



Semi-annual Report on the Consumer & Retail Sector in China, 2025 H1

Coverage of China's
macro-economic
environment, sector
trends, deal
scenarios and tax
updates



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Summary

In 2025 H1, China's gross domestic product (GDP) grew faster than in the same period last year, and the country maintained robust development momentum. Policies designed to boost consumption continued to be launched, further supporting domestic demand and driving growth in household consumption. In H1, consumer spending became the key driver and cornerstone of economic growth.

Amid a decline in oil prices, seasonality in domestic demand, and uncertainty in foreign trade, China's inflation rate remained stable, with the core consumer price index (CPI) gradually rebounding. The inflation rate in the United States has been mild; but in June, CPI rebounded as a result of a rise in core CPI and energy prices, pointing to the start of an upward trend for core inflation.

In 2025 H1, the government continued to expand the trade-in programme to boost domestic demand, resulting in strong growth momentum in the sale of related products. In addition, measures designed to boost consumption improved and expanded service consumption, driving a continuous rebound in the consumer market. With "health" becoming an important consumer touchpoint for enterprises to build businesses, accelerate research and development (R&D), and enhance synergies in the supply chain, health products and services continued to contribute to the stable development of the consumer market.

In the first half of 2025, the pace of investment and financing in the consumer and retail sector slowed, with capital management models being increasingly integrated and innovated. Meanwhile, traditional capital instruments were integrated with emerging financial innovations, resulting in the formation of a multi-layered and scenario-based capital operational system.

Moving forward, China is set to continue to implement policies to boost consumption, steadily increase residents' income, and promote the sustained and healthy development of the consumer market.

Sub-sectors covered in the report



Luxury and fashion



Apparel and footwear



Health and beauty



Food and beverage



Restaurants

Macro-economic landscape



In 2025 H1, China's economic growth maintained a stable and positive trend, with GDP increasing by 5.3% year-on-year (YoY), reflecting an increase of 0.3% compared to the full year and first half of 2024.

Due to the effective implementation of policies to boost consumption and domestic demand, the growth of consumption and domestic demand accelerated, with consumer spending accounting for over 50% of economic growth and becoming the main driver of GDP growth. In addition, driven by supportive policies such as measures to "stabilise employment and increase income," nationwide per capita disposable income has increased, boosting people's willingness to consume. As a result, total retail sales of consumer goods climbed 5.0% YoY, representing a positive development trend.

Consumption has become the cornerstone of economic growth. In 2025 H1, economic growth remained steady and trended upward, and the consumer market became more vibrant. Various macro-economic policies also provided strong support for the development of the consumer market in the second half of the year, laying a solid foundation for the achievement of annual targets.

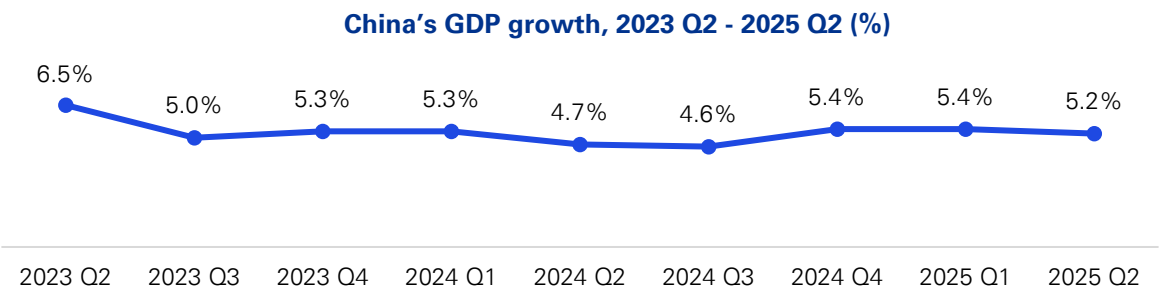


Economic growth remained steady in 2025 H1, with consumption becoming the main driver of GDP growth



Gross domestic product (GDP)

In 2025 H1, while facing multiple challenges such as the complex and ever-changing international economic and trade environment and certain domestic difficulties, China implemented more proactive macro-economic policies, with a focus on stabilising employment, business, markets, and expectations. As a result, the domestic economy grew steadily, with GDP increasing by 5.3% YoY, up 0.3 percentage points compared with both the full year and the first half of 2024. In the first half of 2025, robust domestic demand contributed 68.8% of GDP growth, among which final consumer spending contributed 52.0%, becoming the main driver of GDP growth. Going forward, the central and local governments will introduce policies and measures to boost consumption; and effectively implement action plans to upgrade consumption, “stabilise employment and increase income,” expand the supply of high-quality products and services, and promote the steady development of the consumer market.

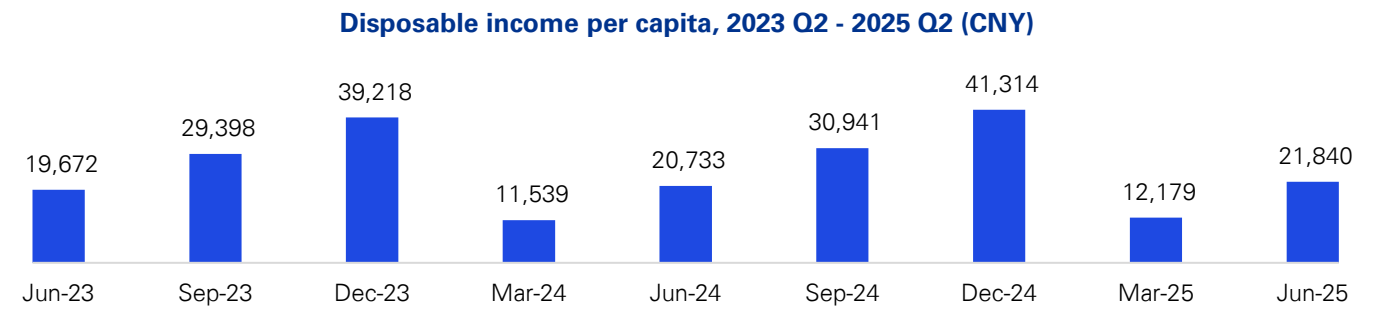


Source: National Bureau of Statistics; KPMG analysis



Disposable income per capita

In 2025 H1, China's disposable income per capita grew by 5.3% in nominal terms over the same period in the previous year and by 5.4% in real terms after excluding price factors. The rapid rise of wages and salaries, net income from transfer, and net business income is an important factor supporting the growth of residents' income. From the perspective of employment, under the influence of a package of policies to stabilise and boost employment, the national surveyed unemployment rate in urban areas in 2025 H1 remained stable, averaging 5.1%, which was 0.2 percentage points lower than in the same period last year¹. Employment conditions remained stable in 2025 Q2, with an increase in labour demand in various industries, and a significant increase in employment compared to 2025 Q1². In addition, policies for boosting consumption drove domestic consumption demand upward. Coupled with an increase in travel demand during the Spring Festival, May Day, and Dragon Boat Festival holidays, the service and tourism sectors saw favourable development. The per capita net business income of residents rose by 5.3%, in line with the national growth rate of residents' income.



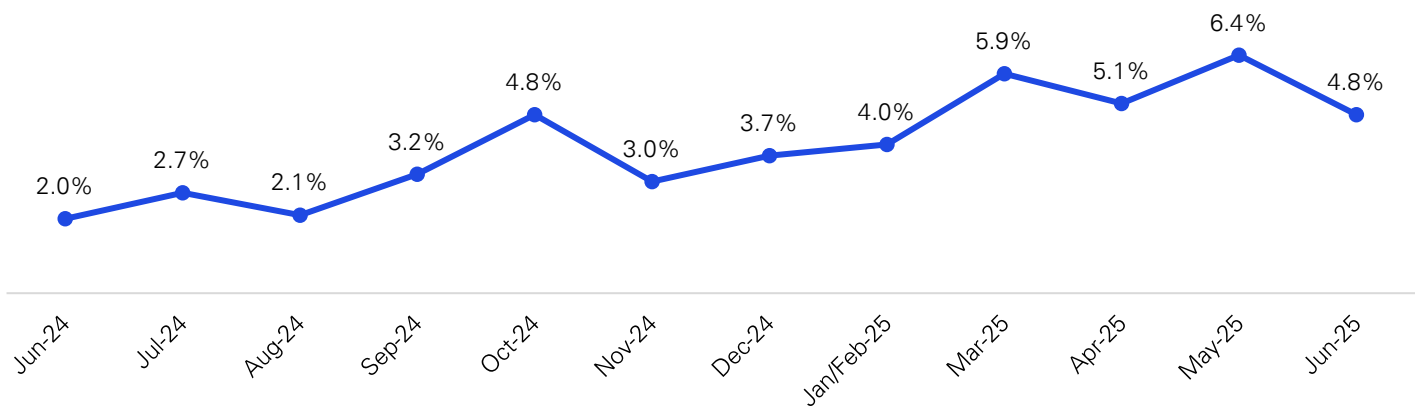
Source: National Bureau of Statistics; KPMG analysis



Retail sales growth

In 2025 H1, the consumer goods and retail markets recorded an excellent performance. According to data from the State Council Information Office, total retail sales of consumer goods grew 5.0% YoY in 2025 H1, and 5.4% YoY in 2025 Q2, up 0.8 percentage points compared with Q1, reflecting an upward trend. Service retail also grew at a faster pace, posting YoY growth of 5.3%. With the supply of high-quality services improving and expanding, and consumption scenarios becoming increasingly diverse and personalised, service consumption as a share of overall consumption rose³.

YoY growth of total retail sales of consumer goods, June 2024 - June 2025 (%)



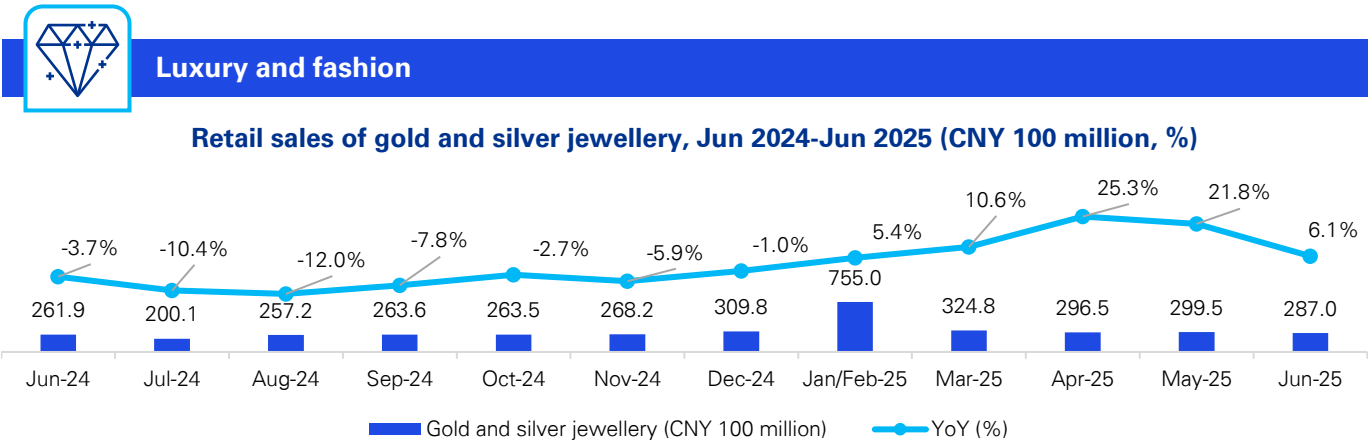
Source: National Bureau of Statistics; KPMG analysis



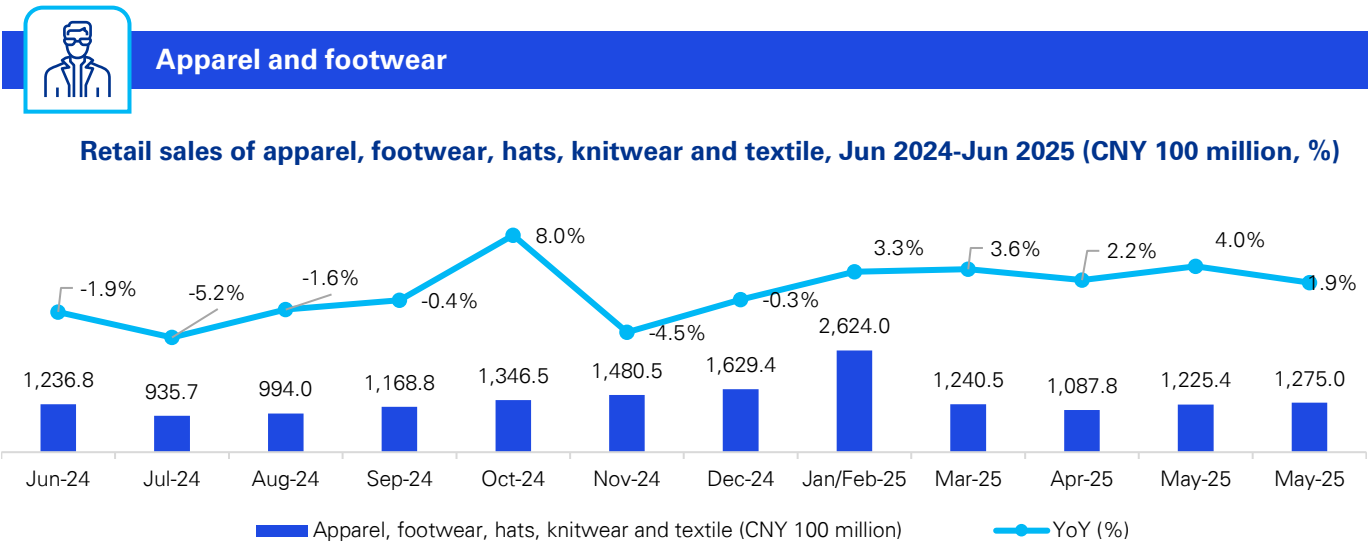
The consumer market continued to expand as policies to boost consumption took hold

Due to residents' increasing demand for high-quality living, the demand for luxury consumption in sub-sectors such as gold and jewellery increased. Retail sales of gold, silver and jewellery grew 11.3% YoY in 2025 H1, indicating a favourable growth trend. Retail sales of clothing, shoes, hats, and knitwear have posted positive YoY growth for six consecutive months, with YoY growth reaching 4% in May. This can be attributed to the higher sales volume during the "June 18 shopping festival," and the increased demand for sun protection clothing and outdoor shoes and hats among consumers during the May Day holiday.

In 2025 H1, retail sales of cosmetics rose by 2.9%, but declined by 2.3% YoY in June, which was a narrower fall than in the same period in 2024, indicating that the sector was recovering. Impacted by the *Regulations of the Party and Government Organs on Practising Frugality and Opposing Waste* and new rules around eating and drinking for public officials, the YoY growth of food and beverage and catering slowed down in June. However, as the policy is adjusted, consumption demand will rise to an extent, and the industry is expected to recover. Specifically, catering grew by only 0.9% YoY in June. Expanded subsidies for instant retail offered by the three major platforms have to some extent caused a decline in the profit margin of catering enterprises, dragging down retail sales in real terms.



Source: National Bureau of Statistics; KPMG analysis



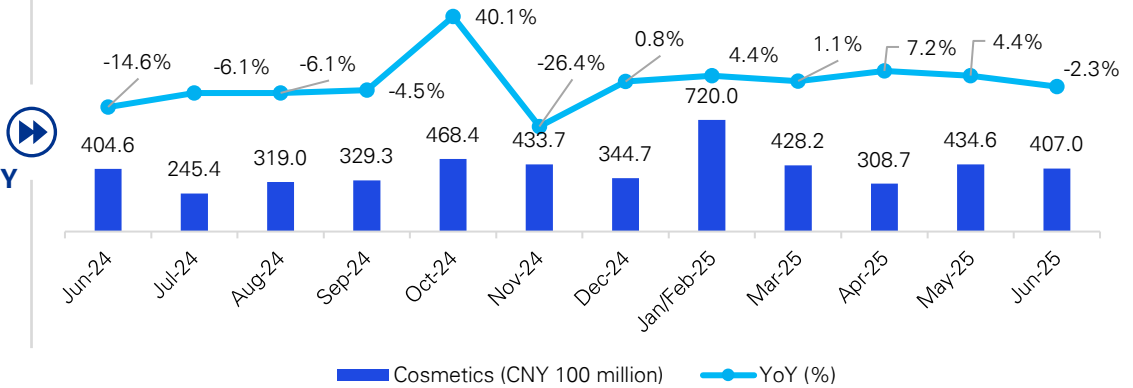
Source: National Bureau of Statistics; KPMG analysis



Health and beauty

Retail sales of cosmetics, Jun 2024-Jun 2025 (CNY 100 million, %)

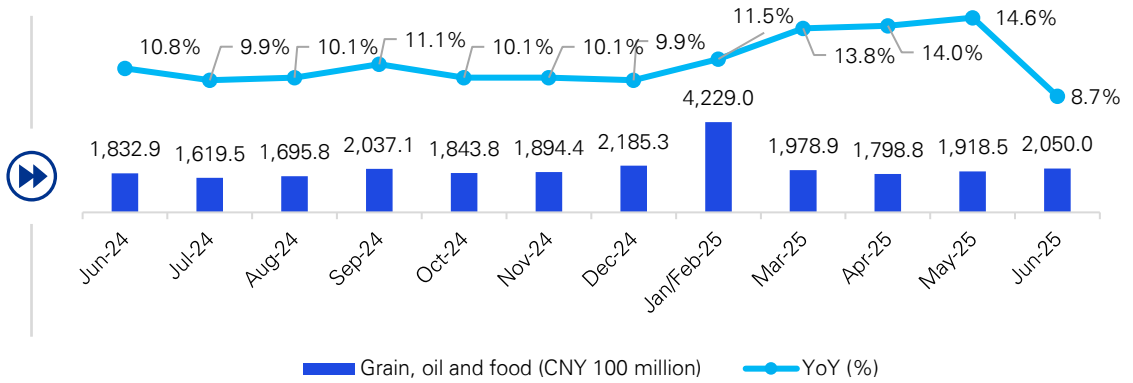
Source: National Bureau of Statistics; KPMG analysis



Food and beverage

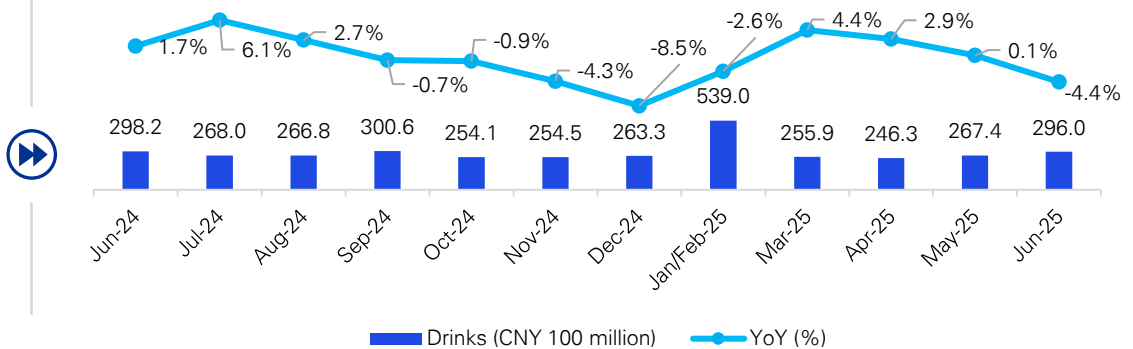
Retail sales of grain, oil and food, Jun 2024-Jun 2025 (CNY 100 million, %)

Source: National Bureau of Statistics; KPMG analysis



Retail sales of the drink category, Jun 2024-Jun 2025 (CNY 100 million, %)

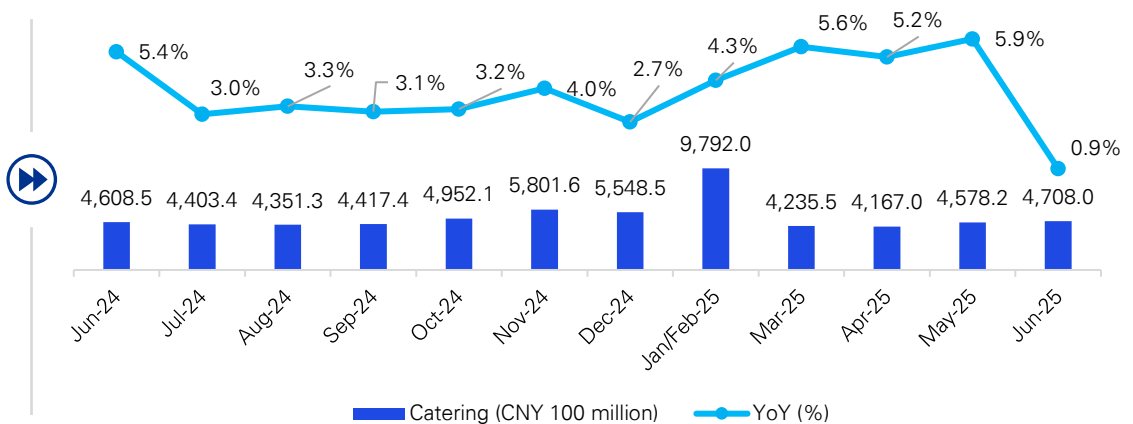
Source: National Bureau of Statistics; KPMG analysis



Restaurants

Retail sales of catering, Jun 2024-Jun 2025 (CNY 100 million, %)

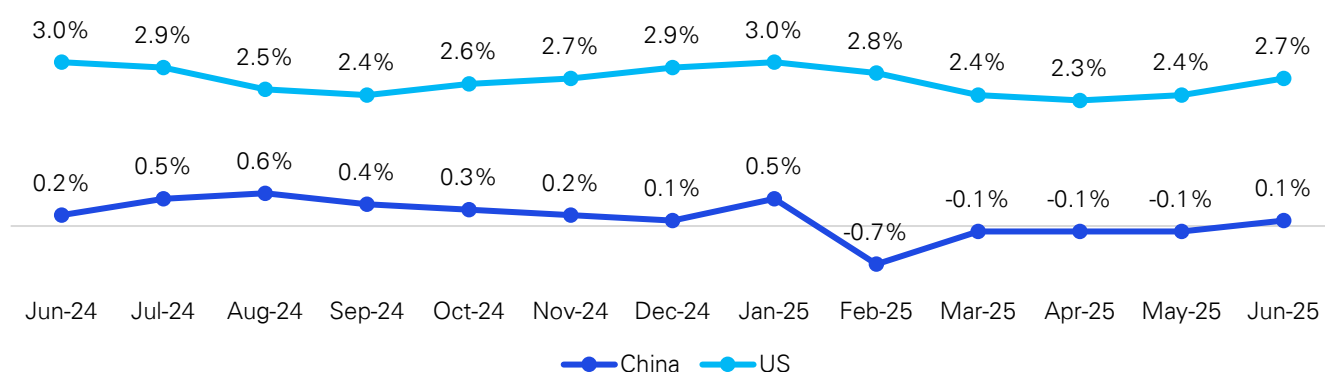
Source: National Bureau of Statistics; KPMG analysis



Inflation in China remained stable overall, while core inflation in the US began to rise

In 2025 H1, China's inflation level remained generally stable, while inflation in the US trended downward at first and rose later.

China and US CPI YOY growth (%), Jun 2024-Jun 2025



Source: National Bureau of Statistics of China and Bureau of Labor Statistics of the US; KPMG analysis

In 2025H1, China's CPI decreased by 0.1% YoY, which was the same decline seen in Q1. Overall, CPI was stable, specifically:

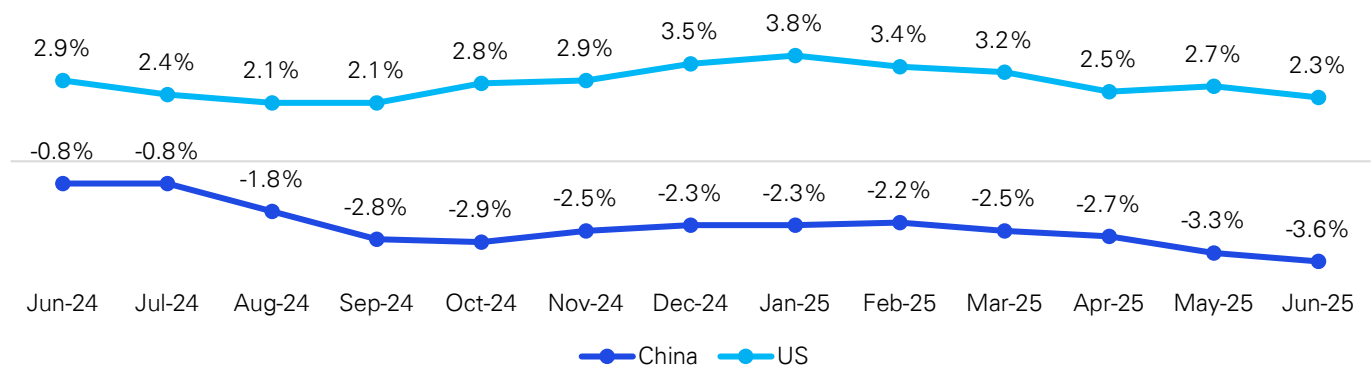
- Affected by fluctuations in international commodity prices and macro-economic policies, CPI began to rise in June, rebounding for the first time after four consecutive months of declines and reflecting a positive change.
- In 2025H1, the core CPI increased by 0.7% YoY, reaching a 14-month high. Specifically, service prices rose significantly, climbing 0.4% YoY. Meanwhile, prices of industrial consumables, excluding energy, continued to rise, also notching a YoY increase of 0.4%.
- The low CPI in 2025 H1 mainly resulted from changes in the economic structure and development phase, and was also closely related to changes in the international macro environment and China's transformation and upgrading. Food and energy prices were the main drag, pulling down CPI by approximately 0.4 percentage points.

Inflation in the US rebounded in 2025 H1, climbing 0.3% in June, the largest increase since January. Specifically:

- The rebound in CPI in June may be the beginning of an upward trend in inflation caused by the tariff dispute, and this possibility has also made the Federal Reserve cautious about resuming interest rate cuts⁴.
- In June, core CPI rose to 2.9%, up 0.1% from May, marking the first rebound in four months; energy prices rose by 0.9% month-on-month, which, together with the rebound in core inflation, constituted the main driver of the CPI rebound.
- The tariff dispute has begun to push up the prices of certain product categories, such as household goods, clothing, and personal skincare products. Enterprises have taken measures to offset the cost caused by rising tariffs, with the aim of protecting consumers from price shocks, but they may shift the cost of tariffs to consumers in the future⁵.

In 2025 H1, China's producer price index (PPI) was running at a low level, while that for the US remained stable with a slight decline.

China and US PPI YOY growth (%), Jun 2024-Jun 2025



Source: National Bureau of Statistics of China and Bureau of Labor Statistics of the US; KPMG analysis

Overall, China's PPI decreased by 2.8% compared with 2024 H1. From a monthly perspective, PPI in January and February decreased by 2.3% and 2.2% respectively YoY, mainly due to factors such as the Spring Festival holiday. Since March, PPI continued to decline on a YOY basis, reaching -3.6% by June. Specifically:

- The downward trend in international crude oil prices has driven down prices in China's oil-related industries, with month-on-month price drops in the oil and natural gas extraction industry ranging from 1.3% to 17.3%. The rise in non-ferrous metal prices in the global market has pushed up prices YoY in the domestic non-ferrous metal smelting and rolling industries for six consecutive months, with price increases ranging from 0.9% and 9.5%.
- Uncertainty in international trade has put pressure on export prices, which, coupled with insufficient demand in certain industries, has driven prices down.

In the US, inflationary pressure on producers was mild in the first half of the year, with PPI climbing 2.3% YoY in June. Specifically:

- In June, final demand PPI and core PPI remained unchanged month-on-month, and pressure on the producer end was controllable overall.
- Prices in sub-sectors began to differentiate. In June, energy, technology hardware, and logistics prices rose, reflecting an improvement in industry sentiment. However, weak demand in the tourism sector has put short-term pressure on tourism-related service industries.



Sector impact of recent market dynamics



In 2025, the Chinese government prioritised "boosting consumption and expanding domestic demand," resulting in diversified development in the consumer market. The duty-free-on-departure market has steadily grown, with monthly sales of tax refundable goods in Beijing reaching CNY 100 million, and the number of tax refund stores climbing to over 1,400. The luxury goods market performed well during the "June 18 shopping festival," with Tmall's Luxury Pavilion achieving a YoY increase of 97% in new product sales. Multiple luxury brands launched limited-edition holiday products for the festival.

e-Commerce platforms are accelerating their transformation towards a "quality + brand" model, bidding farewell to the low price and subsidy model in order to focus on brand value and service experience. Sun protection products have become a necessity due to the rising demand for outdoor activities, and the sun protection sector is developing into a multi-100-billion-RMB market. Meanwhile, AI is empowering the beauty industry by supporting areas such as skin analysis and smart customer service. As health-oriented consumption heats up, the "homology of medicine and food" concept is driving sales of low-sugar and low-fat foods and Chinese style health water. Consumption scenarios for food and beverage are continuing to diversify; and diversified demands such as one-person meals, picnics, and gatherings are driving brand innovation. The newly revised "No Alcohol Order" prohibits the consumption of alcoholic beverages by public officials during work meals. In addition, Chinese food chain brands are accelerating their overseas expansion, with Southeast Asia and North America being the major destinations.



The luxury sector faced pressure as various sub-sectors and consumption areas posted different performances

Market dynamics	Luxury and fashion	Impact ^a
Economic activities	- In 2025 H1, the Chinese economy was generally stable, with a well performing consumer market. The "Two Renewal" policies (i.e. large-scale equipment renewal and consumer goods trade-in) and the consumer coupons programme continued to see favourable results. - In 2025 H1, total retail sales of consumer goods increased by 5.0%, a significant rise from the 3.5% growth of the previous year. Monthly growth in May reached 6.4%, a record high since 2024. Specifically, retail sales of gold, silver, and jewellery in China increased rapidly, climbing by 11.3% YoY from January to June 2025⁶. - In 2025 H1, domestic demand accounted for 68.8% of GDP growth, among which final consumption expenditure contributed 52%. The main driver of economic growth in the first half of the year was domestic demand, especially consumption³.	
Travel	- According to data from the Korea Tourism Organization, from January to April 2025, the number of Chinese tourists visiting South Korea grew by approximately 410% YoY⁷. Korean duty-free stores have attached great importance to Chinese tourist groups and reduced the proportion of purchasing agent sales, with a focus on promoting "Korean fashion" and "Korean beauty products." As more Chinese tourists visit in the future, the duty-free market in South Korea is expected to experience a recovery. - According to data from the Japan Department Stores Association, retail sales of duty-free stores in Japan in May 2025 were only JPY 42.5 billion, a YoY decrease of nearly 41%, marking the third consecutive month that saw a YoY decline. This trend is mainly due to a decrease in the per capita spending of Chinese tourists⁸.	
Duty-free market	- The duty-free-on-departure market in China is steadily developing. In 2025 H1, average monthly sales of tax-refund-on-departure products reached CNY 100 million in Beijing, and the number of tax refund stores in the city climbed from over 70 when the policy was implemented to over 1,400, ranking first in the country⁹. In June 2025, the Shanghai government released the <i>Action Plan for Optimising the Consumption Environment for Tax-Refund-on-Departure Products in Shanghai (2025-2027)</i>, proposing to build Shanghai into a benchmark city for the consumption of tax-refund-on-departure products. According to this plan, by 2027, Shanghai will have over 3,000 tax-refund-on-departure stores and over 10,000 related outlets, with "buy and refund" stores accounting for over 80% of the total number of stores. Moreover, over 80% of centralised commercial venues are expected to offer tax refund service counters. - In 2025 H1, Hainan launched multiple measures to boost consumption, including distributing nearly CNY 200 million of consumer coupons. At the same time, major offshore duty-free stores in Hainan held various themed activities and large-scale promotional activities to boost the province's offshore duty-free market. According to data from the Ministry of Commerce, in 2025 H1, the total sales of Hainan's 12 offshore duty-free stores reached CNY 32.396 billion, representing a YoY increase of 31%. In addition, the number of shoppers for duty-free products and the number of duty-free products purchased climbed by 34% and 5.8% YoY, respectively¹⁰.	
Festival celebrations	- According to data released by the China Gold Association, during the Spring Festival holiday in 2025, demand for gold was strong nationwide, rising 13% YoY¹¹. - In 2025 H1, the luxury goods category posted an excellent performance during the "June 18 shopping festival," experiencing a sharp increase in sales. From the May Day Golden Week starting 1 May until 20 May, the transaction volume on Tmall's Luxury Pavilion increased by 97% YoY. Well-known luxury brands launched over 1,000 limited-edition holiday products on Tmall¹². Due to changes in consumer habits, online shopping is becoming an important channel for the development of the luxury goods market.	
Government functions and policies	- In the 2025 Government Work Report, "vigorously boosting consumption, improving investment returns, and comprehensively expanding domestic demand" were listed as the top priorities of the government. In the second half of the year, boosting consumption and expanding domestic demand remain key tasks. - In 2025 H2, additional policies to boost consumption will be launched: the third batch of funds for the trade-in programme will be issued in July, and an additional CNY 138 billion in funds will be released in the second half of the year to support the "Two Renewal" policies. Moreover, efforts will be made to steadily open up the service sector, innovate and diversify consumption scenarios, and boost consumption of medical, elderly care and other services. Shanghai, Beijing, Chengdu and other cities have released special action plans to spur consumption, launched special consumption activities, and optimised consumption scenarios, with the aim of driving consumer spending. - In April 2025, the Ministry of Commerce and five other departments issued the <i>Notice on Further Optimising the Tax-Refund-on-Departure Policy to Boost Inbound Consumption</i>, proposing eight policy measures to promote inbound consumer spending and enhance the overall efficiency of the tax-refund-on-departure policy.	

