China's turbo-charged online fashion takes on Zara and H&M

Reuters, *Madrid/Beijing*

China's Shein may be the biggest shopping site you've never heard of.

The fast-fashion player is encroaching on the territory of more established rivals like Zara and H&M. It has become the largest, purely online, fashion company in the world measured by sales of self-branded products, according to Euromonitor.

Nanjing-based Shein, founded in 2008, is aiming squarely at the "Gen Z" social-media generation, using influencers on Instagram and TikTok, and discount codes, to attract younger shoppers in an increasingly crowded fashion market.

REUTERS

A keyboard and a shopping cart are seen in front of a displayed Shein logo in this illustration picture.

It offers low-cost styles, uploading hundreds of new designs to its app every week. The price for a dress is around half that of Zara, according to a recent Societe Generale price survey.

"You can save money, which is important when buying clothes as the fashions change so quickly," said Rebeca Rondon, a 23-year-old student in Valencia, Spain, whose Instagram page compares dozens of styles from Shein and Zara head-to-head.

The Covid-19 pandemic has boosted online sales at retailers, giving online-only players like Shein, Britain's Asos and Germany's Zalando an edge over Inditex-owned Zara and H&M which have big city-centre stores.

In September, the Shein app saw 10.3 million downloads globally from across the App Store and Google Play, Sensor Tower data shows. In comparison, H&M's mobile app hit about 2.5 million, and Zara saw 2 million.

To date, Shein has reached 229.4 million downloads, versus H&M's 123.5 million and Zara's 90.6 million, the data shows.

In the week of Sep. 27-Oct. 3, Shein was the most downloaded shopping app globally on iPhones, according to analytics platform App Annie. It ranked in the top 10 in the United States, Brazil, Australia, Britain and Saudi Arabia.

Privately-owned Shein, which also sells on Amazon, does not publicly disclose sales or other financial figures. The company did not respond to emails or phone calls.

It has backing from investors including IDG Capital and Sequoia Capital China, according to PitchBook capital market data. The funds did not respond to interview requests. Inditex and H&M declined to comment for this story.

Although Shein is gaining more followers, it has limited visibility compared with the likes of Zara and H&M. It has no domestic presence in China, where online shoppers go to Alibaba's Taobao and to Pinduoduo for clothes at bargain prices. Meanwhile, some consumers say the quality of items can be variable and delivery times erratic.

Unlike Zara and H&M, which have detailed background on the sourcing of their clothing and the working conditions of employees on their websites and annual reports, Shein gives no details about the manufacture of its products.

Inditex revolutionised the fashion industry in the 1990s by responding quickly to trends and speeding designs to stores using factories close to its headquarters in Spain.

Shein also works with hundreds of factories in close proximity to its Nanjing HQ, according to a China-based industry source with knowledge of the company's business practices.

The Chinese company aims to get designs ready for shipping in three days, according to the source who wanted to remain anonymous because of sensitive business practices.

Three days is a significant compression of Inditex's lead time, from drawing board to store, which is around 3 weeks according to the Spanish company.

Nonetheless Shein faces a tough task to make inroads in a crowded online market where both Asos and Zalando have reported surges in sales this year. One way Shein is looking to grab attention is though a network of influencers and "brand ambassadors".

"I have to promote the outfits on my social-media platforms," says Laura Illanes, a 22-year-old student at the University of South Carolina Upstate.

"They provide me with a discount code of 15% off - I need to share that with my followers," said Illanes, a college athlete with 36,000 Instagram followers, who gets six free Shein items per month in return for promoting the clothes on her account.

Inditex and H&M have also reported big jumps in online sales, but that's a minority proportion of their overall sales. Shares in both have fallen over 20% since early February, which analysts have partly attributed to their big networks of stores.

Hong Kong-based fund Anatole Investment Management presented the idea of a short sell on Inditex due to the rise of the "new breed" of online players from China at the Sohn investor conference streamed from Hong Kong on Sept. 9.

"Zara is a legacy player which is going to be crushed by fast fashion 2.0," Anatole Chief Investment Officer George Yang, who declined to be interviewed, told attendees.

Indian gold dealers stock up, hope to usher in festive glitter

Reuters, *Bengaluru/Mumbai*

Physical gold dealers in India continued to stock up this week ahead of an expected festival sales bump, while the Golden Week in top consumer China did little to revive bullion demand.

Gold is considered an intrinsic part of Indian festivals such as Dussehra in late October, and Diwali and Dhanteras in November.

Demand from dealers has been improving slowly as they expect a revival in retail purchases during the festival season, said Mukesh Kothari, director at Mumbai gold dealer RiddiSiddhi Bullions.

