China's Consumption Hurdles Into 2026

Read Research Report: Asia-Pacific Consumer Discretionary 2026 Outlook


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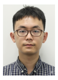
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China's Likely 2025 Retail Miss Sets Gold, Niches as 2026 Havens

(Bloomberg Intelligence) -- China's retail sales growth in 2025 is at risk of rising less than 4% year on year, missing consensus as well as our expectations for an increases of up to 4.5%. In the absence of more targeted policy support, Chinese consumers will likely remain discerning in their expenditures and gravitate toward value-preserving gold jewelry and select premium niche items in 2026, particularly into the Lunar New Year festive season. (12/17/25)

1. Consumption Softens as Subsidy Boost Fades

China's 2025 retail-sales growth risks slipping below 4% as the boost from subsidies for autos and home appliances fades through December. November's weak 1.9% gain -- driven by an 11% slump in autos and home-appliance sales -- means December growth will likely fall short of 3%. This puts both full-year consensus for 4.5% growth and our 4.1% forecast at risk. Consensus estimates for 2026 growth of 4.6% are unlikely to be revised upward.

Reaching 4.5% retail-sales growth in 2025 now requires a 9% year-on-year jump in December, or at least a 4% gain under our 4.1% forecast -- levels that hinge on continued strength in subsidized categories. Perks introduced in 2025 can buoy December sales in mobile phones, office goods and furniture, but without new incentives for autos and home appliances, these targets look lofty. (12/17/25)

China's Monthly Retail Sales Growth (YoY, %)

Source: China's National Bureau of Statistics, Bloomberg Intelligence

2. Risk of Sub-4% China Retail Sales Gain in 2025

China's retail sales growth could end 2025 at 3.9% based on BI's six-year compound annual growth-rate analysis (2019 base) of cumulative year-to-date retail sales. This multi-year lens smooths distortions from holidays and promotions, and suggests non-subsidized categories -- including jewelry, cosmetics, clothing and shoes -- edged back toward or above pre-Covid levels during the six-week Singles' Day shopping festival.

Still, even if December demand in these non-subsidized categories matches the combined pace of October and November, which is optimistic without Singles' Day discounts, those gains won't be enough to offset the drag from a fading subsidy boost in home appliances and smartphone sales on overall retail sales growth in 2025. (12/17/25)

China Retail Sales Scenario Model

Click Excel button to launch full Interactive Model	2019 A	2022 A	2023 A	2024 A	2025 E	1H 2025 A	2H 2025 E	6-year CAGR Momentum Jan-Nov vs. Jan-Sept. on User Input
SAMPLED RETAIL SALES (Cummulative Growth)					User Input			
Sports & Recreational Articles	8.0%	-1.2%	11.2%	11.1%	15.3%	22.2%	9.0%	1.5% ▲
Communications Equipment	8.5%	-3.4%	7.0%	9.9%	20.9%	24.1%	18.1%	2.3% ▲
Alcoholic Beverages & Tobacco	7.4%	2.3%	10.6%	5.7%	3.0%	5.5%	0.5%	1.6% ▲
Beverages	10.4%	5.3%	3.2%	2.1%	1.3%	-0.6%	3.2%	1.7% ▲
Grain, Oil & Food	10.2%	8.7%	5.2%	9.9%	9.6%	12.2%	7.2%	1.9% ▲
Cosmetics	12.6%	-4.5%	5.1%	-1.1%	5.0%	2.9%	7.2%	2.4% ▲
Daily-use Articles	13.9%	-0.7%	2.7%	3.0%	6.2%	7.3%	5.2%	1.6% ▲
Cultural & Office Appliances	3.3%	4.4%	-6.1%	-0.3%	17.6%	25.4%	11.8%	2.1% ▲
Gold, Silver & Jewelry	0.4%	-1.1%	13.3%	-3.1%	14.4%	11.3%	17.8%	2.1% ▲
Petroleum & Related Products	1.2%	9.7%	6.6%	0.3%	-5.4%	-3.4%	-7.4%	1.5% ▲
Traditional Chinese & Western Medicines	9.0%	12.4%	5.1%	3.1%	2.1%	1.4%	2.7%	1.9% ▲
Catering	9.4%	-6.3%	20.4%	5.3%	3.4%	4.3%	2.5%	2.0% ▲
Garments, Footwear, Hats & Knitwear	2.9%	-6.5%	12.9%	0.3%	3.7%	3.1%	4.2%	2.1% ▲
Household Appliances	5.6%	-3.9%	0.5%	12.3%	10.5%	30.7%	-5.5%	1.1% ▲
Furniture	5.1%	-7.5%	2.8%	3.6%	15.3%	22.9%	9.3%	1.8% ▲
Building & Related Decoration Materials	2.8%	-6.2%	-7.8%	-2.0%	-2.7%	2.6%	-7.4%	1.5% ▲
Consumer spending (ex-autos sample)	**5.4%**	**0.9%**	**7.3%**	**4.5%**	**5.0%**			
Automobiles	-0.8%	0.7%	5.9%	-0.5%	-0.6%	2.1%	-2.8%	1.9% ▲
TOTAL	**8.0%**	**-0.2%**	**7.2%**	**3.5%**	**3.9%**	**5.0%**	**2.9%**	

