

Opportunities in Asian Consumption Story Amid Slowing Global Economy

August 2022

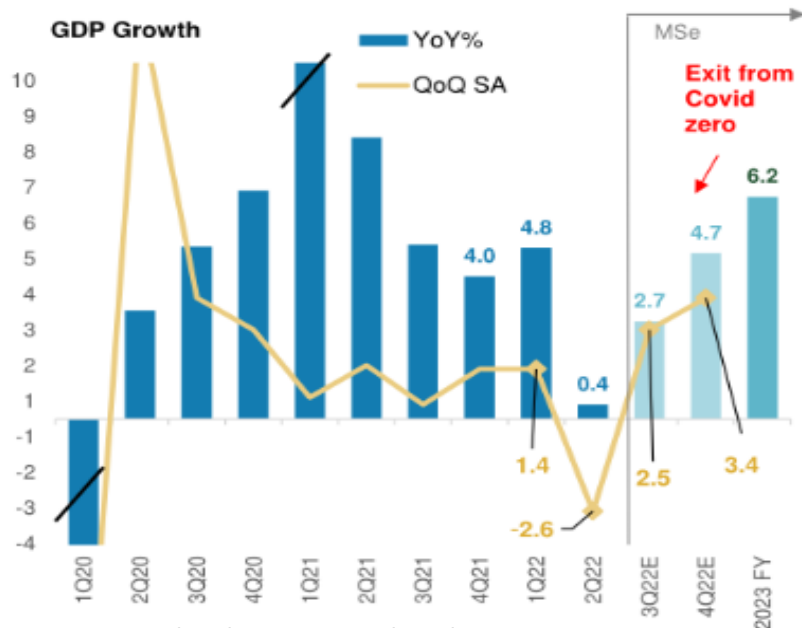
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China

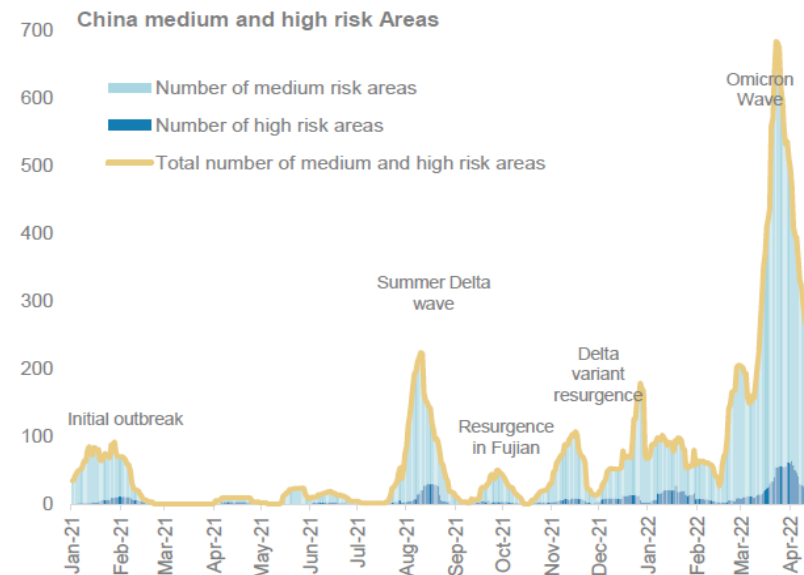
- China's economy, in particular private consumption, was weak due to the pandemic in '22. While the dynamic zero Covid policy will stay for a while, it is unlikely that we will see another citywide lockdown as in Shanghai earlier this year.
- China will focus more on economic growth, especially after the 20th Party Congress in October, and may announce more meaningful stimulus policies to boost domestic consumption.
- We expect China's economy to have a gradual recovery driven by consumption in the second half of this year as market disruptions caused by Covid lockdowns are normalizing and macro concerns such as inflation should peak in 3Q22.

