

GOVERNMENT

How will China's frugality code affect its luxury market?

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*With 15,799 Chinese officials being punished in July for violating China's frugality rules, will China's post-COVID-19 luxury market take another hit?
Image credit: Shutterstock*

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What happened: According to [Xinhua](#), the Chinese state-run press agency, a total of 15,799 Chinese officials were punished in July for violating China's frugality rules.

A statement released by the Communist Party of China (CPC) Central Commission for Discipline Inspection and the National Supervisory Commission said that the officials were involved in 10,719 cases.

Among them, 9,327 were found guilty of "bureaucratism" and 6,124 related cases have been resolved.

Xinhua also highlighted that authorities have investigated 4,595 cases of hedonism and extravagant behavior as well.

Jing Take: Since December 2012, when the CPC introduced its eight-point frugality code, authorities have frowned upon luxury indulgences and curbed conspicuous consumption.

Given this, it should come as no surprise that the campaign to eliminate or, at least, rein in corrupt officials has hampered China's vast bureaucratic gift-giving culture and cooled off [luxury market](#) spending for this large and well-connected group.

The policy, however, has pushed the ruling class toward a novel form of discreet wealth, keeping the sales of more ostentatious luxury goods hidden from view or not being purchased in the first place, which could add to a decline in China's post-COVID-19 luxury market recovery.

Considering the ongoing global economic slowdown, endless [COVID-19](#) mitigation measures, and the tightening of China's eight-point frugality code, the second half of 2020 looks to be a tricky time for luxury brands in [China](#), which is not great news for [luxury brands](#) that have increasingly looked upon this market as a savior in these trying times.

Does the luxury industry need to prepare for a world where frugality becomes the new norm?

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