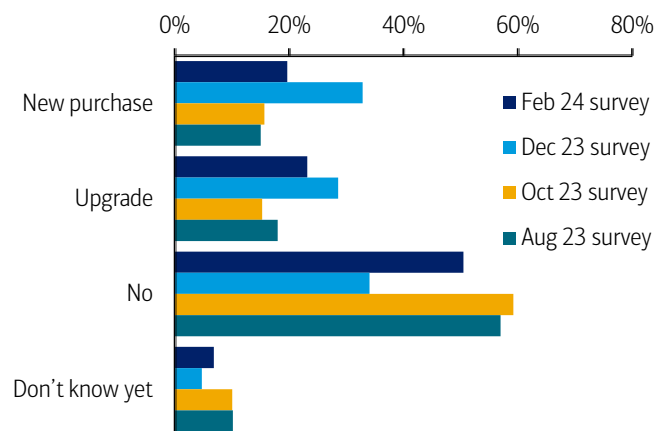
Source: BofA Global Research

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Consumer demand for large-ticket items also seemed to soften after the year-end peak season. In Feb, 56% of our respondents stated that they have plans to purchase new home appliances in the next three months, vs. 72% in Dec (Exhibit 16). New purchase/upgrade demand for auto also moderated, with 46% of our respondents indicating such plans (vs. 61% in Dec; Exhibit 17). Demand picked up in Tier-1 cities while weakening in the lower-tier cities (Exhibit 18).

Exhibit 15: Future home purchase/upgrade plan

Do you have any plans for home purchase/upgrade within the next six months? Demand softened in Feb vs. Dec

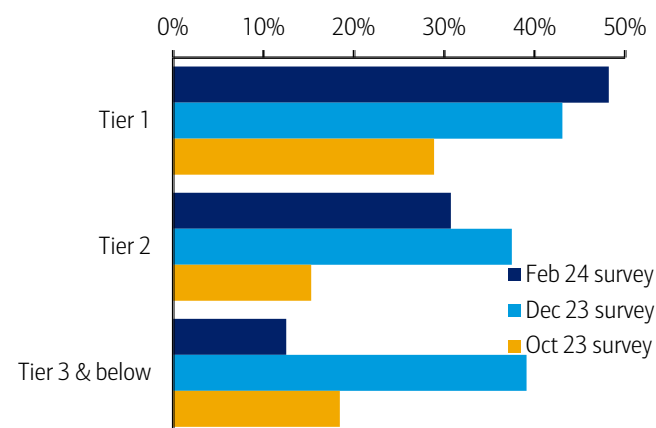


Source: BofA Global Research

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Exhibit 14: Respondents expecting housing price to rise (by city tier)

Home buyers' confidence in Tier-1 cities seemed to have strengthened, likely helped by the recent relaxation of home purchase restrictions

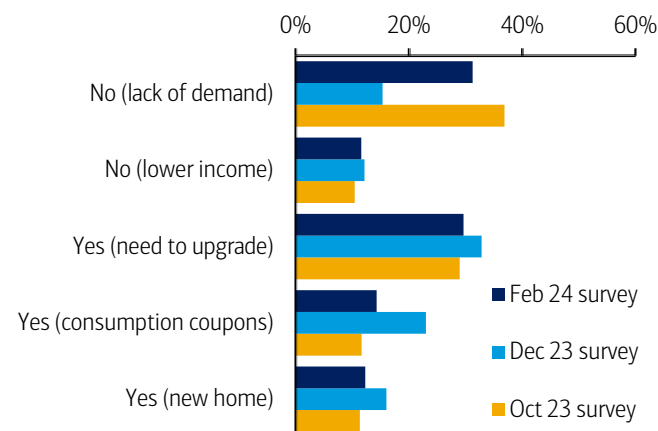


Source: BofA Global Research

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Exhibit 16: Future plan for home appliance purchases

Do you have plans to purchase new home appliances in the next three months? Demand softened notably compared with the Dec survey

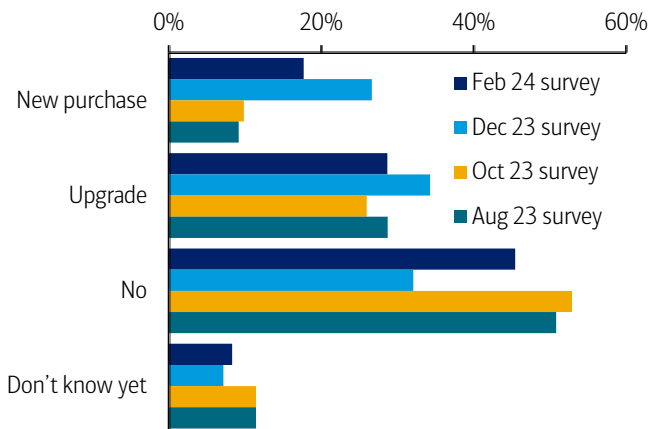


Source: BofA Global Research

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Exhibit 17: Future plan for auto purchases

Do you have plans to purchase new cars in the next three months? 46% of the respondents indicated purchase/upgrade demand in Feb, vs. 61% in Dec...

