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Bi-annual Report on the Consumer & Retail Sector in China, 2026 H1

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



毕马威中国研究院
KPMG CHINA RESEARCH CENTRE

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September 2026



Contents

Macro-economic landscape 04

Sector impact of recent market dynamics 11

Sub-sector trends 17

- Luxury & fashion 17
- Apparel & footwear 20
- Health & beauty 24
- Food & beverage 28
- Restaurants 31

Deal scenarios 35

Recent tax updates in China 41

Forward-looking policies to boost consumption 45

Appendix 52

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Summary

In H1 2026, amid a slowing global economy, China pursued targeted and proactive macroeconomic policies, delivering 4.7% YoY GDP growth while advancing its high-quality development agenda. Boosting domestic demand remained a top priority for the third consecutive year, as emphasised at the Central Economic Work Conference and reaffirmed in the Government Work Report. Policy efforts were increasingly focused on improving efficiency and fostering sustainable income growth. Retail sales of goods and services grew 2.7% YoY, underscoring the growing parity between goods and services consumption.

Against a backdrop of expanding domestic demand, the luxury and fashion sector continued to grow, underpinned by significant structural shifts. The apparel and footwear industry embraced AI and digital tools to streamline operations, enabling flexible, on-demand manufacturing. The health and beauty sector stepped up R&D investment in ingredients, steadily expanding the pool of domestically developed raw materials. In food and beverage, science-backed innovation combined with emotional resonance to shape new consumer trends. Meanwhile, the restaurant industry pivoted from rapid expansion towards quality-driven growth, focusing on diversified experiences, global expansion and technology-driven operations across the value chain.

With consumption-stimulus policies gaining momentum and targeted initiatives taking effect, the supply of premium products is set to grow in step with rising household purchasing power. This dynamic environment offers businesses a clear opportunity to benefit from China's consumption boost. By gaining deeper insight into the market, anticipating emerging trends and meeting diverse consumer needs, companies can achieve sustainable, high-quality growth.

Sub-sectors covered in this report



Luxury & fashion



Apparel & footwear



Health & beauty



Food & beverage



Restaurants

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Macro-economic landscape

In H1 2026, China continued to make steady, high-quality progress, with GDP expanding 4.7% YoY, in line with the government's growth target.

Intensified local efforts to stimulate consumption, together with cultural and tourism activity during key holidays such as the Spring Festival and Labour Day, supported growth in service consumption and shift towards higher-value goods. Final consumption expenditure contributed 2.1 percentage points to GDP growth. Moderate inflation also helped stabilise corporate profits, market confidence and employment, while supporting income growth and keeping consumer spending afloat.

The economic fundamentals underpinning sustained improvement remained strong in the first half of the year. As more targeted macroeconomic policies took effect, the supply of high-quality consumer goods continued to expand. With consumer confidence and purchasing power on the rise, the vast potential of China's large domestic market was further unlocked, laying a solid foundation for meeting the annual growth targets.



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The economy operated within a reasonable range, maintaining a stable and improving trend H1 2026

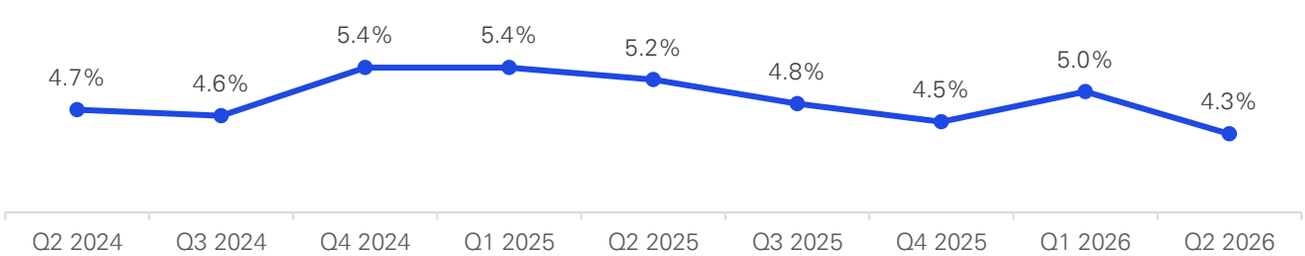


GDP

In H1 2026, China implemented more proactive and effective macroeconomic policies, supporting a smooth transition towards new growth drivers. GDP grew 4.7% YoY, in line with the full-year growth target. Compared with H1 2025, GDP expanded by RMB 3.6 trillion—the largest first-half expansion in the past five years. Domestically, the government introduced a range of measures to strengthen services-sector capabilities and quality. The services sector contributed 66.1% to economic growth, cementing its position as the main engine of expansion.[1]

Looking ahead, China will continue to prioritise high-quality development in the second half of the year. Policy attention will centre on counter-cyclical adjustments, the full implementation of existing measures and the preparation of additional policy tools to sustain and reinfo

China's GDP growth, Q2 2024-Q2 2026 (%)

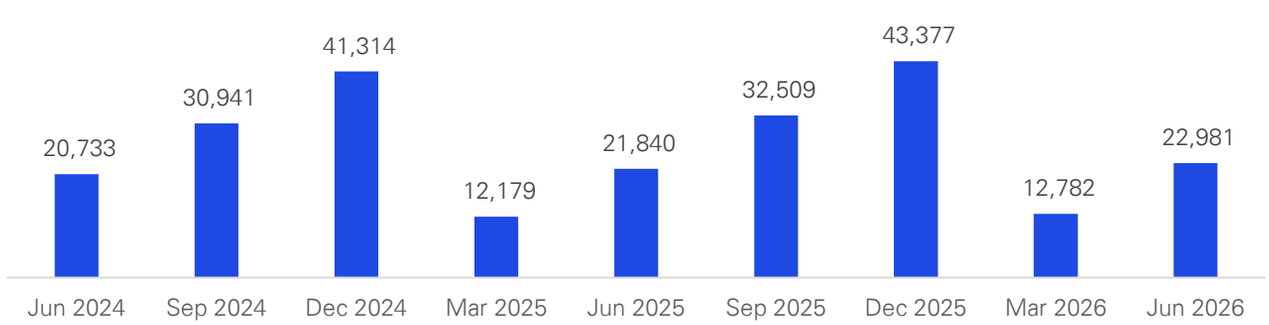


Source: National Bureau of Statistics, KPMG analysis

Per capita disposable income

In H1 2026, per capita disposable income reached RMB 22,981, up 5.2% YoY in nominal terms (4.2% after adjusting for inflation). Per capita net operating income grew faster than overall disposable income, rising 6.5% YoY—1.3 percentage points higher than the overall growth rate. This was largely driven by strong performance in culture and tourism, together with robust growth in transport, accommodation and catering. On employment, the average surveyed urban unemployment rate stood at 5.2% in H1, unchanged from a year earlier. Notably, the Q2 rate fell by 0.2 percentage points from Q1. Going forward, policy will focus on an employment-first strategy, supporting entrepreneurship and job creation among key groups to ensure labour market stability.

Disposable income per capita, Q2 2024-Q2 2026 (RMB)



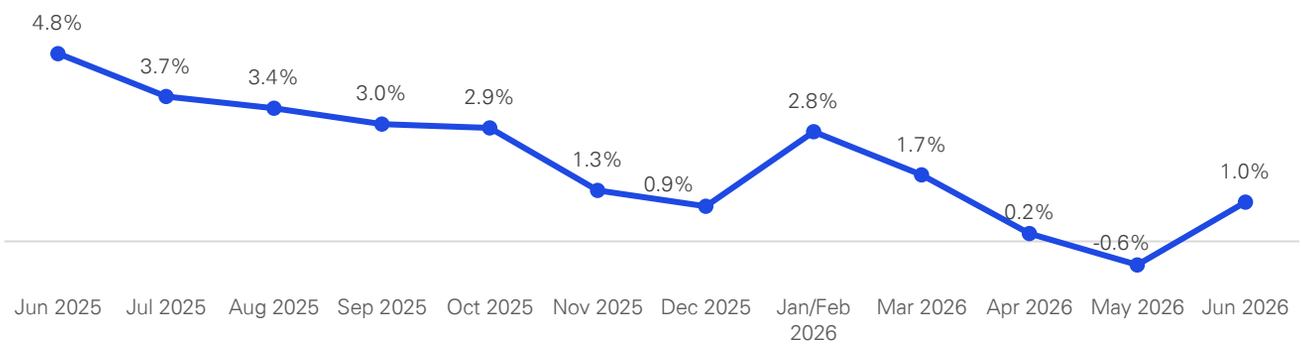
Source: National Bureau of Statistics, KPMG analysis

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Retail sales growth

Driven by intensified consumption campaigns and concentrated holiday spending, China's consumer market continued to expand in H1 2026. Total retail sales of goods and services grew 2.7% YoY, including increase of 1.0 percentage points in June alone. Service consumption became a key growth driver, with retail sales of services up 5.3% YoY—4.2 percentage points ahead of retail sales of goods. Improvements in rural commercial networks and logistics infrastructure also spurred robust consumption in rural areas, where retail sales growth outpaced urban areas by 1.3 percentage points. At the same time, streamlined transit visa-free arrangements, tax refunds for overseas visitors and enhanced mobile payment systems drove a 30.6% YoY increase in arrivals under visa-free arrangements. Duty-free sales in Hainan reached RMB 19.9 billion, up 18.8% YoY. In line with the 15th Five-Year Plan for Expanding Consumption, China will continue to prioritise high-quality, sustainable consumption growth—accelerating structural upgrades and fully unlocking the potential of consumption.

YoY retail sales growth, Jun 2025-Jun 2026 (%)



Source: National Bureau of Statistics, KPMG analysis



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Consumer market expands and upgrades; Smart and green consumption becomes trendy



Supported by strong wedding-related demand, gold's enduring appeal as a store of value, and product and marketing innovation, retail sales of gold, silver and jewellery rose 1.9% YoY in H1 2026. While growth slowed sharply in Q2, the year-on-year decline had narrowed by June, partly reflecting lower global gold prices and the earlier-than-usual pull-forward of demand. Leveraging holiday spending and increased demand for sports and outdoor wear in an event-filled year for sports, retail sales of clothing, footwear, headwear and knitwear surged 6.7% YoY. Sales of wearable smart devices, including smart glasses, soared by over 100%, underscoring the rise of smart consumption.[1]

Premium consumer goods also saw strong growth. Cosmetics sales rose 6.3% YoY in H1, with a notable jump in June driven by the "618" shopping festival. Essential goods remained resilient: retail sales of grain, oil and food products rose 7.4% YoY, and beverage sales were up 6.0%. Health-conscious consumption gained traction, with organic food sales up 5.2%.[4] Restaurant sales grew 2.8% YoY, and revenue at large-scale dining establishments rose 1.8%. To support transformation and sustainable development amid ongoing challenges, the government has introduced targeted policies covering financing, safety regulation and digital innovation to modernise the consumer sector.

Luxury & fashion

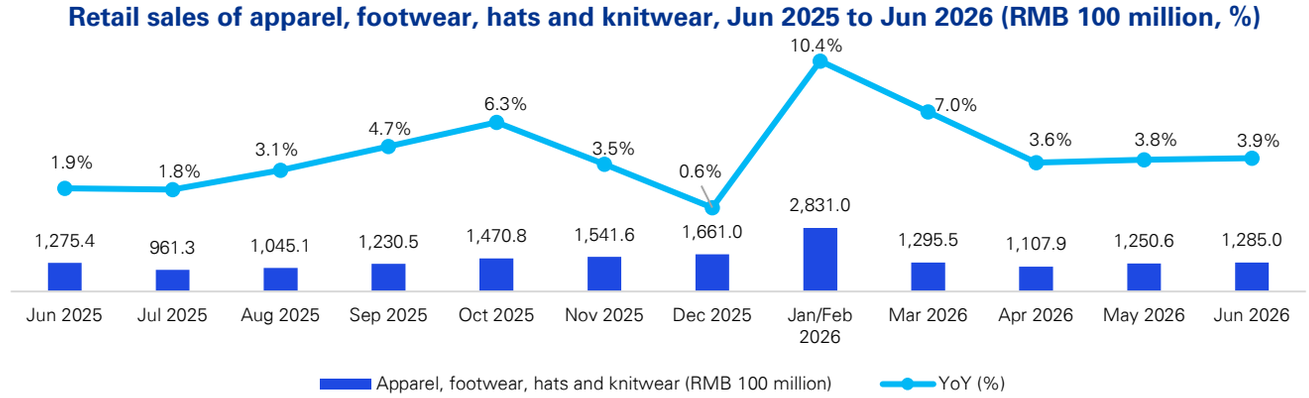
Retail sales of gold and silver jewellery, Jun 2025 to Jun 2026 (RMB 100 million, %)



Source: National Bureau of Statistics, KPMG analysis

Apparel & footwear

Retail sales of apparel, footwear, hats and knitwear, Jun 2025 to Jun 2026 (RMB 100 million, %)



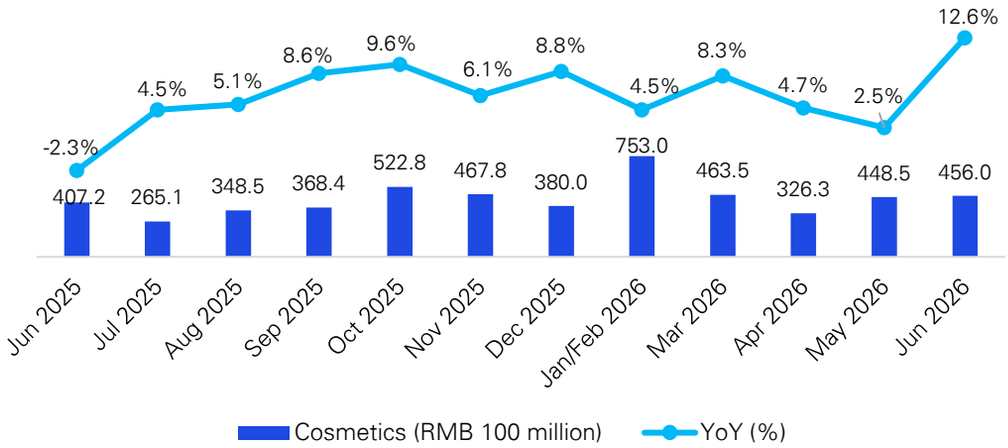
Source: National Bureau of Statistics, KPMG analysis

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Health and beauty

Retail sales of cosmetics, Jun 2025 to Jun 2026 (RMB 100 million, %)

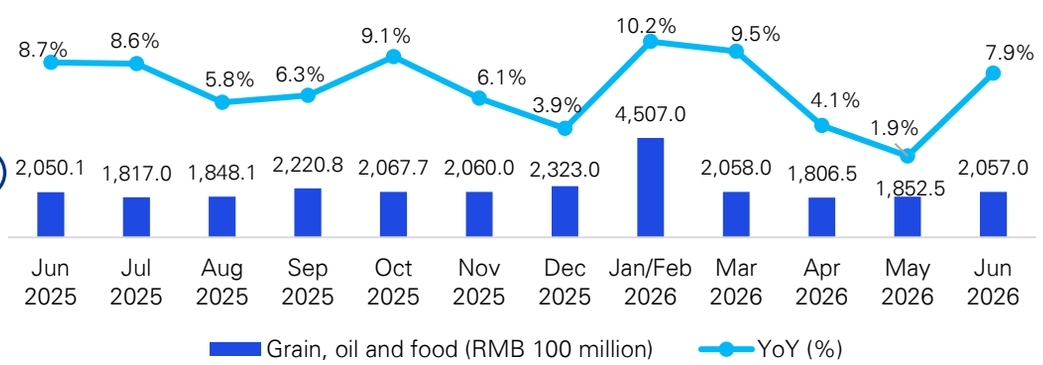
Source: National Bureau of Statistics, KPMG analysis



Food & beverage

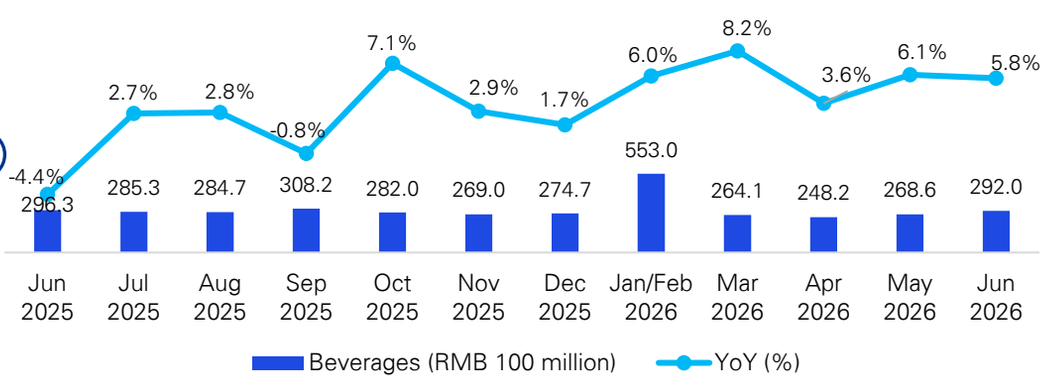
Retail sales of grain, oil and food, Jun 2025 to Jun 2026 (RMB 100 million, %)

Source: National Bureau of Statistics, KPMG analysis



Retail sales of beverages, Jun 2025 to Jun 2026 (RMB 100 million, %)

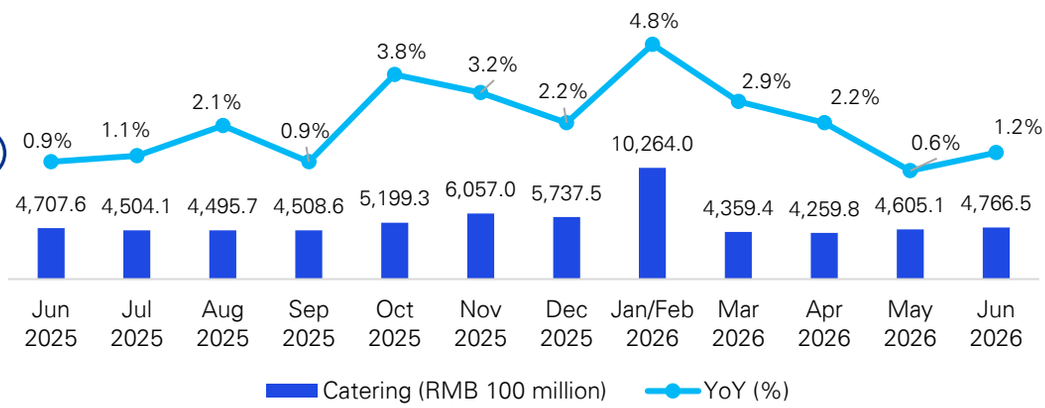
Source: National Bureau of Statistics, KPMG analysis



Restaurants

Retail sales of catering, Jun 2025 to Jun 2026 (RMB 100 million, %)

Source: National Bureau of Statistics, KPMG analysis



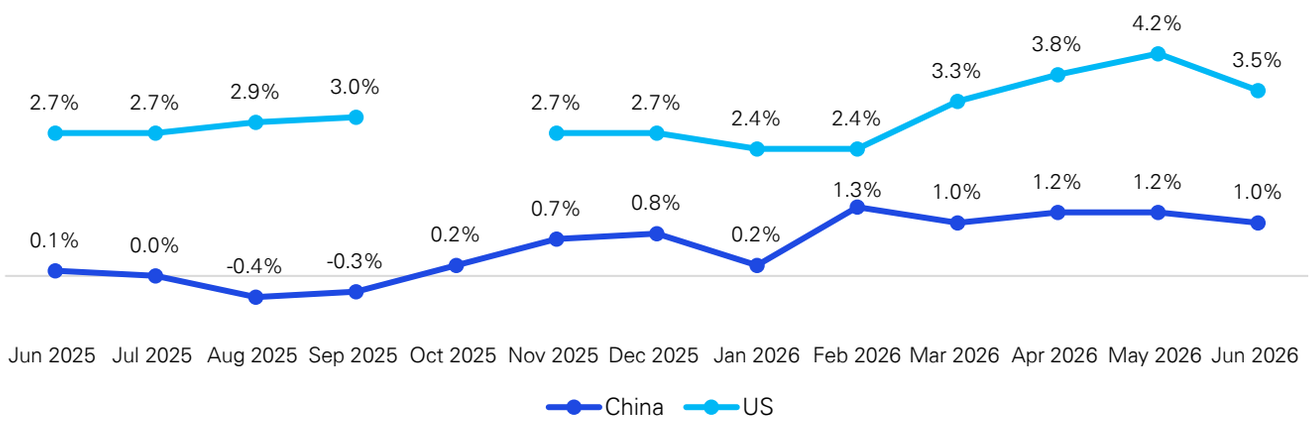
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China sees moderate inflation recovery, while U.S. inflation surges beyond expectations



In H1 2026, China's inflation rebounded modestly. With consumption-stimulating policies fully in place, the Consumer Price Index (CPI) is expected to continue on a gentle upward trend. In contrast, U.S. inflation remained persistently high, far exceeding the Federal Reserve's 2% target.

China and U.S. CPI YoY growth (%), Jun 2025 to Jun 2026



Source: National Bureau of Statistics of China, U.S. Bureau of Labor Statistics, KPMG analysis
*Note: U.S. October CPI data is unavailable due to the government shutdown.