China GDP Growth



Source: NBS, Local Media, Morgan Stanley, July 2022

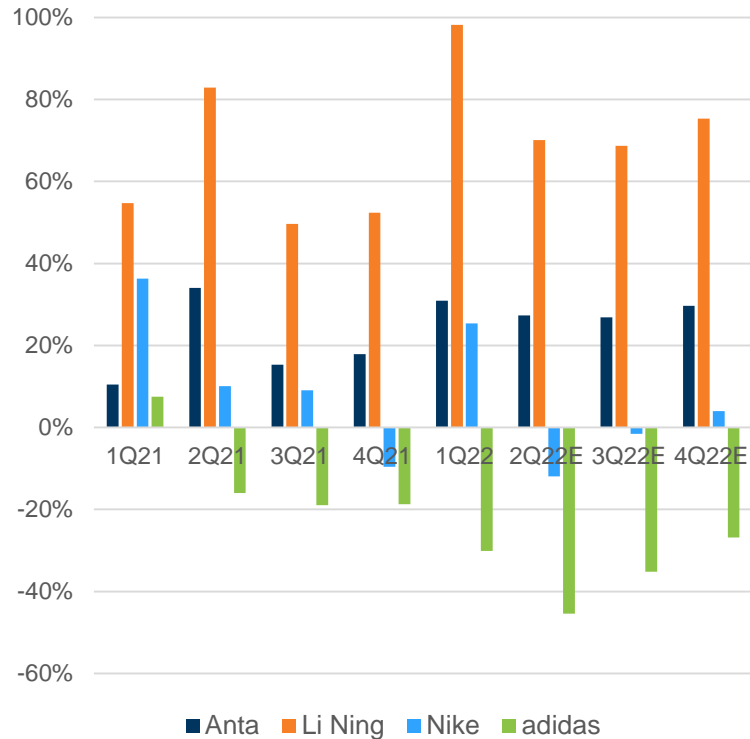
China Medium and High Risk Areas



Source: Wind, Morgan Stanley, April 2022

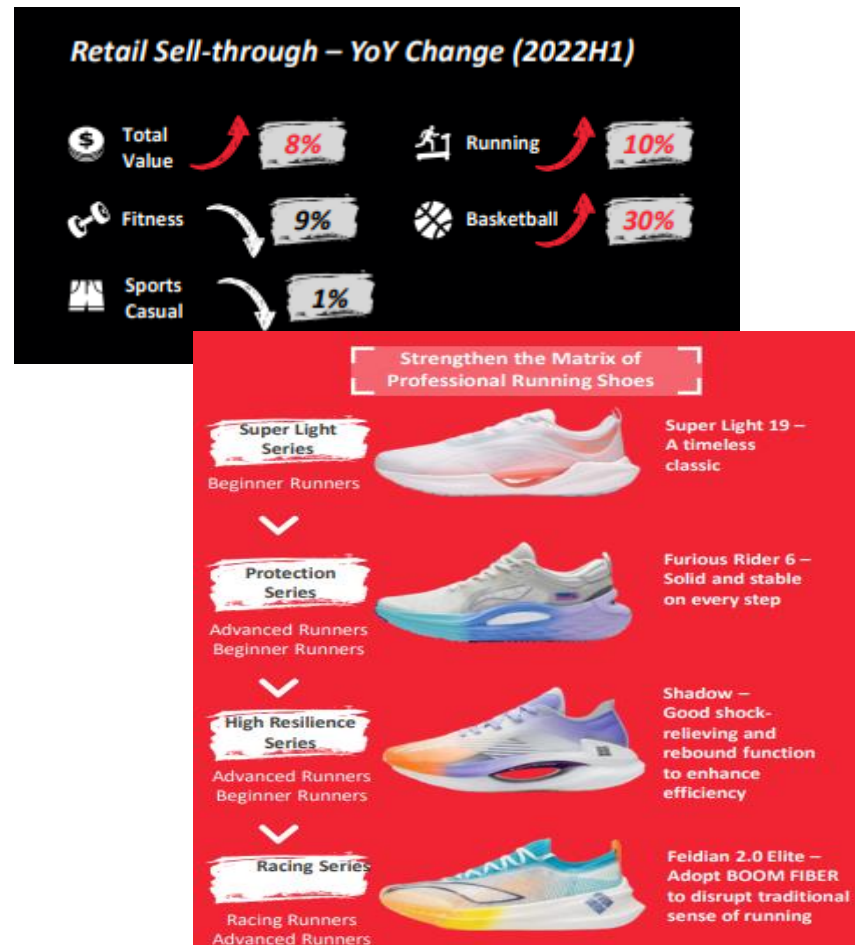
China – Rising Local Brands

Retail Sales of Major Sportswear Brands in China vs. 2019



Source: Company data, Goldman Sachs, June 2022

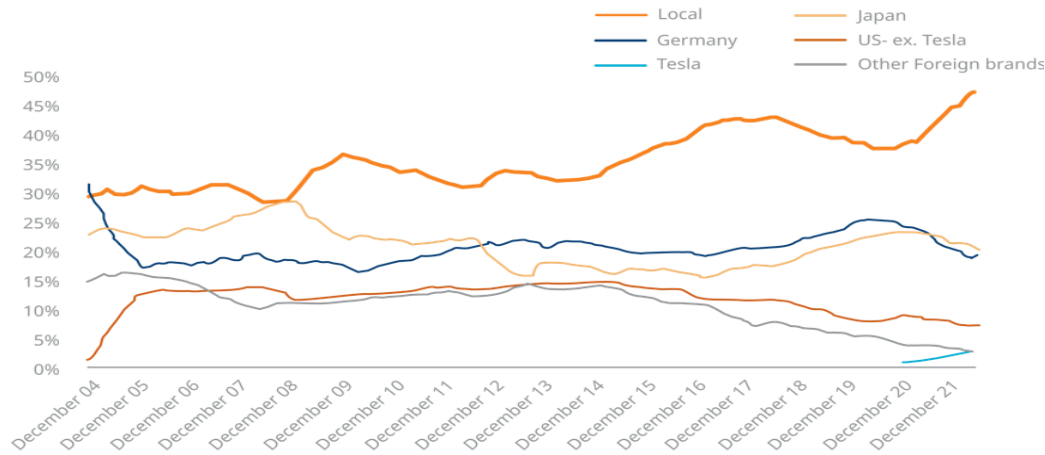
Li Ning – Professional Categories to Strengthen the Resilience



Source: Company data, August 2022

China – Rising Local Brands

Passenger Vehicle Market Share in China by Brand Origin (Trailing Twelve Months) and Ranking in China by Brand

