

**Box 5.1****The latest employment situations of the consumption- and tourism-related sectors**

The consumption market has stayed weak since late 2018, in tandem with the economic slowdown. The recent social incidents with intensifying violence have dealt an additional severe blow to the consumption- and tourism-related sectors. This note takes a closer look at the latest employment situations of the retail, accommodation and food services sectors, which have experienced a plunge in business in recent months<sup>(1)</sup>. These sectors together have employed around 600 000 people or about 15% of the economy total, with around 80% of the persons engaged in these sectors being lower-skilled workers. However, when interpreting the labour market statistics, we have to bear in mind that these indicators usually lag behind the changes in economic conditions.

The recent social incidents have not only deterred visitors from coming to Hong Kong but also caused a fall-off in consumption by local residents, leading to a precipitous decline in business of the retail, accommodation and food services sectors. Inbound tourism, which directly contributes almost 40% of the combined value-added of these sectors<sup>(2)</sup>, saw a sharp contraction in the third quarter, as visitor arrivals plummeted by 26% year-on-year<sup>(3)</sup> and per capita visitor spending continued to weaken.

The impact on the unemployment situation of these sectors has gradually surfaced. The unemployment rate<sup>(4)</sup> of these sectors taken together rose from 3.4% early this year to 3.9% in the second quarter and 4.9% in the third quarter, the highest in more than two years.

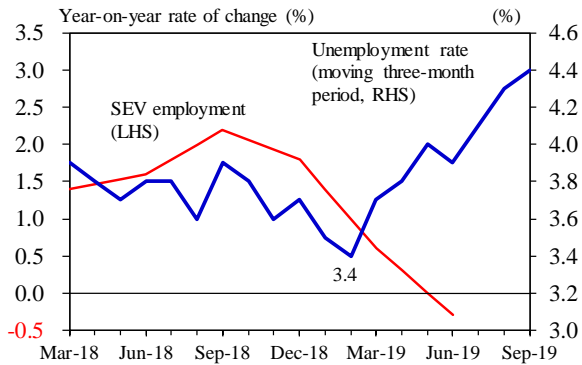
**Retail**

The unemployment rate of the retail sector generally edged down during 2018 and employment grew solidly (*Chart 1a*). However, as retail sales began to weaken in late 2018, employment in the sector, according to SEV data, slipped into a mild decline in June this year. The situation deteriorated visibly in recent months due to the social incidents, with the unemployment rate of the sector rising to 4.4% in the third quarter, 1.0 percentage point higher than the low level of 3.4% early this year. Indeed, retail sales volume declined by 22.9% year-on-year in August and September combined, the largest on record for a two-month period (*Chart 1b*). The austere situation, if continues, will inevitably lead to significant job loss in this sector.

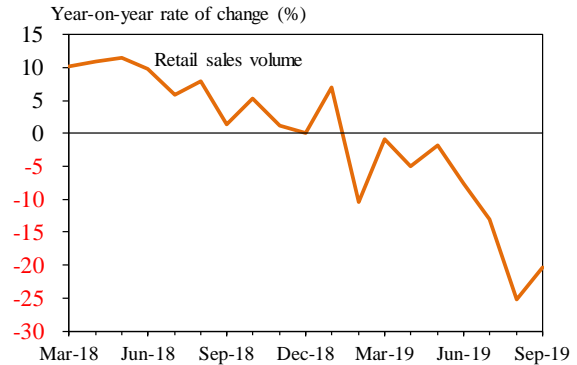
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- (1) Apart from the three sectors discussed in this note, other sectors such as transportation, travel agencies, and import/export trade and wholesale have also been directly or indirectly hard hit by the local social incidents.
  - (2) Latest available statistics indicated that inbound tourism directly contributed 31%, 22% and 86% respectively to the value-added of the retail sector, food and beverage services and accommodation services in 2017.
  - (3) Visitor arrivals, which showed a year-on-year increase of 14% in the first half of 2019, switched to a year-on-year decline since mid-July. The decline widened further from 37% in August and September combined to over 40% in October.
  - (4) All sectoral unemployment rates cited in this article are *not* seasonally adjusted. Hence, when interpreting the comparisons over time in this article, it should be mindful that they are subject to the effect of seasonality.

**Box 5.1 (Cont'd)**

**Chart 1a: Unemployment rate of the retail sector rose visibly in recent months**



**Chart 1b: Retail sales saw record declines in recent months**

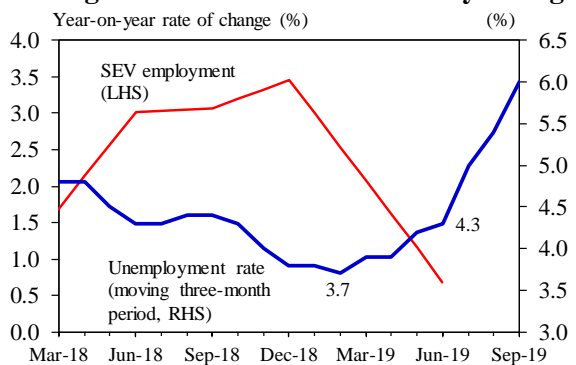


Sources: Quarterly Survey of Employment and Vacancies (SEV), General Household Survey (GHS), and Monthly Survey of Retail Sales, Census and Statistics Department (C&SD).