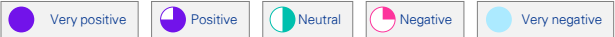
Note: a. KPMG analysis



The performance of the apparel and footwear sector exceeded expectations, with consumers showing a preference for functional items such as outdoor sun protection products

Market dynamics	Apparel and footwear	Impact ^a
Economic activities 	- From January to June 2025, the textile industry achieved growth in major economic indicators, including production, domestic sales, exports, and investment, and its overall performance was better than expected. The industry remained basically stable economically. - According to data from the National Bureau of Statistics, from January to June, retail sales of clothing, shoes, hats, and knitwear by units above the designated size rose by 3.1% YoY, and online retail sales reached CNY 7,429.5 billion nationally, reflecting an increase of 8.5% YoY. Specifically, online retail sales of clothing products ticked upward by 1.4% YoY⁶. - According to data from the General Administration of Customs, from January to June 2025, the total value of textile and clothing exports reached USD 143.98 billion, a YoY increase of 0.8%. Specifically, textile exports reached USD 70.52 billion, representing a YoY increase of 1.8%; and clothing exports stood at USD 73.46 billion, a slight decrease of 0.2% YoY¹³.	
Shift in trends 	- As outdoor activities such as hiking, camping, cycling, and water sports grow increasingly popular, more and more urban residents are taking part in outdoor travel to relax and get closer to nature, which is driving the growth of the outdoor product market¹⁴. - The 2025-2030 In-Depth Research and Analysis and Development Trend Forecast Report for the China Outdoor Products Industry released by the ASKCI Industry Research Institute (中商产业研究院) showed that the market scale of China's sports and outdoor products reached CNY 522.7 billion in 2024, reflecting an increase of 13.48% compared to the previous year. Analysts from the ASKCI Industry Research Institute forecast that the scale of the market for sports and outdoor products in China will reach CNY 599 billion by 2025¹⁵. - From a market landscape perspective, the Chinese outdoor market has been characterised as "high-end and professional, and cost-effective, with diversified scenarios." Famous brands such as Toread and Comefly Outdoor have achieved "single point breakthroughs" in sub-sectors such as outdoor jackets and lightweight equipment¹⁵. - According to data from Frost & Sullivan, an international consulting firm, the scale of the high-performance outdoor clothing market in the Chinese Mainland reached CNY 102.7 billion in 2024, with outdoor jackets and pants accounting for 29.2% and generating retail sales of CNY 30 billion. The compound annual growth rate (CAGR) of sales from 2019 to 2024 was 18.3%. By 2029, the outdoor jacket market is expected to expand to CNY 75.4 billion, representing a CAGR of 20.2% from 2024 to 2029, far exceeding the growth rate of the overall clothing industry¹⁶.	
Festival celebrations 	- In 2025, e-commerce platforms will accelerate the construction of a "quality + brand" ecosystem, gradually bidding farewell to the historical model that emphasised using low prices and subsidies to compete for views; instead, the platforms will shift their focus to competing in more sophisticated areas, such as quality and trust, brand value, service experience, and long-term operational capabilities¹⁷. - According to data from Analysys, during the "June 18 shopping festival," the transaction volume of clothing on Taobao Tmall, Douyin, JD and Pinduoduo climbed by 9.1%, 10.2%, 6.1% and 5.6% YoY, respectively. Taobao Tmall accounted for 50.4% of the total transaction volume of clothing on all platforms¹⁸. - According to data regarding Tmall, during the "June 18 shopping festival," over 1,020 clothing brands generated sales in excess of CNY 10 million; and over 6,900 clothing brands achieved sales exceeding CNY 1 million. The number of online shops that experienced YoY growth in sales of over 500% hit a record high of 1,060¹⁹. - JD's "618" and "quality assurance" initiatives led to a surge in sales in the clothing category. In the footwear category, 150 brands doubled their sales YoY; 80 brands grew their sales by more than four-fold YoY; and 110 brands saw their sales climb by more than three-fold YoY²⁰. - According to data from Daxue Consulting, during the "June 18 shopping festival," sales of the outdoor and sports category surged by over 50% YoY. The strong demand for summer sports equipment and an upsurge in sports activities enabled 36 brands to generate sales in excess of CNY 100 million²¹.	
Travel 	- As the demand for outdoor activities in spring and summer (such as camping and cycling) increases and consumers' awareness of sun protection improves, the sun protection market is expanding. With sun protection products becoming a necessity, China's sun protection industry is developing into a 100-billion-RMB market. - According to data from iResearch, the market scale of sun protection clothing and accessories in China reached CNY 74.2 billion in 2023, and it is expected to reach CNY 95.8 billion by 2026, with sun protection clothing accounting for over 50% of total sales. According to Tianyancha, more than 4,400 enterprises in China are currently engaging in sun protection-related business. With many outdoor sports brands, fast fashion brands, and down jacket brands entering the sun protection market, competition will only grow more intense in the future²².	

Note: a. KPMG analysis



Emotional skincare has become a new beauty trend, and enterprises are using Eastern aesthetics to empower their brands as they go global

Market dynamics

Economic activities



Shift in trends



Festival celebrations



Expansion into overseas markets



Health and beauty

Impact^a

- In 2025 H1, retail sales of cosmetics by units above the designated size nationwide reached CNY 229.1 billion, reflecting a YoY increase of 2.9%. Various policies to boost consumption and expand domestic demand have been implemented effectively, revitalising the consumer goods and retail market.
- As of the end of 2024, the health literacy level of Chinese residents rose to 31.8%, a significant increase of 2.1 percentage points compared to 2023. This is due to the continuous promotion of the "Healthy China" initiative, which is stimulating the potential of the health market²³.
 - Health spending is picking up, reflecting market demand among the silver-haired generation, mothers and infants, and young consumers. The *Report on the Development of Consumption Trends in the Health Industry* released by the China Consumers Association indicates that the market scale of China's health industry continues to expand. In 2024, the total revenue of China's pan-health industry reached CNY 9 trillion, representing a significant rise from the total revenue of CNY 8 trillion recorded in 2021²⁴.
 - In 2025 H1, the per capita healthcare spending of Chinese residents was CNY 1,314, a YoY increase of 3.4%, pointing to people's rising willingness to consume health products and services²⁵.
- With younger generations such as Gen Z becoming the main consumers of beauty products, the concept of "self-pleasing" is rising in popularity:
 - According to a report in April 2025, consumers are developing higher expectations for emotional skincare, with 81% expecting emotional skincare products to have aromatic healing characteristics, 66% paying attention to the sensory design of emotional skincare products, including touch and temperature changes, and 11% focusing on the psychological counselling content that comes with products²⁶.
 - The market for beauty and skincare for men has shown impressive resilience. According to a report in May 2025, the men's make-up market grew rapidly in 2024; specifically, sales of blusher for men rose 345% YoY on mainstream e-commerce platforms. Skincare products are becoming more and more diversified, with facial creams, masks, and sunscreen being the fastest-expanding categories²⁷.
- New beauty product retailers have emerged in the Chinese market, and they are cooperating with trendy brands and offering fine product mixes in segmented fields to attract consumers. For example, Harmay has attracted many young consumers by harnessing the concept of big brands and small samples²⁸.
- In addition, the rapid development of AI is accelerating and empowering the beauty industry and supporting its transformation. According to a report in March 2025, Marubi Biotechnology announced the full integration of the digital human "Maru Xiaoyan" with the DeepSeek-V3 interface. Moreover, Bawei Biotechnology announced the initial deployment of an AI system based on the DeepSeek model, which will provide support in multiple areas, such as skin analysis, product matching, intelligent customer service and user interaction, ingredient analysis, formula optimisation, and social media content generation²⁹.
- During the Spring Festival, health consumption continued to rise, with well-being and health management becoming buzzwords in respect of Spring Festival gifts. According to a report in February 2025, donkey-hide gelatin products are still gift favourites during the Spring Festival, with order volumes increasing more than three-fold YoY. Intelligent wearable devices are also a popular product among young people who want to purchase gifts for others. According to Meituan, from 15 December 2024 to 15 January 2025, sales of smart bracelets with health monitoring capabilities on Meituan climbed by 235% YoY³⁰.
- According to a report in June 2025, during the "June 18 shopping festival," leading international brands saw signs of improvement in their sales, amid fierce competition in the high-end cosmetics market. Sales of Valentino's cosmetics grew by over 100%, and those of Hourglass and other brands grew by over 60%. In Tmall Beauty's "618" top 15 list, 13 brands were international beauty brands, compared to 12 in 2024. International beauty brands showed signs of rebounding, but domestic brands still held the top position in the beauty market³¹.
- In 2025 H1, domestic beauty brands continued going global. Chinese beauty brands used in-person channels to offer unique product mixes that export Eastern aesthetics, and they expanded their local consumer base through online key opinion leader (KOL) operations, with the aim of expanding into foreign consumer markets. According to a report in January 2025, the domestic beauty company Huaxizi announced the official opening of its first overseas flagship store in a mall in Tokyo's Ginza area. Its products have been sold in over 110 countries and regions around the world through independent brand hubs and e-commerce platforms³².
- As domestic brands go global, they are facing challenges around compliance, localisation, trademark registration and other areas. According to information from the Hangzhou Intellectual Property Protection Centre and the Hangzhou Branch of the National Overseas Intellectual Property Dispute Response Guidance Centre, in February, staff identified trademark squatting against multiple well-known domestic cosmetic brands in a Southeast Asian country, posing a serious threat to the globalisation of China's cosmetic brands³³.



Note: a. KPMG analysis

Very positive Positive Neutral Negative Very negative

The homology of medicine and food is driving health-oriented consumption, and emotional value is becoming the focus of “self-pleasing” consumption

Market dynamics	Food and beverage	Impact ^a
Economic activities 	- In 2025 H1, retail sales of beverages by units above the designated size nationwide reached CNY 162 billion, a YoY decrease of 0.6%; and retail sales of grain, oil, and food by units above the designated size nationwide reached CNY 1,195.2 billion, a YoY rise of 12.3%. The growth of the beverage market slowed down, whereas the grain, oil, and food market demonstrated rigid demand. - The Baijiu industry experienced an adjustment in 2025 H1. According to the Jiuxun Think Tank, the total market value of 21 Baijiu stocks decreased by 10.43% in 2025 H1. Specifically, the market value of all 21 Baijiu stocks fell in the first half of the year³⁴. - Affected by multiple factors, Baijiu companies faced operating pressure in the first half of 2025. Based on the forecasts disclosed so far, the performance of Baijiu companies in the first half of the year was weak, except for Kweichow Moutai, which has disclosed a relatively good performance³⁵.	
Festival celebrations 	- During the Spring Festival, the consumer market was relatively rational, with sales of food seeing robust growth. According to data from the State Taxation Administration, retail sales of grain, oil, and food products during the Spring Festival increased by 18.9% YoY, while sub-categories such as bread, pastries, meat, poultry, eggs, and milk saw sales grow by over 15%³⁶. Overall, the consumer market was characterised by "rigid demand and rational consumption," with consumers preferring high cost-performance products. - During the May Day holiday, China's consumer market experienced a significant rebound, with demand in the food and beverage sector surging. According to statistics from the Ministry of Commerce, sales of retail and catering enterprises nationwide increased by 6.3% YoY during the May Day holiday, with the catering sector in particular reaching 8.7%. Under the combined effect of various consumption-boosting policies, demand during the holiday season was robust, and the rapid recovery of the catering sector provided strong support for the sustained improvement of the food and beverage market³⁷. - According to data disclosed by major e-commerce platforms, promotional sales of Baijiu during the "June 18 shopping festival" were impressive, especially with the rise of the real-time retail model, providing new momentum for Baijiu sales. According to the final "618" report issued by Meituan Instant Purchase, sales of Baijiu during the promotional period increased over 10-fold³⁸. Meanwhile, during the "618" promotion period on JD.com, sales of high-end liquor priced over CNY 800 climbed by 120% YoY, while sales of the Top 10 Baijiu brands increased by 80% YoY³⁹.	
Shift in trends 	- The three-year "Year of Weight Management" initiative has boosted the healthy eating and drinking trend. More consumers are favouring low-sugar, low-fat, and nutritious foods, as well as healthy grain, oil and condiments. Chinese-style healthy water that incorporates the homology of food and medicine and snacks with traditional Chinese medicine as ingredients have become popular products among consumers⁴⁰. - As food and beverage consumption scenarios and consumers' needs steadily diversify, scenarios such as one-person dining, picnics, gatherings, and night-time snacks have become new consumer touchpoints, prompting brands to build product experiences around these scenarios⁴¹. - As consumer demand shifts from "functional" to "emotional," consumers are increasingly willing to pay for emotional value and self-satisfaction. They aim to relieve stress, please themselves, and seek resonance and comfort through consumption. The emotional consumption of food can be seen as a self-healing process for the consumer, and also as a way to connect socially with others⁴¹. - The latest 2024 <i>State of Snacking</i> report released by Mondeľ International reveals various insights about how care and bonding are related to snacks. Its research shows that an increasing number of consumers are using snacks as a way to express affection for others and themselves, with 71% agreeing that sharing snacks is a way to express affection, and 64% saying they often connect with others by sharing snacks. Moreover, the younger generation is particularly inclined to use snacks to engage in self-care⁴².	
Government functions and policies 	- In March 2025, the National Health Commission and the State Administration for Market Regulation (SAMR) jointly issued 59 national food safety standards and amendments. The new regulations clearly stipulate that food producers are no longer allowed to use promotional wordings such as "no additives" or "zero additives" on pre-packaged food as selling points, with a view to reducing misleading information resulting from vague advertising, promoting competition around quality, and giving consumers more transparent purchase options. - The newly revised <i>Regulations of the Party and Government Organs on Practising Frugality and Opposing Waste</i> dated May 2025 clearly forbid the provision of alcoholic beverages at official work meals, covering central government- and state-owned enterprises and financial institutions for the first time. This issuance is referred to as the "new alcohol ban." The regulations have directly led to lower Baijiu consumption by the government sector, prompting food and beverage enterprises to adjust their market strategies and shift their focus to business and personal consumption markets. - In June 2025, the Ministry of Industry and Information Technology and six other departments issued the <i>Implementation Plan for the Digital Transformation of the Food Industry</i> to accelerate the digital transformation and upgrading and high-quality development of the food industry.	

Note: a. KPMG analysis

 Very positive  Positive  Neutral  Negative  Very negative

AI is empowering transformation and upgrading in the catering sector; policies are supporting enterprises' efforts to raise capital; and chain brands are accelerating their go-global strategies

Market dynamics	Restaurants	Impact ^a
Economic activities 	- In 2025 H1, catering revenue reached CNY 2,748 billion, an increase of 4.3%. Through the regulation of food stall operations, and food festivals and industry innovation activities, catering markets across the country were revitalised⁴³. - Industry innovation and integration: 2025 "Foodie Season" was rolled out nationwide to boost food demand across the country, and efforts were made to promote the integrated development of the food industry, digital intelligence, catering, and leisure⁴⁴. - Night-time economy and outdoor food stalls: Through the regulation of outdoor food stall business, night-time consumption became a new growth point in the catering market⁴⁵. - Local food festivals and exhibitions: Various specialty restaurants were encouraged to gather in the capital, and special tasting routes and promotional activities were held to boost food spending. For example, the Beijing International Gourmet Festival and the Chengdu Catering Supply Chain Expo were held⁴⁶. - Following the launch of JD's "CNY 10 billion in subsidies" initiative for take-out in 2025 Q1, Meituan, Alibaba, and JD have been competing fiercely in the take-out market. In early July, the "subsidy wars" between take-out platforms escalated⁴⁷.	
Expansion into overseas markets 	2025 will mark an important year for catering brands to expand globally. Chinese food chains' go-global strategies are characterised by diversified development trends, and catering enterprises are accelerating their overseas expansion through strategies such as breaking cultural barriers, setting standards, and prioritising supply chains. - International consulting firm Frost & Sullivan predicts that Chinese catering as a share of the global market will continue to rise, reaching 10.8% by 2026⁴⁸. - Southeast Asia, North America, Japan, and South Korea are the main destinations for the global expansion of Chinese food chain brands. According to incomplete statistics, among all brands seeking global expansion, 34.8% choose Southeast Asia as the first stop in their go-global efforts, while 29.5% choose North America as their first stop; in other words, over 60% of brands choose one of these two regions as the first stop in their global expansion⁴⁹. - In terms of catering categories, most catering brands seeking global expansion were fast food and tea drink brands. The two combined account for nearly 50% of the total. By using light-asset models and adapting closely to local markets, these two categories can break cultural barriers and serve as pioneers in Chinese food brands' globalisation⁵⁰. - Meanwhile, some companies focused on the capital market and successfully listed on the Hong Kong Stock Exchange, aiming to leverage financing from the Hong Kong stock market to fund their globalisation strategies and overseas expansion⁵¹.	
Government functions and policies 	- In June 2025, the People's Bank of China (PBOC) and five other departments jointly issued the <i>Guiding Opinions on Boosting and Expanding Consumption through Finance</i>. - The Opinions aim to enhance people's consumption capacity, expand financing, uncover new areas of consumption, and optimise the consumption environment. They emphasise increasing credit support for the service consumption sector, innovating financial products, improving consumer payment services, refining the credit system, and protecting the rights and interests of financial consumers. Moreover, they encourage financial institutions to innovate credit products, support diversified financing in the consumer goods industry, and drive the expansion of consumer credit. - In June 2025, the State Council issued the <i>Opinions on Deepening Shenzhen's Comprehensive Reform Pilot Programme to Drive Further Reform, Innovation, and Opening Up</i>. - The Opinions provide top-level policy support for the reform and opening up of Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). They introduce a series of measures, including policies to support enterprises in the GBA in adopting the A+H listing model (i.e. listing in both Hong Kong SAR and the Chinese Mainland), incentives in Guangdong for catering enterprises to list overseas, and the China Securities Regulatory Commission's commitment to supporting enterprises' efforts to list in Hong Kong SAR.	

Note: a. KPMG analysis

Sub-sector trends:



Luxury and fashion

In 2025 H1, the luxury goods industry continued to face pressure. The slowdown in global economic growth—coupled with issues such as intensifying global trade friction, greater tariff uncertainty, fluctuations in exchange rates, and rising gold prices—has weakened consumers' willingness to consume luxury goods. As China is the world's largest luxury goods market, weak consumer confidence in the country has weighed significantly on the growth of the global and domestic luxury goods markets.

However, impressive development highlights can also be seen in the luxury goods sector. Despite various challenges, certain luxury brands have achieved high growth through methods such as supply chain restructuring, price adjustments, emphasising online sales channels, and cross-overs with other brands.



In 2025 H1, the global luxury goods sector was weak overall, and the performance of luxury brands continued to differentiate

The luxury goods market continued to face pressure, and brands explored new growth points in the Chinese market

In 2025 H1, the luxury goods market still faced significant challenges. The slow economic recovery, greater international trade friction, uncertainty around tariff policies, and other factors resulted in low consumer confidence and weak global consumption. As non-essential products, luxury goods faced significant challenges. As the largest luxury goods market in the world, China remains a key focus of luxury brands, and they are pursuing revenue growth through measures such as stronger online marketing, cross-overs with other brands, and price adjustments.



The global luxury goods sector experienced further challenges in 2025 Q2, and the market decline accelerated

- A recent research report released by BNP Paribas shows that the overall performance of the global luxury goods sector was weak in 2025 Q2, with estimated weighted organic sales falling by 3% YoY, compared to a 1% decline in Q1, indicating that the market decline was accelerating⁵². The downtrend was mainly caused by the negative impact of exchange rate fluctuations on the purchasing power of Chinese and American tourists, as well as the weak performance of tourism retail channels. It is worth noting that the significant decline in the exchange rate of the Japanese Yen against the Chinese Yuan in 2024 Q2 briefly boosted Chinese tourists' consumption in Japan, thereby elevating the sales base for the same period in 2024.
- In 2025 Q1, the performance of various brands continued to differentiate, and the Asia Pacific market experienced a significant decline.
 - ❖ Kering's sales revenue in 2025 Q1 decreased by 14% YoY, but Bottega Veneta's performance remained robust, achieving positive growth of 4% overall, and double-digit growth in the Western and Middle Eastern markets. At the same time, Kering's glasses and beauty departments also achieved 4% growth⁵³.
 - ❖ In Q1, LVMH Group's overall sales revenue decreased by 3% YoY. Its core business—fashion and leather goods—experienced a decline that was worse than expected, with organic revenue decreasing by 5%. However, during the same period, LVMH achieved 2% growth in the European market⁵⁴.
 - ❖ In 2025 Q1, Richemont Group's sales revenue climbed by 7% YoY to EUR 5.17 billion (approximately USD 5.95 billion). In Q2, Richemont Group's sales revenue increased by 6% YoY, reaching EUR 5.41 billion. The Group's growth in the first half of the year was mainly driven by the jewellery department, which has achieved double-digit growth for three consecutive quarters. The Group's timepiece business has been affected by weak demand for luxury goods in China, resulting in YoY declines in Q1 and Q2. In 2025 Q2, Richemont Group achieved positive growth in all markets except the Asia Pacific. The Group's sales in the Asia Pacific market (excluding Japan) remained flat, while it saw a YoY decrease of 15% in Japan⁵⁵.
 - ❖ In Q1, Hermes' revenue rose 7% YoY, reaching EUR 4.1 billion (approximately USD 4.72 billion), mainly due to a sales surge in the US market. In terms of Hermes' core business, sales of leather and harnesses grew by 10%; sales of perfume and beauty products increased by 0.5%; and sales of watches tumbled 10%⁵⁶.
- China's luxury goods market, which is the world's largest, slowed due to the high base in 2024 and tepid consumer confidence. In response to this trend, luxury brands are accelerating their deployment of online channels. For example, according to data from Tmall's Luxury Pavilion, during the "June 18 shopping festival," the platform achieved double-digit growth after excluding Gross Merchandise Volume (GMV), with the men's and women's clothing and luggage categories seeing the highest double-digit growth. Ralph Lauren, Miu Miu, Maison Margiela and other brands achieved YoY increases of over 50% in sales⁵⁷. Numerous brands released new products during the "June 18 shopping festival" to attract consumers.

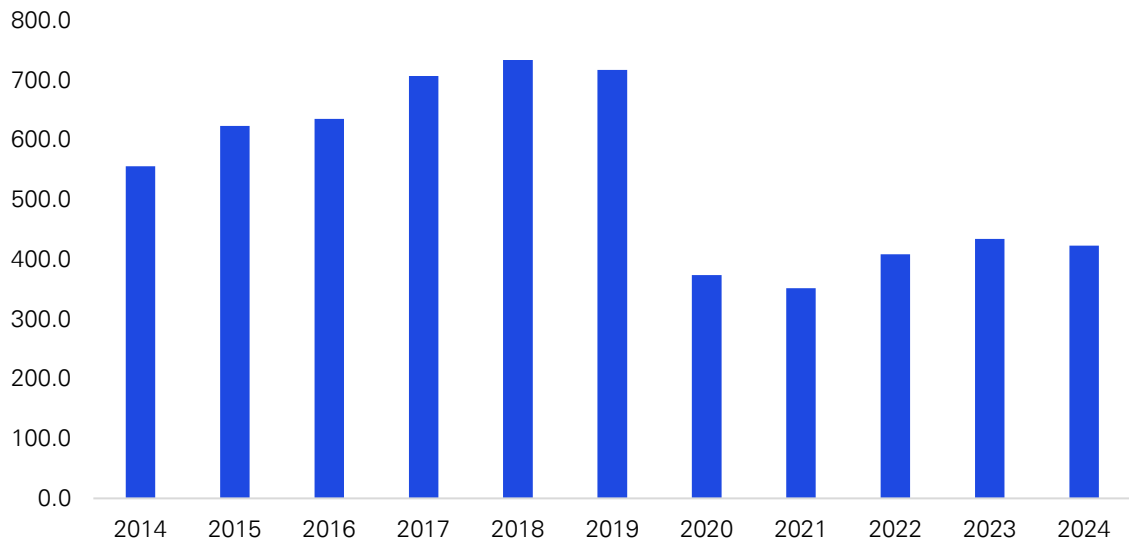


The overseas luxury goods market is facing downward pressure as Chinese consumer confidence weakens

According to Statista, overseas luxury goods consumption by Chinese consumers steadily expanded from 2014 to 2018, with a slight decrease in 2019. However, with the arrival of the pandemic in 2020, outbound travel was restricted for residents in China, resulting in overseas luxury goods consumption falling to about half of the amount before the pandemic. As the impact of the pandemic subsided, the number of Chinese consumers travelling overseas rose from 2022 to 2023, driving the gradual recovery of the overseas luxury goods market⁵⁸.

However, in 2024, as a result of the lacklustre recovery of the global economy, weak consumer confidence, and exchange rate fluctuations, Chinese consumers only purchased CNY 423 billion in overseas luxury goods, a YoY decrease of 3%, pointing to a bottleneck in growth in relation to Chinese consumption of overseas luxury products⁵⁸.

Chinese consumers' overseas luxury goods consumption from 2014 to 2024 (in CNY billion)



Source: Statista; KPMG analysis



Cross-overs between Chinese jewellery enterprises and other brands usher in a new era for the luxury goods sector

In 2025 H1, established jewellery companies attended to the needs of different consumer groups by engaging in cross-overs with other brands to launch new product systems. At the same time, new entrants also entered the jewellery market, bringing new life to the sector through their unique intellectual property (IP).

- Pop Mart enters the jewellery market: In June 2025, popop, an independent jewellery brand under Pop Mart, opened stores in Shanghai and Beijing, marking Pop Mart's official entry into the fashion and jewellery sector. The brand features youthfulness and a unique identity, positioning itself as an "entry lux" jewellery brand. Its products are mostly made of silver, gold, and pearls, and they include earrings, necklaces, bracelets, and rings. The jewellery showcases various popular pieces of IP under Pop Mart, and fans of the company's IP have a high conversion rate to the brand. Pop Mart's popular IP will help the brand succeed in the jewellery sector.



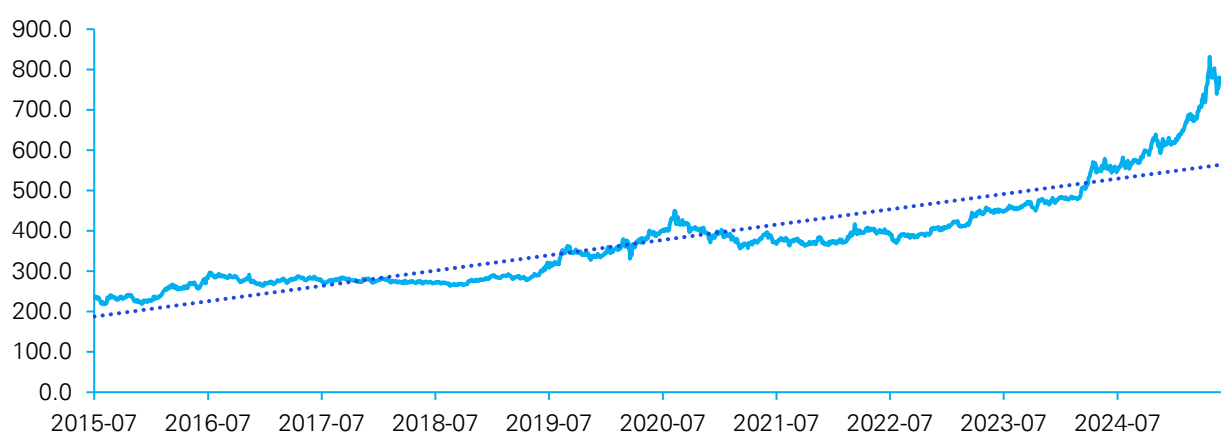


The gold jewellery sector faced constant pressure as gold prices rose in 2025 H1

In 2025, the price of gold reached a record high of CNY 831.42/gram on 22 April 2025 before posting a slight decline and remaining at a relatively high level. On 30 June 2025, gold futures closed at CNY 767.58/gram on the Shanghai Gold Exchange. The sustained high price of gold has had a profound impact on the gold jewellery sector.

- On the consumer side, the soaring price of gold has put pressure on the retail market for traditional gold jewellery. In 2025 H1, China's gold consumption reached 505.205 tons, a YoY decrease of 3.54%, while gold jewellery consumption stood at 199.826 tons, reflecting a YoY decrease of 26%. The rate of decline in gold jewellery consumption far exceeded the decline in gold consumption⁵⁹. Gold that reflects ancient craftsmanship, hard pure gold, and light-weight gold jewellery—as well as jewellery that combines gold with other materials—are favoured by young consumers. At the same time, gold's function in risk hedging and value preservation has led to rising investment in gold bars and coins. However, overall, consumption of gold jewellery in China is weak.
- On the supply side, rising costs have led to an increase in sales prices and a decline in people's willingness to consume. Gold jewellery companies are facing sales pressure, and some listed companies that engage in gold jewellery business suffered declines in performance in 2025 H1. In addition, jewellery companies have begun to offer more profitable platinum jewellery as well as jade, pearls, coloured gems, diamond inlays and other products.

Closing price of gold futures on the Shanghai Gold Exchange, July 2015 - July 2025 (CNY/gram)



Source: Wind; KPMG analysis



Uncertainty around US tariff policy will reshape the global luxury goods market

In 2025 H1, the US frequently adjusted its tariff policy as a tool in trade negotiations and to exert pressure, delivering a significant impact on global trade and the economic order. The luxury goods market, which is characterised by global production and consumption, was inevitably affected.

- **Adjustments in US tariff policy triggered price fluctuations in the luxury goods market.** Specifically, the adoption of reciprocal tariffs will have a direct impact on the entry of made-in-China luxury goods and original equipment manufacturer (OEM) parts into the US market, as these products will face higher tariffs. From the perspective of cost transmission, the rise in product costs will ultimately be passed on to end consumers, and some luxury brands announced price increases for certain products in 2025 H1.
- **Luxury brands will consider relocating their supply chains.** The production of luxury goods relies on cooperation across multiple countries and regions. Against the backdrop of tariff adjustments in the US, luxury brands might consider relocating their production processes to countries or regions with lower tariffs.
- **Uncertainty in global tariff policies will affect people's willingness to consume.** As consumers of luxury goods have higher price sensitivity, given growing economic downturn pressure and uncertainty around trade tariff policies, consumers will become more cautious in purchasing luxury goods, which will significantly affect sales in the luxury product market.

Sub-sector trends:



Apparel and footwear

Driven by multiple factors such as consumption upgrading, technological innovation, and sustainable development, the apparel and footwear sector has developed in three major directions: optimisation of go-global strategies, country-agnostic and diversified supply chain strategies, and green consumption. First, changes in US tariff policies affecting the global apparel, footwear and hat market have forced domestic enterprises to adjust and optimise their growth strategies. Second, awareness of environmental protection is rising among consumers. A recent survey showed that 70% of respondents are willing to pay a 10%-15% price mark-up for sustainable clothing, underscoring the rapid rise of the circular economy.



Go-global initiatives, supply chain diversification and green consumption



In 2024, total revenue in the global apparel market reached USD 1.79 trillion, and the Indonesian market rapidly expanded

- According to the latest data from Statista, total revenue in the global apparel market reached USD 1.79 trillion in 2024⁶⁰.
- Among the top 15 regions in terms of apparel market revenue, the US ranked first with USD 359 billion, China ranked second with USD 328 billion, and India ranked third with USD 108 billion⁶¹.
- It is worth noting that the Indonesian apparel market expanded rapidly in 2024, recording revenue of USD 23 billion, which represented YoY growth of 4.6%, surpassing Australia. In the future, Indonesia is expected to overtake Turkey to become one of the top 15 global apparel markets in terms of revenue⁶¹.

The rapid growth in the Indonesian apparel market can be attributed to multiple drivers. First, the Indonesian apparel market has a customer base of over 280 million people and a growing middle class supporting its growth⁶². Second, stable economic growth and accelerated urbanisation have driven demand for fashion products. In addition, the Indonesian government announced in April 2025 that it was abolishing TKDN (Tingkat Komponen Dalam Negeri) and cancelling import quotas, while also issuing other supporting policies. These policies are designed to revitalise the country's domestic apparel and footwear sector and other labour-intensive sectors, optimise supply chain efficiency, and help Indonesia benefit from the restructuring of global industrial chains⁶³.

- Looking ahead, the global apparel market will maintain a growth trend. From 2025 to 2029, revenue in the global apparel market is expected to increase by USD 200 billion, representing a growth rate of 10.87%. By 2029, the market size is expected to exceed USD 2.04 trillion, marking a historical high.

