

Voluntary Report – Voluntary - Public Distribution

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Report Name: Effect of China's Frugality Law on Alcohol and HRI Consumption

Country: China - People's Republic of

Post: Shenyang ATO

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Prepared By: Shenyang ATO

Approved By: Emily Scott

Report Highlights:

China's May 18, 2025 "Strict Economy and Opposing Waste by Party and Government Organs" regulation bans alcohol at all official and government-sponsored events and limits "extravagant dining". Its immediate effect has been a sharp slowdown in the high-end banquet and restaurant market, affecting premium hospitality venues and alcohol producers. Demand linked to government-related events has declined, and gifting practices tied to these occasions have been reduced. Overall, the measure may affect exports and end-uses of U.S. premium products such as alcohol, alcoholic inputs, and protein products like meat and seafood.

1. Introduction

In May 2025, China issued the “Strict Economy and Opposing Waste by Party and Government Organs” regulation as part of the government’s ongoing campaign to promote frugality and discipline among officials. The policy bans alcohol consumption at all official and government-sponsored events and restricts public spending on entertainment. For more information on the measure please see [GAIN report CH2025-0161](#).

Although aimed at government and Party activities, the regulation’s influence extends beyond official functions. Since the 2012 “Eight-Point Regulation” the first major anti-corruption initiative China has discouraged extravagance in public service and reshaped alcohol consumption patterns nationwide. Alcohol production and consumption have continued to decline since 2016, reflecting not only policy enforcement but also generational, economic, and cultural shifts toward moderation.

This report analyzes how the 2025 policy may affect U.S. agricultural exports linked to alcohol and alcohol ingredients as well as high end protein products and examines broader trends in consumption and trade.

2. Policy Overview

China’s anti-drinking policies are part of a long-term trajectory of austerity measures shaping the alcohol market. Key milestones include:

Year	Policy / Action	Key Features	Market Impact
2012	Eight-Point Regulation	Anti-corruption directive: limited banquets, simplified receptions, reduced lavish spending	Sharp drop in official alcohol use; baijiu sales fell 20-30 percent
2013-2016	Local Enforcement & Anti-Graft Campaigns	Provincial governments applied stricter rules, extending restrictions to local departments and State-owned Enterprises (SOEs)	Banquets largely disappeared; gift-giving with alcohol sharply reduced
2025	Strict Economy Regulation	Explicit ban on alcohol at all official events; reinforces discipline and transparency	High-end hotels/restaurants report 30-40% revenue declines from official dining

The May18, 2025 regulation builds on this progression, introducing stricter rules governing government-related spending and entertainment. It specifically targets excessive dining and drinking among officials and prohibits the use of public funds for alcohol at official events.

Local authorities often amplify the effects of central policy. Some regions interpret “no alcohol during working hours” as a full weekday ban, and in some cases, officials must seek approval to drink on

weekends or holidays. This over-compliance strengthens the regulation's impact and accelerates broader shifts in China's drinking culture, particularly in high-end hospitality and banquet sectors. Due to the local and provincial governments role in implementing regulations from the Central Chinese Communist Party, the implementation is not uniform across the country. According to ATO Shanghai's observation, the interpretation and enforcement of policies vary significantly between provinces and cities. i.e, in Shaoxing, Zhejiang, the local government has recently introduced incentives for consumers to host larger banquets—such as offering benefits for events with over five tables or expenditures exceeding 10,000 RMB for non-government-related spending. This example illustrates how the food service industry is adapting to the policy environment while also highlighting the unsustainable nature of such measures in the long term.

3. Market Impact and Consumption Trends

Hotel and Restaurant Channels

Since May 2025 policy took effect, high-end hotels and restaurants have reported substantial affects. Industry contacts noted that overall catering revenue fell by 30-40 percent, largely due to the sharp reduction in government and SOE spending on official banquets and large corporate gatherings. “We used to work with public institutions, but after new rules restricting official banquets and banning alcohol at receptions, those bookings largely disappeared,” said a General Manager of a high-end hotel.

Historically, before 2012, high-end hotels and fine-dining restaurants derived a significant portion of revenue, sometimes over 40 percent, from government-funded banquets, business events such as meetings, conferences, incentive trips, and trade exhibitions (known as MICE), and related entertainment. The 2012 Eight-Point Regulation marked the first major disruption, sharply reducing official event spending and prompting the hospitality sector to diversify toward private consumers, weddings, and smaller-scale events. Catering tied to government functions dropped by an estimated 38 percent, and high-end liquor sales fell sharply.

Further, while it is hard to decipher the role of the austerity measure on accelerating existing trends, since May 2025 more than 28 percent of restaurants nationwide have closed. Of the 28 percent, 60 percent of the restaurants had been operating for more than ten years. The recent restrictions may have influenced closures for those restaurants that relied heavily on government and business banquets, particularly with higher price tags.