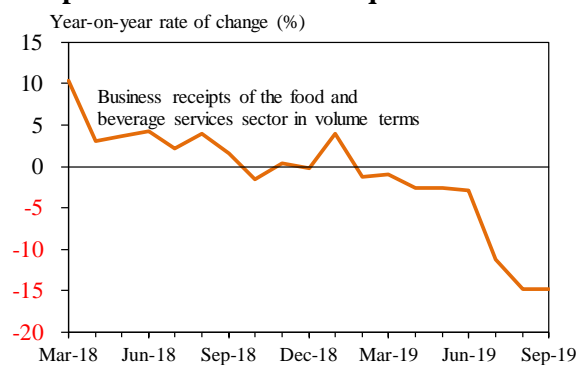
**Food and beverage services<sup>(5)</sup>**

The labour market conditions of the food and beverage services sector were likewise favourable back in 2018, with the unemployment rate trending downwards and employment registering notable growth (*Chart 2a*). However, mirroring the situation facing the retail trade, the industry’s business receipts<sup>(6)</sup> began to weaken in late 2018 and deteriorated sharply in the third quarter of 2019 due to the social incidents, particularly in August and September (*Chart 2b*). The sharp fall in business in the third quarter was the largest since the outbreak of SARS in 2003. The unemployment rate of this sector started to rise since early 2019, and worsened markedly after the outbreak of the social incidents, from 4.3% in the second quarter to a six-year high of 6.0% in the third quarter. As for employment in the sector, SEV data showed a moderation in growth in June. However, closures and lay-offs in this sector have been widely reported in media in recent months, pointing to a possible marked deterioration in the upcoming data.

**Chart 2a: Unemployment rate of the food and beverage services sector rose to a six-year high**



**Chart 2b: Business receipts of the sector plummeted in the third quarter of 2019**



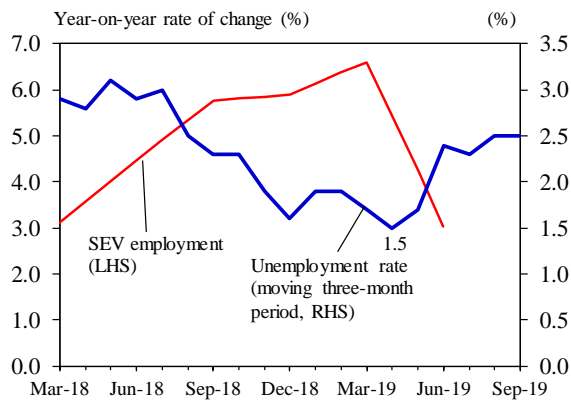
Sources: SEV, GHS, and Quarterly Survey of Restaurant Receipts and Purchases, C&SD.

(5) For clarification, “food and beverage services” sector is a sub-set of the “retail, accommodation and food services” sectors.  
 (6) Based on the Quarterly Survey of Restaurant Receipts and Purchases which has the same industry coverage as “food and beverage services” in GHS.

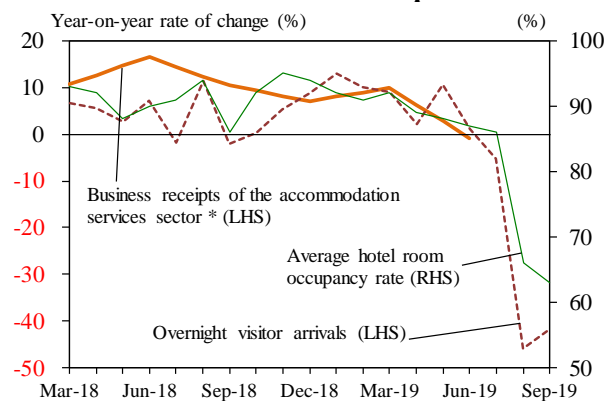
**Box 5.1 (Cont'd)****Accommodation services**

The labour market conditions of the accommodation services sector were buoyant in 2018 and the early months of 2019, alongside the strong growth in business receipts of the sector. Unemployment rate of the sector decreased visibly from 2.9% in the first quarter of 2018 to 1.5% in February – April 2019 (*Chart 3a*). Employment in the sector attained notable growth in 2018 and also in early 2019. However, business receipts of the sector weakened noticeably in the second quarter of 2019, and conceivably deteriorated drastically in the third quarter alongside the plunge in overnight visitor arrivals (*Chart 3b*). Indeed, the average hotel room occupancy rate fell markedly to an average of 65% in August and September, down sharply by 25 percentage points from a year earlier. Against this background, the unemployment rate of the sector rose to 2.5% in the third quarter, 1.0 percentage point higher than that in February – April, and is likely to go up further if the social incidents with violence continue.

**Chart 3a: Unemployment rate of the accommodation services sector has been going higher**



**Chart 3b: The recent plunges in overnight visitor arrivals and average hotel room occupancy rate conceivably have led to a sharp contraction in hotel business receipts**



Note: (\*) Business receipts are based on quarterly figures.

Sources: SEV, GHS, and Quarterly Survey of Service Industries, C&SD.  
Hong Kong Tourism Board.

**Remarks**

As the response of the labour market usually lags behind the changes in economic situation, the various employment-related indicators discussed in this note have yet to fully reflect the increasingly austere economic situation of late. The local social incidents with violence have darkened the business prospects for the consumption- and tourism-related sectors (see *Box 1.1* on business sentiment) and the job and income prospects for the workers concerned, with most of them being lower-skilled. The Government will continue to monitor the developments closely and roll out measures to support business and safeguard jobs.