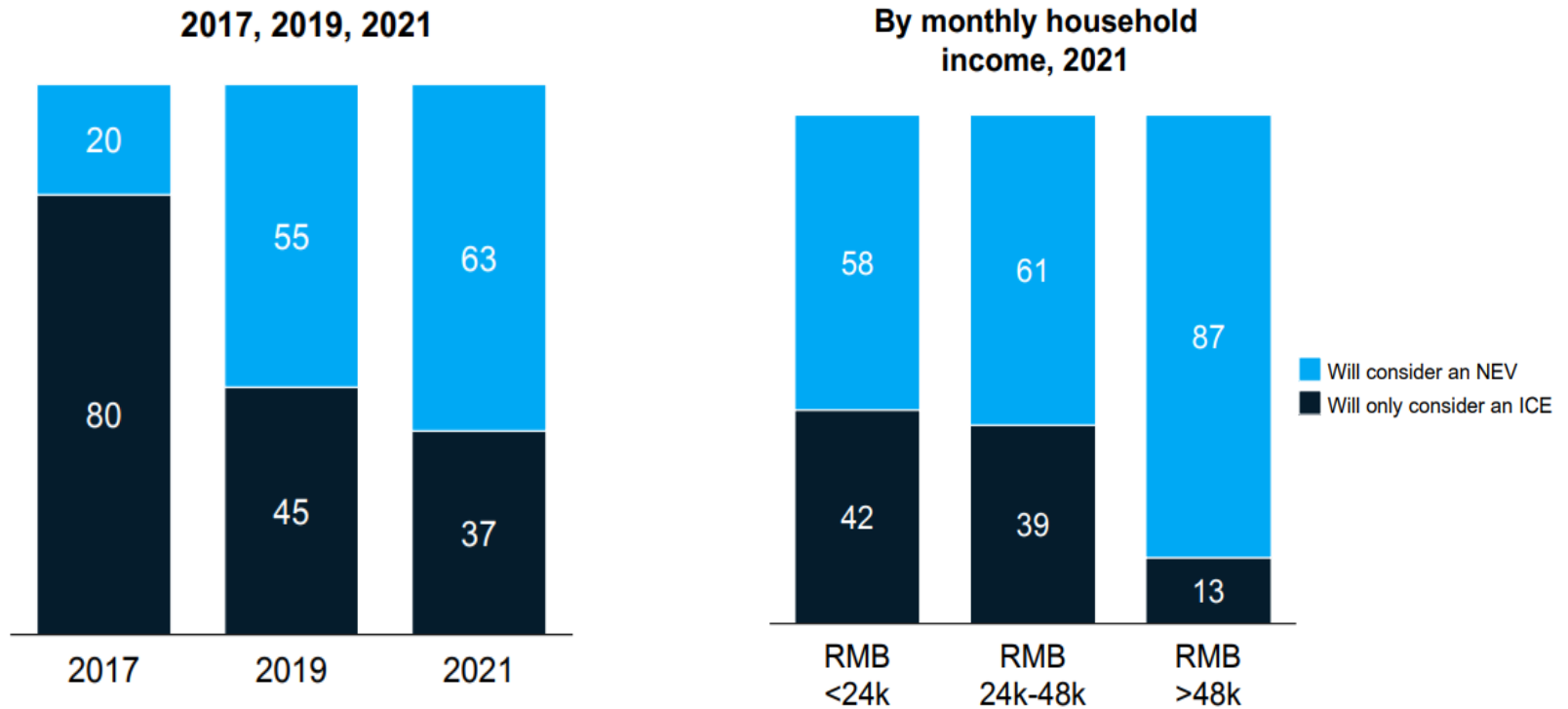


Ranking	2018		2019		2020		2021		1H2022	
1	SAIC-VW	8.9%	FAW-VW	9.7%	FAW-VW	10.5%	FAW-VW	8.5%	FAW-VW	8.4%
2	FAW-VW	8.8%	SAIC-VW	9.5%	SAIC-VW	7.6%	SAIC-GM	6.3%	BYD	6.3%
3	SAIC-GM	8.5%	SAIC-GM	7.6%	SAIC-GM	7.4%	Geely	6.3%	Chang'an	6.1%
4	Geely	6.5%	Geely	6.5%	Geely	6.7%	Great Wall	6.1%	Geely	6.0%
5	SGM-Wuling	5.8%	DF-Nissan	6.1%	DF-Nissan	6.1%	SAIC-VW	5.9%	SAIC-VW	5.6%
6	DF-Nissan	5.6%	Great Wall	5.0%	Great Wall	5.6%	Chang'an	5.7%	Great Wall	5.1%
7	Great Wall	4.5%	SGM-Wuling	4.6%	Chang'an	4.9%	DF-Nissan	5.1%	SAIC-GM	5.0%
8	Chang'an	3.7%	Chang'an	3.8%	DF-Honda	4.3%	SGM-Wuling	4.9%	GAC-Toyota	4.9%
9	BJ Hyundai	3.4%	DF-Honda	3.8%	SGM-Wuling	4.2%	Chery	4.1%	DF-Nissan	4.6%
10	GAC-Honda	3.2%	GAC-Honda	3.7%	GAC-Honda	4.1%	FAW-Toyota	3.9%	Chery	4.3%

Source: CPCA, Morgan Stanley, July 2022

China - Early Adopters of New Technologies

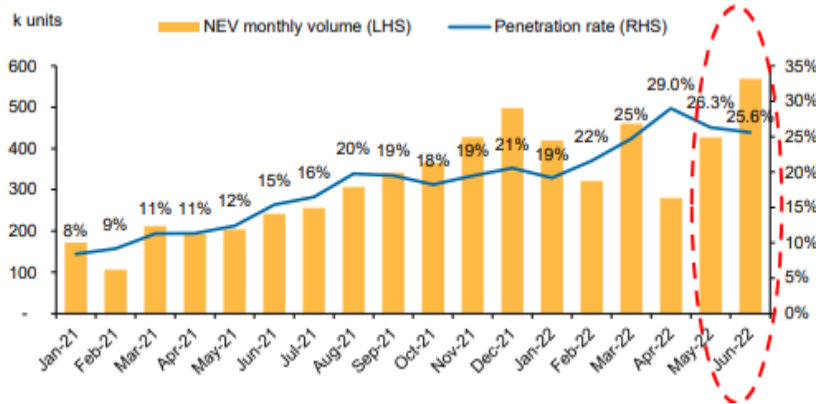
Type of Vehicle Considered for the Next Car (% of Respondents)



Source: McKinsey, May 2021

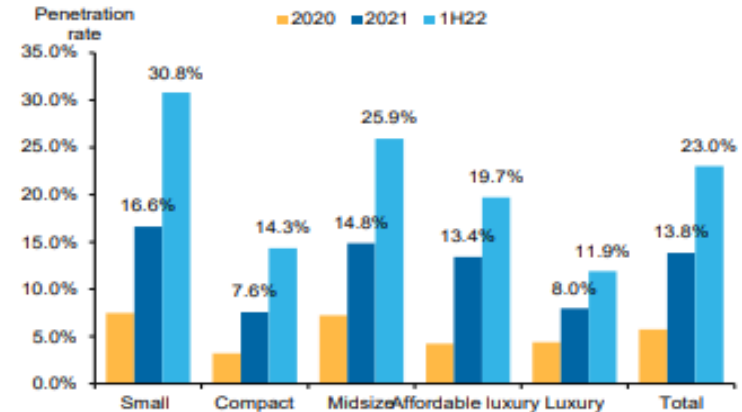
China – Early Adopters of New Technologies

China NEV Monthly Sales Volume and Penetration Rate



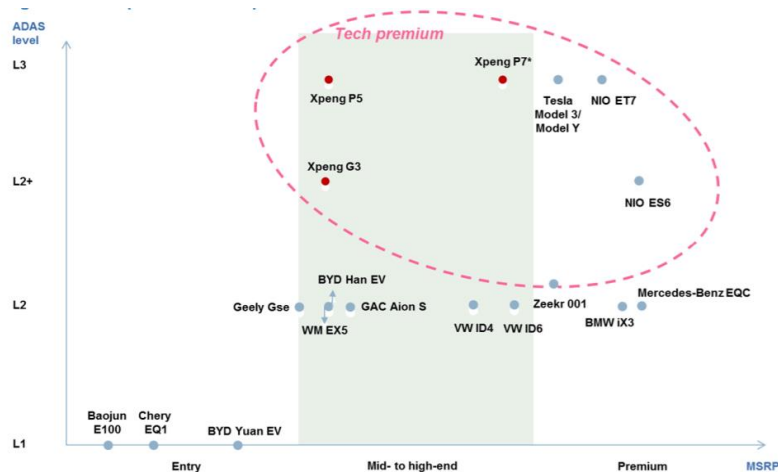
Source: CAAM, Macquarie, August 2022

NEV Penetration Rose in All Segments



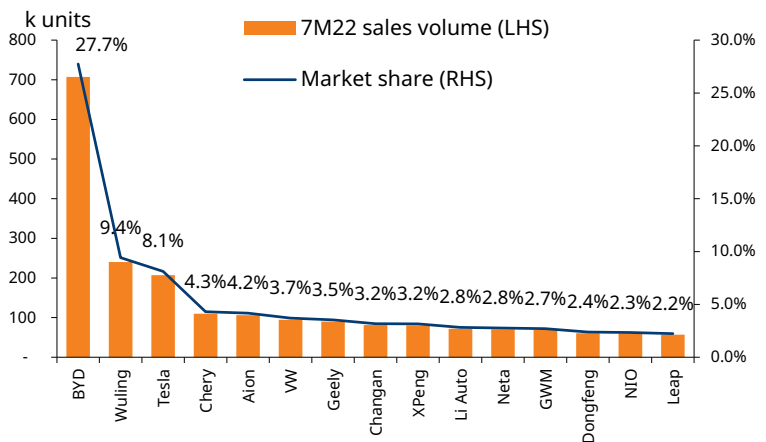
Source: Thinkercar, Macquarie, August 2022

