China Consumer

Pulse check: 2Q25 wrap-up: Softer demand and pricing trends; structural growth generate alpha opportunities

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Consumption trends turned softer in 2Q25 and the 3Q-to-date demand remains unexciting, though some categories noted sequential improvement (but magnitude is not meaningful) in Aug (e.g., restaurants, sportswear, prepared food and spirits with signs of policy impact normalizing). Into 2H, companies generally held a prudent outlook given the demand uncertainty. Policy wise, trade-in related sectors will face higher base from Aug/Sep; GS macro team expects significant demand-side stimulus to be unlikely in the near term as the headline GDP number is still resilient, though there have been marginal policy supports (e.g., temporary interest and childbirth subsidies). On **pricing, we continue to see downside risks amid the demand softness for some categories** (e.g., sportswear, spirits), and restaurant sector has been seeing intensified pricing activities due to platform food delivery subsidy and market players educating new categories.

On the bright side, the structural growth opportunities we highlighted earlier continued to play out: **1) demand for experience-based consumption**, including IP retailers which have been delivering robust growth, freshly made drink, pet foods; **2) category expansion and penetration opportunities**, including beverage/freshly made drink, cosmetics, pet foods, and companies like Laopu which is at upward brand cycle; **3) overseas expansion**, where market share gain/penetration continue to generate meaningful growth opportunity (e.g., home appliances) despite demand uncertainty; **4) lower tier cities** are still white space for some categories. Meanwhile, with expectation reset, we note the market shows interest to **turnaround/"worst is over"** theme. **Shareholder returns** are also a support to stock prices.

Within our consumer coverage, our **most preferred sectors** are sports brands, diversified retailer, beverage, pet food; our **least preferred sectors** are apparel/footwear OEM, furniture, projectors, discretionary small kitchen appliances, and non-super-premium spirits. **Restaurants** have been downgraded from Preferred to Neutral given they are entering a low season, pricing uncertainties especially changes in delivery platforms' strategies; while we upgrade **jewelry** to Neutral from least preferred on more stabilized sentiment on gold jewelry consumption.

Stock preference (Buy names): Anta (on CL), Eastroc (on CL), Midea, Haitian-H, Mixue, Laopu Gold, WH Group, CR beer, Shenzhou, Tsingtao-H, Giant Biogene, Tingyi, Miniso, Guming, Gambol, Hisense, China Pet Foods.

Relevant reports:

China Consumer Staples: Aug Check In & ALC/2Q Wrap: Weak demand amid policy/weather drag; Wider divergence with strongest getting stronger

China Consumer Durables: Xiaomi's AC push to enhance industry efficiency but may impact profitability; Buy Midea, Xiaomi; Gree to Neutral

China Cosmetics: 2Q25 wrap: Improved ROI; stabilizing demand; rising divergence on brand cycle/turnaround; Buy Giant/Jahwa

China Spirits: 3Q Preview: trough on rational shipment w/demand still tied to policy/macro; stocks reflect sentiment bottoming/div support

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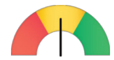
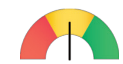
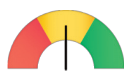
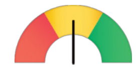
Exhibit 1: Summary of category momentum (Consumer discretionary and durables)

	Sports brands	Textile/footwear OEM	Diversified retailers	Catering	Cosmetics	Jewelry	Traditional Appliances	Emerging Appliances	Furniture
2025 revenue yoy	11%	5%	143%	17%	20%	-1%	8%	30%	-1%
2025 NP yoy	10%	-8%	244%	14%	35%	23%	10%	53%	22%
YTD sector share price chg. (as of Sep 10)	21%	-15%	172%	46%	34%	107%	-2%	55%	-3%
2Q25 results snapshot									
Overall trend (vs. 1Q25)									
Revenue growth (yoy)	4%	7%	188%	17%	19%	10%	10%	44%	-2%
2Q25 vs. Market expectation:									
Sales	→	↓	↑	→	↓	↓	→	→	↓
Margin	→	↓	↑	↑	→	↑	→	→	→
ASP / promotion / discount	Discount remained deeper yoy; rational spending trend continued	Mixed - some players' ASP faced headwinds from tariff-sharing / weaker product mix/FX drag, while some delivered yoy ASP growth driven by more favourable customer/product mix	Pricing remains solid supported by IP popularity. Price hike action for US market from Pop Mart	Continued delivery platform subsidies led to lower purchase price, though Aug density eased; FMD brands leverage more affordable price to educate new categories	Relatively stable discount during 618 vs. last year Double 11/618	ASP increased due to gold price increase	Healthy ASP/promotion offline, but more intense competition online for lower-end products	Generally stable ASP though competition remains intense	More distributors participated the trade-in program that could help ASP, though the competition remain intense
Inventory	Inventory level in general is normal	Global brands' inventory level is elevated, though partially due to front-loaded shipment					Healthy channel inventory		
Monthly trend	Jun was a trough level for all players due to long 618 festival (price war), while Jul-to-Aug trend was mixed for different companies	OEMs' Apr sales were confirmed earlier and therefore largely unaffected by tariff hike, yet May-Jun order momentum or 2H order visibility deteriorated especially for casual/low-ASP brands	Pop Mart growth accelerated from 1Q with strong performance in both China and overseas; Miniso China/US SSSG turned to positive in 2Q and saw acceleration 3Q to date	- SSS recovery remained at relatively low level - For FMD brands, delivery subsidy stepped up in Jul while normalized in Aug	May+Jun accelerated vs. Apr stimulated by 618 shopping festival	mom sequential SSSG improvement while net store closures continued	Generally robust growth momentum with AC outperformed	Continued robust growth for RVC; boost to other small appliances remain limited though improved vs pre trade-in	Generally sluggish demand though some boost from 618; developer channel is still under pressure
Outlook									
Guidance	Mixed - Anta brand lower; Descente/Kolon higher; other brands maintained outlook	Guidance have been reset earlier and are generally maintained	Pop Mart and Miniso raised guidance; but Bloks and Shanghai M&G tracking behind of earlier guidance	Prudent expansion plan/outlook for restaurant players. But selective FMD brands' store expansion above earlier guidance (e.g. Guming, Lucky Cup)	Maintained, with selective name(i.e. MGP) nudged up NI guidance on better efficiency	CTS toned down on topline; CTF/LF maintained; expect store closure to continue while gradually mitigated; improved confidence in witness of narrowing of SSS decline or turning positive	Company divergence with most companies maintained their annual guidance		
Demand outlook	Mixed - Large brands/retailers generally tone conservative on 2H demand trend; while niche brands momentum stay robust and Bosideng expects growth acceleration	Mixed - some are cautious 2H25 order book while select players have better visibility thanks to wallet share gain/diversified	Remain constructive on IP demand in both China and overseas. New product/IP launch acceleration in 2H (e.g. Bloks, Shanghai M&G, Miniso's self owned IPs)	- Easier base into 2H but restaurant brands remain prudent - Delivery platforms' subsidy continue to boost volume, GS Internet team expects investment to peak in 3Q but will still last	Overall still soft demand with initial signs of bottoming as 2025 YTD online GMV accelerated yet divergent trends with select local leaders outperforming	Higher base into 2H but expect store closure and more stable gold sentiment to support an acceleration	Domestic demand is still supported in 3Q by trade-in stimulus on a low base, but will face growth pressure on a high base in 4Q; Exports demand to moderate on a high base, but structurally better demand from EM	Solid growth for structurally growing categories; recovery of most small appliances is limited and will largely dependent on macro conditions	Demand pressure considering completions decline in primary market and muted secondary property market
Margin outlook	GPM faces continuous headwinds from discount, channel shift towards online, enhanced materials without raising prices etc; OPM pressure to intensify in 2H due to base and brand investments	Tariff sharing, less operating leverage from weaker demand, reduced operating efficiency due to ramp-up / order allocation among different production bases, competition continue to bring headwinds to margin	Positive operating leverage, especially with overseas entering peak season (Pop Mart, Miniso)	Raw material price remained favorable in the near term, cost control efforts. But need to watch pricing/promotion trends	Margin pressure may marginally improve as brands become more disciplined on promotions and prioritize ROI, in addition to enhancing operating efficiency	Margin expansion with the increase of revenue mix of fixed-price products, while potentially less gold price uptrend support	Consistent guidance for mild margin expansion; still faster growth of premium products, easing commodity prices, and efficiency gains to drive margin expansion while rising competition on lower-end products and tariff costs remain major downside risk	Mixed margins: continued marketing/branding investment in RVC to pose downward pressure on margins, yet projectors' margins improve from a low base	More emphasis on efficiencies to maintain healthy margins, though it might be still impacted by property related impairment losses
Catalysts	National Holiday, 3Q25 trading update in Oct, Double-11 shopping festival	Holiday demand, global brands' results, initial 2026 orders in late 4Q	IP/new product series launch, IP momentum, overseas market peak season	Platform's delivery subsidy update, National Day holiday spending, policy support	Double 11	National day holiday spending; 2QFY26 operational updates for HK jewelers in Oct	Trade-in/tariff policy development, weekly/monthly sales data, Singles' Day pricing/demand	New product launches, trade-in/tariff policy development, Singles' Day pricing/demand	Property market policy, housing data

Revenue/NP/OP yoy growth are based on market cap weighted average of GS covered companies.

Source: Company data, Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

Exhibit 2: Summary of category momentum (Consumer staples)

	Spirits	Beer	Condiments	Dairy	Beverage	Snacks	Pet care	Prepared food
2025 revenue yoy	2%	0%	6%	0%	18%	6%	23%	7%
2025 NP yoy	2%	8%	2%	16%	25%	-5%	17%	14%
YTD sector share price chg. (as of Sep 10)	-1%	0%	-9%	-7%	40%	13%	34%	7%
2Q25 results snapshot								
Overall trend (vs. 1Q25)								
Revenue growth (yoy)	2%	-2%	5%	3%	17%	15%	25%	8%
2Q25 vs. Market expectation:								
Sales	↓	→	↓	↓	→	↓	↑	↓
Margin	↓	↑	↓	→	↑	→	↑	↓
ASP / promotion / discount	Wholesale prices weakening under policy impact	(-) ASP still under pressure of weak on-trade channel (+) On-track in-home channel mix upgrades	No plan for price hike	(=) Raw milk price stabilizing, yoy decline narrowed to SD% (-) More value offerings	Mixed bag with beverage launching large pack	Ongoing pricing headwind and promotion	Favourable ASP trend driven by innovative products	Pricing pressure due to promotion
Inventory	Higher than normal, esp for upper mid end	Maintained at disciplined level, healthier yoy		Normal level	Normal level	Normal level	Normal level	Normal level
Monthly trend	Demand weakening under anti-extravagance impact;	Some pressure from weak on-trade	Some pressure from weak on-trade	Demand yet to improve despite low base	Still strong secular growth; competition a key swing factor	Pressure on traditional channel on softer market or strategic adjustment; discounters and CVS/mom-pop remain solid	Still strong secular growth	(-) Some pressure from weak on-trade; (+) better 2C
Outlook								
Guidance	Pressure on fulfilling 2025 growth targets esp for upper-mid-end	Largely resilient in margin	Largely resilient in margin	Look for S/D rebalance in 2H25~1H26	Competition a swing factor	Higher base in 2H but full year guidance maintained	Remain positive for the full year domestic sales	Sequential improvement from Aug with small magnitude; more normalised competition
Demand outlook	Demand under anti-extravagance policy, esp. for upper-mid-end	Look for continued solid in-home growth, while on-trade consumption still lags	Looking for opportunities from 2B channel; 2C still soft with some focus on healthy trend	Look for improvement in raw milk supply/demand balance in 2H25	Long term potential for per-cap penetration	Remain positive for the new category, e.g. Konjac development	Long term potential for per-cap penetration and premiumisation trend	Looking for opportunities from 2C channel; 2B volatile on policy and on-trade
Margin outlook	Intensified pressure under anti-extravagance impact	cost tailwinds	cost tailwinds, competition a swing factor	cost tailwinds; operating efficiency measures	cost tailwinds, competition a swing entering peak season	Margin outlook intact with cost savings	Some impacts and low visibility for overseas, but domestic intact	More stable margin profile by more rational pricing and no further rising cost headwind
Catalysts	Anti-extravagance policies normalizing; Mid-Autumn/National Day peak season; Consumption stimulus	Consumption stimulus; recovery in catering/nightlife channels	Consumption stimulus; recovery in catering channels	Supply side improvement; Dairy product consumption stimulus	New product ramp up	Konjac/new product ramping up	Double 11; New products launching with premiumisation trend	Consumption stimulus; recovery in catering channels

Revenue/NP/OP yoy growth are based on market cap weighted average of GS covered companies.