Source: Bloomberg Intelligence

3. Gold, Pricier Niche Goods Can Outperform in 2026

Jewelry -- especially gold -- should remain a relative winner among non-subsidized discretionary categories into early 2026, as consumers lean on gold's value-preserving appeal and Lunar New Year gifting. Assuming gold prices stay stable, demand for gold jewelry, which accounts for about half the category's sales, should stay firm through 1Q. The later Lunar New Year could extend the festive buying window by about 10 days.

Within garments, footwear and accessories and branded luxury could lead with up to a 6% rebound in 2026 after two years of contraction. Pricier sportswear labels such as Arc'teryx, Salomon and Lululemon can also benefit from rising demand for specialized athletic gear. Cosmetics brands, in contrast, will need sharper innovation and stronger online engagement to boost sales as China's beauty market matures. (12/17/25)

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Source: Bloomberg Intelligence

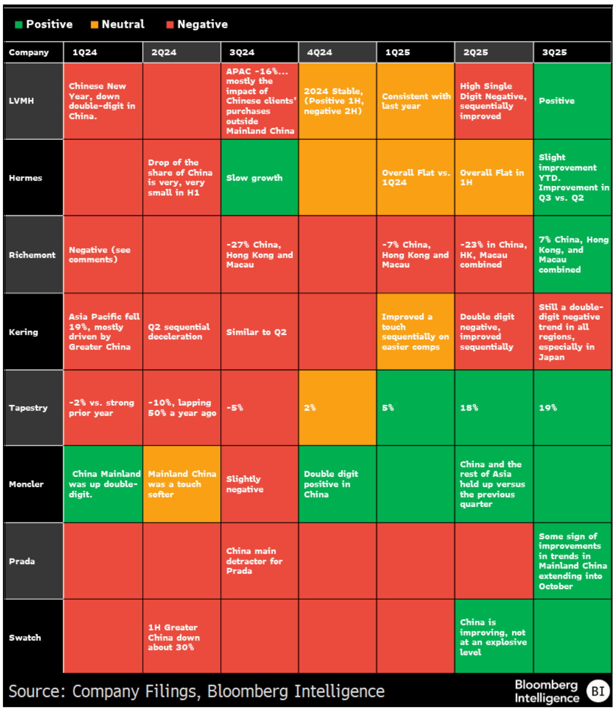
4. Luxury's China Recovery Message Grows Louder

Contributing Analysts Deborah Aitken (Consumer Products) & Andrea Ferdinando Leggieri (Consumer Products)

LVMH, Richemont, Hermes and Prada are set to lead a 4-6% rebound in China's luxury-good revenue and profit in 2026, our analysis shows, as two years of contractions gives way to improving quarterly trends. Moncler and Tapestry look most resilient, signaling recovery drivers are broadening, and positioning the sector for firmer expansion next year. Swiss-watch exports to China rose 13% in October, extending signs of stabilization and potential growth in 2026, which aligns with broader signs of improvement across luxury peers. Normalized watch inventories are supporting positive sell-in volumes from manufacturers as high-end consumer demand begins to stabilize.

Seven of the biggest luxury companies posted revenue growth in China in the quarter to September, up from three in June. (12/17/25)

Luxury Companies Revenue Progress in China



Positive   Neutral   Negative

Company	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
LVMH	Chinese New Year, down double-digit in China.		APAC -16%... mostly the impact of Chinese clients' purchases outside Mainland China	2024 Stable, (Positive 1H, negative 2H)	Consistent with last year	High Single Digit Negative, sequentially improved	Positive
Hermes		Drop of the share of China is very, very small in H1	Slow growth		Overall Flat vs. 1Q24	Overall Flat in 1H	Slight improvement YTD. Improvement in Q3 vs. Q2
Richemont	Negative (see comments)		-27% China, Hong Kong and Macau		-7% China, Hong Kong and Macau	-23% in China, HK, Macau combined	7% China, Hong Kong, and Macau combined
Kering	Asia Pacific fell 19%, mostly driven by Greater China	Q2 sequential deceleration	Similar to Q2		Improved a touch sequentially on easier comps	Double digit negative, improved sequentially	Still a double-digit negative trend in all regions, especially in Japan
Tapestry	-2% vs. strong prior year	-10%, lapping 50% a year ago	-5%	2%	5%	18%	19%
Moncler	China Mainland was up double-digit.	Mainland China was a touch softer	Slightly negative	Double digit positive in China		China and the rest of Asia held up versus the previous quarter	
Prada			China main detractor for Prada				Some sign of improvements in trends in Mainland China extending into October
Swatch		1H Greater China down about 30%				China is improving, not at an explosive level	

