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China Internet

Jun'26 Online Total Retail/Product Sales +2.0%/+3.9% YoY

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CITI'S TAKE

On Jul 15, the National Bureau of Statistics of China released Jun 2026 retail data, with total retail sales of consumer goods reaching Rmb4.27trn, +1.0% YoY compared with May 2026 growth of -0.6% YoY. For Jun'26, online total retail sales +2.0% YoY, and online product sales +3.9% YoY, reaccelerating from +2.6% in May'26. For 2Q26, online retail sales and online product sales +2.6% yoy/+2.3% YoY to Rmb5.09bn/Rmb3.27trn. For 1H26, online retail sales are reported at Rmb10.07trn, +5.2% YoY, vs +5.9% YoY in YTD May'26 with Jun online penetration rate reaching 41%.

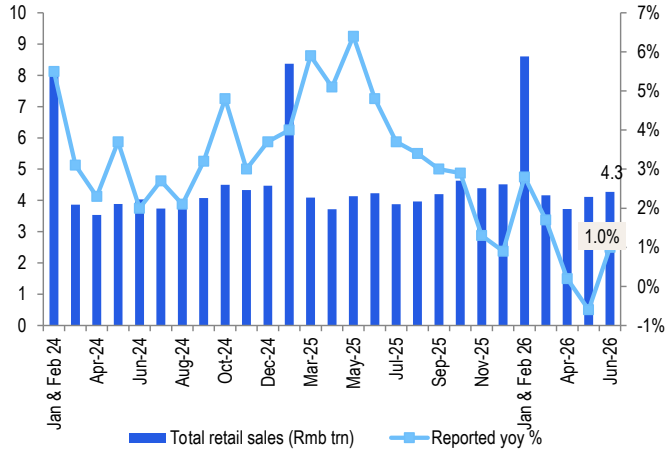
Jun'26 retail sales breakdown — Excl. auto (which was -16.1% YoY), total retail sales in Jun'26 would have increased +3.0% YoY vs +1.0% for total retail sales in Jun'26. By category, communication tools, office tools, and cosmetics, were the top performers at +16.5%, +12.7%, and +12.6% YoY respectively, while beverages and apparel grew +5.8% and +3.9% YoY. On the downside, automobiles, decoration materials and home appliances fell -16.1%, -10.5% and -8.7% YoY. For YTD Jun'26 online product sales, food, apparel, and general goods categories grew by +16.8%, +6.2% and +1.3% YoY, vs. +15.5%, +7.2% and +1.6% YoY growth for YTD May'26.

Implications — We view the +3.9% online product sales growth in June'26, and +2.0% yoy total online retail sales growth as stronger mom rebound than we had expected following relatively muted 6.18 promotions. By categories, 1) apparel sales was +3.9% YoY in Jun'26, vs +3.8% in May'26; 2) home appliances showed some improvement in yoy decline at -8.7% YoY in Jun'26, vs -15.6% YoY in May'26, while communication tools strongly rebounded to +16.5% YoY in Jun'26, vs +0.7% YoY in May'26; 3) for cosmetics, growth also reaccelerated strongly to +12.6% YoY in Jun'26, up from +2.5% YoY in May'26.

Read-through to our coverage — We view the 3.9% online product sales growth in Jun'26, and +2.0% yoy total online retail sales growth as stronger than our expectation following a rather soft April and May. For May and Jun combined, online product sales growth grew by 3.2% yoy, vs Syntun data for 6.18 promotions growth (May 13-Jun 18) of 4.0% yoy. While the accelerated growth in smartphone/office equipment sales came as a surprise for us, we believe it could be related to strong demand of extra/additional PCs given accelerating adoption of agentic workflow and pull forward demand in anticipation of higher ASP hike in the newer phone models reflecting higher component cost across the electronic category. As we noted in our **VIPS** 2Q26 preview (see link), we model 2Q26E revenue to decline 4.6% yoy to Rmb24.6bn, at the low end of company guidance to reflect softer online sales partially offset by more resilient sales in offline Shanshan outlets. For **JD**, we model 2Q26E total revs of Rmb342.5bn (-4% yoy), with 1P electronic sales -17.6% yoy while general merchandise +10% yoy, see link. Given stronger June retail sales data, especially for the communication electronics category, we now see upside risks to our conservative 2Q26 forecast. For **BABA,** we model Jun Q (FY1Q27E) CMR -8.7% yoy to Rmb81.5bn as we factor in low single digit yoy growth in GMV, which we view as inline with NBS 2Q26 online product sales, see link. Looking into July and 3Q26, while the tough base effect will gradually ease off, we believe overall spending could remain cautious and selective.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

