

Hong Kong Watch

Retail sales growth in December fell short of expectation

December retail sales growth fell short of expectation

Hong Kong's retail sales growth decelerated to 7.8% yoy in Dec last year after reaching 15.9% in Nov, with a slightly less favorable base (Dec 22: 1.2% yoy; Nov 22: -4.1%). The number underperforms market consensus of 12.8%. In volume terms, sales increased by 4.8% vs 12.4% in Nov. For the whole year, retail sales value grew by 16.2% in 2023, after a 0.8% drop in 2022.

The moderation in retail sales were broad-based. By product, sales growth at luxury goods stores and clothing stores slowed but still at double-digit rate (50.1% and 19.3% yoy respectively). Sales growth at department stores edged down to 4.5% yoy from 15.0% previously. Meanwhile, other major categories posted negative growth. Sales at food & drink stores dropped by 1.6% after three months of positive growth. Contraction in supermarket sales slightly deepened to 6.3%. Fuel sales and durable goods sales dropped by 12.0% and 17.4% yoy respectively.

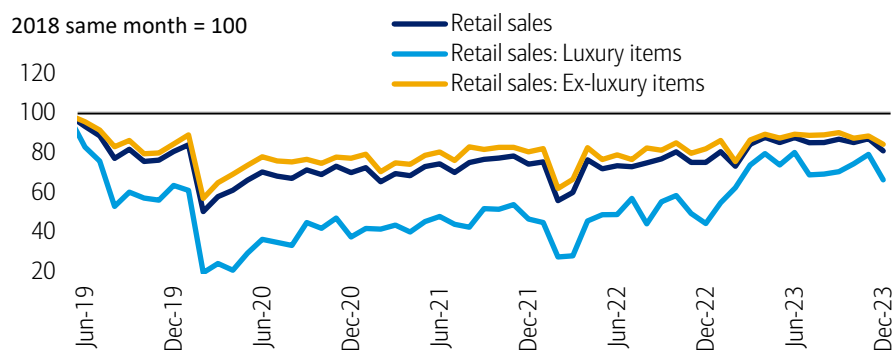
The recovery in retail sales appeared to have stalled again

Despite the high single-digit yoy growth in Dec, the recovery momentum seemed to have stalled again, consistent with our views in the previous note. Compared to the same month in 2018, retail sales value was 80.9% in Dec, down from 87.1% in Nov. This was driven by both luxury and non-luxury items (Exhibit 1).

In our view, retail sales growth in 2024 will still be subjected to various headwinds, including (but not limited to) domestic consumption "leakage", stalled recovery in inbound tourism, weak China growth and still tight interest rate environment. Despite government efforts to stimulate consumption including the promotion of mega events and various events, we only expect a limited boost to retail businesses.

Exhibit 1: Retail sales value by major breakdowns

The deceleration in retail sales growth in Dec was broad based



Source: CEIC, BofA Global Research

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