Source: Company data, Visible Alpha Consensus Data, Goldman Sachs Global Investment Research

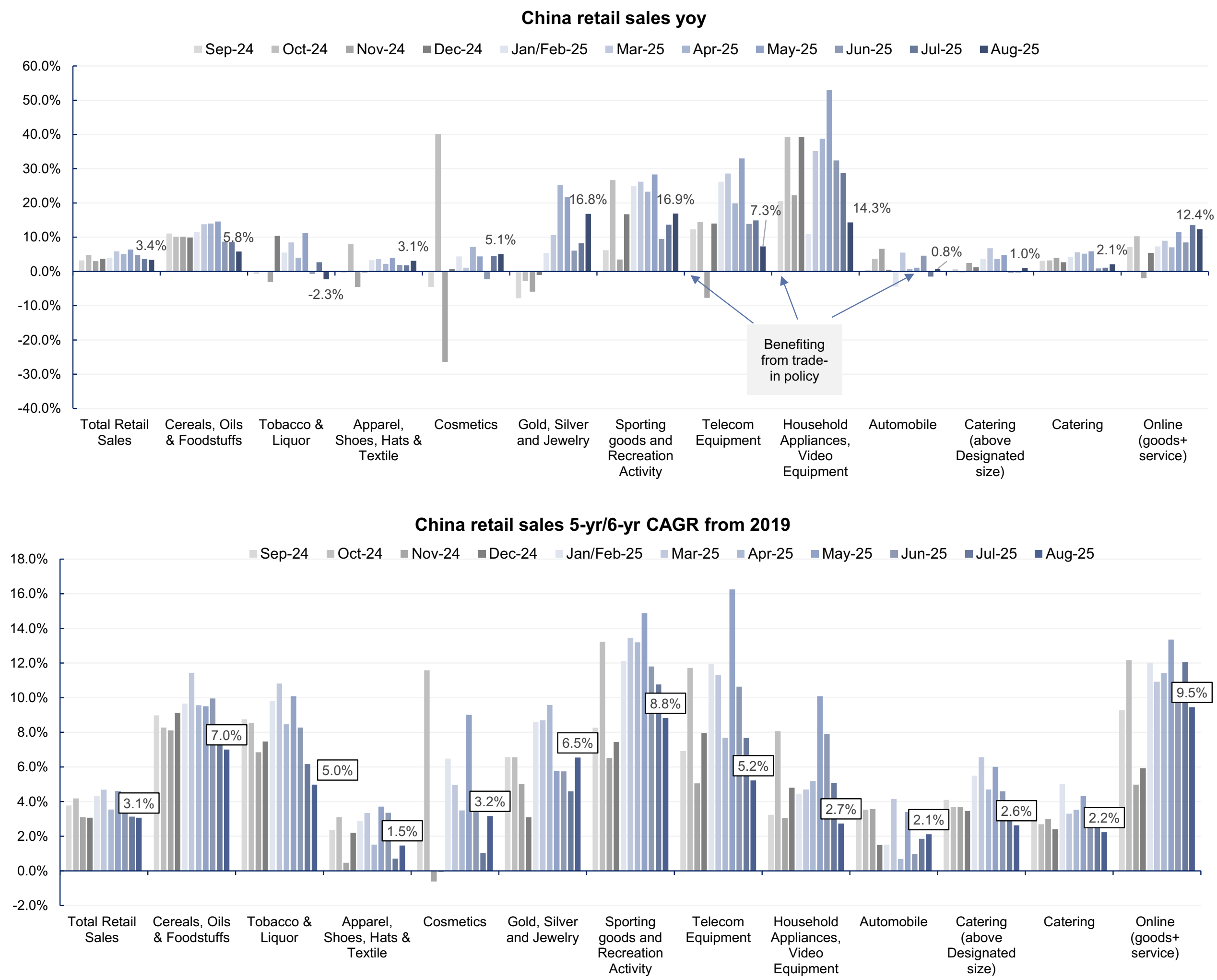
Key findings from the 2Q25 results and ALC

Fluid domestics demand with weak trend in Jul-Aug and prudent outlook

The NBS retail sales growth was at 5.4% in 2Q25, sequentially improved from 4.6% in 1Q25. That said, we have seen a sequentially weaker monthly trend, with Jul/Aug retail sales growth narrowing to 3.7% and 3.4% respectively. At a company level, average sales growth for the companies we cover at +8% in 2Q25 compared to +9%/+8% in 1Q25/4Q24.

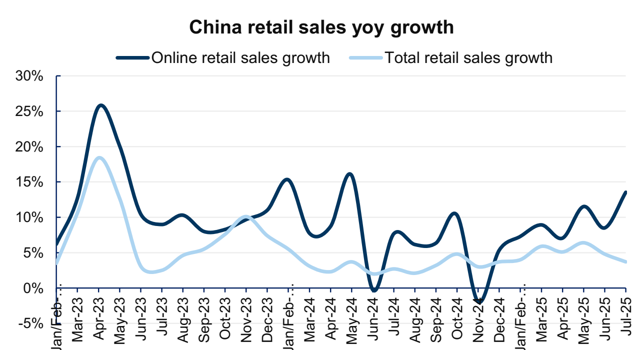
Companies' outlook remains prudent on the demand uncertainties with a broad-based muted 3QTD trend, but select sectors/companies point to signs of modest sequential improvement in August. Sportswear companies generally hold a cautiously optimistic tone on 2H25 in view of the unexciting 3QTD trend, but Anta group sees some acceleration in late Aug and hopes for a better September though will closely monitor the trend; **restaurant** SSS recovery remained at a relatively low level in Jul, while we saw some sequential improvement in Aug, though magnitude is small, and we still need to watch sustainability post the summer holiday peak season; **cosmetics** Jul-Aug online sales growth accelerated from 2Q on easier base, but the overall demand remains soft; in **prepared food**, after a tough 2Q25, we observe sequential improvement into Aug albeit magnitude is still small; for **spirits**, year-on-year still under pressure but multiple companies commented sequential improvement in Aug, and share price saw rebound recently with the ongoing "worst is over" theme. We observed **signs of policy impact normalizing**, but outlook for the upcoming Mid-Autumn Festival and National Day peak season remain cautious and banquet will continue to drag. For trade-in benefited **appliance** category, while domestic appliance data continued robust momentum in Jul and Aug still held up well (retail sales growth up double digit yoy) with sequentially better ASP, we expect domestic growth to sequentially moderate going forward with higher base from Aug/Sep; yet we do not expect a significant yoy decline as demand is still supported by orderly stimulus execution.

Exhibit 3: Retail sales growth in Apr slightly moderated, bounced back in May partially thanks to the early start of 618, while further moderated in Jun, Jul and Aug



Source: NBS

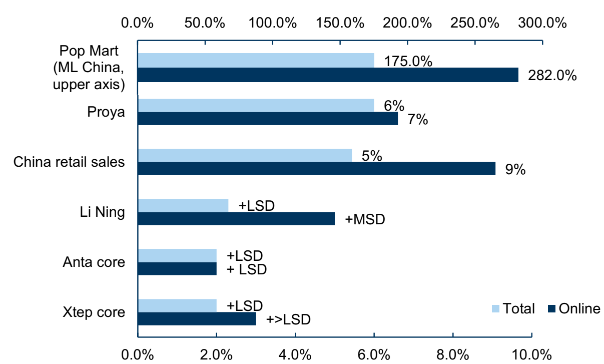
Exhibit 4: Online retail sales have been outpacing total retail sales in recent months



Source: NBS

Exhibit 5: At the company level, we also see online generally outperforming vs. offline in 2Q25

Selective companies' online vs overall growth



Source: Company data, Data compiled by Goldman Sachs Global Investment Research, NBS

Margin still a mixed bag

On the positive side, amid demand softness, we see some companies controlled cost or kept enhancing operational efficiency which generates margin upside, and the raw material cost remained largely favorable. For companies with growth acceleration (e.g., Miniso whose SSSG turned to positive, Pop Mart and freshly made drink leaders delivered robust growth), we also see operating leverage bringing margin beat. While on the flip side, investment in marketing/market share led to margin miss for some companies in categories including cosmetics (Proya, Botanee), beverage (CR Beverage) which see growth opportunities, though we also see divergent company performance where Giant/MGP beat on OP with better operating efficiency, and Nongfu beat on economies of scale and product mix improvement; and operating deleverage is another source of margin pressure.

Structural growth opportunities keep generating alpha

Despite the overall demand softness, the structural growth opportunities we earlier highlighted continued to play out. More specifically, **1) Demand for experience-based consumption.** IP sales remained robust or even further accelerated, and Pop Mart/Miniso both reported solid beat with guidance raise; pet foods generally reported strong growth and outlook remains positive; within sportswear, outdoors brands momentum was a positive surprise (e.g., Descente, Kolon, Amer) with guidance upward revision; **2) Category expansion and penetration opportunities**. For example, freshly made drink leaders MIXUE/Guming reported strong growth in 1H supported by food delivery subsidy as well as new products (e.g., coffee category for Guming). In beverage, Nongfu delivered sales beat in multiple beverage segments and Eastroc reported robust growth. In the cosmetics space, premium brands operated by local players (e.g., MAOGEPING, EDB, RéVive, Galenic, Aoxmed) relatively outperformed in 1H25. Concurrently, local players are strategically expanding their product portfolios into whitening /anti-aging/sunscreen/foundation makeup. Major jewelers also saw opportunities to expand into premium market as Laopu delivered triple-digit% sales/NI growth. **3) Overseas market.** Although there have been uncertainties on tariffs and demand, market share gain and market expansion can still generate meaningful growth opportunity and support growth resilience (e.g., home appliances); **4) lower tier cities/towns** is a white space for some e.g., freshly made drink players.

Pricing: Competition and promotion pick-up along with demand headwinds

As we noted in our Jul update, we see emerging price risk in multiple categories including restaurants, sportswear, spirits, and such trend continued amid ongoing continuous platform subsidies/demand softness. **In restaurants**, though brands remained disciplined in promotion, food delivery subsidies lowered the purchase price for customers, and we note Haidilao has been offering higher volumes and multiple freshly made drink brands are leveraging highly affordable prices to educate new categories. **In sportswear**, 2Q witnessed increasing discount pressure from the long 618 shopping festival and demand softness, and 3Q-to-date discount generally remained weak to ensure inventory health. **In spirits/beer**, policy headwinds persist with high-end spirits, wholesale prices weakened; and we still remain cautious on the policy impact in the peak season. Meanwhile, brands are looking for development in more resilient mass market segment. **In dairy**, companies see further prolonged S/D raw milk cycle (though stabilizing), and brands continue adding value in basic milk. **On the bright side**, categories/brands with solid demand and in upcycle are seeing positive pricing trend, including pet foods, IP retailers, in-home beer, and Laopu hiked price again in Aug which was well-received by the market. We also see sequentially better ASP in appliances in Jul-Aug following intensified discount in 618.

Entering Double 11, with extended promotion period and if demand stays muted, we see risks of further pricing pressure. For sportswear brands, if 3Q25 fell short of target, we believe excess inventory exiting 3Q25 and market players' intention to chase sales may trigger deeper discount throughout 4Q25. However, for cosmetics, both leading local/MNC players have become more disciplined on promotions and have been prioritizing ROI, which could potentially mitigate margin pressure, in addition to better-controlled product returns if platforms extend similar policy to Double 11 as the 618 shopping festival. For appliances, leading companies generally expect discounts to be seasonally higher during Singles' Day, but they do not expect it to exceed the 618 level given lower ROI for large discounts during the low season for AC.