Competitive Landscape of China's EV Market



Source: Company data, HIS Markit, JP Morgan, December 2021

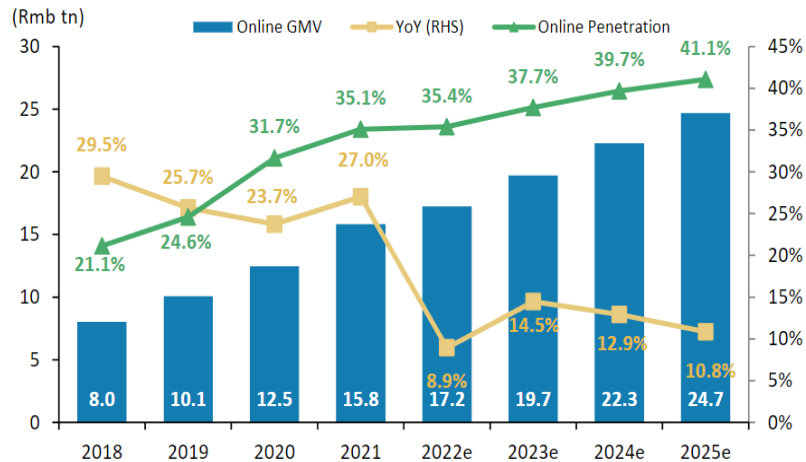
BYD Market Share vs. Competitors (7M22)



Source: Macquarie, August 2022

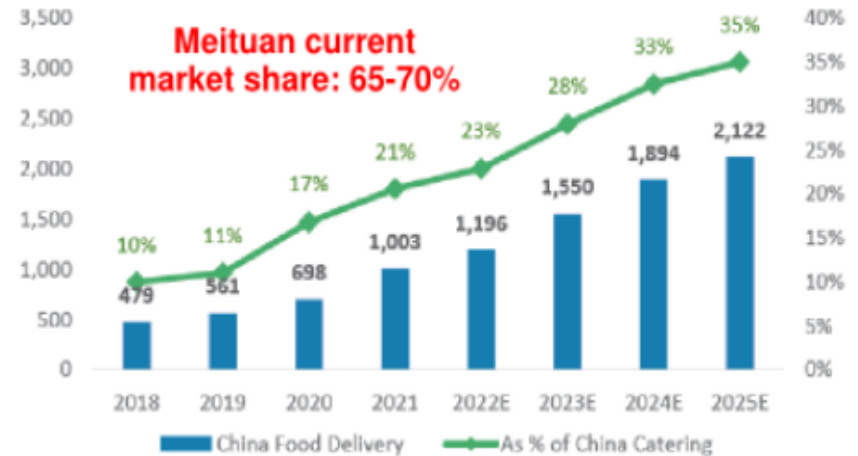
China – Deeper Engagement With Online Services

China E-commerce GMV Growth and Penetration



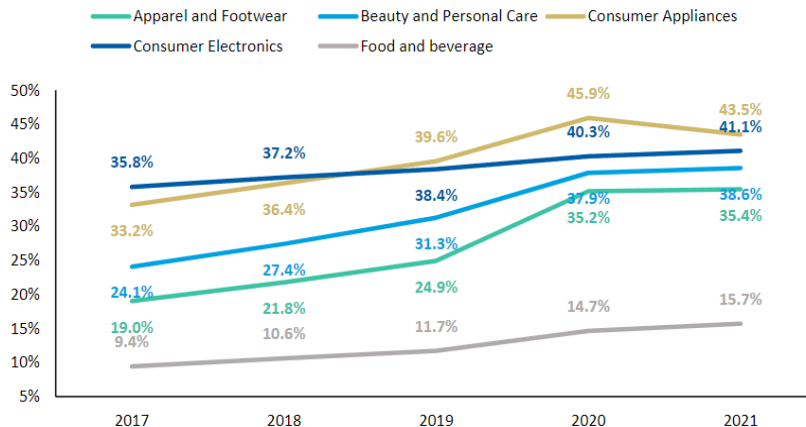
Source: Company data, Morgan Stanley, July 2022

China Food Delivery Market (RMB billion)



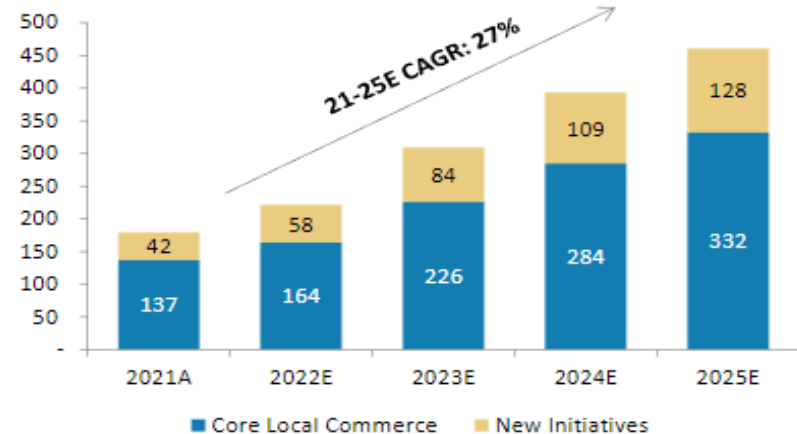
Source: iResearch, Euromonitor, Morgan Stanley, June 2022

