

Box 1.2

Retail sales vis-à-vis private consumption expenditure

Retail sales statistics are primarily intended to measure the sales receipts of goods sold by local retail establishments, for gauging the short-term business performance of the local retail sector. They cover both spending on goods by local households and by tourists in Hong Kong.

Private consumption expenditure (PCE) is a major expenditure component of the Gross Domestic Product (GDP). It is compiled from a wide range of data sources, including the retail sales data. But it has a much broader coverage than retail sales, in that PCE covers consumer spending on goods (purchased from all channels including the conventional retail outlets) as well as spending on services by Hong Kong residents, whether domestically or abroad. As such, the retail sales figures are not as comprehensive and as direct as PCE for gauging the trend in local consumer spending.

More specifically, PCE is distinguished from retail sales statistics in that:

- (1) retail sales statistics refer to consumer spending on goods purchased from local retail establishments, but do not cover those consumer spending on electricity, gas and water and on various services such as housing, transportation, education, medical and health care, recreation, entertainment and personal services. PCE covers households' consumption expenditure on all goods and services;
- (2) visitors' spending in Hong Kong is included in the retail sales figures but not in PCE; and
- (3) Hong Kong residents' consumption expenditure abroad is covered in PCE but such spending being outside Hong Kong is outside the coverage of retail sales statistics.

Due to the differences in coverage, the retail sales and PCE series may not necessarily be very close in terms of trends and fluctuations. As an economy becomes more affluent, consumers tend to spend relatively more on services than on goods. For example, the average proportion spent on food (in particular food for meals prepared at home) is smaller than what it used to be some decades ago. New items like charges for mobile phone services and Internet services now also appear in the spending list of an average household. For households in general, a significant proportion of consumption services are "necessities" such as housing, transportation, and medical and education services, which tend to have a steady growth in demand over time. On the other hand, households tend to spend less on expensive items like motor vehicles and jewellery during economic downturns. Thus, the cyclical pattern of consumer spending on some of the services tends to be less pronounced as compared to that of spending on goods.