Exhibit 6: We see emerging pricing risk in multiple categories

Sector	Metrics	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25 to date	2Q25 momentum	2025E momentum
Sportswear	Discount yoy change (positive number -> discount improvement)	-2.2pp	0.6pp	0.4pp	0.4pp	0.9pp	1.5pp	-0.4pp	-1.5pp	-1.3pp	-1.7pp	Discount trends were mixed with risk from demand softness	↓	→
Restaurant	ASP yoy (market cap weighted average of YUMC, Haidilao, Jiumaojiu, Nayuki)	-1%	-5%	-7%	-10%	-7%	-7%	-2%	-3%	-2%	0%	Delivery platform subsidy stepped up in Jul while normalized in Aug; FMD leverage favorable price to educate new categories	↑	→
Cosmetics	Skincare+Color makeup ASP on Tmall+Taobao (upward/downward arrow measure QoQ momentum)	96	107	80	110	81	93	77	109	98	109	Relatively disciplined on promotion	↑	↓
Pet care	Pet food ASP yoy on Tmall+Taobao	5%	-2%	-4%	-14%	-20%	-19%	-15%	-6%	11%	12%	Higher pricing for new products	↑	↑
Spirits	53% v/v Feitian Moutai wholesale price (original case)	2,953	2,930	2,977	2,948	2,950	2,708	2,496	2,286	2,236	2,095	Wholesale price weakened	↓	↓
Beer	ASP yoy (market cap weighted average of CRB, BUD APAC, Tsingtao Brewery, Chongqing Brewery)	4%	6%	6%	6%	3%	-1%	-1%	-1%	-1%	1%	Focus on in-home channel mix upgrades	↑	→

Cosmetics ASP qoq upward trend expected to be driven by the 618 promotions

Source: AVC, Moojing, Company data, Daily Spirits Price, Goldman Sachs Global Investment Research

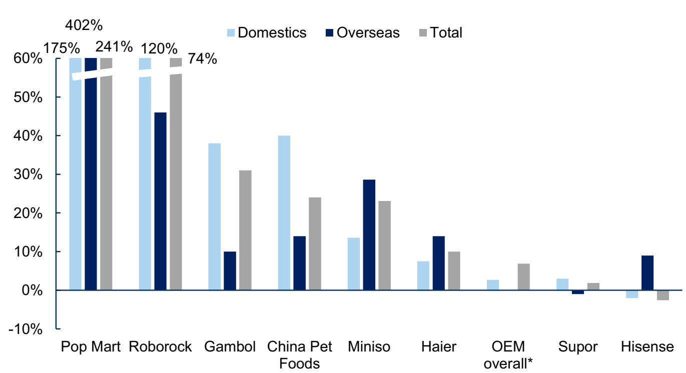
Overseas was a mixed bag, uncertainties on demand/margin ahead

Overseas was a mixed bag, uncertainties on demand/margin ahead. Overseas remains a support to sales growth; that said, we see growth moderation in 2Q with tariffs and base effect, and demand uncertainties. For **apparel and footwear OEM**, May-Jun order momentum deteriorated with early signs of order adjustment starting from mass-positioning customers; for **appliances**, overseas growth sequentially moderated after front-loaded demand in 1Q, yet remained largely resilient and positive; **pet companies** generally see larger impacts into 2H with LSD% tariff sharing with clients, and softer orders. On margins, apparel/footwear OEMs mentioned the tariff sharing with brands which post headwind to GPM, and appliances names also noted tariff sharing with retailers. Overseas demand remains a key to watch with recent macro data points being mixed. On the bright side, IP retailers delivered robust growth; market share gain/market expansion (e.g., into developing markets for appliances names, and the US/Europe for Pop Mart) remained to drive outperformance.

Exhibit 7: Apparel/footwear OEM, pet foods and home appliances have the highest exposure to the US market

Source: Company data

Exhibit 8: For appliances, domestic sales were benefited by trade-in; For pet care, overseas growth was dragged by tariffs headwinds; while for other companies, overseas growth generally outperformed vs. domestic growth
Selective companies' domestics/overseas vs overall growth (2Q25)



For OEM, domestic represents overall apparel retail sales in China; total represents mkt cap weighted sector growth avg

Source: Company data, Goldman Sachs Global Investment Research

Leading local brands generally outperform MNC, although we believe product cycles play a more critical role

In **sportswear**, while local brands marginally outperformed large MNCs on average, we note product differentiation, category exposure and price points as the key determinants for brands' divergent performance, rather than brands' origin. In 2Q25, the outperformers among large players were Fila brand (+MSD% yoy) and adidas (reported ex-Yeezy sales +11% yoy, thanks to brand momentum picking up and a relatively easy base; Original series a key growth driver); the underperformer is Nike (yoy decline) dragged by destocking of classic lifestyle franchisees; domestic players Anta brand, Li Ning and Xtep fell into LSD% yoy territory during 2Q25 decelerating from 1Q25. Similarly, in **cosmetics**, local share gain remains intact into 2H25 but share gainers are shifting to emerging leaders on products/brand upcycles.

Exhibit 9: Local brands performed generally better vs. their 2019 levels than MNC brands; but individual brands' performance have diverged further

Local vs. MNC quarterly sales growth

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Sportswear																		
Growth - yoy																		
MNC	42%	-4%	-7%	-24%	-22%	-28%	-20%	-22%	-4%	21%	9%	23%	2%	2%	-2%	1%	-1%	-7%
Local	66%	49%	19%	20%	23%	-1%	14%	-10%	9%	15%	10%	25%	6%	5%	1%	8%	6%	3%
Growth/CAGR since 2019																		
MNC	6%	5%	4%	1%	-2%	-5%	-3%	-5%	-2%	0%	0%	0%	-2%	0%	-1%	0%	-2%	-1%
Local	22%	25%	19%	21%	22%	18%	17%	13%	19%	17%	16%	15%	17%	15%	13%	14%	15%	13%
Cosmetics																		
Growth - yoy																		
MNC	42%	24%	4%	1%	-11%	-31%	-17%	-17%	-11%	12%	-14%	-27%	-2%	-13%	-8%	2%	-6%	5%
Local	62%	45%	33%	41%	40%	23%	18%	16%	19%	28%	12%	13%	27%	16%	15%	15%	3%	8%
Growth/CAGR since 2019																		
MNC	20%	23%	14%	23%	11%	6%	5%	11%	7%	7%	1%	2%	5%	4%	-1%	2%	3%	4%
Local	27%	33%	31%	38%	30%	31%	28%	32%	28%	30%	25%	28%	28%	28%	23%	26%	24%	25%
Jewelry																		
Growth - yoy																		
MNC	205%	27%	-17%	-8%	-15%	-48%	-22%	-33%	-6%	25%	2%	1%	-21%	-25%	-29%	-15%	-13%	-8%
Laopu				0%	-18%	-18%	-18%	-18%	115%	115%	115%	115%	104%	104%	138%	138%	150%	150%
Other local brands	117%	91%	39%	28%	1%	-25%	12%	-32%	4%	16%	-4%	27%	-4%	-24%	-24%	-11%	-12%	3%
Growth/CAGR since 2019																		
MNC	10%	16%	10%	7%	61%	-18%	-20%	-21%	-10%	-19%	-11%	-17%	-14%	-3%	-15%	-7%	-17%	-17%
Local	9%	19%	17%	18%	48%	20%	25%	-6%	2%	-7%	4%	-7%	0%	-6%	-14%	6%	-8%	-11%

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

What surprised us the most in 2Q25?

Positive surprises: 1) **"new consumption"** names continued to deliver robust growth with strong outlook: for IP names, Pop Mart delivered further acceleration vs. 1Q25 and generated more meaningful operating leverage, and Miniso had a solid 2Q beat backed by improving SSSG; freshly made drink leaders' store expansion tracking ahead of earlier expectation and SSSG growth has been solid with benefit from delivery subsidy; Laopu reported NI at upper range of profit alert with nearly 3x yoy growth; Pets remain robust for 2025 and 3-year topline growth while positive for the competition dynamics; **2) Margin** came as positive surprises for companies including YUMC/Li Ning/Haier/Giant Biogene/Ligao thanks to disciplined (or better-than-feared) cost and operating efficiency, **3) Shareholder return**: Haitian/Midea/Haier announced interim dividend for the first time; WH proposed special dividend post its share reduction on SFD. 4) Nongfu 1H beat with tea, functional beverage and juice growth stronger than expected and strong OPM momentum.

Negative surprises: 1) Selected upper-mid-end spirits: major misses/significant topline/NP decline at Yanghe/King's Luck/ZJLD/Swellfun/Jiugui/Gujing with broad adjustments for channel health; and we saw deteriorating operating cash flow; **2) Destocking** led to topline miss to companies including Feihe, Bairun, and several spirits names; **3) Property correlated names** such as Meida/Suofeiya see lingering pressure from industry headwinds; **4) Prepared food** generally missed bottom line due to softer sales, GPM contraction on pricing pressure and rising input costs, and higher selling for channel development; **5)** Proya/Botanee/Feihe/Jonjee missed on margins due to marketing investment/ROI; **6)** Haidilao missed on margins due to offering more value to customers along with operating deleverage; **7)** CR beverage had weaker-than-expected performance amid intense competition; **8**) **Apparel and footwear OEMs** posted broad-based GPM miss dragged by efficiency loss from factory ramp-up, uneven production leveling, labor cost hike, FX as well as tariff sharing, etc.

By sector takeaways, what to expect into 2H25, and earnings revision cycles

Sportswear: We have seen a weaker than expected 3QTD demand trend exiting the 618 shopping festival, with broadly no growth acceleration compared to the 2Q25 level despite comp base being the lowest in 3Q25. **Li Ning** pointed out August's momentum deteriorated from July, leading to 3QTD sell-through declining yoy (vs 2Q25: +LSD% yoy). For Anta group, Jul-to-Aug growth for **Anta brands and Fila** were unexciting per management but stayed in positive territory. **Descente and Kolon's** momentum stayed robust though witnessed natural growth moderation in 3QTD from 2Q25 as the base gets higher. **Xtep** noted Jul and Aug showed sales growth acceleration from Jun's trough level entering peak season of marathon events and back-to-school season. **Topsports**'s Aug-quarter trading stayed in a negative territory and **Pou Sheng**'s Jul and August sales remained soft. We stay cautiously optimistic on topline growth into the rest of year - there could be marginal sequential acceleration during the Golden Week Festival in Oct, but the early-start of Double-11 shopping festival may intensify the promotional environment throughout 4Q25. **On margins,** we continue to flag that 2H25 **GPM** would face headwinds from discount/channel shift towards online/enhanced materials without raising prices etc; 3QTD industry-wide discount trend generally trended deeper yoy and thus reinforced our view. Nike's destocking progress in China is still ongoing which is critical to the improvement of industry-wide promotion levels; however besides Nike, many other large players are also taking active measures (e.g., discount) to ensure inventory health. **OPM/OPEX movement** mainly reflect companies' brand investment strategy and the base effect, and we have heard consistent messages across players regarding a 2H-weighted OPEX investments (especially A&P) to enhance competitiveness.

We believe market has largely digested the muted 3QTD trading while 4Q25 (a peak season for sportswear consumption) is still a key debate. In the volatile operating environment, we continue to favor companies with a multi-brand portfolio to capture both mass market demand and the higher growth sub-sectors like outdoor, and good track record in cost control.

OEM: The whole OEM space deteriorated throughout 2Q25 due to tariff hike: Apr sales were confirmed earlier and therefore largely unaffected, yet May-Jun order momentum deteriorated with early signs of order adjustment starting from mass-positioning customers, lower order visibility, etc. Tariff-sharing for select brands gradually kicked in during 2Q25, and we expect more pressure entering 3Q25. OEM's margin profiles generally turned out weaker-than-expected in 2Q25 due to various reasons: capacity ramp-up, tariff sharing, competition, product mix change, etc.

Looking into 3Q25/2H25, we believe investor expectations for OEMs earnings have gradually bottomed, after resetting expectations post 2Q25 broad-based margin miss and factoring in a more certain profit impact from tariff-sharing. While we acknowledge OEMs are still seeing a trough period and there is not a broad-based improvement in brands' confidence for procurement yet, **we turn slightly more positive** given 1) Select

OEMs show resiliency (e.g., Shenzhou and Stella maintained original volume guidance) driven by wallet share gain, diversified customer mix, exposure to fast-growing/premium brands etc. 2) Tariff-sharing details have been gradually settled. 3) The remaining uncertainty is whether US demand will slow after brands implement price hikes - but most recently the US consumer team point out strong trends exiting 2Q have continued 3QTD and through the back-to-school season, a proof point of US consumer resilience that partially eases our concern on **4Q25/2026 order book**. We maintain Buy-rated on Shenzhou, Stella, Yue Yuen.

Appliances: Consumer electronics names (such as Roborock, Ecovacs and Anker) reported the fastest revenue growth (30%+ in 2Q25) within our coverage, followed by white goods which showed widening divergence of growth. Midea and Haier came in above expectations with 10%+ revenue growth in 2Q25, while Gree and Hisense reported yoy declines due to competition and property impact. Comparatively, property-related sectors (e.g., furniture) continued to face pressure into 2Q despite a lower base, with government stimulus to mitigate the decline but not a meaningful boost. Geographically, although overseas growth sequentially moderated after front-loaded demand in 1Q, most durables companies showed resilience into 2Q, maintaining positive growth despite tariff impacts, particularly for consumer electronics companies that benefit from both product penetration increase and market share gain. In the domestic market, while funding shortages of consumer goods trade-in program in select regions impede a meaningful acceleration in 2Q, categories benefited from trade-in stimulus as most (e.g., white goods, RVC) still relatively outperformed. On margins, white goods still showed the strongest resilience despite more intense competition online, while small appliances and consumer electronics showed more divergence impacted by company specific factors. On back of weak demand, furniture companies have been actively managing costs and expenses to help mitigate the drag from operating de-leverage.