China's CPI rose 1.0% YoY in H1 2026, with the Q2 rate of increase up 0.1 percentage points from Q1. Key factors include:

- **Core CPI (excluding food and energy) continued to climb,** up 1.2% YoY. Monthly readings stayed at or above 1.0% for most of the period, apart from some early volatility around the Lunar New Year, pointing to sustained consumer demand.
- **Energy prices reversed their downward trend. Influenced by global crude oil price movements,** domestic energy prices swung from a 2.5% YoY decline in Q1 to a 3.0% YoY increase in H1, turning energy from a drag of around 0.17 percentage points into a positive contribution of around 0.21 percentage points.[5]
- **Food prices edged down slightly. With supply abundant,** food prices moved from a 0.4% YoY increase in Q1 to a 0.6% YoY decline in H1; rather than adding around 0.08 percentage points, they subtracted roughly 0.1 percentage points from CPI. Pork prices fell 13.4%, a decline 2.1 percentage points wider than in Q1, shaving around 0.26 percentage points off CPI.[5]

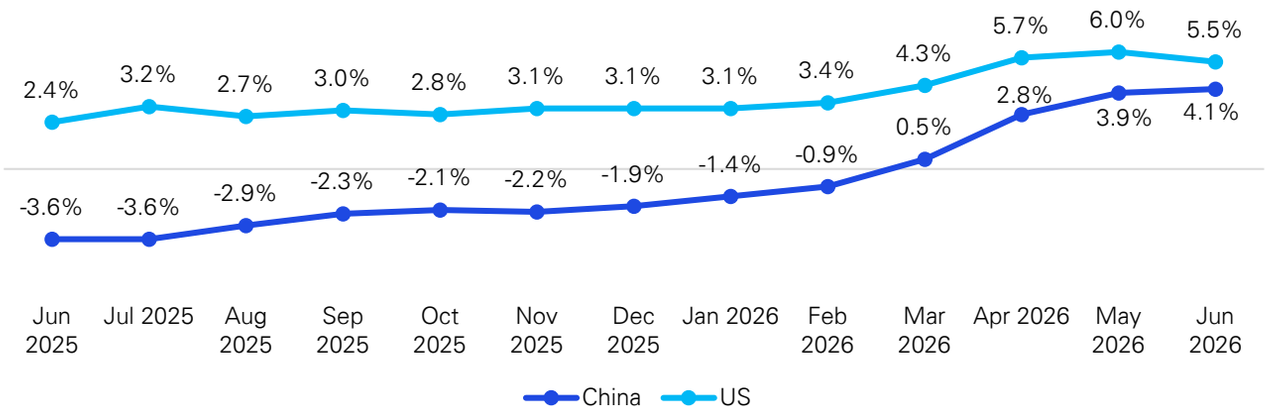
In the U.S., CPI rose steadily through H1 2026 before easing to 3.5% YoY in June, ending three straight months of acceleration:[6]

- **First monthly decline in nearly six years:** CPI fell 0.4% MoM in June, the largest one-month drop since April 2020.
- **Energy was the main contributor to CPI decline:** a 5.7% MoM decline in the energy index—especially a 9.7% drop in gasoline prices—was the main driver of the slowdown. Electricity prices fell 1.0% MoM, while natural gas edged up 1.5% MoM.
- **Food prices edged up:** the food index and the restaurant and catering index both rose 0.2% MoM. Meat, poultry, fish and egg prices climbed 0.6% MoM.
- **Core CPI remained broadly stable, up 2.6% YoY in June and flat MoM.** Declines were recorded in motor vehicle insurance, communications, apparel, used vehicles, medical care and prescription drugs. Shelter costs rose 3.3% YoY, while airfares, medical care, recreation and household furnishings also posted notable gains.

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China's PPI turned positive in H1 2026, while the U.S. PPI continued to rise.

China and U.S. PPI YoY growth (%), Jun 2025 to Jun 2026



Source: China National Bureau of Statistics, U.S. Bureau of Labor Statistics, KPMG analysis

China's PPI rose 1.5% YoY in H1 2026, marking a shift from earlier declines. The year-on-year decline narrowed month by month through January and February before turning positive in March, with growth accelerating gradually thereafter. Key contributors include:

- **Rising international crude oil prices pushed domestic energy-related industries from contraction to growth.** Prices for petroleum and natural gas extraction, petroleum and coal processing, chemical raw materials and product manufacturing, and chemical fibre production rose 8.6%, 3.1%, 3.9% and 1.0% YoY, respectively.[5]
- **Digitalisation, green transformation and industrial integration fuelled demand in key sectors, driving up prices.** Notably, non-ferrous metal mining and processing, and smelting and pressing, posted price rises of 31.7% and 21.9% YoY. Prices for external storage components, electronic materials, wire and cable manufacturing and industrial control systems rose 20.8%, 18.9%, 15.7% and 2.5% YoY, respectively. Biomass fuel processing prices rose 3.6%.[5]

In the U.S., producer-side inflation pressures persisted in H1 2026, with the PPI rising 5.5% YoY in June. Core PPI (excluding food, energy, and trade services) climbed 5.1% YoY. Key June developments include:[7]

- **PPI fell 0.3% MoM,** largely reflecting a 1.4% drop in the final-demand goods index, particularly in energy. The final-demand energy component fell 6.4% MoM, with gasoline prices down 12%. Declines in diesel, jet fuel and crude oil accounted for nearly two-thirds of the fall in the goods index.
- **Upstream raw material prices softened:** the intermediate demand for unprocessed goods fell 4.1% MoM, mainly owing to an 8.1% drop in unprocessed energy materials. The index for unprocessed non-food materials (excluding energy) also declined 1.2%, with only natural gas and scrap steel moving in the opposite direction.
- **Inflation pressures spread unevenly across the production chain.** By stage of production, PPI increased as follows: Stage 1 (raw materials) +11.0% YoY; Stage 2 (manufacturing) +9.8% YoY; Stage 3 (supporting components) +6.8% YoY; Stage 4 (final production) +6.5% YoY. This pattern underscores lingering upstream cost pressures that have yet to be fully passed through to consumer prices, pointing to a widening divergence between producer and consumer price dynamics.

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Sector impact of recent market developments

In H1 2026, expanding domestic demand remained a cornerstone of China's economic strategy, with boosting consumption designated a top priority. The Central Economic Work Conference emphasised a domestic demand-led approach, guiding policy towards greater precision, efficiency and long-term income growth. The consumer market is now entering a new phase, balancing growth across both goods and services.

Supported by a number of favourable factors, the luxury market moved into a period of steady expansion. While foot traffic eased slightly in H1 2026 relative to the Lunar New Year peak, it remained above year-earlier levels. Apparel and footwear consumption continued to evolve, with stronger demand for personalised and diverse offerings. Quality and sustainability became key differentiators. Enhanced digital marketing and greater pricing resilience further consolidated the sector's growth momentum.

The premium beauty industry showed early signs of recovery, driven by AI-enabled innovation and tighter product-safety regulation. In food and beverage, consumers increasingly prioritised ingredient transparency over brand loyalty, fuelling a shift towards "novelty" and "emotional connection". Products emphasising natural ingredients and health benefits—such as nutraceuticals and ready-to-eat meals—experienced strong growth. Meanwhile, shifting consumer expectations spurred innovation in the catering industry, giving rise to new business models. Backed by resilient domestic demand, monthly catering revenue consistently outpaced year-earlier levels, underscoring its key role in the broader consumption recovery.



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Luxury market embraces multiple tailwinds, enters period of stable growth



Market trends	Luxury & fashion	Impact[a]
Economic activities	• In H1 2026, China's economy demonstrated resilience amid heightened geopolitical tensions and a challenging external environment. The consumer sector expanded steadily, with clear changes in consumption patterns. - Total retail sales of consumer goods grew 1.3% YoY, despite a high base in the same period of 2025. Notably, retail sales of gold, silver and jewellery grew 1.9% YoY, outpacing the 1.0% rise in overall goods retail sales.[8] - Final consumption expenditure contributed 2.1 percentage points to GDP growth in H1 2026,[9] driven by deepening stimulus initiatives and concentrated holiday-related cultural tourism spending. These factors fuelled market expansion and enhanced product quality.	Positive
Travel	• Japan's duty-free retail industry is transitioning from relying on tourist volume to boosting per-capita spending. While Chinese mainland tourist arrivals declined sharply—falling 60.7%, 45.2% and 55.9% YoY in January, February and March 2026, respectively—the Japan Tourism Agency reported a 2.5% YoY increase in total foreign tourist spending over the same period. Duty-free sales at three major department store chains recorded four consecutive months of growth.[10] • South Korea's duty-free sales totalled KRW 12.5 trillion (USD 8.4 billion) in 2025, a 49.6% decline from KRW 24.8 trillion in 2019. This drop was partly attributed to the Korean won's depreciation and reduced demand from cross-border personal shoppers from China, according to the Ministry of Economy and Finance.[11]	Neutral
Duty-free	• China's outbound duty-free market continues to evolve. Beijing launched the nation's first online tax-refund store for departing tourists and set up its first centralised hotel-based tax refund service points. As of 2 June 2026, the city had more than 1,800 tax-refund stores that have served over 43,000 international tourists from 163 countries and regions since the start of the year. Tax-refund applications increased by 470% YoY, with sales and refund amounts both up around 50% YoY. In Chongqing, 73 new tax-refund stores were added in H1 2026, bringing the total to 363 and taking the number of "instant refund" stores to 78, with coverage extended across all key commercial areas. • Hainan integrated cultural tourism events, exhibitions, festivals and duty-free shopping in H1 2026 to broaden its customer base across both domestic and international markets. Data from Haikou Customs shows that duty-free shopping sales on the island reached RMB 19.92 billion, with 15.966 million items purchased by 2.793 million shoppers, representing YoY increases of 18.8%, 7.3% and 12.6%, respectively.[14]	Positive
Festival celebration	• Data from Meituan's Instant Retail division revealed a 214% surge in gold jewellery sales on its platform in the lead-up to the Lunar New Year (beginning with the Laba Festival).[15] • During the 2026 Spring Festival holiday (February 15–23), Haikou Customs processed RMB 2.72 billion in duty-free shopping transactions, up 30.8% from the 2025 Spring Festival period.[16] • According to Bernstein's report on Chinese luxury market foot traffic, luxury store traffic across 10 premium malls in Beijing, Shanghai, Hong Kong SAR, and Chengdu was 36% higher during the 2026 May Day holiday than the average of the 2025 Spring Festival and National Day holidays, though it remained 5% below the 2026 Spring Festival level.[17]	Positive
Government functions and policies	• The Government Work Report has emphasised the importance of expanding domestic demand for two consecutive years, with particular focus on the "implementation of initiatives to boost consumption". The 2026 report proposed stimulating consumption through a combination of supporting potential demand and implementing supportive policies.[18] • In July 2026, the State Council approved the 15th Five-Year Plan for Expanding Consumption. The plan aims to expand the overall size of the consumer market by 2030, significantly raise the household consumption rate, accelerate growth in total retail sales of goods and services to approximately RMB 60 trillion, and strengthen consumption's role as a key driver of economic growth.[19] • In May 2026, six ministries, including the Ministry of Commerce, jointly issued the Notice on Strengthening and Optimising Tax Refund Measures for Departing Tourists to Promote Inbound Consumption. This policy—an upgrade to the initial measures in April 2025—focuses on achieving "more stores, less hassle, digitalisation and specialisation" to further streamline the tax refund process for tourists and enhance the inbound consumption environment.[20]	Very positive

Very positive | Positive | Neutral | Negative | Very negative

Note: a. KPMG analysis

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Apparel & footwear market embraces diversification and personalisation, prioritising quality and sustainability



Market trends	Apparel & footwear	Impact[a]
Economic activities	• In H1 2026, apparel & footwear products demonstrated stronger pricing resilience, with the industry exhibiting robust and optimistic growth trajectories. – According to the National Bureau of Statistics, retail sales of apparel, footwear, headwear and textiles by large enterprises increased 6.7% YoY from January to June 2026. National online retail sales reached RMB 10.0715 trillion, up 5.2% YoY, with online sales of clothing up 6.2%.[8] – Customs data indicate that China's textile and apparel exports totalled USD 145.96 billion in H1 2026, reflecting a 1.4% YoY increase. By category, textile exports grew 3.5% to USD 73 billion, while apparel exports edged down 0.7% to USD 72.96 billion.[21]	
Shift in trends	• Government initiatives to stimulate domestic demand continue to focus on niche markets such as the silver-haired economy, outdoor activities, and wellness. Technological innovation, demographic changes, and major sporting events are collectively fuelling growth and transformation within the apparel and footwear industry. – The rapid adoption of generative AI and augmented reality (AR) technologies has moved smart styling from a novel concept to a mainstream experience. Social media analytics show a sharp rise in interest in "AI styling", especially among Gen Z women in Tier 1 and emerging Tier 1 cities, who prioritise efficiency-driven aesthetics and creative self-expression. This group demonstrates high engagement with fashion, technology and lifestyle content.[22] – Data from the National Bureau of Statistics (as of January 2026) show that China's population aged 60 and above reached 320 million by the end of 2025. This ageing demographic has driven strong demand for athletic footwear and sportswear. With more leisure time, greater health consciousness and rising participation in physical activity among middle-aged and older consumers, the silver-haired economy is becoming a key growth engine for the broader consumer market.[23] – FIFA data highlight that Adidas, Nike and Puma together secured nearly 80% of jersey sponsorships among the 48 teams competing in the 2026 FIFA World Cup held in the U.S., Canada and Mexico. Apparel consumption inspired by the World Cup has moved beyond traditional event merchandise, with fans using jerseys, sneakers and caps to express individuality.Limited-edition brand collaborations have also influenced fashion trends.[24]	
Festival celebrations	• Consumer behaviour is undergoing a noticeable shift: self-rewarding consumption is on the rise, while impulsive buying has dropped significantly. The popularity of low-cost viral products has declined, and practical apparel—emphasising fabric quality, tailored fit, and craftsmanship—is increasingly becoming more prominent consumer preference. – The Douyin E-commerce "618" Data Report (2026) reveals a strong performance in apparel sales: new brand apparel product launches surged more than 140% YoY, and the number of brands reaching RMB 100 million in GMV through livestreaming grew by more than 60%. Women's apparel merchants from industrial clusters saw significant gains, with the number generating RMB 1 million in revenue up 84% via short videos and 48% via product cards. Driven by the Dragon Boat Festival and summer travel, sports and outdoor categories surged, with the number of merchants exceeding RMB 10 million in GMV up 44%.[25] – Coinciding with major football events, sports-related categories emerged as key growth drivers during the "618" shopping festival. Data from VIP.com show that sales of World Cup-themed athletic wear more than doubled between early May and early June, with football jerseys, sports T-shirts and sneakers leading the way—demonstrating the strong influence of sporting events on consumer behaviour.[26] – According to iResearch, JD.com's sports and outdoor category grew 24% YoY in the first half of the "618" period, reinforcing its position as the industry leader.[27] Further data from JD.com reveals double-digit YoY growth in popular items such as moisture-wicking apparel, trail running shoes, softshell jackets and pants, foldable bicycles, golf wear, pickleball equipment and stair climbers.[25]	
Travel	• With the rise of spring and summer outdoor activities, categories such as hiking, rock climbing, diving and athletic footwear continue to expand. Outdoor sports are redefining the "comprehensive health consumption ecosystem", with evolving lifestyle preferences and consumption habits injecting fresh energy into the apparel and footwear sector. – Industry data suggest that China's outdoor sports participant base now exceeds 400 million, supporting an industrial chain valued at over RMB 1.44 trillion. Meanwhile, the outdoor apparel and footwear market is growing at a compound annual growth rate (CAGR) of more than 15% and is expected to reach RMB 200 billion by 2030.[28] – Footwear consumption is trending towards lightweight functionality: running and casual hiking shoes account for 88% of purchases, while professional mountaineering boots account for just 5%. Notably, 81% of consumers primarily use outdoor athletic shoes for daily walking. Breathability (60%), moisture-wicking (60%) and slip resistance (60%) rank as the three most-wanted features.[29]	

Very positive | Positive | Neutral | Negative | Very negative

Note: a. KPMG analysis

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Premium cosmetics show signs of recovery; AI reshapes competitive landscape of the beauty industry



Market trends	Health & beauty	Impact[a]
Economic activities	• In H1 2026, retail sales of cosmetics in enterprises above the designated size nationwide reached RMB 244.5 billion, representing a YoY increase of 6.3%. Growth was driven by the sustained impact of consumption-stimulating policies and the ongoing expansion of e-commerce channels, which helped unlock consumer potential. • During the same period, China's per capita healthcare consumption expenditure rose to RMB 1,330, up 1.2% YoY, reflecting the continued expansion of the health and wellness market. – Data from the Ministry of Commerce highlighted strong growth in smart products, with online retail sales of smart exoskeletons and smart glasses surging by 458.4% and 151.7%, respectively.[30]	Positive
Shift in trends	• The growing popularity of lightweight outdoor activities has accelerated the development of functional outdoor cosmetics designed for protection and adaptability to various environments, creating a new growth driver for the beauty market. – As reported in March 2026, outdoor sports brands are increasingly entering the cosmetics space. By addressing core outdoor skincare needs and precisely targeting specific skin concerns, these brands have carved out unique professional identities. For example, Camel's sub-brand "Camel Outdoor Cosmetics" focuses on extreme conditions such as mountaineering and surfing, offering products with anti-freeze formulas effective at -30°C and 8-hour waterproof/sweatproof sunscreen. Its proprietary film-over-film technology enhances UV protection when exposed to light and heat.[31] • AI is being increasingly applied across R&D, marketing, and customer service in the beauty industry, fundamentally reshaping its competitive dynamics. – Reports from April 2026 indicated that international beauty brands are intensifying their use of AI to accelerate product innovation. L'Oréal announced an expanded partnership with NVIDIA to develop an AI-powered engine for cosmetics and skincare, driving new formula research. Beiersdorf Group integrated AI into ingredient screening, formula design, experimental data analysis, and knowledge management. Domestic brands are also ramping up AI adoption: Proya is applying AI extensively to key R&D areas, including active ingredient discovery, target prediction, virtual screening, and efficacy mechanism analysis.[32] – AI is also transforming marketing and customer service by optimising the connection between consumers, products, and usage scenarios. For instance, Beiersdorf uses AI to support content creation, analyse user insights, and deliver personalised services.[32]	Very positive
Festival celebrations	• The 2026 "618" shopping festival saw total beauty and skincare sales reach RMB 42.5 billion, with fragrance and colour cosmetics accounting for RMB 13.6 billion. Rational and self-indulgent consumption has become more dominant, signalling a market shift toward competition for existing customers.[33] - According to June 2026 reports, the beauty segment during "618" witnessed a sustained recovery in premium cosmetics and strong momentum for domestic brands. On Tmall's beauty category leaderboard, international brands dominated the top 10 sales rankings, while Kefumei, Maogeping, and Winona entered the top 20. Notably, Tmall's beauty repurchase rate exceeded 40%, indicating a shift away from price-driven promotions and toward long-term brand value building.[34] - Douyin's "618" performance highlighted strong new product appeal: participating beauty brands launched 144% more new products YoY. Platform coupons played a significant role in boosting sales, with a 67% increase in international brands achieving RMB 1 million in coupon-driven transactions.[35]	Positive
Government functions and policies	• Regulatory oversight of the beauty and skincare market tightened in H1 2026 to enhance safety standards and better protect consumer health. – As reported in January 2026, the five-year transitional period for previously classified "special-use" cosmetics—including products for hair growth, hair removal, breast enhancement, body shaping, and deodorants—came to an end. Products with prior approvals can no longer be manufactured, imported, or sold.[36] – In H1 2026, the National Medical Products Administration (NMPA) issued four major draft regulations: *General Safety Requirements for Cosmetics (Draft for Public Comment)*, *Announcement on Cosmetic Registration and Filing Matters (Draft for Public Comment)*, *Instructions for Use of Consumer Products – Part 3: General Labelling for Cosmetics (Draft for Public Comment)*, and *General Safety Technical Requirements for Toothpaste (Draft for Public Comment)*. These regulations aim to reduce registration costs, improve labelling management and toothpaste industry oversight, raise safety standards, and extend regulatory control throughout the entire lifecycle of cosmetic products.[37]	Positive

Very positive | Positive | Neutral | Negative | Very negative

Note: a. KPMG analysis

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Health demand drives food & beverage industry upgrade amid an emerging consumer focus on ingredients



Market trends	Food & beverage	Impact[a]
Economic activities	• The consumer market continues to expand, with grain, oil, food, and beverage categories—being essential daily staples—outperforming the broader market and showcasing strong consumption resilience. – In H1 2026, national retail sales of beverages by above-designated-size enterprises reached RMB 160.1 billion, representing a 6% YoY increase. Sales of grain, oil, and food products by similar enterprises totalled RMB 1,209.1 billion, rising 7.4% YoY.[8] • During H1 2026, China's baijiu industry entered a phase of quality-driven competition within a saturated market, with industry concentration steadily increasing. – According to the National Bureau of Statistics, cumulative production (at 65% alcohol by volume) from January to June amounted to 1.679 million KL, a 4.7% decline YoY, signalling industry-led capacity reduction.[38] – Wind data show that 20 A-share-listed baijiu companies generated combined revenues of RMB 132.633 billion in Q1 2026, a 0.7% decrease YoY, with net profits totalling RMB 52.019 billion, down 1.75% YoY39. Both revenue and profit faced mild downward pressure. Additionally, a survey by the China Alcoholic Drinks Association showed mixed results: while some brands experienced growth, over 80% of small- and medium-sized distilleries reported profit declines, accelerating industry consolidation.[40]	
Festival celebrations	• Festival economy and multi-dimensional consumption trends boost alcohol and health gift markets - The 2026 Spring Festival holiday extension prolonged the sales cycle for festive food and beverage gifts, effectively easing inventory pressures in seasonal channels. According to Hua Chuang Securities' Q1 2026 F&B earnings report, net profit growth for leading premium baijiu brands rebounded to 4.45%41. Consumers purchasing New Year gift boxes prioritised health benefits and value for money, with high-tier cities favouring dairy and fruit assortments, while lower-tier cities leaned toward oatmeal mixes and wellness gift sets.[42] - The overlap of the Dragon Boat Festival and the 2026 FIFA World Cup generated stronger-than-usual consumption momentum, driving explosive growth in the food and beverage sectors. National Bureau of Statistics data shows that in June, retail sales of grain, oil, food, and tobacco/alcohol products by above-designated-size enterprises grew by 7.9% and 12.1% YoY, respectively—accelerating by 6.0 and 7.3 percentage points from May.[43]	
Shift in trends	• Two drivers of the health segment support the expansion of new food consumption - Natural and healthy attributes have become new value anchors. The medicinal food (or "food-as-medicine") sector is expanding rapidly, alongside notable growth in ready-to-eat products. According to Mintel's 2026 China Consumer Report, "freshly prepared" is the top attribute premium consumers are willing to pay for; in prepared beverages, 85% of consumers approve of "authentic ingredients" and "simple recipes"[44]. This trend is driving the simultaneous rise of traditional Chinese wellness concepts and modern, convenient, portion-controlled products. Data from the 2025 China Special Food Industry Conference indicates the medicinal food market exceeded RMB 370 billion, with the full industrial chain valued at over RMB 2 trillion.[45] Small-pack, portable goods have gained widespread popularity. - A new growth segment is emerging as consumers turn to food for self-care and emotional well-being. Tmall's 2026 "618" data shows that sales of low-GI foods and endorphin-boosting foods each surpassed RMB 100 million.[46]	
Government functions and policies	• Policies drive intelligent transformation; dual regulations for online food sales; tighter import rules - In March 2026, the National Two Sessions emphasised empowering the food and beverage (F&B) industry through new, high-quality productive forces, driving its transformation from traditional manufacturing toward a technology-driven, health-oriented, and digitally integrated model. - In June 2026, the State Administration for Market Regulation (SAMR) introduced dual regulatory frameworks: *Regulations on Food Safety Responsibilities for Online Food Sellers* and *Regulations on Food Safety Responsibilities for Online Catering Service Providers*. These frameworks establish joint accountability between platforms and merchants. Platforms are now required to conduct on-site store inspections and update merchant qualifications every six months, intensifying efforts to crack down on "ghost kitchens." The sale of homemade baked goods and unlabelled agricultural products via livestreams is now prohibited, with 13 additional food categories added to the banned list. Furthermore, any claims regarding medical efficacy for ordinary food products are strictly forbidden. - In June 2026, the General Administration of Customs (GAC) implemented the *Regulations on Registration of Overseas Manufacturers of Imported Food*, moving away from a one-size-fits-all approach to a risk-based, tiered management system. Stricter entry requirements have been imposed for high-risk food categories.	