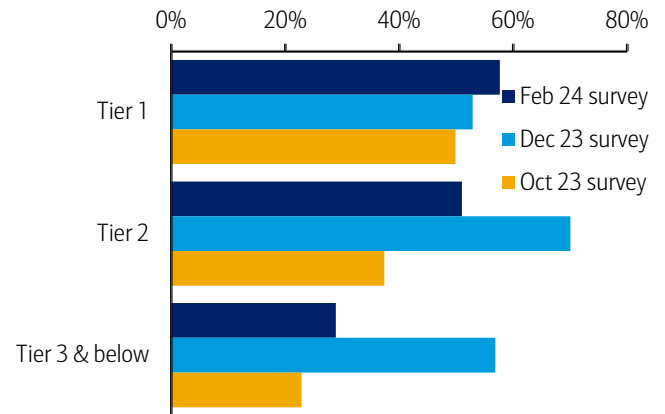


Source: BofA Global Research

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Exhibit 18: Respondents with auto purchase plans (by city tier)

...only Tier-1 cities saw improvement in demand



Source: BofA Global Research

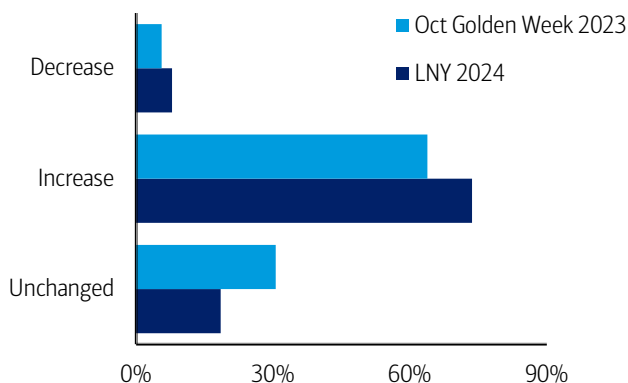
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Services and travel drove holiday consumption rebound

Holiday spending had a solid recovery, with 74% of respondents spent more during this LNY than they did pre-COVID, up from 64% during Oct golden week (Exhibit 19). The improvement was most notable in Tier 3 cities and below, as people returned home for the holiday (Exhibit 20). Consumers also took the opportunity to eat out more during this holiday season, as 37% went out 5 times or more (vs. only 22% in Oct). When it comes to **gifting** options, baijiu, beverage, snacks, and dairy remain the Top 4 choices. However, compared with Oct, snacks and beverage overtook baijiu as the most popular gifts during CNY, indicating a rise in value consciousness among some consumers. Most survey respondents spent some time on the road, with domestic short-distance **travel** being the most popular (63%), with more than half of the respondents returned home for LNY. More people also travelled cross border. Japan, Hong Kong, and Macau were the most popular holiday destinations, followed by Korea, North America, and Europe. When asked about future travel plan, respondents showed rising preference for Hong Kong, Southeast Asia, Australia & New Zealand, and Europe, while less so for Macau, Taiwan, the Americas, or Japan.

Exhibit 19: Holiday spending further improved vs. pre-COVID level

74% of respondents spent more than pre-COVID during this LNY, up from 64% back in October Golden Week last year

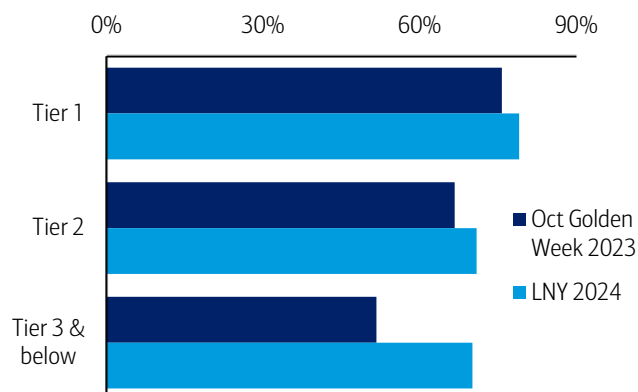


Source: BofA Global Research

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Exhibit 20: Holiday spending further improved vs. pre-COVID level

... with clear improvement in lower tier cities (from 52% to 70%)

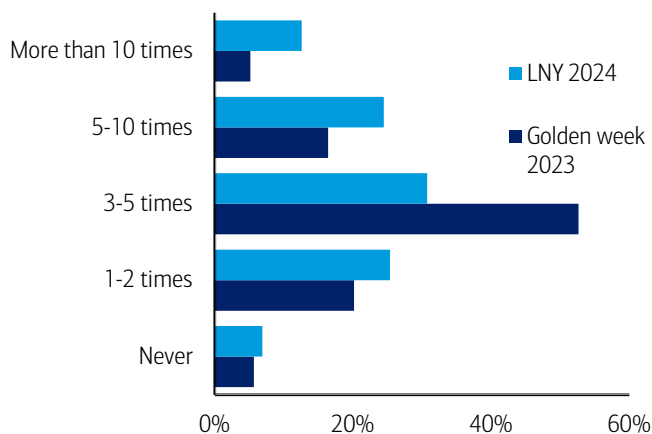


Source: BofA Global Research

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Exhibit 21: Consumers dined out more often in LNY 2024 vs. Oct Golden Week in 2023