Dealers charged an $1 an ounce premium over official domestic prices, inclusive of 12.5% import and 3% sales taxes, down from last week's premium of $2.

On Friday, local gold futures traded around 50,750 rupees per 10 grams.

Limited supply due to September's sharp drop in imports also allowed dealers to charge a premium, said a Mumbai-based dealer with a bullion importing bank.

Discounts in China eased to $30-$35 an ounce, their lowest since July, versus global benchmark spot gold rates as a week-long holiday saw some retail buying, although demand was still subdued.

"They have sufficient gold to circulate and that's why there is no rush for the time being," said Bernard Sin, regional director for Greater China at MKS, adding that demand could pick-up in the run-up to the Chinese new year.

Activity in Hong Kong was also muted, with gold sold between a $0.50 discount to a $1 premium over global rates.

Increased costs from mints and refineries to get gold into Hong Kong have caused premiums to persist, said Keanan Brackenridge, product manager at LPM Group Ltd.

In Singapore, premiums were little changed at $0.80-$1.30 an ounce.

"We have some clients buying on the dip but more are selling because prices came up above $1,900," said Brian Lan, managing director at dealer GoldSilver Central.


REUTERS/FILE

A salesman shows gold necklaces to a customer at a jewellery showroom, after authorities eased lockdown restrictions that were imposed to slow the spread of the coronavirus disease in Kolkata, India.

Chinese banking regulator fines China Construction Bank $1m for violations

Reuters, *Shanghai*

The Chinese banking regulator said on Saturday it had fined a branch of the China Construction Bank (CCB), the country's second-largest lender by assets, 7,313,511 yuan ($1.09 million) for rule violations.

The southern Shenzhen branch of the China Banking and Insurance Regulatory Commission (CBIRC) said in a statement it had also confiscated over 1 million yuan of ill-gotten gains.

Among other things, the Shenzhen branch of CCB had hidden risks, used loans for purposes than otherwise stated and money allocated for small- and medium-sized enterprise loans were used for other purposes, it said.

Four fines were handed down to individuals in the Shenzhen branch, who were found to have breached rules in connection with real estate loans and bills, it said.

US retail sales blow expectations in Sep

Reuters, *Washington*

US retail sales accelerated in September, rounding out a strong quarter of economic activity, but the recovery from the Covid-19 recession is at a crossroads as government money runs out and companies continue to layoff workers.

New coronavirus cases are also surging across the country, which could lead to restrictions on businesses like restaurants, gyms and bars, and undercut consumer spending. The economy is already shifting into lower gear. Other data on Friday showed an unexpected drop in output at factories last month.

"Although sales growth is strong, it will slow through the rest of this year and into next year," said Gus Faucher, chief economist at PNC Financial in Pittsburgh, Pennsylvania. "The slowing will be even larger if Congress does not pass another stimulus bill. Unemployment remains pervasive throughout the U.S. economy." Retail sales jumped 1.9 per cent last month as consumers bought motor vehicles and clothing, dined out and splashed out on hobbies. That followed an unrevised 0.6 per cent increase in August.

Economists polled by Reuters had forecast retail sales would rise 0.7 per cent in September. Some said September's surge was likely exaggerated by difficulties stripping seasonal fluctuations from the data after the shock caused by COVID-19. Unadjusted retail sales fell 2.8 per cent after dropping 1.0 per cent in August.


REUTERS/FILE

A man wears a mask as he walks past mannequins wearing masks in a retail shopping area during the outbreak of the coronavirus disease in Encinitas, California, US.

Retail sales have bounced back above their February level, with the pandemic boosting demand for goods that complement life at home, including furniture and electronics. An aversion to public transportation has boosted motor vehicle purchases. Retail sales rose 5.4 per cent on a year-on-year basis in September.

They account for the goods component of consumer spending, with services such as healthcare, education, travel and hotel accommodation making up the other portion.

Excluding automobiles, gasoline, building materials and food services, sales increased 1.4 per cent last month after a downwardly revised 0.3 per cent drop in August.

These so-called core retail sales correspond most closely with the consumer spending component of gross domestic product. They were previously estimated to have dipped 0.1 per cent in August.

Economists have attributed the strength in retail sales to fiscal stimulus, especially a weekly subsidy paid to tens of millions of unemployed Americans. September's robust sales reinforced expectations for record consumer spending and economic growth in the third quarter.

Growth estimates for the July-September quarter are as high as a 35.2 per cent annualized rate. That would recoup roughly two-thirds of the output lost because of COVID-19. The economy contracted at a 31.4 per cent pace in the second quarter, the deepest decline since the government started keeping records in 1947.