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Consumer evolution drives F&B transformation; diversification and innovation activate new growth momentum



Market trends	Restaurants	Impact[a]
Economic activities	• According to National Bureau of Statistics data, China's total retail sales of consumer goods reached RMB 24.87 trillion in H1 2026, representing a 1.3% YoY increase. Catering revenue totalled RMB 2.83 trillion during the same period, rising 2.8%.[8] The sustained stability in domestic catering demand is evident, with monthly revenues consistently showing positive YoY growth. This highlights the sector's crucial role in the broader recovery of consumer activity. • Quarterly dining voucher programmes across regions have fuelled market growth: – From November 2025 to 30 April, 2026, nearly 30,000 "Dine in Huizhou" dining vouchers were redeemed, generating over RMB 67 million in spending and significantly accelerating the city's catering market recovery.[47] – In June, Hohhot launched its 2026 "Cool Summer" dining voucher initiative, leveraging platform traffic to amplify the impact of fiscal subsidies. This effectively stimulated consumption and drove growth in the catering industry.	
Festival celebrations	• During the May Day holiday, catering sales surged, with revenue rising 31.4% YoY. Snack services and bar/teahouse services saw particularly strong growth, at 41.6% and 51.5% respectively, while full-service restaurants expanded by 26.8%[48]. Supported by increased travel demand, nationwide catering orders during the Dragon Boat Festival holiday jumped 54% YoY, signalling synchronised rebounds across regional markets.[49] • Online catering consumption surged by over 20% YoY during the 618 shopping festival, reinforcing strong underlying demand. Food delivery and in-store group-buying services maintained robust momentum[50]. Under JD.com's Double Hundred Doubling Plan—a key component of its 618 campaign involving 2 million participating merchants—multiple categories saw order volumes double within the first 52 hours. Late-night snack orders soared by more than tenfold month-over-month (MoM), with user numbers rising by 50%.[51]	
Shift in trends	• New hybrid retail formats are broadening customer reach. Haidilao introduced "Yanxuan Mini Mart" counters in selected outlets, while Chayan Yuese opened "Lucky Snacks" fresh snack stores in Changsha, offering marinated foods and traditional pastries. Lemon Right launched freshly prepared snack stores in Shanghai. These "dining + retail" models are driving growth through extended operating hours and diversified offerings.[52] • Beverage brands are diversifying their daypart strategies. Brands such as Chagee are developing dedicated morning and evening product lines to expand consumption opportunities. Mixue tested RMB 5 breakfast dairy products to capture essential morning demand, while Auntie Shanghai upgraded its coffee equipment to enter the coffee category.[52] • The focus on health is shifting from a trend to a standard. Health-conscious offerings are now a necessity for attracting customers. Micun introduced lighter meal options in Beijing and Shanghai, and Domino's launched three power bowl products featuring low-impact ingredients to meet the demand for healthy meal replacements. This evolution reflects a fundamental shift in consumer preferences, making health-focused innovation essential for chains aiming to retain and attract younger demographics.[52]	
Government functions and policies	• In H1 2026, national policies provided liquidity support and strategic guidance for the sector: – In January 2026, four ministries, including the Ministry of Finance, issued the *Notice on Optimising Loan Discount Policies for Service Industry Entities*, identifying catering and accommodation as key support areas. The policy covers all segments, including full-service and quick-service restaurants, beverage chains, snack providers, and catering distributors.[53] – In April 2026, the State Council's Employment Promotion and Labor Protection Task Force released the *Action Plan for Stabilising, Expanding, and Enhancing Employment*. It emphasises cultivating distinctive catering brands, strengthening the promotion and protection of heritage brands, and guiding platform companies to offer SMEs technical training and traffic support—thereby reducing cutthroat competition.[54] – Also in April 2026, the State Council issued the *Guidelines on Advancing Service Industry Expansion and Quality Improvement*, mandating standardised operations and strict compliance with food safety regulations. The policy targets unfair contract terms, false advertising, and other violations to protect consumer rights.[55]	

Very positive | Positive | Neutral | Negative | Very negative

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Sub-sector trends:

Luxury & fashion

After a year of adjustment, the global luxury market returned to relative stability in H1 2026, even as persistent economic headwinds and escalating geopolitical uncertainty continued to temper consumer demand for luxury goods. Despite these challenges, data show that, following a significant correction in 2025, the global luxury sector still managed to post modest growth in H1 2026. Full-year projections point to growth of around 2–5% YoY.

Against this backdrop of steady growth, China's luxury market is undergoing several structural transformations. These include the growing dominance of online channels, the rise of domestic luxury brands, and the evolving preferences of key consumer segments—each reshaping the sector's growth drivers. At the same time, sales of gold, silver and jewellery have tracked gold price volatility closely.



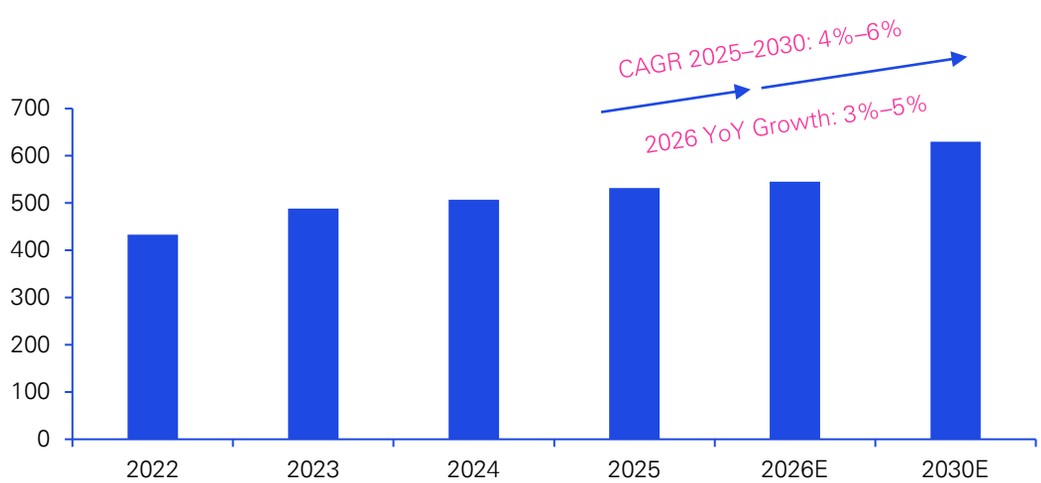
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The global luxury industry enters a period of stable development in H1 2026

The global luxury market rebounds from its low point and enters a phase of steady growth.

After a significant market correction in 2025, the global luxury sector rebounded from its trough and moved into a phase of steady expansion in 2026. Major institutions now report that the global luxury market is on a stable growth trajectory, with annual growth projected at between 2% and 5%. According to McKinsey analysts, global luxury sales are expected to grow by 3% to 5% in 2026, with particular attention on the Chinese market's renewed growth momentum.[56]

Global luxury market size forecast, 2022–2030 (USD billion)



Source: McKinsey, KPMG analysis

China's luxury market poised for renewed growth with shifting dynamics

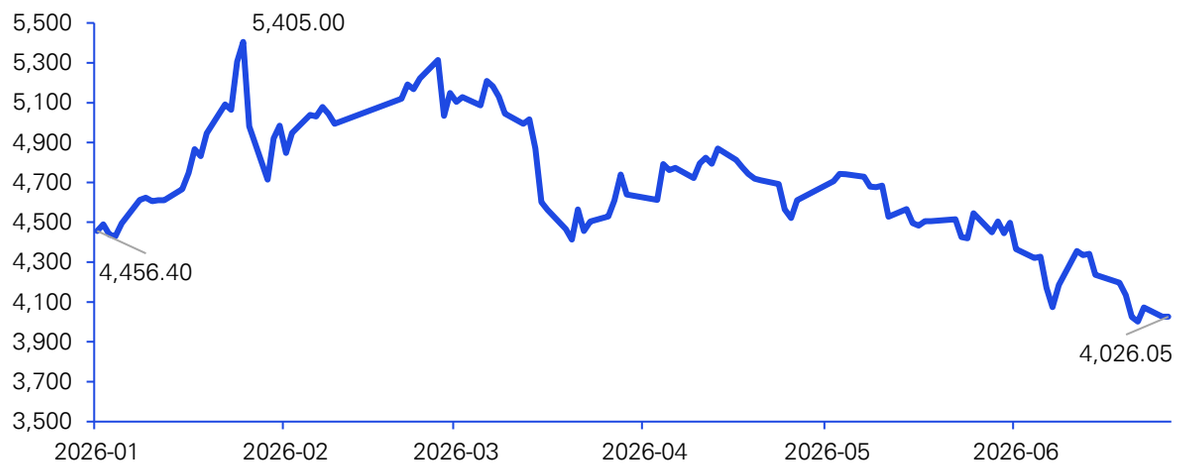
- Driven by strong online channels and sustained demand from high-net-worth individuals (HNWIs), China's luxury market is forecast to maintain stable growth in 2026. Roland Berger's China Luxury Market Outlook 2026 predicts annual growth of 3% to 6%, with a steady compound annual growth rate (CAGR) of 5% to 7% expected over the next five years—highlighting continued confidence in the market's resilience.[57] Against this backdrop, several key structural shifts have emerged in H1 2026:
  - ❖ Online channels drive positive momentum: Global luxury houses have significantly expanded their presence on platforms such as Tmall Luxury Pavilion, JD.com, and Secoo, actively growing their e-commerce footprint and ushering in a new era for luxury retail. Tmall Luxury data underscores this trend, showing double-digit platform growth during the 618 Shopping Festival, driven largely by new product launches from multiple brands.[58]
  - ❖ Chinese luxury brands gain strong traction and rapid growth: By deeply tapping into cultural heritage and offering modern interpretations of craftsmanship and aesthetics, domestic Chinese luxury brands have carved out unique brand identities, earned substantial market recognition, and emerged as strong contenders to established international houses.
  - ❖ Very Important Customers (VICs) and youth reshape growth strategies: The influence of VICs on market growth continues to rise, though their expectations are evolving rapidly. At the same time, younger consumers are redefining how they engage with brands—they show less rigid loyalty to traditional brand hierarchies or specific categories, instead moving fluidly across different brands and segments. Today's consumers increasingly prioritise value for money, emotional connection, and the overall experience of their purchases.

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Gold prices continued to trend upward into 2026, maintaining elevated levels and placing ongoing pressure on the gold jewellery industry.

According to Wind data, gold prices rose sharply in H1 2026, climbing from an opening price of USD 4,456.40 per ounce on 5 January to a peak of USD 5,405.00 per ounce on 29 January. Following this peak, prices began to decline, settling at USD 4,026.05 per ounce by 30 June 2026—a peak-to-trough drop of 25.51%. The World Gold Council's Mid-Year Outlook 2026 for the Global Gold Market highlighted that gold remained highly sensitive to geopolitical risks and abrupt shifts in investor sentiment during H1 2026. The report projected that, assuming no major changes in the macroeconomic environment, gold prices would likely stabilise around USD 4,100 per ounce in the second half of the year, with fluctuations expected within a ±5% range.[59]

London spot gold price (Jan-Jun 2026, USD/oz)



Source: Wind, KPMG analysis

- In 2025, investment demand for gold outpaced jewellery consumption for the first time, a trend that continued into the first half of 2026. According to the China Gold Association, total gold consumption in China reached 303.292 tonnes in Q1 2026, reflecting a YoY increase of 4.41%. Within this total: Gold jewellery consumption amounted to 84.620 tonnes, marking a sharp decline of 37.10% YoY. Gold bar and coin consumption, in contrast, surged to 202.062 tonnes, rising by 46.40% YoY.[60] Sustained high and volatile international gold prices continued to weigh heavily on domestic demand for gold jewellery, further contributing to its downward trend.
- **China's gold, silver, and jewellery retail sales posted solid growth in H1 2026.** Cumulative retail sales for the period totalled RMB 192.9 billion, representing a YoY increase of 1.9%. While this growth outperformed the broader consumer goods sector (which grew by 1.3% YoY), it lagged behind the 11.3% YoY growth recorded in H1 2025, primarily due to the high base effect from the previous year.[8] The decline in gold prices also influenced consumer behaviour, with many anticipating further price drops. As a result, buyers adopted a cautious "wait-and-see" approach, often refraining from purchasing even during short-lived price dips. This sentiment contributed to a notable slowdown in sales, with gold, silver, and jewellery retail sales falling to RMB 26.4 billion in June 2026 alone—a YoY decline of 3.4% for the month.

YoY change in gold jewellery retail sales (large-scale retailers, Jan-Jun 2025 vs. Jan-Jun 2026, %)

	2026 Cumulative YoY	2026 Monthly YoY	2025 Cumulative YoY	2025 Monthly YoY
Jan-Feb	13.0%	13.0%	5.4%	5.4%
Mar	12.6%	11.7%	6.9%	10.6%
Apr	5.4%	-21.3%	10.4%	25.3%
May	2.8%	-8.9%	12.3%	21.8%
Jun	1.9%	-3.4%	11.3%	6.1%

Source: Wind, KPMG analysis

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Sub-sector trends:

Apparel & footwear

In 2026, the apparel and footwear industry is set to make significant strides in digital transformation and technology adoption. Advanced technologies such as artificial intelligence, big data and the Internet of Things (IoT) are streamlining operations across the entire value chain—from design and manufacturing to retail—enabling flexible, on-demand manufacturing. These innovations help ease inventory pressure while improving speed and responsiveness to market demand. At the same time, brands are placing greater emphasis on customer data analytics, using these insights to deliver personalised recommendations and customised services that deepen consumer loyalty. With Generation Z emerging as a key demographic, companies are also adapting their product designs and communication strategies to resonate more effectively with younger audiences, prioritising creativity, self-expression and digital connectivity. Ultimately, technology will serve as a powerful catalyst for the industry's evolution, shaping a smarter, more agile and consumer-centric future.



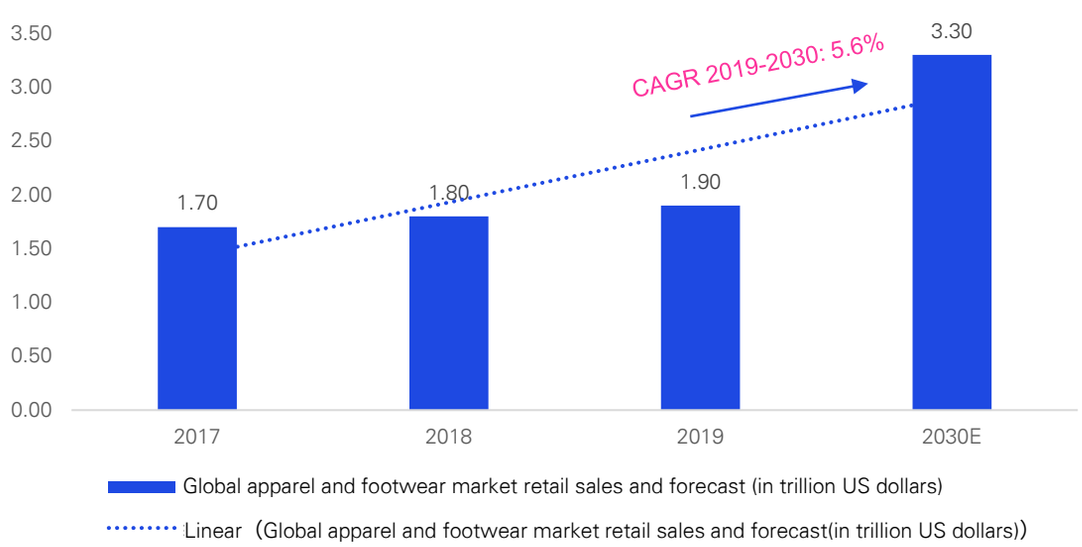
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The apparel and footwear industry is experiencing a surge in domestic demand, particularly in the sports and outdoor segment, which is undergoing a significant transformation. Supportive government policies are playing a crucial role in restoring consumer confidence and driving long-term growth

Recent policy initiatives continue to yield positive outcomes, gradually revitalising consumer sentiment.

- The May 2026 summit between Chinese and U.S. leaders resulted in a commitment to build a "constructive and stable China-U.S. relationship," sending encouraging signals to the market and fostering optimism about future trade relations. In contrast, Europe faces persistent challenges, with high energy costs fuelling a resurgence in inflation and dampening consumer spending, thereby slowing economic momentum. Regional tensions and rising energy prices have also contributed to a decline in China's textile and apparel imports from traditional trading partners such as ASEAN countries, Japan, and South Korea.
  - According to data from iiMedia, global apparel and footwear retail sales grew steadily from USD 1.7 trillion in 2017 to USD 1.9 trillion in 2019, with an average annual increase of approximately USD 0.1 trillion, reflecting stable linear growth. The market is projected to expand to USD 3.3 trillion by 2030—an increase of 74% compared to 2019—and is expected to grow at a compound annual growth rate (CAGR) of 5.6%. Key drivers of this growth include the rise of sustainable fashion, increasing demand for performance-oriented fabrics, consumption upgrades in emerging markets, and efficiency improvements enabled by digital technologies such as AI-powered personalisation and virtual try-ons. Looking ahead, brand competition will increasingly focus on building sustainable supply chains, implementing localised agile manufacturing, and adopting omnichannel direct-to-consumer (DTC) strategies. Companies that proactively position themselves in high-growth markets and product categories will be better positioned for the next phase of industry expansion.

Global apparel & footwear retail sales, 2017-2030 (USD trillion)

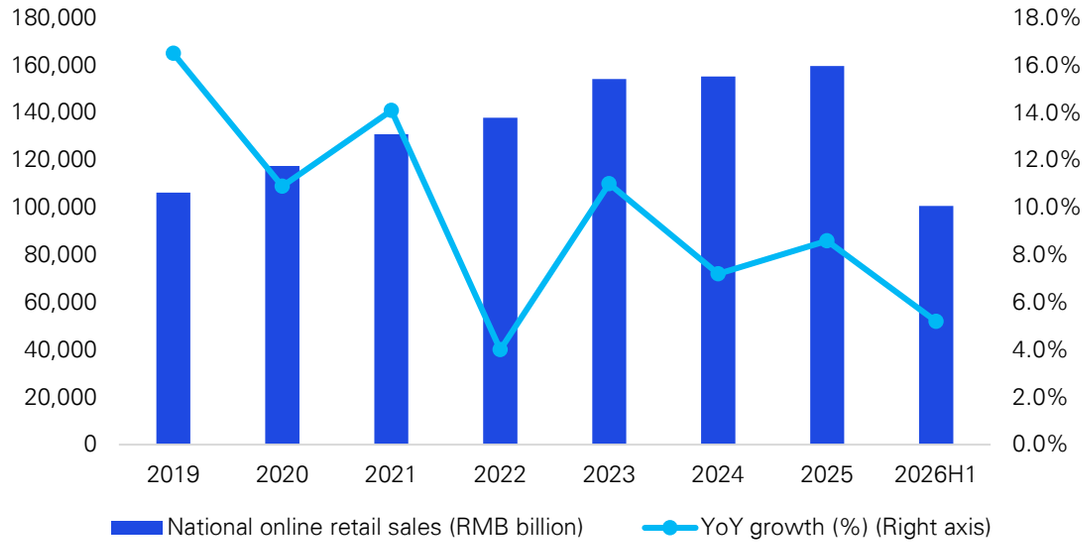


Sources: iiMedia, KPMG analysis

- In China, domestic policies such as the Consumption Expansion Initiative and the 15th Five-Year Plan have played a pivotal role in stimulating consumer confidence and refining consumption patterns. The continued development of integrated online-offline retail models has further energised the market. According to the National Bureau of Statistics, China's online retail sales of goods and services reached RMB 10.07 trillion in H1 2026, representing a 5.2% YoY increase.[8]

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China's online retail sales and growth rate, 2019-2026 (RMB 100 million, %)

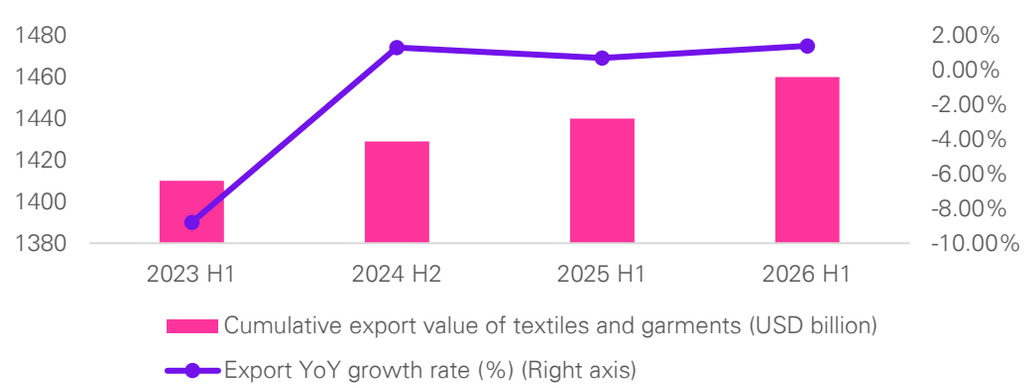


Source: National Bureau of Statistics, KPMG analysis

The apparel industry is undergoing a period of transformation, balancing mounting export challenges with a steady rise in domestic demand.