37% dined out 5 times or more in Feb (vs. only 22% in Oct)

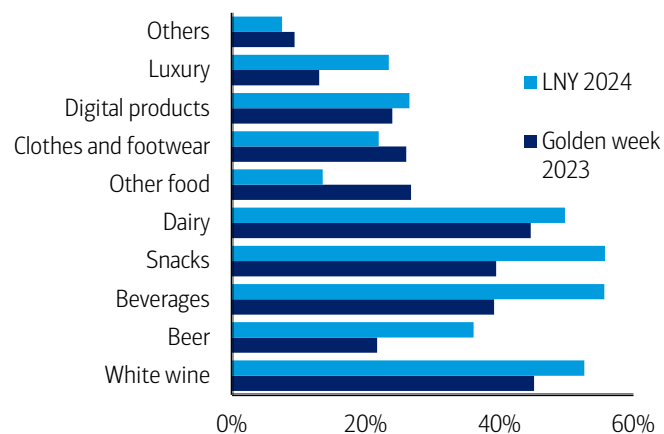


Source: BofA Global Research

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Exhibit 22: LNY gifting was concentrated on snacks, beverage, dairy, and baijiu

Which categories did you spend for CNY gifts?

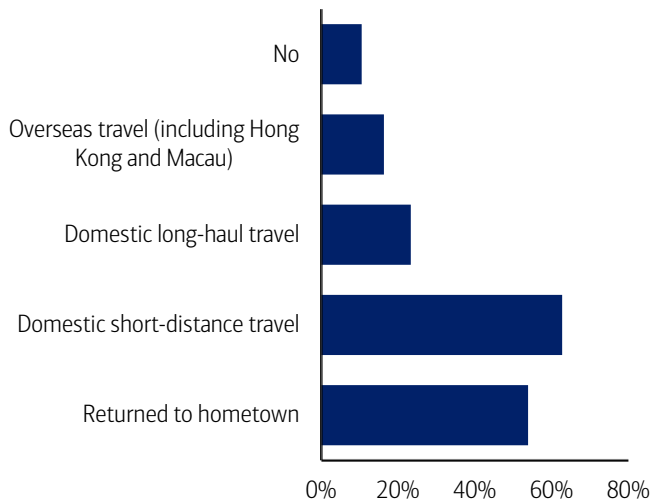


Source: BofA Global Research

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Exhibit 23: Most survey respondents spent some time on the road

54% of the respondents returned home, and 63% chose domestic short-distance travel

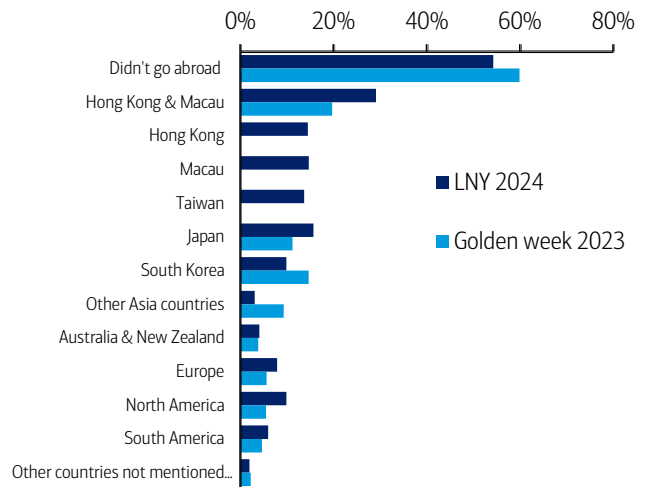


Source: BofA Global Research

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Exhibit 24: More people travelled cross border

Japan, Hong Kong, and Macau were the most popular, followed by Korea, North America, and Europe

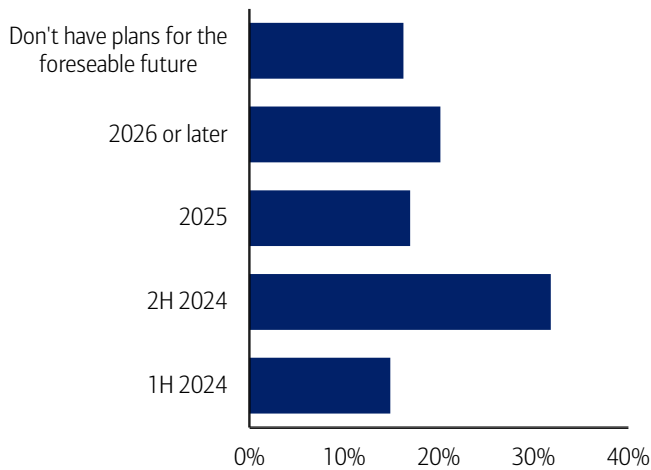


Source: BofA Global Research

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Exhibit 25: Most survey respondents had overseas travel plan