Revenue in global apparel markets (USD billion)

2019	2024	2025E	2029E
United States 319	United States 359	United States 366	China 393
China 272	China 328	China 343	United States 400
India 85	India 106	India 109	India 124
Japan 82	Japan 90	Japan 92	United Kingdom 100
United Kingdom 72	United Kingdom 86	United Kingdom 89	Japan 102
Germany 68	Germany 74	Germany 74	Germany 77
Italy 56	Italy 58	Italy 58	Italy 58
France 38	France 41	Canada 41	Canada 43
Russia 35	Canada 41	France 42	France 46
Canada 35	South Korea 39	South Korea 40	South Korea 40
South Korea 34	Brazil 33	Brazil 34	Brazil 39
Brazil 36	Russia 31	Russia 32	Russia 35
Spain 24	Spain 25	Spain 25	Indonesia 26
Australia 17	Indonesia 23	Indonesia 24	Spain 27
Turkey 18	Australia 22	Australia 22	Australia 24

Source: Statista; KPMG analysis

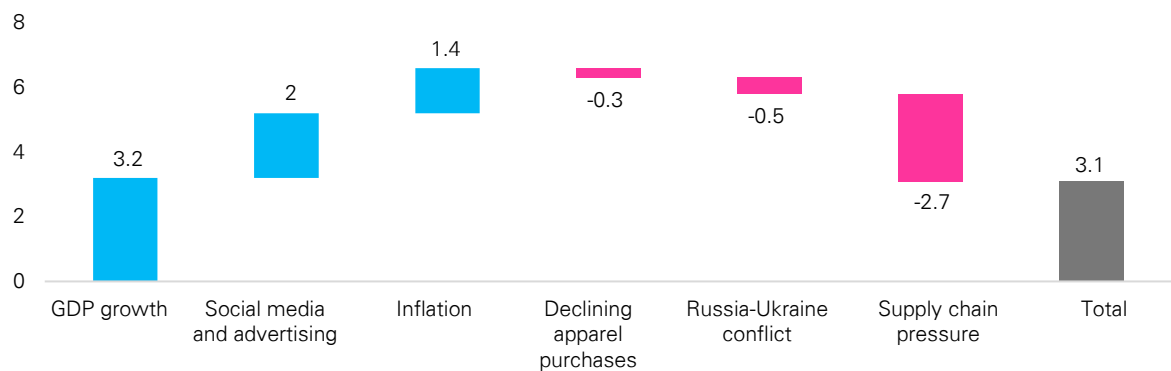
Note: The 2025 and 2029 figures are estimated.



The global apparel market grew by 3.1%, driven by multiple factors

- According to data from Statista, in 2024, revenue in the global apparel market climbed by 3.1% YoY (in US dollar terms). Multiple factors affected the revenue total, including social media and advertising, which contributed 2% growth; inflation, which led to a price increase of 1.4%; and the GDP growth of various countries, which accounted for about a 3.2% increase. There were also negative impacts on revenue growth, including the effect of regional conflicts on the economy, which dragged revenue down by 0.5%; decreasing apparel procurement, which delivered a 0.3% drag; and supply chain pressure, which led to a 2.7% decrease. Going forward, as sustainable fashion gains traction among consumers, and digital marketing and smart manufacturing become more popular, the global apparel market is expected to continue to grow at a forecast growth rate of around 3% in the coming years.

Revenue drivers in the global apparel market (%)



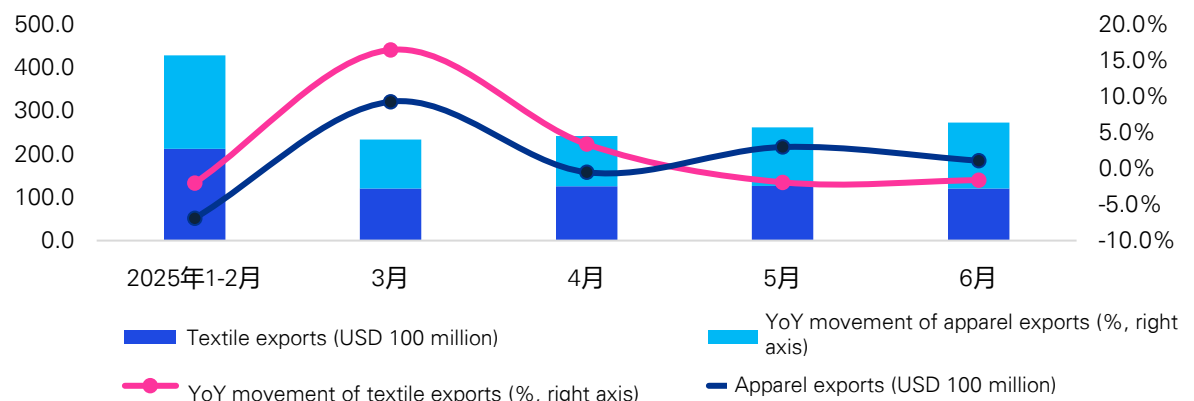
Source: Statista; KPMG analysis



China's textile exports totalled USD 143.98 billion in 2025 H1, up 0.8% YoY

- According to data released by the World Trade Organization (WTO), in 2024, the European Union was the top apparel exporter globally, with exports of approximately USD 165.7 billion. China ranked second, with exports of approximately USD 165.2 billion in 2024⁶⁴.
- According to statistics from the General Administration of Customs, in 2025 H1, China's textile industry remained stable despite pressure on foreign trade. From January to June, China's textile and apparel exports amounted to USD 143.98 billion, a YoY increase of 0.8%, of which textile exports were USD 70.52 billion, a YoY increase of 1.8%, and apparel exports were USD 73.46 billion, a slight decrease of 0.2% YoY¹³.
- Amid frequent adjustments in US trade policy, textile exports to the US have seen significant fluctuations. Customs data shows that China's textile and apparel exports to the US fell by around 20% YoY from April to May¹³.
- Thanks to a sound industrial system and advanced manufacturing advantages, coupled with diversified connections with international markets, the industry's dependence on any single market is steadily declining. Exports to developed economies such as the European Union, Japan, South Korea, and emerging markets such as Bangladesh, Cambodia, Indonesia, Brazil, and Nigeria remain strong, reflecting robust export resilience¹³.

Monthly statistics of China's textile and apparel exports in 2025 H1 (USD 100 million, %)



Source: Statista; KPMG analysis



Changes in US tariffs prompt companies to restructure supply chains

- Global apparel trade has remained weak and in a state of decline, with conditions even worse than the pre-pandemic level (2019). After peaking in 2021 and 2022 in the wake of the pandemic, the sector has declined rapidly. Against the backdrop of continuously high inflation, high interest rates, geopolitical conflicts, and changes in US tariffs, global economic uncertainty has intensified, leading to weak growth, shrinkage of demand for non-necessities, greater need for inventory reduction, and partial cancellation or postponement of orders in the apparel market.
- In 2024, both the global textile and non-textile apparel markets contracted. In respect of the global textile apparel market, total exports amounted to USD 136.1 billion, and total imports were close to USD 148 billion. The apparel trade deficit expanded to USD 11.8 billion⁶⁵, marking the first significant apparel trade deficit since 2019.
- The trade surplus in non-textile apparel narrowed but remained generally stable. In 2024, total exports of non-textile apparel were around USD 32.4 billion, and total imports were USD 30.7 billion. Although the absolute value of the surplus ticked upward by USD 100 million, considering the overall decline in scale, the surplus rate remained basically stable. The surplus reflects that raw material/intermediate export countries (such as China, Vietnam, and India) still have a relative advantage in this field, but overall demand is weak.

Global imports and exports of textile and non-textile apparel, 2004-2024 (USD billion)



Source: UN Comtrade; KPMG analysis

The Trump administration's tariffs have also delivered a significant impact on China's apparel, footwear, and hat sectors. Textiles and apparel, as an important category of exports from China to the US, account for a significant proportion of China's exports to the US. In recent years, the US has frequently increased tariffs on made-in-China goods, especially on labour-intensive products such as apparel, footwear, and hats, further exacerbating pressure on China's export sector.

- Since the imposition of Section 301 tariffs in the previous trade dispute between China and the US in 2018, China's textile apparel industry has experienced twists and turns in its exports to the US. According to UN Comtrade, in 2019, textile and apparel exports to the US fell by USD 3.4 billion, or 8%. By 2023, exports had dropped to USD 28.7 billion, a decrease of USD 16.1 billion or 36% from the peak in 2020, and the value of textile and apparel exports as a share of China's total exports had also decreased to 9.8%⁶⁶.
- In February 2025, the US imposed tariffs on all Chinese goods exported to the US, covering traditional exports such as furniture, toys, and clothing, as well as emerging industries such as optical instruments and automobiles. In 2023, textiles and apparel—as an important category of exports from China to the US—accounted for 17% of China's exports to the US and 28% of the US's imports from China⁶⁶; and this category suffered a significant impact.
- In April 2025, the US imposed a 10% baseline tariff on all countries, and from 9 April, imposed even higher tariffs (25% or higher) on 57 major trading countries based on trade deficit ratios. The maximum tariff on Chinese goods increased to 145%, with China levying a 125% tariff on imports from the US.
- In August 2025, with the issuance of the latest reciprocal tariff list, China and the US reached an extension agreement regarding the 24% reciprocal tariff and related retaliatory measures that were originally set to resume in August. As a result, the actual tariff remained unchanged at 10%. In this context, China's textile supply chain regained its cost-effectiveness advantage, and a portion of orders are expected to return to China from Southeast Asia.



Tariff considerations for domestic apparel and footwear companies pursuing overseas expansion

Trump administration's tariff policy			
Tariff type	Date of imposition	Imposed on	Tariff rate
Section 301 Tariffs	2018 to 2019	Various technological, consumer, industrial and other products from China, including a large number of apparel, textile, footwear and hat products	Tariffs were levied on imports from China by stage and product, ranging from 7.5% to 25%
An initial 10% tariff on all imports from China	February to March 2025	Steel and aluminium, car parts, and all imported goods from China	An initial 10% tariff was levied on all imported goods from China, before being raised to 20% in March
"Liberation Day" tariffs	April 2025	Imports from almost all countries, including apparel, textile, footwear, and hat products	From 9 April, in addition to a 10% baseline tariff, tariffs of up to 25% or higher were imposed on 57 major trading countries based on trade deficit ratios
Latest reciprocal tariff list	August 2025	Imports from almost all countries, including apparel, textile, footwear, and hat products	Proposed tariffs ranging from 10% to 41% were imposed on related products, while the actual tariff imposed between China and the US remained unchanged at 10%



Challenges

As the tariff pause was only extended for 90 days, uncertainties still exist in the long run

If there are no further extension negotiations covering the period after 11 November, the 24% tariff will resume, and Chinese exports could plunge

Enterprises need to be cautious about the "dammed lake" order structure, which refers to a short-term concentration and back flow of orders that cannot be sustained in the long term

Labour and comprehensive manufacturing costs are still higher than those in Central Asia and Southeast Asia

China's textile and apparel industry still does not have a significant labour cost advantage over major export countries in Southeast Asia such as Bangladesh, Pakistan, and Vietnam. The country lacks competitiveness in bulk and low value-added orders, and back-flow orders are mainly time-sensitive products or products that require high quality control



Opportunities

Order back-flow window reopens

With the alleviation of tariff cost pressure between China and the US, the tariff gap between China and Southeast Asian countries has narrowed, driving a short-term back flow of orders for fast fashion, basic ready-to-wear style garments, and functional fabric product categories

Diversified procurement promotes the restoration of production capacity in China

To reduce supply chain risks, American brands may implement strategies to reduce dependency on a single-source country, so they may relocate a portion of production capacity from Southeast Asia to China or use China as an order replenishment base, benefiting Chinese manufacturers that possess fast sampling/flexible production capabilities

Weakening of the RMB exchange rate enhances export profit margin

In August, the RMB/USD exchange rate remained low, enhancing the bargaining power of China's export products and supporting enterprises that are competing for more USD-denominated orders

Source: KPMG analysis



Apparel e-commerce in China

- Since 2019, based on the continuous efforts of emerging enterprises in cross-border e-commerce—such as SHEIN, Temu, and TikTok Shop in China—apparel has become the main category on emerging e-commerce platforms and shown a steady growth trend, accounting for a rising share of cross-border e-commerce product categories¹⁷.
 - According to estimates from the Circulation Branch of the China National Textile and Apparel Council, in 2024, China's cross-border e-commerce exports of clothing reached RMB 591 billion, reflecting an increase of 21.4%¹⁷.
 - From 2019 to 2024, China's cross-border e-commerce exports of clothing experienced leapfrog growth, and the value of clothing exports as a percentage of China's total cross-border e-commerce exports climbed from 18.19% in 2019 to 32.48% in 2024, pointing to the rising influence of clothing categories¹⁷.
 - For example, in 2025 H1, the TikTok Shop's GMV for women's clothing, fashion accessories, and related categories reached nearly 70% of the full-year GMV in 2024 (USD 50 billion for all categories); and certain categories even reached a GMV equal to the full-year GMV in 2024⁶⁷.



The sustainable development of the global apparel market and the rise of second-hand clothing

- The share of revenue generated by the sustainable segment of the global apparel market has been continuously climbing over the past few years.
 - According to Statista, from 2024 to 2026, the global revenue share of the sustainable segment of the global apparel market is expected to grow by one percentage point, reaching 6% or more⁶⁸.
 - As the concept of "sustainability" becomes more popular, many consumers in developed countries are no longer hesitant about purchasing and wearing second-hand clothing and accessories. According to Thredup's *Resale Report* released in February 2025, the global market for second-hand and resale clothing was forecast to reach USD 256 billion by the end of 2025, and continue to rise rapidly in subsequent years, climbing by over USD 100 billion by 2029⁶⁹. For example, in 2024, the second-hand clothing market in the US stood at approximately USD 25 billion, surpassing the non-second-hand clothing market, which was USD 24 billion; and it is expected to grow to USD 45 billion by 2029⁷⁰.

The environmental impact of clothing production

- The clothing industry is considered one of the most polluting industries, generating a large amount of greenhouse gas emissions. According to the *Taking Stock of Progress Against the Roadmap to Net Zero 2024* report released by the Apparel Impact Institute, the clothing industry emitted approximately 879 million tons of carbon dioxide equivalent into the atmosphere in 2022. If the industry's operating model does not change, carbon dioxide equivalent emitted by the industry is estimated to exceed 1.2 billion tons by 2030⁷¹.
- In addition, polyester fibres account for more than half (57%) of global textile fibre production. Polyester is not biodegradable and releases toxic microfibres into the environment. As global clothing consumption is expected to continue to grow in the coming years, these problems will only worsen further⁷².

Clothing brands' sustainability and green production actions

- Apparel and footwear companies' impact on the environment and society is drawing more attention from the public.
 - According to a survey released by McKinsey in 2022 targeting executives from fashion companies around the world, the biggest challenge they face when striving to enhance their brands' sustainability image and gain consumer recognition, is the lack of standards for evaluating sustainability performance; and the second major challenge is the cost of sustainable materials, with approximately two-thirds of respondents noting this concern⁷³.
 - The *Fashion Transparency Index* released by Fashion Revolution in 2024 showed that Puma had the highest score of 75% on the list of the world's most transparent apparel, footwear, and fashion companies⁷⁴.
- Under the influence of the Dual Carbon goals and green and healthy consumption concepts, sustainable development has become the main strategy adopted by Chinese apparel enterprises, and the circular economy has rapidly become more popular⁷⁵.
 - In 2025, over 60% of brands launched environmentally friendly products; and clothing made of organic cotton, recycled polyester fibres and other environmentally friendly materials accounted for 15% of total clothing production, recording a growth rate that was 30% higher than that of traditional products⁷⁵.
 - Second-hand clothing platforms such as Hongbulin and Duo Zhuoyu have boosted the clothing circulation rate, and the scale of the second-hand clothing market is expected to exceed RMB 100 billion in 2025. H&M's used clothes recycling project processes over 10,000 tons of textiles annually and regenerates fibres through chemical decomposition. Moreover, clothing rental services have seen significant growth in the formal dress and children's clothes categories, posting a CAGR of 25%⁷⁵.
 - Fashion brands are building trust through "carbon labels" and story telling, such as Li Ning's "Zero Carbon Series," which provides details regarding the carbon emissions reduction associated with each piece of clothing⁷⁵.

Consumer attitudes towards sustainable clothing

- According to a survey conducted in October 2023, buyers of active and leisure lifestyle brands in France are more concerned about the sustainability of their products than a year ago, with over three-quarters of respondents expressing this concern⁷⁶.
- Chinese consumers' environmental awareness has also risen significantly, with a recent survey showing that 70% of respondents are willing to pay a mark-up of 10%-15% for sustainable clothing⁷⁵.

Sub-sector trends:



Health and beauty

In the first half of 2025, the health and beauty market showed strong resilience. Driven by emotional and self-pleasing consumption, younger generations such as Gen Z have become the main consumers of beauty products. Interest-based e-commerce is accurately meeting consumers' emotional needs and enabling users to place orders on live streaming platforms, improving corporate efficiency. At the same time, as consumers' health awareness rises, health consumption has been booming, enhancing the appeal of natural and health products to the elderly, mothers, and young people. The expanding natural product market is driving enterprises to accelerate research and innovation in order to diversify and seize opportunities.

In addition, domestic beauty companies are actively exploring overseas business models, including through cultural exports and cross-border e-commerce, to pursue sustainable and high-quality growth. At the same time, it should be noted that they will face challenges in terms of tariffs and compliance during their overseas journey. Higher tariff barriers between China and the US, as well as ESG requirements on products, have exposed companies to rising costs, compliance risks, and the need to transfer out of existing markets.



Chinese beauty brands are thriving and using innovative raw materials

Diversification and raw material innovation

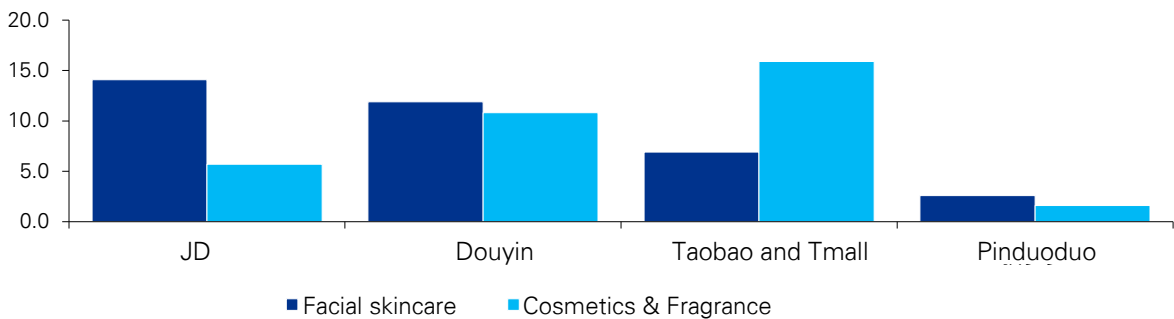
- In 2025 H1, the beauty and personal care market continued to grow. Interest-based e-commerce based on an “influencing + live streaming” model was particularly strong, becoming an important driver of the industry. It is worth noting that Chinese beauty brands have been performing exceptionally well as they pursue diversification strategies that entail cross-category integration and cross-regional expansion. At the same time, an increasing number of beauty and health companies are aligning with ESG, and actively investing in environmental protection, raw material innovation, and natural product development to meet consumers’ needs for sustainability and health.



The beauty segment recorded a robust performance during the “June 18 shopping festival,” and interest-based e-commerce continued to prosper

- Compared to previous years, in 2025, the “June 18 shopping festival” featured a longer promotional period and simpler discount rules, resulting in a better and more efficient shopping experience that drove GMV growth for the beauty segment. According to data from Beauty In Sight, during the “June 18 shopping festival,” the GMV of beauty products on the four major e-commerce platforms was CNY 60-70 billion, representing a YoY increase of over 10%.
 - However, performance varied across the platforms. According to data from the Consumer Market Big Data Laboratory of Fudan University, JD grew significantly in the facial skincare category in 2025. Meanwhile, Taobao and Tmall recorded their highest growth in the makeup and perfume category; and Douyin notched double-digit growth in both categories, reflecting a stable performance. These figures highlight the advantages of the interest-based e-commerce ecosystem.

Comparison of beauty and personal care sales growth during the “June 18 shopping festival” in 2025 (%)



Source: Consumer Market Big Data Laboratory of Fudan University; KPMG analysis

- Interest-based e-commerce has started a phase of advanced development, gradually shifting consumption from a product-centric model to a consumer-centric one. Interest-based e-commerce leverages algorithm-driven short video platforms to accurately meet users’ emotional and personalised needs. An interest-demand-products chain that spans from influencing, to order placement on live streaming platforms, and to repurchase is helping to improve corporate performance and efficiency.
 - **In recent years, the beauty segment of the interest-based e-commerce market has been growing rapidly. For example, during the “June 18 shopping festival” in 2025, Douyin offered a total of 297 beauty items and recorded over CNY 10 million in transactions⁷⁸.**
 - In terms of market structure, short video platforms Douyin and Kuaishou have established leadership in interest-based e-commerce thanks to their huge user base, strong content creation capabilities, and advanced algorithms. Their success has inspired traditional e-commerce platforms such as Taobao and JD to move into e-commerce business with their own live-streaming arms. In addition, new interest-based e-commerce platforms are steadily emerging, such as Xiaohongshu, which has attracted a large number of young users through influencing. These new platforms are very competitive in segments such as beauty and health.

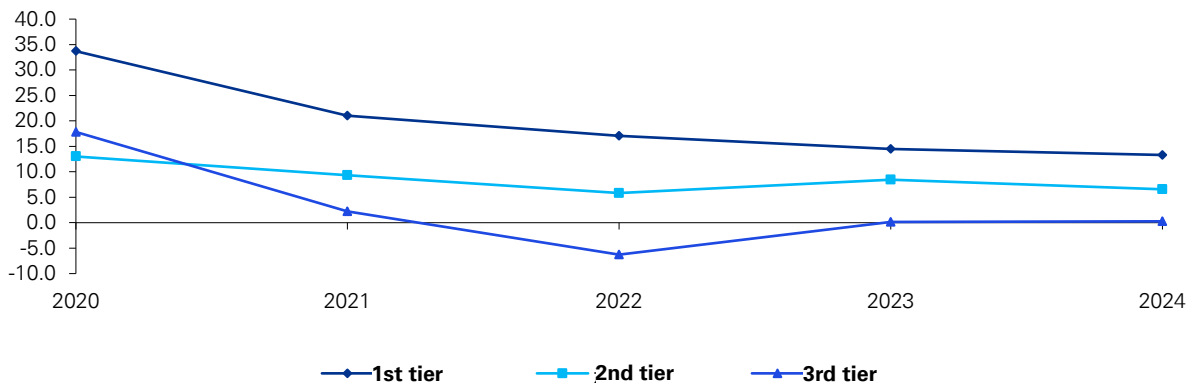


The beauty and personal care segment has been stratified since the pandemic

From 2020 to 2024, the beauty segment's overall return on invested capital (ROIC) declined, with significant differences in the magnitude and pace of decline across different tiers. The first tier saw its ROIC decrease by 20.4 percentage points, although it maintained its profitability. The second tier witnessed a temporary rebound of 8.5% in 2023, which was followed by a fall in 2024. The ROIC of the third tier tumbled from 13.0% to -6.3% in just two years, before subsequently rebounding to 0.3%. These intense fluctuations resulted in a significant decline in the second tier's profitability.

This trend was attributable to factors such as the industry slowdown, cost pressures, bottlenecks on growth, and stricter regulation. In the future, enterprises should focus on capital efficiency, optimise their SKU structure, and transform in the directions of functionality, differentiation, and beauty technology, while strengthening synergies between R&D and supply chains.

The beauty and personal care segment's average ROIC from 2020 to 2024 (%)



Source: Wind, KPMG analysis

Note: The classification is based on market value according to Shenwan Hongyuan's beauty and personal care segment data, after removing the highest and lowest values. Each tier includes 10 companies.

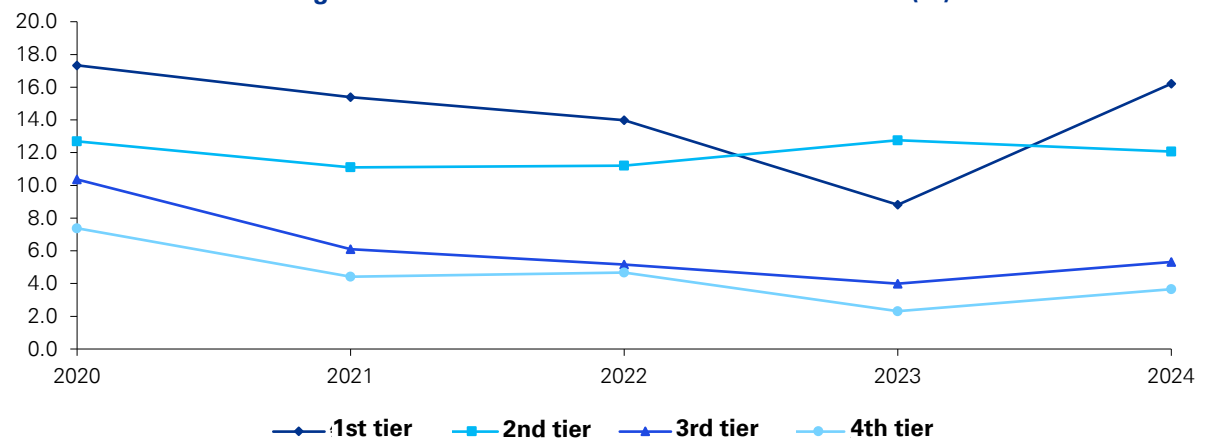


ROIC in the health sector recovered

The health sector performed exceptionally well in 2025, driven by factors such as policy support, leading enterprises' efforts to deliver greater returns on capital, and the start of a "harvest season" for pharmaceutical innovators. According to Wind data, the ROIC of the CSI Health sector steadily declined from 2020 to 2023, before rebounding in 2024. The first tier's ROIC recovered at an accelerated pace, as evidenced by its YoY rise of 84.1% compared to 2023. Fluctuations in the past five years were relatively narrow (ranging from 12.8-17.3%), reflecting high profitability and capital efficiency. These figures are a testament to the top performers' ability to survive different cycles and repair their ROIC. For example, in 2024, Biokin Pharmaceutical's ROIC reached 104.7% thanks to its improved cash flow and increased R&D investment, which significantly enhanced its resilience. The second tier's ROIC has fluctuated between 11-14%, mainly due to its traditional business structure and delayed cyclical adjustments.

Amid the post-pandemic consumption recovery and growing health awareness, sub-sectors including high-end healthcare, functional nutrition products, mental health and chronic disease management have been recovering.

Average ROIC of the health sector from 2020 to 2024 (%)



Source: Wind; KPMG analysis

Note: Based on data on the constituent stocks of the CSI Health Index, the sector is divided into four tiers: the first tier includes the top 25 in terms of capitalisation, the second tier includes those ranking 26-45, the third tier includes those ranking 46-75, and the fourth tier includes those ranking 76-100.



Beauty brands are adopting a multi-category strategy, and luxury players are tapping the beauty market.

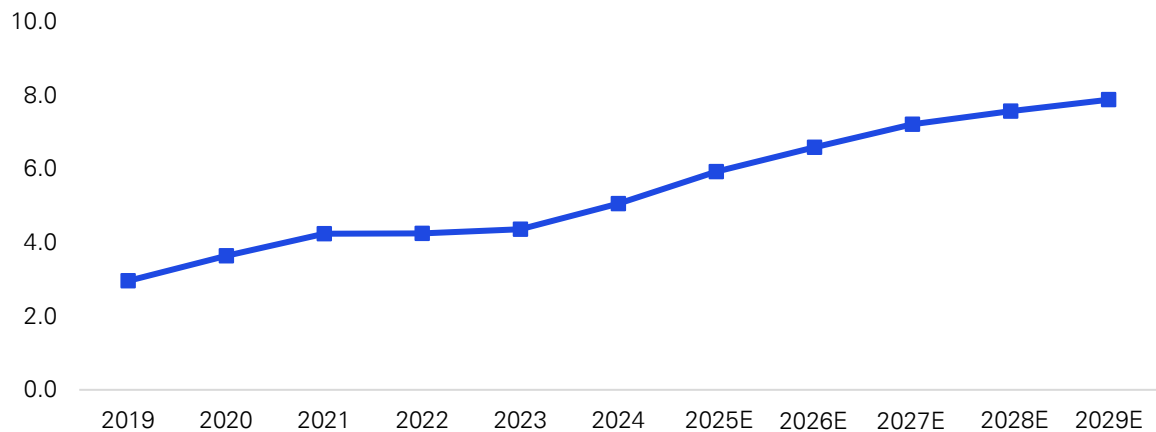
- The luxury industry has embarked on a diversification journey. According to the *2024 Global Luxury Market Research* report, due to macro-economic uncertainty and frequent price hikes by luxury brands, the global personal luxury market will soon experience its first slowdown since the Great Depression. Luxury companies that have been impacted by consumer market conditions have begun to gradually expand their brand coverage by widening their presence in lower-tier markets. For example, in 2025, Louis Vuitton announced it was entering the beauty sector with a new beauty brand called La Beauté Louis Vuitton featuring 55 lipsticks, 10 lip balms, and 8 palettes⁸¹. With this diversification strategy, the company is offering profitable beauty products to absorb cyclical risks inherent in its core business.
- Beauty players are diversifying in pursuit of a second growth curve.
 - In 2025, beauty giants have been expanding into the medical beauty sector, with a focus on medical beauty devices. For example, Marubi has increased its investment in medical beauty, with plans to launch three types of medical devices in 2026, including collagen-containing water needles. Other beauty companies are also launching microneedles amid intense competition in the beauty market. Consumer demand for effective skincare and absorption continues to grow, and transdermal absorption has become an important trend in the personal care market. Moreover, the current microneedle market is relatively small, presenting significant potential.
 - Beauty enterprises have begun to expand their product portfolio to categories such as personal care and perfume to enhance their brand impact. For example, Florasis has moved into the skincare category with new offerings like skincare essences⁸⁴. In order to diversify, Chinese beauty brands such as Maogeping and Han Shu have also entered the perfume business.
- The beauty sector has been active in the capital market, with synthetic biology gaining momentum among investors. In 2025 H1, international beauty brands accelerated their integration efforts, giving a boost to local investors. From an investment perspective, synthetic biology, biotech, and efficacy R&D gained popularity. According to CBO data, financing deals were made by Chinese brands in sub-sectors such as personal care, functional skincare, pure beauty, body care, pet grooming, and beauty shop brands. With “effectiveness” becoming a buzzword among investors, they took a growing interest in functional makeup brands.



Natural products find favour, and innovation is driving development for the sector

- For the cosmetics industry, innovation is about raw materials. With competition intensifying in the beauty and personal care market, raw materials and products are iterating at a faster pace. However, cosmetics featuring unique raw materials are more likely to gain popularity. Chinese consumers have a strong demand for emerging natural and plant-based raw materials; but in the past, regulatory systems have lagged in terms of technical requirements, guidance, formulation of standards, and innovation of new raw materials. On 6 February 2025, the National Medical Products Administration issued *Several Provisions on Supporting Innovation in Raw Materials for Cosmetics* (Provisions), with the aim of encouraging innovation in raw materials, improving the mechanism for cosmetics innovation, and optimising management measures and technical requirements for raw materials.
 - The Provisions propose optimising the by-category technology requirements for the registration of new raw materials. For new raw materials used for the first time domestically and internationally, where a safety assessment has been conducted, the enterprise may be exempt from long-term clinical trials, and the filing period will also be shortened, reducing costs for enterprises.
 - The Provisions propose allowing simultaneous filings for new raw materials and related products under a priority evaluation mechanism to accelerate innovation and commercialisation. With this provision, new ingredients can enter the safety monitoring period more efficiently, shortening the R&D-testing-review cycle.
 - The policy will encourage enterprises to enhance research and innovation in new raw materials, explore new technologies and methods, introduce safer and more efficient new raw materials, and reduce the risk of bottlenecks associated with key ingredients, while also encouraging cosmetics enterprises to seize opportunities through differentiation.
- “Light fitness” is an important trend in health consumption, and it aligns with today’s relaxed and efficient approach to health management. Nowadays, people are living fast-paced lives and face pressure at work. Consumers are more likely to suffer from sub-health conditions such as skin and stomach problems. They prefer a lightweight and fragmented approach to health management, and focus on what they can get from their efforts. They hope to see results within a specific timeframe and maintain a healthy lifestyle.
 - In line with the light fitness concept, consumers prefer products that are health-preserving, natural, pure, and soothing. Their desire to improve their diet inclines them towards “additive-free” and “environmentally certified” goods. In this context, natural raw materials are being applied in medical beauty, cosmetics, and functional food products at a quicker pace, promoting efficacy-focused innovation in the health industry.
 - According to Statista, the global natural cosmetics market will be worth USD 5.93 billion in 2025, and it is expected to reach USD 7.88 billion in 2029, reflecting an increase of 33% compared to 2025. Amid an expanding natural product market, consumer products enterprises need to accelerate R&D and innovation to seize a greater share of the health market.