- According to customs data, China's total textile and apparel exports reached USD 145.96 billion in the first half of the year, marking a 1.4% YoY increase and setting a record high for the period. Textile exports grew steadily by 3.5% YoY to USD 73.0 billion, while apparel exports declined slightly by 0.7% YoY to USD 72.96 billion. However, the pace of contraction slowed by 0.9 percentage points compared to the same period last year, indicating signs of a gradual recovery.[63]
- June saw particularly strong export performance, outpacing expectations. A combination of temporarily easing tensions in the Middle East, reduced overseas brand inventories, and a rebound in order demand drove a 7.2% YoY increase in total exports to USD 29.27 billion (1.9% growth in RMB terms). Specifically, textile exports surged 12.3% YoY to USD 13.52 billion (6.7% in RMB terms). Apparel exports rose 3.2% YoY to USD 15.75 billion, though they fell 1.9% in RMB terms, reflecting a modest but encouraging recovery.[63]

China's textile and apparel export value and YoY growth rate, 2023-2026 (USD billion, %)



Source: General Administration of Customs, KPMG analysis

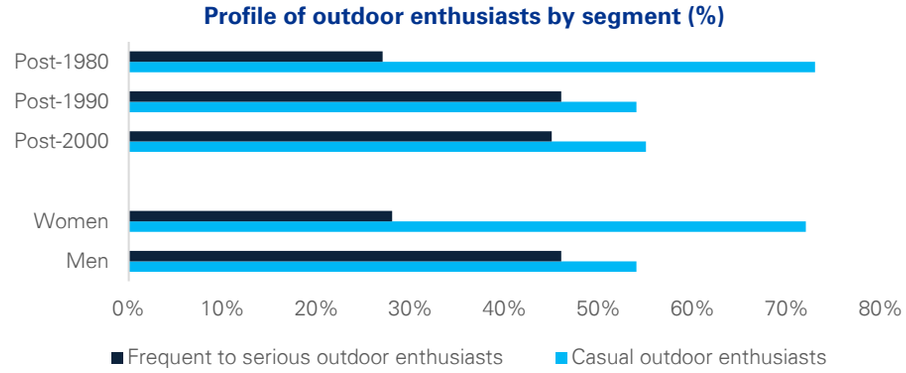
- Despite these gains, international market demand remains uncertain. Geopolitical tensions—particularly increased security risks along critical shipping routes such as the Strait of Hormuz and the Red Sea—have severely disrupted global logistics. Businesses are grappling with rising freight costs and prolonged delivery times, compounding operational challenges.[62]
- While the recent U.S. decision to reduce additional tariffs on certain Chinese goods to 10% has provided some relief to Chinese apparel exporters and helped maintain current order levels, broader trade tensions between the two nations remain unresolved. Ongoing policy discussions suggest that future tariff adjustments—potentially upwards—are still possible, adding another layer of uncertainty for export-dependent firms in long-term planning.[62]

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Premium brands partner with discount channels, pioneering a new consumption model

- The State Council's "15th Five-Year Plan for Building a Leading Sports Nation" outlines comprehensive measures to enhance the public fitness service system and promote high-quality, large-scale development of the sports industry. Notably, nationwide fitness initiatives have, for the first time, been formally integrated into the 15th Five-Year Plan through a dedicated national strategy, elevating public fitness to a national priority. This strategic shift offers sustained policy support and long-term growth opportunities for the sportswear and footwear sectors.[64]
  - According to the 2026 Textile and Apparel Industry Report, average prices for sportswear and outdoor apparel increased by 19.5% YoY H1 2026. This growth was largely driven by the expanding market share of premium brands, which accounted for approximately 17% of the overall price increase. Brand-specific price hikes, meanwhile, were relatively modest at around 1%. The data reflects a clear consumer shift toward premium-priced offerings, highlighting a growing preference for high-quality, high-margin products.[65]
  - The Xinhua News Agency's 2026 Outdoor Consumption Insights reveal that 37% of consumers now prefer to purchase outdoor apparel through discount retailers. At Sasseur Outlets, for example, sportswear and outdoor categories now contribute 37.73% of total revenue—surpassing general apparel to become the company's fastest-growing segment.[66] E-commerce platforms such as VIP.com have also experienced rapid growth in these categories. This trend marks the emergence of a mature "premium brands + discount channels" consumption model, allowing consumers to access high-quality products at more accessible price points. As a result, sportswear and outdoor apparel are rapidly expanding across multiple price tiers.[67]
  - The China Outdoor Market Report, published by the Outdoor Industry Committee of the China Sporting Goods Federation, highlights a significant demographic shift in the market. Light outdoor enthusiasts now make up 63% of consumers in first-tier cities, with women accounting for 72% of this group. These figures indicate broader participation and greater emphasis on "experiences and social sharing".[68]

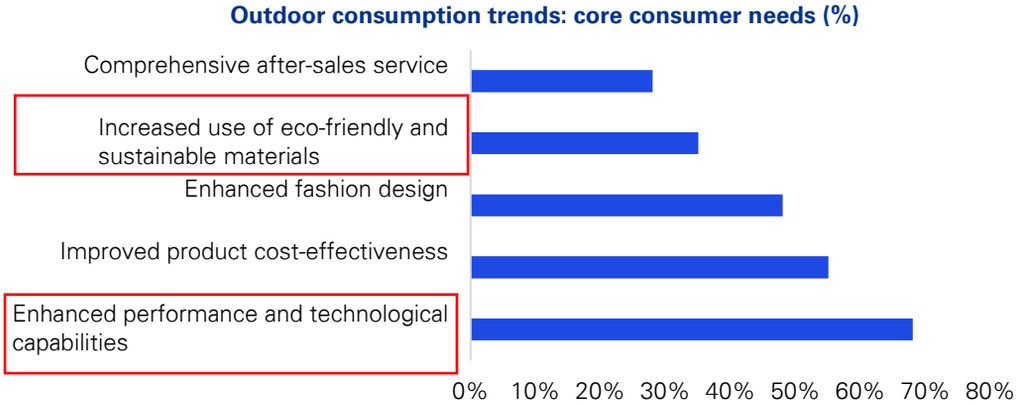
Profile of outdoor enthusiasts by segment (%)



Source: China Sporting Goods Federation, KPMG analysis

- According to data from China's General Administration of Sport, over 400 million people are now actively participating in outdoor sports nationwide. Outdoor consumption is no longer limited to functional needs but is evolving toward greater diversity and integration. The 2026 China Outdoor Consumption Market Trends and Consumer Insights Report reveals that consumers prioritise performance and technology (68%) when choosing outdoor products, followed closely by value for money (55%). Design and aesthetics are important to 48% of buyers, while 35% emphasise eco-friendly and sustainable materials. Comprehensive after-sales service is a key consideration for 28% of consumers.

Outdoor consumption trends: core consumer needs (%)



Source: Linkshop and other professional institutions, KPMG analysis

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Sub-sector trends:

Health & beauty

In the first half of 2026, the health and beauty market continued to gain traction, driven by the deepening integration of online and offline channels, which unlocked new growth opportunities in lower-tier cities. Mid-to-high-end cosmetics experienced a notable recovery as consumers placed greater emphasis on the long-term value of their purchases. The "basic + performance-driven" skincare approach remained the prevailing trend, with consumers seeking effective yet essential solutions. Among Gen Z—particularly the post-2005 cohort, a key demographic in the beauty space—consumer behaviour is evolving. This group increasingly discovers products through social media, placing high importance on efficacy, emotional connection, and relevance to specific lifestyle or usage scenarios.

Industry players are ramping up investment in ingredient innovation, with botanical extracts emerging as a central focus in R&D efforts. Artificial intelligence is being widely adopted to accelerate ingredient development cycles, cut costs, and improve overall efficiency. At the same time, growing consumer awareness of holistic well-being is pushing beauty brands to explore new avenues for growth through compelling brand storytelling, strategic partnerships, and expanded product portfolios. Consumers are also taking a more proactive stance in managing their skin health, paving the way for the tech-enabled skincare market to emerge as the next promising frontier.



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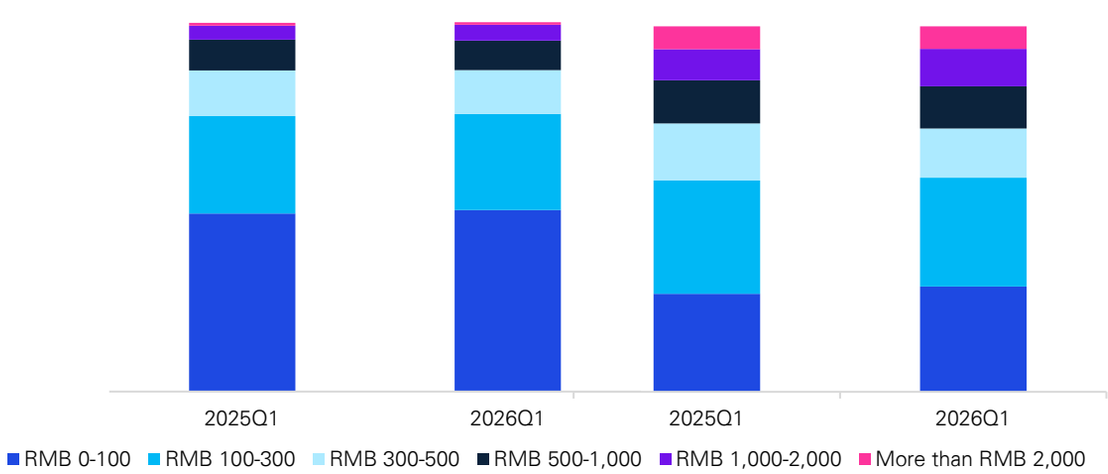
Multi-channel integration unleashes consumption potential; Botanical ingredients emerge as key R&D focus



Online-offline channel synergy drives diversification and premiumisation

- According to the China Association of Fragrance, Flavor, and Cosmetic Industries, the online beauty market in China is expected to continue its expansion from 2023 to 2025, while offline channels stabilise. By 2025, online channels retained a dominant 65.4% market share, supported by offline channels at 34.6%—highlighting a strengthened synergy.[71] This trend is largely driven by consumers' ability to shop seamlessly across online and offline environments, satisfying evolving needs such as online price comparisons and in-store, experience-based consultations. This integrated approach enhances consumer trust and confidence, making dual-channel synergy a vital component for brands aiming to expand their market presence. Key strategies to capitalise on this trend include building unified user data platforms, creating cohesive ecosystems for personalised content and expert services, and tailoring marketing efforts to each channel. These initiatives enable brands to establish distinct competitive advantages and better serve diverse consumer segments.
  - Moojing Market Intelligence data shows that in Q1 2026, online cosmetics sales were heavily concentrated in the RMB 0–300 price range, which accounted for 75.2% of total sales. This segment recorded robust YoY growth of over 20%, reflecting a growing consumer preference for affordable yet high-value products. Notably, the RMB 1,000–2,000 price tier also gained significant traction, with nearly 40% YoY growth, signalling a sustained recovery in the mid-to-high-end cosmetics market as consumers increasingly prioritise the long-term value of premium products.[72]
  - During the same period, skincare sales revealed a clear structural shift, with Moojing data showing a concentration in both entry-level and premium categories. The RMB 1–100 segment increased by 2 percentage points, while the RMB 1,000+ tier either stabilised or expanded. Other price ranges saw only marginal declines. This pattern reflects a changing market dynamic where "basic care forms the foundation, while performance-driven products lead mainstream demand." Mid-to-high-end skincare is emerging as a core growth engine, supported by proven efficacy, enhanced user experiences, and strong brand credibility.[72]
  - With multi-channel integration making products more accessible, skincare consumption is gaining momentum across the country. Data from the JD.com Consumption and Industry Development Research Institute shows that in May 2026, fourth-tier cities and rural counties accounted for 50.1% of skincare sales a much larger share than first-tier cities (17.0%) and second-tier cities (20.8%). This underscores the growing influence of lower-tier markets in driving category growth and highlights the potential in these regions.[73]

Sales distribution by price segment for online cosmetics (left) and skincare (right) in Q1 2026 (%)



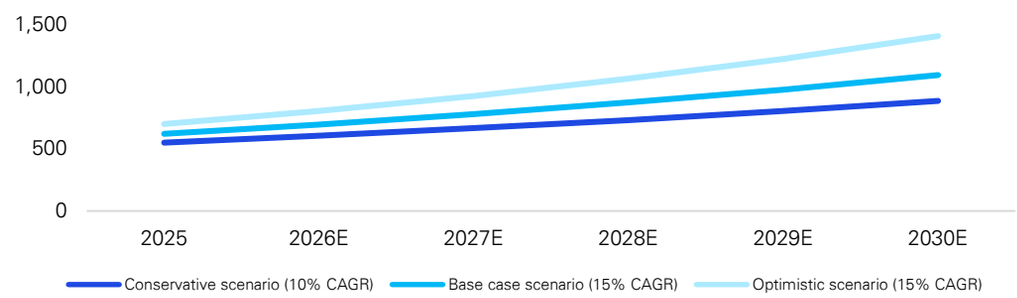
Source: Moojing Market Intelligence, KPMG analysis

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The post-2005 generation (aged 18–21) has become an increasingly important segment of cosmetics consumption, reflecting shifts in consumer psychology and purchasing pathways.

- Widespread adoption of social media, live-streaming, and AI technologies has positioned Gen Z—particularly the post-2005 cohort—as an influential consumer group. Their evolving decision-making processes and preferences are opening new opportunities for domestic beauty brands. Typically, post-2005 consumers begin their journey by discovering brands through "social product discovery" content on social media, then validate their choices using efficacy comparisons, ingredient analysis, before-and-after reviews, and authentic user testimonials before making a purchase. Their preferences have shifted from single-function products to holistic beauty routines that balance effectiveness, emotional resonance, and situational relevance. As students or early-career professionals, they are highly price-sensitive and place a strong emphasis on value for money. This presents a strategic opportunity for domestic brands to build loyalty and meet emerging market needs.
  - According to the Qingyan Intelligence Report on Post-2005 Cosmetics Consumption Psychology and Behaviour, under a neutral economic scenario, the post-2005 cosmetics market is projected to reach RMB 109.4 billion by 2030, cementing its status as a key growth engine for the beauty industry. Current data shows that these consumers show a strong preference for domestic brands, which offer competitive pricing, transparent ingredient sourcing, and authentic content. In contrast, international premium beauty brands face lower penetration rates, reflecting a mismatch with the spending capabilities of this younger demographic.[74]

Forecast of post-2005 generation cosmetics consumption market size, 2025–2030 (RMB 100 million)

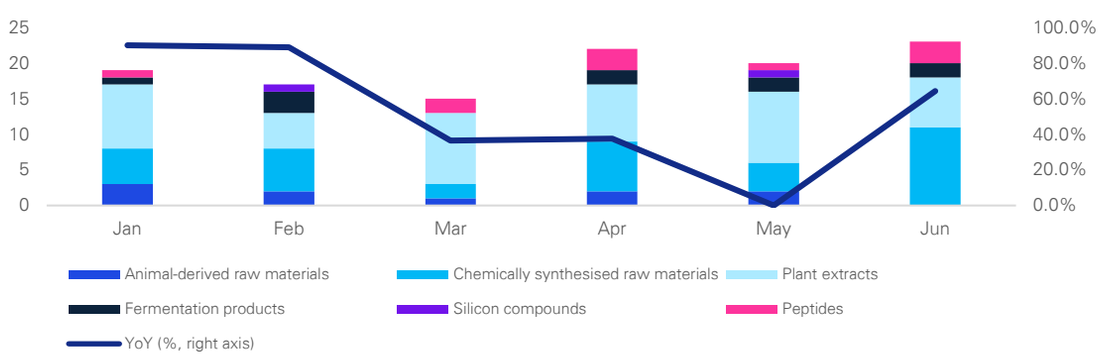


Source: Qingyan Intelligence, KPMG analysis
Note: The five-year growth rate projection represents a scenario analysis based on intergenerational income mobility and historical analogies, not a precise forecast. For strategic reference only

Botanical ingredients gain prominence as AI drives cosmetic R&D innovation

- Amid the growing interest and strength of domestic beauty brands, the industry is increasingly tapping into China's rich botanical heritage. This trend spans the full value chain—from the development of unique plant-based materials and the study of their efficacy mechanisms to industrial application and quality assurance—driving the rising popularity of plant-based cosmetics.
  - According to data from the National Medical Products Administration (NMPA), 116 new cosmetic ingredients were registered in H1 2026. With the exception of April, which saw flat YoY growth, all other months recorded positive increases, including a 90% surge in January. This reflects a marked rise in industry investment in ingredient innovation. The newly filed ingredients spanned multiple categories, including animal-derived substances, synthetic chemicals, plant extracts, fermentation-derived materials, silicon compounds, and peptides. Notably, botanical extracts—such as those derived from Acer truncatum (yuanbao maple), Camellia japonica (red camellia), and Anoectochilus roxburghii (golden thread orchid)—showed consistent growth in adoption. These natural ingredients accounted for 42.2% of all filings, surpassing synthetic chemicals (30.2%) as the leading focus in cosmetic R&D. During H1 2026, 14 international companies registered new ingredients, representing a 27.3% YoY increase. These firms originated from the U.S., South Korea, Italy, Germany, Japan, Switzerland, and other global beauty hubs.

Number of new cosmetic ingredient registrations in H1 2026 and YoY growth (%)



Source: National Medical Products Administration, KPMG analysis

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- AI is transforming the work of cosmetic scientists by leveraging deep learning algorithms and high-throughput screening to quickly and accurately identify promising compounds. This data-driven approach spans the full R&D lifecycle—from ingredient screening to efficacy validation—significantly shortening development cycles, lowering costs, and improving the likelihood of successful outcomes.
    - Beauty companies are increasingly integrating AI into key areas such as active ingredient efficacy assessment, biological target identification, formulation design, and safety and toxicology prediction. In particular, AI-powered machine learning models are used to screen potential bioactive substances and predict their efficacy, enabling the prioritisation of high-potential, innovative ingredients. At the 2026 in-cosmetics Global exhibition, BASF collaborated with an AI-driven biotech firm to launch SkinNexus™ Collag3n, designed to meet the growing consumer demand for collagen-based skincare innovations.
- The Regulations on the Registration, Filing, and Data Management of New Cosmetic Ingredients encourage the adoption of advanced technologies and alternative testing methods, such as non-animal testing protocols. This not only reduces technical barriers in international trade but also supports the global expansion of domestic beauty brands. Additionally, by simplifying testing procedures, reducing documentation requirements, and expediting approval timelines, the regulations empower small and medium-sized enterprises to redirect capital toward ingredient R&D and innovation, ultimately broadening the domestic supply of high-quality cosmetic ingredients.



Holistic beauty has emerged as a mainstream trend, expanding the technology-driven skincare market.

- A growing number of female consumers are recognising the intrinsic link between skin health and internal wellness, with conditions such as acne, dullness, and sensitivity increasingly viewed as indicators of systemic imbalances. This shift is driving stronger demand for wellness-focused beauty products. As the traditional beauty market nears saturation, the convergence of beauty and health is emerging as a powerful new growth frontier. Brands are responding by redefining their narratives, expanding into the health sector, and launching products tailored to women's holistic wellness needs.
    - In H1 2026, Guyu, a Chinese brand, announced the transformation of its original Qingnang R&D Centre into Qingwen Pharmaceuticals, marking a strategic expansion into precision nutrition and innovative pharmaceuticals. This move reflects Guyu's broader vision of transitioning from a consumer-facing beauty brand to a science-led enterprise, leveraging shared R&D investments to drive innovation across cosmetics, health supplements, and novel drug development.[76]
- Technology-driven skincare remains one of the fastest-growing segments in the beauty industry. According to the Rednote 2026 Tech Skincare Industry Trend Report, the sector welcomed 245 new market entrants between 2025 and Q1 2026, while engaging over 100 million users. Its gross merchandise value (GMV) grew at a rate five times faster than the overall skincare market, solidifying its position as a key growth engine amid broader industry challenges. Consumer behaviour is also evolving, with users taking a more proactive and informed approach to skincare. There is a clear shift from reactive treatment to preventive, wellness-oriented care. Influencer-led livestreams and user-generated content have become primary discovery channels, while brand-owned livestreams are emerging as high-impact growth drivers—top-performing brands reported a 200% GMV increase in 2025. To maximise conversions, skincare brands are deploying tailored strategies based on audience segments. For example, to engage ingredient-conscious consumers, brands are building trust and loyalty through educational content, scenario-based marketing, and compelling value propositions that highlight product differentiation and efficacy.

