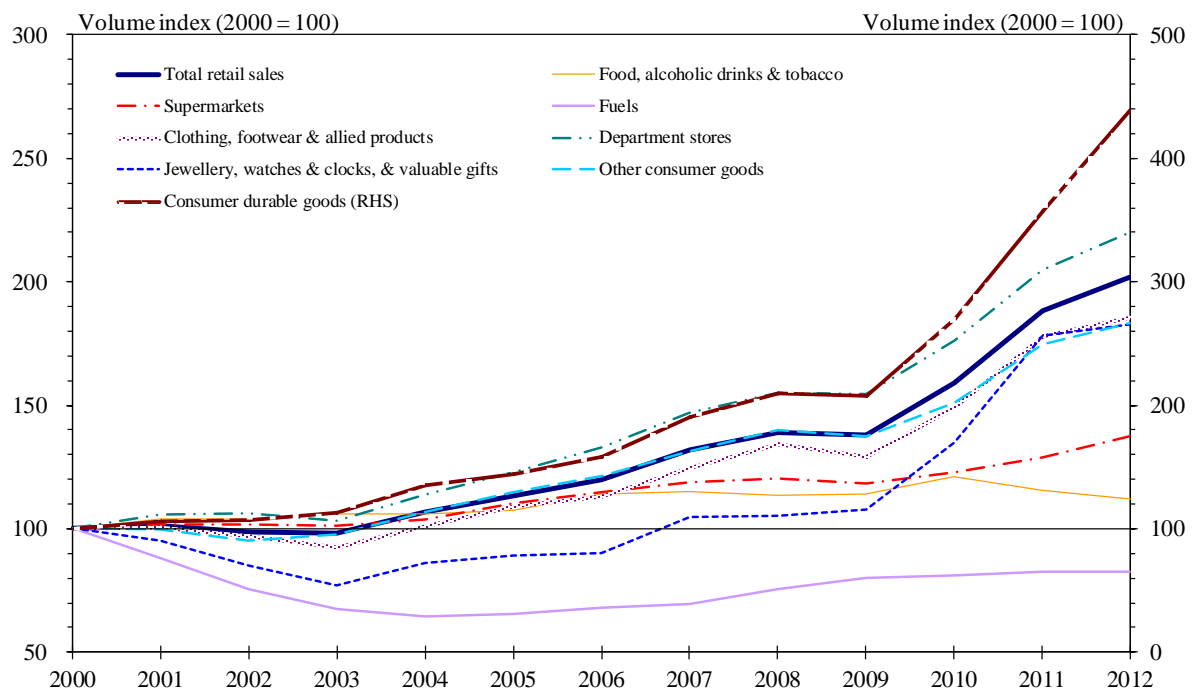


**Box 1.1****The performance of Hong Kong's retail trade industry**

Retail trade is an important economic sector in Hong Kong, particularly as a key provider of employment opportunities. In 2012, there were about 64 000 establishments in the retail trade industry. Nearly 9% of Hong Kong's total employment, or around 320 000 persons, were engaged in retail trade. Total value-added of the industry amounted to about 4% of Hong Kong's GDP.