Size of the natural cosmetics market from 2019 to 2029 (USD billion)



Source: Statista, KPMG analysis

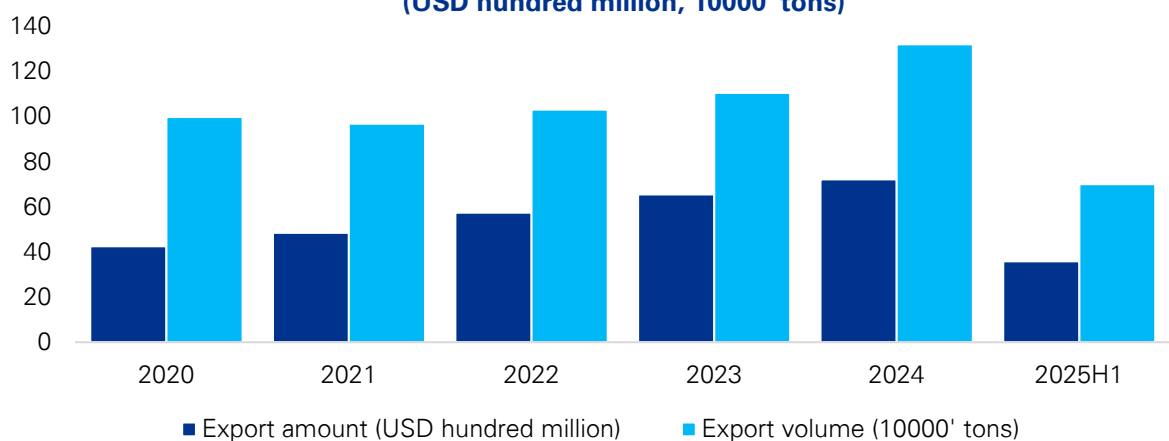
- In addition, AI-assisted R&D, as well as new technologies such as recombinant collagen, are becoming a new growth engine for the beauty industry. According to the report *How Beauty Players Can Scale Gen AI in 2025*, Gen AI can be used to quickly test raw materials or chemical combinations to identify the most suitable combination of ingredients for new products, predict effects, recommend formulas, and shorten R&D periods, generating savings of up to 5% on raw materials⁸⁷.



Chinese style empowers brands, and enterprises are harnessing cross-border e-commerce to go global

- As China's role grows on the international stage, traditional Chinese culture is gaining momentum globally, and Chinese-style makeup's rising popularity is turning consumer attention to Chinese beauty brands. In response to fierce competition in the domestic market, Chinese beauty brands have set up boutiques and experience stores overseas as they pursue a second growth curve.
- Cross-border e-commerce, where the global journey starts:** With the support of national policies, Chinese beauty brands are going global under a "cross-border e-commerce + industrial belt" model. Under this model, small and medium-sized beauty enterprises can access platform resources and overseas experience, connecting local sources with the international market. Across the Guangzhou Beauty Industry Belt, more and more companies are relying on the services provided by cross-border e-commerce platforms, from manufacturing to global sales channels, to reach more overseas markets and share in the opportunities brought by overseas e-commerce.
- In the first half of 2025, exports of cosmetics and toiletries reached USD 3.59 billion, with a volume of 701,000 tons. In 2025, Chinese beauty brands such as Florasis have developed a high-quality cultural model by embedding Chinese style into their beauty products. At the same time, to build their overseas footprint, they sign contracts with local entertainers, run ads in popular local TV dramas, and collaborate with local influencers. They have successfully opened up markets in Japan, France and Southeast Asian countries.

China's exports of beauty products, cosmetics and toiletries from 2020 to 2025 H1 (USD hundred million, 10000' tons)



Source: Wind, KPMG analysis

Sub-sector trends:

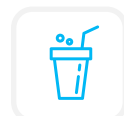


Food and beverage

In the first half of 2025, the food and beverage sector diverged, as traditional categories slowed while new consumer items recorded robust growth. In the second half of the year, the government is expected to step up policies designed to promote consumption, and the food and beverage sector stands to benefit. Although the “alcohol ban” may have a certain impact on high-end liquor products, the market will remain stable as a whole. In light of growing health awareness, consumer demand for items that are conducive to health will continue to grow, and products that are functional and uphold health concepts will be popular. As new consumers want value-for-money more than ever, the channel structure has changed, giving rise to new retail models such as membership and discount-based models; and these models will become the main sources of incremental growth for the food and beverage industry in the future.



For the food and beverage sector, different trends continue to be seen in necessities and discretionary items; functional health products are popular; and consumers generally want value-for-money



Boosted by macro policies, domestic demand is expected to continue to improve in the second half of the year

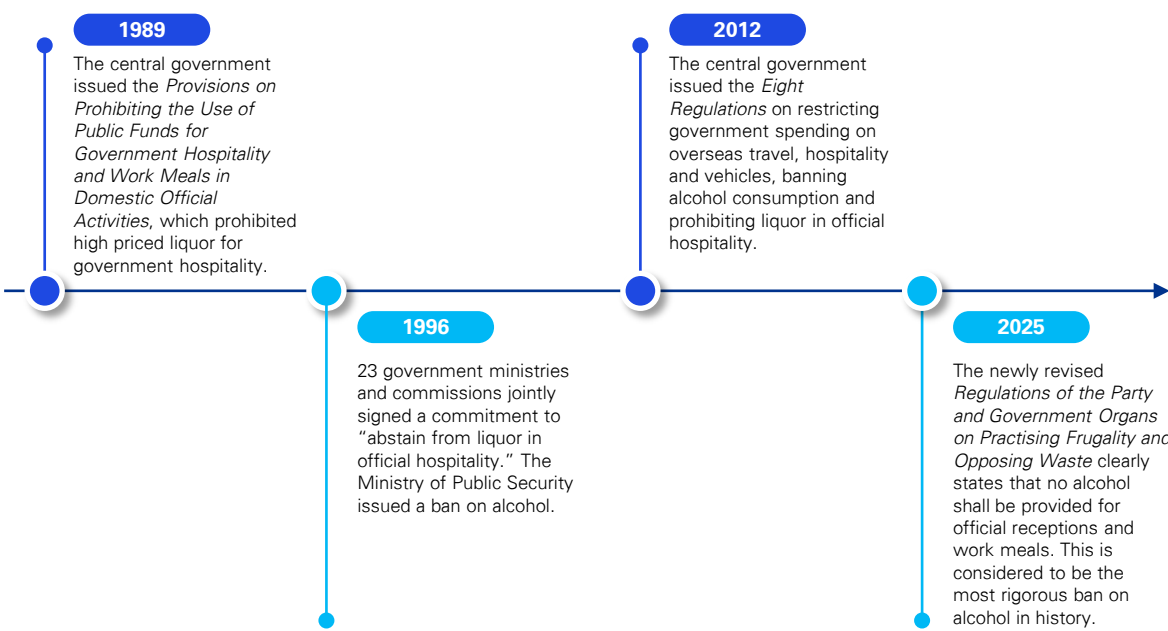
In the first half of 2025, the food and beverage industry diverged. As traditional categories slowed, new consumer items such as low-alcohol wine, healthy snacks, and functional drinks showed strong momentum. The *Special Action Plan for Boosting Consumption* was introduced in March 2025, with unprecedented policy incentives, which, coupled with long-term mechanism reforms such as birth subsidies, are expected to improve the consumption structure in the medium to long term. With the National People’s Congress (NPC) and Chinese People’s Political Consultative Conference (CPPCC) sessions and Politburo meetings emphasising the importance of consumption, the government is expected double down on relevant policies in the second half of the year. Moving forward, with policy support and improving consumer confidence, the food and beverage sector is expected to fare well in the second half of 2025.



The liquor market remains stable as players pursue transformation and innovation

- According to the *2025 China Liquor Market Mid-term Research Report* jointly released by the China Alcoholic Drinks Association and KPMG China, the liquor industry is currently undergoing a period of deep adjustment, including policy adjustment, consumption structure transformation, and competition for the existing market. The output of enterprises above the designated size has been declining. As a whole, the industry is producing less and earning less. In the first half of 2025, the slide accelerated for some liquor enterprises.
- Since the government lifted controls on liquor prices in 1988, each policy introduced by the government to restrict government officials’ spending has had a certain impact on the liquor market. Under the bans, the proportion of consumption by the government has been shrinking, resulting in a significant structural transformation of the liquor market⁹⁰.

Four nationwide bans on government consumption of liquor in China’s history



Source: Regulators’ websites; KPMG analysis

- Following the alcohol ban, the liquor industry should transform from a policy-driven model to a market-driven one. After years of adjustment and optimisation, the liquor industry has built three pillars:
 - A stable consumption structure

Corporate and personal consumption account for over 90% of the liquor market, with the demand for high-end liquor mainly coming from high-net-worth individuals. The market has shown resilience to policy changes. Although the alcohol ban may have a certain impact on some high-end liquor brands, the market will remain stable as a whole, maintaining a balance between high-end, mid-range, and low-end brands.
 - Top brands' competitive advantages

Leading enterprises such as Maotai and Wuliangye have built competitive strengths through their brand impact, channels and network, capacity, and production strategy. After the ban on alcohol was issued, brands have further enhanced their efforts to compete for untapped markets, using pricing strategies to vie for leadership. Their sales capabilities have also significantly improved.
 - Innovation and potential

Industry players are focusing on the same goals of winning young consumers, going global and aligning with pro-health concepts. The alcohol ban will contribute to the further reshaping of consumer patterns. Emerging segments such as low-alcohol liquor, customisation, and cross-border e-commerce will present new sources of growth for the industry. With shrinking consumption by the government, enterprises will go international, cater to younger generations and develop pro-health scenarios to drive growth for the industry going forward.
- In the first half of 2025, the liquor industry was under pressure resulting from tightened policies, weak consumption, and high inventory. However, with regulatory policies being fine-tuned, the liquor market also has reason for optimism. In the face of market changes, enterprises are actively adjusting their strategies. In the second half of the year, the liquor industry is expected to accelerate its low-alcohol transformation to cater to young consumers, reshape consumption scenarios, and explore paths to diversification in response to industry changes.
 - Younger generations who prefer low-alcohol drinks are becoming the main consumer base, and their appetite for pro-health drinks is pushing enterprises to develop low-alcohol products. Low-alcohol products can help liquor brands reach new consumer bases and explore new consumer scenarios, giving way to new sources of growth for liquor companies. In 2025 H1, leading liquor companies expanded their offerings of low-alcohol products to cater to young people. For example, Wuliangye announced that it will launch a 29% liquor product in the second half of the year; and Jiugui Jiu disclosed its plan for 33%, 28%, 21%, and 18% liquor offerings.
 - The preferences of younger generations are driving a channel transformation across the liquor industry. Online platforms are no longer a supplement to offline stores, and driving synergies between online and offline channels can help reshape consumer scenarios. Emerging channels such as e-commerce platforms, live streaming, and instant retail will become new growth engines for liquor sales. Meanwhile, offline stores are being transformed into experience centres, providing consumers with a more diverse experience through branding and cultural resonance.



Rising demand for pro-health products is presenting new opportunities for food and beverage brands

- Since 2024, pro-health products—such as sugar-free drinks, functional drinks, and gluten-free beverages—have been sought after by consumers. Due to rising health literacy, Chinese consumers' demand for pro-health items will continue to grow. They are no longer content with those made with sugar-free and clean ingredients. Medicinal food and drinks, which are popular among young consumers, will see explosive growth. Chinese-style health water has become a hot topic on social media, and the variety of medicinal food offerings on the market are expanding. Snack, candy, biscuit, drink and bakery brands are moving into the medicinal food market. Based on data disclosed at the 2025 China Special Food Industry Conference, the size of China's medicinal food market has reached over CNY 370 billion, and the entire industry chain is worth as much as CNY 2 trillion⁹³.
- As the pro-health trend gains momentum, consumers' attitude towards food consumption is shifting. Younger generations, especially female consumers, increasingly want to improve skin health, delay ageing, and enhance their appearance through their diet. In this context, functional food and drinks that offer beauty benefits—such as those that improve skin health due to their rich vitamin, collagen peptide, hyaluronic acid, and antioxidant content—will gain huge growth momentum. According to data from Innova, from June 2024 to June 2025, the number of new food, beverage, and dietary supplement products that offer beauty benefits increased by 11% YoY worldwide.



Amid trade friction, exports are under pressure, and boosting domestic demand has become the main focus

- Fluctuations in tariff policies in the first half of 2025 have brought challenges to China’s food and beverage industry. First, adjusted tariff policies have led to a sharp increase in costs. Higher rates have resulted in higher costs for China’s food and beverage exports and reduced competitiveness. In addition, the prices of imported high-end raw materials have increased due to countermeasures, further pushing up production costs. With Chinese food products now less competitive in the US market, some orders have been transferred to regions subject to lower tariffs, such as Southeast Asia and Mexico.
- In the second half of the year, the domestic consumer market is expected to continue to recover, and enterprises should explore its potential. Food and beverage brands can create a diverse product matrix by breaking down consumption scenarios, seize opportunities brought by upgraded consumption, and produce innovative products that meet consumers’ needs for quality and functional products. In this way, they can enhance their resilience, transform the domestic consumer market into a growth engine, and cultivate a new pattern that is driven by both domestic and international circulation.



The intergenerational revolution in retail has given birth to the “buyer’s solution,” and membership and discounts have reshaped the consumer ecosystem for the industry

- According to NielsenIQ’s *China Consumer Outlook 2025*, Chinese consumers are now controlling their spending and are more cautious and purposeful. Despite their caution, consumers still attach more importance to brand impact and product features. It is worth noting that compared to the research conducted in early 2024, the proportion of budget-conscious consumers who seek value-for-money and make price comparisons across platforms has risen from 30% to 39%, becoming mainstream in the market⁹⁵.
- Discount-based snack sellers have gained immense popularity for their affordability, convenience, variety of goods, and ability to meet offline needs in real time. According to data from iiMedia, the snack wholesale market in 2024 was worth approximately CNY 104 billion, and is expected to reach CNY 154.7 billion by 2027⁹⁶. Membership-based supermarkets such as Sam’s Club and Freshippo leverage large-scale procurement strategies to reach target consumer groups with high quality and cost-effectiveness. According to information on the Boundary Hunter app, there were 56 Sam’s Club stores nationwide as of July 2025⁹⁷, reflecting that the retailer is opening new stores at an unprecedented pace in China. What is common between discount-based and membership models is their emphasis on value-for-money, which aligns with consumers’ increasing sensitivity to value. These two models help reduce costs and optimise supply chain management through large-scale procurement, meeting consumers’ growing needs for high-quality and low-price items.
- Players in the consumer market have shifted from expansion to competing for the existing market where consumers have the say. Going forward, all changes in retail will revolve around consumer-oriented solutions that reshape consumers’ food and beverage needs. As consumers pursue value-for-money, the channel structure has changed, and emerging new retail models such as membership and discount-based approaches have become the key source of growth for the food and beverage industry.



Source: iiMedia, KPMG analysis

Sub-sector trends:



Restaurants

In the first half of 2025, the Chinese catering market slowed down, and industry players focused on competing for the existing market instead of expanding. Brand penetration in central and western China and lower-tier markets continued to increase as they become new pillars of growth; however, more income did not bring higher profits for small and medium-sized restaurants. Meanwhile, frequent price wars in the highly competitive food delivery market have resulted in low profit margins. Consumers are attaching greater importance to refinement, cost-effectiveness and health, and the emerging silver-haired economy has also driven demand for catering services adapted to the elderly. In response to such complexities, leading enterprises are accelerating their promotion of chain-based operations, digitisation, and standardisation to enhance their resilience and operating efficiency.

At the same time, China's catering industry has entered a new stage in its global journey, shifting from a tentative to systematic approach to expansion, with the capital market becoming a key driving force. Frequent cross-border mergers and acquisitions (M&As) and moves by Chinese catering enterprises indicate that they are reshaping the global competitive landscape.



Central and western China and lower-tier markets have become new sources of growth, as consumers value refinement, cost-effectiveness and health



Supply side: Chain-based operations, digitalisation, and globalisation are taking China's catering industry to new heights

In 2025, China's catering industry has undergone profound changes, including diversifying consumer demand, accelerated chain-based development, collaborative innovation across the supply chain, deep application of digital technologies, and international expansion, which have contributed to shaping a new pattern for the industry.

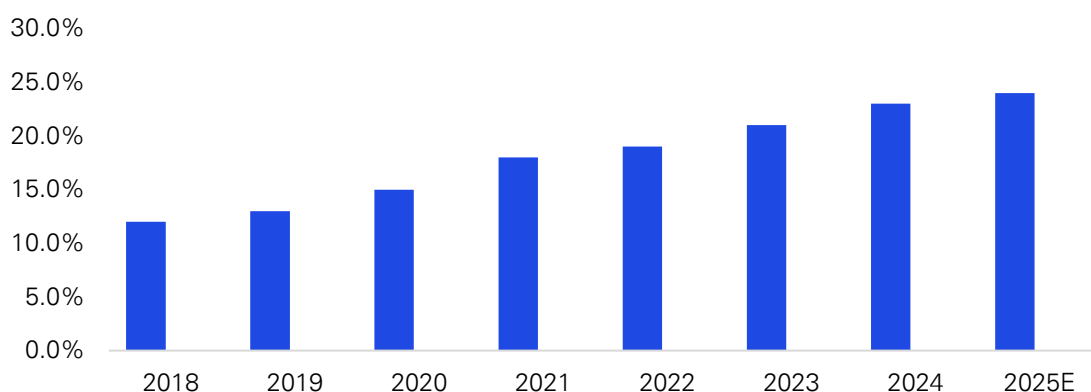
➤ Diversifying consumer demand drives differentiated supply and scenario-based innovation

With consumers expecting more from catering products in terms of culture, function and emotional value—instead of taste alone—enterprises are differentiating their offerings through innovation, cultural empowerment, and optimisation of consumer scenarios. For example, ancient cooking methods are being used to create unique flavours. In particular, Blossom-For-Ever Design integrates Hunan elements into Hunan restaurants, and Micun provides three free services under a “fast food + community service” model, with a view to winning consumers over with more attractive products and services. In addition, therapeutic catering brands provide emotional value and experiences through parent-child activities, and mountain and wilderness scenarios. These developments highlight the importance of differentiation.

➤ The catering industry is accelerating chain-based operations as scale and integration become essential to competitiveness

- The Matthew effect is visible across the catering industry. Leading brands in various segments are relying on their size to rapidly expand and seize the market, resulting in mounting pressure on small and medium-sized brands. According to Canyin88, brands such as Cotti Coffee and Tasiting have opened over 2,000 new stores in the past year. As of March 2025, the top 20 brands in China operate 210,000 restaurants, accounting for 11% of the total number of chain restaurants nationwide⁹⁸.
- Chain brands stand out amid the competition based on their comprehensive advantages in supply chain cost control, brand impact, and economies of scale. According to data from Statista and Canyin88, the rate of enterprises operating under chain models has increased year by year over the past seven years. The proportion of enterprises operating under chain models reached 22% in 2024, and is expected to exceed 24% by 2025.

Rate of enterprises operating under chain models in China's catering industry (%)



Source: Statista, Canyin88, KPMG analysis

➤ **Upstream and downstream players across the catering supply chain are accelerating collaboration, innovation and transformation**

- The supply chain plays an increasingly important role in catering innovation, not only in meeting consumer needs, but also in driving new trends. Catering brands focus on service and marketing innovation, while supply chain enterprises have greater potential for product innovation by leveraging their cross-category and cross-regional advantages. By integrating upstream and downstream resources, supply chain enterprises have extensive access to information about ingredients, market data, and consumer insights, which places them in a strong position for innovation.
- Chain-based models and industrialisation have driven the professional transformation of upstream supply chains. Large chain brands' bulk purchasing and bargaining power have reshaped the supply chain landscape. With their large procurement volume, high standards, and strong bargaining power, coupled with an increasing proportion of consumers dining out and an increasing proportion of raw material consumption in the catering channel, upstream enterprises are increasingly relied on. Therefore, establishing professional sales channels has become the key to success for upstream enterprises.
- Green supply chains and sustainability have also become important directions for the industry. The zero waste concept has become a reality, resulting in a significant increase in ingredient utilization rate, up to 95%. In addition, sustainability has become a common goal for the industry, which is planning to increase the proportion of renewable energy to 50% by 2030¹⁰⁰. The carbon tariff policy will also force enterprises to build greener supply chains.

➤ **Intelligence and digitisation are reshaping the catering competitive landscape**

- Intelligence and digital transformation are reshaping the competitive landscape of the catering industry. In the past, catering companies mainly focused on building digital infrastructure. Now, they have realised that digitalisation is also about organisational capabilities, decision-making systems, and operating models. In the future, the catering industry will fully embrace digital technologies, including AI, IoT, and blockchain. These will be widely applied in ordering, catering, and ingredient traceability, and throughout the entire business process from site selection, procurement, and production, to sales, operations, and reviews, to improve operational efficiency and service quality.
- Benefits brought by digitalisation not only improve operational efficiency and reduce loss and costs, but also optimise store models and enable flexible employment strategies, improving communication efficiency and driving structural optimisation, and thereby making the quality-price ratio a prominent competitive strength for enterprises.
- Breakthroughs by Chinese companies in the performance of large models such as DeepSeek indicate that AI technology is evolving towards Artificial General Intelligence (AGI) ¹⁰¹.

Large AI models

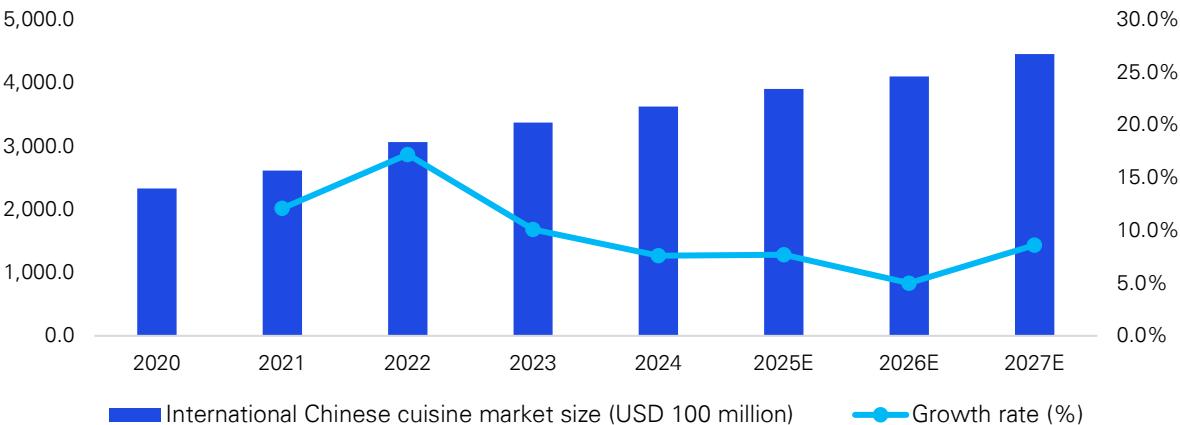


Source: KPMG analysis

➤ **China's catering industry players are going global and are listing their shares with investor support**

- The expanding overseas market is injecting new vitality into Chinese catering companies' global journey. Publicly available data shows that from 2020 to 2024, the size of the international Chinese food market increased from USD 233 billion to USD 362.5 billion, and is expected to increase to USD 445.2 billion by 2027¹⁰². This represents a high growth rate mainly attributable to intensifying competition in the domestic market and the release of potential in overseas markets such as Southeast Asia, Europe and America. In addition, with policy support and globalisation, the Chinese food industry chain has gradually improved, further leading to an expanding international market.

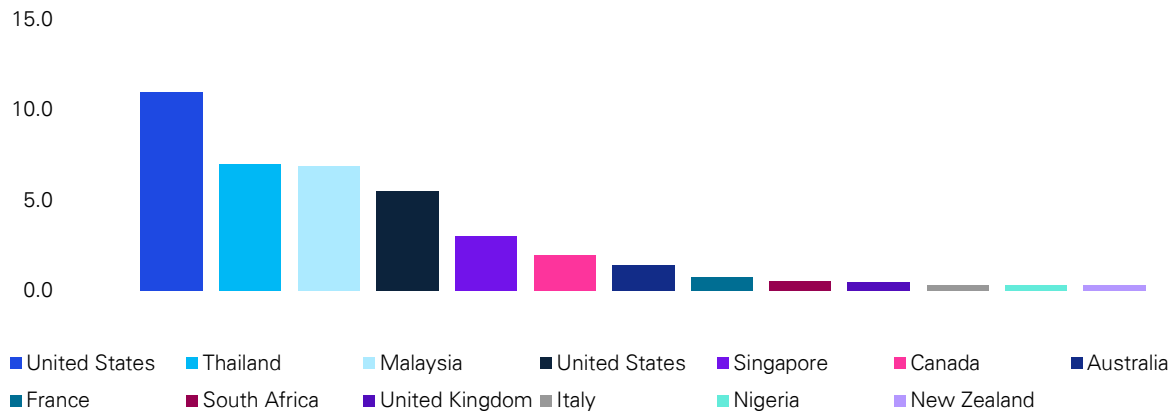
Forecast size and growth of the international Chinese food market from 2020 to 2027
(USD 100 million, %)



Source: Cultural and Tourism Research Report, Publicly available data, KPMG analysis

- According to iiMedia data, Southeast Asia has the highest concentration of overseas Chinese in the world, including Indonesia, Thailand, and Malaysia. They are emotionally and habitually attracted towards Chinese food. This provides a stable consumer group and cultural foundation for Chinese food brands to go global. By spreading Chinese food culture and reducing cultural barriers, Chinese brands better integrate into the local market. In addition, Southeast Asia has a young population and a rapidly rising middle class, resulting in strong demand for diverse catering. Chinese food is adapted to local preferences for its sour and spicy taste, making it easier for brands to integrate into the market through a menu localisation strategy.

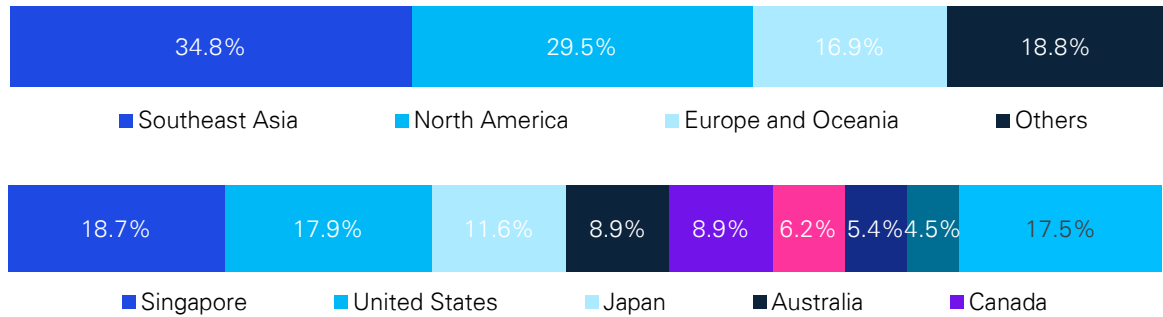
Chinese population in overseas regions (not exclusive) (million)



Source: iiMedia, KPMG analysis

- The main destinations for Chinese cuisine brands going global are Southeast Asia, Europe and America. This is mainly due to Southeast Asia's low cost and cultural proximity, and Europe and America's high-premium, mature catering markets, turning them into the core battlefield for those eyeing large volume and high-end consumers. Southeast Asian countries such as Singapore and Malaysia are politically stable and have established close economic and trade relations with China. This can ensure a favourable economic climate. The Regional Comprehensive Economic Partnership (RCEP) promotes supply chains and trade flows. As Southeast Asian countries join the BRICS mechanism and the RCEP is deepened, they will have greater strategic autonomy and will provide a stable environment for Chinese food brands¹⁰⁴.

Destinations for Chinese food brands going global in 2024 (%)



Source: Canyin88, Publicly available data, KPMG analysis

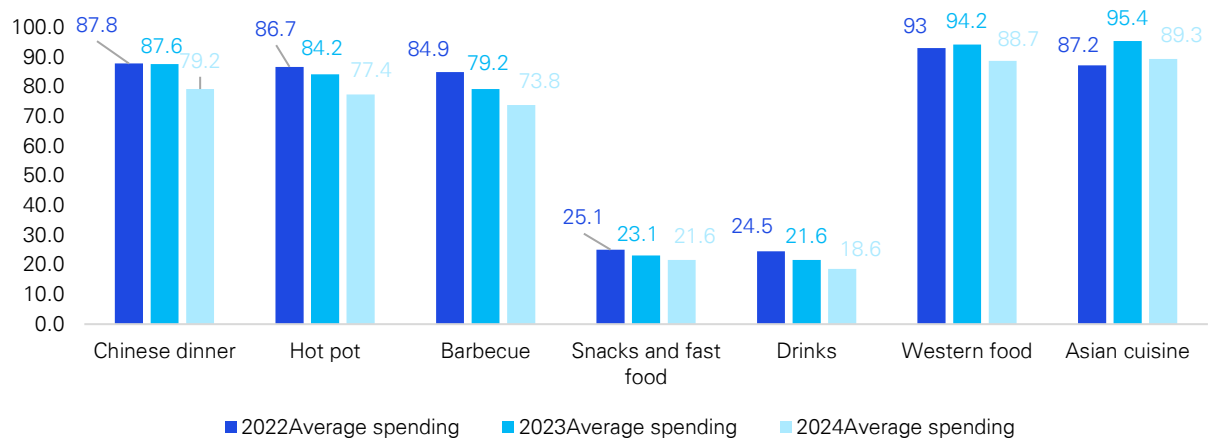
- Adhering to the local market and expanding globally has become a consensus among industry players. Compared with the earlier single-store model, the Chinese catering industry's global journey has taken an important turn towards a systematic approach. The integrated supply chain has become one of the key factors for Chinese catering enterprises for a successful global journey. Companies such as Haidilao and MIXUE Ice Cream & Tea are leveraging their mature supply chain system and standardised operational capabilities to scale up their global footprint.
- The capital market has now become an important engine driving China's catering industry to go global. With its flexible valuation mechanism, transparent regulatory environment, and convenient financing channels, the Hong Kong Stock Exchange has become the preferred springboard for chain brands entering the international market. Since early this year, Goodme, Mixue and Auntea Jenny have successfully listed their shares on the exchange. In addition, Anjing has also applied for an H-share listing, with a view to raising funds to finance its globalisation strategy and overseas business.



On the demand side: Value-for-money, health and the silver economy

According to data from Canyin88, the average spending by Chinese diners fell to CNY 39.8 in 2024, a YoY decrease of 6.6%⁹⁸. The beverage sub-sector suffered the largest decline. In other segments, average spending declined as well, though to varying degrees. Consumers are now pursuing the best value-for-money. They want quality, experience, and emotional value at an affordable price. In this context, the catering industry has strategically reduced prices and improved quality by offering “best-value set menus” and food cooked on-site with quality ingredients to drive growth.

Average spending in certain catering sub-sectors from 2022 to 2024 (CNY)



Source: Canyin88, KPMG analysis

➤ Consumers' pursuit of healthy lifestyles

The re-focus onto health has become the main trend in the catering industry, with 75% of consumers paying more attention to the safety of ingredients, resulting in a significant increase in demand for low-sugar and plant-based products. For example, Jiedianla Industrial has successfully attracted consumers who pursue a healthy diet by strengthening health labels such as low-purine certification, addictive-free, and alum-free. At the same time, the catering industry is gradually returning to cooking on-site. Brands are innovating with a focus on enhancing the freshly cooked feel and consumers' dining experience.

➤ The silver economy and services for the elderly

Publicly available data shows that the annual growth of takeout orders placed by the elderly has reached 45%¹⁰⁵, and the demand for nutritious meals and community canteens remains strong. The silver economy holds out enormous potential, and the elderly market has become a new source of growth. Enterprises need to develop exclusive products and services tailored to the needs of the elderly.



On the industry side: Differentiation and upgrading of the catering market, price wars between e-commerce giants, fierce competition in the food delivery market

The China's catering market is slowing down as the central and western regions and low-tier markets become the new growth engines and brands known for value-for-money are increasing their penetration at a quicker pace. With the sharp increase in the number of restaurants and intense competition, industry players are competing for the existing market, and higher income is not bringing higher profits for small and medium-sized merchants. At the same time, the rapid development of the food delivery market is accompanied by increasingly fierce price wars, and industry players urgently need to return to rationality.

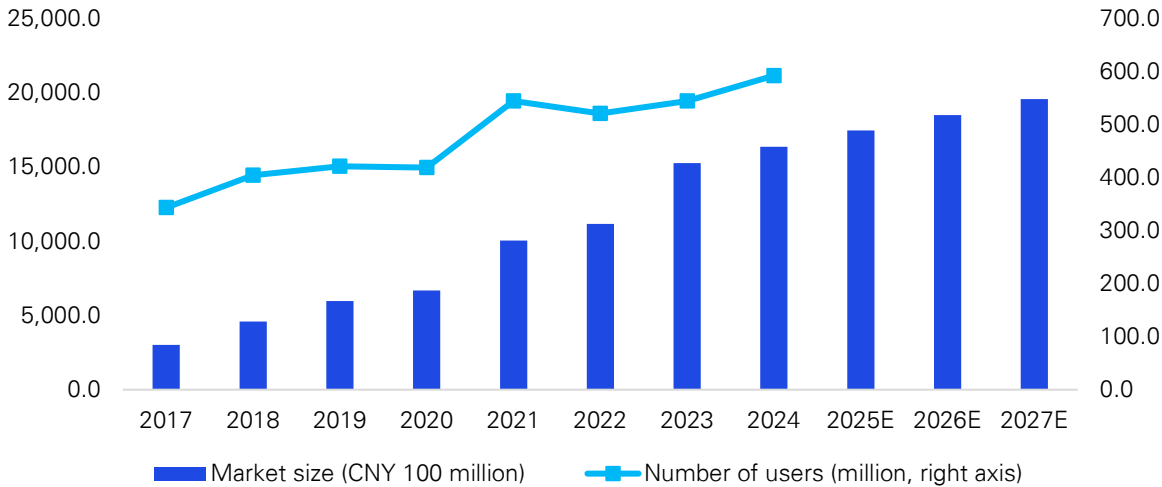
➤ Slow industry growth, accelerated penetration into central and western regions and low-tier markets

- In the first half of the year, the catering industry witnessed a slowdown in revenue growth, declining profits, and intensifying competition. According to data from the National Bureau of Statistics, the cumulative revenue generated by the catering industry in the first half of 2025 reached CNY 2.748 trillion, a YoY increase of 4.3%. The catering revenue of units above the designated size increased by 3.6% YoY, though decreased by 0.4% in June.
- Growth in the central and western regions was impressive. According to Canyin88 data, new restaurants were opened in North China, Northwest China, and Central China at a rate of 11% in 2024, with Xi'an, Zhengzhou, and Wuhan ranking among the top 15 cities in terms of newly opened restaurants⁹⁸.
- The potential of low-tier markets is being exploited. The growth of county-level catering consumption was higher than that of first and second tier cities. Brands that focus on offering value-for-money have opened more than 10,000 restaurants, accelerating their penetration into county-level markets.