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Sub-sector trends:

Food & beverage

Driven by supportive policies and evolving consumption patterns, China's food and beverage industry is undergoing a profound transformation. Consumer priorities are shifting from simply "having enough to eat" to "eating well," moving beyond generic health claims toward precise, functional solutions tailored to individual needs. This evolution is being shaped by several key trends: the modernisation of medicinal foods, the growing demand for clean-label products, advancements in gut microbiome science, the rise of personalised nutrition for specific demographics, and the increasing popularity of mood-enhancing foods. Together, these developments are redefining the consumer landscape—one rooted in scientific innovation yet enriched by emotional well-being. At the same time, as Chinese brands accelerate their global expansion, the industry is transitioning from a model of "local manufacturing" to one of "global co-creation." This shift is accompanied by a digital and intelligent shift, propelling the sector forward from mass production towards peak freshness and hyper-personalised delivery.



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Fuelled by the twin forces of "mood-enhancing food" and "precision nutrition," digital intelligence is reshaping the landscape of nutritional wellness in China's food and beverage sector

We are witnessing a fundamental shift—from generalised wellness to evidence-based, science-backed nutrition, driven by functional precision and the modern reinterpretation of traditional "food as medicine" principles.

Supported by the Healthy China 2030 strategy and policies targeting the ageing population, consumers are now seeking highly personalised nutrition solutions tailored to specific demographics—going far beyond basic concepts like "low sugar" or "low fat." By 2026, the industry is expected to move from generic health claims to precisely targeted functional offerings.

Modernising "food as medicine": from tradition to clinically validated science

Brands are leveraging cutting-edge extraction technologies to transform traditional ingredients—such as ginseng, reishi (lingzhi), and goji berries—into modern, convenient formats, including ginseng-infused water and reishi coffee. These innovations are supported by human efficacy trials and clinical data. For example, Shouxiangu has developed a scientifically formulated reishi spore powder, backed by a rigorous full-chain quality control system.[78]

"Free-from" claims and the evolution of clean labels: pursuing ultimate purity and premium appeal

Growing consumer willingness to pay a premium for "naturally sourced" ingredients is pushing brands to evolve from simple "no preservatives" claims to more ambitious commitments such as "no artificial flavours or colours," aiming for minimal processing and maximum transparency. A notable example is Adopt A Cow's fresh milk ice cream, which received the China Quality Certification Centre's highest Clean Label Level 0 rating. It contains no preservatives, colourants, or stabilisers, with a fully traceable and transparent ingredient list.[79]

Gut microbiome and probiotic innovation: shifting focus from quantity to efficacy

Gut health has become a central pillar of food innovation, with probiotics, prebiotics, and postbiotics expanding beyond traditional dairy into beverages, snacks, and other categories. The industry is now competing not just on imported strains, but on the development of localised, proprietary strains and the establishment of scientific validation across the entire value chain. A prime example is Yakult, which promotes global gut health through its proprietary Lactobacillus casei Shirota strain.80

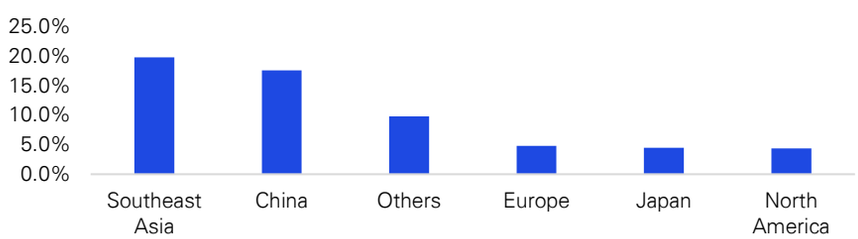
Precision nutrition for targeted consumer segments: customisation and subscription models gain popularity

Brands are increasingly developing specialised formulations tailored to the unique physiological needs of distinct consumer groups. These include solutions for chronic disease management and joint health for seniors, high-protein, low-sugar, and fat-burning options for fitness enthusiasts, products supporting fatigue resistance and liver protection for night owls, and natural, organic, and scientifically balanced nutrition for mothers and infants. These innovations are complemented by evolving service models. For instance, By-Health has introduced customised supplement lines—such as multivitamins and protein powders—designed to meet the precise needs of niche consumer segments.81

Chinese food and beverage brands accelerate global expansion

Chinese bubble tea brands are aggressively expanding internationally, with Southeast Asia emerging as a key strategic market. According to the 2026 New Tea Drinks Industry White Paper published by the China New Tea Drinks Industry Alliance, the region is projected to grow at a compound annual growth rate (CAGR) of 19.8% from 2023 to 2028—among the highest globally. Domestically, China's market continues to expand robustly at a 17.6% CAGR, reflecting strong domestic growth and a shift toward premiumisation. In contrast, more mature markets such as Europe, Japan, and North America are growing at more moderate rates of 4.8%, 4.5%, and 4.4%, respectively. In response, leading Chinese brands are adopting a dual-growth strategy that combines organic expansion with strategic acquisitions. To capture international market share, companies are setting up local production facilities, deploying regional distribution centres, and building in-market teams to better understand and serve diverse consumer bases.

Global ready-to-drink tea market size CAGR, 2023–2028E (%)



Source: China New Tea Drinks Industry Alliance's 2026 New Tea Drinks Industry White Paper; KPMG analysis

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"Mood-enhancing food" leads the trend, driving a shift from sustenance to emotional nourishment in the food economy

- Amid the fast-paced, high-pressure demands of modern life, "mood-enhancing foods" have become essential for the new generation of consumers. People no longer purchase mere beverages, snacks, or staple foods—they seek immediate emotional fulfilment. These products serve as tangible vehicles for relief, healing, comfort, and relaxation, delivering nourishment for both body and mind. According to Ipsos' 2026 China Food & Beverage Trends Report, 69% of consumers prioritise products that cater to their health status and nutritional needs when making food and beverage purchases.[83]

Light, comfort-focused categories gain momentum

- Sales of low-sugar teas, rice milk beverages, milk teas, and minimally processed baked snacks are steadily rising.
- Consumers are gravitating toward taste experiences described as gentle, soothing, and guilt-free—
- perfectly aligned with the dual needs of everyday stress relief and health management.

Scenario-based emotion-enhancing products surge in popularity

- Products tailored to specific lifestyle scenarios—such as sleep-aid drinks, late-night office snacks, and binge-watching treats—are outperforming generic alternatives,
- achieving significantly higher repurchase rates.
- Consumer behaviour shifts from function to emotional value

The concept of "Guilt-Free Indulgence" is now the dominant consumer ethos,

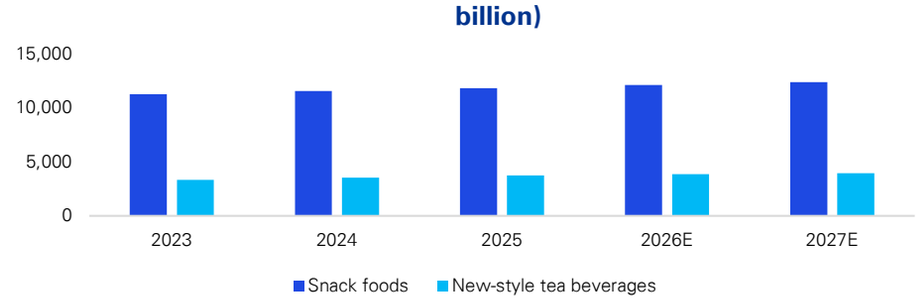
- Shoppers are rejecting rigid self-discipline in favour of a lifestyle that allows for "occasional self-reward."
- Their willingness to pay for emotional balance is fuelling demand for indulgence that comes with no regret,
- marking a shift from restraint to measured gratification.

Atmosphere-driven consumption surpasses price sensitivity.

- Products that feature healing aesthetics, empathetic branding, and ritual-enhanced experiences
- command premiums of 30–50% over standard alternatives
- This strategy significantly enhances brand loyalty and consumer engagement

- The growing appetite for emotional and mental well-being through food continues to drive the expansion of the food and beverage sector. According to iiMedia Research, China's leisure food market is projected to reach RMB 1,180.4 billion in 2025, growing to RMB 1,237.8 billion by 2027. Meanwhile, the new-style tea beverage market is expected to reach RMB 374.93 billion in 2025 (a 5.7% YoY increase) and could exceed RMB 390 billion by 2027.[84]

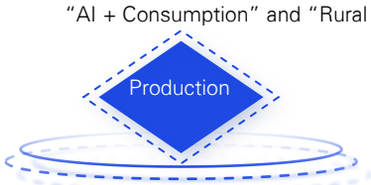
China's new-style tea beverage & leisure food market size and forecast, 2023-2027 (RMB billion)



Source: iiMedia Research, KPMG analysis

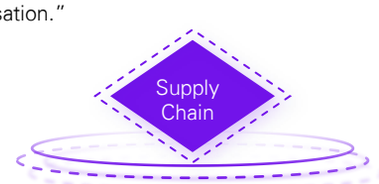
Digital intelligence supply chains & peak freshness: Transitioning from mass production to on-demand customisation

As the industry grapples with challenges such as short shelf life and high spoilage rates, it is deepening its exploration of "digital intelligence supply chains" and "peak freshness" by 2026. This transformation is being accelerated by national policies promoting "AI + Consumption" and "Rural Revitalisation."



Shifting from mass production to agile, smart manufacturing

Customer-to-Manufacturer (C2M) reverse customisation enables flexible, demand-driven production. AI-powered production scheduling replaces experience-based decision-making, enabling a fundamental shift from "produce-then-sell" to "demand-determined production" for improved efficiency



Evolving from multi-tier distribution to ultra-fresh delivery

Logistics networks are being redesigned around the "short shelf-life / freshly made" model. Integration of IoT and blockchain ensures end-to-end transparency, enabling a highly efficient "same-day delivery" system



Transitioning from passive acceptance to active participation

Consumers are transitioning from passive acceptance to active participation, becoming product co-creators and oversight participants, and enjoying premium freshness and transparent service experiences

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Sub-sector trends:

Restaurants

China's restaurant industry has moved beyond rapid expansion and is now entering a phase of strategic refinement and sustainable growth. Driven by consumption innovation, overseas expansion and digital and AI transformation, the sector is now marked by diverse dining experiences, accelerated globalisation and the widespread adoption of smart solutions. Businesses are increasingly using capital to build large-scale, standardised chains and establish a global footprint. At the same time, they are redefining customer engagement through innovative models such as "restaurant + retail" and "restaurant + cultural tourism", which enhance brand value and consumer interaction. This evolution responds directly to the growing demand for wellness-oriented dining and personalised experiences. AI-powered digitalisation is now deeply embedded throughout the supply chain, playing a critical role in improving service consistency and operational efficiency. Looking ahead, long-term competitiveness will extend beyond product quality to encompass cultural branding, global channel development and integrated digital ecosystems.



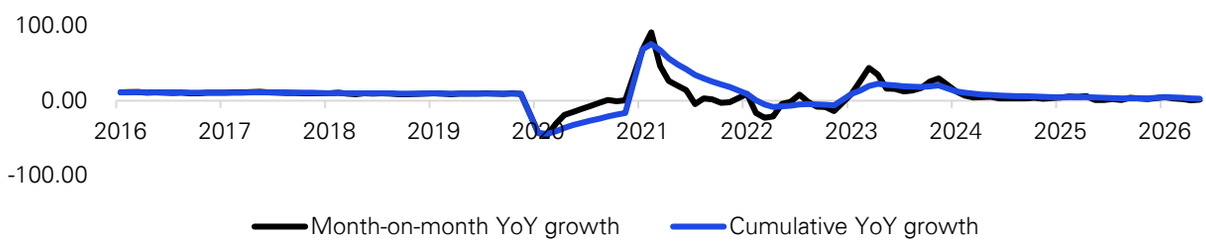
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The food and beverage market demonstrates resilience, with global expansion and digital transformation shaping a new industry landscape

Consumer spending growth is stabilising, signalling the arrival of a quality-driven development era

Despite a moderation in growth momentum, China's overall food and beverage market recorded positive expansion in H1 2026. According to data from the National Bureau of Statistics, the restaurant sector generated RMB 2.8255 trillion in revenue during this period, representing a YoY increase of 2.8%. Growth in the second quarter showed fluctuating patterns: +2.2% in April, +0.6% in May, and a slight rebound to +1.2% in June.[8] The data suggests that the industry is placing less emphasis on scale-driven expansion. As consumer spending growth stabilises, the sector is now focused on a quality-centric development model, emphasising enhanced product quality, operational efficiency, and value creation within the existing market structure.

Month-on-month YoY growth and cumulative YoY growth of national catering revenue, Jan 2016 - June 2026 (%)

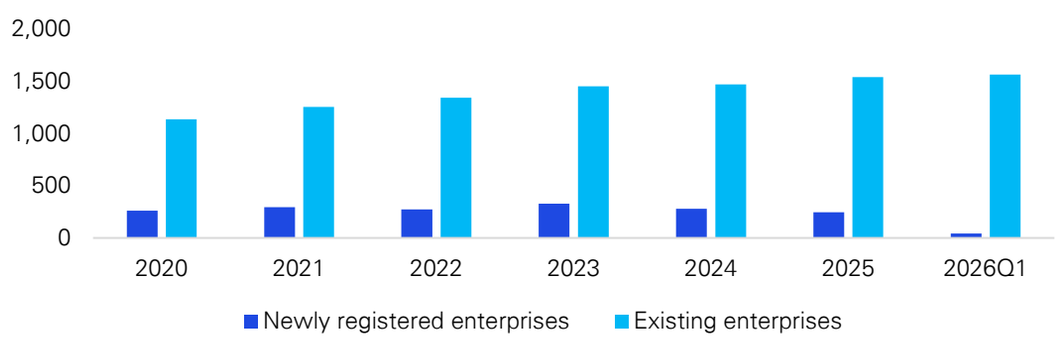


Source: Wind, KPMG analysis

Rational restructuring on the supply side drives upgrading in China's catering industry

The catering market is undergoing deep structural transformation, marked by accelerated consolidation and industry upgrading. According to the Q1 2026 Catering Industry Quarterly Report from canyin88, entrepreneurial activity has significantly cooled, and investors are adopting more cautious and conservative strategies. In Q1 2026, new catering business registrations totalled 420,000, a YoY drop of 150,000. February alone saw only 62,000 new registrations, the lowest level since 2021. Factors such as market saturation, persistently high operating costs (including rent and labour), and profitability challenges for small and mid-sized operators are raising entry barriers. Business exits from rapid expansion are becoming increasingly common. By the end of March 2026, China had 15.66 million active catering businesses, a net increase of about 235,000 since late 2025.[85] While the total market size grew modestly, a clear polarisation trend is emerging: premium brands are expanding steadily, while less efficient operators are exiting the market at an accelerated pace.

Overview of newly registered and existing catering enterprises in China from 2020 to March 2026 (in ten thousand)



Sources: Qichacha, canyin88, KPMG analysis

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Ongoing consumer behaviour shifts are driving comprehensive innovation and transformation across the restaurant industry

Changing dining habits, evolving food values, and heightened expectations for the overall experience are prompting significant market realignment. In response, restaurants are adapting across three core dimensions: operations, menu development, and store management.

Diversifying consumption scenarios and dining preferences are catalysing new growth engines

- The demand for solo dining is experiencing robust growth. According to Zero Power Intelligence, China's "one-person dining" market exceeded RMB 1 trillion by 2025, growing at a compound annual rate of approximately 22%. Online searches for "one-person dining" surged by 44.6% YoY since March 2026.[86] Both quick-service and premium dining segments are rapidly tapping into this trend, continuously innovating their business models.
- At the same time, there is a growing consumer preference for stir-fried dishes, particularly in the fast-casual segment. Major Chinese fast-food chains such as Lao Xiang Ji and CSC have adopted open-kitchen stir-frying formats to meet this demand.[87] According to the 2026 Chinese Stir-Fry Category Development Report by canyin88, the number of specialty stir-fry restaurants nationwide reached 157,000 by March 2026, a 24.7% increase compared to May 2025. Brands are capitalising on this trend through dual strategies: differentiating regional flavours and standardising quick-service operations.[88]
- In early 2026, cross-industry integration under the "Foodservice +" model became a major force in shaping the future of the restaurant sector. The "Foodservice + Retail" model gained traction, with leading brands such as Haidilao and Chayan Yuese (a popular bubble tea chain) introducing dedicated snack counters to unlock new revenue streams and enhance customer retention. Meanwhile, "Foodservice + Cultural Tourism" introduced fresh dining concepts such as hotpot camping experiences and riverside pop-up dining, successfully blending culinary experiences with urban landscapes and seasonal attractions to attract transient foot traffic. Driven by improvements in urban instant delivery infrastructure, the "Foodservice + Technology" initiative also accelerated. Innovations such as aerial delivery solutions are steadily expanding service coverage, allowing restaurants to reach customers more efficiently and conveniently.[89]

Health-conscious and personalised dietary preferences drive product portfolio upgrades

- Healthy eating has evolved from a marketing buzzword to a mainstream consumer expectation. Leading restaurant chains are actively expanding into nutritious food categories, introducing offerings such as low-fat energy bowls to meet the rising demand for lighter, nutrient-dense meals.[89]
- The industry is increasingly tailoring its services to individualised dining needs. Precision nutrition models are being gradually implemented, allowing brands to use digital tools to shift from standardised menus to customised nutritional matching.[89]
- Seasonal product innovation has become a key driver of customer attraction. Beverage chains, in particular, are leveraging seasonal themes to launch limited-time, creative offerings, turning seasonal updates into a core part of their customer engagement strategy.[89]

Growing demand for elevated experiences drives business model transformation

- Established brands are harnessing cultural intellectual property (IP) to expand into multi-dimensional experiences, shifting consumer engagement from traditional dining to immersive cultural encounters. This approach enhances brand differentiation and customer loyalty. Examples include Guangzhou Restaurant, Yuyuan, and Tang Shan Yan, all of which offer distinctive, story-driven environments that elevate the dining experience.[89]
- To strengthen their community presence, catering enterprises are innovating store formats and expanding local market reach. Many operators are increasing operational resilience through extended service hours and digital community engagement. A notable example is Zi Guang Yuan, which pioneered a "six-service-zones-under-one-roof" model, creating a convenient, integrated dining ecosystem supported by private member communities numbering in the thousands.[89]
- Brands are also embracing entertainment-integrated formats, embedding narrative-driven experiences to deliver immersive consumption models. For instance, Jian Dong Fang has successfully combined theatre and dining, offering a multi-sensory experience that blends flavour, aesthetics, and emotional storytelling.[89]

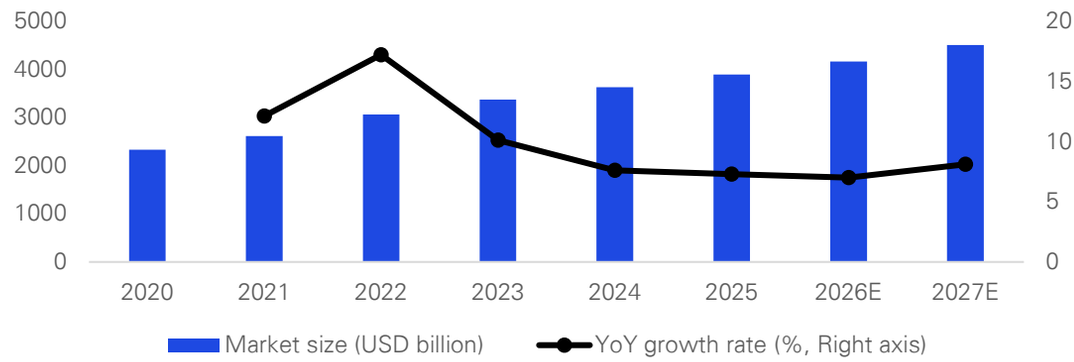
Sources: Publicly available information, KPMG analysis

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The overseas Chinese food market is expanding more rapidly, with chain brands entering a scaling-up phase

Supported by the growing global Chinese diaspora and the recovery of international travel, the international Chinese food market is experiencing consistent and robust growth. According to Canyin88, the market was valued at USD 233 billion in 2020 and is projected to reach USD 449.9 billion by 2027. The pace of category diversification is accelerating, with standardised chain formats—such as hotpot and bubble tea—emerging as key growth drivers. Traditional regional cuisines like Sichuan and Hunan continue to maintain a strong presence abroad, while snack foods and desserts are gradually gaining traction in overseas markets. Leading Chinese food chains are now in a global expansion phase: Mixue Ice Cream & Tea leads the pack with nearly 5,000 international locations, while Haidilao Hotpot, Zhangliang Malatang, and Din Tai Fung are rapidly accelerating their overseas footprint.[90] Overall, the rising global appetite for Chinese cuisine is fuelling large-scale, multi-category development, empowering standardised chain operators to achieve sustainable international growth.

International Chinese cuisine market size and growth rate from 2020 to 2027 (USD billion, %)



Sources: National Immigration Administration; Overseas Chinese Affairs Office of the State Council; Publicly available information; canyin88, KPMG analysis

The restaurant industry is undergoing rapid transformation driven by the widespread adoption of AI and a shared industry commitment to achieving end-to-end digital integration

This evolution is fuelled by the increasing deployment of AI-powered solutions across operations and a growing consensus on building traceable, scalable digital ecosystems. Operators are fundamentally redefining their digital strategies, moving away from fragmented smart device implementations toward integrated management systems that span the full workflow—from front-of-house to back-of-house functions.