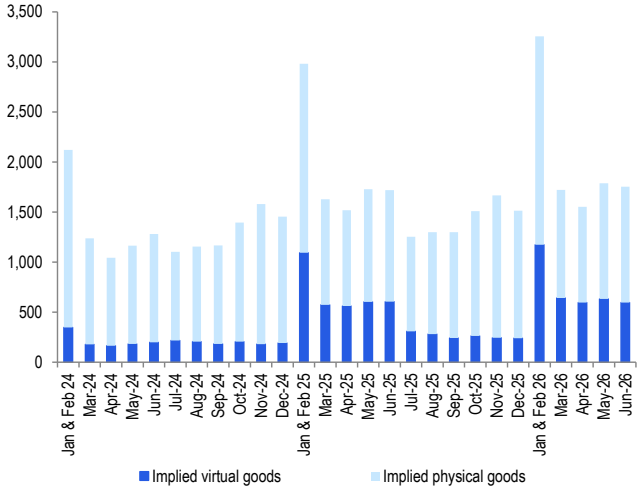
Figure 1. Monthly total retail sales vlume in China (Rmb trn)



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Source: Citi Research, NBS

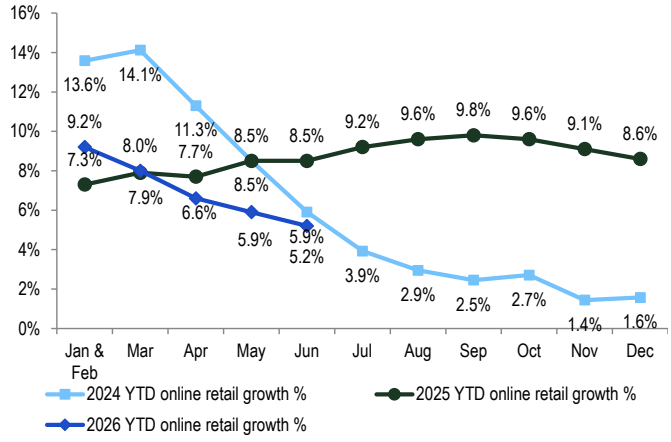
Figure 2. Monthly total online retail sales volume in China and physical goods sales (Rmb bn)



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Source: Citi Research, NBS

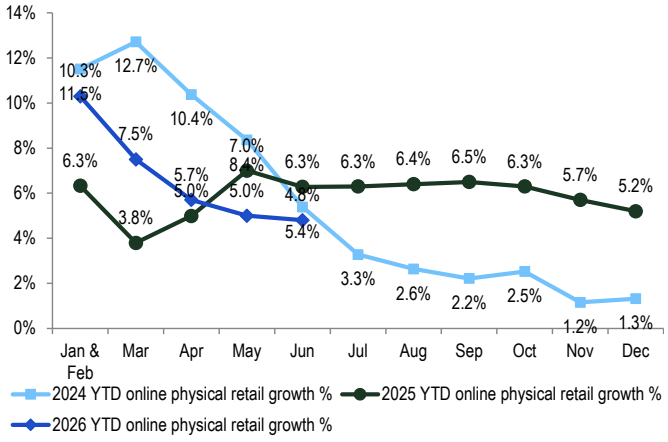
Figure 3. YTD online retail sales growth



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Source: Citi Research, NBS

Figure 4. YTD online physical retail sales growth



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Source: Citi Research, NBS

Figure 5. YTD yoy growth % of physical goods, food, apparel and appliances

YTD yoy growth % of	2025							2026				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan & Feb	Mar	Apr	May	Jun
Physical goods	6.0%	6.3%	6.4%	6.5%	6.3%	5.7%	5.2%	10.3%	7.5%	5.7%	5.0%	4.8%
Food	15.7%	14.7%	15.0%	15.1%	15.1%	14.9%	14.5%	20.7%	17.2%	15.6%	15.5%	16.8%
Apparel	1.4%	1.7%	2.4%	2.8%	3.6%	3.5%	1.9%	18.0%	11.6%	6.8%	7.2%	6.2%
Appliances	5.3%	5.8%	5.7%	5.7%	5.1%	4.4%	4.1%	4.7%	3.6%	2.6%	1.6%	1.3%

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Source: Citi Research, NBS

Alibaba

(9988.HK; HK$110.8; 1; 14 Jul 26; 16:10)

Valuation

Our target price for Alibaba H-shares of HK$191 is based on 10x P/E on FY2027E Ecommerce Group net profit, 7.0x P/S on FY2027E Cloud Intelligence Group revenue, 1.2x P/S on AIDC Group revenue, and 0.2x P/S on all other businesses. Our target multiples are benchmarked against comps. We also assign a 30% discount to net cash position, in-line with our SOTP for other internet peers. Our SOTP fair value comes to HK$191 per H-share.

