

# Hong Kong Retail Outlook 2024

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PwC Asia Pacific, Mainland China & Hong Kong  
Consumer Markets Leader

**Cindy Ngan**

PwC Hong Kong Climate and Sustainability Partner

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# Our speakers today



**Michael Cheng**

**PwC Asia Pacific, Mainland China & Hong Kong Consumer Markets Leader**

Michael coordinates practice strategy and service delivery for companies in the Consumer Markets sector.

With over 36 years of professional assurance experience, Michael specialises in IPO advisory, business and due diligence reviews, asset injections and M&A activities.

Michael has extensive experience in public speaking on the outlook of Hong Kong retail market and has recently been invited to deliver keynote speech at a HKGCC seminar.

Michael holds a bachelor's degree from the London School of Economics. He is a member of the HKICPA and the ICAEW.



**Cindy Ngan**

**PwC Hong Kong Climate and Sustainability Partner**

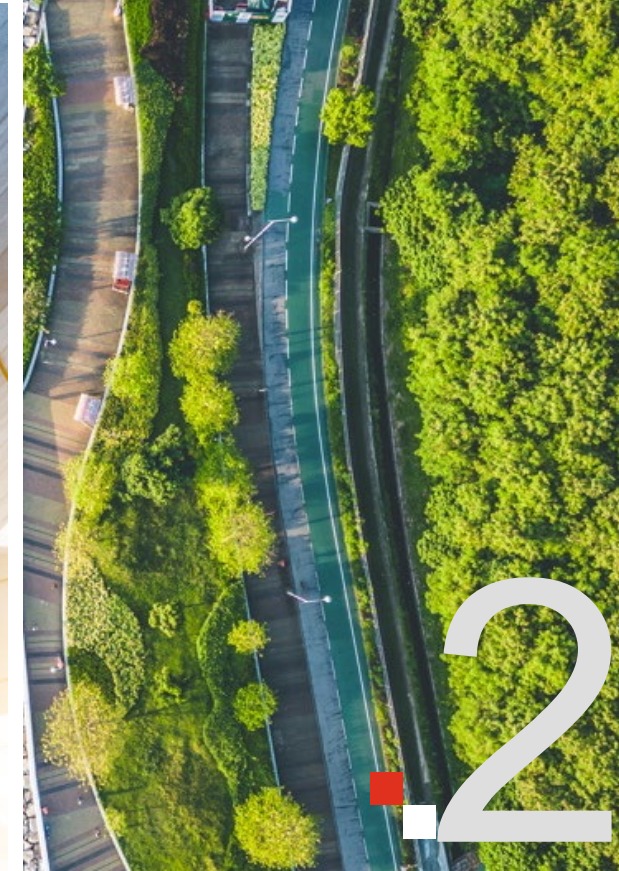
Cindy has more than 25 years of audit and consulting experience primarily focusing on banking and capital market clients in the United States and Hong Kong.

Cindy has been focusing on supporting corporates and financial institutions in Hong Kong and Mainland China to develop and implement ESG and climate change strategies, evaluate opportunities around circular economy and waste management, and explore green and sustainable financing opportunities.

Cindy is a Certified Public Accountant in Hong Kong and is also a Chartered Financial Analyst.



# Agenda



An aerial photograph of Hong Kong's skyline at sunset. The city is densely packed with skyscrapers and residential buildings, extending to the water's edge. The sky is a mix of blue and orange, with wispy clouds. In the foreground, there are green trees. A large, semi-transparent red number '1' is overlaid on the left side of the image. A red rectangular box is positioned in the center, containing the text 'Hong Kong retail outlook' in white serif font.