Into 2H, we continue to expect resilient white goods earnings, robust consumer electronics growth, and continued pressure for more discretionary appliances and property-related furniture. That said, we expect company divergence where companies with more diversified growth drivers (e.g., Midea with 2B/2C business), penetration and share gain potential (e.g., RVC) are likely to report better growths and margins. Region wise, overseas sales would still face a high base last year and orders moderating from 2Q, yet leading companies mentioned potential sequential improvements in 4Q as inventory normalizes and orders taken improve from 3Q. On the contrary, domestic sales would face elevated base from Aug/Sep, particularly the growth pressure in 4Q. Meanwhile, leading durables companies (primarily white goods and furniture players) continue to emphasize enhancing shareholder returns, which lends support to current valuation.

Restaurants: The overall demand in 2Q25 was unexciting, with total catering retail sales growth decelerated to 3.9% in 2Q25 from 4.7% in 1Q25. For restaurant names, we generally see topline came in line (YUMC, Haidilao, Jiumaojiu) and some companies faced greater sales pressure in the quarter (Juewei). Freshly made drink was the bright spot where leading player MIXUE/Guming meeting elevated growth expectation attributed to further penetration, delivery boost, category and store expansion.

Into 2H25, on one hand, a cautious outlook prevails despite an easier comparative base. YUMC guided steady SSSG performance in 2H with demand still a swing factor, and for Haidilao we note the Jul-Aug table turn recovery remained at a relatively low level. However, new store format could drive incremental store productivity or bring turnaround opportunity. YUMC's KCoffee side-by-side format which can bring SD% incremental sales to KFC stores; Haidilao's themed stores own better table turn performance than before; Tai Er's new store format has 10% higher SSSG than old format currently. For freshly made drink brands (Mixue, Guming), while we expect to see lower SSSG compared to 1H when delivery subsidy was aggressive and base was lower (Guming), we believe product momentum and store expansion pace could still drive decent growth even after delivery subsidy level normalized. Pricing risk still exist due to prolonged subsidy and new category education needs, e.g., Haidilao increasing product volume with price unchanged; FMD brands have been educating new categories. Margin performance is likely to continue diverging, upside drivers include remaining favorable commodity price and efficiency gain, while this can be offset by better values offered to customers and marketing investment. For FMD players, which have fast topline growth, we expect operating leverage to continue benefit margin.

Diversified retailers: We continue to see strong growth performance driven by the demand for emotional value and IP momentum, where Pop Mart and Miniso delivered earnings beat along with guidance raise. Pop Mart's sales growth further accelerated in 2Q with IP popularity extension along with higher supply capacity; Miniso's SSSG turned to positive in 2Q. That said, we also note performance divergence, where Shanghai M&G's traditional business saw pressure which we believe is to some extent due to wallet share competition with other IP-based brands (e.g., toys, trading cards); Bloks reported 1H result miss which management attributed to delayed new product launch.

Entering 2H, we continue to see favorable set up for the IP retailers. In domestic market, new product and IP launch (e.g., Bloks to accelerate new product launch, Miniso introduces popular IPs such as Harry Potter, Zootopia) as well as IP momentum will continue to support solid growth; in overseas market, the peak season could generate higher sales as well as stronger operating leverage. That being said, for companies at fast-growing stage, we note high frequency data could also trigger share price volatility even with earnings intact.

Staples: Staples demand stayed generally weak from spring into late summer amid anti-extravagance policy and weather drag, with wider divergence between leaders vs. laggards; policy headwinds are easing at the marginal level but year-on-year pressure remains pronounced for **spirits and on-trade beer** sales despite some divergent trends across names. **Beverage** sees incremental pressure in competition with widening divergence as competition persists off-peak (incl. FMD) and see wider divergence in performance among brands. **Snacks** topline and margins are supported by large SKUs like konjac and mix upgrades amid the channel shift. **Pet food** expects continued margin accretion supported by premium mix and manufacturing expansion; online momentum improved month-on-month on core marketplaces, while alternate short-video channels softened; **Pork** sticks to the shareholder return, and cyclical recovery in the upstream intact. **Pricing remained muted in general**, with spirits/beer emphasizing sub-premium and below and dairy adding value in basic milk.

Into 2H25, **Spirits:** we expect continued muted topline near term in 3Q peak season with focus on shipment control and mix shifting toward less premium portfolios and residential banquets to offset commercial demand softness. **Execution and portfolio/channel difference will likely continue to drive divergence in Beer in 2H25,** while leaders with product cycles, omnichannel reach, and scale outperform; input costs tailwinds maintain and margins rely on self-help levers. For **beverage,** food delivery disruption remains a key to watch in 2H2. **Snacks:** toplines supported by large SKUs (e.g., konjac), mix upgrades, and channel shifts; competition intense in fast-turn formats but advantaged leaders sustain share. **Prepared food:** steady toplines as 2B pricing deterioration stabilizes; input costs favorable to stable improving gross margin; competition rational with focus on execution and distribution depth. **Prepared food** will see more rationale competition into 2H and efforts on new products/channel into 2H25 in our view. **Pet food:** toplines underpinned by premiumization and owned-brand penetration; margins accretive on premium mix and localized capacity; competition active but rational, with brands leaning on innovation and brand loyalty.

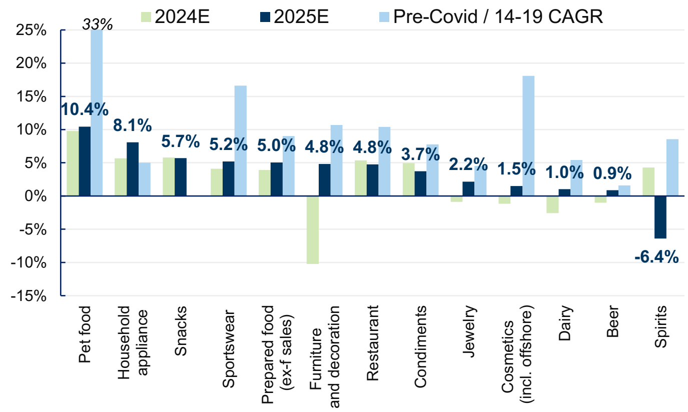
We believe **value rotation since mid-summer aided re-rating for pressured areas as sentiment reflects marginal easing in anti-extravagance and expectations for more stimulus into autumn's heavy policy window**; however, we remain cautious into peak season given weak gifting signals from dairy and spirits. We prefer **1)** market share gainers/idiosyncratic product trend names with new products and mix, channel shifts, and cost discipline to sustain profitability, and **2)** defensive plays for steadier earnings and cash returns.

Cosmetics: We expect still soft beauty demand for the overall industry into 2H25 while with initial signs of bottoming as 2025 YTD online GMV accelerated and local leaders will likely continue to gain shares from MNCs. Margin pressure may be marginally mitigated as brands become more disciplined on promotions and prioritize ROI, in addition to better-controlled product return if platforms extend similar policy to Double 11 as the 618 shopping festival. On a mom basis, we see an acceleration in Jul due to a low base while followed by a deceleration in Aug with tougher base and front-loaded orders. Into 2H25, we expect more brand divergence driven by the brand sentiment, product cycle and base differences, and Double 11 remains the major swing factor. We maintain our preference on those riding on brand upcycle and players showing initial signs of turnaround off an easy base. Entering into 2H25, we would expect investors to focus on 1) monthly GMV tracking; 2) Double 11 discount/product return policy; 3) update of full year guidance into 3Q results.

Jewelry: On a yoy basis, we expect sequentially SSS improvement in 2H25 vs. 1H25 supported by more stable gold sentiment though with tougher base into 2H. We expect net store closures to continue with franchisees' high incentive to liquidate their inventory at an elevated gold price along with gold jewelry consumption sentiment which has not recovered fully, in addition to selective jewelers' initiatives to close underperforming stores and enhance store productivity. Less gold price uptrend support may lead to margin pressure while could partially be offset by the increasing revenue mix of fixed-price products. Entering into 2H25, we would expect investors to focus on 1) SSSG trend and store openings/closures; 2) Margin change with less support from gold price surge; 3) Progress of brand transformation initiatives which target for higher mix of fixed-price gold products and premiumization.

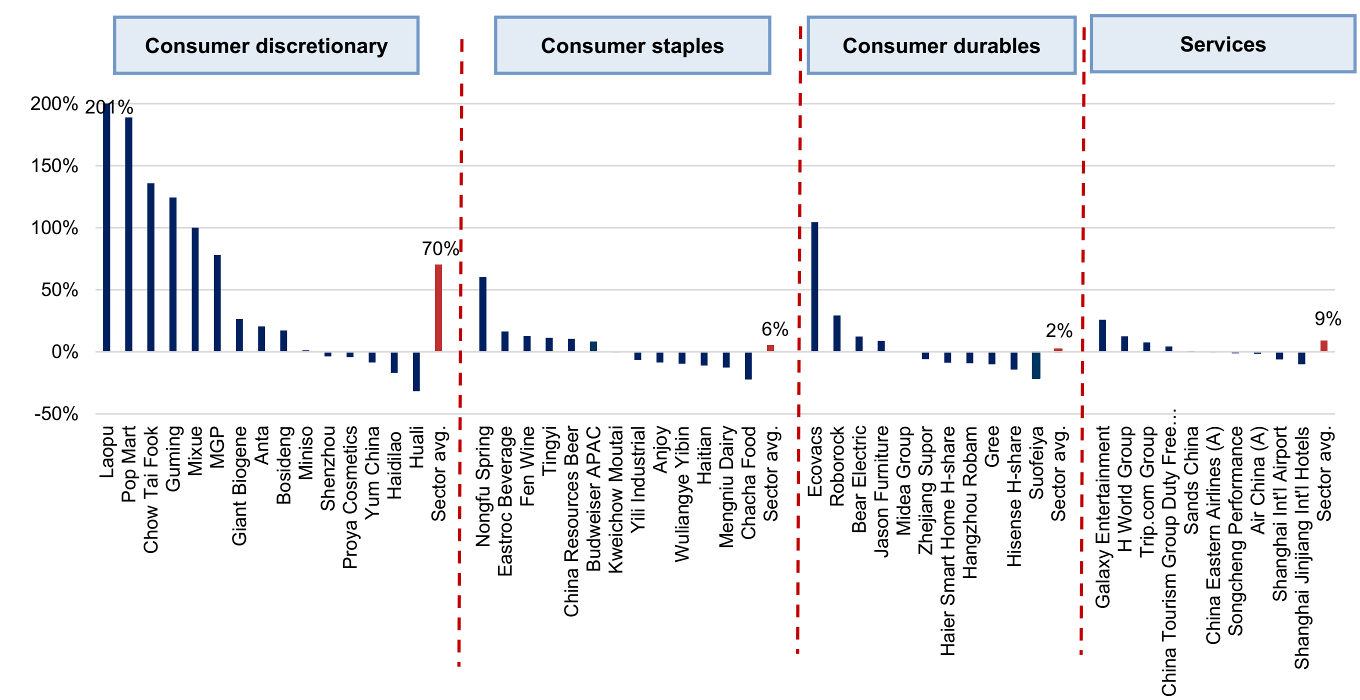
Exhibit 10: We expect pet foods and household appliances to lead the growth recovery in 2025E

Consumption growth breakdown by category



Source: Goldman Sachs Global Investment Research, Euromonitor

Exhibit 11: YTD share price performance: Consumer discretionary led the growth while consumer durables underperformed within consumer goods



As of Sep 15

Source: Datastream

Exhibit 12: Diversified retailers, Emerging appliances and Pet care delivered highest yoy growth in 2Q25