Risks

Key downside risks that could prevent the shares from reaching our target price include: (i) failure in executing its new retail strategy; ii) investment spend and margins pressure become worse than expected; iii) slowdown of user traffic and online GMV and losing appeal to brands & merchants; iv) integration risks for newly acquired entities; v) slowdown of the Chinese and global economies and overhang of US-China or other trade disputes; and vi) regulatory risks on poor product quality and integrity of merchants.

Alibaba Group Holding

(BABA.N; US$112.32; 1; 14 Jul 26; 16:00)

Valuation

Our target price for Alibaba N-shares of US$192 is based on 10x P/E on FY2027E Ecommerce group net profit, 7.0x P/S on FY2027E Cloud Intelligence Group revenue, 1.2x P/S on AIDC Group revenue, and 0.2x P/S on all other businesses. Our target multiples are benchmarked against comps. We also assign a 30% discount to net cash position, in-line with our SOTP for other internet peers. Our SOTP fair value comes to US$192 per share.

Risks

Key downside risks that could prevent the shares from reaching our target price include: (i) failure in executing its new retail strategy; ii) investment spend and margins pressure become worse than expected; iii) slowdown of user traffic and online GMV and losing appeal to brands & merchants; iv) integration risks for newly acquired entities; v) slowdown of the Chinese and global economies and overhang of US-China or other trade disputes; and vi) regulatory risks on poor product quality and integrity of merchants.

JD.com

(JD.O; US$28.84; 1; 14 Jul 26; 16:00)

Valuation

Our target price of US$39.0 is based on 10x 2027E non-GAAP EPS of US$3.89; our target multiple implies 0.5x PEG which we believe reflect latest broader sector de-rating. JD is currently trading at 8.2x/6.4x our 2026/2027E or 6.2x/4.9x on ex-cash basis which we view as undemanding despite limited catalyst near-term.

Risks

Key downside risks that could impede the shares from reaching our target price include: 1) intensifying competition in the China e-commerce and food delivery space; 2) heavy investment in logistics delivery and overseas initiatives that could drag on margins; 3) a lack of visibility on margins trajectory and early years of profitability; and 4) a further slowdown in China's economy, which could impact consumer spending.

PDD Holdings Inc

(PDD.O; US$83.91; 1H; 14 Jul 26; 16:00)

Valuation

Our target price of US$123 is derived from 10x 2027E EPS. Our 10x target multiple implies 17% discount to 1x PEG of 12% to reflect the limited communication and guidance, which could result in earnings volatility and share price fluctuation.

Risks

Our quantitative risk rating model assigns a High Risk rating to PDD based on its share-price volatility in the past 12 months. Given the limited visibility of the growth outlook following the business strategy shift, we believe a High Risk rating is appropriate to reflect volatility as well as the historically more limited company disclosures and management communications. Downside risks include: 1) US-China tariff negotiations are ongoing and there could still be uncertainty; 2) uncertainty on US consumer demand and impact from price increase; 3) domestic competition in China remains intense; 4) ongoing merchant subsidy support could mean revenue growth is slower than GMV growth; 5) slowing China and global macro environment; 6) ADR delisting risks; and 7) lack of shareholder returns. Any of these risk factors could cause the shares to deviate from our target price.

Vipshop Holdings

(VIPS.N; US$13.86; 2; 14 Jul 26; 16:00)

Valuation

Our target price of US$13.0 is based on 5x 2027E EPS of US$
using a lower target multiple given our earnings CAGR slows d
2026-2028E, which we believe is reasonable as we reflect th
expected purchasing activities.

Risks



Downside risks that could prevent share price from achieving our target price include: 1) further deterioration of macro outlook and further softening of consumption sentiment; 2) churn of loyal customer base and failure to acquire new users; 3) intensified competition that leads to lower GpM and higher S&M spend; and 4) inability to source attractive merchandising and consumer preference pattern shift.

Upside risks include 1) better-than-expected macro recovery that supports apparel sales; 2) less intensified competition; and 3) faster-than-expected user growth and spending.