- **Mounting pressures from rising labour, ingredient, and rental costs are further accelerating the commercialisation of AI in food service.** Modern AI applications now enable real-time data collection and intelligent monitoring, support data-driven decision-making, improve ordering efficiency and service quality, and automate standardised tasks using intelligent robotics. For example, Haidilao's proprietary AI monitoring system leverages computer vision technology to accurately analyse customer flow and sentiment, ensuring consistent service standards across all locations, with store satisfaction ratings consistently above 98%.[91]
- **Digital transformation in the restaurant sector has moved beyond standalone smart devices, evolving toward the development of comprehensive capabilities in efficiency, compliance, and operational refinement. Food safety traceability and regulatory compliance are now foundational pillars of digital maturity.** Restaurants that establish standardised digital systems with end-to-end visibility, traceability, and operational manageability are positioning themselves for a sustainable competitive advantage rooted in efficiency, compliance, and cost control.[92]
- **Government support and financial incentives are further propelling this digital shift.** On 9 June 2026, eight ministries—including the Ministry of Commerce—jointly issued the Implementation Opinions on Accelerating "AI+" Consumption Development, promoting AI integration in hospitality and dining and guiding the development of intelligent restaurant infrastructure.[93] Earlier, on 14 May 2026, the Shanghai Municipal Commission of Commerce and Municipal Finance Bureau released the 2026 Shanghai Special Funds for Business Development (Restaurant Projects I) Application Guidelines, offering financial subsidies to restaurants implementing digital and smart upgrades, thereby accelerating industry-wide adoption of intelligent systems.[94]

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Deal scenarios

The first half of 2026 saw a steady but moderate recovery in investment, financing and M&A activity across the five key subsectors. Within luxury goods, the value retention of hard luxury items has reinforced their appeal in recent years and continued to shape financing trends in H1 2026, with sustained focus on jewellery retailers, gold product manufacturers and watchmakers. Apparel and footwear investment maintained growth momentum, driven by the rise of the "China-chic" cultural movement, which has strengthened consumer loyalty to domestic brands and attracted increased investor interest. The health and beauty sector experienced moderate investment growth, marked by globalisation and technology-driven innovation. Invested companies spanned eight categories, including cosmetic brands and operators, functional skincare R&D firms and personal care product manufacturers. In food and beverage, daily essentials, along with tea and alcohol segments, retained stable investor interest. Policy support continued to drive heritage preservation and modernisation in the baijiu industry, with tea and alcohol companies accounting for 16% of the sector's total H1 deals. As a strategically supported segment, restaurants showed marginal improvement in investment, with financing extending the recovery trend from 2025 and reaching RMB 188.37 billion in total funding—a significant 425.9% YoY increase.

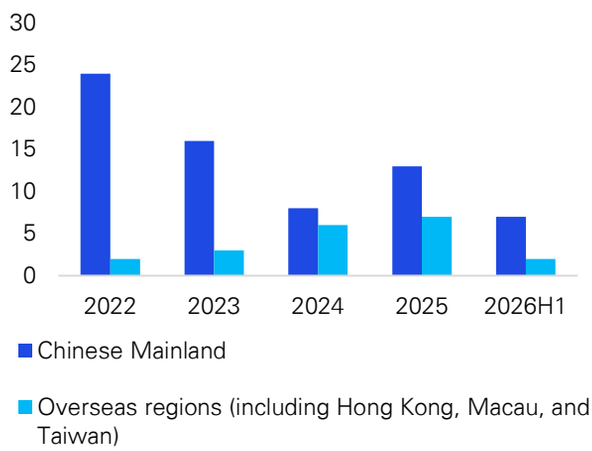


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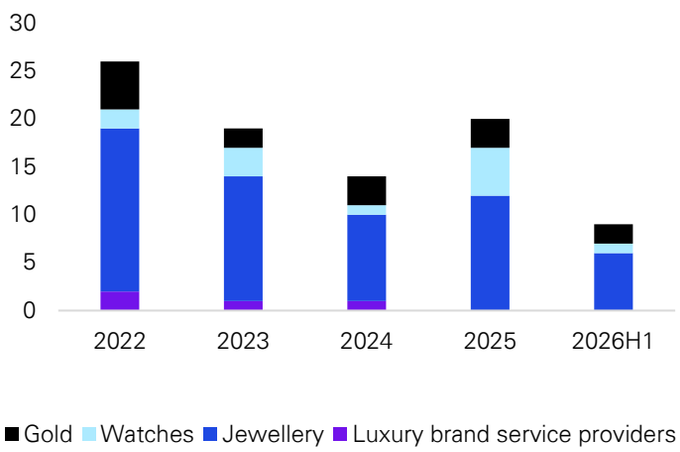
Luxury & fashion: Hard luxury items stand out for their value preservation as the market shifts away from rapid expansion in pursuit of stable growth



China's luxury & fashion sector investment and financing deals by region, 2022 - H1 2026 (number of deals)

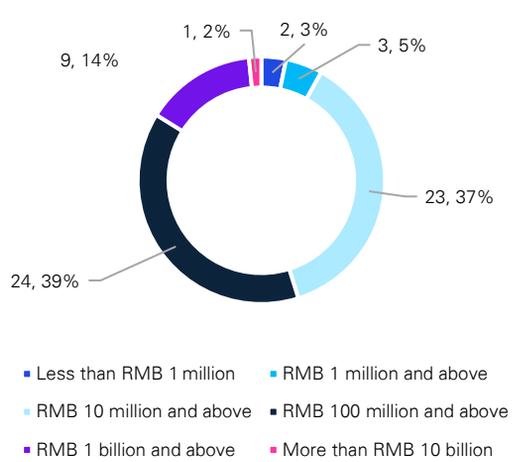


China's luxury & fashion sector investment and financing deals by segment, 2022 - H1 2026 (number of deals)



- In H1 2026, the investment and financing landscape for China's luxury and fashion sector moved away from rapid expansion, favouring instead a more rational and stable approach.
- A total of nine investment and financing deals were recorded during the period: seven in the Chinese mainland, two in overseas markets, and none in the Hong Kong SAR, Macau SAR, or Taiwan regions. In terms of sector breakdown, investment remained heavily concentrated in hard luxury categories, particularly jewellery, watches, and gold, while luxury brand service providers accounted for only a small share.
- A broader five-year analysis shows that investment and financing activity has largely been concentrated at the M&A stage, followed by early-stage rounds such as Seed, Angel, and Series A. Given the inherent characteristics of the luxury industry—including high-value products and long development cycles—the typical deal sizes tend to be relatively large. Approximately 80% of transactions fell within the RMB 10–100 million range, with only a few reaching the RMB 1–10 billion level.[a]
- The financing landscape in H1 2026 followed a similar pattern, with most deals again falling within the RMB 10–100 million range.[a] The hard luxury sector remained the focal point, especially jewellery retailers, gold product manufacturers, and watch producers. Notably, performance in hard luxury categories—such as watches and jewellery—significantly outpaced that of soft luxury—like apparel and leather goods—while mass-market affordable luxury retail also showed signs of vitality.

Distribution of investment and financing value in China's luxury & fashion sector, 2022 - H1 2026 (%)[a]



Note: a. Deal value only includes transactions where the amount was disclosed.

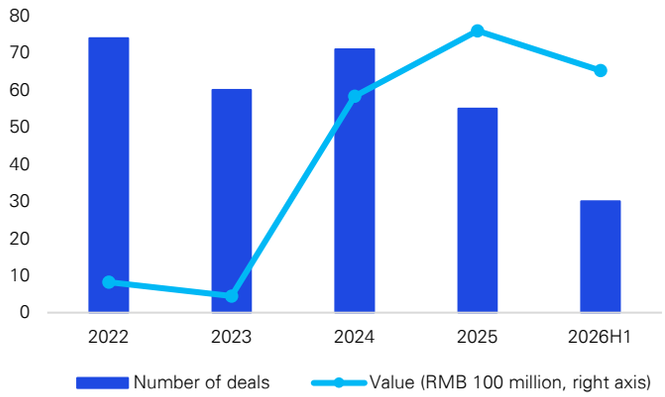
Source: CVsource, KPMG analysis

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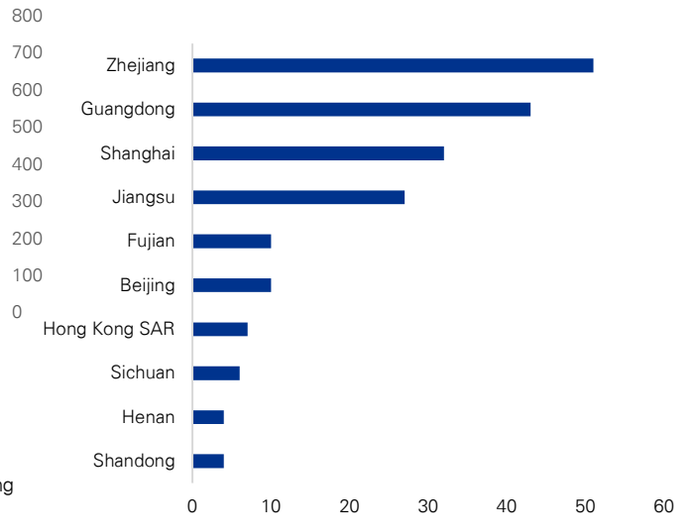
Apparel and footwear: Investment maintains growth with China-chic trends and digitalisation as core drivers



China's apparel and footwear sector investment and financing scale, 2022–H1 2026 (number of deals, RMB 100 million)[a]

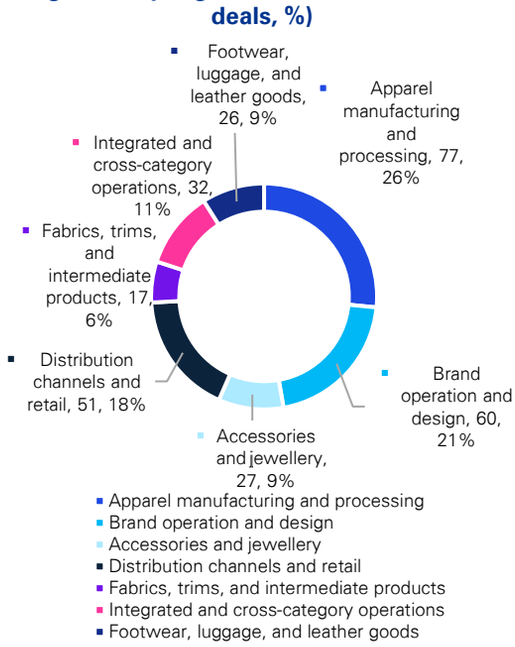


China's apparel and footwear sector investment and financing deals in top 10 Chinese provinces/municipalities, 2022–H1 2026 (number of deals)



- In recent years, although the number of transactions in China's apparel and footwear investment market has not grown significantly, total funding amounts have continued to rise. Annual investment reached RMB 76 billion in 2025 and surged to RMB 65.3 billion in H1 2026 alone[a], suggesting the potential to surpass the 2025 full-year total. With 30 deals recorded in H1 2026, this trend reflects a steady improvement in household consumption capacity and a growing appetite for personalised, high-quality apparel. Key drivers include urbanisation, the maturation of online retail channels, and the rise of the China-chic cultural movement, which has strengthened consumer loyalty to domestic, heritage-inspired brands and attracted heightened investor interest in China-chic labels.
- Most investors are leading companies within the apparel and footwear sector, who use proprietary capital or industry funds to drive upstream/downstream consolidation or expand their industry value chains in alignment with their core operations. Investors consistently favour brands with strong appeal among younger consumers and robust digital operation capabilities, particularly those effectively leveraging livestream e-commerce, short-video marketing, and community-based engagement.
- Geographically, Zhejiang, Guangdong, and Shanghai emerged as the primary investment hubs, with 51, 43, and 32 target companies receiving funding respectively over the past five years up to 2026. These regions maintained their top-three rankings in H1 2026.
- By target segment, the top three categories—apparel manufacturing/processing, brand operation/design, and channels/retail—accounted for over 65% of all deals. This highlights that manufacturing remains a core focus for investors, while brand equity and channel strength are increasingly becoming key differentiators for market players.

China's apparel and footwear sector investment and financing deals by segment, 2022–H1 2026 (number of deals, %)



Note: a. Deal value only includes transactions where the amount was disclosed.

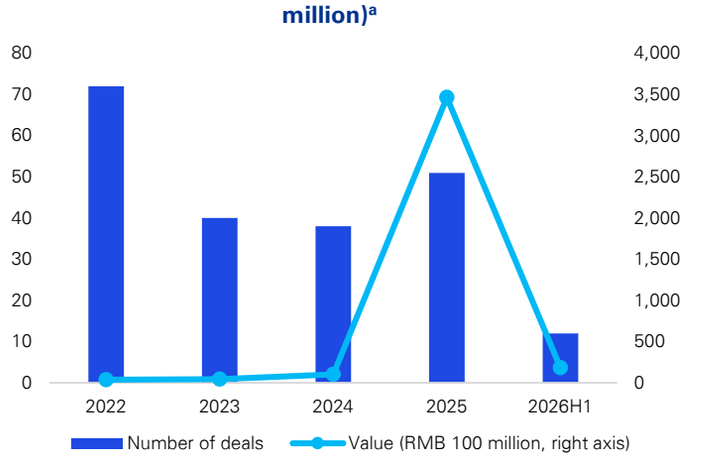
Source: CVsource, KPMG analysis

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Health and beauty: Sector sees moderate investment growth, highlighting global and tech-driven trends



China's health and beauty sector investment and financing scale, 2022–H1 2026 (number of deals, RMB 100 million)[a]

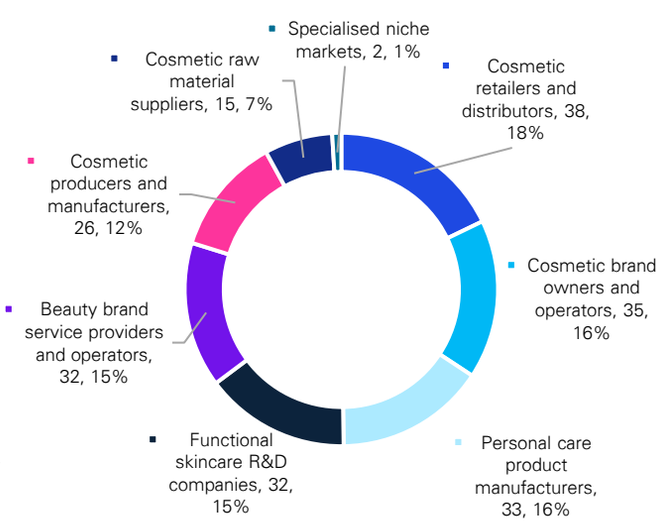


Distribution of investment and financing value in China's health and beauty sector, 2022–H1 2026 (number of deals)



- 2025 marked the most active year in terms of investment and financing volume for China's health and beauty industry over the past five years. This surge was largely fuelled by several large-scale funding rounds raised by Chinese companies incorporated in the U.S., the U.K., and the Cayman Islands. Notably, a U.S.-based personal care manufacturer alone secured over RMB 100 billion in a single round. In H1 2026, the industry recorded 12 investment and financing deals, representing a slight decline compared to previous years, though activity still remained robust. Of these, seven deals occurred in the Chinese Mainland and five in overseas markets, including Hong Kong SAR, Macau SAR, and Taiwan regions, with total funding reaching RMB 18.3 billion. Most individual financing rounds exceeded RMB 100 million.[a]
- In terms of investee company types, the sector encompasses eight major categories, including cosmetics brand owners and operators, functional skincare R&D firms, and personal care product manufacturers. Among these, cosmetics sales and channel operators, brand owners, and personal care manufacturers collectively accounted for 50% of the investment activity in H1 2026, with these three categories attracting eight deals in total.
- The investor landscape includes a mix of domestic and international PE/VC funds, industry leaders, local government and tech innovation funds, cross-border capital, and venture capital funds. The trajectory of capital participation has evolved clearly over time: foreign capital entered the market in 2022, followed by a focus on digital operational capabilities in 2023. In 2024, leading brands gained stronger support, and 2025 saw an acceleration in brand globalisation. By 2026, technology-driven investments gained traction, foreign investors returned with increased capital, and the industry began shifting from diversification toward concentration, signalling a move toward consolidation and global expansion.

Distribution of investment and financing value in China's health and beauty sector, 2022–H1 2026 (number of deals, %)



Source: CVsource, KPMG analysis

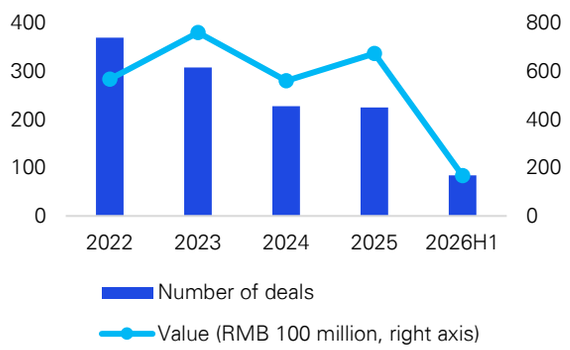
Note: a. Deal value only includes transactions where the amount was disclosed.

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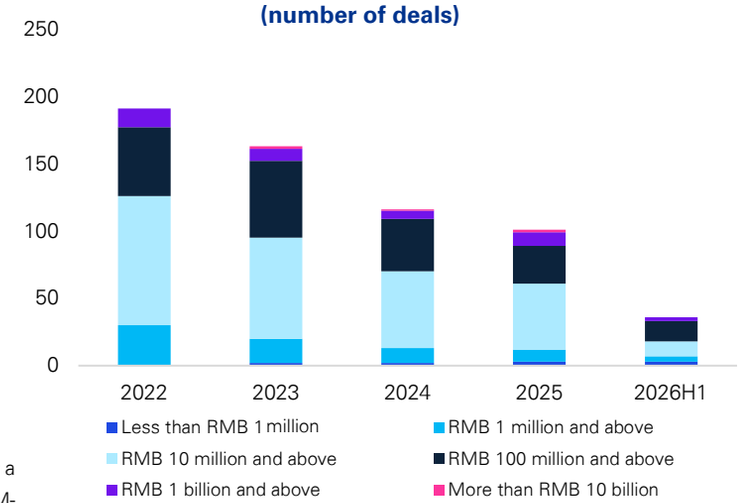
Food & beverage: Overall investment pressure persists; Beverage and snack segments maintain steady momentum



China's food and beverage sector investment and financing scale, 2022–H1 2026 (number of deals, RMB 100 million)[a]

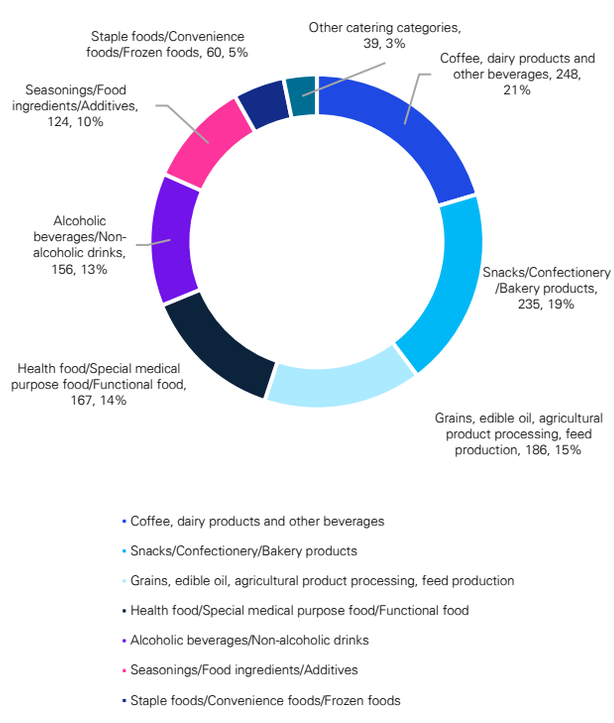


Distribution of investment and financing value in China's food and beverage sector, 2022–H1 2026 (number of deals)



- Investment activity in China's food and beverage sector has shown a gradual decline in recent years, with total deal values following an M-shaped trajectory. In H1 2026, the sector recorded 84 deals: 79 in the Chinese Mainland and 5 in overseas markets, including Hong Kong, Macau, and Taiwan, continuing the overall subdued trend. However, there was a modest 1.7% YoY recovery in deal volume compared to H1 2025, with total transaction value reaching RMB 16.7 billion[a]. Market dynamics revealed significant divergence: Mega-deals (those exceeding RMB 100 million) surged during H1 2026, accounting for over 50% of total transactions and becoming the dominant investment model. This shift signals the industry's transition from a highly fragmented phase toward consolidation, favouring established players with proven scalability and market presence.
- Investee companies primarily fall into eight major categories, including beverages, snacks, agricultural processing, and alcoholic drinks. Three segments have consistently driven investment activity: coffee, dairy, and beverages; snacks and bakery products; grains, oils, and agricultural processing. These three categories accounted for over 50% of the 669 deals recorded between 2022 and H1 2026, and the trend continued into H1 2026, where RMB 15.1 billion was invested across these segments.[a]
- The investor profile reflects accelerated industry consolidation. Funding sources have evolved from homogeneous to more diversified structures, with traditional PE/VC hybrid investments declining and cross-stage investing becoming less common. At the same time, industrial capital has become more active, expanding the M&A market. In H1 2026, 36 M&A deals were recorded, representing 43% of the total financing value, marking an 11-percentage-point increase from 2022 levels.

China's food and beverage sector investment and financing deals by segment, 2022–H1 2026 (number of deals, %)



Note: a. Deal value only includes transactions where the amount was disclosed.

