“Driving domestic consumption will be key to China’s economic recovery in the second half of 2020. Mintel’s research shows consumer finances are not falling apart even though two thirds of people have experienced some loss of income after the outbreak. The traditional mindset of ‘spend within their means’ has proved to be ever more relevant to Chinese now.”

– Ruyi Xu, Head of Reports, North Asia

This report looks at the following areas:

- How well has China’s economy been performing since the outbreak?
- How is consumer spending confidence changing since the outbreak and what has changed since Mintel’s Q1 findings?
- Which consumer segments are being more affected and what is the difference in their financial priorities?
- What market opportunities and business implications are there for companies to learn from?

China’s GDP has staged an impressive comeback with a 3.2% year-on-year growth in Q2, becoming the first country to emerge from the fallout of COVID-19. This shows the fundamentals of the economy remain solid and resilient, a strong opinion shared in Mintel’s Q1 review.

With more attention to driving domestic demand, disposable income and cost of living remain the most important factors on consumer spending confidence. Mintel’s research has revealed that despite seeing reductions in household income, consumers are adapting their spending habits with more prudence rather than letting their finances fall apart. Furthermore, trading down to cheaper brands is the least preferred way to manage their spending. People are more likely to cut discretionary expenditure than buy inferior products on essentials.
The economy staged a comeback in Q2
Figure 1: Summary of key economic indicators, China, January-July 2020

Mintel's predictions about recovery have been close to market reality
Figure 2: Monthly growth of total retail sales of consumer goods and foodservice in China, March 2018-July 2020
Figure 3: Growth rate of retail sales, by key sector, 2019-July 2020

Consumers are adapting spending to changes in income
Figure 4: Changes in source of income after COVID-19, May 2020
Figure 5: Current financial situation, 2016-20

Confident about the long term
Figure 6: Confidence in improving future financial situation, 2016-20

Financial priorities haven’t changed that much
Figure 7: Financial priorities in the next 12 months, % very important, 2019-20

Focusing on the core rather than spending on everything but cheaper products
Figure 8: Ways to improve financial situation during and after the outbreak, May 2020

COVID-19 China Context
Figure 9: Status of returning to work and restrictions in neighbourhood access, March-August 2020

State of the Economy
GDP returned to growth in Q2 after Q1’s contraction
Figure 10: Quarterly growth of GDP in China, Q1 2000-Q2 2020

PMI shows good four months in expansion
Figure 11: Monthly Purchasing Managers’ Index, China, January 2018-July 2020

Imports and exports value started to show early signs of recovery
Figure 12: Growth in total value of imports and exports, China, January 2007-June 2020

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Seasonal factors have driven up food prices but CPI is overall under control
Figure 14: Consumer Price Index, China, January 2000-July 2020

Decline in real income may drive importance of precautionary saving
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Retail spending on track to recovery but speed is slowing down
Figure 16: Monthly growth of total retail sales of consumer goods and foodservice in China, March 2018-July 2020
Consumer Spending Sentiment - Q2 - China - August 2020

How well recovery has taken place against Mintel predictions so far

What Mintel predicted in Q1

What has happened so far

Figure 17: Growth rate of retail sales, by key sector, 2019-July 2020

Short, medium and long term of consumer spending

Figure 18: Summary of overall consumer spending in the short, medium and long term, April 2020

Impact of COVID-19 on Household Income

Two thirds of respondents indicate reduced income

Figure 19: Changes in source of income after COVID-19, May 2020

Current Financial Situation

Consumers are adapting spending to change in income status

Figure 20: Current financial situation, 2016-20

Civil servants and foreign enterprise employees have more potential to spend

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Consumers are more confident about the long term

Pessimism has been continuously declining

Figure 22: Confidence in improving future financial situation, 2016-20

Financial Priorities

Nothing has fundamentally changed

Figure 23: Financial priorities in the next 12 months, % very important, 2019-20

Under-40s have more on their shoulders but are not giving up self-indulgence

Figure 24: Financial priorities in the next 12 months, % very important, by age, May 2020

Factors Impacting Spending

Employment and investment performance matter more after COVID-19

Figure 25: Spending influencing factors, 2019 and 2020

Ways to Improve Finances

Spending smartly rather than trading down

Saturnbird’s success shows how brands could do

Figure 26: Ways to improve financial situation during and after the outbreak, May 2020

Appendix – Methodology and Abbreviations

Methodology

Abbreviations