➤ Competition in the food delivery market continues to intensify, trapping the industry in a rat race

- The majority of consumers are ordering takeouts. According to Statista data, China has the world's largest online food delivery market. In 2024, the market reached CNY 1.6 trillion¹⁰⁶, with approximately 592 users,¹⁰⁷ accounting for 53.4% of internet users. This stable growth is expected to continue in the coming years, and reach CNY 1.95 trillion by 2027¹⁰⁶, with an annual compound growth rate of approximately 6.5%.

Number of users of online delivery services in China from 2017 to 2024 and growth forecasts (CNY 100 million, million users)



Source: Statista, KPMG analysis

- Major food delivery platforms have launched a price war to compete for market share. In February 2025, JD.com launched the Quality Dining and Catering Merchants programme with a zero commission policy, triggering a war across the food delivery market; JD.com and Meituan successively subsequently announced social security benefits for their delivery men. In April, JD.com accused Meituan of restricting its unaffiliated delivery riders from taking orders on JD, while Ele.me joined the fray with increased subsidies for consumers. In early July, platforms such as Taobao and Meituan once again launched a food delivery subsidy war, sending a shockwave throughout the industry.
- The food delivery market has been locked in a rat race, with regulatory authorities increasing their efforts to address this and push for a return to rationality. In May 2025, the State Administration for Market Regulation (SAMR) joined other government in talks with JD.com, Meituan, and Ele.me, requiring them to comply with laws and regulations, fulfill their responsibilities, regulate their promotional activities, and engage in rational competition. In July, the SAMR held another interview with these three platforms and reiterated its requirements. They were expected to further regulate their promotional activities, adopt a rational approach to competition, and jointly build a multi-win ecosystem for consumers, merchants, delivery riders, and platform companies to promote the healthy development of the catering industry¹⁰⁹.
- A surge in the number of restaurants and intensifying competition. According to Canyin88 data, as of March 2025, the total number of restaurants in China reached nearly 8 million, reflecting YoY growth of 7.9%⁸⁹. The catering market as a whole has reached an unprecedented size, where players are competing for survival instead of expanding. Small and medium-sized merchants have generally reduced prices in order to survive. In addition, the number of consumers dining out has shrunk due to the price war. Catering enterprises generated little profit or even made losses from the large number of online orders.



Deal scenarios



Since 2020, the five segments of the consumer and retail industry have all faced pressure in terms of investment, financing, and M&As, though they each have their own characteristics.

The luxury goods industry has shown structural differentiation, with investors doubling down on hard luxury categories (jewellery, gemstones and high-end watches), while traditional soft luxury categories (apparel, accessories, shoes and handbags) have received less attention, reflecting investors' higher requirements for asset preservation. In the apparel and footwear category, sports and outdoor brands have expanded rapidly through M&As, while the IPO market has continued to diverge. In the health and beauty segment, investors are focussed on emerging areas such as health technology, functional skincare, and health management; and high-end brands vaunting their functional ingredients have gained greater popularity. In the food and beverage industry, Hong Kong has become the preferred destination for Chinese Mainland IPO-bound companies; and PE and VC investors, which mostly invested hundreds or tens of millions of CNY, have presented a "dumbbell" structure. Investment in this segment has focused on large retailers (supermarkets and convenience stores). In the catering and hotel industry, players preferred a Hong Kong listing. With its inclusiveness, higher valuation, and access to overseas investors, Hong Kong SAR continues to be the favoured listing destination for Chinese companies. Overall, investors are more inclined to support enterprises with stable cash flows, strong branding, established chain-based models and high levels of digitalisation.

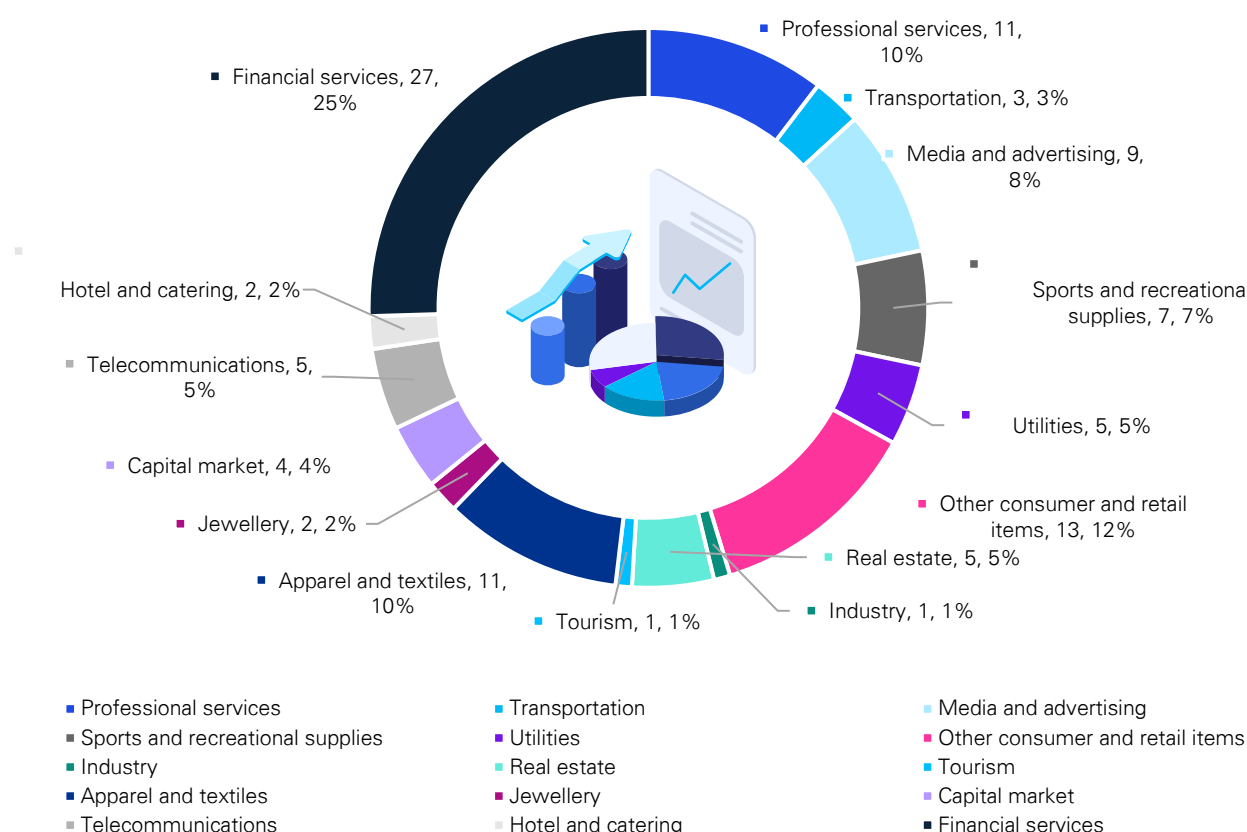


Luxury and fashion: Hard luxury and gold brands have found favour with investors, recording outstanding IPO performances in the first half of 2025

From 2020 to the first half of 2025, there were a total of 28 M&As in the Chinese luxury and fashion industry. In terms of targets, private and listed companies accounted for 42.9% and 57.1%, respectively. In terms of segments, they consisted of mainly specialised areas such as handbags, luxury jewellery, and accessories. Geographically, there were a total of 17 M&As in the Chinese Mainland, though there have been no new ones in the past two years. In contrast, Hong Kong saw one acquisition in 2024 and one in 2025, of which the one in June 2025 was worth more than CNY 100 million and mainly involved jewellery, timepieces, and gemstone products (hard luxury segment). This indicates that in recent years, capital has flown into hard luxury categories (represented by jewellery, gemstones, and high-end watches), while traditional soft luxury categories (such as apparel, accessories, shoes, and handbags) attracted little investor attention, reflecting that market participants and investors cared more about asset preservation.

In terms of buyers, they were from a diverse range of industries, mainly including financial services (25.5%), other consumer and retail items (12.3%), professional services (10.4%), apparels and textiles (10.4%), media and advertising (8.5%), sports and recreational products (6.6%), and other sub industries (26.42%). This shows that financial service companies and consumer and retail players were rather active.

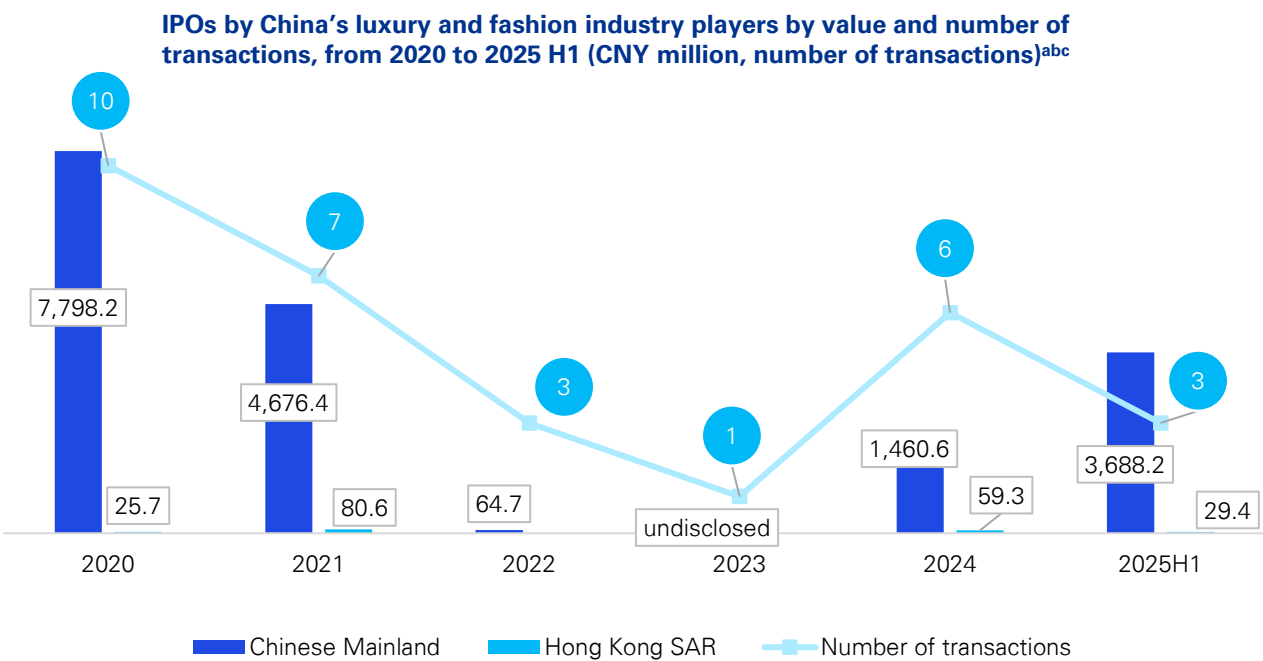
Industries of investors in China's luxury and fashion industry, 2020-2025 (% , number of transactions)^{abc}



Source: Capital IQ, KPMG analysis

Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed

In terms of IPOs, the Hong Kong stock market saw three IPOs by luxury companies in the first half of 2025. This included two companies from the Chinese Mainland that mainly produce and sell gold and jewellery products, and one from Hong Kong that sells jewellery products and deals in pearls. The three companies raised a total of approximately CNY 3.7 billion. The amount raised by luxury goods companies in the first half of 2025 has exceeded that during the entirety of 2024. Compared with previous years, the industry also performed well in the first half of 2025. Although there were not many transactions, the value has already exceeded half of that during the whole of 2021. This reflects the increased activity of hard luxury companies in the capital market in the first half of this year, and this momentum is expected to continue to improve.



Source: Capital IQ, KPMG analysis

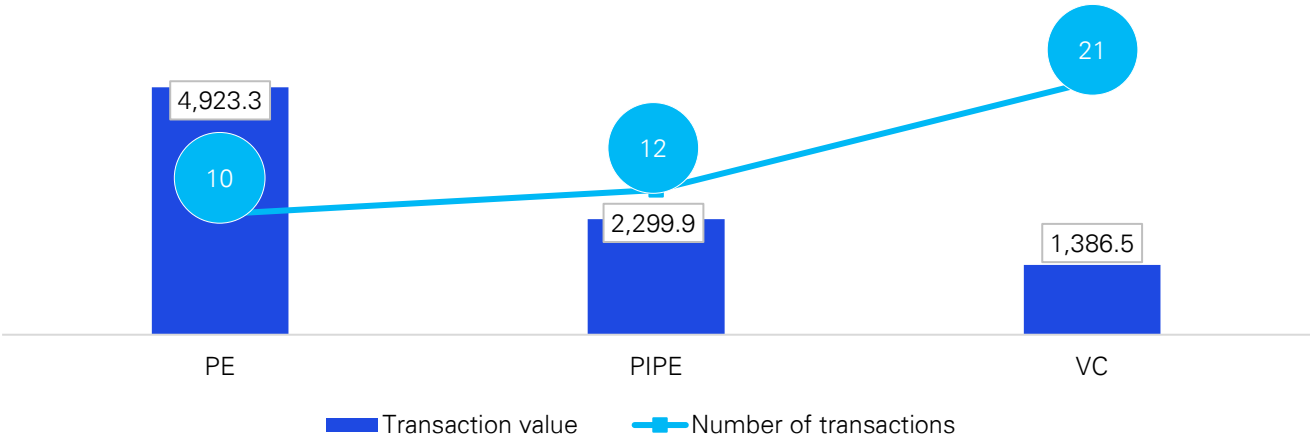
From 2020 to the first half of 2025, there were a total of 43 PE and VC events in China's luxury and fashion industry. Although there were only 10 PE deals, the total value reached as high as CNY 4.92 billion. VC investors were the most active but their investments were not high, with 21 transactions worth a total of 1.39 CNY billion. PIPEs took the middle position between the two, in terms of both value and number of deals.

During the first half of 2025, there were a total of three PE and VC events in the luxury industry. Two of the targets were listed companies located in Hong Kong and Taiwan, respectively; the other was a private company, namely Shanghai Yuyuan Jewelry & Fashion Group Co., Ltd., a subsidiary of Yuyuan Inc based in the Chinese Mainland.

By attracting strategic investors and completing financing deals, jewellery and fashion players can further consolidate their advantages in terms of brands, products, channels, and supply chains, thereby enhancing their market impact. Yuyuan Inc. stated that as the consumer’s focus gradually shifts from brands to cost-effectiveness and personalised experiences, Chinese brands will fare well going forward.

Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed

PE/VC and PIPE investments in China's luxury and fashion industry
- by value and number of transactions, from 2020 to 2025 H1 (CNY million, number of transactions)^{abc}



Source: Capital IQ, KPMG analysis

Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed



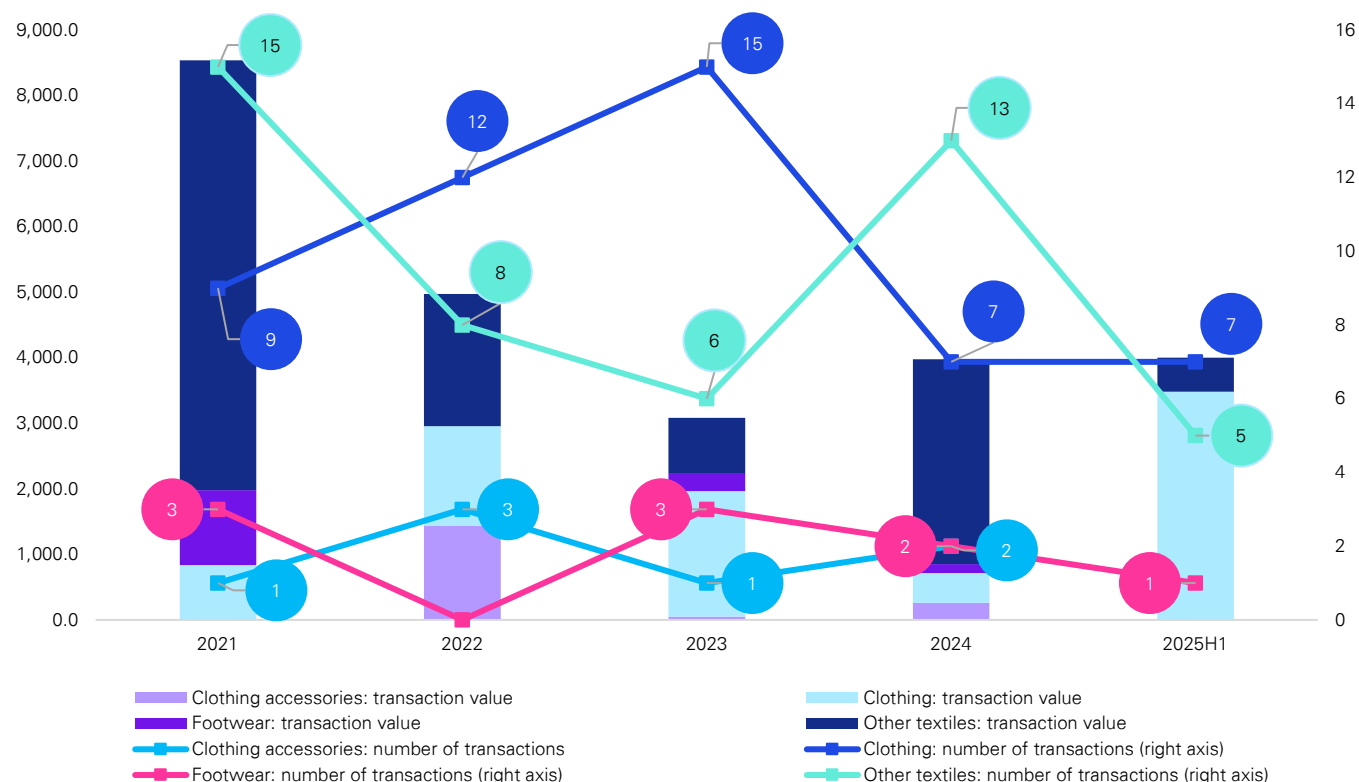
Apparel and footwear: The outdoor sports segment achieved rapid expansion through M&As, with sub-sectors diverging in terms of IPO performance

In the first half of 2025, there were a total of 13 M&As in the Chinese clothing and footwear sector, with a total transaction value of approximately CNY 4 billion, a YoY increase of 0.6%, of which CNY 3.9 billion was attributable to the Chinese Mainland. The number of transactions in the first half of 2025 exceeded half of the total volume in each of the previous three years, and the transaction value has also exceeded that of 2023 at CNY 3.9 billion and that of 2024 at CNY 3 billion.

In terms of segments, clothing and other textile enterprises were favoured targets. From 2021 to the first half of 2025, these segments saw 50 and 47 M&As, accounting for 44% and 42%, respectively, while footwear and clothing accessories combined accounted for 14%. In the first half of 2025, the clothing segment recorded an outstanding performance, with a total of 7 M&A transactions, accounting for 53.4% of the total for the year. The transaction value reached CNY 3.4 billion, accounting for 87% of the total for the year.

Investors were mainly private enterprises and private investment companies engaged in light industry trades, biotechnology, professional investment, and asset management. A well-known consumer goods enterprise specialising in supply chain integration services and textile and clothing acquired a 30% equity stake in a textile technology company in Jiangsu, at a consideration of CNY 2.5 billion. The target is the OEM for several well-known outdoor sports brands. Such transactions usually contribute to synergies between the investor and the target in terms of technology, brand, customer resources, and sales channels, thereby enhancing the strategic value of both.

Segments in which targets of M&As in China's clothing and footwear sector are engaged - by value and number of transactions, from 2021 to 2025 H1 (CNY million, number of transactions)^{abc}



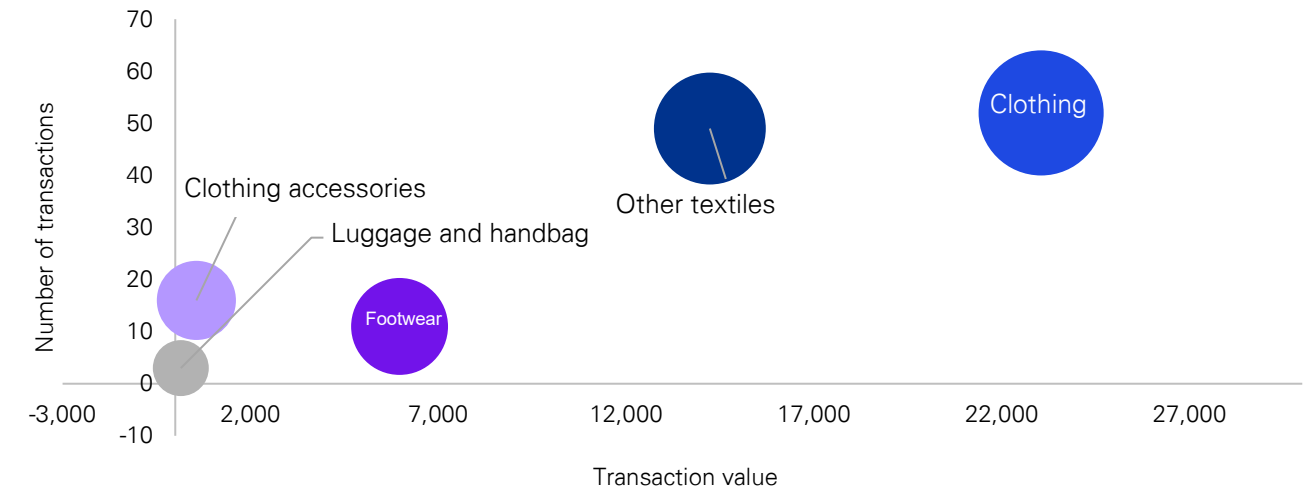
Source: Capital IQ

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In terms of IPOs, the clothing segment had the highest number, with a total of 52 companies going public in the past five years, raising a total of over CNY 23 billion; it was followed by the other textiles segment, with a total of 49 companies offering their shares and raising over CNY 14 billion. The 11 companies in the footwear segment that completed their IPOs raised a total of nearly CNY 6 billion. Although there were 16 IPOs in the clothing accessories segment, only CNY 560 million was raised, indicating that enterprises in this segment were relatively small or undervalued.

In the first half of 2025, segments continued to diverge in terms of their IPO performance, completing a total of 14 IPOs and raising a total of CNY 870 million. The footwear segment raised the largest amount, CNY 470 million (approximately HKD 500 million) was raised in a single IPO that was completed through the issuance of convertible bonds that were planned to be listed on overseas stock exchanges. The raised funds are to be mainly used for branding, DTC business expansion, promotion, and portfolio optimisation, and as working capital to support general corporate purposes. The fundraising reflects industry players’ needs in terms of internationalisation strategies and business model upgrading, and also points to the capital market’s continued focus on and support for leading enterprises in the segments.

IPOs by Chinese clothing and footwear companies - by value and number of transactions, from 2021 to 2025 H1 (CNY million, number of transactions)^{abc}



Source: Capital IQ, KPMG analysis

PE/VC and PIPE investments in China’s clothing and footwear industry - by industry the investor operates in, from 2021 to 2025 H1 (number of transactions)^{abc}



Source: Capital IQ, KPMG analysis

In terms of PE/VC, from 2021 to the first half of 2025, the clothing segment attracted the most varied types of investors, especially professional investors, who participated in over half of the investments. The textile sub-sector had the largest number of targets, which were mainly manufacturing enterprises, accounting for up to 90%. This indicates a strong correlation between the textile sub-sector and manufacturing. The business case for investments was mostly supply chain integration and upstream and downstream collaboration.

In the first half of 2025, PIPEs were the most active investors, with a total of 9 transactions amounting to nearly CNY 700 million. The largest was the private placement project of Zhejiang Yunzhong Ma, which reflects that PIPEs mainly support private placements by listed companies commonly for equity structure optimisation or supplementary capital purposes.

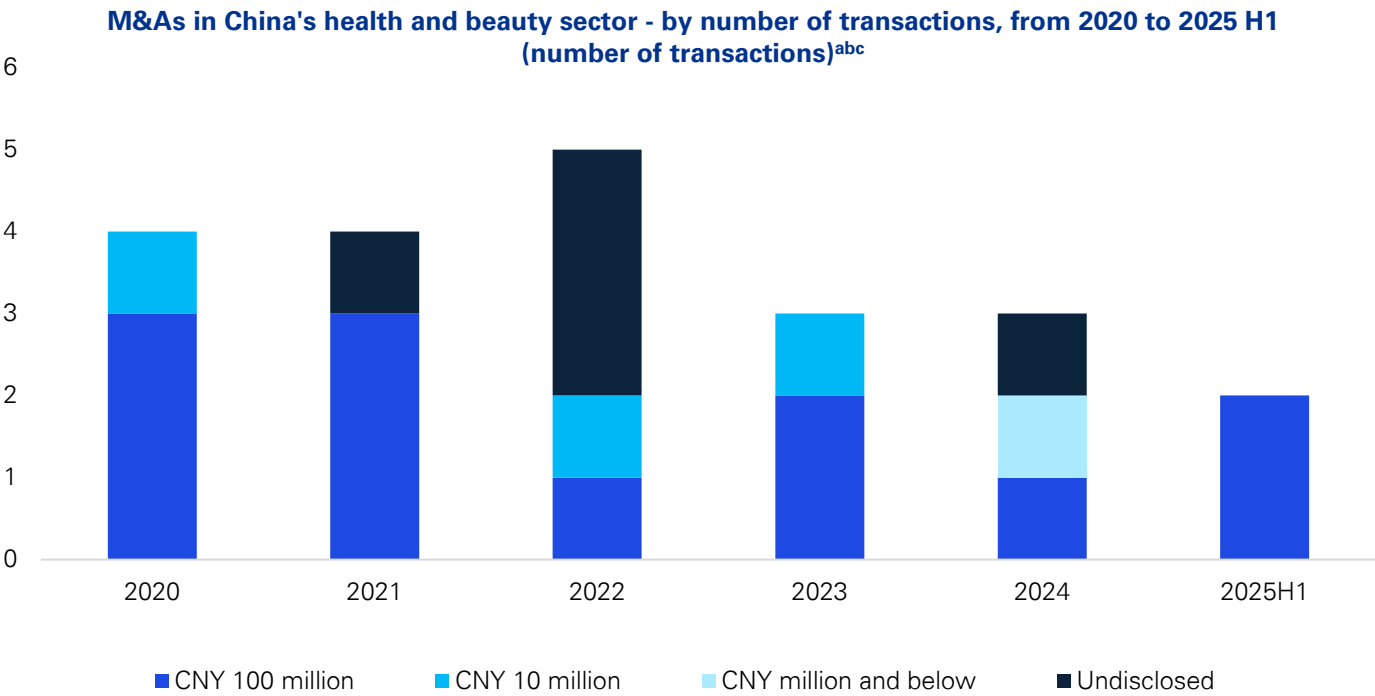
Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed

Health and beauty: Emerging segments such as health technology, functional skincare, and health management have become key directions for investors

From 2020 to the first half of 2025, there were a total of 21 M&As in China's health and beauty sector. Two of them were concluded in the first half of 2025, with a cumulative value of CNY 450 million, which exceeded the total amount in 2024 (CNY 350 million). This pointed to a recovering M&A market with active investors for the health and beauty sector.

The current wave of M&As was driven by industry players' proactive adjustments in line with revaluations and strategic restructuring. Enterprises and investors are actively seeking opportunities for structural transformation through M&As.

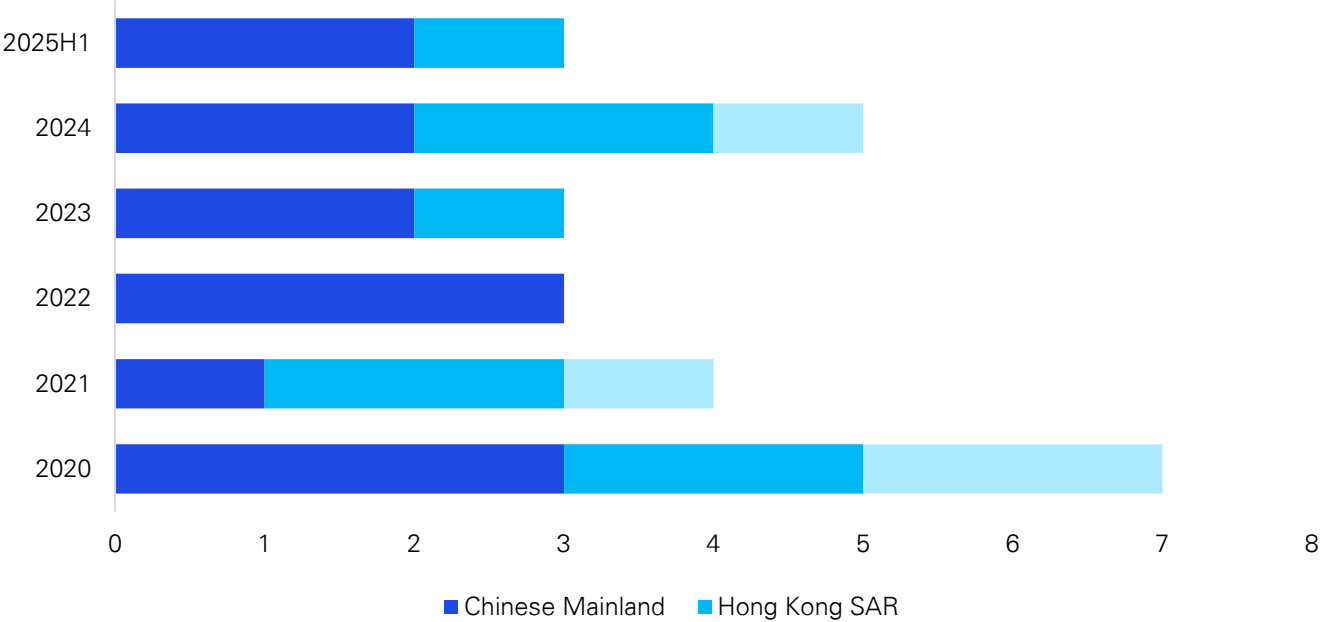
In terms of transaction value, as far as disclosed cases are concerned, 57% of them were worth hundreds of millions of CNY, 14% were worth tens of millions of CNY, and only 5% were at the million and below level. Most transactions were large, pointing to investors' strong confidence in the segment. It is worth noting that the two M&As in the first half of 2025 were both worth hundreds of millions of CNY, reflecting investors' focus on sector leaders and a strengthening Matthew effect in the industry.



Source: Capital IQ, KPMG analysis

Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed

IPOs in China's health and beauty sector - by number of transactions, from 2020 to 2025 H1 (number of transactions)^{abc}



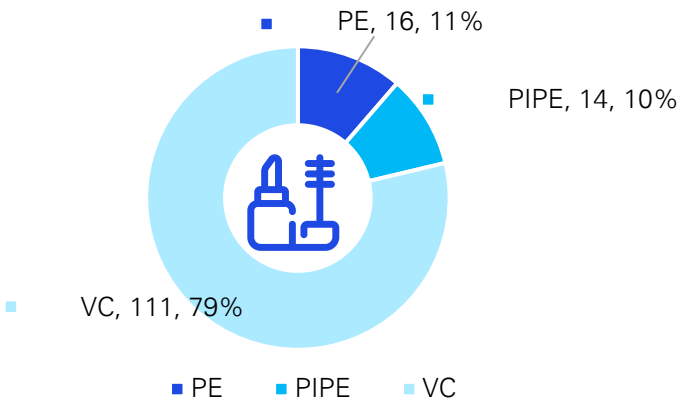
Source: Capital IQ, KPMG analysis

In recent years, IPOs in the health and beauty sector have remained relatively stable in the Chinese Mainland and Hong Kong, reflecting the capital market’s continued interest and confidence in this segment. Mid-range and high-end brands emphasising their functional ingredients are more likely to find favour with investors and are responsible for the majority of listings in recent years.

Motivations for companies to go public include globalisation, flexibility in financing, and valuation improvement. In terms of destinations, Chinese Mainland companies favour Hong Kong more than other markets. From 2020 to 2025, seven Chinese Mainland companies from the beauty and health sector have listed their shares in the Hong Kong market, which highlights Hong Kong’s strategic position as an offshore capital market. It is a particularly favoured listing destination for companies seeking to tap international markets and enhance their global branding.

During the period from 2020 to the first half of 2025, there were a total of 141 PE/VC transactions in the health and beauty industry, with VCs accounting for as much as 79%. PE/VC investors mainly focus on growth enterprises. PE and PIPE each accounted for about 10% of total transactions. PE investors mainly target technology companies such as those engaging in health technology and biotechnology, and PIPE investors tend to aim for Hong Kong-listed and Taiwanese companies. This reflects capital market players’ interest in the refinancing and revaluation of mature enterprises.