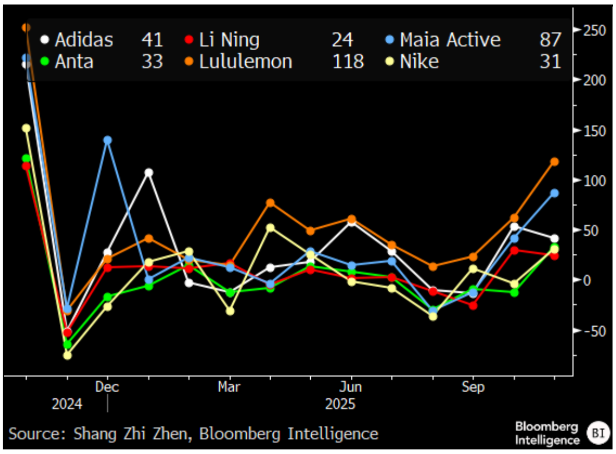
Source: Company Filings, Bloomberg Intelligence

5. Seizing More Specialized Sportswear Trends

China's 2026 retail sales growth for clothing, shoes and related products are likely to lag behind that of non-subsidized consumer goods as Chinese consumers become more selective in their discretionary spending. However, labels with a strong brand presence -- such as those under Nike, Adidas, Anta's Fila -- can boost their sales with differentiated product lines. To capture Chinese consumers' gravitation toward more-specialized athletic gear, Nike, Adidas, Anta and Li Ning might need to pivot to more sports-led innovation and performance franchises to defend local market shares against fast-growing labels such as Lululemon, Arc'teryx and Salomon under Amer Sports in China.

Lululemon and Anta's Maia Active are well-positioned to capture Chinese consumers' growing appetite for specialist yoga and training gear in 2026. (12/17/25)

Sales Growth by Brand (YoY%)

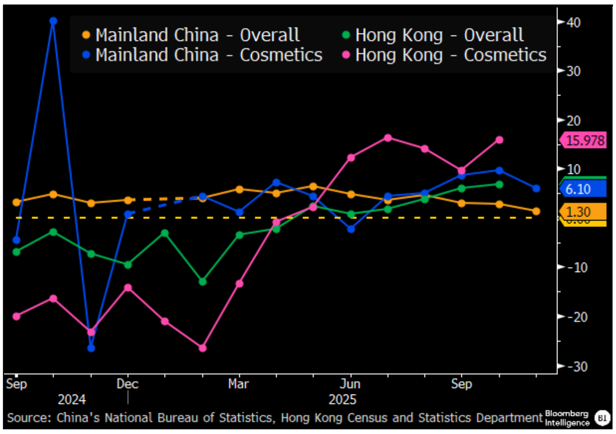


6. Cosmetics Demand Swings Signal Lingering Uncertainties

China's cosmetics retail sales growth slowed to 7.9% year on year in the two months ended November, from 8.6% in September, even with Singles' Day promotions. If incremental demand holds through December, China's cosmetics retail sales could rebound about 5% in 2025 after shrinking by more than 1% the previous year. Yet, part of this improvement likely reflects deeper online penetration by leading foreign brands such as L'Oréal, Estée Lauder and Shiseido rather than a broad-based recovery in discretionary demand.

As China’s cosmetics market matures, brands will need sharper innovation and more effective engagement in the channels that matter most, especially online, to drive repeat purchases and defend market share. (12/17/25)

Greater China Retail Sales Growth (%)



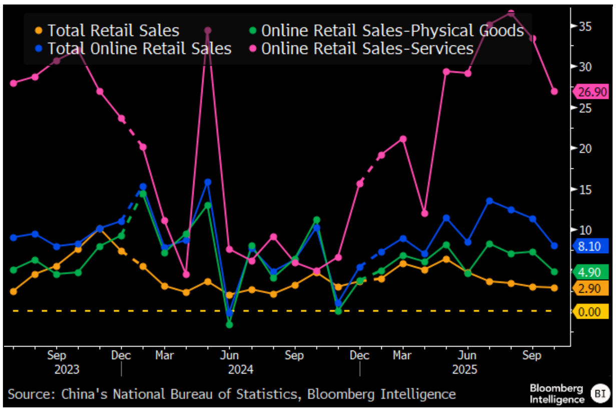
7. Sustaining Online Spending Will Remain Critical in 2026

China's digital commerce operators are unlikely to scale back incentives in 2026 if consumer sentiment stays lackluster. The structural push by major operators such as Alibaba, Meituan and JD.com to spur online consumption this year has led to more habitual usage through on-demand convenience and faster delivery. Still, more discounts will be needed to coax spending if the outlook for incomes and asset values remains uncertain.

China's online retail sales of physical goods rose 5.7% year on year from January through November vs. a 4% gain offline. The 27% surge in online services spending further highlights

Chinese consumers' shift toward convenience and experience-led consumption, underlining how critical this segment has become. (12/17/25)

China Online Retail-Sales Growth (%, Year-on-Year)



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