

Box 6.1**The latest employment situations of the consumption- and tourism-related sectors (an update)**

The local social incidents involving violence hit the consumption- and tourism-related sectors (such as retail, accommodation and food services sectors)⁽¹⁾ hard in the second half of 2019. Business in these sectors slumped as consumption by local residents fell and inbound tourism⁽²⁾ faltered. Visitor arrivals declined sharply by 26% year-on-year in the third quarter and showed an even steeper plunge of 50% in the fourth quarter, while per capita visitor spending continued to weaken. Amid the austere business conditions, the unemployment rate⁽³⁾ of the retail, accommodation and food services sectors combined rose from 3.9% in the second quarter to 5.2% in the fourth quarter, the highest in three years. This box article reviews the latest employment situations of these three sectors⁽⁴⁾ and serves as an update to **Box 5.1** in the *Third Quarter Economic Report 2019*.

Retail

Retail sales experienced a sharp decline in the second half of 2019. The fall in retail sales volume widened from the already sizable 20% in the third quarter to 24% in the fourth quarter, the largest decline for a single quarter on record (**Chart 1a**) (see **Box 1.1** for details on the recent retail sales performance). The labour market conditions of the retail sector worsened in tandem. According to the Quarterly Survey of Employment and Vacancies (SEV), employment in the sector showed an enlarged year-on-year decline of 2.2% in September (**Chart 1b**), and the number of vacancies fell markedly by 25.5%. The unemployment rate of the retail sector rose from 3.9% in the second quarter to 4.8% in the fourth quarter, the highest in more than two years. There will be more job losses in the sector in the period ahead if the austere business situation continues.

Chart 1a: Retail sales experienced a record decline in the second half of 2019

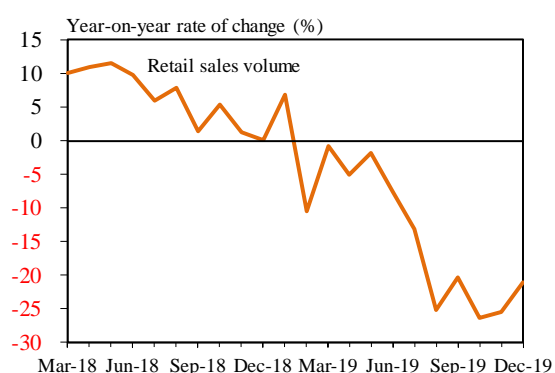
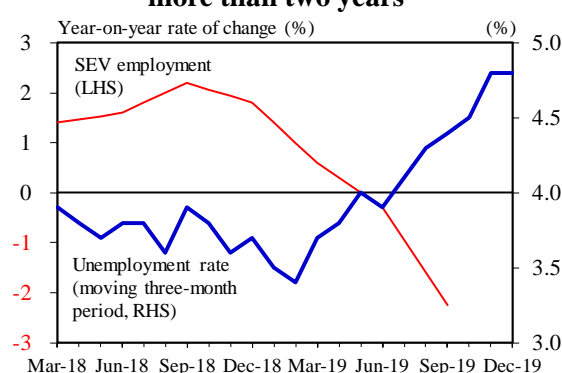


Chart 1b: Unemployment rate of the retail sector rose to the highest in more than two years



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

- (1) Other sectors such as transportation, travel agencies, and import/export trade and wholesale were also directly or indirectly hit by varying degrees due to the local social incidents.
- (2) Inbound tourism directly contributed 31%, 21% and 83% respectively to the value-added of the retail, food and beverage services, and accommodation services sectors in 2018, or 37% to the combined value-added of these sectors.
- (3) 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 noted that they are subject to the effect of seasonality.
- (4) The three sectors combined contributed to around 15% of total employment.

Box 6.1 (Cont'd)

Food and beverage services⁽⁵⁾

Likewise, business in the food and beverage services sector fell sharply in the second half of 2019. Business receipts⁽⁶⁾ plummeted in volume terms by 14% and 16% year-on-year in the third and fourth quarters respectively (*Chart 2a*). Only in the second quarter of 2003 during the SARS episode did the sector’s business receipts show a larger decline of 18% in a single quarter. As a result of the fall-off in business, employment in the sector switched to a year-on-year decline of 4.9% in September (*Chart 2b*) and the number of vacancies plunged by 57.3% according to the SEV data. The unemployment rate of the sector surged from 4.3% in the second quarter to 6.2% in September – November, the highest in more than eight years. Although the unemployment rate then eased slightly to 6.1% in the fourth quarter, the underemployment rate of the sector went up to 2.3%, 0.6 percentage point higher than that in September – November and 1.2 percentage points higher than that in the second quarter. Feedback from the industry suggests that there may be even more closures and lay-offs in the near term as the operating environment has been difficult.