Proportions of PE/VC and PIPE investments and financing deals in China’s health and beauty industry, from 2020 to 2025 H1 (%)^{abc}



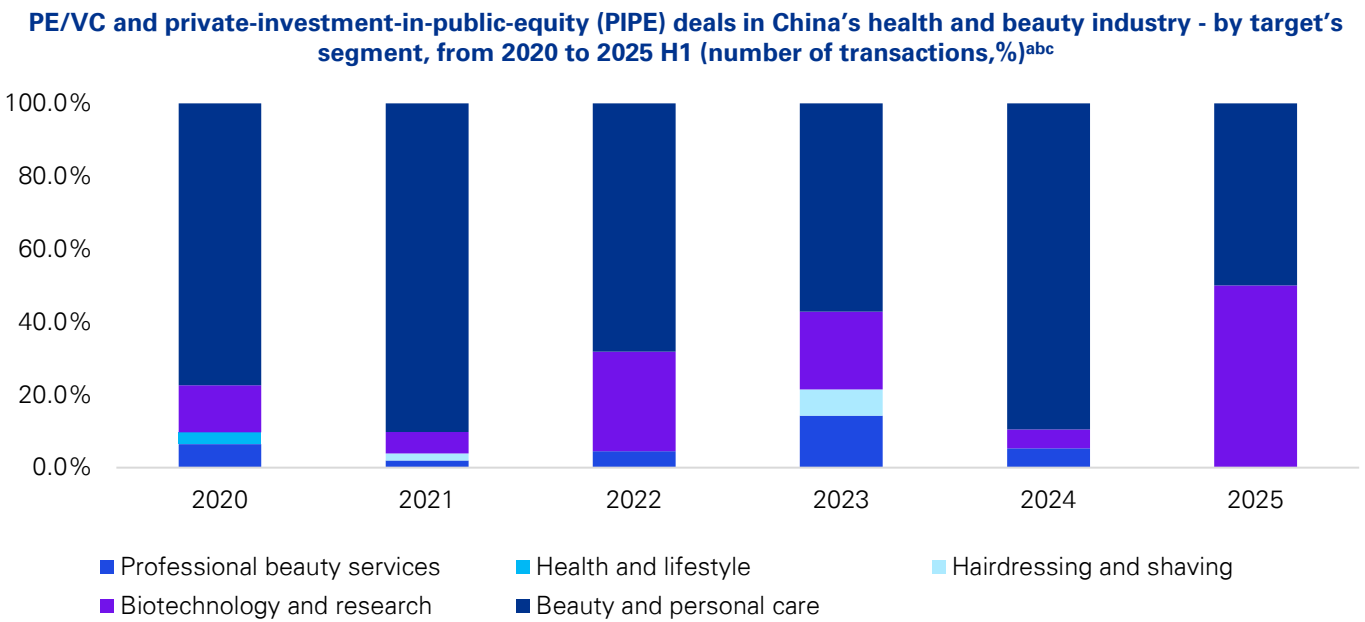
Source: Capital IQ, KPMG analysis

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In terms of segments, emerging areas such as health technology, functional skincare, and health management have become key directions for private equity/venture capital (PE/VC) investors focusing on the beauty and personal care segment; and technology-driven targets are gradually finding favour with investors:

- Beauty and personal care projects remained the main targets for investors, accounting for 79.4%, covering sub-categories such as traditional skincare and makeup, natural toiletries, beauty e-commerce, consumer electronics for personal care, fragrances and scalp care;
- Emerging segments integrating scientific elements such as anti-ageing technology and skincare biotechnology accounted for 13.5%, which demonstrated investors’ enthusiasm for functionality and technology;
- Professional beauty services, hairdressing and shaving, and healthy lifestyles combined accounted for 7.1%, indicating that investors were still in the early stage of exploring such service or lifestyle projects.

In the first half of 2025, equity investors continued to focus on beauty, personal care and biotechnology projects, indicating that industry players will continue to pursue their two-pronged approach covering product and technology.



Source: Capital IQ, KPMG analysis

Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed



Food and beverage: Hong Kong has become the preferred listing destination for Chinese Mainland food and beverage companies, with PE and VC presenting a “dumbbell-shaped” structure

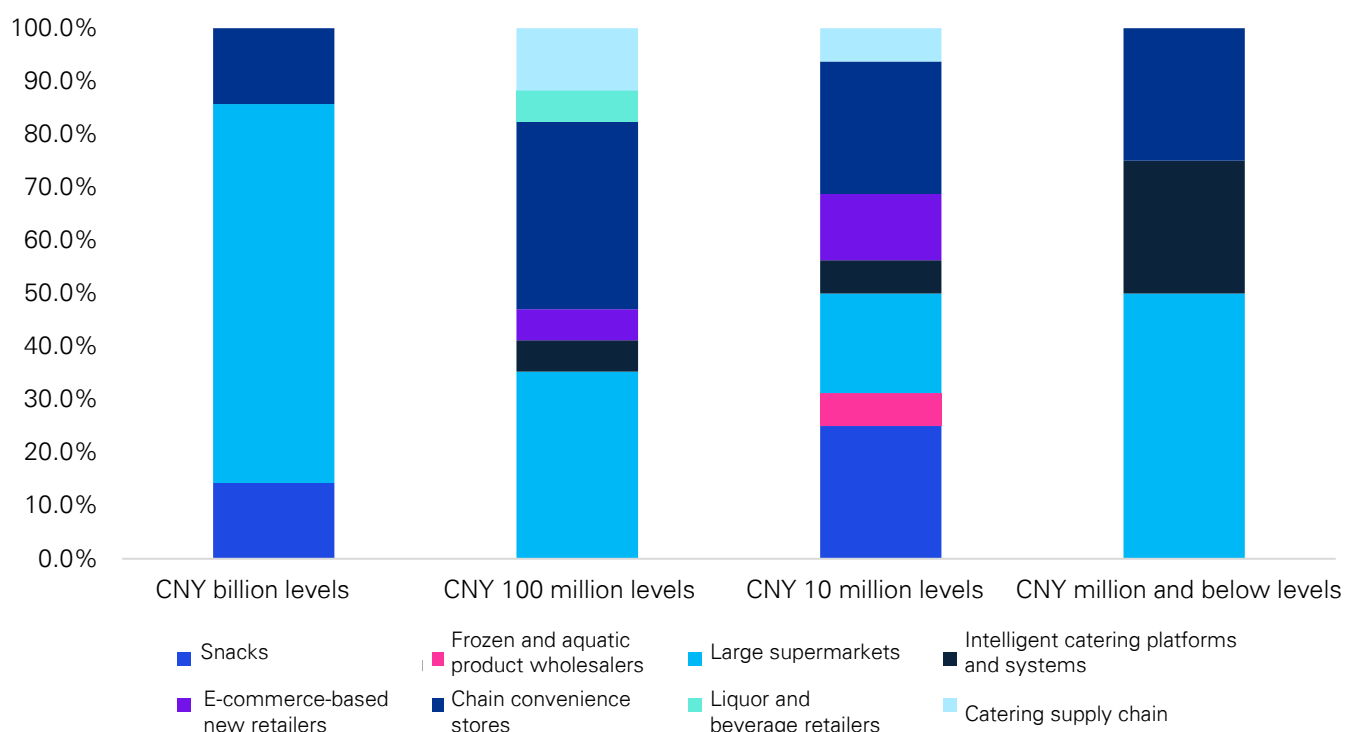
From 2020 to 2025, there were a total of 58 M&As in the Chinese food and beverage industry. In terms of transaction value, most of the deals were worth hundreds or tens of million of CNY:

- CNY 100 million level: 17 M&As, accounting for 29.3%;
- CNY 10 million level: 16 M&As, accounting for 27.6%;
- CNY million and below level: only 4 M&As, accounting for 6.9%.

In terms of segments, the sampled companies cover a number of business formats: large supermarkets accounted for 39.7%, the largest share, chain convenience stores accounted for 24.1%, snacks accounted for 10.3%, intelligent catering platforms and systems accounted for 6.8%, e-commerce-based new retailers accounted for 5.2%, and catering supply chain accounted for 5.2%. Other brands such as alcohol and beverage retailers, frozen seafood wholesalers, and regional food brands combined accounted for 8.6%.

It is particularly noteworthy that large supermarkets had a presence across various value ranges, participating in both high-value M&As and small and medium-sized transactions, reflecting their dominant position and strategic flexibility in the M&A market. The first half of 2025 saw a M&A worth CNY 25 million, with the target being a convenience store chain.

M&As in China’s food and beverage industry - by transaction value and target’s segment, from 2020 to 2025 H1 (number of transactions) ^{abc}



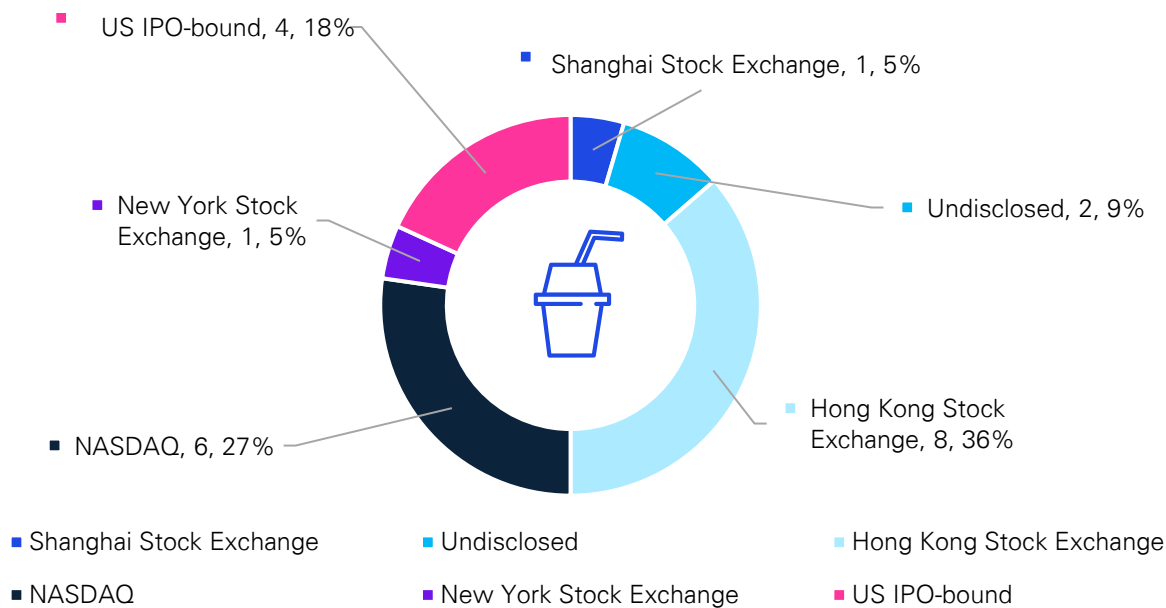
Source: Capital IQ, KPMG analysis

Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed

From 2020 to the first half of 2025, overseas capital markets, especially the Hong Kong SAR and US stock markets, were where food and beverage enterprises went for fundraising purposes. According to available data, there were a total of 30 food and beverage companies that completed their IPOs or were IPO-bound. Among them, 22 were Chinese Mainland companies, accounting for the highest proportion (73%); 7 were based in Hong Kong SAR (23%); only one was in Taiwan region (3%). Overseas markets have become an important path to IPOs for Chinese Mainland enterprises. Specifically, there were a total of 8 IPOs on the Hong Kong market, accounting for 36% of the total number of IPOs by China Mainland companies; the total proportion of listings in the US (Nasdaq + New York Stock Exchange) reached 33%; and there was only one listing on the Shanghai Stock Exchange, reflecting the relatively high threshold for listing on the A-share market.

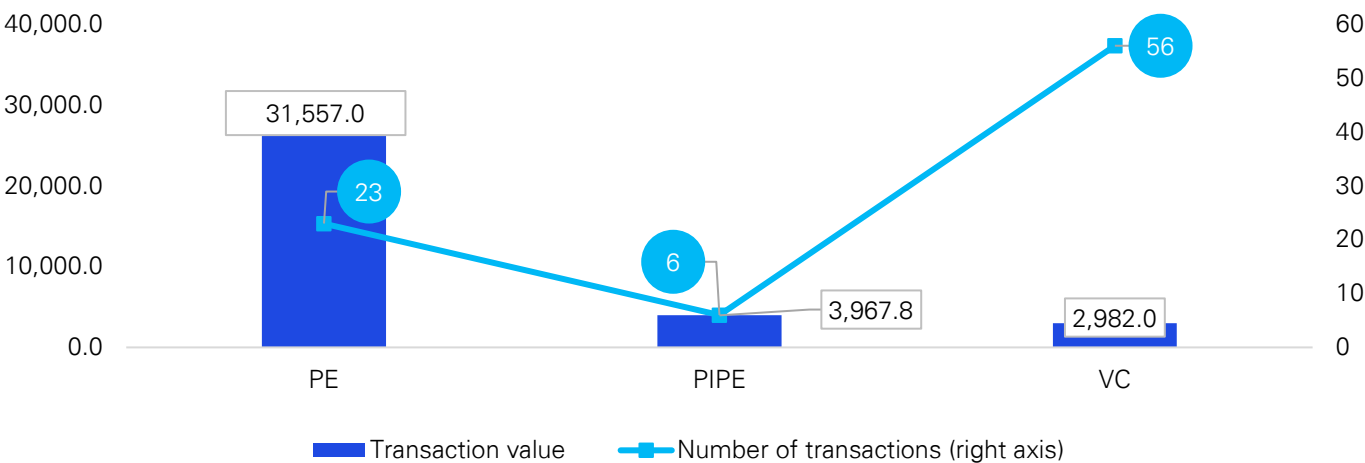
In the first half of 2025, there were three IPOs in the food and beverage industry, all of which were by Chinese Mainland enterprises going public in Hong Kong SAR or the US. The enterprises operate in sectors including chain supermarkets, convenience stores, bakery brands, and seasonal product and beverage suppliers.

IPOs by Chinese Mainland companies in the Chinese food and beverage industry - by transaction value and target's segment, from 2020 to 2025 H1 (%)^{abc}



Source: Capital IQ, KPMG analysis

PE/VC and PIPE deals in China's food and beverage industry - by type of investor, from 2020 to 2025 H1 (CNY million, number of transactions)^{abc}



Source: Capital IQ, KPMG analysis

Note: a. Transaction value only includes those transactions for which the value has been disclosed; b. PIPEs participate mostly through private placement, negotiated transfer, private convertible bonds, and private exchangeable bonds; c. Excluding deals that have been cancelled or withdrawn, and those that failed

In recent years, PE/VC investors have diverged in their enthusiasm for the food and beverage industry, with PE investors playing a dominant role in terms of transaction value and VC investors covering a larger number of transactions. PE investors completed only 23 transactions, but they were worth about CNY 31.56 billion, accounting for about 82% of value. These investors targeted established enterprises or large-scale integration projects, with a focus on enterprises with channel resources, branding, or supply chain advantages to achieve synergies. In contrast, there were 56 VC transactions (accounting for approximately 65.9% of the number of transactions) raising a total of CNY 2.98 billion. This shows that VC investors mainly focused on startups and emerging areas and adopted a multi-pronged, tentative investment strategy targeting emerging brands, functional drinks, and ready-to-eat products.

In the first half of 2025, there were two financing deals in the food and beverage industry, one by PIPE investors and one by VC investors. One of the deals included an investment of CNY 57.44 million by PE investors in a listed online beverage and food retailer.

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Catering and hotels: Hong Kong listings are still preferred, and the PE/VC market is transitioning from a high-frequency, small-amount approach to a low-frequency, high-quality one

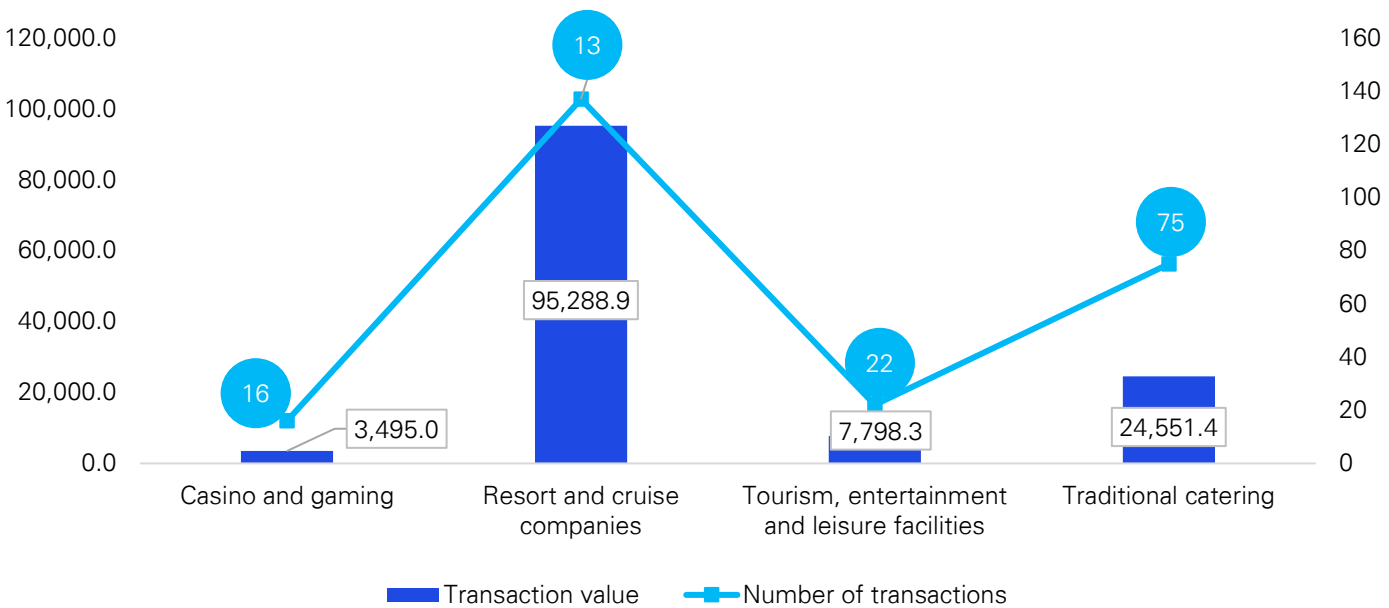
Between 2020 and the first half of 2025, there were a total of 250 M&As in the Chinese catering and hotel industry, which can be divided into the following four segments:

- Resort and cruise companies: accounting for 55%, representing the segment with the highest number of M&As;
- Traditional catering enterprises: accounting for 30%;
- Tourism, entertainment and leisure facilities: accounting for 22%;
- Casino and gambling: accounting for 6%.

In terms of transaction scale, resorts and cruise companies that have large asset sizes and operate under capital-intensive models ranked first in terms of both transaction value and number of transactions. They were the main driving force for the overall growth of M&As. There was also high M&A activity in the traditional catering segment, mainly focusing on the integration and expansion of chain brands. Transactions were frequent and covered various targets. Although the amount of individual transactions was lower than that in the hotels segment, the traditional catering segment still delivered a significant impact in terms of overall scale. The scale of M&As in the tourism and entertainment facilities and gambling segments was relatively small, and transactions were mostly for regional integration purposes or were specific opportunity-driven acquisitions.

In 2025 H1, a total of 9 M&As occurred. A noteworthy M&A was conducted in February 2025 by RBI Group, one of the world's largest fast food companies. It acquired the equity of Burger King (China), completing its shareholding strategy for its business in China.

M&As in China's catering and hotel industry - by transaction value and target's segment, from 2020 to 2025 H1 (CNY million, number of transactions)^{abc}



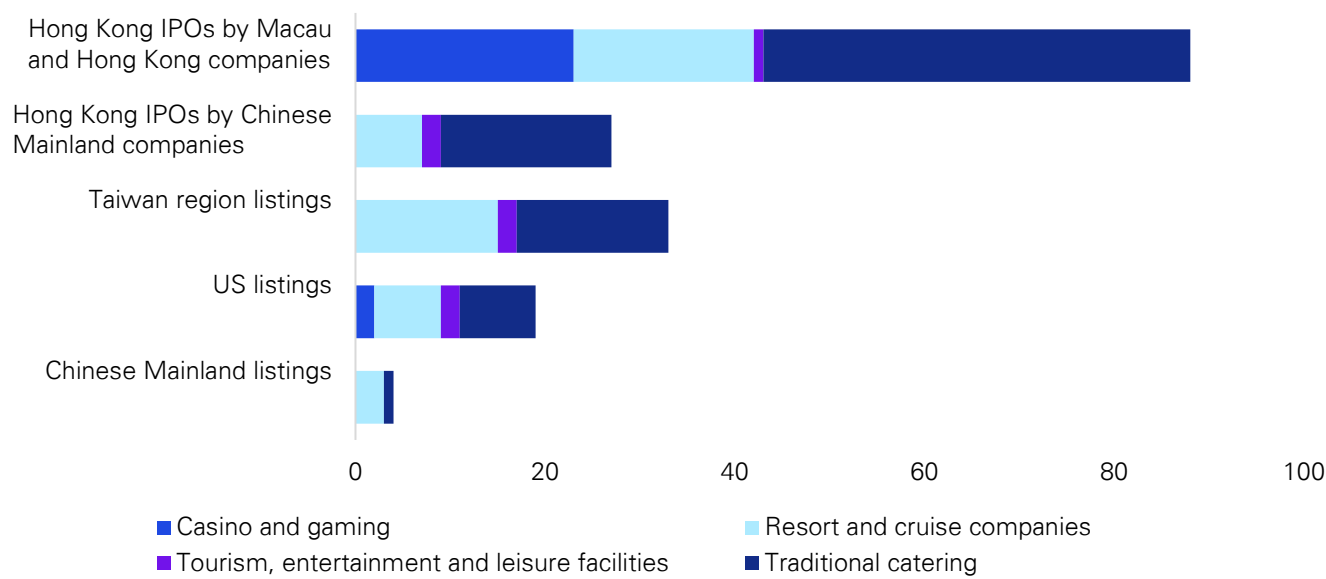
Source: Capital IQ, KPMG analysis

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From 2020 to the first half of 2025, there were a total of 245 IPO events in the Chinese catering and hotel industry, of which 171 had already disclosed their listing plans, covering segments such as traditional catering, resort and cruise companies, casino and gambling, and tourism, entertainment, and leisure facilities. The Hong Kong Stock Exchange saw the highest number of listings, with 115 IPOs, mainly from Hong Kong and Macau (88 IPOs), of which traditional catering enterprises accounted for 54.5%. There were 27 Hong Kong IPOs by Chinese Mainland companies, which was similar to the number of Taiwanese companies listed locally in Taiwan region (33). In the short term, Hong Kong and the US are expected to continue to be the main listing destinations for catering companies.

In 2025 H1, there were a total of 16 IPO events in the industry, of which 5 were large IPOs raising more than CNY 1 billion, all by Chinese Mainland enterprises. Four companies chose to go public in Hong Kong, including two well-known tea brands. This marks the beginning of a peak period for IPOs in the beverage segment. In addition, a representative Hangzhou cuisine brand also successfully listed its shares on the Hong Kong Stock Exchange, reflecting that local cuisine brands are finding favour in the capital market.

IPOs in China's catering and hotel industry - by segment and number of transactions, from 2020 to 2025 H1 (number of transactions)^{abc}

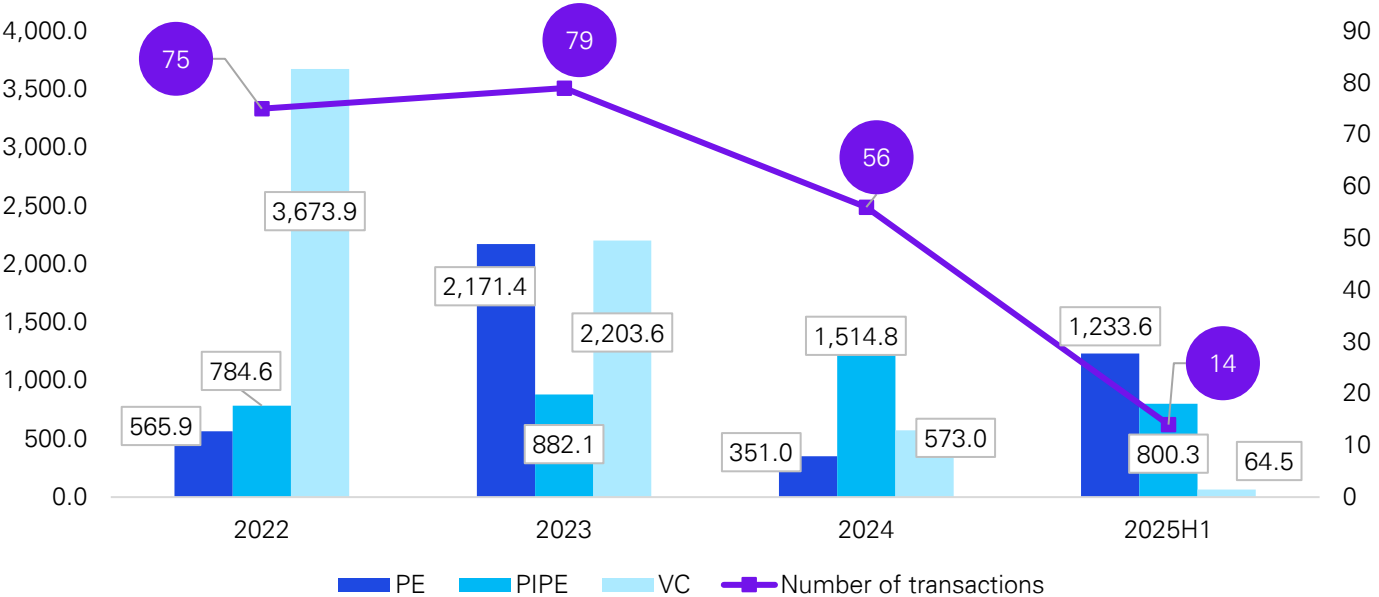


Source: Capital IQ, KPMG analysis

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PE/VC and PIPE deals in China's catering and hotel industry - by value and number of transactions, from 2020 to 2025 H1 (CNY million, number of transactions)^{abc}



Source: Capital IQ, KPMG analysis

In 2025 H1, investment and financing activities in the Chinese catering and hotel industry continued to shrink, with a total of 14 transactions. However, it is worth noting that the transaction value of about CNY 2.09 billion already exceeded 80% of the 2024 total. Despite a decrease in the number of transactions, the amount of individual transactions significantly increased, which shows that capital is being increasingly concentrated among top-notch players. PE investors continued to play the leading role, with a total amount of CNY 1.23 billion, representing a YoY increase of more than 200%, and reflecting that investors are more attracted to mature projects in the current environment. The amount of PIPE and VC investments remained relatively stable. The market is undergoing a structural adjustment from a high-frequency, small-amount approach to a low-frequency, high-quality one, as investors favour enterprises with stable cash flows, strong branding, and advantages in chain-based operations and digitalisation. Although greater trading activity would be ideal, the rebound in transaction value in the first half of 2025 is a sign of recovering confidence and bodes well for the market in the second half of the year and 2026.

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New trends in capital operations in the consumer & retail sector in 2025

Investment and financing models in the consumer & retail sector are experiencing profound changes, and traditional capital instruments are being challenged by emerging innovative ones, giving way to a multi-level, scenario-based capital operation system. Specifically, the following emerging trends and innovative capital management models have been observed:

Policy-oriented capital instruments

The leveraged capital operation model in consumer finance mainly refers to the amplification of the consumer credit scale through debt financing, such as capital circulation and amplification achieved through policy synergy, asset securitisation and other financial instruments.

- In May 2025, the PBOC issued a notice supporting the establishment of an **CNY 500 billion** re-financing programme for the service and elderly care sectors, with the aim of providing targeted assistance to key service areas (such as accommodation and catering, culture and entertainment, and education) and the elderly care sector. The notice encourages financial institutions to strengthen financial services from both the supply and demand sides, so as to meet the diversified financing needs of enterprises and consumers.
- In terms of local policy incentives, Guangzhou's Haizhu District provides special support for smart beauty and "AI-powered beauty" products and services. The policy features an upper reward limit amounting to 20% of the technical service fees generated from renovation activities, and the reward granted to a single enterprise may not exceed **CNY 1 million** per year. For enterprises with transaction revenue exceeding CNY 1 million, the maximum reward is calculated based on 4% of current-year transaction revenue. To encourage enterprises to expand into overseas markets, beauty companies that have registered overseas cosmetics sales and that have annual sales volumes of up to CNY 1 million for a single exported SKU in a single market are eligible for **a reward of CNY 10,000** for each single SKU registered¹¹³.

Innovative instruments for consumer finance

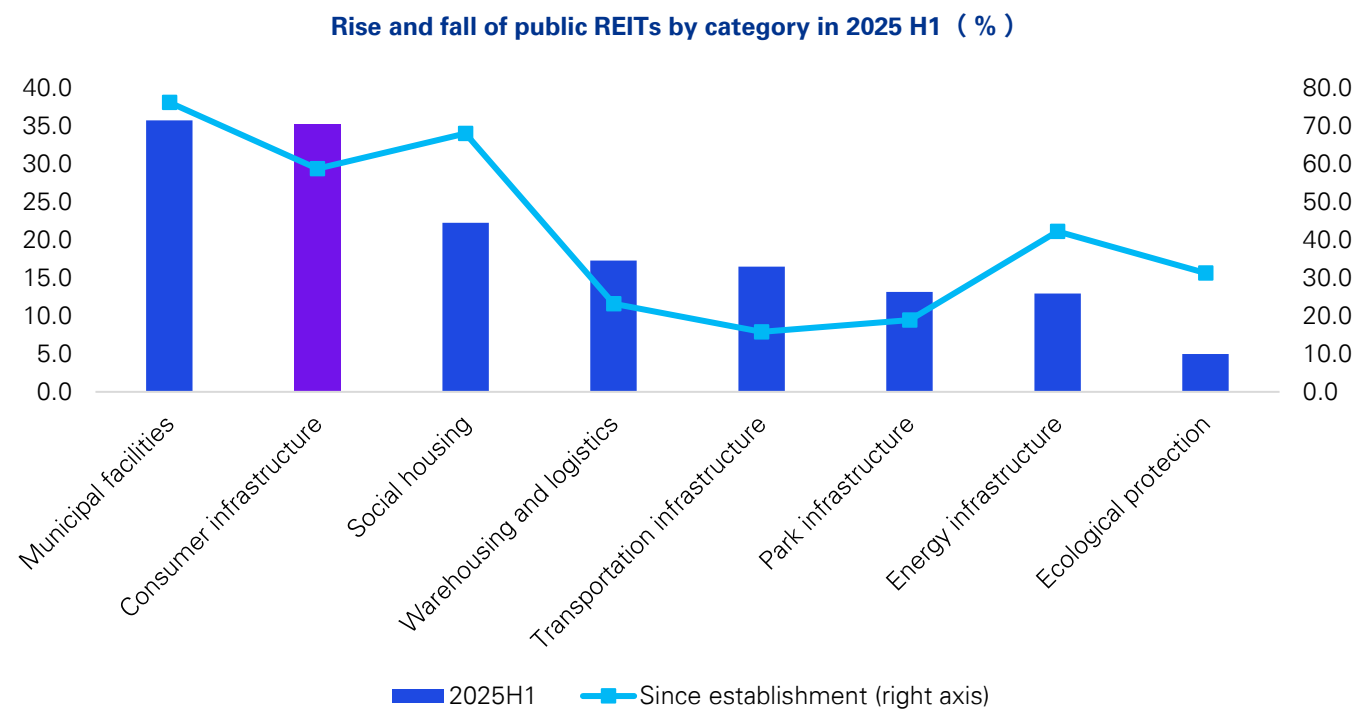
- Consumer infrastructure real estate investment trusts (REITs)

The overall performance of consumer infrastructure REITs, all established no earlier than 2024, has been solid, although their yield curves are currently not high. According to data from Wind, as at July 2025, there were a total of 9 consumer infrastructure REIT products in the market, accounting for **12.8%** (approximately **CNY 21.4 billion**) of the total scale of public REITs, with an annualised distribution rate range of **1.6%-5.3%**. In 2024, 8 out of the 9 products achieved growth in net profit, with 5 making a profit in excess of CNY 10 million.

List of certain premium consumer infrastructure REITs

Name	City	Underlying assets	Main strengths
Harvest Wumart Consumer	Beijing	Beijing Deshengmen Project, Huatian Project, Dacheng Road Project, Yufuqiao Project	Core areas in Beijing + strong demand for Wumart supermarkets
Huaxia Jinmao Commercial	Changsha	Changsha Lanxiu City	Core business district of Changsha Meixihu area + mature operations in the Huaxia Jinmao commercial district
CICC SCPG Consumer	Hangzhou	Hangzhou Xixi MIXC shopping mall	Core area in West Dacheng of Hangzhou + SCPG, a subsidiary of Vanke, as the investor
Huaxia China Resources Commercial	Qingdao	Qingdao MIXC shopping mall	MIXC brand image + China Resources' operating capabilities

The steady growth of total sales in the consumer & retail sector in 2025 H1 demonstrates a mild recovery trend, with shifting investment focus and demand in the retail real estate segment. Consumer infrastructure REITs made progress in 2025, with an average growth rate of 35.2% in 2025 H1, ranking second in terms of overall performance. Their cumulative growth rate since establishment was 58.7%. Consumer infrastructure REITs such as Harvest Wumart Consumer and Huaxia Joy City Commercial have experienced a rise and fall of over 45%. However, since their establishment, the 9 consumer infrastructure REITs have all seen an increase of over 30%, and they have been highly recognised by the capital market.