Online Penetration by Categories



Source: Euromonitor, Morgan Stanley, July 2022

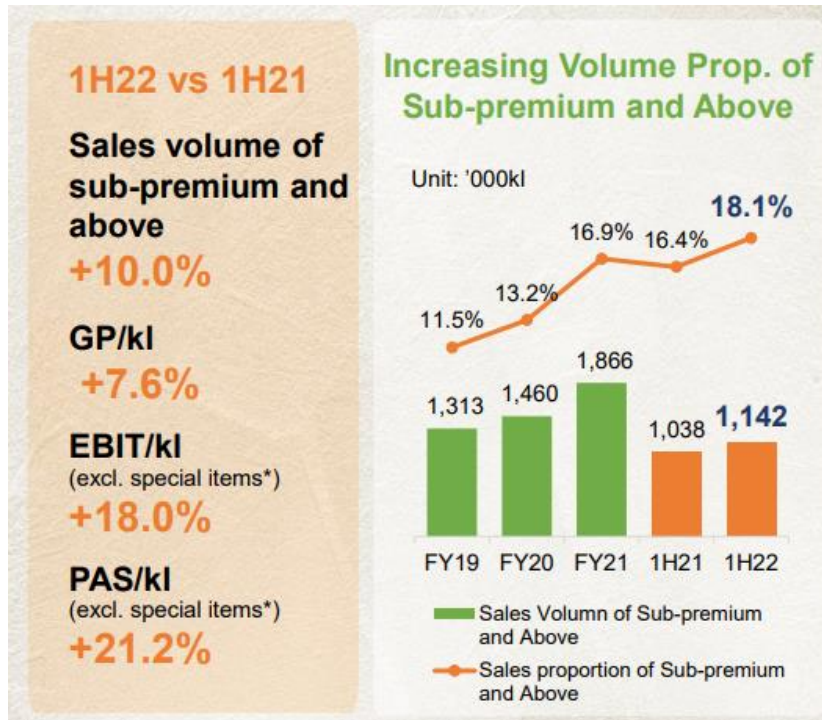
Meituan: Segment Revenue Growth Outlook



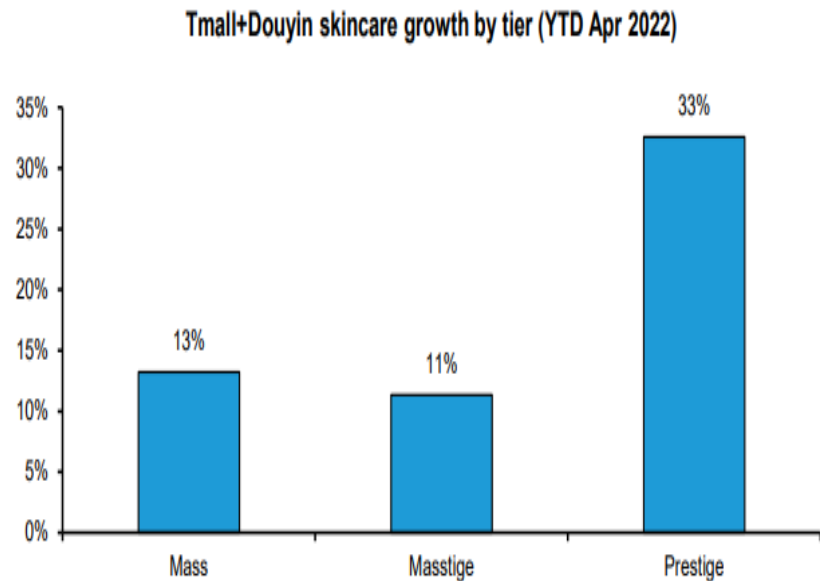
Source: Company data, Morgan Stanley, August 2022

China – Premiumization Remains the Mainstream

China Resources Beer Sub-premium and Above Volume Trend



Prestige Skincare Growing Faster than Mass



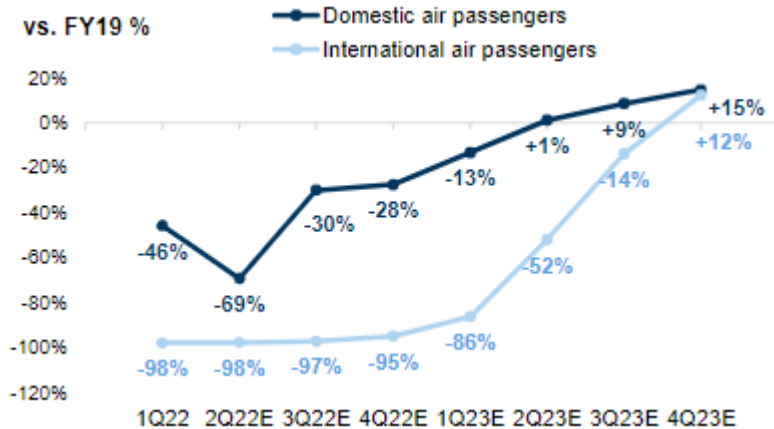
Source: Company data, August 2022

Source: Moojing, Feigua, Bernstein, May 2022

Who is excluded from calculation as its January 2021 Douyin data is an outlier

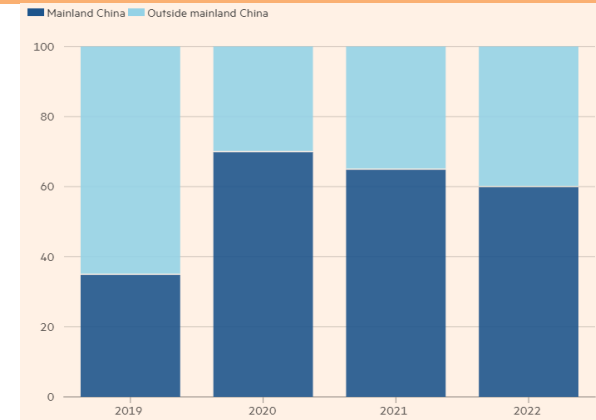
China – Domestic Tourism and Repatriation of Luxury Consumption

Domestic and International Air Traffic vs. 2019



Source: CEIC, Goldman Sachs, August 2022

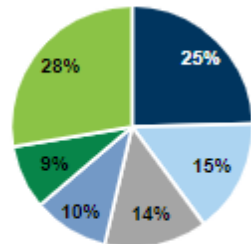
Location of Chinese Consumer Luxury Fashion Spend (% of Total)



Source: McKinsey, Financial Times, August 2022

Global Top 5 Travel Retailers Ranking by Revenue, 2021

Total Size: RMB 272 bn



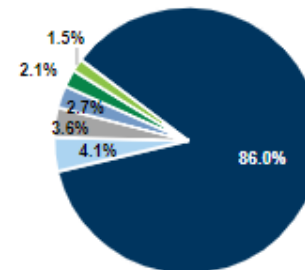
- CTGDF
- The Shilla Duty Free
- Lotte Duty Free
- DUFY Group
- Lagardere Travel Retail
- Other

Company	Sales Revenue (RMB Bn)	Market Share
CTGDF	68.9	25%
Lotte Duty Free	41.6	15%
The Shilla Duty Free	37.5	14%
DUFY Group	27.6	10%
Lagardere Travel Retail	23.3	9%
Other	75.1	28%
Total	272	100%

Source: Company data, data compiled by Goldman Sachs, August 2022

China Top 5 Duty-free Operators Ranking by Revenue, 2021

Total Size: RMB 48.1 bn



- CTGDF
- Hainan Tourism Investment DFS
- China National Service Corporation (CNSC)
- Global Consumer Hainan Dev. Trade
- Zhuhai Duty Free Group
- Other