84% planned to travel overseas in the future

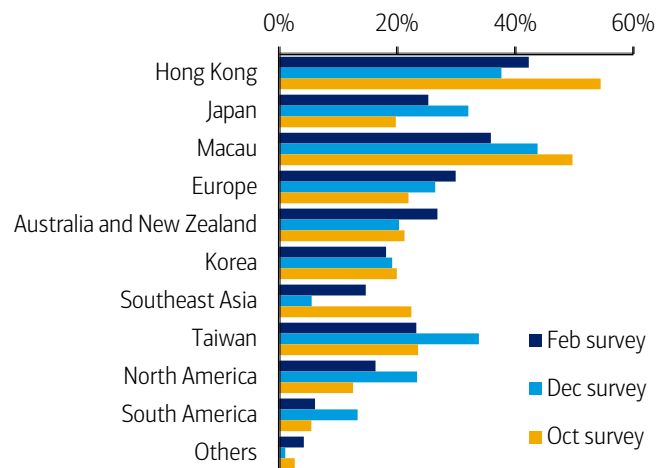


Source: BofA Global Research

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Exhibit 26: Future travel Destinations

Rising preference for Hong Kong, Southeast Asia, Australia & New Zealand, and Europe, while less so for Macau, Taiwan, the Americas, and Japan



Source: BofA Global Research

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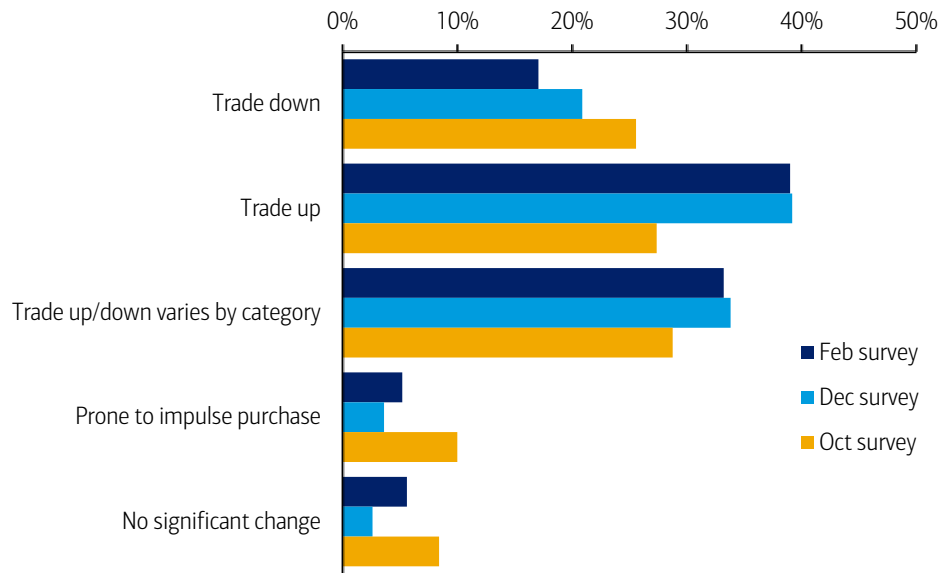
Consumer sentiment largely stable

Consumer sentiment settled into a largely stable trend in February, after the earlier positive shift in December. Respondents who recorded increase in trading-up went from 27% in Oct to 39% in Dec and stabilized at the same level in Feb (Exhibit 27). A slight improvement in sentiment in Tier 1 cities was offset by softer trends in Tier 2 and below (Exhibit 28).

Categories with trading-up potential still centered on services (travel, sports, and gyms) and groceries (dairy and packaged food), with softer upgrade demand in luxury.

Exhibit 27: Trade up demand remained stable

Which of the following statements best fit your consumption pattern?

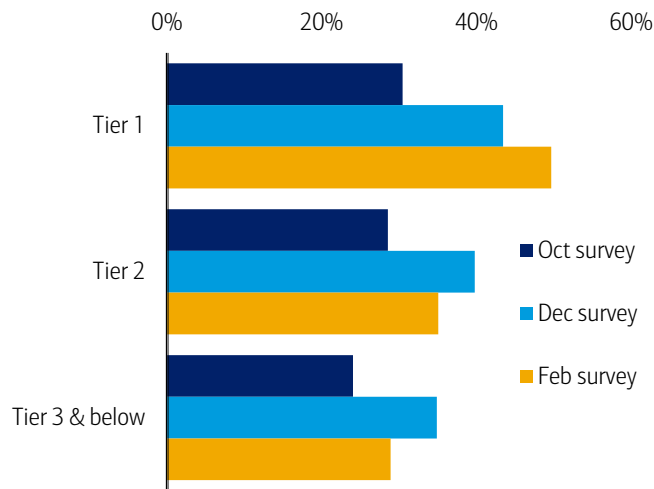


Source: BofA Global Research

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Exhibit 28: Trading up by city tier