Source: Wind; KPMG analysis

With the expansion of the pilot programme, investors' focus has gradually shifted from first-tier cities to second-tier ones. Recent survey results show that investors' attention to second-tier cities has grown at a double-digit rate YoY, and nearly 90% of respondents listed retail real estate as their investment target this year, with 44% of them intending to invest over CNY 3 billion in the retail real estate segment¹¹⁴.

In addition, the securitisation of REITs is extending to the consumer operations segment. Apart from commercial real estate, self-owned logistics warehouses and flagship stores can also be revitalised using REITs. For example, a cold supply chain service provider has built a flexible nationwide performance network that reaches 600,000 stores, covering over 2,800 districts and counties in 31 provinces across the country, which highlights its potential for securitisation¹¹⁵.

- Dynamic pricing through asset-backed securities (ABS)

In June 2025, the PBOC and five other departments jointly issued the *Guiding Opinions on Financial Support for Boosting and Expanding Consumption* (the Opinions), which supports eligible consumer finance companies' efforts to issue financial bonds, with a view to expanding the securitisation of retail loans. Against the backdrop of policy support for using finance to boost consumption, consumer financial assets are also a hotspot of investment. The Opinions explicitly call for "enhancing the supply of consumer credit," enhancing the independent customer acquisition and risk control capabilities of consumer finance companies, expanding product consumption, and supporting the development of services consumption¹¹⁶.

According to data from Wind, during 2025 H1, ABS issuance in China's consumer finance sector was active, with a total of 9 licensed consumer finance companies successfully issuing 19 phases of ABS, at a total amount exceeding CNY 27.5 billion. Among them, Haier Consumer Finance, a subsidiary of Haier Group, issued ABS amounting to CNY 1.5 billion in June 2025, with a coupon rate of 1.80% for the class A senior tranche, representing a new low for the sector. With this issuance, the company aims to promote consumption by reducing capital costs¹¹⁷.

Haier Consumer Finance stood out in this round of financing. This phase of ABS is the seventh since the initial issuance in 2023, with a total fundraising amount of nearly CNY 11.2 billion. Haier Consumer Finance has also built a diversified financing matrix through the issuance of financial bonds and the launch of syndicated loans. This "short term + medium term + long term" funding supply system enables the company to flexibly choose appropriate financing methods based on market dynamics and its own business requirements, effectively reducing financing costs and guaranteeing a stable supply of funding¹¹⁸.

The direct-to-consumer (DTC) business model reconstructs the value of user assets

- Digitalisation of the DTC model

In the era of digital transformation, consumer and retail brands are deeply concerned about the strategic value of data assets. By building a data governance system, optimising data architecture, and promoting data governance practices, enterprises can achieve data interconnectivity across regions and functions. These measures not only significantly improve operating efficiency and management capabilities, but also reshape the relationship between "consumer, merchandise and scenarios," laying a solid foundation for the continuous upgrading and innovative development of the DTC model.

- Users are the core competitiveness of DTC brands

With capital flowing to DTC brands at a faster pace, the most important aspect of brand valuation has shifted to user lifetime value (LTV), reflecting a "customer-focused" business philosophy. Unlike traditional marketing models, the DTC model drives growth by deeply understanding customer needs in order to transform traffic into growth.



Digitalisation and AI technologies are gradually breaking down the traditional technology barriers of products

In the past, leading companies in the consumer and retail sector mainly relied on large-scale sales, highly-integrated supply chains, and unique products to build competitiveness. They developed exclusive sales barriers through dense distribution networks and market dominance, and consolidated their monopoly positions through a sound matrix of brands and products. Nowadays, data-driven market insights and smart algorithm optimisation are phasing out traditional models. Rising e-commerce platforms are also weakening the monopoly positions of traditional distribution networks, which are being further challenged by the transfer of consumer sovereignty.

Key words: scaling up, distribution leaders, market guidance



Brand marketing: Shaping unique images

In the past, leading companies in the consumer and retail sector dominated the consumer marketing segment by bidding for scarce communication resources such as television advertisements, traditional media, and paper media at high prices. Now, through comprehensive market penetration, enterprises incorporate their brand influence into consumers' daily lives, thereby shaping unique brand images.

Key words: limited competition, high-priced traffic



Automatic control terminals: DTC and fast response

Currently, all consumer goods production equipment can be optimised towards miniaturisation and intelligence. DTC brands can achieve quick production in small batches based on flexible manufacturing capabilities and the outsourcing of certain upstream production capabilities.

In addition, business-to-business (B2B) platforms and sales force automation (SFA) systems can localise customised business-to-consumer (B2C) small shopping malls and digital customer management systems, allowing brands to reach and manage terminals that were previously inaccessible.

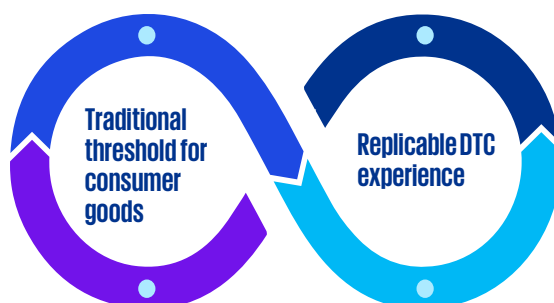
Key words: cost control, DTC, data-driven, flexible pricing



Reliance on traffic: Building a high-quality content ecosystem

The mobile Internet allows for products to be naturally exposed to customers during the fragmented time they spend online. DTC enables brand images to be cultivated quickly through long-tail traffic and digital marketing platforms.

Key words: low-cost traffic, expanded coverage



Source: Summary of public information, KPMG analysis

Deep incubation driven by industry capital: An innovative engine driving the formation of new consumption patterns

- Innovative practices involving industry capital under policy guidance

Driven by ecosystem investment, the deep integration of industry, technology, and capital is promoting the development of new consumption patterns, which are becoming a market focus.

Clear policy guidance: Over the past two years, "cultivating and strengthening new consumption patterns" has been repeatedly emphasised at the Central Economic Work Conference and in the Government Work Report. The *Opinions on Promoting the High-Quality Development of Services Consumption* issued by the State Council further clarify the main categories of new consumption patterns: digital consumption, green consumption, and healthy consumption. The Opinions set out the strategy and goals for the development of consumer enterprises and brands, requiring them to innovate their business management models, actively embrace new technologies, deeply understand the demands of new consumer groups, penetrate into new consumer scenarios, and continuously improve their product competitiveness.

Capital-side changes: The most prominent change on the capital side has been the transition of the consumer and retail sector from a venture capital-dominated stage to an industrial investment-dominated stage within just a few years. Listed companies such as New Hope and Meituan have pursued their own industrial investments¹¹⁹.

Deep incubation model driven by capital: The deep involvement of industry capital has become a key driver of the incubation process. A typical incubation model entails ecosystem investment, which empowers incubated enterprises and enables synergies between industry resources, technological innovation, and financial capital.

Comparison of the capital management characteristics of different sectors

Sector	Traditional models	Emerging trends	Typical case	Objectives
Luxury and fashion	Brand M&A, family funds, etc.	Sustainable consumer bonds, commercialisation of emotional value through IP	LVMH's strategic investment in Molli	Supporting Molli to further expand its global market and strengthen its brand image in the high-end knitwear segment ¹²⁰
Apparel and footwear	Franchise expansion, supply chain financing, etc.	Securitisation of DTC users, flexible consumer-to-manufacturer (C2M) supply chain	DTC transformation	Optimising supply chain management through digital technologies, achieving precise marketing and personalised services, improving "consumer-merchandise-scenario" efficiency, and promoting efficient collaboration across production, distribution, inventory and other links ¹²¹
Health and beauty	R&D venture capital, channel M&A, etc.	AI-driven personalised customisation rewards, data product transactions	Haizhu District's technology fee rewards for AI-driven makeup try-on at a percentage of 20%	Promoting the high-quality development of the regional digital and intelligent beauty industry by adapting to local conditions, combining regional industry resources, and harnessing the endowment of digital intelligence resources and the foundation of the beauty industry ¹¹³
Food and beverage	Cold chain logistics, PEVC, etc.	Cold chain REITs	A cold supply chain service provider raised CNY 900 million in its B+ round financing	Improving the efficiency, safety, and traceability of food circulation through M&As, resource integration and adoption of digital technologies ¹²²
Restaurants	Real estate mortgages, chain franchises, etc.	Consumer REITs, experiential scenarios, ABS	The annualised distribution rate range of consumer REITs is 1.6%-5.3%	Enhancing the scale of and trade activity in the REITs market, while stimulating the vitality of the consumer market

Source: KPMG analysis

Overall, the consumer and retail investment and financing market is currently undergoing structural changes. Under the "precise assistance" policy, structural monetary policy instruments (such as refinancing of CNY 500 billion) are helping form synergies alongside local support for specific industries, promoting higher-level development. Specifically, the market investment and financing structure has shifted from the traditional "single financing" model to the "value co-creation" model, whereby the investor pays more attention to user asset accumulation (such as the DTC model) and data element development (such as intelligent beauty). Meanwhile, with the expansion of consumer REITs and the promotion of low-cost ABS financing, capital turnover efficiency has significantly improved. Notably, a direct incentive mechanism has been established to support the R&D of AI technologies and the construction of the supply chain Internet of Things (IoT), successfully converting the cost of technology investment into a strength for enterprises looking to raise funds. Going forward, investors will pay more attention to the three-dimensional value model of "user assets x supply chain efficiency x preferential policies," so as to further explore the structural investment opportunities brought by technological empowerment and institutional innovation.

Buzzwords among Chinese consumers



Buzzwords among Chinese consumers are steadily evolving and reflect the latest expectations for the consumer goods sector. This section provides a summary of buzzwords across five sub-sectors, and the buzzwords include terms such as "digital virtual fashion," "high-end experience and services," "virtual fitting room," "wearable technology," "sci-tech and component innovation," "aromatherapy emotional chain," "eco-friendly packaging," "health preservation," "downmarket" and "catering brands listing trend." These buzzwords provide us with an illustration of the evolving landscape of the consumer goods sector.



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The development of the luxury and fashion sector is being driven by various trends, such as sustainable development, digital innovation, personalised experience, and youth-orientation. Luxury companies should actively devise plans in respect of environmental commitments, digital transformation, and high-end services, so as to adapt to market changes, seize emerging opportunities and create long-term value.

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Metaverse fashion, NFT luxury goods, smart wearables, 3D-printed fashion, virtual fitting, digital identity, virtual social currency, digital art exhibitions, virtual influencers, digital twin, virtual runway shows, social commerce

Carbon-neutral fashion, circular economy, bio-based materials, zero-waste design, green supply chain, recycled materials, environmental premium, pre-owned luxury, sharing fashion, buy-back programmes, upcycling, environmental commitment

C2M model, genetic customisation, dynamic design, limited edition, NFT collaborations, AI-powered customisation, engraving services, interactive design, memory function, modular design

Immersive retail, custom travel experience, virtual social experience, membership subscriptions, personal stylists, membership clubs, pop-up stores, emotional marketing

Streetwear, collaborations, Gen Z marketing, drop culture, anime fashion, dopamine dressing, social symbolism, China-chic 3.0, new Chinese style, cross-border culture, Bohemian style, maximalism, relaxation aesthetics

Health and beauty: Comprehensive skincare emphasises emotional healing and sensory experience

Key buzzwords and related terms



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The health and beauty sector is upgrading towards technological precision and emotional value, and future growth will rely on the development of technological barriers and emotional resonance. Enterprises should keep up with trends, pay attention to shifts in consumer demand, and accurately position themselves in order to succeed amid fierce competition.

Willi Sun

Head of Advisory, Consumer & Retail
KPMG China

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1 Sc-tech and component innovation

Smart beauty devices, phototherapy beauty, 3D-printed skincare, microneedling technology, smart masks, nanotechnology skincare, cellular-level repair, recombinant collagen, peptide complex

2 Healthy lifestyle

Superfoods, probiotics, low-sugar diet, high-protein snacks, plant-based protein, natural sweeteners, functional foods, precision supplements, emotional probiotics, internal and external care, scalp microecology

3 New media

Short video content creation, live-stream sales, makeup reviews, user-generated content, AR makeup try-on, social media challenges, beauty influencer matrix

4 Cross-border e-commerce

Independent platform operations, overseas social media ads, cross-border product selection, localised marketing, cross-border supply chain management, customer retention abroad, cross-border brand storytelling

5 Emotional healing and sensory experience

Neuro-aesthetics, five senses therapy, soul spa, immersive skincare, aromatherapy emotional connection, plush companion economy, commuting stress care, aromatherapy, mental health testing

Food and beverage: Zero additives and healthy dieting are the main trends, with development driven by new media

Key buzzwords and related terms



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Customers' growing concerns about food health, functionality, and environmental protection are encouraging enterprises to upgrade the healthiness and functionality of their food products. In this way, they aim to become leaders in the industry through sustainability and technological innovation.

Willi Sun
Head of Advisory, Consumer & Retail
KPMG China

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1 Health preservation

Gut health, high-protein snacks, plant-based protein, micronutrient fortification, antioxidant-rich foods, kale, vitamin drinks, fruit and vegetable juice, light milk tea

2 Functional foods and beverages

Energy drinks, immune-boosting beverages, sleep-aid foods, sports nutrition, healthy holiday foods, senior health foods, nutritional infant food

3 Eco-friendly packaging

Eco-friendly packaging, recyclable bottles, biodegradable materials, food waste reduction, green logistics, eco-certification, circular packaging design

4 New media

Short video recipe sharing, live-stream sales, product reviews, social media content creation, interactive giveaways, food blogger collaboration, green food certification, influencer marketing, social commerce, short video ads, IP co-branding

5 Cross-border e-commerce

Independent platform building, overseas e-commerce platform listing, cross-border cold chain logistics, localised packaging design, cross-border payment solutions, overseas warehousing, cross-border food certification



Intangible cultural heritage

Night-time economy can

IDO :

Global layout, overseas expansion, I

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Recent tax updates in China



With a focus on boosting consumption, expanding domestic demand, and developing new quality productive forces, Chinese government departments have been making continuous efforts to improve the tax system and standardise preferential policies in key areas such as value-added tax, personal income tax, and tariffs. For example, in June 2025, the Ministry of Finance and two other departments clarified the tax credit policies for foreign investors making direct investments using proceeds from profits distributed by domestic resident enterprises in China. From 1 January 2025 to 31 December 2028, qualified domestic direct investments by foreign investors can be used to offset the current year's tax payable based on 10% of the investment amount, with the portion not offset able to be carried forward to future years.



The government continues to introduce new tax policies to promote economic recovery and boost tax incentives for small and medium-sized enterprises



Recent updates in China's tax policies (1/5)^a

Jun 2025

- Corporate income tax
- Tax credits

On 27 June 2025, the Ministry of Finance, the State Administration of Taxation, and the Ministry of Commerce issued the *Announcement on Tax Credit Policy for Foreign Investors Making Direct Investments* with Distributed Profits (the Announcement). According to the Announcement, where a foreign investor uses the profits distributed by a resident enterprise in China for direct investments in China during the period from 1 January 2025 to 31 December 2028 and satisfies the criteria, 10% of the investment amount can be used as tax credit against the tax payable by such foreign investor for the current year; any excess portion after the credit for the current year can be carried forward to future years. Where the applicable tax rate for equity investment income (such as dividends and bonuses) in the tax treaty entered into between the Government of the People's Republic of China and a foreign government is lower than 10%, the conventional tax rate shall prevail.

Apr 2025

- Corporate income tax
- Tax system

On 1 April 2025, the State Administration of Taxation issued the *Opinions of the State Administration of Taxation on Launching the "Spring Breeze Action to Facilitate Citizens' Handling of Tax Affairs" in 2025* (the Opinions), which clarifies nine requirements from four aspects. According to the Opinions, industrial tax policies and risk warning services shall be provided for large enterprises to help them better apply tax policies and operate in compliance with laws and regulations. In addition, the *Guidelines for Full-cycle Tax-related Services for Key Foreign-invested Projects* shall be promulgated to further improve the system of tax services for foreign investments. Efforts should be made to strengthen the credit repair of subjects with major tax-related violations and dishonest acts. Where a taxpayer fails to file its tax returns, make tax payment or file information for record within the statutory time limit and makes up such formalities within 3 days, the value of the corresponding tax payment credit evaluation index may be restored at the 100% bonus ratio. Tax authorities shall improve and perfect the credit incentive and restraint mechanism for tax-related professional services, and intensify the crackdown on violations of laws and regulations committed by tax-related professional service agencies and the warning for the exposure of typical cases, so as to guide compliant practices.

Feb 2025

- Corporate income tax

On 12 February 2025, the Ministry of Finance and the State Administration of Taxation issued the *Notice on Continued Implementation of Corporate Income Tax Incentives in the Hainan Free Trade Port* (the Notice). According to the Notice, the implementation period for the tax incentives stipulated in the *Notice on Corporate Income Tax Incentives in the Hainan Free Trade Port* (Cai Shui [2020] No. 31) shall be extended to 31 December 2027.

Jul 2024

- Support SME development

On 24 July 2024, the Ministry of Finance People's Republic of China issued the *Guidelines on Major Tax Incentive Policies for Enterprise Mergers and Reorganisations*, which are designed to stimulate market players and promote high-quality economic development by reducing the tax burden associated with enterprise mergers and reorganisations.

Specifically, the Guidelines cover multiple taxes, including corporate income tax, value-added tax, deed tax, land appreciation tax and stamp duty, and they apply to various types of mergers and reorganisations, such as change of legal form, debt restructuring, equity acquisition, asset acquisition, business combination, business separation and foreign investment with non-monetary assets.

The Guidelines reduce enterprises' tax burdens and optimise resource allocation, with a view to improving businesses' competitiveness and market vitality.

Note: a. The updates covered are indicative and not exhaustive.

The government has introduced a number of tax incentive policies, exempting enterprises from value-added tax, tariffs and stamp duty to facilitate their steady development



Recent updates to China's tax policies (2/5)^a

Apr 2025

- **VAT**
- **Departure tax refunds**

On 26 April 2025, the State Administration of Taxation issued the *Notice on Revising the Administrative Measures on Departure Tax Refunds for Purchases by Overseas Tourists (for Trial Implementation)* (the Notice). Revisions to the Management Measures mainly include: 1. Loosening the filing requirements for tax refund stores; 2. Lowering the filing level for tax refund stores; 3. Reducing the amount of items eligible for tax refund; 4. Lifting the limit on cash tax refunds. In addition, the State Administration of Taxation has made adjustments to the corresponding expressions for the promotion of fully digitised electronic invoices.

Apr 2025

- **VAT**
- **Departure tax refunds**

On 26 April 2025, the Ministry of Commerce and another five departments jointly issued the *Notice on Further Optimising the Departure Tax Refund Policy and Expanding Inbound Consumption* (the Notice). The Notice emphasises optimising the deployment of departure tax refund stores and encourages expanding the coverage of tax refund stores by increasing the number of such stores in large commercial districts, pedestrian streets, tourist attractions, resorts, cultural and museum venues, airports, passenger ports, hotels, etc. It loosens the filing requirements for departure tax refund stores by increasing an M level on top of the current tax credit levels A and B, and allowing new stores to become tax refund ones if in compliance with other relevant regulations. It also lowers the threshold for departure tax refunds, allowing overseas passengers who purchase tax refundable items amounting to CNY 200 (from the same store on the same day) and who meet other relevant regulations to apply for departure tax refunds.

Apr 2025

- **VAT**
- **Departure tax refunds**

On 9 April 2025, the State Administration of Taxation issued the *Notice on Promoting "Refund-upon-Purchase" Service Measures under Departure Tax Refund Policy for Overseas Tourists* (the Notice). According to the Notice, when an overseas tourist purchases tax refundable items from a store subject to "refund upon purchase," he/she may, after obtaining pre-authorisation from the credit card issuer, claim on-site a fund equivalent to the tax refund amount. At the time of departure, such overseas tourist and the tax refundable items will be verified by Customs. After the tax refund agency verifies the accuracy of the shopping tax refund information, it will immediately release the guarantee on the pre-authorisation of the credit card and complete the departure tax refund procedures for the overseas tourist. The Notice also clarifies that tax refund stores that are willing to provide "refund upon purchase" services may become stores subject to "refund upon purchase" only after reaching an agreement with local tax refund agencies.

Mar 2025

- **Stamp duty**
- **Offshore trade**

On 27 March 2025, the Ministry of Finance and the State Administration of Taxation issued the *Notice on Continued Implementation of Preferential Policies for Stamp Duty on Offshore Trade* (the Notice). The Notice specifies that stamp duty is exempt on sales and purchase contracts entered into by enterprises registered in the China (Shanghai) Pilot Free Trade Zone and Lin-gang Special Area, the Suzhou Area of China (Jiangsu) Pilot Free Trade Zone, the China (Zhejiang) Pilot Free Trade Zone, the Xiamen Area of China (Fujian) Pilot Free Trade Zone, the Qingdao Area of China (Shandong) Pilot Free Trade Zone, the China (Guangdong) Pilot Free Trade Zone, and the Hainan Free Trade Port for the carrying out of offshore trade. "Offshore trade" is defined as a transaction where goods are purchased by a resident enterprise from a non-resident enterprise and subsequent resold to another non-resident enterprise, without the goods actually entering or exiting the Customs territory of China.

Note: a. The updates covered are indicative and not exhaustive



Recent updates in China's tax policies (3/5)^a

Jan 2025

- **VAT**
- **Cross-border e-commerce**

On 27 January 2025, the State Administration of Taxation issued the *Notice on Matters Relating to Export Tax Refund (Exemption) to Support Development of Overseas Warehouses for Cross-border E-commerce Export* (the Notice). The Notice clarifies matters related to export tax refunds (exemptions) for taxpayers exporting goods in the form of overseas warehouses for export (Customs Supervision Code "9810," the same below). According to the Notice, taxpayers who export goods via overseas warehouses can apply for an export tax refund (exemption) by virtue of the customs declaration of exported goods and the relevant materials and information after the goods have been declared and departed from the territory. In practice, taxpayers determine the specific declaration and processing method based on the sales status of the goods: if the goods have been sold at the time of declaration for export tax rebate (exemption), the taxpayer may declare an export tax rebate (exemption) according to the existing provisions; if the goods have not been sold yet, the taxpayer may declare an export tax rebate (exemption) under the method of "tax refund upon departure, re-accounting after sales," that is, after the goods have been declared and departed from the territory, the taxpayer may declare for export tax rebate (exemption) in advance, and compute the tax amount subsequently based on the sales of the goods.

Jan 2025

- **Tariffs**
- **Raw and auxiliary materials**

On 26 January 2025, the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation jointly issued the *Notice on Adjustments to "Zero Tariff" Policies for Raw and Auxiliary Materials at the Hainan Free Trade Port* (the Notice). The adjustments include: 1. Expanding the scope of "zero tariff" goods. 297 items of commodities such as unroasted coffee, ethylene, and machine parts are added to the list of raw and auxiliary materials imported with "zero tariffs." 2. Loosening certain policy restrictions. Transfers of raw and auxiliary materials imported with "zero tariffs" by eligible entities due to bankruptcy are exempt from import tariffs, import VAT, and consumption tax. Raw and auxiliary materials used for repairing "zero tariff" yachts and self-use production equipment are exempt from import tariffs, import VAT, and consumption tax. Other "zero tariff" policies for raw and auxiliary materials will continue to refer to the relevant provisions of the *Notice on "Zero Tariff" Policies for Raw and Auxiliary Materials at the Hainan Free Trade Port* (Cai Guan Shui [2020] No. 42).

Dec 2024

- **VAT law**

VAT is the largest tax category in China. In 2023, China's domestic VAT revenue was CNY 6.93 trillion, import VAT revenue was CNY 1.84 trillion, and export VAT rebates were CNY 1.71 trillion, representing total VAT revenue of CNY 7.06 trillion and accounting for 39% of all tax revenue.

In December 2024, the National People's Congress passed the *Value-added Tax Law of the People's Republic of China*, which will come into force on 1 January 2026. This VAT law basically maintains the VAT system and the overall tax burden level, while summarising the practical experience and results of VAT reform. It is of great significance for efforts to improve the value-added tax system, and it is conducive to promoting high-quality development, regulating the collection and payment of value-added tax, and protecting the legitimate rights and interests of taxpayers.

Oct 2024

- **Tariffs**
- **Import and export goods**

On 28 October 2024, the General Administration of Customs of the People's Republic of China promulgated the *Administrative Measures on Levying Duties on Imports and Exports*, which applies to the collection and management of import and export duties and import-related taxes collected by customs on behalf of other entities. The Administrative Measures contain 8 chapters and 84 provisions, covering general rules, the calculation and collection of taxes, the collection of taxes under special circumstances, confirmation of taxes, refunds, supplementary collection and recovery of taxes, guarantees for taxes, and the enforcement of taxes.

The issuance stipulates that if the duty payer or withholding agent fails to pay the duties or late payment fines without a valid reason within 10 days from the date of receipt of the reminder, Customs may take the following enforcement measures against it: notifying the financial institution concerned in writing to transfer the duty payer's deposits or remittances at an amount equivalent to the duty payable, or seizing or detaining goods or other properties of the duty payer or withholding agent at an amount equivalent to the duty payable.

Oct 2024

- **Tariffs**
- **Duty-deducted or exempted goods**

On 28 October 2024, the General Administration of Customs revised the *Administrative Measures of the Customs of the People's Republic of China for Duty Reduction and Exemption on Import and Export Goods*, which mainly update and optimise the relevant management processes for duty-deducted or exempted goods. Specifically, the Measures reduce the number of provisions and change the "approval of tax reduction and exemption" to "review and confirmation of tax reduction and exemption," and cancel the filing process for tax reduction to simplify the procedures. In addition, tax reduction and exemption applicants are allowed to decide upon their own customs declaration and can apply for tax reduction and exemption services through paperless means. The Measures have also adjusted the deadline for submitting the *Report on the Use of Duty-Reduced or Exempted Goods* to 30 June of each year, and introduced a list of abnormal credit information to enhance the binding force on tax reduction and exemption applicants. Meanwhile, the procedures for the transfer of duty-reduced or exempted goods have been simplified by eliminating the customs declaration procedures. Such revisions aim to improve efficiency, standardise management, and optimise the business environment.

Note: a. The updates covered are indicative and not exhaustive



Recent updates in China's tax policies (4/5)^a

Sep 2024

- **Tariffs**
- **Business varieties**

On 28 September 2024, in order to standardise the management of downtown duty-free shops, five departments including the General Administration of Customs clarified the types of goods that can be sold by downtown duty-free shops:

1. Food and beverages; 2. Alcohol & wines; 3. Textiles and products made of textiles; 4. Leather clothing and accessories; 5. Bags and shoes; 6. Watches, clocks and relevant accessories and components; 7. Eye glasses (including sunglasses); 8. Jewellery and precious stones; 9. Cosmetics and toiletries; 10. Maternal and infant supplies; 11. Kitchen and bathroom utensils and small household appliances (excluding mobile phones); 12. Household medical, health, and beauty equipment; 13. Photography (imaging) equipment and relevant accessories and components; 14. Computers and relevant peripheral devices; 15. Wearable devices and other electronic consumer products (wireless headphones; other devices for receiving, converting, and transmitting or regenerating audio, video, or other data; video game controllers and equipment parts and accessories); 16. Stationery, toys, game items, holiday or other entertainment items; 17. Crafts; 18. Musical instruments; 19. Sports equipment.

Sep 2024

- **Tariffs**
- **Duty-free goods regulation**

On 27 September 2024, the General Administration of Customs of the People's Republic of China promulgated the *Regulatory Measures of the People's Republic of China for Downtown Duty-Free Shops*, which stipulate no limit on the amount of duty-free goods that can be purchased by outbound passengers in downtown duty-free shops, provided that a quantity of luggage that is reasonable for personal use is carried by passengers when entering or exiting the country in accordance with relevant provisions. Shopping passengers must take all the duty-free goods purchased in one trip out of China, and they are not allowed to deposit the goods purchased or reserved in urban duty-free shops at the port of entry/exit and pick them up upon entry. Where shopping passengers carry duty-free commodities purchased into China again, Customs will consider them to be imported articles and levy (exempt) duties on them in accordance with regulations.

In addition, one of the highlights of the Regulatory Measures is that they improve the transparency of the circulation of duty-free goods. For example, duty-free shops are required to provide detailed information regarding the source and circulation of goods, boosting consumer trust in brands and providing a quality guarantee for the market. Meanwhile, enterprises engaging in the sale of tax-free goods will need to strengthen their compliance awareness, facilitating the development of the industrial chain as a whole and promoting standardisation and sustainability.

Aug 2024

- **Tariffs**
- **Duty-free store management**

On 28 August 2024, the Ministry of Finance People's Republic of China and four other departments issued the *Notice on Boosting Policies for Downtown Duty-free Shops*. The Notice standardises the management of downtown duty-free shops in accordance with the *Interim Measures for the Administration of Downtown Duty-Free Shops*, so as to promote the healthy and orderly development of downtown duty-free shops. It also clarifies that one new duty-free shop is to be set up in each of the eight cities of Guangzhou, Chengdu, Shenzhen, Tianjin, Wuhan, Xi'an, Changsha and Fuzhou. Meanwhile, 13 existing foreign exchange duty-free shops are to be transformed and upgraded into downtown duty-free shops.

After the implementation of the Notice, duty-free offerings are to be further diversified and made available to more customers; the establishment and transformation of downtown duty-free shops will bring new development opportunities for the tourism and retail sector. Setting up downtown duty-free shops should make shopping more convenient for tourists, and the "local specialities" offered by the shops should attract more tourists, driving the development of relevant industrial chains and creating new economic growth momentum.

May 2024

- **Tariffs**
- **Exhibition economy**

With the approval of the State Council, the tax preferential policies specified in the *Notice on Preferential Tax Policies for Imported Exhibits Sold During the Exhibition Period at China Import and Export Fair in 2023* (Cai Guan Shui [2023] No. 5) issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation (including the list of imported exhibits enjoying tax preferential policies) still applies to the China Import and Export Fair held in 2024 and 2025.

Apr 2024

- **Tariff laws**

On 26 April 2024, the Chinese government released the *Tariff Law of the People's Republic of China*. The person in charge of the Legal Affairs Committee of the Standing Committee of the National People's Congress interpreted relevant issues related to the Tariff Law, including establishing a sound management system for tariff affairs, clarifying the application scope of tariff types, standardising the setting, adjustment, and implementation of tariff types and rates, improving the tariff levying system for tax payables, tax incentives, and special situations, maintaining alignment with international strict economic and trade rules while improving the tariff levying and management system, and enriching tariff response measures. Meanwhile, the Tariff Commission of the State Council has issued the *Import and Export Tariffs of the People's Republic of China*, which was implemented as an annex to the Tariff Law from 1 December 2024.

Note: a. The updates covered are indicative and not exhaustive

Meanwhile, the government is actively implementing policies to promote the steady growth of household income and personal disposable income



Recent updates in China's tax policies (5/5)^a

Feb 2025

- **Individual income tax**
- **Computation and payment**

On 26 February 2025, the *Administrative Measures for the Computation and Payment of Individual Income Tax on Consolidated Income* (the Measures) was released. The Measures are a successor to the *Announcement on Handling Issues Concerning the Computation and Payment of Individual Income Tax on Consolidated Income* and consist of 37 articles under 6 chapters, including general principles, the preparation for computation and payment and related matters, the handling of computation and payment and relevant services, tax refunds (supplements), management measures and legal responsibilities, and supplementary provisions. Based on service experience and management practices over recent years, the Measures solidify proven measures that have been implemented effectively and well received by taxpayers in a systematic manner, such as pre-filling services, appointment processing services, and prioritised tax refund services. The Measures attach greater importance to protecting the legitimate rights and interests of taxpayers, and facilitating taxpayers to have a detailed understanding of various matters related to tax computation and payment, so as to guide taxpayers to get well prepared for handling various computation and payment affairs.

Apr 2024

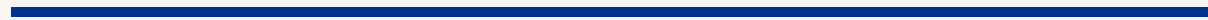
- **Individual income tax**
- **Equity Incentives**

On 17 April 2024, the Ministry of Finance and the State Administration of Taxation issued the *Announcement on Individual Income Tax Policies Relating to Equity Incentives of Listed Companies* (the Announcement). According to the Announcement, for stock options, restrictive stock, and equity incentives granted by domestic listed companies to individuals, upon completion of filing formalities with the competent tax authorities, individuals must pay individual income tax within a period of not more than 36 months with effect from the date of exercise of stock options, lifting of moratorium for restrictive stock or obtaining of equity incentives (hereinafter referred to as "exercise of options" in short). If a taxpayer resigns from employment during the said period, he/she shall settle all taxes prior to resignation. The Announcement shall be effective for the period from 1 January 2024 to 31 December 2027, during which taxpayers who exercise options should comply with the provisions under the Announcement.

Note: a. The updates covered are indicative and not exhaustive

Forward-looking policies aim to boost consumption

...



The government has been rolling out vouchers and subsidies, and reducing interest rates, to stimulate domestic spending



Subsidy programmes to boost domestic consumption^a

In addition to the above-mentioned preferential tax policies implemented nationwide, central and provincial governments have also formulated measures and stimulus programmes to boost consumer confidence and spending.



Government subsidies or trade-in programmes are often necessary to drive consumer spending on expensive items such as cars and furniture. For example, government subsidies for home appliances have been introduced in rural and remote areas, with the aim of stimulating county- and town-level markets and promoting recycling.