Chart 2a: Business receipts of the food and beverage services sector plummeted in the second half of 2019

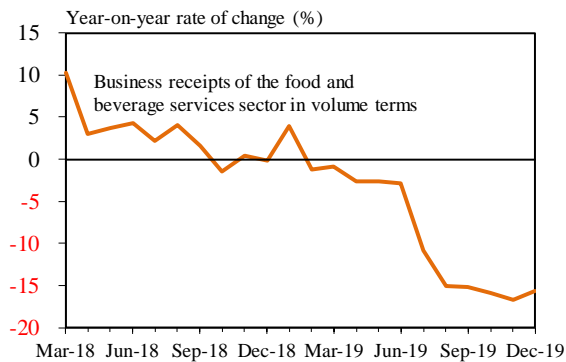
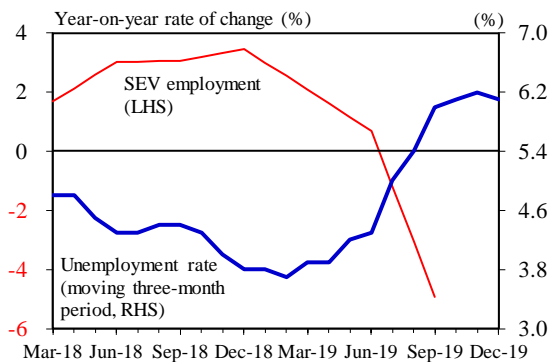


Chart 2b: Unemployment rate of the food and beverage services sector rose to the highest in more than eight years in late 2019



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

(5) “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 6.1 (Cont'd)**Accommodation services**

The accommodation services sector was also hard hit in the second half of 2019 as overnight visitor arrivals dived. Its business receipts fell markedly in value terms by 19% in the third quarter and probably even more in the fourth quarter (*Chart 3a*). The average hotel room occupancy rate fell to 72% in the third quarter and further to 65% in the fourth quarter, sharply lower than the average of 92% in the second half of 2018. The average hotel room rate also fell notably by 16% year-on-year in the third quarter, followed by an even sharper decline of 30% in the fourth quarter. Reflecting the softening labour demand, according to the SEV data, employment in the sector switched from the notable year-on-year growth in early 2019 to virtually no change in September (*Chart 3b*), and the number of vacancies plunged by 50.4%. The unemployment rate of the sector rose noticeably from 2.4% in the second quarter to 3.4% in the fourth quarter. The employment situation in the sector will be under great pressure in the near term as inbound tourism has been severely affected by the development of the novel coronavirus infection.

Chart 3a: Hotel business receipts fell markedly in the third quarter of 2019, and probably deteriorated further in the fourth quarter

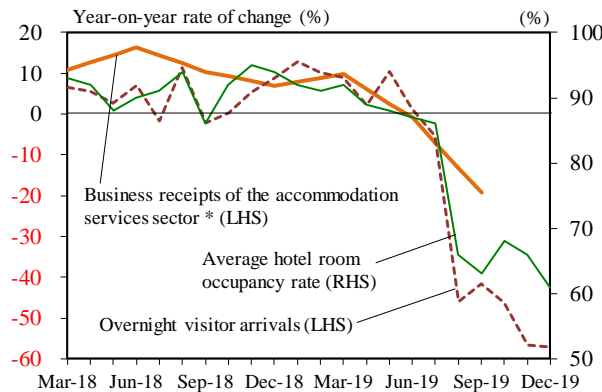
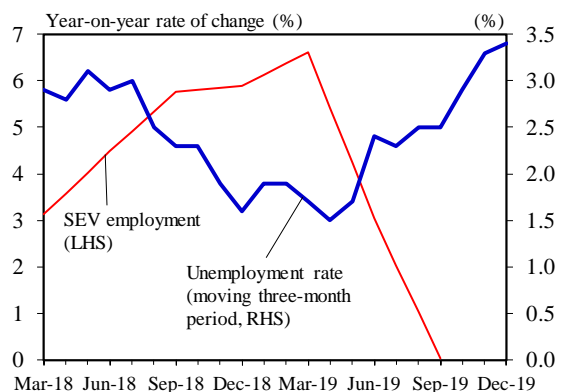


Chart 3b: Unemployment rate of the accommodation services sector rose noticeably to 3.4% in the fourth quarter



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

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

Remarks

The prolonged local social unrest involving violence hit the consumption- and tourism-related sectors hard in the second half of 2019, and the impacts on the labour market have been increasingly felt. Recently, these sectors has been facing an even more difficult business environment due to the threat of the novel coronavirus infection. The employment situation in these sectors will thus face even more pressure in the near term. This would hurt the job and income prospects for the workers concerned, and most of them are lower-skilled⁽⁷⁾. The Government will stay vigilant to the developments closely.

(7) Around 80% of the workers engaged in the retail, accommodation and food services sectors combined are lower-skilled.