

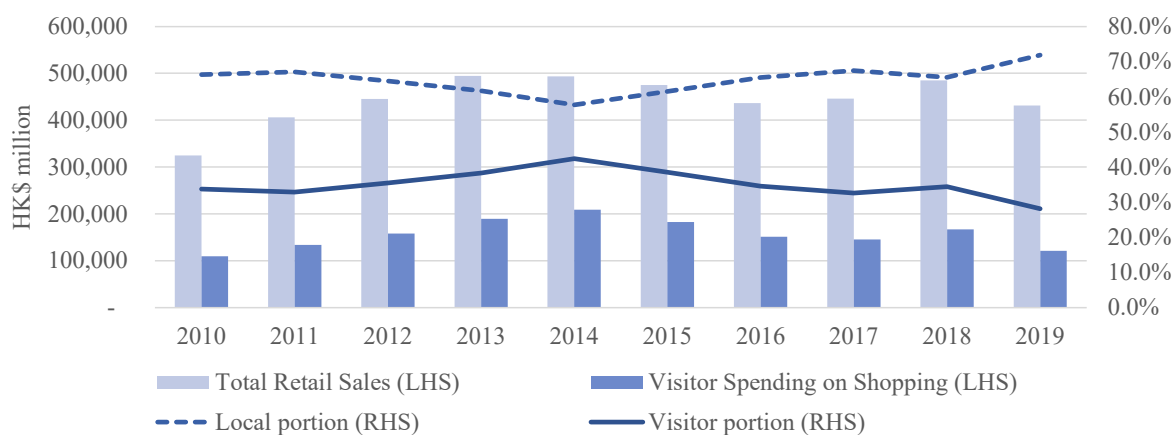
Box 1.1**Contribution by local spenders in Hong Kong's retail sales**

The COVID-19 pandemic has prompted governments around the world to implement widespread travel restrictions, dealing an unprecedented blow to tourism activities. For Hong Kong, inbound visitors had virtually disappeared since March 2020, and the retail sector had to rely almost solely on local spenders. This box article crudely estimates the contributions by visitors and locals in Hong Kong's retail sales in recent years, and analyses the trend of local retail spending in 2020 when visitors were scant.

To gauge the contribution by local consumers in Hong Kong's retail sales, relevant data were drawn from two surveys, namely the Census and Statistics Department (C&SD)'s Monthly Survey of Retail Sales⁽¹⁾, and the Hong Kong Tourism Board (HKTB)'s Departing Visitor Survey⁽²⁾. By comparing the total visitors' shopping expenditure with the value of total retail sales, we broadly estimated visitors' contribution in retail sales, and attributed the residual to local spenders⁽³⁾.

During the 10-year period of 2010-2019, the share of visitor spending in overall retail sales hovered at around 30% to 40% for most of the time (*Chart 1*). However, the share of visitor spending in overall retail sales dipped noticeably to around 28% in 2019, as inbound tourism was seriously disrupted by the local social incidents, with visitor arrivals recording declines since July and falling by 14.2% for the year as a whole.

Chart 1: Contributions by visitors and locals in retail sales value (2010-2019)



