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China's new economic expansion plan should boost luxury

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China is calling for the creation of international consumption centers across five major cities good news for luxury brands in the market. Image credit: Shutterstock

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Last August, China's Ministry of Commerce drafted its Overall Plan for Cultivating International Consumption Center Cities.

The strategy calls for the country to create "international consumption centers" across five major Chinese cities: Shanghai, Beijing, Guangzhou, Tianjin and Chongqing.

These five metropolises will enact "forceful and distinctive measures in this regard with their respective focuses," relayed the Chinese news outlet, *People's Daily*.

Additionally, the cities will have special economic zones to boost China's **duty-free economy**, further driving growth and consumption.

Meanwhile, at the sixth session of the 15th Shanghai Municipal People's Congress, the mayor of Shanghai, Gong Zheng, announced that Shanghai plans to expand tax relief.

The Jing Take: Chinese policymakers have taken important steps to keep the economy humming and consumption healthy.

Meanwhile, the expansion of duty-free zones will accelerate the repatriation of spending, steering sales toward domestic brands.

Luxury labels and conglomerates will also benefit from the move as Chinese consumers will be shopping less internationally.

Baidu believes these policies "will help speed up the quality and upgrade of consumption, promote the formation of a strong domestic market, and unblock the domestic cycle."

Plus, recent income tax cuts should also stimulate **household spending**.

China's State Council highlights how recent measures are expected to reduce annual personal income tax by \$17.3 billion (110 billion yuan).

This cash infusion will decrease the pressure on leading brands, as it should help lure luxury consumers back into stores, hopefully growing retail sales once again.

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