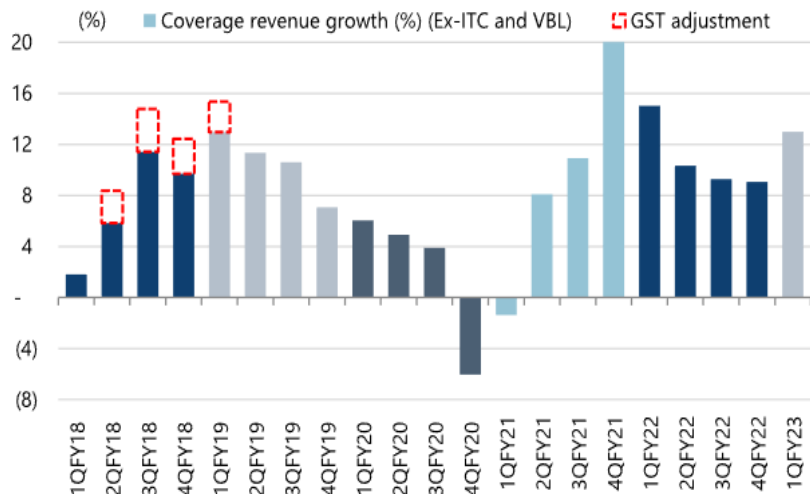
Company	Sales Revenue (RMB Bn)	Market Share
CTGDF	41.3	86.0%
Global Consumer Hainan Dev. Trade	2.0	4.1%
Hainan Tourism Investment DFS	1.7	3.6%
Zhuhai Duty Free Group	1.3	2.7%
China National Service Corporation (CNSC)	1.0	2.1%
Other	0.8	1.5%
Total	48.1	100%

Source: Company data, data compiled by Goldman Sachs, August 2022

India

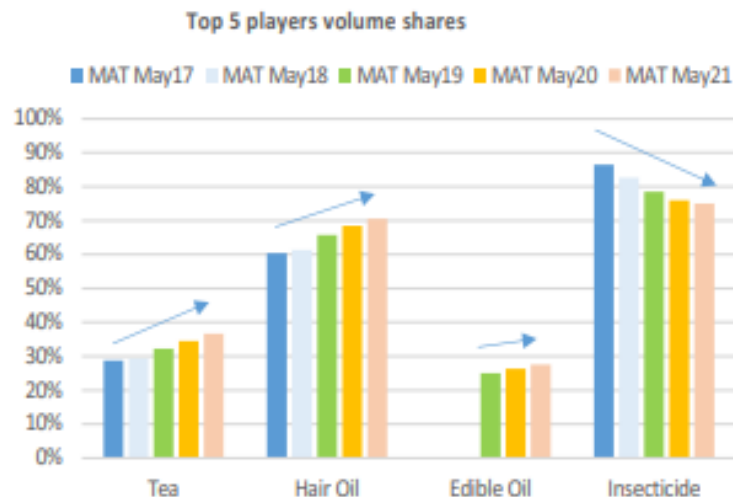
- India consumption has continued to show robust growth since COVID-19 from a low base after the country experienced a few shocks including demonetization, RERA, and GST reform from previous years.
- Leading companies have navigated well throughout the period because unorganized or small players have vanished during tough times, losing their share to branded companies. Industries have become much more formalized through reforms and the ease of doing business in the country has significantly improved.
- Digitalization also benefited larger companies by allowing them to distribute and market their products and brands much more efficiently than before, which also led to share gain opportunities for leading companies.

Indian Consumer Companies' Revenue Growth Trend



Source: Company data, Jefferies estimates, August 2022
 Note: Jefferies coverage companies excluding ITC/VBL

Market Share Gains for Large Players

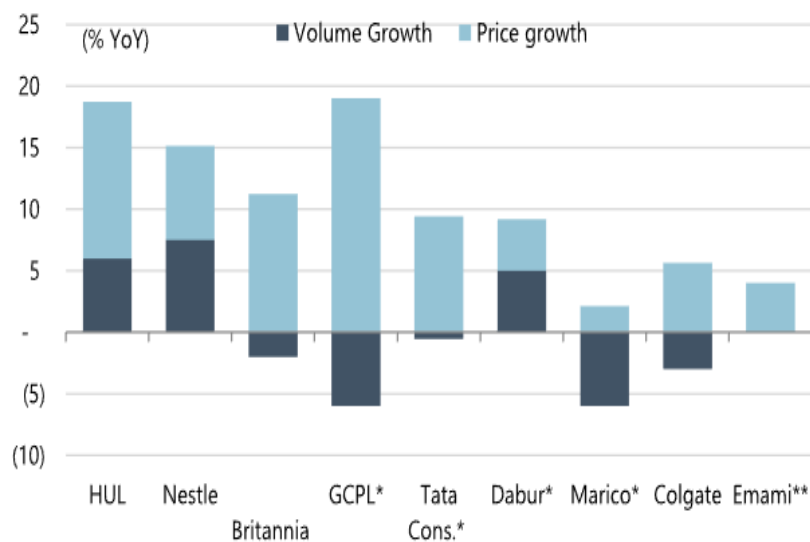


Source: Kantar Worldpanel data, Inc42 Plus Analysis, Morgan Stanley, July 2022

India

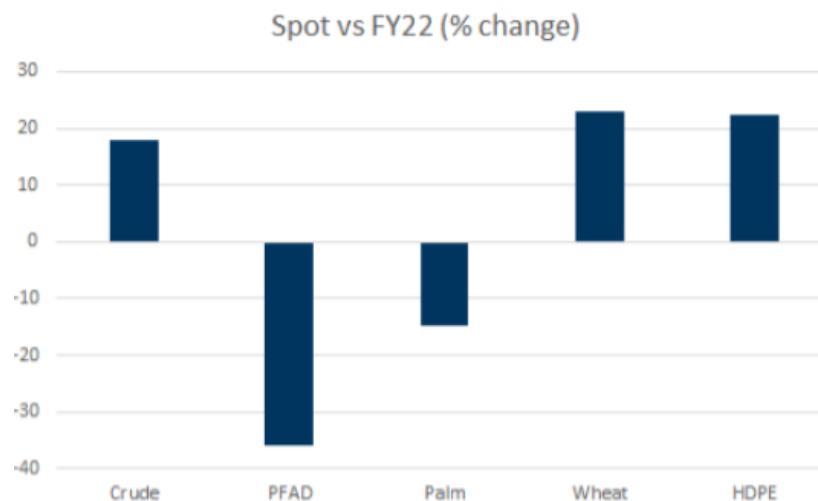
- Consumer companies have been proactively raising prices since last year to pass on cost inflation to consumers, leveraging the pricing power of their strong brands. We expect double-digit top line growth to continue for 2022 but mainly driven by ASP while volume will remain flat amid an inflationary environment.
- However, cost inflation should peak in 2QFY23 which should benefit consumer companies' profitability and volume growth should recover in coming quarters.