GS Consumer coverage forecasts - quarterly yoy growth

Sector	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E
Sports brands	15.0%	-3.0%	11.1%	-9.8%	6.2%	15.5%	10.3%	28.1%	12.5%	7.2%	3.0%	8.1%	7.6%	4.1%	3.5%	6.4%
Sports retailer	-18.8%	-27.5%	-3.0%	-18.3%	-9.7%	20.5%	-1.9%	12.1%	-0.4%	-5.7%	-12.7%	-4.8%	-5.8%	-5.8%	-6.1%	-2.9%
Textile/footwear OEM	16.7%	21.9%	33.4%	6.0%	-15.9%	-12.5%	-10.4%	2.8%	15.9%	13.5%	15.8%	11.6%	12.2%	7.3%	1.4%	2.3%
Catering	-6.8%	-14.7%	-1.0%	-6.3%	20.9%	29.3%	25.4%	28.4%	9.1%	7.3%	0.2%	0.4%	16.0%	17.1%	11.8%	12.2%
Prepared food	15.1%	23.6%	20.4%	20.5%	19.5%	15.1%	9.2%	-2.3%	6.5%	4.1%	11.4%	6.1%	3.9%	7.6%	5.7%	9.2%
Diversified retailers	41.2%	-1.4%	-0.3%	-15.7%	12.7%	37.3%	33.8%	65.2%	49.5%	75.9%	101.7%	133.3%	131.7%	189.1%	135.3%	135.9%
Jewelry	13.4%	-4.4%	4.9%	-21.1%	11.7%	15.2%	-3.2%	23.3%	0.5%	-23.3%	-28.4%	-22.3%	-18.8%	-4.1%	13.8%	2.9%
Traditional Appliances	9.6%	2.7%	3.7%	-8.0%	4.2%	8.5%	7.9%	11.5%	8.0%	5.6%	0.6%	8.6%	16.4%	5.9%	7.7%	-0.8%
Emerging Appliances	24.6%	15.2%	9.6%	10.5%	2.0%	23.1%	30.5%	13.7%	27.7%	14.0%	15.1%	41.7%	39.8%	43.7%	33.9%	15.6%
Beer	3.8%	3.7%	7.7%	-12.5%	10.0%	8.2%	-0.5%	3.1%	-2.9%	-8.4%	-7.7%	-3.6%	-3.7%	-1.8%	0.2%	6.9%
Spirits	20.6%	14.6%	16.8%	17.4%	17.4%	19.0%	14.8%	17.4%	16.9%	14.6%	9.1%	4.0%	7.3%	0.9%	-11.3%	-2.4%
Condiments	2.1%	21.9%	5.6%	-4.3%	1.9%	-3.9%	4.2%	-7.3%	8.5%	5.2%	8.3%	10.5%	4.6%	5.1%	6.7%	7.3%
Dairy	11.2%	9.5%	6.6%	12.6%	7.6%	2.5%	3.4%	0.0%	-4.9%	-15.6%	-6.8%	-7.1%	-0.6%	2.8%	0.1%	-1.9%
Cosmetics	41.0%	32.4%	37.6%	38.7%	30.9%	38.1%	18.7%	21.7%	34.7%	30.3%	24.9%	17.5%	9.7%	12.6%	20.9%	26.9%
F&B (assume 1Q/2Q=1H, 3Q/4Q=2H)	9.1%	9.1%	13.5%	13.5%	20.0%	20.0%	26.6%	26.6%	14.7%	14.7%	3.0%	3.0%	17.0%	17.0%	19.8%	19.8%
Snacks	-4.8%	9.3%	6.8%	12.5%	5.9%	22.6%	30.5%	14.9%	50.7%	16.4%	19.4%	23.8%	8.7%	14.8%	16.9%	16.2%
Pet Care	31.2%	18.6%	54.0%	-3.3%	9.8%	17.1%	23.5%	31.9%	31.6%	14.2%	19.7%	23.0%	28.4%	25.4%	17.5%	22.9%
Furniture	20.4%	9.3%	1.7%	-2.5%	-12.1%	10.2%	4.4%	6.9%	6.2%	-14.0%	-15.6%	-14.0%	0.4%	-2.1%	-0.4%	-0.5%
Pork (assume 1Q/2Q=1H, 3Q/4Q=2H)	0.5%	0.5%	5.5%	5.5%	-2.1%	-2.1%	-9.5%	-9.5%	-6.3%	-6.3%	2.3%	2.3%	8.9%	8.9%	8.0%	8.0%
Luxury	0.2%	-27.2%	0.6%	-12.4%	17.8%	48.5%	9.9%	15.6%	-8.2%	-13.1%	-17.3%	-7.9%	-9.1%	-6.4%	-0.3%	2.0%
Average	**12%**	**6%**	**12%**	**1%**	**8%**	**17%**	**11%**	**15%**	**14%**	**7%**	**7%**	**12%**	**14%**	**17%**	**14%**	**14%**
Macro																
China real GDP growth	4.8%	0.4%	3.9%	2.9%	4.5%	6.3%	4.9%	5.2%	5.3%	4.7%	4.6%	5.4%	5.4%	5.2%	4.6%	4.0%
China retail sales growth	3%	-5%	4%	-3%	6%	11%	4%	8%	5%	3%	3%	4%	5%	5%		
Household Cash Flow																
Disposable income growth	6%	3%	7%	4%	5%	8%	6%	6%	6%	4%	5%	6%	5%	5%		
Saving rate	38%	34%	33%	28%	38%	32%	30%	26%	37%	31%	31%	27%	37%	31%		
Home purchase growth	-26%	-36%	-21%	-27%	6%	-8%	-23%	-20%	-33%	-22%	-16%	4%	-1%	-10%		
Adj. discretionary cash flow growth	-20%	-22%	-12%	-32%	3%	19%	10%	42%	15%	9%	1%	9%	1%	0%		
Household Consumption growth	7%	-2%	5%	-2%	5%	12%	11%	9%	8%	5%	3%	5%	5%	5%		

As of Sep 15, 2025; the aggregate growth for each sector is weighted by the latest market cap

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: Diversified retailers, emerging appliances, cosmetics and pet care are expected to deliver highest yoy growth in 2025

GS Consumer coverage forecasts, vs. 2019 and 2024

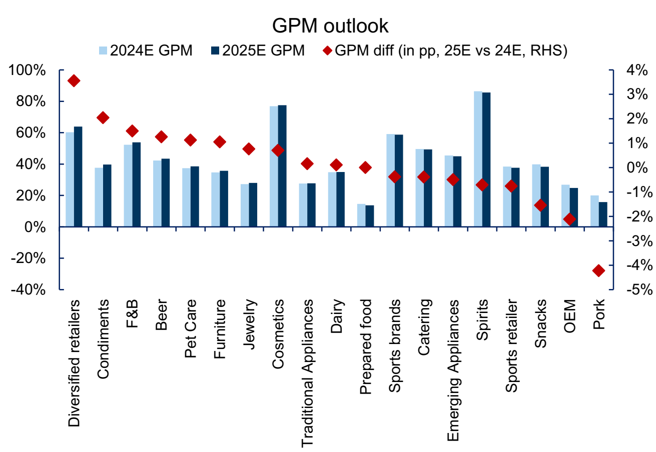
Sector	Quarterly sales CAGR vs 2019							
	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E
Sports brands	15%	12%	10%	17%	13%	10%	9%	15%
Sports retailer	-2%	-5%	-7%	-6%	-3%	-5%	-6%	-6%
Textile/footwear OEM	4%	6%	7%	7%	6%	6%	6%	6%
Catering	10%	9%	7%	7%	11%	11%	8%	8%
Prepared food	19%	17%	17%	14%	16%	15%	15%	13%
Diversified retailers	23%	23%	29%	35%	37%	42%	43%	48%
Jewelry	1%	2%	3%	1%	-3%	1%	5%	1%
Traditional Appliances	6%	6%	6%	7%	8%	6%	6%	6%
Emerging Appliances	18%	21%	26%	28%	21%	24%	27%	25%
Beer	4%	1%	1%	0%	3%	1%	1%	1%
Spirits	17%	16%	13%	13%	15%	13%	9%	10%
Condiments	8%	7%	7%	6%	8%	7%	7%	6%
Dairy	6%	4%	4%	4%	5%	4%	3%	3%
Cosmetics	32%	33%	27%	32%	28%	29%	26%	31%
F&B (assume 1Q/2Q=1H, 3Q/4Q=2H)	13%	13%	13%	13%	14%	14%	14%	14%
Snacks	17%	14%	15%	14%	16%	14%	16%	15%
Pet Care	25%	22%	26%	20%	26%	22%	25%	20%
Furniture	11%	9%	7%	6%	9%	7%	6%	5%
Pork (assume 1Q/2Q=1H, 3Q/4Q=2H)	2%	2%	1%	1%	3%	3%	2%	2%
Luxury	13%	10%	7%	8%	9%	7%	6%	7%
Average	**12%**	**11%**	**11%**	**11%**	**12%**	**12%**	**11%**	**12%**
Macro								
China real GDP growth	5.0%	4.5%	4.7%	4.8%	5.0%	4.6%	4.7%	4.7%
China retail sales growth	4%	3%	3%	3%	4%	4%		
Household Cash Flow								
Disposable income growth	6%	6%	6%	6%	6%	6%		
Saving rate	38%	32%	33%	26%	38%	32%		
Home purchase growth	-4%	-10%	-12%	-10%	-4%	-10%		
Adj. discretionary cash flow growth	-1%	0%	0%	1%	-1%	0%		
Household Consumption growth	6%	6%	6%	5%	6%	5%		

Sector	Annual sales yoy growth								
	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Sports brands	36%	5%	37%	10%	16%	13%	11%	9%	9%
Sports retailer	7%	5%	-9%	-15%	3%	-5%	-3%	3%	3%
Textile/footwear OEM	10%	-4%	17%	15%	-11%	15%	5%	6%	8%
Catering	25%	-1%	26%	10%	34%	11%	17%	11%	11%
Prepared food	18%	21%	25%	20%	9%	7%	7%	10%	9%
Diversified retailers		45%	67%	3%	51%	92%	143%	33%	18%
Jewelry	-3%	7%	36%	7%	15%	-11%	-1%	2%	3%
Traditional Appliances	6%	4%	20%	3%	9%	6%	6%	3%	5%
Emerging Appliances	23%	28%	42%	14%	17%	25%	29%	11%	12%
Beer	20%	-7%	14%	2%	7%	-5%	0%	4%	4%
Spirits	18%	10%	18%	18%	18%	11%	-1%	4%	7%
Condiments	18%	17%	8%	5%	-1%	8%	6%	8%	8%
Dairy	14%	4%	15%	10%	4%	-9%	0%	2%	3%
Cosmetics	38%	24%	38%	44%	55%	25%	17%	20%	15%
F&B (assume 1Q/2Q=1H, 3Q/4Q=2H)	19%	2%	29%	13%	24%	8%	18%	14%	11%
Snacks	11%	12%	10%	4%	8%	11%	6%	7%	6%
Pet Care	17%	39%	25%	28%	21%	20%	23%	23%	21%
Furniture	14%	12%	35%	2%	2%	-10%	-1%	3%	3%
Pork (assume 1Q/2Q=1H, 3Q/4Q=2H)	1%	1%	1%	1%	-1%	-1%	8%	2%	3%
Luxury	12%	6%	50%	-15%	12%	-20%	-2%	11%	7%
Average	**17%**	**13%**	**25%**	**8%**	**13%**	**9%**	**13%**	**9%**	**8%**
Macro									
China real GDP growth	6.0%	2.2%	8.5%	3.0%	5.2%	5.0%	4.7%	3.9%	4.0%
China retail sales growth	8%	-5%	12%	0%	7%	3%			
Household Cash Flow									
Disposable income growth	9%	5%	9%	5%	6%	5%	5%		
Saving rate	30%	34%	31%	33%	32%	32%	31%		
Home purchase growth	10%	11%	5%	-30%	-9%	-18%	-13%		
Adj. discretionary cash flow growth	2%	1%	13%	-22%	18%	8%	6%		
Household Consumption growth	9%	-1%	14%	2%	9%	5%	5%		

As of Sep 15, 2025; the aggregate growth for each sector is weighted by the latest market cap

Source: Company data, Goldman Sachs Global Investment Research

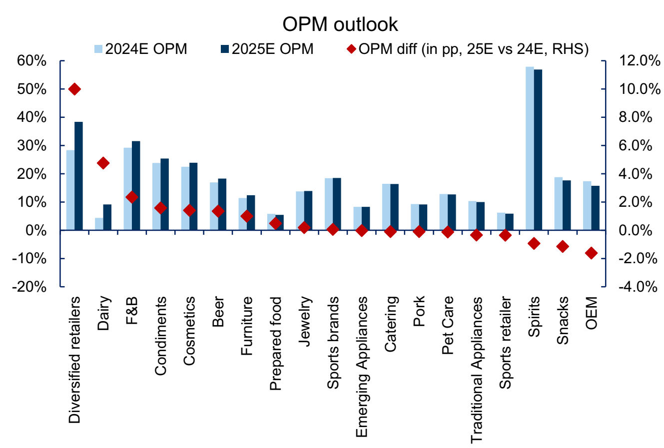
Exhibit 14: GPM outlook by sector



As of Sep 15

Source: Company data, Goldman Sachs Global Investment Research

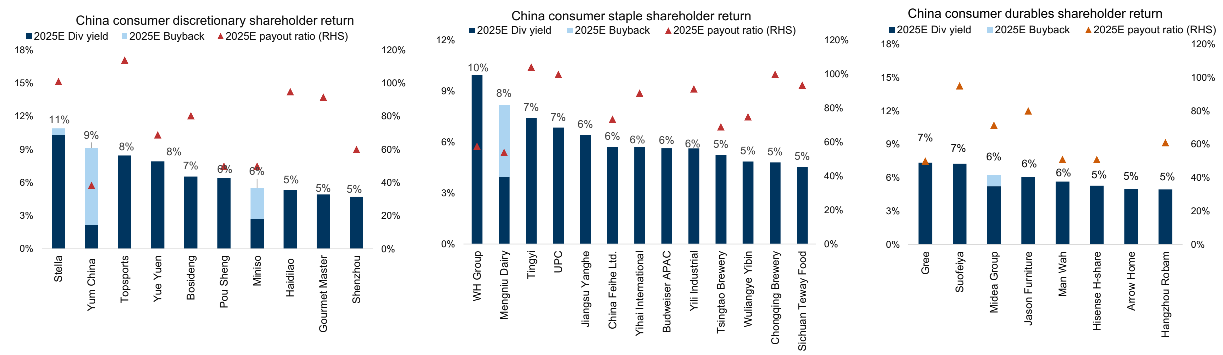
Exhibit 15: OPM outlook by sector



As of Sep 15

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 16: China consumer shareholder returns