To compensate, venues are now experimenting with alcohol-free banquets, premium soft drinks, and creative offerings such as outdoor food stalls to maintain engagement and revenue. Private businesses have also scaled back meeting budgets and high-end dining, influenced by both regulatory pressure and a broader economic slowdown. Some local governments offer subsidies to encourage private gatherings in hotels, reflecting efforts to mitigate the economic impact on the sector.

Today, high-end hospitality revenue is more diversified: room revenue is the most stable stream, Food & Beverage income increasingly relies on domestic tourism and private events, and MICE events continue but on a smaller scale and with greater transparency. Overall, the market is moving away from government dominated channels toward personal, experience driven consumption, requiring hotels and restaurants to adapt strategically to changing consumer and policy environments.

A recent interview with a foreign brand hotel in Zhejiang Province, shows their perspective on the policy's limited impact on their business. They noted that their primary client base consists of corporate entities, branded companies, and the local middle class and above—individuals who prioritize lifestyle consumption. This demographic tends to pay limited attention to the policy and is not necessarily required to adhere to it as private sectors are still quite robust in east China.

Consumption Trends

The implementation of austerity measures has triggered a significant strategic shift among alcohol producers. They are actively redirecting focus and resources away from official and high-end luxury channels, now prioritizing retail distribution, personalized gifting, and the individual consumer segment. This marks a clear move away from traditional, ceremonial consumption habits, particularly those rooted in high-end baijiu and wine banquets. Consequently, consumption is evolving toward informal, lifestyle-driven occasions. In response, companies are redesigning their product portfolios, adding low-alcohol, non-alcoholic, and customized offerings to meet the rising consumer demand for moderation and personal taste.

While the Baijiu liquor industry's recovery remained far below expectations, especially in the mid- to high-end segments that rely heavily on restaurant consumption, banqueting, and corporate entertaining, companies who did not respond effectively to the austerity measures are seeing their profit margin further squeezed. For example, among the public-listed alcohol company's financial reports in the first quarter of 2025, Yanshi Co., Ltd. (Shanghai Guijiu Liquor) reported the sharpest revenue declines, reflecting the slowing-down food service sector and its cascading impact on upstream supply chain enterprises in China. Yanshi Co., Ltd. (Shanghai Guijiu Liquor)'s revenue from January to September 2025 is reportedly plunging 85 per cent to \$4.9 million, and industry analysts commented that Yanshi's long-standing reliance on high-end alcohol products left it without a diversified product matrix to offset the downturn in premium liquor demand in China market.

Gift-Giving and Social Customs

Gift-giving has long been central to Chinese culture, symbolizing respect and reciprocity in both personal and professional settings. Historically, premium spirits including baijiu, wine, and other high-end liquors were popular gifts for festivals, family gatherings, and professional exchanges.

Before the May 2025 policy, alcohol played a key role in gifting. Surveys show that around 43 percent of Chinese adults had received alcohol as a gift, while nearly 30 percent had given it. During major holidays, more than two-thirds of consumers were willing to purchase tobacco or alcohol as gifts, with baijiu gift boxes accounting for roughly 75 percent of alcohol gift sales during the Mid-Autumn Festival.

The new regulation banning alcohol at government and Party events is expected to reduce gifting in official and business circles. High-end liquor brands, particularly premium baijiu and imported red wine that previously benefited from state-linked purchases, are likely to see weaker demand. According to a wine importer, red wine remains more common than white wine in both official events and gift-giving due to its traditional association with prosperity and status.

Alcohol continues to be a valued gift in personal and festive settings. Urban middle-class consumers increasingly favor imported wine and whiskey for social occasions. With e-commerce platforms offering customized and premium gift options, gifting is gradually shifting from a focus on formality and status toward lifestyle and personal expression.

4. Implications for U.S. Agricultural Exports

The new policy has created a mixed impact on U.S. agricultural exports. High-end alcohol products, such as wine, face reduced demand due to the sharp drop in government banquets and corporate gifting purchases. Bulk commodities like sorghum are also affected, influenced by both policy and trade diversification. In contrast, products such as craft beer and whiskey consumed more casually, social settings are benefiting from changing consumer preferences. A mid-2025 report by the China Alcoholic Drinks Association noted that 21.1 percent of domestic producers plan to expand investment in youth-focused products, reflecting these trends.

U.S. Trade Data Snapshot (Jan-Sep 2025)

Product	Trade Value/Volume (Jan-Sep 2025)	YOY Change	Key Context / Driver
Total Alcoholic Beverages	\$60 million	-15%	Drop primarily due to ban on official/banquet channels and sluggish economic growth.
Sorghum	806,137 metric tons	- 83%	U.S.- China trade tensions and import diversification.
Hops	1,952 metric tons	+ 82%	Steady expansion of China’s craft beer industry.

