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China Internet

Aug'26 Online Total Retail/Online Product Sales +3.3%/+2.2% YoY

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CITI'S TAKE

On Sep 15, the National Bureau of Statistics of China released Aug 2026 retail data, with total retail sales of consumer goods reaching Rmb3.98trn, +0.4% YoY compared with Jul 2026 growth of +0.6% YoY. For Aug'26, total online retail sales +3.3% YoY, and online product sales +2.2% YoY, compared with +2.4%/+3.3% in Jul'26. YTD Jan to Aug'26, online retail sales and online product sales +4.6% yoy/+4.3% YoY to Rmb13.5trn/Rmb8.4trn, with Aug online penetration rate reaching 44%.

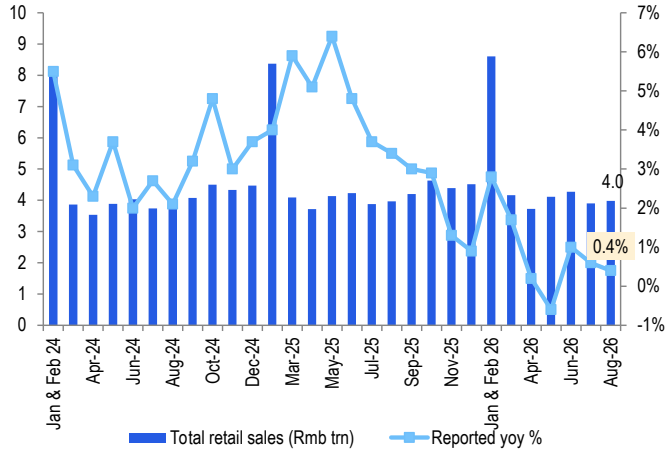
Aug'26 retail sales breakdown — Excl. auto (which was -18.5% YoY), total retail sales in Aug'26 would have increased +2.5% YoY vs +2.5% for total retail sales in Jul'26. By category, communication tools, alcohol & tabaco, and office tools, were top-growth categories at +27.3%, +12.5% and +5.8% YoY respectively, while cosmetics and medicines grew +4.9% and +4.8% YoY. On the downside, automobiles, jewelry, decoration materials fell -18.5%, -17.5%, and -11.8% YoY. Home appliances and apparel +2.3% and -0.5% yoy. YTD Aug'26 online product sales, food, apparel, and general goods categories grew by +15.9%, +4.9% and +1.1% YoY, vs. 16.9%, +5.8% and +1.1% YoY growth for YTD Jul'26.

Implications — We view the +2.2% online product sales growth in Aug'26, and +3.3% yoy total online retail sales growth as broadly inline. By categories, 1) apparel sales growth was -0.5% YoY in Aug'26, vs -1% in Jul'26; 2) the growth trend in home appliances further improved to +2.3% YoY in Aug'26, vs -1.9% YoY in Jul'26, while communication tools notably accelerated to +27.3% YoY in Aug'26, vs +20.4% YoY in Jul'26; 3) the deceleration of cosmetics growth to +4.9% YoY in Aug'26 from +6.8% YoY in Jul'26 should be viewed as expected post the 6.18 promotional discounts amid a soft summer holiday.

Read-through to our coverage — With low expectations heading into the release of Aug retail data amid continued soft consumption sentiment, we view online product sales at +2.2% yoy in Aug as broadly inline. By categories, 1) the notable reacceleration in smartphone/office equipment sales was a positive surprise, which we believe could be related to forward purchase ahead of anticipated ASP hike for new models and the strong demand for personal/professional usage of AI. 2) The negative growth of apparel sales at -0.5% yoy was largely inline with expectation, which we believe could be attributed to adverse weather that might have affected traveling/outdoor activities during the summer holiday. 3) We view the continued improvement in home appliances sales growth is inline with JD's comment of accelerated growth in 3Q26 from 2Q26 as the tough base effect gradually lapses. For **JD**, we model 3Q26E total revs of Rmb312.6bn (+4.5% yoy), with 1P electronic sales -2% yoy while general merchandise +9% yoy, see link. For **BABA,** we model Sep Q (FY2Q27E) CMR -4.7% yoy to Rmb75.2bn, see link. For VIPS, we model 3Q26E revenue estimate of -4.2% yoy to Rmb20.5bn, see link. Looking into Sep'26, while we expect cautious spending sentiment to continue, Mid-Autumn holiday demand & the upcoming National Holiday could provide some support to apparel and other leisure categories products, despite higher prices for new model releases, we expect demand for smartphone/office equipment sales could hold up relatively well amid enhanced model performances and AI usage demand.

