

RETAIL

June sales fall but high hopes for rebound after handouts

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Hong Kong's June retail sales declined 1.2 per cent from a year earlier, the second monthly drop in a row, as consumers shied away from spending during a resurgence of Covid-19 cases and the economy slipped into a recession.

Provisional figures released by the Census and Statistics Department yesterday showed June sales totalled HK\$27.7 billion, down slightly from the HK\$29.1 billion recorded in May.

Online retail sales for June increased 0.5 per cent year on year, reaching HK\$2.3 billion to account for 8.2 per cent of the total value.

Online retail growth in the first half of 2022 was 2.6 per cent.

But the 1.2 per cent drop in June sales was milder than May's year-on-year decline of 1.6 per cent.

A government spokesman attributed the latest decrease to a souring desire to spend following a resurgence of local coronavirus cases and interest rate rises by central banks, but was optimistic that an impending round of HK\$5,000 in handouts would help increase consumer demand.

"The upcoming disbursement of phase two of the consumption vouchers will help support consumption demand, but retail sales performance down the road will also be dependent on how the local epidemic evolves and how the tighter financial conditions

affect consumer's spending power and sentiment," he said.

The government distributed HK\$5,000 in e-vouchers to each eligible resident in April, helping to lift retail sales, but according to a spokeswoman from the Hong Kong Retail Management Association, that boost had started to fade and consumers had become more cautious in their spending as the economy worsened.

Some retailers surveyed by the association noted sales last month were more subdued, with many people waiting for the second round of handouts, which would be distributed starting on Sunday.

But retailers remained wary in their outlook, expecting the effects of the vouchers would again be short-lived, the spokeswoman said.

Retail sales in June were down more than 30 per cent compared to the same month in 2018, reflecting that the overall retail market was still a long way off normal levels, she added.

The economy shrank by 1.4 per cent in the second quarter of 2022 compared to the same period in 2021 after contracting by a revised 3.9 per cent year on year in the first three months, pushing Hong Kong into a recession.

The last time Hong Kong fell into a recession, defined as a contraction of gross domestic product (GDP) for two or more successive quarters, was in 2020 during the initial phase of the pandemic.

The city's economic performance in the second quarter was worse than authorities initially expected, with the government admitting Hong Kong was no longer expected to meet its previous estimate of 1 to 2 per cent growth for 2022.

The government said it would downgrade its full-year forecast on August 12, when the final GDP data was due to be made public.

The government has expanded the consumption voucher scheme to include people eligible for permanent residency but excluded locals planning to emigrate.

Last year, eligible residents each received vouchers worth a total of HK\$5,000 in their electronic wallets during the third and fourth quarters. The government said it boosted GDP by 0.7 per cent that year.