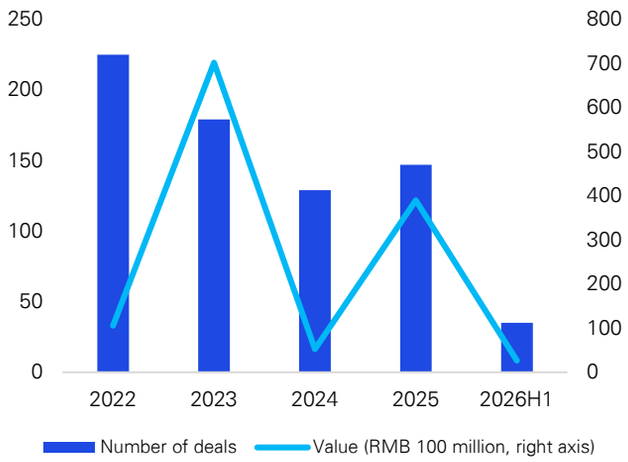
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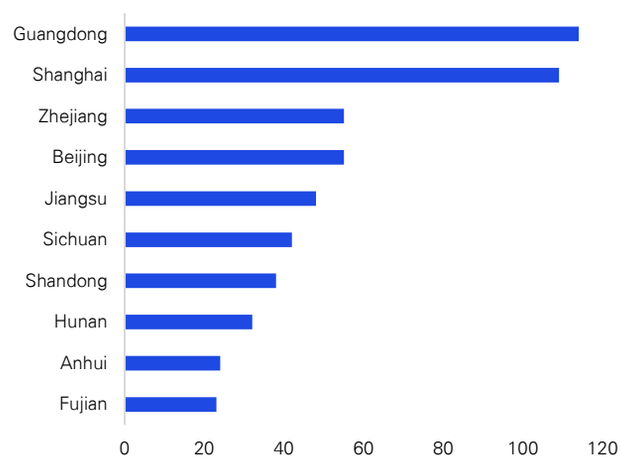
Restaurant: Total investment faces pressure amid structural divergence; Enablers remain core focus



China's restaurant sector investment and financing scale, 2022–H1 2026 (number of deals, RMB 100 million)[a]

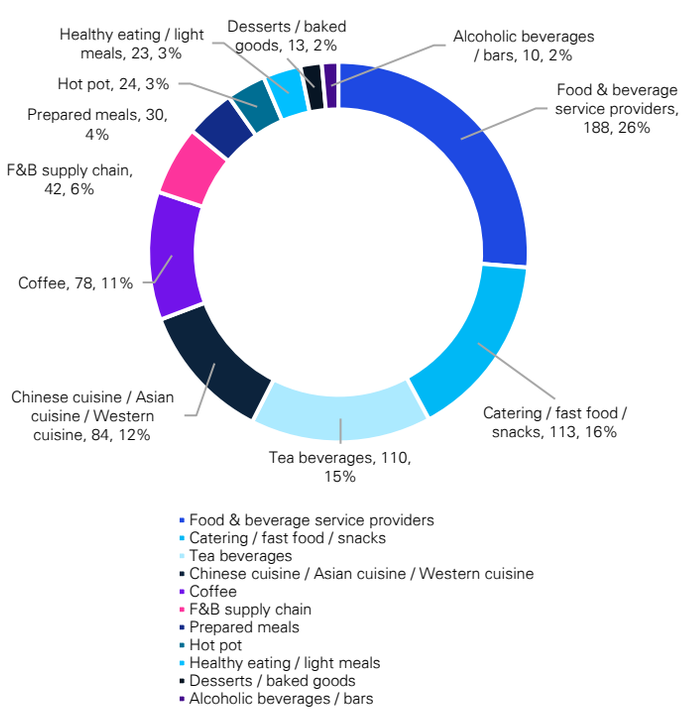


China's restaurant sector investment and financing deals in top 10 Chinese provinces/municipalities, 2022–H1 2026 (number of deals)



- The first half of 2026 saw the restaurant sector's investment landscape marked by pressure on total funding volumes and structural divergence. Over the past few years, the overall scale of investment and financing in the sector has followed a fluctuating downward trend, reflecting increasingly cautious capital sentiment. In H1 2026, the industry recorded 41 financing deals, with a total value of RMB 2.6 billion, and multi-million-yuan investments remained the primary focus. As service industry loan subsidy policies continue to be rolled out and the restaurant sector is designated a key supported industry, investment conditions are expected to gradually improve.
- Regionally, Guangdong and Shanghai have consistently been the core investment hotspots since 2022, securing 114 and 109 deals, respectively, far outpacing other regions. As tier 1 and tier 2 cities become increasingly saturated, capital is gradually shifting toward lower-tier cities. Additionally, regional specialty cuisines, such as Sichuanese and Hunanese, are gaining increased investor attention.
- By target type, restaurant sector enablers continued to dominate the investment landscape. Driven by operators' growing demands for cost reduction, operational efficiency, and digital transformation, the industry is rapidly adopting intelligent and tech-enabled solutions. In H1 2026, enablers secured 17 financing deals, accounting for 48.5% of the sector's total investment—a figure that surpasses the five-year average of 26.3%. In contrast, coffee-related investment experienced a sharp cooling-off period due to fading sector returns and heightened competition, with only one deal recorded in H1 2026.

China's restaurant sector investment and financing deals by segment, 2022–H1 2026 (number of deals, %)



Note: a. Deal value only includes transactions where the amount was disclosed.

Source: CVsource, KPMG analysis

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Recent tax updates in China

As a key tool for national macroeconomic regulation, taxation plays a crucial role in stimulating domestic consumption and expanding the domestic market. In line with the country's strategic goal of "prioritising domestic demand and building a strong domestic market", government authorities are actively reforming the tax system and standardising preferential tax policies in critical areas such as consumption tax, value-added tax (VAT), individual income tax and customs duties. A notable example is the joint notice issued in May 2026 by the Ministry of Finance and two other departments, setting out tax incentives for imported exhibits displayed and sold during the China Import and Export Fair (Canton Fair) throughout the 15th Five-Year Plan period. Under the policy, imported exhibits sold by exhibitors during the exhibition will be exempt from import tariffs, import VAT and consumption tax, within the applicable tax-exempt quotas. This initiative not only supports the growth of international trade and exhibition activities but also reinforces the government's commitment to stimulating domestic consumption and enhancing the competitiveness of domestic industries through targeted fiscal and tax measures.



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Multiple fiscal and tax policies take effect in 2026 to optimise tax services and provide targeted support for businesses



Recent tax updates in China (1/3)a

Mar 2026

- **Corporate income tax**
- **Bank-tax authority collaboration**

In March 2026, the State Taxation Administration (STA) and the National Financial Regulatory Administration (NFRA) jointly issued the *Notice on Further Advancing and Standardising the "Bank-Tax Interaction" Initiative*. Under this initiative, tax authorities will establish inter-provincial cooperation mechanisms with qualified banks and explore "headquarters-to-headquarters" collaboration models. Key priorities include upgrading direct data connectivity systems and standardising the methods and scope of tax-banking data sharing. The notice also supports compliant technological innovation, particularly through the application of blockchain and privacy computing technologies. Banks are required to enhance credit service capabilities and continuously monitor the performance of loan models. The notice emphasises that data sharing must be authorised explicitly by enterprises, adhere to the "minimum privilege" principle, and be accompanied by strong data security safeguards, clear confidentiality obligations, and effective oversight mechanisms. It further encourages the extension of tax and fee services to bank self-service terminals and online platforms, thereby improving service accessibility and convenience for taxpayers.

Mar 2026

- **Corporate income tax**
- **Convenient tax administration services**

In March 2026, the State Taxation Administration also released the Guidelines for the 2026 Convenient Tax Administration Service "Spring Breeze" Initiative. The guidelines highlight the continuation and expansion of the digital transformation of tax administration. This integrated approach promotes law-based, data-driven, and rigorous tax governance, ensuring orderly and efficient policy implementation. These initiatives aim to uphold fairness under the rule of law, revitalise market activity, and deliver real benefits to taxpayers—including helping them operate in compliance, protect fair competition, and drive corporate innovation. The initiative also actively contributes to the development of a unified national market and marks a new stage in the modernisation of China's tax administration system.

Jan 2026

- **Corporate income tax**
- **Individual income tax**
- **Value added tax**
- **Tax credits**

In January 2026, three government departments, including the Ministry of Finance, jointly issued the *Announcement on Continuing Tax Policies for the Pilot Phase of Domestic Depository Receipt Issuances by Innovative Enterprises*. This policy applies to Chinese Depositary Receipts (CDRs) issued by pilot innovative enterprises. By extending existing tax relief measures, the policy aims to reduce the tax burden on investors in the CDR market. It facilitates overseas technology and innovation firms' access to China's domestic capital markets via depository receipts and helps strengthen long-term investor confidence.

Jan 2026

- **Corporate income tax**
- **Value added tax**
- **Tax credits**

In January 2026, the Ministry of Finance and the State Taxation Administration jointly issued the *Announcement on Continuing Corporate Income Tax and Value-Added Tax Policies for Overseas Institutions Investing in China's Bond Market*. The announcement provides that, from 1 January 2026 to 31 December 2027, bond interest income earned by overseas institutions investing in China's bond market will be temporarily exempt from corporate income tax and value-added tax. However, this exemption does not apply to bond interest income derived by establishments or places of business in China operated by overseas institutions, where the income is effectively connected to such entities. During this extended period, the overall tax burden on eligible bond interest income for overseas investors is significantly reduced. To qualify for the exemption, it must first be determined whether the institution constitutes a Chinese establishment and whether the interest income is effectively connected to it.

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Multiple government departments have introduced new VAT, tariff, and IIT policies designed to stabilise foreign trade, boost duty-free consumption, and support residents' business and housing needs



Recent tax updates in China (2/3)a

May 2026

- **Value added tax**
- **Streamlined tax refund formalities**

In May 2026, six government departments, including the Ministry of Commerce, jointly issued the *Notice on Further Optimising Tax Refund Measures for Tourists to Expand Inbound Consumption*. The notice outlines a series of measures aimed at expanding the coverage of tax refund stores, with the goal of achieving near-universal availability in key commercial districts, tourist attractions, markets, and ports. Effective 1 July 2026, refund applications for purchases below RMB 10,000 will be subject to proportional random inspections, while applications for purchases of RMB 10,000 or more will undergo individual review. The "instant refund upon purchase" service will also be improved through cross-regional mutual recognition and the uniform extension of the departure deadline to 28 days. Additionally, starting from 1 July 2026, online verification of tax refund applications and sales invoices will be permitted, enabling a fully digitalised tax refund process.

May 2026

- **Individual income tax**

In May 2026, the State Taxation Administration issued the *Announcement on Relevant Collection and Administration Matters Concerning Individual Income Tax*. Effective 1 July 2026, natural persons who sell scrapped products using the "tripartite matching for reverse invoicing" mechanism will be subject to a reduced advance individual income tax rate of 0.25% on annual sales up to RMB 600,000. Sales exceeding this threshold will be taxed at a rate of 0.5%. Furthermore, from 2026 through the end of 2027, taxpayers who sell their self-owned homes and repurchase another home in the same city within one year of the sale may be eligible for a refund of the individual income tax previously paid. The announcement also clarifies the implementation basis for individual income tax collection related to these two types of transactions.

Mar 2026

- **Tariff**
- **Value added tax**
- **Consumption tax**

In May 2026, three ministries, including the Ministry of Finance, jointly issued the *Notice on Tax Incentives for Imported Exhibits Sold During the China Import and Export Fair (Canton Fair) Within the "15th Five-Year Plan" Period*. The notice specifies that imported exhibits sold by each exhibitor within the prescribed duty-free quota during the Canton Fair event period will be exempt from import tariffs, import VAT, and consumption tax. Eligible product categories and corresponding sales quotas are detailed in the appendix. Exhibits sold by any exhibitor that exceed the specified product categories or sales quotas, as well as unsold exhibits not re-exported after the event, will be subject to applicable taxes in accordance with national regulations.

Mar 2026

- **Tariff**
- **Value added tax**
- **Consumption tax**

In March 2026, three ministries, including the Ministry of Finance, jointly issued the *Notice on Tax Incentives for Imported Exhibits Sold During International Exhibitions in Central and Western Regions Within the "15th Five-Year Plan" Period*. This notice grants exemptions from import tariffs, import VAT, and consumption tax for imported exhibits sold by exhibitors within specified duty-free quotas during the following international exhibitions from 2026 to 2030: China-Mongolia Expo, China-Russia Expo, China-Africa Expo, ASEAN Expo, South Asia Expo, Qinghai Trade Fair · Tibetan Carpet Exhibition, and China-Eurasia Expo. The policy also applies to the following events from 2026 to 2027: Northeast Asia Expo, and China-Arab States Expo. Exhibits that exceed the specified product categories or quantity limits, or remain unsold and unre-exported after the event, will be subject to applicable taxes. Customs authorities will not apply post-clearance supervision procedures typically used for duty-free goods to these tax-benefited exhibits. Event organisers are required to submit implementation reports within three months after each exhibition concludes.

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Recent tax updates in China (3/3)a

Feb 2026

- **Tariff**
- **Value added tax**
- **Consumption tax**

In February 2026, the Ministry of Finance, together with two other ministries, jointly issued the *Notice on the "Zero Tariff" Policy for Imported Goods for Consumption by Residents within the Hainan Free Trade Port*. The notice stipulates that island residents are exempt from import duties, import-stage VAT, domestic VAT, and consumption taxes when purchasing imported goods within prescribed limits and approved categories at authorised retail outlets. Eligible goods are managed under a positive list system. Residents may make unlimited purchases at qualified duty-free stores by presenting valid identification and collect goods immediately on-site. However, the annual duty-free purchase limit per person is capped at RMB 10,000. The positive list of products is subject to periodic adjustments. Business operators are required to pay a special franchise fee for duty-free merchandise. The approval process for relevant entities and the establishment of retail locations will be determined separately by the Hainan Provincial Government and reported to the three ministries for record-keeping purposes.

Jan 2026

- **Value added tax**
- **Consumption tax**

In January 2026, the Ministry of Finance, together with another ministry, jointly issued the *Announcement on VAT and Consumption Tax Policies for Export Activities*. The announcement clarifies when exported goods and cross-border sales of services and intangible assets qualify for VAT refund/exemption, exemption only, or taxation. It outlines the eligibility criteria for the "exemption-offset-refund" and "exemption-refund" methods, establishes the refund rate principle (typically the applicable tax rate), and mandates separate customs declarations and accounting practices. The document specifies the basis for calculating refunds or exemptions, such as FOB value or invoice amount, and includes calculation formulas, including guidance on assessing abnormally high prices and applying the "lower of" rule. It also sets deadlines for submitting refund or exemption declarations, noting that unclaimed refunds or exemptions after 36 months will be treated as domestic sales and subject to taxation. Furthermore, the announcement explicitly subjects fraudulent activities, such as tax evasion schemes or the use of falsified documents, to taxation.

Jan 2026

- **Value added tax**

In January 2026, the State Taxation Administration issued the *Announcement on VAT Collection Matters Including Tax Threshold Standards*. The announcement stipulates that small-scale taxpayers whose sales fall below the threshold may choose to waive the VAT exemption for all or part of their taxable transactions and issue special VAT invoices. Those eligible for the preferential 1% levy rate policy must issue VAT invoices at 1%, although they may also opt out of the tax reduction for all or part of their taxable transactions and issue special VAT invoices accordingly. For specific scenarios, including natural persons' interest income from government bonds, real estate leasing, service income of platform-based workers, "reverse invoicing" for sales of scrapped products, and insurance agency services, the monthly sales amounts from all taxable transactions must be aggregated and subject to the monthly tax threshold provisions.

Jan 2026

- **Value added tax**
- **Consumption tax**

In January 2026, the State Taxation Administration issued the *Administrative Measures for VAT and Consumption Tax Refund/Exemption on Export Transactions*. These measures stipulate that taxpayers must complete refund/exemption registration prior to their first declaration or application for relevant certificates, with any subsequent changes to registration to be submitted within 30 days. Changes to the refund/exemption method generally require the settlement of outstanding tax liabilities. However, the implementation of such changes may be deferred under certain conditions, provided that taxpayers properly report the situation. These include cases involving incomplete documentation, unresolved tax audit inquiries, or business operations conducted under the new model within the previous 30 days. The measures further detail declaration requirements, procedures for explaining discrepancies, and adjustments to customs codes for various scenarios, including manufacturer exemptions, credits, and refunds, foreign trade enterprise exemptions or refunds where documents are uncollected, audit inquiries are unresolved, or new business models were recently adopted, and special transactions such as refund-before-verification for transportation equipment, used equipment, utilities in special economic zones, and bonded warehouse storage, among others. Operational workflows are also defined for tax authorities in handling discrepancy verification, temporary suspension of processing, and withholding of refunds. Additionally, the measures outline restrictive actions applicable to taxpayers with abnormal status or those involved in non-compliant activities.

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Forward-looking policies to boost consumption

For three consecutive years, China has made expanding domestic demand its top economic priority. The Central Economic Work Conference explicitly identified "adhering to an internal demand-driven approach and building a powerful domestic market" as a core economic objective for 2026. This signals a policy shift from short-term, volume-based stimulus towards precision-driven efficiency gains and long-term income growth mechanisms, aimed at fostering sustainable drivers of consumption growth.

Multiple government departments are now implementing supportive policies targeting both goods and services consumption. The General Office of the State Council issued the Work Plan for Accelerating the Cultivation of New Growth Areas in Service Consumption, which systematically promotes the expansion and enhancement of service consumption. The plan focuses on key sectors such as transport, home services, online audiovisual services, tourism and accommodation, the auto aftermarket and inbound tourism. It also supports emerging areas such as live performances, sports events, emotional consumption and experiential services, continuously enriching a diverse range of consumption scenarios. Furthermore, the government is advancing strategic initiatives including green consumption, "AI + consumption" and the upgrading of the entire automotive industry chain. Policy tools such as consumer loan subsidies and trade-in programmes for consumer goods are being deployed to stimulate demand. At the same time, provincial and municipal governments are tailoring localised consumption promotion plans to their specific conditions, creating a coordinated policy framework that unlocks the long-term potential of the domestic consumer market.



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Coordinated fiscal, tax, and industrial policies drive a comprehensive push to boost domestic demand and expand consumption

Coordinated government policies continuously drive consumption growth potential (1/3)[a]

Multiple Chinese government ministries and commissions have introduced a series of supportive policies aimed at reinforcing the foundation for expanding domestic demand. These initiatives include measures to raise household incomes and implement trade-in programmes for consumer goods. They also actively foster new models of service consumption, promote green consumption, broaden channels for both domestic and international trade, continuously optimise the consumption market environment, and fully unlock the potential of the domestic consumer market.

Departments including the State Council and the Ministry of Commerce prioritise the development of a robust domestic market. They refine supporting policies across multiple dimensions—stimulating demand, innovating supply, expanding consumption scenarios, and opening up to international markets. Key focus areas include unleashing growth potential in service consumption, big-ticket items, green consumption, and inbound consumption, thereby continuously releasing the latent power of domestic demand.

- In December 2025, the State Council convened the Central Economic Work Conference, which highlighted "prioritising domestic demand as the main growth driver and building a strong domestic market" as a key economic priority for 2026. The conference emphasised the need to deepen specialised campaigns to boost consumption, formulate and implement plans to increase the incomes of urban and rural residents, remove unreasonable restrictions in the consumption sector to unlock service consumption potential, and optimise the equipment upgrade and consumer trade-in programme.
- In January 2026, nine ministries, including the Ministry of Commerce, jointly issued the *Notice on Promoting Green Consumption Initiatives*. The document outlines specific requirements across several fronts: diversifying green product offerings, expanding green service consumption, innovating green consumption models, advancing green recycling systems, optimising the green consumption environment, strengthening foundational support mechanisms, and enhancing policy incentives. It calls on businesses to increase the adoption of energy-saving facilities, promote green certification practices, and participate in the establishment of international green consumption standards. At the same time, financial institutions are encouraged to scale up support for green consumer loans and insurance products, while also facilitating the development of a portfolio of green consumption infrastructure projects.
- Also in January 2026, the State Council convened an executive meeting chaired by Premier Li Qiang to review progress on consumption-boosting initiatives and discuss ways to accelerate the cultivation of new growth drivers in service consumption. The meeting emphasised a strategy centred on four key priorities: deepening the implementation of consumption stimulus campaigns to maximise the integrated impact of policy measures; accelerating the development of new growth drivers for service consumption by actively fostering emerging business models, formats, and scenarios; addressing challenges related to credit systems, standards, and safety management to improve service quality and public benefits; and improving long-term consumption promotion mechanisms through the formulation and execution of the 15th Five-Year Plan for Expanding Consumption.
- In January 2026, the State Council issued the *Circular on Optimising the Implementation of Fiscal Subsidy Policies for Interest Payments on Personal Consumption Loans*. This document introduces a direct approach to benefit consumers by reducing credit costs through interest subsidies and broadening the eligibility criteria for beneficiaries. It also outlines plans for further refinements in 2026, while clearly defining how these policies coordinate and apply alongside previously issued policy documents.
- Also in January 2026, the General Office of the State Council released the *Circular on Issuing the Work Plan for Accelerating the Cultivation of New Growth Drivers in Service Consumption*. Focusing on key sectors—including transportation, domestic services, online audio-visual services, tourism and accommodation, the automotive aftermarket, and inbound tourism—the circular proposes measures such as relaxing market access, removing unreasonable restrictions, fostering premium brands and business entities, and improving the overall consumption environment. Support arrangements are outlined for emerging growth areas such as performances, sporting events, and experiential services. The Ministry of Commerce will collaborate to facilitate the timely extension of preferential tax policies (including VAT and corporate income tax), enhance the domestic service credit information platform system, and lead research efforts on expanding policies to boost inbound consumption.

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Coordinated government policies continuously drive consumption growth potential (2/3)[a]

Multiple Chinese government agencies have introduced a series of supportive policies to stimulate domestic demand. These measures include initiatives to raise household incomes, promote trade-in programmes, and actively cultivate new business models in service consumption. Efforts are also underway to advance green consumption, expand both domestic and international trade channels, and continuously improve the consumer market environment—fully unlocking the potential of China's domestic consumer market.

The State Council and its constituent ministries, including the Ministry of Commerce, are prioritising the development of a robust domestic market. To achieve this, they are refining supporting policies across key areas: stimulating consumer demand, fostering supply-side innovation, diversifying consumption scenarios, and advancing opening-up initiatives. Key priorities include unlocking growth potential in service consumption, high-value goods, green consumption, and tourism spending to continually unleash domestic demand potential.