Wine

The high-end wine segment is directly affected because it has traditionally relied on formal, high-status banquets. The policy sharply reduced demand from official and business events, leading to a quick market adjustment. Importers estimate that overall wine sales initially fell by more than 50 percent, with red wine commonly served at official events hit hardest. Importers whose sales relied heavily on official consumption may experience a larger drop. White and sparkling wines remained relatively stable, as they are more often consumed in casual settings. Notably, U.S. sparkling wine imports increased by 52.9 percent during the first nine months of 2025, showing strong potential. A Shanghai-based U.S. distributor noted: “The policy has directly affected officials’ consumption, but high-end restaurant losses are partially offset by a 20 percent rise in direct-to-consumer e-commerce sales of mid-range, lifestyle focused labels.”

Craft Beer and Whiskey

These categories are mainly consumed in casual, social settings rather than formal events. Roughly half of craft beer consumption occurs in major cities among people aged 25-40, while whiskey attracts urban, middle-income drinkers seeking modern alternatives to traditional spirits. Bars, restaurants, and online channels remain important, reflecting changing preferences even as banquet-related sales decline.

Hops

Overall demand for hops in China is expected to remain stable. Although premium banquet-linked beer sales may be slightly affected, this represents a small portion of total consumption. The growing craft beer sector continues to drive demand for imported hops, particularly from the U.S. The 82 percent year-on-year increase in U.S. hops exports reflects the strength of consumer-driven craft brewing. Chinese brewers value U.S. hops for quality, aroma, and variety, and small to mid-sized breweries are experimenting with American hop styles to meet younger consumers' preference for distinctive flavors. Imports of hops for craft brewing are likely to remain strong, offsetting declines in high-end hospitality segments.

Sorghum

Industry insiders estimate that roughly, 30-50 percent of imported sorghum exports to China are used for baijiu production, with the remainder going to feed and industrial use. This estimate is widely cited but requires further verification, as sourcing patterns vary by region and distillery. The new anti-drinking policy, by shrinking the formal baijiu consumption channel, may reduce demand from distilleries, especially for high-end or banquet-oriented products. Broader factors, such as China's ongoing import diversification, will also shape overall trade volumes.

High-end Ingredients

The decline in high-end restaurant sales is expected to affect demand for premium ingredients. Several industry contacts noted that the new austerity measures particularly target restaurants with per-person spending above \$56 (RMB 400). These venues typically feature imported beef, seafood, and other specialty items. One distributor observed, "High-end restaurants are clearly feeling the squeeze, and when their traffic drops, so does demand for imported steak and other premium ingredients." While the impact on U.S. beef, seafood, or other ingredients it is difficult to quantify due to limited availability in the market, reduced spending in luxury dining is likely to slow sales of high-end cuts and similar U.S. products in the medium term.

5. Trade and Market Outlook

The new anti-drinking policy, alongside ongoing U.S.-China trade tensions, continues to influence U.S. agricultural exports. Tariffs and political uncertainties have reduced U.S. competitiveness in bulk commodities such as sorghum. The 2025 approval of Brazilian sorghum imports highlights China's

strategy to diversify suppliers. Combined with shifts in alcohol consumption, these factors create a more challenging trading environment for U.S. exporters.

Local enforcement patterns continue to play a key role. Some regions implement central policies more strictly, affecting high-end venues and potentially reducing demand for imported alcoholic beverages in hotels and restaurants that once served government and corporate clients. Gift-giving practices, long a driver of premium alcohol sales, are shifting toward personalized, lifestyle-oriented choices, impacting product mix and sales channels for exporters.

Despite these challenges, opportunities remain in lifestyle-focused segments and casual drinking channels. Digital platforms like JD.com, Tmall, Douyin (TikTok), and WeChat are increasingly important for reaching consumers directly. Especially noteworthy is the rapid rise of alcohol sales through on-demand delivery platforms. The on-demand alcohol market, valued at USD 2.8 billion in 2023, is projected to reach \$8.4 to 12.6 billion by 2030, reflecting a strong CAGR of 10 to 17 percent. This fast-growing channel not only complements traditional e-commerce but also aligns with younger consumers' demand for immediacy and convenience, creating additional pathways for U.S. exporters to strengthen their presence in China's evolving alcohol market. U.S. exporters can respond by emphasizing lower-alcohol beverages, premium craft products, and health-oriented options, while targeting urban consumers via e-commerce, lifestyle marketing, and innovative packaging designed for gifting or personal use

6. Conclusion

The May 2025 austerity regulation reflects China's ongoing effort to reduce extravagance and enforce discipline among officials. Its immediate impact is most visible in the sharp decline of high-end banquet and government-related consumption, directly affecting luxury hotels, restaurants, and premium alcohol suppliers.

The policy has also changed business practices, reducing gifting in official and corporate settings, and accelerating a shift away from formal, ceremonial alcohol consumption. While personal and festive drinking continues, officially linked demand has contracted, reshaping the structure of China's high-end hospitality and alcohol markets. This is likely to continue impacting exports and end-uses of U.S. premium products such as alcohol, alcoholic inputs, and protein products like meat and seafood.

For more information, please contact

Agricultural Trade Office in Shenyang
U.S. Consulate General, Shenyang, No. 52, 14th Wei Road
Heping District, Shenyang
China, 110003
Email: ShenyangATO@state.gov

Attachments:

No Attachments.