Improvement in sentiment in Tier 1 was offset by softer trends in Tier 2 and below

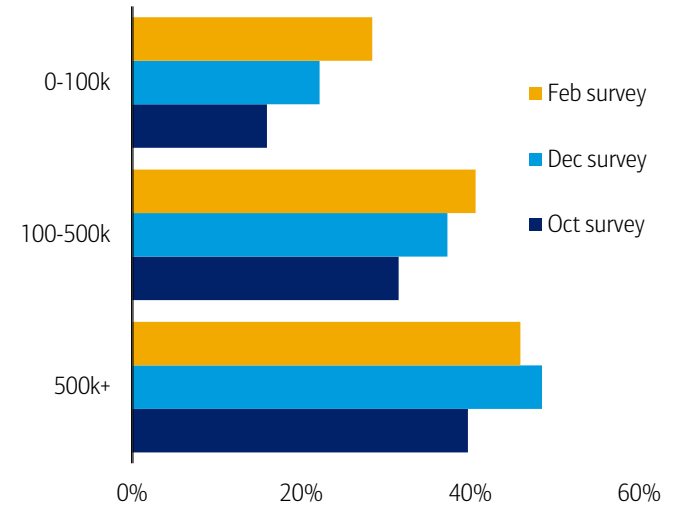


Source: BofA Global Research

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Exhibit 29: Trading up by income group

Continued trading up for the respondents with 0-500k income

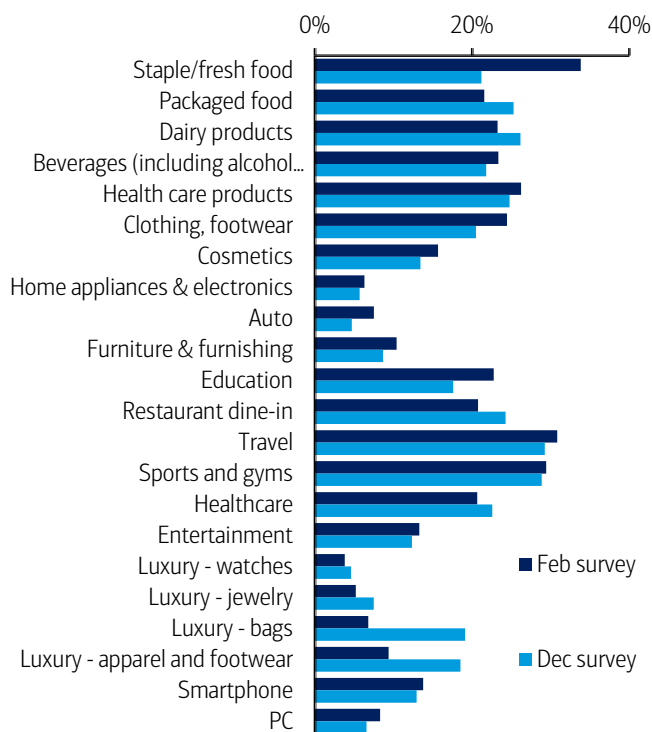


Source: BofA Global Research

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Exhibit 30: Staple/fresh food saw upgrade consumption intentions in the near future

In the near future, which areas would you plan to upgrade your purchase?

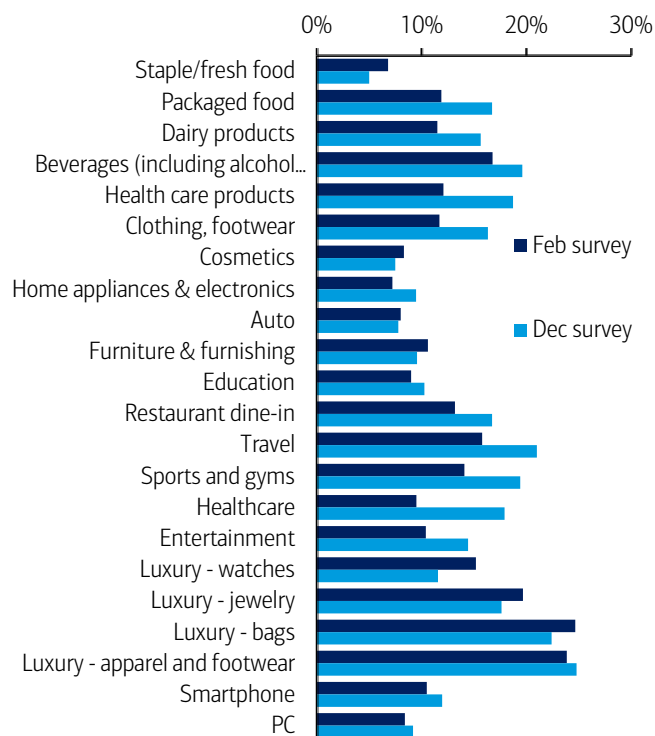


Source: BofA Global Research

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Exhibit 31: Most downgrade consumption intentions centered on healthcare in the near future

In the near future, which areas would you plan to downgrade your purchase?