- In January 2025, the National Development and Reform Commission and the Ministry of Finance issued the *Notice on Extensive Implementation of Policies for Large-Scale Equipment Updates and Trade-In of Consumer Goods in 2025* (the Notice). The Notice proposes **increased support for equipment update projects in key areas** by further expanding the scope of support to cover fields such as electronic information, production safety, and agriculture, with a focus on supporting high-end, intelligent, and green equipment applications. It also enhances **support for the trade-in of consumer goods** by offering subsidies for purchases of new digital products such as mobile phones. Individual consumers who purchase digital products under the three categories of mobile phones, tablets, and smart watches and wristbands can be provided with subsidies based on 15% of the unit selling price of the product (not exceeding CNY 6,000), with an upper limit of 1 piece per category and CNY 500 per piece. As for implementation, the Notice puts an emphasis on strengthening financial support, optimising thresholds for receiving subsidies, simplifying the subsidy granting process, and enhancing supervision on the use of subsidy funds.
- In January 2025, the Ministry of Commerce issued the *Notice on Effectively Implementing the Trade-In of Electric Bicycles in 2025* (the Notice). The Notice requires the reinitiation of the **trade-in policy for electric bicycles** from 1 January 2025. Individual consumers who sell scrapped or retired electric bicycles while purchasing in-scope new ones are qualified for **trade-in subsidies**. The Notice makes further clarification on the subsidy subjects and methods, while requiring a standardised sales process, an optimised used item collection process, and strengthened policy promotion. It provides guidance for regions to further optimise the process for subsidy application, review, and fund allocation, implement the enterprise commitment system, and encourage stores to provide "one-stop" services covering used item collection, new item purchases, and registration assistance, in order to better facilitate consumers.
- In January 2025, the Ministry of Commerce issued the *Notice on Effectively Implementing the Trade-In of Home Appliances in 2025* (the Notice). The Notice specifies that subsidies be provided to individual consumers making purchases of home appliances under 12 categories, including refrigerators, washing machines, televisions, air conditioners, computers, water heaters, household stoves, range hoods, water purifiers, dishwashers, rice cookers, and microwaves, that meet level 2 or higher energy or water efficiency standards. The subsidy is to be given based on **15%** of the final selling price of the above-mentioned products. An **additional subsidy based on 5% of the final selling price** is to be given for purchased products meeting level 1 or higher energy or water efficiency standards. Each consumer can receive a subsidy for 1 item per category (no more than 3 items for air conditioning products), with an upper limit of CNY 2,000 per item.
- In January 2025, the Ministry of Commerce issued the *Notice on Effectively Implementing the Trade-In of Cars in 2025* (the Notice). The Notice specifies that in 2025, individual consumers who hand in passenger cars registered under their own name while purchasing new ones are qualified for one-off **subsidies**. The maximum subsidy for purchasing new energy passenger cars and fuel passenger cars may not exceed CNY 15,000 and CNY 13,000, respectively. For individual consumers applying for car replacement and renewal subsidies, the registration date of the existing passenger cars under their name to be transferred must be no later than 8 January 2025.



Subsidy programmes to boost domestic consumption^a

In addition to the above-mentioned preferential tax policies implemented nationwide, central and provincial governments have also formulated measures and stimulus programmes to boost consumer confidence and spending.



Bulk consumer goods such as cars and furniture items are high in price, and government subsidies or trade-ins are often needed to promote their consumption. Subsidy campaigns such as "Domestic appliances to the countryside" are being promoted in rural and remote areas, with the aim of encouraging consumption in these regions and promoting the recycling of waste products.

- In January 2025, the Ministry of Commerce issued the *Notice on Releasing the Implementation Plan for Subsidies for New Purchases of Mobile Phones, Tablets, and Smart Watches (Wristbands)* (the Implementation Plan). The Implementation Plan specifies that individual consumers who purchase digital products under the three categories of mobile phones, tablets, and smart watches (wristbands) (with a unit selling price not exceeding CNY 6,000) can enjoy **subsidies for new purchases**. Each customer can enjoy a subsidy for 1 item per category, based on **15%** of the final selling price after deducting all discounts from production, distribution, and mobile operators, with a upper limit of CNY **500** per item.
- In January 2025, the Ministry of Commerce issued the *Notice on Effectively Implementing the Renewal of Home Decoration and Kitchen & Bathroom Supplies in 2025* (the Notice). The Notice specifies that **subsidies** are available for five major categories of decoration materials, sanitary ware, furniture lighting, smart home, and elderly-friendly home renovation products, at an amount no greater than **15%** of the actual selling price (excluding all discounts and incentives). In addition, there are subsidies, not exceeding **20%**, for products meeting level 1 or higher energy or water efficiency standards and for elderly-friendly home renovation products, yet not exceeding **30%**.



Supportive measures, policies and campaigns to boost the economy^a

The Chinese government has launched multiple initiatives to boost the economy by driving consumption through festivals, exhibitions, long term plans, and promoting local businesses.



The State Council is exploring new areas for consumption growth to unleash the potential of services consumption and optimise the services consumption environment, while strengthening policies as guarantee measures

- In January 2025, the General Office of the State Council issued the *Several Measures on Further Cultivating New Areas with Growth Potential to Boost Cultural and Tourism Consumption* (the Measures), which call for innovating industrial policies and strengthening fiscal and financial support, so as to **expand effective investments in the cultural and tourism sector**. They also increase support for eligible "replacement and update" projects in the cultural and tourism sector, allow local governments to support eligible cultural and tourism projects with funds for special bonds, and support eligible cultural and tourism projects to issue infrastructure REITs, with the aim of accelerating the restructuring of funds in China's tourism industries and guiding social capital and financial institutions to boost investment in the tourism sector. The Measures also stipulate optimising inbound tourism policies by enriching the supply of inbound tourism products, optimising **departure tax refund** services, and promoting "tax return upon purchase" measures.
- In March 2025, the Chinese government released the **Special Action Plan for Boosting Consumption** (the Plan) issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council. The Plan stipulates 30 key tasks in 8 areas, including actions to promote income growth for urban and rural residents, actions to ensure consumption capacity, actions to improve quality of services consumption and people's well-being, and actions to update and upgrade bulk consumer goods. In addition, the Plan also clarifies several guarantee measures from the finance, taxation, and credit granting perspectives, encouraging financial institutions to increase the granting of personal consumption loans based on controllable risks, supporting financial institutions to optimise the repayment methods for personal consumption loans, and carry out loan renewal work in an orderly manner.



The Ministry of Commerce and other departments are tapping the potential of the consumer market to meet multi-level, diversified consumer demand

- In January 2025, eight departments including the Ministry of Commerce and the Ministry of Transportation issued the *Notice on Implementing the Pilot Programme for Automobile Circulation and Consumption Reform* (the Notice), which specifies five tasks under the pilot programme: stabilising and expanding automobile consumption, promoting the efficient circulation of second-hand cars, creating an automobile culture, improving the recycling and utilisation of scrapped cars, and enhancing the digitalisation of automobile circulation and consumption. The Notice encourages the development of the "Internet + recycling" model to improve the **digitalisation of automobile recycling**. It also encourages enterprises to actively introduce internationally advanced and domestically first-class scrapped vehicle dismantling equipment, strengthen cooperation with global and domestic research institutes, and enhance their refined and green dismantling capabilities and resource utilisation efficiency.
- In March 2025, the Ministry of Commerce issued the *Several Measures to Support the Cultivation and Construction of International Consumption Centres* (the Measures), aiming to support Shanghai, Beijing, Guangzhou, Tianjin, and Chongqing in accelerating their **construction into international consumption centres**. The Measures clarify eight tasks, one of which is to actively promote the new product economy. They support relevant cities to create distinctive **new product brands**, and promote domestic and foreign high-quality brands to carry out new product launches, debut shows, and first exhibitions, so as to build a number of global landmarks for new product launches, while attracting global high-quality brands to open first stores and establish R&D design centres and regional headquarters.
- In April 2025, 12 departments including the Ministry of Commerce and the National Health Commission issued the *Special Action Plan for Promoting Healthy Consumption* (the Plan). The Plan stipulates 10 key tasks: improving the consumption of healthy foods, optimising the market supply of special foods, enriching fitness and sports consumption scenarios, vigorously developing a sports-oriented tourism industry, enhancing the service capacity of the silver economy market, expanding the new-style health service ecosystem, guiding the diversified development of the health industry, strengthening the health promotion functions of pharmacies, organising health consumption promotional activities, and promoting health concepts and knowledge. It also clarifies to fight against the illegal utilisation of food additives, conducting spot checks on the effectiveness of organic food certification, improving the mechanism for pre-event reviews and post-event evaluations of health foods, and intensifies efforts to crack down on illegal pricing in areas such as health foods and "elderly and child" products.
- In April 2025, the Ministry of Commerce issued the *Work Plan on the Comprehensive Pilot for Accelerating the Expansion and Opening up of Service Industries* (the Plan). The Plan calls for enhancing innovation vitality in the **commerce, culture, and tourism** sectors. It also emphasises the creation of a consumer friendly environment, **facilitating payment**, and supporting the construction or upgrading of international, convenient, and multilingual customer service facilities. The Plan loosens requirements on the operational scope of foreign investors in related fields, optimises regulatory models, and expands application scenarios, so as to support the development of leisure tourism and high-end consumption, and create brands and new consumption scenarios. It also calls for exploring and optimising retail import management for cross-border e-commerce.
- In June 2025, the PBOC and five other departments jointly issued the *Guiding Opinions on Financial Support to Boost and Expand Consumption* (the Opinions). The Opinions put forward 19 measures aimed at **enhancing consumption capacity**, expanding financial supply, tapping consumption potential, and **optimising the consumption environment**. The Opinions emphasise increasing credit support for the services consumption sector, innovating financial products, improving consumer payment services, improving the credit system, and protecting the rights and interests of financial consumers. They encourage financial institutions to innovate credit products, support diversified financing for the consumer goods sector, and expand the credit scale of consumer goods.



Supportive measures, policies and campaigns to boost the economy^a

The Chinese government has launched multiple initiatives to boost the economy by driving consumption through festivals, exhibitions, and long-term plans, and promoting local businesses.



The Ministry of Culture and Tourism is carrying out activities to promote cross-region tourism consumption

- In February 2025, 9 departments including the Ministry of Commerce and the Ministry of Culture and Tourism released the *Action Plan on Increasing the No. of Silver Tourism Trains to Promote the Development of Services Consumption* (the Plan), which puts forward multiple specific measures to create diversified consumption scenarios. It focuses on the 4 areas of **increasing silver tourism train services**, strengthening guarantee measures for **elderly-friendly** facilities, improving the services on silver tourism trains, and optimising environment for the development of silver tourism trains.
- In April 2025, the Ministry of Culture and Tourism released the *Notice on Organising and Launching the 2025 Campaigns to Promote the National Cultural and Tourism Consumption* (the Notice). The Notice requires cultural and tourism departments to organise national activities to promote cultural and tourism consumption during the Labor Day holiday, summer vacation, National Day holiday, and Spring Festival holiday, by jointly holding themed events with relevant regions to launch consumer favourable activities using preferential measures. It requires the participation of directly-affiliated units from the Ministry of Culture and Tourism, cultural and tourism enterprises, China UnionPay, banks and financial institutions, platform institutions, and relevant industry associations in the launch of diversified consumer favourable measures. Special events are to be held across various regions simultaneously, with local consumption promotion activities carried out during other time periods based on the actual circumstances within the regions. It also supports the conduction of **cross-region** consumption promotional activities by regions with sound capabilities.



The State Administration of Market Regulation released a three-year consumption action plan to strengthen consumer protection and foster a reassuring consumption environment

- In February 2025, the State Administration for Market Regulation released the *Notice on the Issuance of the Three-Year Action Plan for **Optimising the Consumption Environment** (2025-2027)* (the Plan). The Plan stipulates the launch of five major actions, namely consumer supply improvement, consumer market order optimisation, efficiency improvements to consumer rights protection, co-governance of the consumption environment, and innovation-driven improvement of the consumption environment. It specifies focusing on investigating and punishing non-compliant behaviours in the food industries, such as "beyond-scope and beyond-volume use of food additives, and illegal addition of non-edible substances," using fake products as genuine ones, using inferior products as good ones, and weighing fraud. It also focuses on eliminating "overload clauses" in sectors such as online deliveries, telecommunications, decoration, maintenance, and tourism, standardising subscriptions, fee collection, and other behaviours in the broadcasting and television field by eliminating tiered hidden charges and induced consumption. The Plan takes strong measures against illegal behaviours such as traffic fraud, fake transactions, and false reviews, vulgar livestream marketing, and illegal advertising in the online market, while cracking down on behaviours aimed to eliminate or restrict competition in the medical, public utilities, automobile, and other industries.



Province-level measures to improve consumption^a

While there are multiple measures being introduced at the national level to boost consumption, measures are also being introduced at the provincial level to accelerate the consumption recovery.



Beijing: The recreation & fashion industries along with ice & snow sports are boosting consumer sentiment

- In April 2025, the Beijing Municipal Government released the *Notice on Soliciting Opinions from the Public on the Support Measures for Promoting High-Quality Development of Recreation Industry in Beijing* (Draft Exposure) (the Support Measures). The Support Measures aim at promoting the **high-quality development of the recreation industry** in Beijing by supporting large-scale commercial performance events, new recreation studios, boutique performances, and recreation enterprises. A large-scale performance event, for which up to 20,000 tickets have been sold, can receive a subsidy of up to CNY 3 million, which can be further increased to CNY 5 million if the proportion of the overseas audience exceeds 10% and over 200,000 tickets have been sold. New recreation studio projects can receive a subsidy of up to CNY 1 million. The upper limit for subsidies for boutique plays and resident plays is CNY 500,000 and CNY 1 million, respectively. Entertainment companies with an annual revenue of over CNY 20 million can receive a subsidy up to CNY 1 million.
- In June 2025, the Beijing Municipal Bureau of Commerce, the Beijing Municipal Bureau of Economy and Information Technology, the Beijing Municipal Bureau of Culture and Tourism, and the Beijing Municipal Bureau of Sports, jointly issued the *Notice on the Issuance of the Special Action Plan for Expanding Fashion Consumption in Beijing* (the Action Plan), which put forward measures to build diversified and integrated cluster areas, enrich fashion and cultural experience areas, cultivate health and leisure areas, and create featured consumption blocks. The Action Plan promotes the improvement of fashion events by supporting international fashion weeks, film festivals, and other activities, and holding popular sports events. It encourages global brands to establish their first stores in Beijing while supporting the development of Guochao (trendsetting Chinese) brands. It also strengthens the leadership of fashion design to promote innovation in the fashion industry, aiming to create a fashionable urban atmosphere through an enriched urban landscape and micro-boutique districts.
- In June 2025, five departments in Beijing issued the *Notice on the Issuance of the Implementation Plan for the High-Quality Development of Fashion Industry in Beijing (2025-2027)* (the Plan), which puts forward multiple measures to promote industrial upgrading and encourage brands to create immersive consumption scenarios and new retail models through physical stores, intangible cultural heritage exhibition halls, and other means to enhance their premium pricing power. The Plan also encourages the establishment of creative markets in commercial districts and scenic areas to meet personalised consumer demand.
- In June 2025, the General Office of the People's Government of Beijing Municipality issued the *Implementation Opinions on Stimulating the Vitality of the Winter Sports Economy through the High-Quality Development of winter sports* (the Implementation Opinions), which emphasise promoting the popularisation of winter sports and the development of teenagers, improving citizen's competitive skills in sports events, and developing the ice & snow competitive performance industry. The Implementation Opinions also aim to promote the coordinated development of the winter sports economy in the Beijing-Tianjin-Hebei region, support Yanqing and other regions in building winter sports economy clusters, and developing winter sports tourism. They call for improving venue facilities and supporting services, cultivating winter sports brands and SMEs, enriching winter sports consumer goods, and optimising the consumption environment. The Implementation Opinions also focus on strengthening the cultivation of winter sports talent and the provision of financial support to ensure the safety of venues for winter sports events, while deepening international cooperation and enhancing safety management to promote the **high-quality development of the winter sports economy**.
- In June 2025, the Beijing Municipal Bureau of Commerce issued the *Announcement on Further Expanding the Scope of Consumer Goods Qualified for Trade-In Subsidies in 2025* (the Announcement). The Announcement clearly stipulates that **subsidies** be provided to individual consumers in Beijing for purchases of smart home products such as smart toilets, smart door locks, cleaning robots, and garbage disposers, based on **15%** of the final selling price of the products, with an additional subsidy of **5%** for products meeting level 1 or higher energy efficiency standards. Each consumer can enjoy a subsidy for one item per product category, with an upper limit of CNY **2,000**. Customers can collect subsidies through the "Jingtong" app, for both online and offline purchases, and make queries on the specific merchant list. For the qualification for subsidies and related regulations, refer to the *Implementation Rules on Trade-In Subsidies for Home Appliances in Beijing of 2025*.



Shanghai: Two action plans to boost the consumer market

- In March 2025, the Shanghai Municipal Commission of Commerce issued the *Notice on the Issuance of the 2025 Action Plan for Expanding Consumption in Shanghai* (the Action Plan), which focuses on supply-side innovation, consumption-side incentives, and **consumption environment optimisation**, and gives full play to the strengths (large market size, diversified consumption scenarios, and concentrated high-end factors) of Shanghai as an international consumption centre. The Action Plan aims to further improve the accuracy and effectiveness of **consumption expansion policies** based on a combination of government guidance and market mobilisation. The Action Plan also aims to actively promote services consumption, bulk consumption, foreign consumption, and innovative consumption, vigorously develop the initial launch economy, silver economy, night-time economy, and ticket economy, and form a consumption expansion pattern where demand drives supply and supply boosts demand. It strives to better stimulate consumption potential, and stabilise and improve the quality and quantity of consumption across Shanghai, so as to give full play to the role of consumption in stabilising growth, promoting innovation, strengthening functions, and benefiting people's livelihoods.



Province-level measures to improve consumption^a

While there are multiple measures being introduced at the national level to boost consumption, measures are also being introduced at the provincial level to accelerate the consumption recovery.



Tianjin: Developing the retail and winter sports economy to form a "big consumption" landscape

- In March 2025, the Tianjin Municipal Bureau of Commerce and 12 other departments issued the *Implementation Plan for Improving the Modern Commercial and Trade Circulation in Tianjin to Promote the High-Quality Development of Wholesale and Retail Sector*, actively introducing global high-quality goods and services, cultivating local brands, and focusing on promoting the initial launch economy to incorporate new consumption scenarios into the commercial, cultural and tourism industries. It also strives to build a Haihe Economic Consumption Belt by continuously optimising the spatial layout of "circles, streets, buildings, stores, and networks," so as to expand consumption space and gather commercial resources for the construction of international consumption centres.
- In March 2025, the General Office of the People's Government of Tianjin Municipality issued the *Implementation Plan for Promoting the Development of Winter Sports and Stimulating the Vitality of the Winter Sports Economy in Tianjin* (the Plan), which calls for the vigorous development of characteristic **winter sports** tourism by encouraging tourism and sports enterprises to develop winter sports tourism routes featuring "winter sports + Tianjin cultural heritage" and winter sports tourism products, and integrating such products into the Beijing-Hebei winter sports tourism routes. The Plan also requires promoting the construction of ski resorts in the northern mountainous areas as nationally renowned winter sports tourist destinations that integrate various fitness, leisure, and sports facilities and files, and supports the construction of winter sports-themed tourist attractions in areas such as Xiaying Town and Luozhuangzi Town in Jizhou District, with the aim of developing winter sports experience spaces, and exploring new patterns, new scenarios, and innovative performance activities for the development of winter sports tourism.
- In April 2025, the General Office of the People's Government of Tianjin Municipality issued the *Action Plan for Building a "Big Consumption" Landscape in Tianjin* (the Plan), which specifies 16 key tasks across three areas. The first one is promoting the expansion and upgrade of commodity consumption, with a focus on 5 areas: promoting and upgrading commodity consumption, creating new consumption patterns and models, enhancing consumer brand influence, promoting the integration of domestic and foreign trade development, and expanding and optimising online consumption platforms. The second task is to tap into the potential of services consumption, with a focus on 6 areas: revitalising life services consumption, developing high-quality global cultural and tourism consumption, stimulating the vitality of sports consumption, enriching the supply of health and elderly-care consumer goods, improving the quality of education and training consumption, and supporting the upgrade and expansion of residential consumption. The third is to improve the quality and efficiency of productive consumption, with a focus on 5 areas: enhancing the distribution and allocation of commercial services, developing featured financial services, strengthening the innovative design industries, accelerating the upgrade of shipping logistics, and enhancing professional service capabilities.



Issuance of government coupons/vouchers to promote domestic consumption^{ab}

Local government consumer vouchers, which became popular during the post-Covid era, are designed to stimulate local consumption. They are generally very large and time-limited.

These coupons are usually lifestyle-related, covering cars, sports, entertainment and tourism, among other areas. Some are for special local items and are issued during holidays, such as Haikou's consumer vouchers for duty-free products and Nanjing's Crab Festival vouchers. The total amount of coupons funded by a local government in one issuance varies from CNY 5 million to CNY 500 million.

The consumer vouchers distributed in Macau SAR can be used more widely, with the per capita amount also being higher. However, specific statistics are not available for these.

Consumer coupons issued in key cities in 2025

Government	Main policy/stimulus	Amount (in CNY 10,000)
Beijing	Car coupons, Beijing Film Festival food coupons	> 3,500
Changchun	"Vitality Changchun · summer shopping coupons"	> 4,650
Changsha	Automobile consumption promotion, "Exercise subsidy" sports coupons	> 1,380
Chengdu	"Foodie in Chengdu" catering coupons, automobile consumption promotion	> 5,000
Chongqing	(Chongqing) International consumption festival, film coupons, Chongqing low altitude flight consumption week	> 9,050
Dalian	Spring livelihood coupons	> 3,000
Dongguan	New Year promotion, electronic coupons, and trade-in activities of consumer goods	> 30,000
Foshan	Home decoration and kitchen & bathroom "renewal" campaign	> 20,000
Fuzhou	Commercial and trading coupons	> 1,000
Guangzhou	"Dining in Guangzhou" catering coupons	> 3,000
Haikou	Duty-free coupons and childcare coupons	> 1,800
Hangzhou	Subsidies for automobile promotion, "Spring Festival" supermarket coupons	> 15,300
Hefei	Automobile subsidies and livelihood coupons	> 1,900
Jinan	Automobile coupons, subsidies for "renewal" of home fixtures and appliances	> 3,200
Nanjing	Taopiaopiao & MaoYan Movie coupons, car consumption Subsidy	> 5,000
Nantong	Coupons for the "Nantong Having Fun" campaign and the "Nantong Big Shows" events	> 1,000
Ningbo	Delivery coupons for new household items	> 16,000
Qingdao	Catering coupons, "2025 Summer in Qingdao" car consumption subsidies	> 5,500
Shanghai	"Fun · Shanghai" service coupons	> 50,000
Shenyang	2025 spring livelihood coupons and summer car coupons	> 11,000
Shenzhen	Electronic coupons, 3C digital coupons, movie coupons	> 4,800
Suzhou	Sports coupons, cultural and tourism subsidies - digital reading coupons, car purchase subsidies	> 1,245
Taiyuan	New Year consumption promotion activities, "Consumption in Shanxi · Joyful Life" coupons	> 1,500
Tianjin	"Shopping in Tianjin" catering coupons, car coupons, "Tianjin Shopping Festival"	> 800
Wuhan	"Great Deals in Hubei" retail catering coupons, "Reunion and Dish" government meal vouchers, cultural and tourism coupons, online platform meal vouchers, sports venue coupons, winter sports coupons	> 10,000
Wuxi	"Joyful holiday in Wuxi" spring consumption gift package and "Discounts in Wuxi" car coupons	> 15,000
Xiamen	2025 Xiamen Spring Festival consumption coupons	> 1,000
Xi'an	Sports and electronic coupons, "movie + food" coupons, Xi'an Hanfu season campaign	> 2,700
Zhengzhou	Car coupons, "New Year's Eve" coupons, cultural and commercial coupons, cultural and tourism coupons, and youth coupons	> 4,840
Hong Kong SAR	The Hong Kong SAR government suspended the plan for coupons distribution in 2025	No specific statistics
Macau SAR	The Macau SAR government continues to implement a cash sharing plan in 2025, distributing batches of MOP 10,000 per permanent resident and MOP 6,000 per non-permanent resident.	No specific statistics

Note: a. The amounts set out in the list are not exhaustive and are based on publicly available data. For specific statistics regarding provincial and municipal fiscal expenditure on consumer vouchers, it may be necessary to consult local government websites, announcements or reports.
b. Statistics may vary depending on region, time, policy and other factors.



Interest rate reductions to encourage spending^a

In addition to the policies issued by various government departments, the PBOC and other financial regulators have adjusted interest rates to stimulate consumption based on national economic conditions.



Loan interest rates

The National Interbank Funding Center announced the Prime Rate (LPR) on 20 June 2025

- As of 20 June 2025, the LPR is 3.0% for 1 year term, and 3.5% for term over 5 years. The above LPR is valid until the next LPR release.



Deposit interest rates

Multiple banks announced a reduction in deposit interest rates

- In May 2025, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of Communications, Postal Savings Bank of China, and China Merchants Bank announced a reduction of interest rates for various types of deposits, with a maximum reduction of 25 basis points (BP). Interest rates for one-year deposits have all fallen below 1%. Fixed deposit and withdrawal products with a two-year or less term have been reduced by 15 basis points compared to the previous period, while three-year and five-year products have been reduced by 25 basis points, respectively, to 1.25% and 1.3%.



Medium-term lending facility (MLF)

The PBOC released an announcement on MLF bidding in June 2025

- To maintain sufficient liquidity in the banking system, on Wednesday, 25 June 2025, the PBOC conducted a CNY 300 billion MLF operation. The operation had a term of one year and was carried out via fixed quantity, interest rate bidding, and multiple price winning methods.



Appendix



- **Consumer & retail brand index**
- **Source citations**



Consumer & retail brand index (1/4)

Brand ^a	Headquarters	Sub-sector ^b	Description
Hermes	France	Luxury and fashion	Provides clothing, leather products, perfumes, clocks and watches, and jewellery
Bottega Veneta	Italy	Luxury and fashion	Provides leather products, ready-made clothing, footwear, watches, jewellery, textiles, and writing supplies
Kering	France	Luxury and fashion	Engages in high-end fashion brand management and provides related consumer goods
Ralph Lauren	US	Luxury and fashion	Provides clothing, accessories, home furnishings, and perfumes, and engages in hotel management
Richemont	Switzerland	Luxury and fashion	Engages in the design, manufacturing, and distribution of watches and jewellery in the luxury goods industry
LVMH	France	Luxury and fashion	Provides clothing and footwear, jewellery, rough diamonds, loose diamonds, accessories and choice goods
Molli	France	Luxury and fashion	Provides clothing and footwear, jewellery, rough diamonds, loose diamonds, accessories and choice goods
Maison Margiela	France	Luxury and fashion	Provides clothing, accessories, and particularly perfume
Pop Mart	Chinese Mainland	Luxury and fashion	Engages in the design, development, and sale of art toys
Yuyuan Jewelry Fashion Group	Chinese Mainland	Luxury and fashion	Focuses on jewellery and fashion business and engages in the R&D of gold, jewellery, and metal products
TikTok Shop	Chinese Mainland	Apparel and footwear	Operates a closed-loop business model of “short-video marketing + live e-commerce + independent stores,” and supports cross-border and local warehouse shipments
Duozhuayu	Chinese Mainland	Apparel and footwear	An online trading platform in the circular economy that focuses on second-hand goods
Hongbulin	Chinese Mainland	Apparel and footwear	An online trading platform in the circular economy centring on second-hand luxury goods, covering a wide range of trendy and fashion products such as bags, footwear, clothing, jewellery, and watches
Li-Ning	Chinese Mainland	Apparel and footwear	Engages in the R&D, design, and sale of professional and casual sports shoes, clothing, equipment, and accessories under the Li-Ning brand

Note: a. Includes companies mentioned in the report; b. Defines the sub-sector in relation to which the company is discussed in the report.

Consumer & retail brand index (2/4)

Brand ^a	Headquarters	Sub-sector ^b	Description
Comefly Outdoor	Chinese Mainland	Apparel and footwear	Operates Mobi Garden and engages in tent OEM/ODM business
Puma	Germany	Apparel and footwear	Engages in the design, development, sale, and marketing of shoes, textiles, and accessories
TEMU	Chinese Mainland	Apparel and footwear	Provides cross-border e-commerce platform services
Toread	Chinese Mainland	Apparel and footwear	Engages in the R&D and sale of outdoor products, as well as chip business
SHEIN	Chinese Mainland	Apparel and footwear	Engages in the design and sale of fast fashion products, providing a wide range of clothing, footwear, bags, and other fashion accessories
Yunzhongma	Chinese Mainland	Apparel and footwear	Engages in the R&D, production, and sale of synthetic leather
Bawei Biotechnology	Chinese Mainland	Health and beauty	Engages in the R&D, production, sale, and testing of cosmetics
Biokin Pharmaceutical	Chinese Mainland	Health and beauty	Engages in the R&D, production, and sale of innovative biopharmaceuticals, chemical pharmaceutical preparations, and Chinese patent medicine preparations
Hourglass	UK	Health and beauty	Engages in the R&D and sale of high-end beauty products
Hanshu	Chinese Mainland	Health and beauty	Engages in the production and sale of cosmetics, including skincare, makeup, and other products
Florasis	Chinese Mainland	Health and beauty	Engages in the R&D, production, and sale of cosmetics, including makeup, skincare, and other products
Louis Vuitton	France	Health and beauty	Provides products in various sectors, including wine and spirits, fashion and leather goods, perfumes and cosmetics, watches and jewellery, and high-end retail
MAOGEPING	Chinese Mainland	Health and beauty	Engages in the R&D, production, and sale of skincare products, and provides makeup skills training
Marubi	Chinese Mainland	Health and beauty	Engages in the R&D, design, and sale of cosmetics, including eye care, facial care, and other products

Note: a. Includes companies mentioned in the report; b. Defines the sub-sector in relation to which the company is discussed in the report.

Consumer & retail brand index (3/4)

Brand ^a	Headquarters	Sub-sector ^b	Description
Kweichow Moutai	Chinese Mainland	Food and beverage	Mainly engages in the production and sale of Maotai liquor and Maotai sauce-flavoured series liquor
FRESHIPPO	Chinese Mainland	Food and beverage	Engages in online and offline sales of pet food and supplies, clothing, daily necessities, and other merchandise
Jiugui Liquor	Chinese Mainland	Food and beverage	Engages in the production and sale of a series of Fuyu-flavour Baijiu products
Sam's Club	US	Food and beverage	Engages in online and offline product sales to members
Wuliangye	Chinese Mainland	Food and beverage	Engages in the production and sale of alcohol products and in related business (such as bottle caps, trademarks, logos, and packaging products)
New Hope	Chinese Mainland	Food and beverage	Operates in the modern agriculture, animal husbandry, and food industries, with business covering the entire industry chain from feed production and pig farming, to food processing
Anjoy Foods	Chinese Mainland	Restaurants	Engages in the R&D, production, and sale of frozen prepared foods, frozen dishes, and frozen noodles and rice products
Goodme	Chinese Mainland	Restaurants	Offers fruit tea, milk tea, and coffee
Haidilao	Chinese Mainland	Restaurants	A chain restaurant providing high-quality services and specialty hot pot
Burger King	US	Restaurants	Offers hamburgers, French fries, soft drinks, milkshakes, and desserts
Siblings Potato Noodles	Chinese Mainland	Restaurants	Engages in catering management and food-related fields
JD.com	Chinese Mainland	Restaurants	Engages in retail, with business covering logistics, technology, health, and new business sectors
Cotti Coffee	Chinese Mainland	Restaurants	Offers coffee, beverages, ice cream, and hot dogs
Auntea Jenny	Chinese Mainland	Restaurants	Offers freshly made grain drinks and trendy fruit drinks

Note: a. Includes companies mentioned in the report; b. Defines the sub-sector in relation to which the company is discussed in the report.

Consumer & retail brand index (4/4)

Brand ^a	Headquarters	Sub-sector ^b	Description
Meituan	Chinese Mainland	Restaurants	Focuses on local core businesses, including take-away business, in-store catering and hotel & travel business, and instant retail business (Meituan Instant Shopping)
MIXUE	Chinese Mainland	Restaurants	A chain store offering ice cream and tea drinks
Tastien	Chinese Mainland	Restaurants	Engages in the R&D and production of Chinese hamburgers, and operates chain stores
Taobao Instant Shopping	Chinese Mainland	Restaurants	Focuses on meeting users' needs for convenience and cost-performance through instant retail
Haier Group	Chinese Mainland	N/A	Operates three core businesses: smart home, industrial Internet, and biomedicine
Haier Consumer Finance	Chinese Mainland	N/A	Provides consumer finance services, with a focus on sub-sectors such as home appliances, home furnishings, education, and healthcare

Note: a. Includes companies mentioned in the report; b. Defines the sub-sector in relation to which the company is discussed in the report.

Source citations (1/7)

No.	Publication title	Publisher	Publication date
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2	"Surveyed urban unemployment rate generally stable in the second quarter," said Wang Pingping	National Bureau of Statistics	July 2025
3	Deputy Director of the National Bureau of Statistics Answers Journalists' Questions on National Economic Performance in the First Half of 2025	National Bureau of Statistics	July 2025
4	Analysts react to increase of US consumer prices in June	Reuters	July 2025
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6	Total retail sales of consumer goods up 4.8% in June 2025	National Bureau of Statistics	July 2025
7	Revitalised South Korea-China relations boosts market confidence, with the duty-free industry expecting the return of Chinese tourists	Asia Daily	June 2025
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