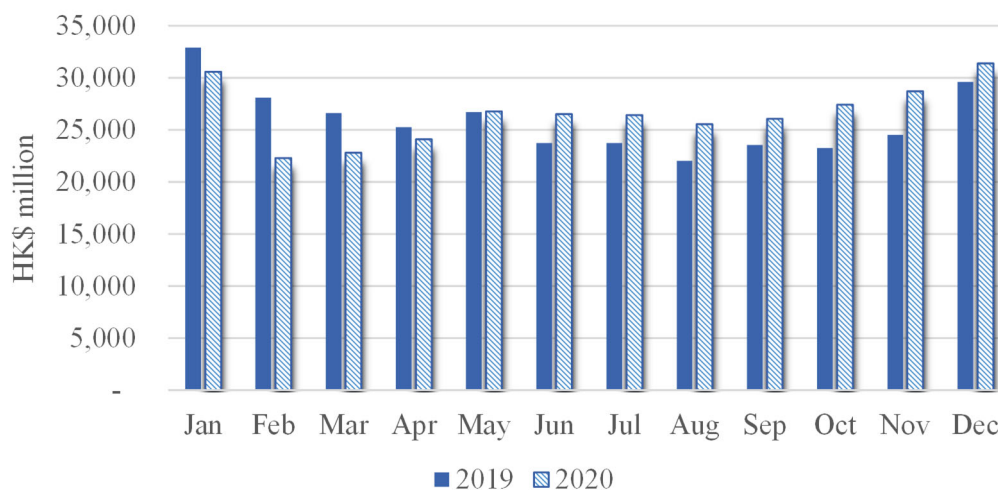
- (1) The Monthly Survey of Retail Sales (MRS) collects data for compiling retail sales statistics primarily intended to measure the sales receipts in respect of goods sold by local retail establishments, for gauging the business performance of the local retail sector. Local retail establishments with and without physical shops are covered in MRS and their sales, both through conventional shops and online channels, are included in the retail sales statistics.
- (2) HKTB conducts face-to-face interviews with overseas visitors aged 16 and above departing from ten major control points in Hong Kong. Data on shopping expenditure is only available for overnight and same-day visitors. Relevant information for other types of visitors such as cruise passengers, transit/transfer passengers, servicemen and aircrew members is not available.
- (3) Strictly speaking, these two surveys are not designed in a way for their results to be directly comparable. Hence, the findings in this article are largely based on crude estimations and should be interpreted with caution.

Box 1.1 (Cont'd)

Entering 2020, the COVID-19 outbreak resulted in a wide array of travel restrictions around the world, curbing most cross-boundary flows of people. In Hong Kong, visitor arrivals plummeted by 52.7% and 96.4% year-on-year in January and February 2020 respectively, and had since turned nearly non-existent. For 2020 as a whole, total visitor arrivals plunged by 93.6%. With sharply reduced visitor spending, the value of total retail sales dropped by 33.3% in the first half of 2020, though the decline narrowed to 16.7% in the third quarter and 9.0% in the fourth quarter. For 2020 as a whole, retail sales decreased by 24.3% in value or 25.5% in volume, both the largest annual declines on record.

While the absence of visitors put heavy pressure on Hong Kong's retail sector, some analysts maintained that local spending held largely resilient and rendered some cushion. To look into the situation, we crudely derive the monthly values of retail sales in 2019 and 2020 that were attributable to local spenders, as depicted in *Chart 2*.

Chart 2: Retail spending by locals has grown year-on-year since May 2020



After taking a dip in early 2020, retail spending by local consumers has sustained year-on-year growth since May 2020. For 2020 as a whole, the value of such retail spending is estimated to grow by about 3%, which is rather admirable considering the austere economic environment during the year. This could be attributed to a number of factors. With outbound tourism suspended during the pandemic, Hong Kong residents might have diverted some of their planned travel spending to the local market. At the same time, technology advancement and the rising popularity of online sales channels enabled local consumers to shop remotely from local retailers with ease, mitigating some of the disruptions caused by the epidemic and the resultant social distancing measures. A lower base of comparison in the latter part of 2019, due to the disruptions of the social incidents, was also a contributory factor.

Although retail spending by local consumers held up well in 2020, the overall business situation of the retail trade remains very challenging as visitor spending has virtually disappeared. Meanwhile, the epidemic situation and austere labour market conditions will likely constrain further revival of local consumption activities for a while. All in all, the retail sector may stage a meaningful recovery only when the COVID-19 pandemic is brought under control so that inbound tourism may gradually recover. The Government will spare no effort in taking all necessary measures to strengthen epidemic control and rolling out the vaccination campaign as soon as possible.