

Article | 3 November 2017

## Hong Kong: Retail sales growth also from locals

Shopping spend was spread among many items, reflecting visitors' and locals' spending power. But how long can this growth last without pay rises matching spending growth?



## September spend up

Visitors and domestic consumers opened their wallets and spent more in September (actual: 5.6% YoY; INGF: 0.2%, consensus: 1.0%, prior: 2.7%).

The outstanding growth in jewellery-related items (14.7% YoY, compared to 7.4% in August) and medicines and cosmetics (12.7% YoY compared to 2.3% in August) reflected that Mainlanders have not avoided Hong Kong as a shopping destination.

## Will Golden Week have an effect?

Local consumers spent more on automobiles (+12.3% YoY compared to 7.2% in August), and having more dinners at restaurants (+9.2% YoY compared to -3.9% in August)

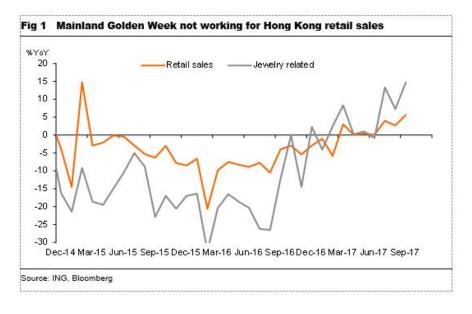
Even though the data point in September was very good, we are still sceptical that the golden week in October will bring a similar surprise for Hong Kong. For now, a stronger yuan should help

boost Hong Kong's attractiveness as a shopping centre for visitors. But would Mainland visitors had chosen Hong Kong rather than Europe? Data next month should confirm whether wealthy Mainlanders stick with Hong Kong for shopping.

## Nominal wage growth lower

For locals it would be a challenge to keep up this level of spending unless wage growth was able to match spending growth. This does not seem to be the case. Nominal wages are expected to rise by a mere 3-5%, according to surveys conducted by the Hong Kong People Management Association.

All in all, we expect retail sales growth in Hong Kong not to continue to surprise.



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