Volume vs. Price Growth Across Companies in 1QFY23



Source: Company data, Jefferies, * Domestic business, ** adj. for Dermicool acquisition, August 2022

Spot Price vs. FY22 Average Price

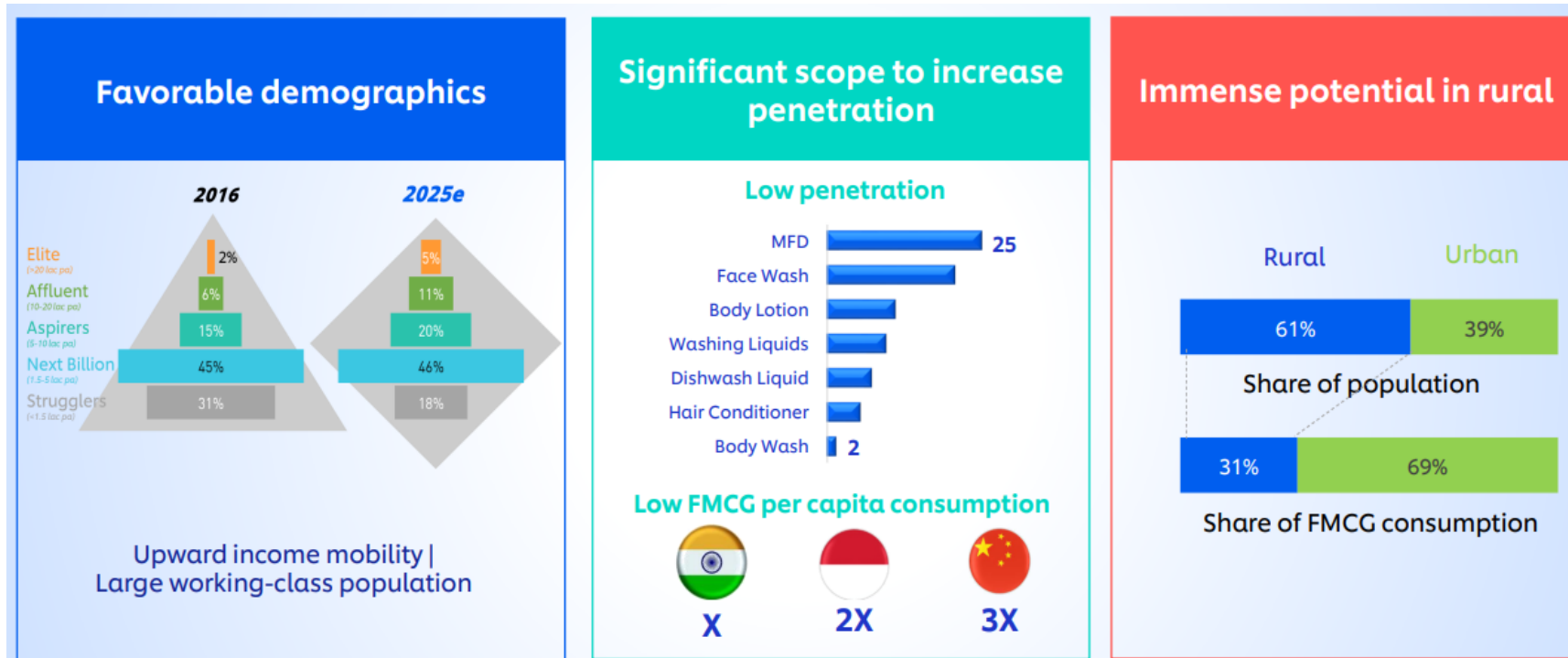


Source: Bloomberg, Goldman Sachs, August 2022

India

- From a long-term perspective, we believe consumption in India still has a long runway ahead, as an estimated 400 million+ Indians will join the consumer class for the first time between 2020 and 2030¹.

India FMCG – Huge Headroom for Growth



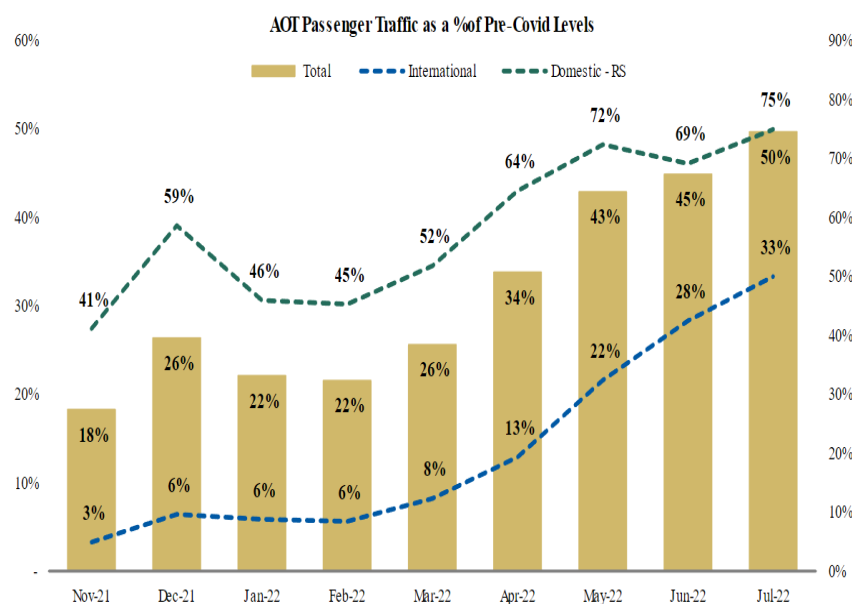
Source: CEBR, World Bank, IMRB, Nielsen, GOI census, Hindustan Unilever, December 2021

Note: 1. Consumer class defined as those spending more than USD 11 (2011 PPP) on average per day; Source: World Data Lab, Brookings Institution, Statista, October 2021

ASEAN

- ASEAN economy and consumption showed a decent recovery in 2022 along with reopening, while many countries also benefitted from strong commodity prices such as crude palm oil.
- Thailand has been one of the countries in the region proactively reducing Covid-related restrictions to attract tourists and we expect visitations to accelerate in the second half of this year.