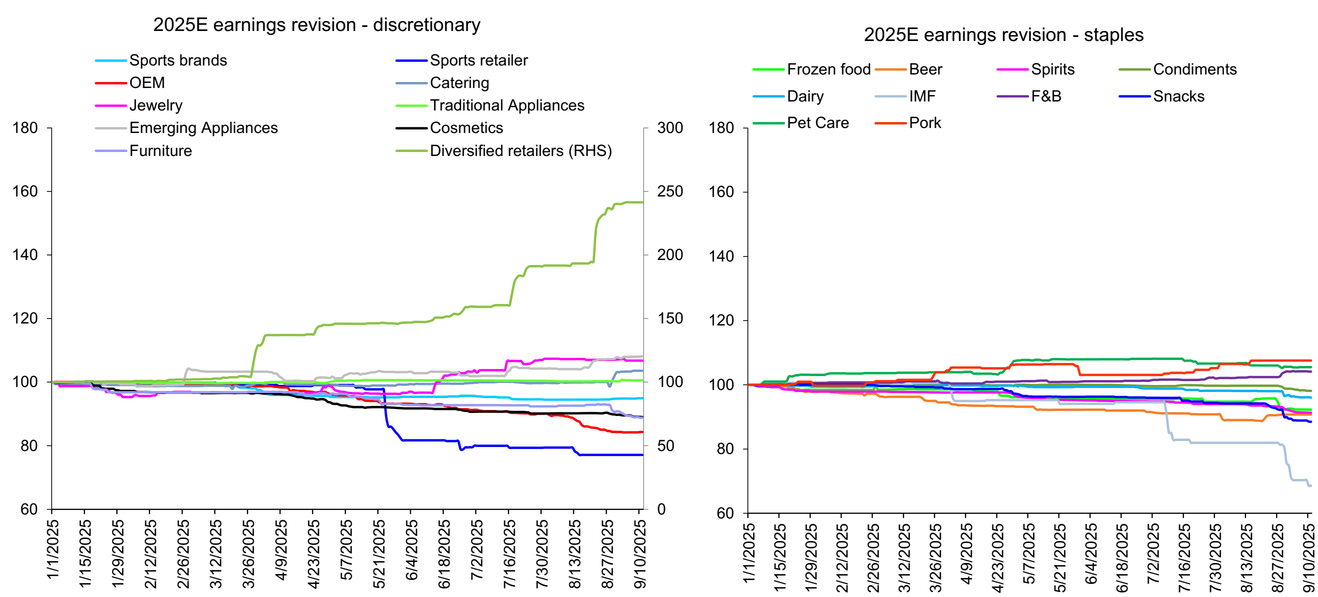


As of Sep 10; share buyback is adjusted to 2025E horizon

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 17: YTD, diversified retailers and emerging appliances earnings have been revised up the most; while sports retailer and IMF lagged

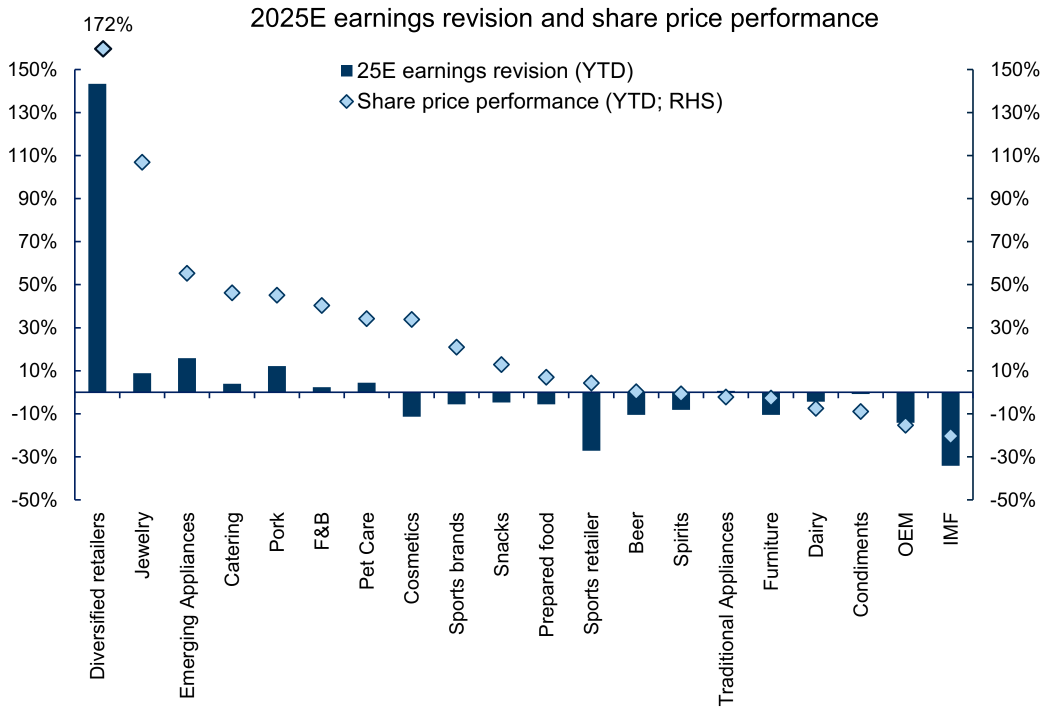
Consensus revisions



As of Sep 10

Source: Bloomberg

Exhibit 18: 2025E earnings revisions and price performance by sector



As of Sep 10

Source: LSEG Data & Analytics

GS sector/stock preferences

We update our sector preference (Exhibit 19) vs the prior version in mid-July for the next 3-6 months. 1) We continue to **prefer diversified retailers** (resilient IP demand in domestic market along with overseas expansion opportunity), **selective sportswear brands** (category momentum + multi-brand), **beverage** (secular growth), **pet food** (penetration + premiumization) 2) We downgrade **restaurants** from Preferred to Neutral given we are entering a seasonally weaker season, pricing uncertainties especially changes in delivery platforms' strategies. 3) We upgrade **jewelry** to Neutral from least preferred on more stabilized sentiment on gold jewelry consumption. 4) Apparel and footwear OEM, furniture, projectors, discretionary small kitchen appliances, and non super-premium spirits are our least preferred sectors.

Exhibit 19: Sector preference

	Sector
Preferred	Sports brands, Diversified retailer, Pet food, Beverage
Neutral	Condiment, Cosmetics, Snacks, Beer, Dairy, Major/small kitchen appliances, RVC, Super premium spirits, Prepared food, Sports retailer, Leading white goods, Restaurants ↓, Jewelry ↑
Least preferred	Furniture, Projectors, Discretionary small kitchen appliances, Spirits (non super-premium), Apparel/footwear OEM

As of Sep 15, 2025

Source: Goldman Sachs Global Investment Research

Exhibit 20: Comp sheet of preferred stocks

Company	Ticker	Rating	Mkt cap (US$mn)	3m Ave. daily turnover (US$mn)	12m TP (LLC)	Current price (LLC)	(+/-) vs TP	Net income (yoy)			PE (x)			EV/EBITDA (x)			ROE			Dividend yield			FCF yield		
						15-Sep		2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
China consumer discretionary																									
Anta	2020.HK	Buy*	33,810	113.1	121.00	93.90	29%	14%	14%	14%	18	16	14	15	13	9	21%	21%	22%	3%	3%	3%	7%	6%	8%
Mixue	2097.HK	Buy	19,765	30.9	579.00	405.00	43%	26%	18%	18%	25	21	18	17	14	11	29%	25%	23%	0%	0%	0%	2%	4%	4%
Laopu Gold	6181.HK	Buy	16,164	175.8	1,088.00	726.50	50%	225%	38%	19%	24	17	15	18	13	11	67%	53%	46%	2%	3%	3%	-2%	3%	4%
Shenzhou	2313.HK	Buy	11,628	39.2	74.00	59.80	24%	5%	8%	11%	13	12	11	9	8	7	18%	18%	18%	5%	5%	6%	9%	7%	7%
Giant Biogene	2367.HK	Buy	8,648	93.1	71.00	63.10	13%	16%	27%	18%	25	20	17	20	16	13	27%	26%	25%	1%	1%	2%	4%	5%	5%
Miniso	MNSO	Buy	7,617	18.8	29.00	24.73	17%	11%	21%	21%	18	15	12	15	12	10	20%	26%	29%	3%	3%	4%	5%	8%	7%
Guming	1364.HK	Buy	6,484	16.8	32.00	22.30	43%	46%	27%	22%	21	16	13	14	12	9	62%	38%	38%	4%	3%	4%	4%	6%	8%
China consumer staples																									
Haitian	3288.HK	Buy	26,107	n.a.	46.10	34.60	33%	16%	11%	10%	25	23	21	17	16	14	20%	19%	19%	3%	3%	4%	3%	4%	4%
Eastroc Beverage	605499.SS	Buy*	21,525	89.7	351.00	289.50	21%	36%	27%	20%	34	27	22	26	21	17	54%	58%	58%	2%	3%	3%	2%	2%	3%
WH Group	0288.HK	Buy	14,524	25.5	9.40	8.79	7%	7%	0%	4%	9	9	9	5	4	4	14%	14%	14%	6%	6%	6%	15%	14%	14%
China Resources Beer	0291.HK	Buy	11,955	45.6	37.00	27.92	33%	25%	4%	8%	15	14	13	8	8	7	18%	17%	17%	4%	4%	5%	6%	8%	8%
Tsingtao H-Share	0168.HK	Buy	8,923	24.7	61.40	52.15	18%	12%	8%	10%	13	12	11	7	7	6	16%	17%	17%	5%	0%	0%	4%	5%	6%
Tingyi	0322.HK	Buy	8,106	17.0	13.80	11.26	23%	11%	11%	8%	14	13	12	7	6	6	30%	31%	33%	7%	8%	9%	8%	10%	11%
Gambol Pet Group	301498.SZ	Buy	5,384	40.0	120.00	93.35	29%	20%	43%	41%	51	36	26	36	25	18	17%	21%	25%	1%	1%	1%	1%	2%	3%
China Pet Foods	002891.SZ	Buy	2,288	70.8	63.00	55.09	14%	10%	43%	32%	38	26	20	24	17	13	17%	21%	23%	1%	1%	2%	2%	3%	5%
China durables																									
Midea Group	000333.SZ	Buy	81,232	347.3	94.00	75.17	25%	14%	6%	9%	13	12	11	10	9	8	20%	20%	20%	5%	6%	7%	8%	7%	8%
Hisense Home Appliances	000921.SZ	Buy	4,843	54.0	33.00	24.76	33%	7%	7%	9%	10	9	8	6	6	5	22%	21%	21%	5%	6%	6%	8%	11%	12%

* denotes stocks on the APAC Conviction List

Source: Goldman Sachs Global Investment Research, Company data, Bloomberg

2Q25 macro headline number still resilient, albeit with muted consumption-rated indicators

The headline GDP number was at 5.2% in 2Q25 and Jul GDP tracking stays close to 5% yoy, on track to deliver the "around 5%" full year GDP growth target, per our economists; exports continued being resilient and Jul export growth of 7.2% yoy in USD terms beat expectation again. That being said, **the consumption-related data points have been seeing softness**, more specifically: **1) Labor market:** On a sequential basis after our seasonal adjustment, household consumption per capita in nominal terms decelerated to +4.3% quarter-over-quarter annualized in 2Q, vs. an increase of 8.3% quarter-over-quarter annualized in 1Q; various wage-related indicators showed slower growth in 2Q, and GS wage tracker suggests urban wage growth moderated to 3.9% yoy in Q2 from 4.2% yoy in 1Q (more details). On employment, the unemployment rates ticked down in 2Q while rose slightly in Jul. **2) Property:** Aug nationwide property sales performance was weak as expected and prices continued to trend down for both primary and secondary. GS property team expects price weakness to continue in Sep despite the relative peak season, and Sep month-to-date tracked cities showed still weak sentiment. **3) Credit data:** net loan growth turned negative in Jul for the first time in 20 years; **4) Inflation:** headline CPI turned to negative in Aug with food deflation deepened, though non-food goods prices drove core CPI inflation edging up. PPI deflation deepened in Jul, though the decline narrowed in Aug. But on the bright side, the equity market performance has been solid which could generate better wealth effect.

