

# CHINA COVID-19 UPDATE:

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GREEN SHOOTS – Is recovery in sight in China?



Reuter: Communications

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# Introduction

COVID-19 broke out in China just before the Chinese New Year holiday in January 2020 and has severely affected businesses, people and society.

In all cities in China, people took self-imposed home-quarantine for all of February. With the entire country on lockdown, retail sales dipped 20.5%, industrial output declining by 13.5%, and fixed asset investment by close to 25%.

However, as of mid-March, China seems to be on a path of recovery, and business appears to be bouncing back. Analysts expect pent up consumption to contribute to 15% GDP growth in Q2.

Are we finally seeing the green shoots of business springing up in China?

Sources:

<https://www.bloomberg.com/news/articles/2020-03-16/china-manufacturing-and-retail-contract-for-first-time-on-virus>

<https://www.cnbc.com/2020/02/26/jpmorgan-china-gdp-up-15percent-in-q2-after-negative-coronavirus-driven-q1.html>



# Employees are returning to work



Percentage of employees back at work  
as of first week of March:

**Overall: More than 50%**

**Financial services: 96%**

**Food and beverage: 82%**

**Hotels: 82%**

**Retail: 74%**

# Companies have resumed operations



Percentage of businesses that have resumed operations by the second week of March:

**Large companies: ~95%\***

**Small- to medium-sized enterprises: ~60%**

Source: <https://www.scmp.com/economy/china-economy/article/3075314/coronavirus-caused-dramatic-collapse-chinas-economy-warning>

\*Outside Hubei province

# Offline retailers have reopened stores



**Apple** has reopened **all** of its mainland China **stores**.



**Starbucks** has reopened **90% of its 4,200 outlets**.



**Most Uniqlo stores** have reopened.

Sources:

<https://www.cnbc.com/2020/03/17/coronavirus-apple-stores-in-us-closed-until-further-notice.html>

<https://asia.nikkei.com/Business/Food-Beverage/Starbucks-raises-bet-on-China-despite-coronavirus-blow>

<https://www.nytimes.com/2020/03/18/style/coronavirus-clothing-beauty-stores-closed.html>



# Luxury brands are welcoming shoppers again



**Hermès** has reopened **all but two stores.**



**Burberry** has reopened **most stores.**



**Chow Tai Fook** has reopened more than **85% of its 3,600 stores.**

Sources:

<https://www.bloomberg.com/news/articles/2020-02-26/hermes-maintains-double-digit-earnings-growth-thanks-to-fashion>

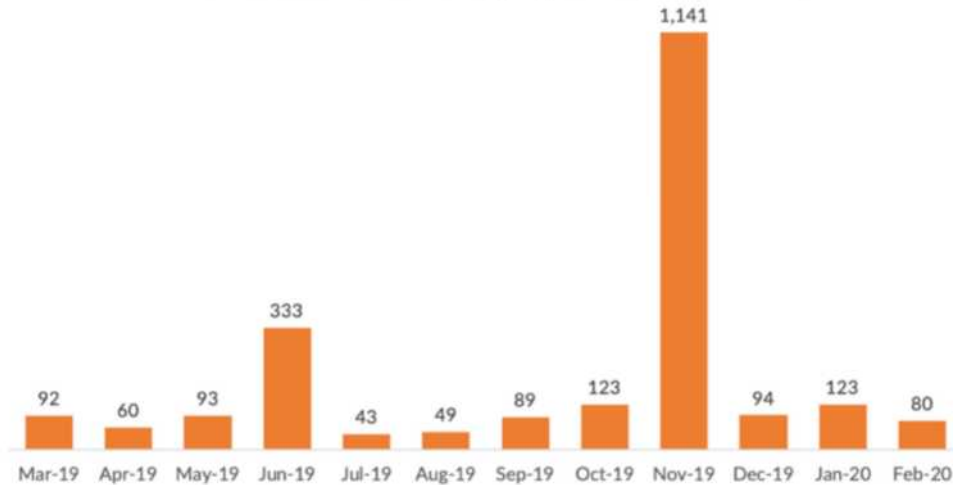
<https://www.nasdaq.com/articles/burberry-reopens-china-stores-there-is-light-at-the-end-of-the-tunnel-but-it-will-get>

<https://fortune.com/2020/03/12/chinese-luxury-industry-rebounds-coronavirus-revenge-spending/>