- In March 2026, Premier Li Qiang delivered the Government Work Report. For the third consecutive year, boosting domestic demand was positioned as the foremost priority, with the policy focus shifting from volume-based stimulus toward targeted efficiency and sustainable income growth. Key measures include earmarking RMB 250 billion in ultra-long-term special treasury bonds to support consumer trade-in programmes; establishing a new RMB 100 billion special-purpose fund for fiscal-financial coordination to stimulate domestic demand, employing integrated tools such as loan interest subsidies, financing guarantees, and risk compensation; first proposing an "urban and rural resident income growth plan" to raise incomes for low-income groups, increase asset-based income, and refine salary and social security systems; implementing service consumption upgrade initiatives to create high-impact consumption scenarios; supporting eligible regions in adopting spring and autumn holidays for primary and secondary schools while enforcing paid staggered-leave systems for employees; optimising the consumption environment for international visitors to build the "Shop in China" brand; and adjusting consumption tax scopes and rates, including shifting the collection point for certain categories to later stages.
- In March 2026, nine Chinese government departments, including the Ministry of Commerce, jointly released the *Policy Measures on Promoting Travel Service Exports and Expanding Inbound Consumption*. These measures target six key consumption areas: inbound tourism, business travel, events, cultural entertainment, health services, and education/training. They outline plans to develop premium inbound tourism products, streamline visa processing, payment systems, and multilingual support services, improve tax refund systems for departing visitors, and expand cross-border offerings in traditional Chinese medicine, international healthcare, and study-in-China programmes. These integrated efforts aim to enhance the appeal of inbound consumption and stimulate growth through coordinated development across business, tourism, sports, culture, and health services.
- On 28 April 2026, the Political Bureau of the CPC Central Committee held a meeting acknowledging the economy's "strong start" since the beginning of the year and emphasising the need to maintain steady policy continuity. Key directives included further unlocking domestic demand potential; expanding the supply of high-quality goods and services to drive consumption upgrades; comprehensively implementing initiatives to grow and enhance the service sector; advancing the planning and construction of six critical infrastructure networks (water networks, new-type power grids, computing power networks, next-generation communication networks, urban underground pipeline networks, and logistics networks); and accelerating the launch of major construction projects ready to begin.
- In May 2026, six departments, including the Ministry of Commerce, jointly issued the *Circular on Strengthening Efforts to Optimise Tax Refund Measures for Overseas Visitors and Boost Inbound Consumption*. The circular aims to significantly expand the network of tax refund stores, targeting near-universal access in key commercial districts, tourist attractions, markets, and ports. Effective July 1, 2026, it introduces proportional random physical inspections for refund applications amounting to under RMB 10,000 in sales value, while requiring mandatory inspection for applications of RMB 10,000 or above. The circular also streamlines the "instant tax refund" service, promotes the mutual recognition across regions, and uniformly extends the departure deadline to 28 days from the date of purchase. From the same date, online confirmation of refund applications and sales invoices will be permitted, allowing for a fully paperless process. Additionally, dedicated tax refund service zones will be established at major exhibitions.
- In June 2026, two departments, including the General Office of the Ministry of Industry and Information Technology, jointly released the *Circular on Organising the 2026 National Promotion of Renowned Consumer Goods*. The circular designates the event period from May 2026 to April 2027 and outlines five key tasks: cultivating renowned consumer goods by conducting ongoing solicitation for "China's Renowned Consumer Goods" entries and supporting e-commerce platforms in establishing dedicated zones; implementing the "AI + Three Enhancements" initiative (enhancing product variety, quality, and branding), releasing application guidelines while developing industry-specific large models and high-quality datasets; promoting the inclusion of cultural, creative, and intangible cultural heritage products in "China's Renowned Consumer Goods," showcasing them at tourist sites, cultural blocks, and industrial tourism destinations; expanding access to renowned goods in government institutions, communities, and rural areas while enhancing logistics networks for lower-tier markets; and leveraging domestic and international trade shows to create dedicated zones for international exhibitions, facilitating integrated domestic-foreign trade and cross-border commerce.
- In June 2026, eight government departments, including the Ministry of Commerce, jointly issued the *Notice on Announcing the List of Pilot Cities for Automobile Circulation and Consumption Reform*. The notice designates 40 pilot cities for automobile circulation and consumption reform. It requires local authorities to develop specific objectives and tasks based on their submitted plans, improve reform measures, enhance support in land and funding, coordinate relevant policies, streamline approval and filing procedures, strengthen management and service systems, and improve cross-departmental coordination with regular evaluations. The pilot initiatives cover multiple areas, including optimising vehicle purchase restrictions and usage environments, used car circulation, end-of-life vehicle recycling, automotive modifications, classic cars, motorsports, automotive culture, RV camping, car rentals, automotive information platforms, and the promotion of intelligent connected vehicles.
- In June 2026, five government departments, including the Ministry of Industry and Information Technology (MIIT), jointly issued the *Notice on Launching the 2026 New Energy Vehicle (NEV) Promotion Campaign in Rural Areas*. The notice launches the 2026 NEV promotion campaign in rural areas, establishing dedicated replacement zones and offering policy guidance and agency services for administrative procedures. Rural consumers replacing vehicles with new energy models can therefore apply for replacement subsidies under the policy.

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Coordinated government policies continuously drive consumption growth potential (3/3)[a]

Multiple Chinese government agencies have introduced a series of supportive policies. These initiatives aim to reinforce the foundation of domestic demand through measures such as boosting household incomes and launching trade-in programmes. They also actively cultivate emerging service consumption models, promote green consumption, expand consumption channels via integrated domestic and foreign trade, continuously enhance the consumer market environment, and fully harness the potential of the domestic consumer market.

The State Council, together with its affiliated departments including the Ministry of Commerce, are prioritising the development of a robust domestic market. By bolstering consumer demand, fostering supply-side innovation, diversifying consumption scenarios, and expanding multi-dimensional openness, they are refining supportive policies. The focus targets growth potential in service consumption, major consumer spending, green consumption, and inbound consumption, thus steadily unlocking domestic demand potential.

- In June 2026, nine government agencies, including the Ministry of Commerce, jointly issued a circular titled *Measures to Foster Growth in the Automotive Aftermarket*. The document outlines initiatives covering six key areas: vehicle modification, RV camping, classic cars, repairs and insurance, motorsports, and vehicle leasing. Key measures include establishing tiered classification management and project lists for modifications, improving inspection systems, registration procedures, and technical standards, while exploring parts certification requirements. It supports streamlined travel permissions for RVs, optimised campsite land approvals, and enhanced parking facilities. The circular calls for developing detailed criteria to authenticate classic cars, facilitating their trade and exhibition, and permitting conditional road use. Repair shops will face strengthened registration, information disclosure, and credit management requirements, with explicit prohibitions against denying statutory warranty obligations for passenger vehicles due to owner-performed maintenance. The document encourages innovation in auto insurance products and battery-swap insurance models. Additionally, it supports the development of motorsport event guidelines, facilitates import and export processes, and promotes integration and upgrading initiatives for leasing enterprises.

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Province-level measures to improve consumption (1/2)[a]

Beyond national-level policies to boost consumption, local governments are launching tailored implementation plans that leverage their unique industrial strengths. These initiatives span diverse areas—including dining and cultural tourism, e-commerce, sports and finance, and commercial upgrades—employing multifaceted measures to stimulate regional domestic demand.

Shenzhen: Strengthening consumption oversight and developing digital cross-border consumption

- In January 2026, five municipal departments, including the Shenzhen Market Regulation Administration, jointly released the *Three-Year Action Plan for Optimising Shenzhen's Consumption Environment* (2026–2028). The plan enhances oversight in key areas such as food safety, prepaid business models, and online transactions, while establishing rapid dispute resolution mechanisms for both online and offline consumption. It seeks to develop smart commercial districts and smart home experience centres, cultivate emerging sectors like livestreaming and digital entertainment, and streamline cross-border consumption support systems. Additional measures include strengthening inbound consumption assistance, refining service consumption standards, and establishing trusted consumption environments with international recognition.

Jiangsu: Interest Subsidies for Sports Industry, Significant Boost for Livestreaming E-commerce

- In January 2026, the Jiangsu Provincial Sports Bureau released the *Implementation Plan for the 2026 Pilot Jiangsu Sports-Specific Financial Products and Support Policies in Jiangsu Province*. The plan allocated RMB 12 million in fiscal funding to provide sports enterprises with loan interest subsidies of 1.2% and guarantee fee subsidies of 0.5%. This initiative aims to reduce financing costs for sports goods manufacturers, event operators, and fitness and cultural tourism businesses. It supports market entities in expanding supply, stimulating public participation in fitness activities, event attendance, and outdoor leisure sports consumption. These efforts are further reinforced by the "Jiangsu Super League" event-driven economics and integrated sports-culture-tourism initiatives designed to boost spending.
- In May 2026, nine provincial departments, including the Jiangsu Department of Commerce, jointly issued the *Three-Year Action Plan for High-Quality Development and Enhancement of Livestreaming E-Commerce in Jiangsu* (2026–2028). The initiative leverages online livestreaming to drive sales of physical goods, cultural tourism offerings, and specialty agricultural products. Key targets include achieving average annual livestreaming e-commerce sales growth exceeding 12% by 2028; developing 100 branded Made-in-Jiangsu product livestream studios, 30 high-quality livestreaming bases, and three nationally leading cities in livestreaming business; promoting online sales of time-honored brands, smart-manufactured goods, and agricultural products via livestreaming platforms; enhancing talent cultivation and industry oversight; and integrating online and offline consumption channels to expand the scale of new digital consumption.

Shandong implements tax relief for catering sector to create distinctive dining experiences

- In February 2026, Shandong's Department of Commerce and eight other provincial agencies jointly released the *Measures to Promote High-Quality Development of the Catering Industry*. The policy allows temporary outdoor seating in designated dining areas under regulated conditions. It extends VAT reductions for small-scale catering businesses and maintains corporate income tax benefits for small and micro enterprises until 2027. Key initiatives include fostering renowned Shandong cuisine restaurants, vibrant food streets, and nighttime dining hubs; advancing farm-to-restaurant partnerships and prepared meal development; and supporting catering digitisation alongside culinary festivals to stimulate consumption. By 2027, the province aims to develop 10 leading catering enterprises each generating over RMB 300 million in annual revenue, while expanding in-store dining and cultural tourism-related catering consumption.

Yunnan: Building Yunnan into a culinary destination and integrating catering with culture and tourism

- In March 2026, the Yunnan Provincial Department of Commerce and eight other departments jointly released the *Measures to Promote the High-Quality Development of Yunnan's Catering Industry*. This initiative seeks to establish Yunnan as a premier culinary destination and develop ethnic cuisine nightlife districts. It includes hosting food expos and integrated events that combine Yunnan cuisine with tourism and sporting activities. Key support will focus on specialty consumer brands like rice noodles, wild mushrooms, coffee, and tea, with awards for restaurants featured on the Michelin Guide or Black Pearl lists. The measures also aim to standardise online food delivery platforms and crack down on fake reviews. Further efforts involve implementing tax reductions and financing support for the catering sector, alongside enriching culinary-tourism experiences through the A Lifestyle Called Yunnan campaign.

Guangdong: Leveraging manufacturing to optimise consumer goods supply-demand alignment, and innovative credit solutions to empower digital IP-driven consumption

- In March 2026, fifteen departments, including the Guangdong Provincial Department of Industry and Information Technology, jointly issued the *Guangdong Action Plan for Enhancing Consumer Goods Supply-Demand Alignment to Further Boost Consumption*. The plan integrates domestic demand expansion with deeper supply-side structural reforms. It drives industrial upgrading by stimulating consumption, leverages manufacturing advancements to empower quality improvements and brand building across sectors, meets diverse consumer needs with higher-quality supply, and achieves a higher-level dynamic equilibrium between supply and demand through better production-sales coordination—ultimately unlocking consumption potential and stabilising economic growth.
- Concurrently in April 2026, five departments, including the Guangzhou Financial Regulatory Authority, released the *Guangzhou Measures to Strengthen Financial Support for Consumption Promotion*. Notably, the document states: "Support will be extended to ACG (animation, comics, and games) culture and digital IP consumption. Innovative financial products—such as intellectual property pledge financing and scenario-based consumer credit—will be developed around sectors including anime, China-chic, and digital collectibles." This marks the first official linkage between digital collectibles and consumer credit or scenario-based finance.

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Province-level measures to improve consumption (2/2)[a]

Beyond national-level policies to boost consumption, local governments are launching tailored implementation plans that leverage their unique industrial strengths. These initiatives span diverse areas—including dining and cultural tourism, e-commerce, sports and finance, and commercial upgrades—employing multifaceted measures to stimulate regional domestic demand.

Hainan: Advancing high-end commercial projects to develop the province into an international consumption hub

- In April 2026, five departments including the Hainan Provincial Department of Commerce jointly released the *Notice on Several Measures to Promote the Quality Enhancement and Upgrade of Urban Commerce in Hainan Province*. The measures propose building Hainan into an international consumption hub by accelerating the construction of flagship commercial landmarks such as Phase III of Sanya International Duty Free Shopping Complex (Taikoo Li Sanya), Super MixC, Haitang Story, and Hainan Centre. More efforts will also be made to attract global top-tier brand flagship stores and experiential outlets.

Tianjin: Optimising consumer goods supply to cultivate consumer industries worth billions of RMB

- In April 2026, the Tianjin Municipal Bureau of Industry and Information Technology issued the *Implementation Plan to Better Align Consumer Goods with Market Demand and Further Stimulate Consumption in Tianjin*. The plan sets clear goals: By 2027, Tianjin will achieve significant improvements in its consumer goods supply structure, focusing on developing three consumer sectors worth billions and establishing a portfolio of distinctive regional, high-quality consumer products that blend cultural depth with nationwide influence. Looking ahead to 2030, a high-quality development framework featuring a virtuous cycle between supply and consumption will take shape. Consumption's contribution to economic growth will steadily increase, with its fundamental role in the economy growing ever stronger.

Zhejiang: Streamlining event approvals to stimulate sports consumption

- In April 2026, the General Office of the Zhejiang Provincial Government released the *Implementation Opinions on Unleashing Sports Consumption Potential and Further Promoting High-Quality Development of the Sports Industry*. The document delineated measures across seven key domains: event supply, consumer demand, enterprise cultivation, industrial integration, outdoor sports, venue facilities, and supporting measures. Key initiatives encompass establishing a one-stop service mechanism for sporting events, optimising safety permits and approval procedures, implementing real-name ticketing systems, strengthening oversight of prepaid consumption funds, supporting venues, professional clubs, and sports enterprises in their operations, promoting data circulation and trading, and facilitating the issuance of infrastructure REITs for eligible projects.

Shanxi: Advancing digital healthcare and expanding local service consumption

- In May 2026, Shanxi's Provincial Department of Commerce and nine other departments jointly issued the *Measures to Promote High-Quality Development of Service Consumption in Shanxi Province*. These measures prioritise developing "Internet + Healthcare" initiatives to elevate health service standards. To drive digital and green consumption, Shanxi will strengthen digital infrastructure, extending comprehensive 5G coverage to key commercial districts and cultural tourism destinations. For residential services, the province encourages qualified property management firms to explore a "property services plus lifestyle services" model, expanding into elderly care, childcare, meal assistance, and housekeeping.

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Monetary policy channels capital to energise the consumer market [a]

Beyond the series of government policies, the banking sector jointly reduced deposit rates and reduced the availability of long-term savings products. The People's Bank of China (PBOC) kept the Loan Prime Rate (LPR) unchanged while ensuring ample market liquidity through Medium-term Lending Facility (MLF) operations. These financial adjustments redirected more capital toward the real economy and consumer sectors.

Lending rates

The PBOC maintained LPR stability while boosting MLF injections to ensure sufficient market liquidity

- On 22 June 2026, authorised by the PBOC, the National Interbank Funding Centre announced that the 1-year LPR remained at 3.0%, with the over-5-year rate at 3.5%. These rates stayed effective until the next LPR publication.[95]
- That same month, the PBOC conducted a RMB 500 billion MLF operation on 25 June 2026, to sustain adequate banking system liquidity. This one-year facility employed a fixed-amount, interest-rate bidding mechanism targeting multiple price points.[96]

Deposit rates

Deposit rates maintained overall stability throughout the period, with policymakers increasingly focused on interest rate rationality and stability

- Influenced by slowing macroeconomic growth and moderately accommodative monetary policy, deposit rates at China's major state-owned banks remained low in 2026. Most institutions kept their one-year time deposit rates around 0.95%, while three-year and five-year rates hovered between 1.25% and 1.3%[97]—showing little fluctuation compared to the previous two years.
    - Certificate of deposit (CD) rate premiums: Typically 0.2 percentage points higher than regular time deposits, with three-year CDs reaching 1.5%-1.55%[98];
    - Smart deposit products: Some banks launched flexible-term offerings featuring automatic rollovers to attract younger clients.
    - Regional rate adjustments: Certain branches in smaller cities fine-tuned rates based on local capital supply-and-demand dynamics.
- As the Loan Prime Rate (LPR) mechanism continued to mature, market-oriented deposit rate reforms advanced steadily. In early 2026, the People's Bank of China further strengthened the deposit rate self-discipline mechanism, encouraging banks to enhance customer loyalty through product innovation and service optimisation rather than relying solely on rate competition.

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Appendix

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



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Consumer & retail brand index (1/3)

Brand[a]	Headquarters	Sub-sector[b]	Description
Adidas	Germany	Apparel & footwear	Mainly engaged in the design, R&D, manufacturing and marketing of athletic footwear, sportswear and accessories
Nike	US	Apparel & footwear	Specialising in the design, development, production and sales of athletic shoes, performance apparel and sports equipment
Puma	Germany	Apparel & footwear	Mainly engaged in designing, developing, marketing and promoting diverse footwear, apparel and accessory products
Camel	Chinese Mainland	Health & beauty	Specialising in the R&D, design, production and distribution of high-performance outdoor equipment
L'Oréal	France	Health & beauty	Mainly engaged in beauty and personal care products spanning skincare, cosmetics, haircare, hair colour, fragrances and related categories
NVIDIA	US	Health & beauty	Specialising in graphics processor design, committed to developing CPUs, DPUs, GPUs and AI software solutions
Beiersdorf	Germany	Health & beauty	Specialising in developing, manufacturing and marketing premium skincare products, branded bandages and adhesive tapes
Proya	Chinese Mainland	Health & beauty	Mainly engaged in the R&D, production and sales of cosmetic products
Comfy	Chinese Mainland	Health & beauty	Specialising in medically-approved skincare brands focused on skin repair and barrier maintenance
MAOGEPING	Chinese Mainland	Health & beauty	Mainly engaged in R&D, production and sales of skincare lines and professional makeup artistry training
Winona	Chinese Mainland	Health & beauty	Specialising in sensitive skin care solutions
BASF	Germany	Health & beauty	Mainly engaged in six core segments: Chemicals, Materials, Industrial Solutions, Nutrition & Care, Surface Treatment Technologies and Agricultural Solutions
Grain Rain	Chinese Mainland	Health & beauty	Specialising in scientifically-formulated brightening products for Asian skin, renowned for its core ingredient Glabridin
Shouxiangu	Chinese Mainland	Food & beverage	Mainly engaged in end-to-end operations for premium traditional Chinese medicinal herbs and products, including Lingzhi mushrooms and Dendrobium officinale

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

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Consumer & retail brand index (2/3)

Brand[a]	Headquarters	Sub-sector[b]	Description
Adopt A Cow	Chinese Mainland	Food & beverage	Mainly engaged in the operation of the entire dairy industry chain
Yakult	Japan	Food & beverage	Specialising in the R&D, production and sales of active lactic acid bacteria dairy beverages
By-Health	Chinese Mainland	Food & beverage	Focused on the R&D, production and sales of dietary nutritional supplements
Chayan Yuese	Chinese Mainland	Restaurants	Core business involves the R&D, preparation and direct retailing of new Chinese-style fresh tea drinks
Lemon Right	Chinese Mainland	Restaurants	Mainly engaged in the operation of freshly-made lemon tea beverages
Chagee	Chinese Mainland	Restaurants	Core business centres on the R&D of new Chinese-style freshly-made tea beverages, with original leaf fresh milk tea as the core product
Mixue	Chinese Mainland	Restaurants	Core products include freshly-made fruit drinks, tea beverages, ice cream, and coffee, operating on a high-quality yet affordable strategy
Micun	Chinese Mainland	Restaurants	Specialising in the chain operation of ethnic Korean-style Chinese fast food restaurants
Domino's Pizza	US	Restaurants	Mainly engaged in the production and sale of pizza, as well as fast-food catering services centred on delivery
Lao Xiang Ji	Chinese Mainland	Restaurants	Focused on signature chicken soup and chicken-based home-style dishes
Country Style Cooking	Chinese Mainland	Restaurants	The core model involves chain operation featuring freshly wok-fried Sichuan-style rice fast food served in stores
Haidilao	Chinese Mainland	Restaurants	Specialising in the chain operation of Sichuan-style hotpot restaurants
Guangzhou Restaurant Group	Chinese Mainland	Restaurants	Mainly engaged in food manufacturing and catering services
YuYuan	Chinese Mainland	Restaurants	Core business encompasses five major sectors: jewellery & fashion, cultural dining & beverages, wellness & beauty, China-chic timepieces, and property development & operation

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

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Consumer & retail brand index (3/3)

Brand[a]	Headquarters	Sub-sector[b]	Description
Tang Shan Yan	Chinese Mainland	Restaurants	Specialising in the operation of distinctive dining concepts, showcasing intangible cultural heritage, and offering immersive cultural tourism experiences alongside cultural and creative retail
Zi Guang Yuan	Chinese Mainland	Restaurants	Mainly engaged in chain restaurant operations featuring Halal Beijing cuisine
Jian Dong Fang	Chinese Mainland	Restaurants	Focused on operating immersive "dining + performance" cultural experience projects
Zhangliang Malatang	Chinese Mainland	Restaurants	Core business centres on providing dine-in and delivery services for Malatang and related dishes
Din Tai Fung	Taiwan, China	Restaurants	Primarily focused on chain operations of Chinese cuisine featuring standardised Xiaolongbao as the signature offering

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

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Contact Us



Raymond Lam

National Sector Head, Consumer & Retail
Head of Audit, Consumer & Retail
KPMG China

T: +86 (20) 3813 8388
+86 (755) 2547 4388
E: raymond.lam@kpmg.com



Willi Sun

Head of Advisory, Consumer & Retail
KPMG China

T: +86 (21) 2212 3740
E: willi.sun@kpmg.com



Jennifer Weng

Head of Tax, Consumer & Retail
KPMG China

T: +86 (21) 2212 3431
E: jennifer.weng@kpmg.com



Cherry Zhang

Sector Manager, Consumer & Retail
KPMG China

T: +86 (20) 3813 8974
E: cherry.s.zhang@kpmg.com

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Publication number: 1782695245034

Publication date: September 2026