On the policy side, GS macro team believes policymakers are willing to tolerate some degree of growth slowdown so long as the "around 5%" full-year GDP growth target is not at risk. That said, we also noticed consumption-related policy launch, including temporary interest subsidies to boost consumption and childbirth subsidies which could bring marginal impact, though significant demand-side stimulus is unlikely in the near term.

Exhibit 21: Goldman Sachs China Household Discretionary Cashflow Model

(Rmb tn)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Disposable income												
Wage income	*17.0*	*18.5*	*20.2*	*22.0*	*24.0*	*25.2*	*27.7*	*29.1*	*31.1*	*32.9*		
Business income	*5.4*	*5.8*	*6.2*	*6.7*	*7.3*	*7.5*	*8.3*	*8.7*	*9.2*	*9.7*		
Property income	*2.4*	*2.6*	*2.9*	*3.3*	*3.7*	*3.9*	*4.3*	*4.6*	*4.7*	*4.8*		
Transfer income	*5.2*	*5.9*	*6.6*	*7.6*	*8.3*	*8.9*	*9.2*	*9.7*	*10.2*	*10.8*		
A) Disposable income	**30.0**	**32.7**	**35.9**	**39.7**	**43.3**	**45.5**	**49.6**	**52.1**	**55.3**	**58.2**	**61.3**	**64.8**
Surveyed disposable income growth	*9.5%*	*9.0%*	*9.7%*	*10.5%*	*9.2%*	*4.9%*	*9.2%*	*4.9%*	*6.2%*	*5.2%*	*5.3%*	*5.7%*
Financing activities												
B) Debt service	(4.3)	(4.7)	(5.7)	(7.3)	(8.4)	(9.6)	(11.7)	(12.7)	(14.1)	(15.2)	(15.4)	(15.7)
Mortgage	(1.7)	(2.0)	(2.5)	(3.2)	(3.7)	(4.2)	(4.8)	(5.1)	(5.2)	(6.1)	-5.9	-5.8
Non-mortgage HH loan	(2.5)	(2.7)	(3.2)	(4.1)	(4.7)	(5.4)	(6.9)	(7.6)	(8.9)	(9.1)	-9.5	-9.8
C) Gross borrowing	6.5	9.3	10.6	11.7	12.3	13.5	15.1	12.3	15.4	14.6	14.9	15.9
Total mortgage balance	13.1	18.0	21.9	25.8	30.2	34.5	38.3	38.8	38.2	37.4	37.2	37.4
Yearly mortgage payment %	-16%	-15%	-14%	-15%	-14%	-14%	-14%	-13%	-14%	-16%	-16%	-16%
D) Discretionary cash flow = A + B + C	32.2	37.4	40.8	44.0	47.2	49.4	53.0	51.7	56.6	57.6	60.7	65.0
yoy growth	*11.6%*	*15.9%*	*9.3%*	*7.7%*	*7.3%*	*4.6%*	*7.4%*	*-2.5%*	*9.5%*	*1.7%*	*5.5%*	*7.1%*
E) Saving - Deposit change	4.5	(5.5)	(4.5)	(7.2)	(9.7)	(11.3)	(9.9)	(17.9)	(16.7)	(14.4)	(15.0)	(16.0)
% of disposable income	15%	-17%	-13%	-18%	-22%	-25%	-20%	-34%	-30%	-25%	*-24%*	*-25%*
Saving - Macro team's definition = A - G	8.6	9.2	10.6	11.8	12.9	15.5	15.6	17.4	17.5	18.4	19.4	20.3
Saving rate on Macro team's definition	28%	28.2%	29.5%	29.7%	29.9%	34.1%	31.4%	33.5%	31.7%	31.6%	31.1%	30.9%
F) Adj. discretionary cash flow = D + E	**36.7**	**31.9**	**36.3**	**36.7**	**37.5**	**38.1**	**43.1**	**33.8**	**39.9**	**43.2**	**45.8**	**49.0**
yoy growth	*31.2%*	*-13.1%*	*13.7%*	*1.3%*	*2.1%*	*1.4%*	*13.3%*	*-21.7%*	*18.2%*	*8.2%*	*6.0%*	*7.0%*
Discretionary cash outflow												
G) Consumption	21.5	23.5	25.3	27.9	30.4	30.0	34.0	34.6	37.8	39.8	41.9	44.5
yoy growth	*9.0%*	*9.4%*	*7.7%*	*10.1%*	*9.0%*	*-1.5%*	*13.7%*	*1.8%*	*9.0%*	*5.3%*	*5.3%*	*6.2%*
H) House purchase and other investments	15.3	8.4	11.0	8.8	7.1	8.1	9.1	(0.9)	2.1	3.4	3.9	4.5
Home purchase	7.3	9.9	11.0	12.6	13.9	15.5	16.3	11.4	10.3	8.5	7.4	6.8
Changes in other financial assets	8.0	-1.5	-0.1	-3.8	-6.8	-7.3	-7.2	-12.2	-8.2	-5.1	-3.5	-2.3

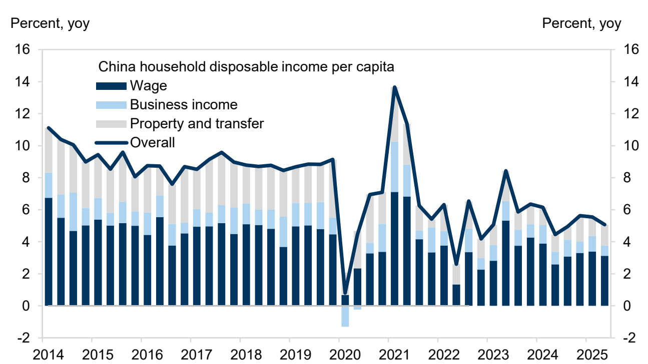
Source: NBS, Wind, Goldman Sachs Global Investment Research

Exhibit 22: Household cash flow 2Q25 summary

Key metrics	4Q24	1Q25	2Q25	Vs 2Q24	Vs 1Q25
Disposable income growth	6%	5%	5%	↑ 0pp	↓ 0pp
Saving rate (1 - consumption / disposable income)	27%	37%	31%	↓ 0pp	↓ -6pp
Adj discretionary cash flow growth	9%	1%	0%	↓ -10pp	↓ -1pp
Home purchase growth	4%	-1%	-10%	↑ 12pp	↓ -9pp
Household consumption growth	**4.5%**	**5.0%**	**4.9%**	**↑ 0.0pp**	**↓ -0.1pp**

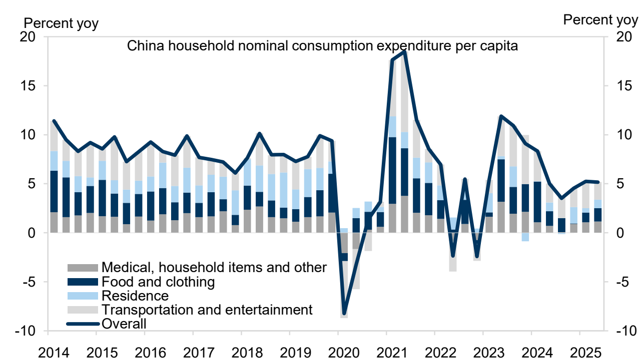
Source: NBS, Goldman Sachs Global Investment Research

Exhibit 23: Year-over-year growth in household disposable income per capita moderated in Q2 2025



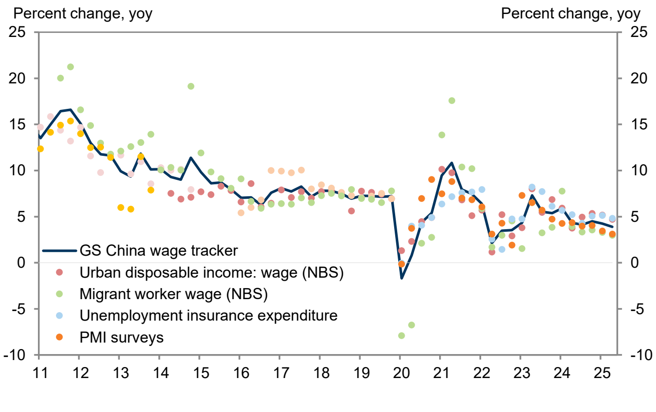
Source: NBS

Exhibit 24: Year-over-year growth in household consumption per capita remained largely flat in Q2 2025



Source: Goldman Sachs Global Investment Research, CEIC

Exhibit 25: GS wage tracker suggests urban wage growth moderated to 3.9% yoy in Q2

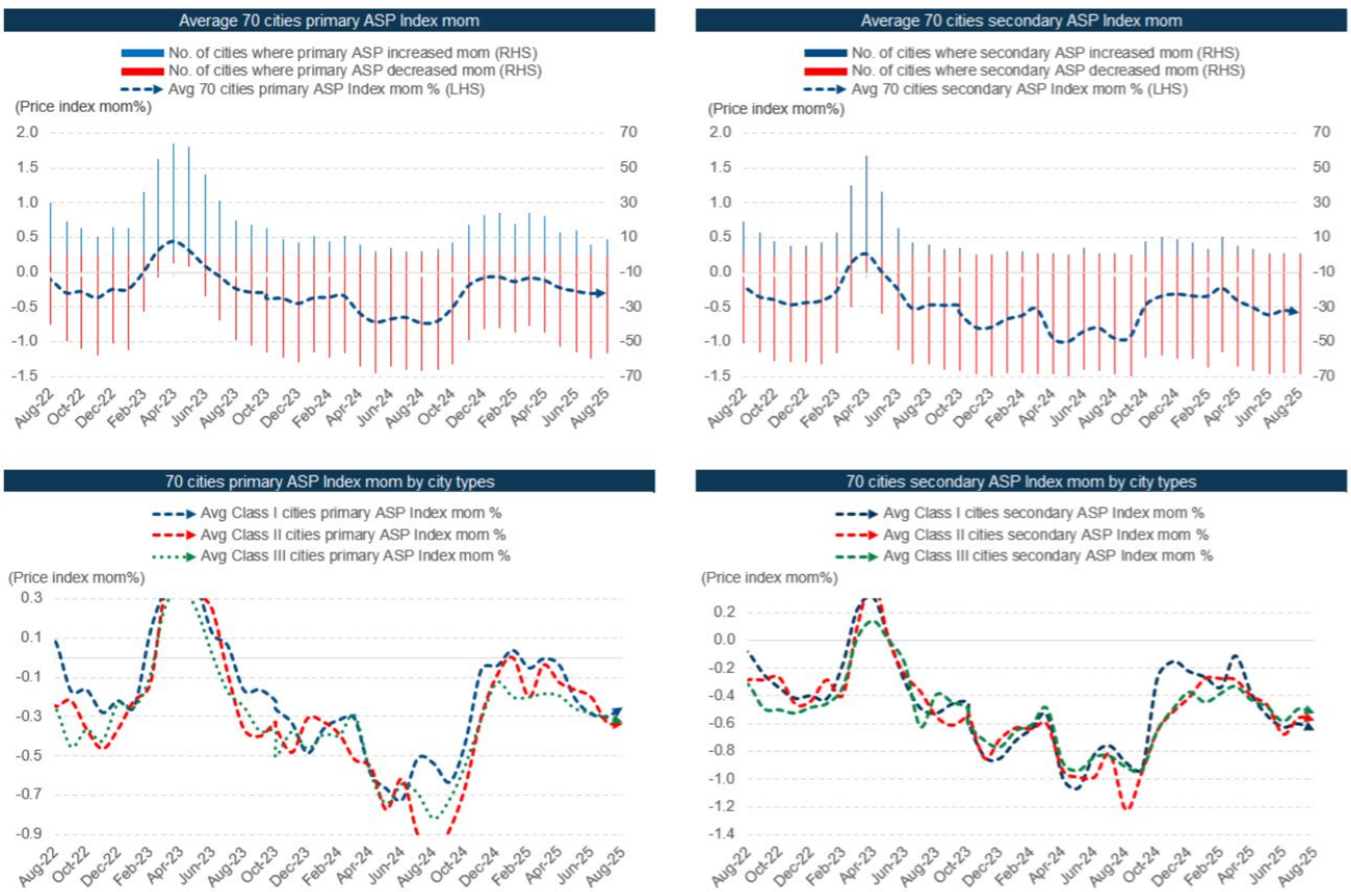


Source: Wind, Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 26: Consumer confidence remained muted

Source: NBS

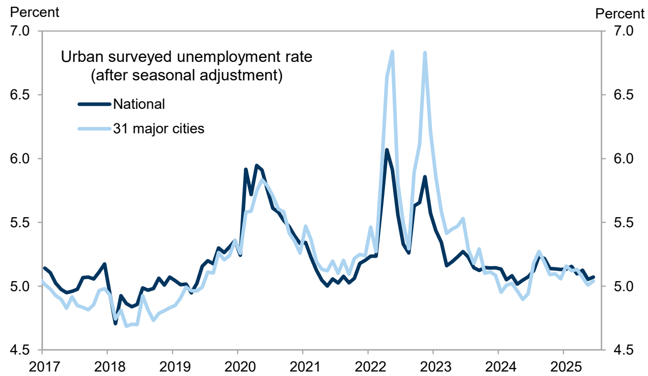
Exhibit 27: Aug-25 70-city ASP index was -0.3%/-0.6% mom (vs. -0.3%/-0.5% mom for July) and 57/69 cities (vs. 60/68 in July) recorded sequential ASP declines in primary/secondary



More details on city classification available in our report \"What would it take to clear China's housing inventory (No. 2)\" published on 6/12/2025.