Source: BofA Global Research

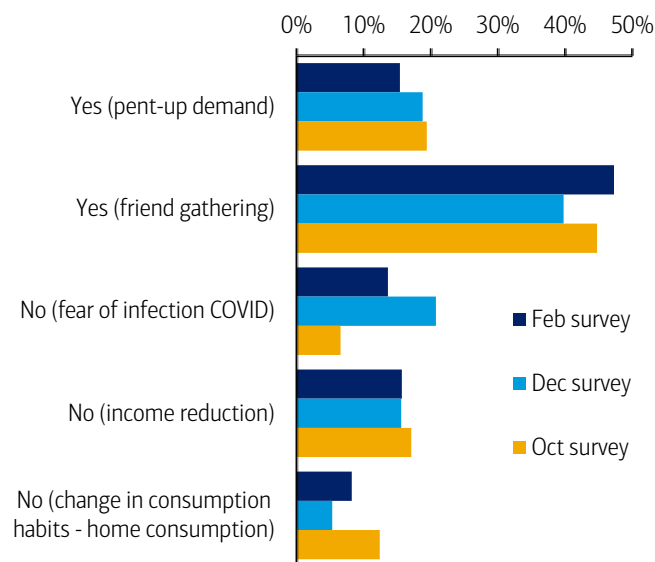
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Restaurant demand bounces back

Consumer sentiment towards dining out has shown signs of recovery following a setback in December, attributed to concerns over influenza infections. 62% of respondents expressed an increased willingness to dine out more frequently, marking a rise from 58% in Dec. Notably, tier-1 cities, higher income groups, and younger consumer cohorts could contribute to stronger restaurant demand in the future.

Exhibit 32: Rising friends gathering demand, and less concern about COVID/Influenza

Will you increase the frequency of dining out in the next 3 months?

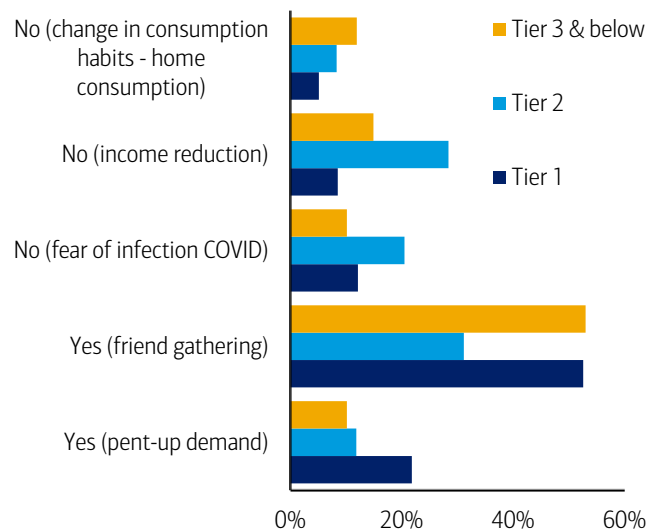


Source: BofA Global Research

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Exhibit 33: Tier-1 city residents show stronger enthusiasm for eating out

Will you increase the frequency of dining out in the next 3 months?

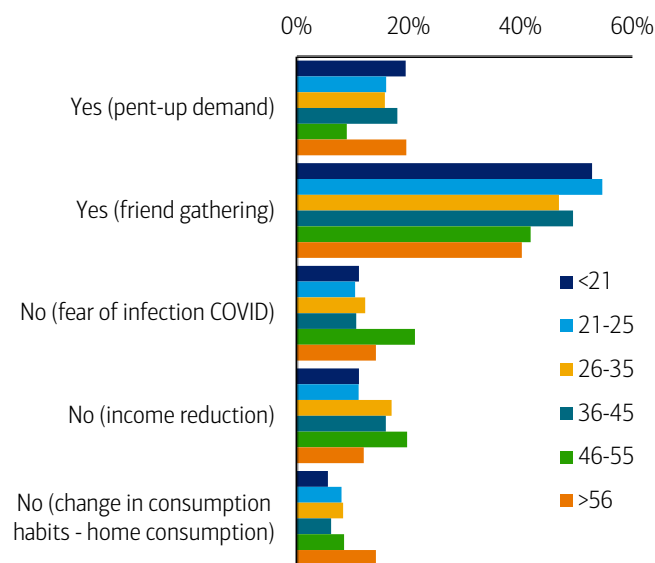


Source: BofA Global Research

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Exhibit 34: Younger consumer cohorts show stronger enthusiasm for eating out

Will you increase the frequency of dining out in the next 3 months?

