

Hong Kong Watch

Retail sales growth in November stronger than expected

Nov retail sales growth accelerated on favorable base

Hong Kong's retail sales rose by 15.9% yoy in Nov last year after 5.9% in Oct, with a more favorable base for comparison (Nov 22: -4.1% yoy; Oct 22: 4.0%). The number outperforms market consensus of 11.6%. In volume terms, sales increased by 12.4% vs 2.9% in Oct.

By product, sales growth at luxury goods stores spiked (60.8% yoy vs 27.5% in Oct) and drove the headline growth. Sales growth at clothing stores also accelerated notably at double-digit rate (49.6% vs 24.9% in Oct). Meanwhile, sales growth at department stores and food & drink stores were relatively moderate (15.0% and 6.3% respectively). On the contrary, fuel sales were still in contraction despite narrowed (-12.8% vs -17.3%), while consumer durable goods sales and supermarket sales also contracted at single-digit rate (-6.5% and -5.0% respectively).

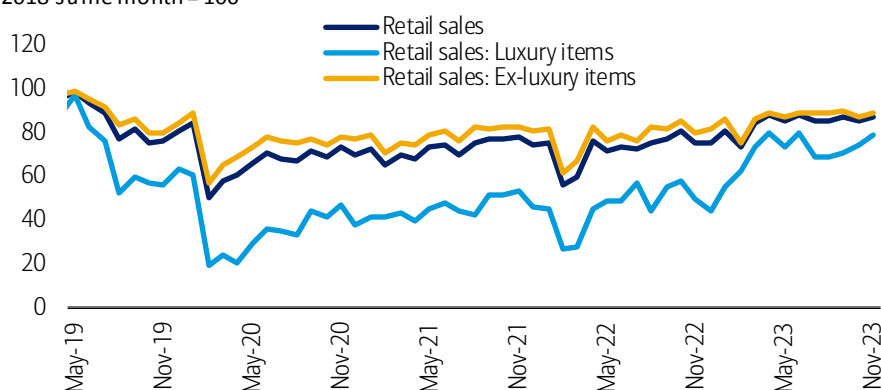
The recovery in retail sales not on solid path yet

Admittedly, there was notable improvement in Nov retail sales even taken account into the favorable base effect. Compared to the same month in 2018, retail sales value was 87.1% in Nov, up from 85.1% in Oct. By breakdown, the stronger momentum was driven by the rising retail sales growth in luxury items (Exhibit 1). However, we do not think the recovery is on a solid path yet. Amid the ongoing trend of residents' consumption "leaking" to overseas or mainland China, further recovery in retail sales will hinge on the revival of inbound tourism, the improvement in household income and partly on government policies that support domestic consumption.

Exhibit 1: Retail sales value by major breakdowns

Recovery in Nov retail sales was driven by notable rise in luxury sales

2018 same month = 100



Source: CEIC, BofA Global Research

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