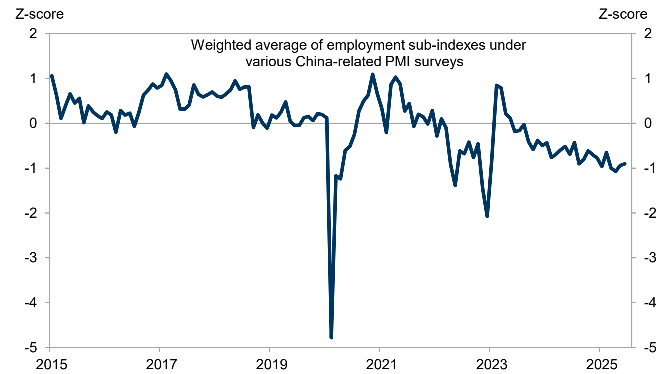
Source: NBS, Data compiled by Goldman Sachs Global Investment Research

Exhibit 28: Official surveyed urban unemployment rates inched down in Q2 vs. Q1



Source: NBS, Goldman Sachs Global Investment Research

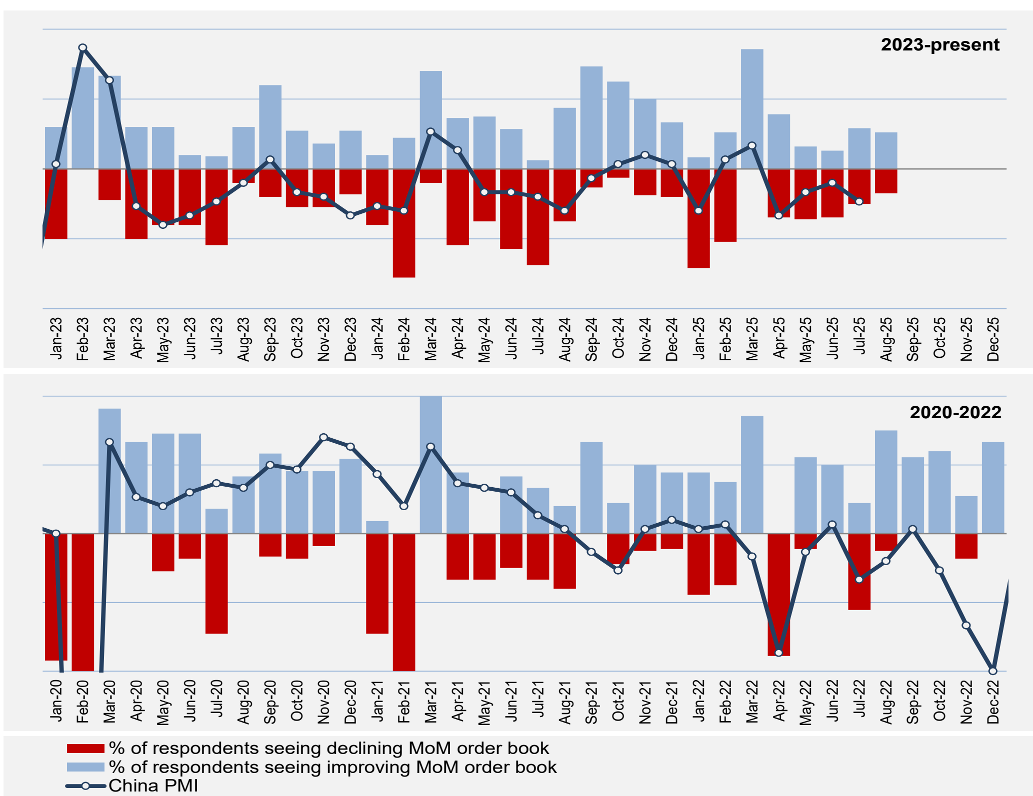
Exhibit 29: The weighted average of employment sub-indexes of various PMIs declined in Q2 vs. Q1



We include employment sub-index under NBS manufacturing PMI, construction PMI, and services PMI, Caixin manufacturing PMI and services PMI, CKGSB recruitment index, SME performance index, and emerging industries PMI.

Source: NBS, Caixin, Haver Analytics

Exhibit 30: Downstream order book trend stable MoM in August



Source: CEIC, Goldman Sachs Global Investment Research (proprietary survey)

Valuation methodology and risks

Exhibit 31: Valuation Methodology and Key Risks

Company name	Ticker	Rating	Valuation methodology	Key risks
Midea	000333.SZ/0300.HK	Buy	Based on a 16X exit multiple applied to our 2027E EPS, discounted back to 2026E using a 9.5% cost of equity.	1) Worse-than-expected disruption on white goods demand from weaker macro globally; 2) Rising material costs affecting product margins; 3) Execution risk of its premiumization strategy; and 4) Rising competition in the low-to-mid-end segment.
Anta	2020.HK	Buy (on CL)	Based on 21x 2027E PE discounted back to mid-2026E	Weaker Anta brand/Fila growth, discount pressures, weaker opex control.
Haitian H-share	3288.HK	Buy	2% H-A discount applied to A share target price, which is based on 31x P/E applied to 2026E EPS and discounted back to 2025YE using 9.1% COE, benchmarked to the global soy sauce leader Kikkoman at last yr avg	1) Intensifying competition in soy sauce market; 2) Industry-wide destocking; 3) Continued disruption on catering channels.
Eastroc Beverage	605499.SS	Buy (on CL)	We are Buy rated on Eastroc with a 12-month TP of Rmb351, based on a 33X 2026E P/E, with reference to 2024-to-1H25 average P/E of its global fast-growing beverage peers Monster Beverage, Celsius, and Vita Coco.	Key risks: 1) Lower industry growth in energy drinks, 2) worse competitive landscape, 3) failure/slower ramp-up of Eastroc's new product launches, 4) potential capacity shortage with already high utilization ratio, 5) higher increases in raw material costs, 6) slower geographical expansion of Eastroc, 7) slower POS penetration/ deployment of fridges, and 8) reputational risks.
Mixue	2097.HK	Buy	We are Buy rated on Mixue with a 12-m TP of HK$579, based on 30X 2026E P/E.	1) store network management; 2) competition, 3) food cost inflation/operating costs, 4) food safety, 5) overseas expansion.
Laopu	6181.HK	Buy	We derive our 12-m TP of HK$1,088 for Laopu Gold on a 25x 2027E target P/E, discounted back to mid-2026E at 9.6% COE.	1) potential gold price slump, 2) tough regulatory environment over luxury consumption, 3) regional concentration, and 4) overhang of IPO shares post lock-up expiry
WH Group	0288.HK	Buy	Our 12m TP is based on SOTP, with 1) the US business Smithfield using US team valuation based on risk-reward framework with target downside/base/upside EV/EBITDA of 7.0x/8.5x/10.5x; 2) China business P/E valuation at 17x; 3) European business with 2025E P/E at 7x, and applying a NAV discount of 35%.	Key downside risks: 1) US business: Topline: A slowdown in economic activity, resulting in lower demand; shifts in consumption trends; lower-than-expected demand for US pork in the global market; Margin pressure from increased promotional spending; higher raw material costs; changes in regulation; labor shortages or wage cost pressure; retaliatory tariffs; and loss of sales or higher costs related to an outbreak of food-borne illnesses or diseases among livestock. 2) China business: Volatility in live hog prices, higher-than-expected corn prices: potential inflation risks with US/China imposing tariffs on imports. 3) Food safety issues.
China Resources Beer	0291.HK	Buy	19.0x 2026E P/E, in line with global peers' full cycle average in the last five years, discounted back to mid-2026E using a 10.1% COE	1) Slower-than-expected premium volume growth; 2) Intense competition in the premium segment; 3) Higher-than-expected cost pressure.
Shenzhou	2313.HK	Buy	Our 12m TP of HK$74.0 is based on a 15x average 25-26E P/E.	1) Slower-than-expected demand recovery; 2) weaker-than-expected cost control, which could lead to earnings risks; 3) a slower ramp-up in new production bases; and 4) FX volatility.
Tsingtao H-Share	0168.HK	Buy	15.2X 2026E P/E, in line with global peers' full cycle avg in the past 5 years appling a historical average of A-H premium at 25%, discounted back to mid-2026E using a 9.6% COE	1) Slower-than-expected premium volume growth; 2) Intense competition from higher marketing and channel investments by peers; 3) Unsuccessful national scale price hikes.
Giant Biogene	2367.HK	Buy	Our 12-month TP of HK$71 is based on a 22x 2027E P/E discounted back to mid-2026E using a 9.6% COE.	Slower-than-expected growth/intensified competition in the professional skin treatment market; inability to develop successful products; regulatory risk.
Tingyi	0322.HK	Buy	Our 12-m TP is based on a 15X 2026E P/E based on the average of past 2 year P/E of Tingyi/UPC	Key risks: 1) Higher-than-expected raw material cost pressures; weaker premiumization trends in instant noodle/beverage.
Miniso	MNSO/9896.HK	Buy	We are Buy rated on Miniso with 12-m TPs of US$29/HK$56 per ADR/H-share. Our 12m price targets are based on a 20x CY2025-26E P/E, benchmarked to the Greater China retailers/discretionary player average P/Es, reflecting near-term growth headwinds and uncertainty from Yonghui contribution.	1) Lower store productivity in China from intensified competition, lagging product innovation or product quality issues that could discourage retail partners' willingness to expand; 2) worse-than-expected SSSG recovery and store expansion globally; 3) geopolitical risks; 4) higher-than-expected OPEX and additional investments; 5) Yonghui's earnings performance.
Guming	1364.HK	Buy	We are Buy rated on Guming with a 12-m TP of HK$32.0, based on 25X 2026E P/E.	1) Unable to manage the large store network; 2) Lower-than-expected store expansion; 3) Underperformed store productivity; 4) Intensified competition, fashion risk and price war; 5) Increase in store level cost; 6) Larger-than-expected subsidies to franchisees; 7) Lower scale economy with geographical expansion; and 8) Food safety issues.
Gambol Pet Group	301498.SZ	Buy	Our 12m TP is based on a SOTP, with 1) the domestic business valued at a 37X 2027E P/E discounted back to mid-2026 at a 7.0% COE, and 2) the overseas business at 18X P/E on 2025E earnings.	Key risks: Less favourable exchange rates, freight and input prices impacting overseas business: More intense competition in online channel; Worse-than-expected execution of domestic brand building and channel expansion:
Hisense Home Appliances	000921.SZ/0921.HK	Buy	Based on 14x/11x 2027E P/Es for Hisense-Hitachi JV/legacy white goods, discounted back to 2026E at a 9.5% COE.	Key risks: 1) Worse-than-expected disruption in white goods demand from weaker macro globally; 2) a further property market slowdown leading to sluggish demand for VRF; 3) increasing competition from domestic players that may jeopardize the leading position of its Hisense-Hitachi JV; 4) increasing penetration in the developer channel resulting in margin dilution; 5) below-expected integration of the Hisense-Hitachi JV; and 6) lower-than-expected performance of the company's legacy white goods business.
China Pet Foods	002891.SZ	Buy	Our 12m SOTP-based target price is based on 25X FY26E P/E for the overseas business (against Shenzhou Intl's average PE during 2018-22 when it was gaining wallet share due to its global production presence) and 30X FY27E P/E for the domestic business discounted back to mid-2026 at 7.9% COE.	Key downside risks: Slower than expected domestic revenue growth, food safety issues, fluctuation in exchange rates, and freight and raw material costs.

Source: Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Michelle Cheng, Leaf Liu, Nicolas Yi, Cathy Chen, CFA and Valerie Zhou, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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