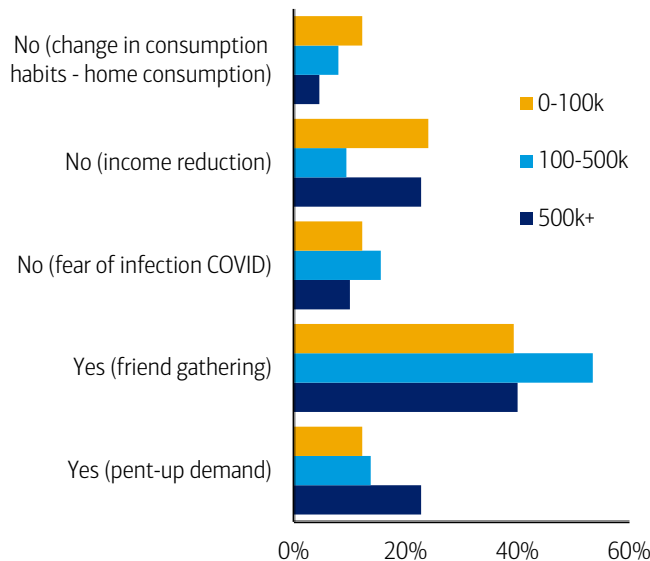


Source: BofA Global Research

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Exhibit 35: Higher income groups show stronger enthusiasm for eating out

Will you increase the frequency of dining out in the next 3 months?



Source: BofA Global Research

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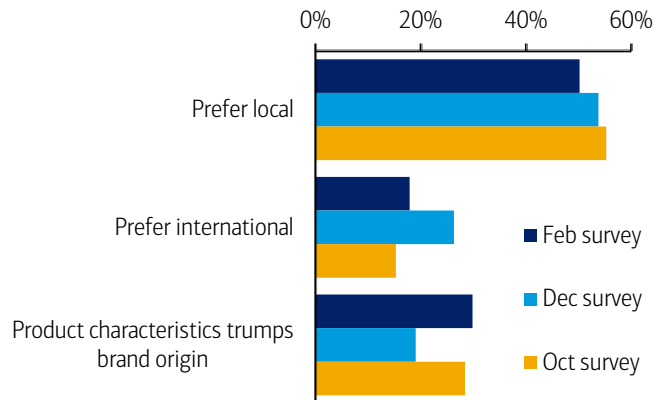
Product attributes over brand origin

Consumers shifted back to practicality in Feb (vs. more brand-driven purchasing behaviors in Dec). More respondents prioritized product attributes over brand origin (30% in Feb, up from 19% in Dec). Those in lower-tier cities and lower-income groups exhibited higher focus on product characteristics.

Half of the survey participants still prefer local brands (down slightly from 54% in Dec), while preference for international brands dropped from 26% in Dec to 18% in Feb (but still above the 15% in Oct). Local preference was the highest among apparel, sportswear, skincare/make-up, and home appliance, with rising traction in beverage, sportswear, and snacks. International brands maintain a steadfast presence in luxury, with increasing popularity in fashion/casual apparel and wine/spirits.

Exhibit 36: Brand choice

Consumers shifted back to practicality in Feb (vs. more brand-driven purchasing behaviors in Dec)

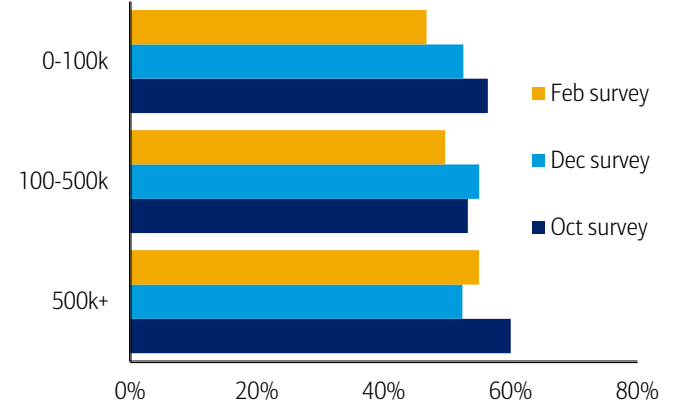


Source: BofA Global Research

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Exhibit 37: Local brand preference by income group

Around 50% of participants prefer local brands, with higher preference among the wealthy cohort