Thailand: AOT Passenger Traffic as a % of 2019



Source: Company data, Morgan Stanley, August 2022

CPALL: Traffic Improvement Resulted in Strong SSSG

2Q22
Average daily sales / store **77,684** Baht

	2019	2020	2021	1Q22	2Q22
SSS Growth	+1.7%	-14.5%	-6.7%	+13.0%	+14.2%

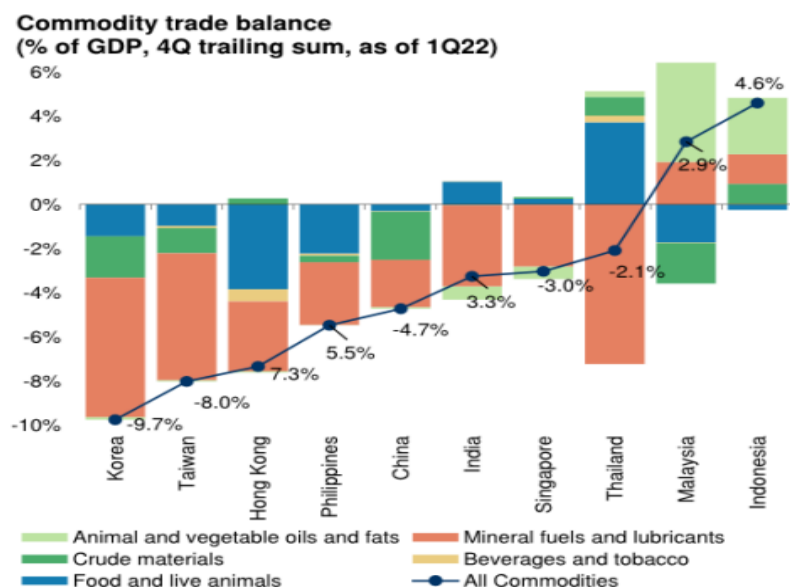
	2019	2020	2021	1Q22	2Q22
Spending per ticket (Baht)	70	75	82	84	84
No. of customer per store per day (Customers)	1,187	949	805	871	918

Source: Company data, August 2022

ASEAN

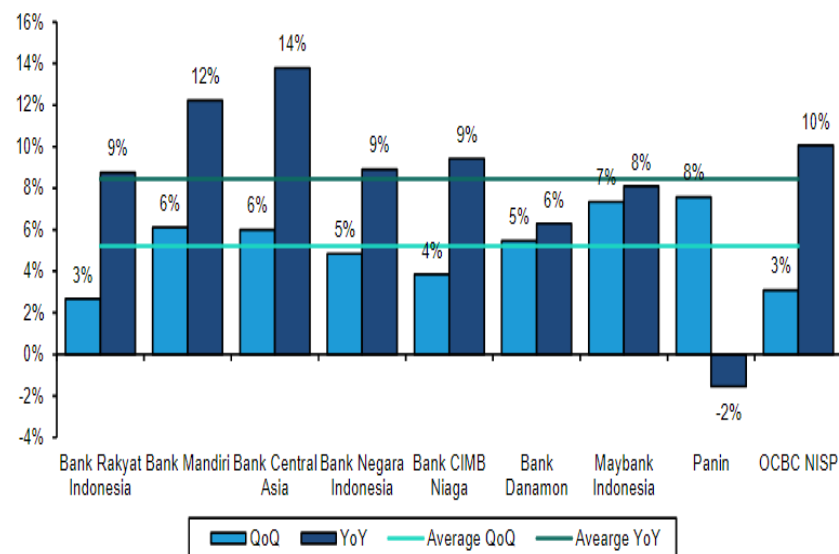
- Indonesia's economy showed a strong recovery on the back of reopening and healthy economic activity supported by strong trade flows.
- Philippines' economy also shared the similar trend where we have witnessed a strong recovery in consumption thanks to reopening of the country.

Indonesia and Malaysia Are Two Key Net Commodity Exporters



Source: CEIC, Morgan Stanley, July 2022
 Note: All data are as of 1Q22 except India (4Q21)

Indonesia Banks: Loan Growth in 2Q22

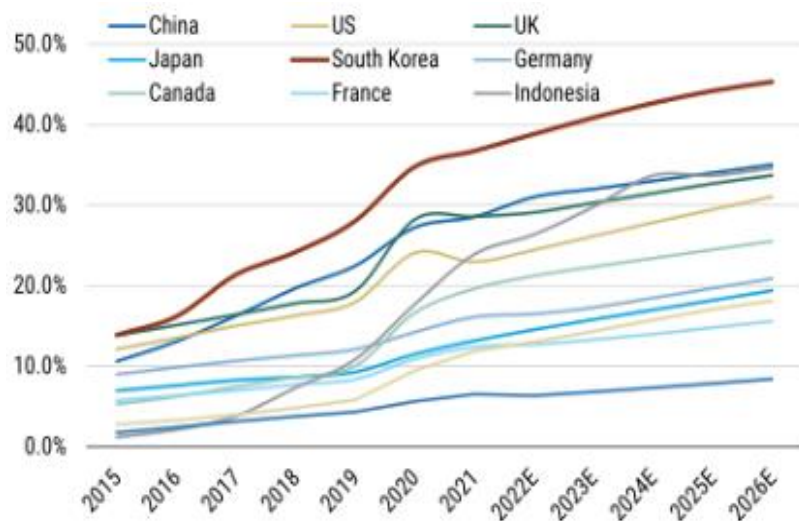


Source: Corporate reports, SNL Capital, Bernstein Research, August 2022

Korea and Taiwan

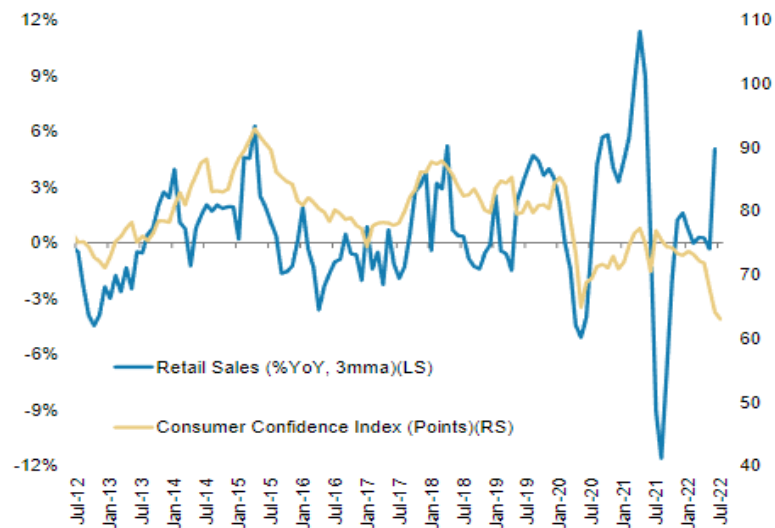
- Digitalization accelerated everywhere since the pandemic, as it also did in Korea where e-commerce penetration reached 37% in 2021 – one of the highest penetrations in the world.
- Overall, consumption growth has seen a gradual recovery in Korea along with reopening this year. However, inbound tourism into Korea, which relies heavily on Chinese visitors, has not shown a recovery yet.
- Taiwan consumption was weak due to the Covid resurgence this year and consumer confidence declined further in July to a new post-GFC low of 63.1, while July sales recovered largely on a low base effect.

E-Commerce Penetration by Country



Source: Euromonitor, National Data Sources, Morgan Stanley, July 2022

Taiwan Retail Sales vs. Consumer Confidence Index



Source: CEIC, Morgan Stanley Research, August 2022

Note: Jan-Feb 2022 & Jan-Feb 2021 % YoY values are averaged to strip out LNY effect

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