# Online sales maintain solid pace

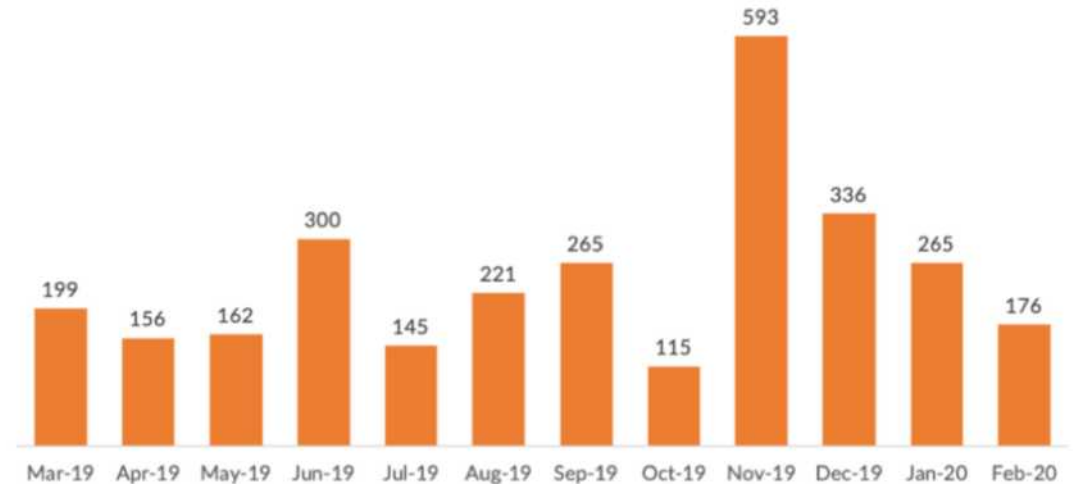
Beauty brands have seen steady sales on Tmall

Tmall sales of Lancôme flagship store (million RMB)



Source: qingbaomofang.com, WalktheChat Analysis

Tmall sales of Perfect Diary flagship store (million RMB)



Source: qingbaomofang.com, WalktheChat Analysis

Sources:

<https://walkthechat.com/is-chinas-e-commerce-industry-already-bouncing-back-after-coronavirus-epidemic/>

# Beauty performed strongly during Tmall International Women's Day

Many **high-end beauty brands**, such as Shiseido, Lancôme, Estee Lauder, Laneige and SK-II, who took part in Tmall's 8 March promotion saw a **200% increase in sales** thanks to discounts and express delivery returns.

**Elizabeth Arden** sold **USD21.6 million** worth of product during the promotion, accounting for a quarter of its 2019 total sales.



Sources:

[https://mp.weixin.qq.com/s/7-NuUFJPdEknY4YSA9\\_-hw](https://mp.weixin.qq.com/s/7-NuUFJPdEknY4YSA9_-hw)

<https://www.globaltimes.cn/content/1182528.shtml>



# Brands live-stream for International Women's Day

**+60% increase in live-streaming** since the start of the outbreak.

Close to **1,000 fashion, beauty and lifestyle brands live-streamed** via WeChat Mini-Programs as part of International Women's Day promotions. As a consequence, WeChat Mini-Program **social commerce traffic** has **increased** by **83%**.



Sources:

<https://mp.weixin.qq.com/s/-twwpNpIVelnnZwgNzq5sw>

# International Women's Day campaigns see success even offline



For International Women's Day on 8 March, 2020 Parkson Mall in Kunming held a mall-wide promotion.

Sources:

<https://m.weibo.cn/6795333222/4480328330369993>

# Fashion turns to digital



**Shanghai Fashion Week** will see some **150 brands** are expected to **live-stream** their autumn 2020 collections in late March.



**WWD China** is holding a 6-week-long online-only sustainability-themed campaign, including a **digital fashion week** and a summit between March and April.

Sources:

<https://wwd.com/business-news/technology/the-show-must-go-on-shanghai-fashion-week-unveils-online-schedule-1203541657/>

<https://wwd.com/business-news/media/wwd-china-announces-sustainable-digital-fashion-week-summit-1203538756/>



# Offline events are in the calendar



Canton Fair, China's biggest trade show, will run from late April to early May in Guangzhou.