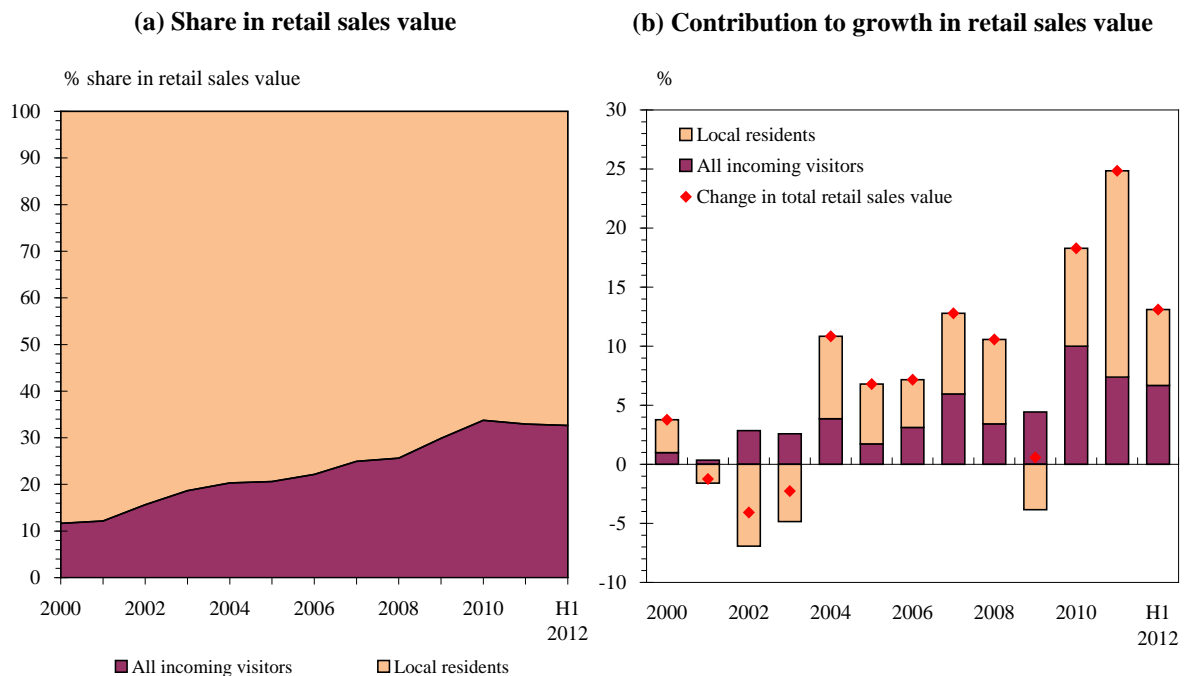
The industry has weathered ups and downs over the past decade or so (*Chart 1*). First hit by the economic downturn in 2001 and then the SARS epidemic in 2003, total retail sales volume held virtually flat from 2000 to 2003, with the sales of luxury items and fuels shrinking most. After that, sales across most types of retail outlets enjoyed a period of uninterrupted expansion until the global financial crisis hampered consumer sentiment in late 2008 and early 2009. Even so, most sectors only saw a mild setback during this difficult period. The volume of retail sales then re-accelerated strongly in 2010 and leaped further in 2011, led by the jump in consumer durable goods, thanks conceivably to the launches of new consumer electronic products. Sales of luxury items and sales in department stores also rose appreciably over the same period. In 2012, despite the high base of comparison, the volume of retail sales still attained a notable growth of 7.2%, in line with the trend growth over the past ten years. The sustained expansion has also brought with it ample employment opportunities. Employment in the retail trade industry has grown faster than overall employment in the past several years, making it one of the key sources of job creation.

**Chart 1 : Volume of retail sales by broad type of retail outlet**

Note : The volume indices of retail sales before 2005 are the 2004/05-based series which follows the Hong Kong Standard Industry Classification (HSIC) Version 1.1, while those since 2005 are the 2009/10-based series which adopts HSIC Version 2.0.

**Box 1.1 (Cont'd)**

The strong performance of the retail trade industry was in part contributed by the fast growth in inbound tourism, with visitor arrivals increasing at an annual average rate of 11.4% over the past ten years to reach 48.6 million in 2012. Using the shopping expenditure of incoming visitors as a proxy for inbound tourism's contribution to the value of retail sales, it is observed that the proportion of visitor spending in retail sales has been on a steady rise over the past decade, from about 12% in 2001 to about 33% in 2011 and the first half of 2012 (*Chart 2a*). In terms of the contribution to the growth of retail sales, visitor spending has also been playing a notable role (*Chart 2b*). This was especially vital at the time of economic downturns, when domestic consumer sentiment was feeble, as in 2001-2003 and 2009. Yet in many past years local residents remained the key source of growth in terms of retail sales value, most visibly during the surge in 2011.

**Chart 2 : Relative importance of inbound tourism to retail sales\***

Note : (\*) Shopping expenditure by visitors is sourced from the Hong Kong Tourism Board's Departing Visitor Survey, while local residents' expenditure on retail sales is roughly estimated as the difference between total retail sales value and visitors' shopping expenditure.

In terms of contribution to the overall economy, the tourism ratio for the retail trade industry stood at 0.28 in 2009 (the latest figure available), meaning that 28% of value-added generated by the retail industry came directly from inbound tourism consumption<sup>(1)</sup>. Although this ratio is likely to have increased further in recent years, a lion share of economic output from the retail trade industry still relies on local residents, and so the future development of the industry would hinge on favourable local employment and income conditions as well as a further expansion in inbound tourism. To this end, the near-term prospects for the retail business remain positive, as the labour market and consumer confidence have held up fairly well despite a slowed economy, while inbound tourism is likely to benefit from the fast growing Mainland economy as well as the continued development of other Asian economies.

(1) For details, please refer to the feature article in *Hong Kong Monthly Digest of Statistics*, March 2011