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

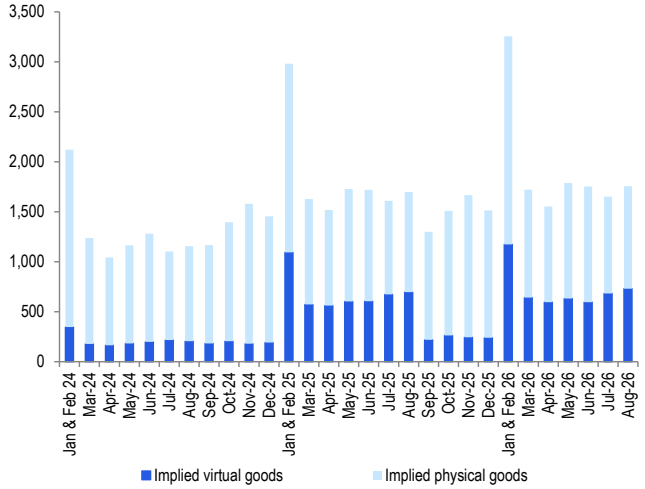
Figure 1. Monthly total retail sales volume in China (Rmb trn)



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Source: Citi Research, NBS

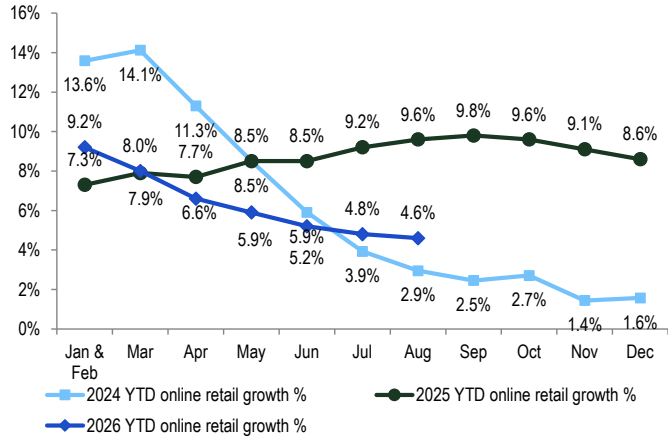
Figure 2. Monthly total online retail sales volume in China and physical goods sales (Rmb bn)



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Source: Citi Research, NBS

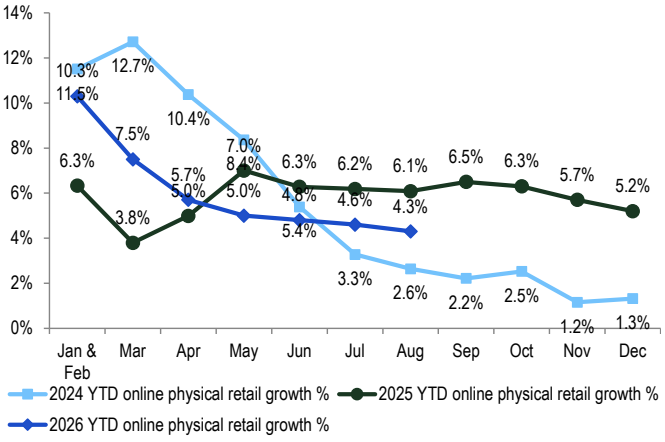
Figure 3. YTD online retail sales growth



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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						
	Sep	Oct	Nov	Dec	Jan & Feb	Mar	Apr	May	Jun	Jul	Aug
Physical goods	6.5%	6.3%	5.7%	5.2%	10.3%	7.5%	5.7%	5.0%	4.8%	4.6%	4.3%
Food	15.1%	15.1%	14.9%	14.5%	20.7%	17.2%	15.6%	15.5%	16.8%	16.9%	15.9%
Apparel	2.8%	3.6%	3.5%	1.9%	18.0%	11.6%	6.8%	7.2%	6.2%	5.8%	4.9%
Appliances	5.7%	5.1%	4.4%	4.1%	4.7%	3.6%	2.6%	1.6%	1.3%	1.1%	1.1%

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Source: Citi Research, NBS

Alibaba

(9988.HK; HK$105.9; 1; 14 Sep 26; 16:10)

Valuation

Our target price for Alibaba H-shares of HK$189 is based on 10x P/E on FY2027E Ecommerce group net profit, 7.0x P/S on FY2027E AI Cloud and Compute Services revenue, 5.0x P/S on AI Labs and Applications 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$189 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.

Alibaba Group Holding

(BABA.N; US$109.23; 1; 14 Sep 26; 16:00)

Valuation

Our target price for Alibaba N-shares of US$190 is based on 10x P/E on FY2027E Ecommerce group net profit, 7.0x P/S on FY2027E AI Cloud and Compute Services revenue, 5.0x P/S on AI Labs and Applications 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$190 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$27.26; 1; 14 Sep 26; 16:00)

Valuation

Our target price of US$39.0 is based on 10x 2027E non-GAAP EPS of US$3.94; our target multiple implies 0.6x PEG which we believe reflects latest slight improvement of market sentiment.

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.

Vipshop Holdings

(VIPS.N; US$12.44; 2; 14 Sep 26; 16:00)

Valuation

Our target price of US$15.3 is based on 6x 2027E EPS of US$2.55. Our 6x target multiple is based on ~50% of revised earnings CAGR of 13%, which we view as reasonable given soft top line growth amid challenging macro and soft consumption sentiment.

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.