U.S. stocks bounced from three straight days of losses on the retail sales data and Pfizer's announcement that it could apply for emergency use of its COVID-19 vaccine candidate as early as November. Last month, sales at auto dealerships surged 3.6 per cent. Receipts at restaurants and bars increased 2.1 per cent. Receipts at clothing stores jumped 11.0 per cent.

"Some of the gain may have reflected increased demand from back to school sales, but with most schools remote learning the reported strength seems dramatic and likely unsustainable," said Kevin Cummins, chief U.S. economist at NatWest Markets in Stamford, Connecticut.

Even with September's gains, sales at bars, restaurants and clothing stores remain well below their pre-pandemic levels.

Purchases at electronics and appliance stores fell 1.6 per cent. Online and mail-order retail sales rose 0.5 per cent. Furniture store sales gained 0.5 per cent. Sales at sporting goods, hobby, musical instrument and book stores rebounded 5.7 per cent. These categories notched big year-on-year increases in September, which economists said showed the uneven impact of the recession.

"It's further evidence of how many top earners have managed to dodge the pandemic by working from home, while most lower- paid workers have been forced to choose between jobs putting them at risk, when they can find them, and unemployment," said Chris Low, chief economist at FHN Financial in New York.

The White House and Congress are struggling to reach a deal on another rescue package for businesses and the unemployed. The government reported on Thursday that new claims for unemployment benefits increased to a two-month high last week.

Last month's jump in retail sales set consumer spending on a higher growth path heading into the fourth quarter, which will likely ensure that the economy continues to expand, though at a moderate pace. Growth estimates for the fourth quarter have been slashed to as low as a 3 per cent rate from above a 10 per cent pace.

Amid tensions with China, India warns Amazon, Flipkart over country of origin rule

Reuters, *Mumbai*

The Indian government has warned Amazon.com's local unit and Walmart's Flipkart that sellers on their platforms are not complying with a rule requiring that a product's country of origin be specified.

A push for strict enforcement of the rule has come amid tensions between India and China following a border skirmish which began in June, and is part of India's efforts to cut down on Chinese-made imports.

The two e-commerce firms have been given 15 days to explain the lapses or action will be taken against them, according to an Oct. 16 letter addressed to the companies from the Ministry of Consumer Affairs and seen by Reuters.

It did not specify what action may be taken, referring only to a legal act that has provisions for fines.

Representatives for Amazon and Flipkart did not immediately respond to Reuters requests seeking comment outside regular business hours.

REUTERS/FILE

An employee of Amazon walks through a turnstile gate inside an Amazon Fulfillment Centre on the outskirts of Bengaluru, India.

Oil prices edge lower on Covid-19 resurgence, fears of more supply

Reuters, *New York*

Oil prices edged lower on Friday, dragged down by concerns that a spike in Covid-19 cases in the United States and Europe will continue to drag on demand in two of the world's biggest fuel-consuming regions.

OPEC+, a grouping of the Organization of the Petroleum Exporting Countries and allied producers including Russia, fear a prolonged second wave of the pandemic and a jump in Libyan output could push the oil market into surplus next year, according to a confidential document seen by Reuters, a much gloomier outlook than just a month ago.

Brent crude futures LCOc1 fell 23 cents to settle at $42.93 a barrel, and U.S. West Texas Intermediate (WTI) crude futures dropped 8 cents to settle at $40.88 a barrel. Brent rose 0.2% for the week, while WTI was on track to gain 0.7%.

"The reality is that we're now seeing a pretty active spread of the pandemic across Europe and it's spreading again in North America, and that potentially will weigh on oil demand recovery," said Lachlan Shaw, head of commodity research at the National Bank of Australia.

Some European countries were reviving curfews and lockdowns to fight a surge in new coronavirus cases, with Britain imposing tougher COVID-19 restrictions in London on Friday.


REUTERS/FILE

Oil and gas tanks are seen at an oil warehouse at a port in Zhuhai, China.

A panel of officials from OPEC+, called the Joint Technical Committee, discussed their worst-case scenario during a virtual monthly meeting on Thursday. That involved commercial inventories from major world consumers remaining higher than the five-year average in 2021, rather than falling below that mark.

The group's Joint Ministerial Monitoring Committee (JMMC), will consider the outlook when it meets on Monday. The JMMC can make a policy recommendation.

"We expect on Monday's meeting some strong words on compensating for (members') undercompliance," said Paola Rodriguez-Masiu, Rystad Energy's senior oil markets analyst. "What everybody is wondering is if there will be any action against the laggards this time or if the bashing will stay at a verbal level."