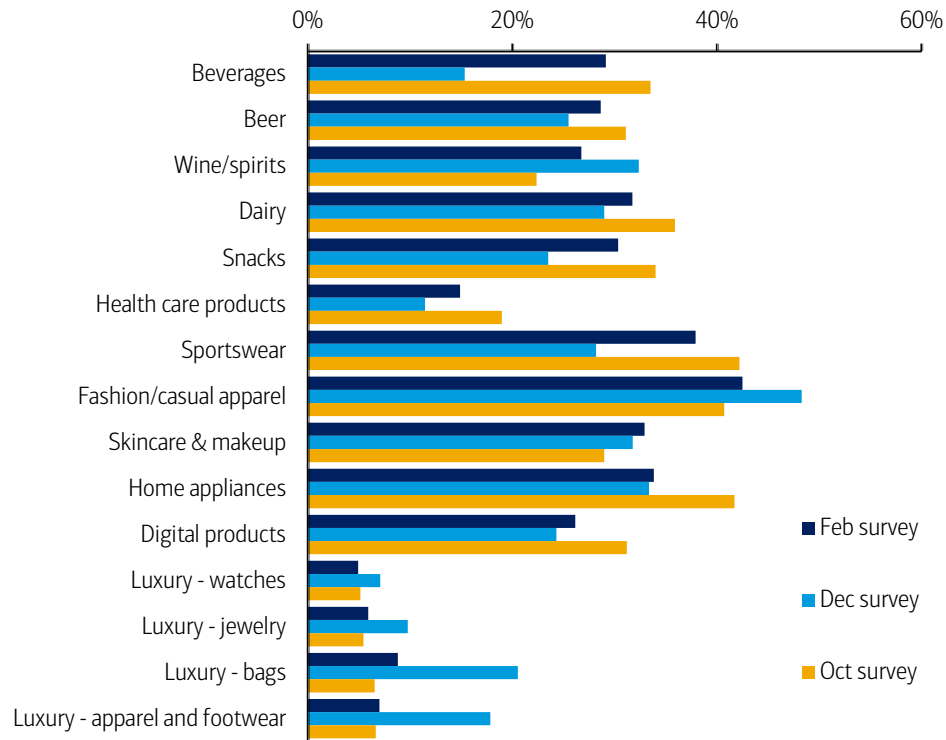


Source: BofA Global Research

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Exhibit 38: Local preference was the highest among fashion/casual apparel, sportswear, home appliance, and skincare

In which of the following categories are you more inclined to choose national brands than in the past? (Select all that apply)



Source: BofA Global Research

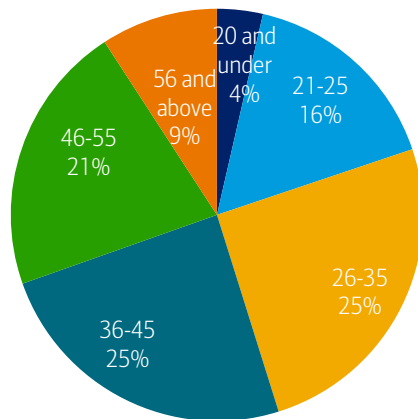
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Methodology

We surveyed 1,003 consumers aged 18+ in China in Feb 2024 (vs. 1,009 consumers in Dec 2023, 1,023 consumers in Oct 2023, 1,022 consumers in Aug 2023, 1,045 in Jun 2023, 1,021 in April 2023, 1,010 in Feb 2023, 1,034 in Dec 2022 and 1,050 in Oct 2022).

Exhibit 39: Age of survey respondents

What is your age? Most were 26-35, followed by 36-45

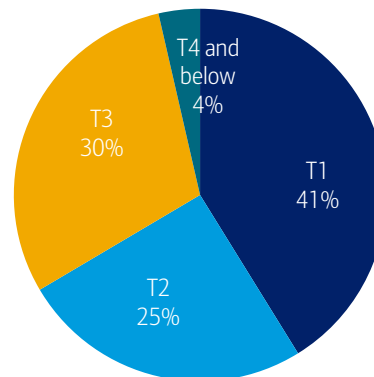


Source: Survey Monkey, BofA Global Research
Respondents: 1,003

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Exhibit 40: Location of survey respondents

Which city do you live in? 41% live in T1 cities

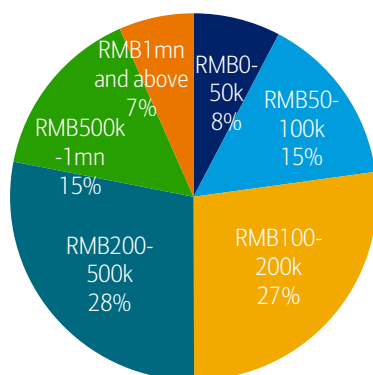


Source: Survey Monkey, BofA Global Research. * T1 include Beijing, Shanghai, Guangzhou, Shenzhen. T2 refers to provincial capital cities and cities under separate state planning (Dalian, Qingdao, Ningbo, and Xiamen) (excluding Guangzhou and Shenzhen). T3 refers to Prefecture-level cities (non-provincial capital cities and cities under separate state planning). T4 refers to county-level city and below
Respondents: 1,003

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Exhibit 41: Personal income of survey respondents

What is the range of your annual pre-tax income? 28% RMB200-500k, 27% RMB100-200k

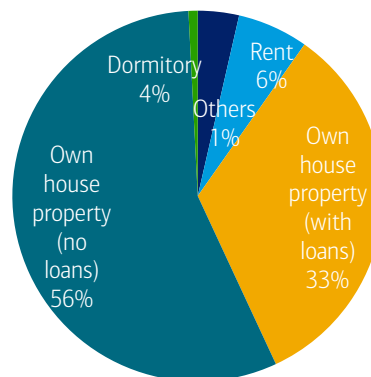


Source: Survey Monkey, BofA Global Research
Respondents: 1,003

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Exhibit 42: Living situation

What's your current living situation? Most owned houses with no loans



Source: Survey Monkey, BofA Global Research
Respondents: 1,003

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