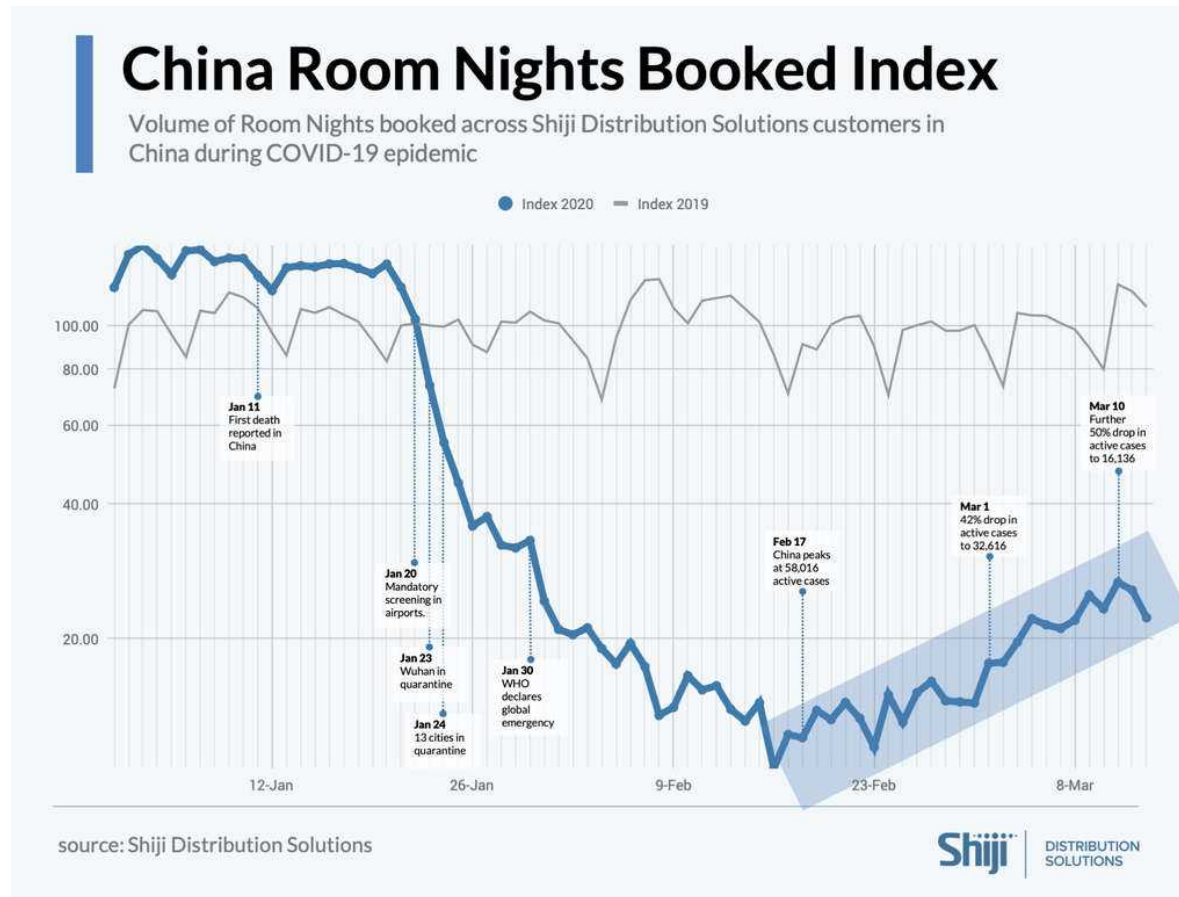
According to industry insiders, Dior and Hermès are going ahead with offline events in September.

Sources:

<https://www.scmp.com/economy/china-economy/article/3074843/coronavirus-china-push-ahead-canton-fair-despite-pandemic>

<https://wwd.com/fashion-news/fashion-features/chinese-fashion-industry-80-percent-on-track-to-recover-1203540674/>

# Travellers are planning and booking trips



According to online travel company Tongcheng-Elong, during 23 February – 1 March compared to the week before, the platform saw:

**40% growth in daily bookings for hotels**

**230% growth in daily bookings for domestic flights**

**250% growth in domestic flights for the month of June**

Sources:

<https://www.bloomberg.com/news/articles/2020-03-06/travel-demand-is-rebounding-in-china-as-virus-worry-recedes>

<https://www.hospitalitynet.org/news/4097590.html>



# Both domestic and overseas destinations remain desirable

A recent survey conducted by the Pacific Asia Travel Association, IVY Alliance, and China Comfort Travel, found that:

**87% plan to travel in 2020** (32% in July-August).

Top 10 domestic destinations include Sanya, Chongqing, Chengdu, Beijing, Xiamen, Shanghai, Xi'an, Hangzhou, Qingdao and Nanjing.

The top 10 overseas destinations include Japan, Thailand, Europe, Maldives, Singapore, New Zealand, the United States, South Korea, Sri Lanka and Malaysia.

**Health and safety is travelers' biggest concern**, who also expect travel agencies and destination authorities to take all necessary measures and share relevant information transparently.

Sources:

<http://patachina.cn/news/news-mar-18>





# IN SUMMARY

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- As domestic cases of COVID-19 in China have continuously declined to ultimately zero new cases, many aspects of life across most cities are returning to normalcy.
- The number of imported cases appears to be increasing, which is an increasing threat that requires close monitoring.
- As China is on a road to recovery, brands are reactivating their marketing and communications.
- Online sales, travel bookings and offline store foot traffic are all recovering as consumers have started to release their pent up consumption of the past two months.

# Thank You

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