# Hong Kong retail outlook

# Hong Kong's economic snapshots 2023

**+3.2%**  
GDP

**+2.1%**  
CPI

**+16.2%**  
Retail sales

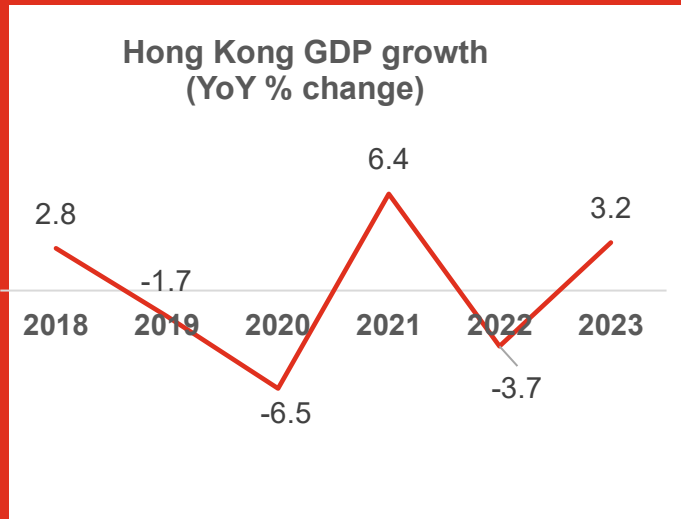
**3%**  
Unemployment rate

**34 million**  
(Mainland visitors: 27 million)  
Total visitor arrivals

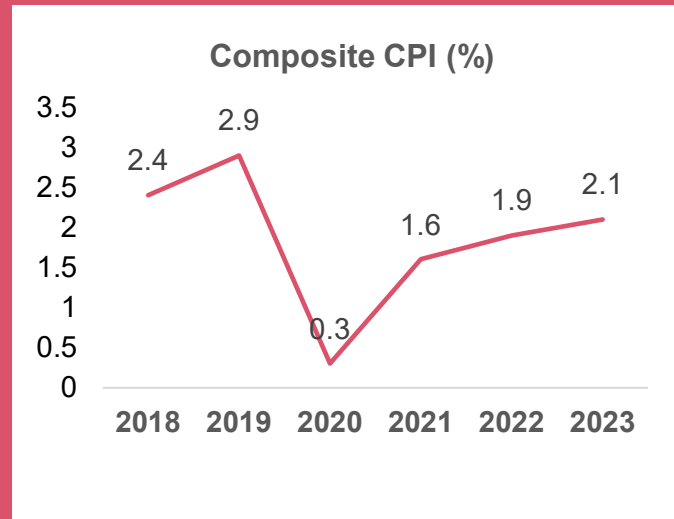
Source: Census and Statistics

# Hong Kong's key economic performance

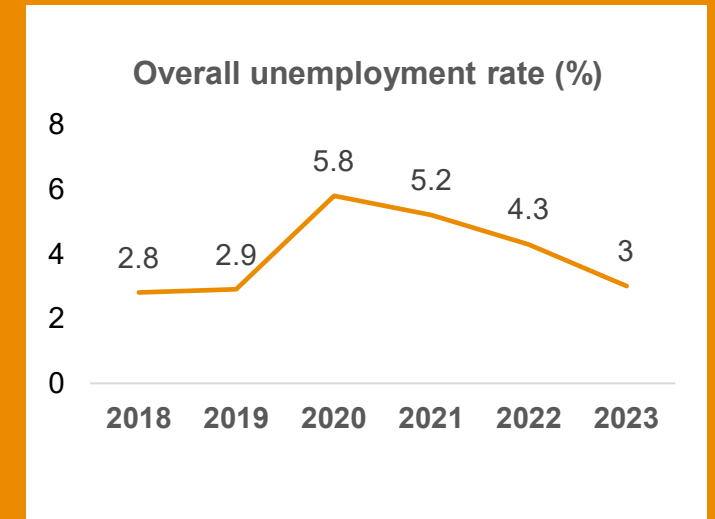
Supported by a rebound in inbound tourism and private consumption, Hong Kong's economy continues to recover, with GDP growing by 3.2% YoY in 2023, after contracting by 3.7% in 2022.



The consumer price index remains moderate, rising by 2.1% in 2023. Domestic business costs may increase as the economy continues to recover.



The overall unemployment rate remains low. The labour market would remain tight in the near future.



Source: Census and Statistics

# China's economic snapshots 2023

**+5.2%**  
GDP

**+0.2%**  
CPI

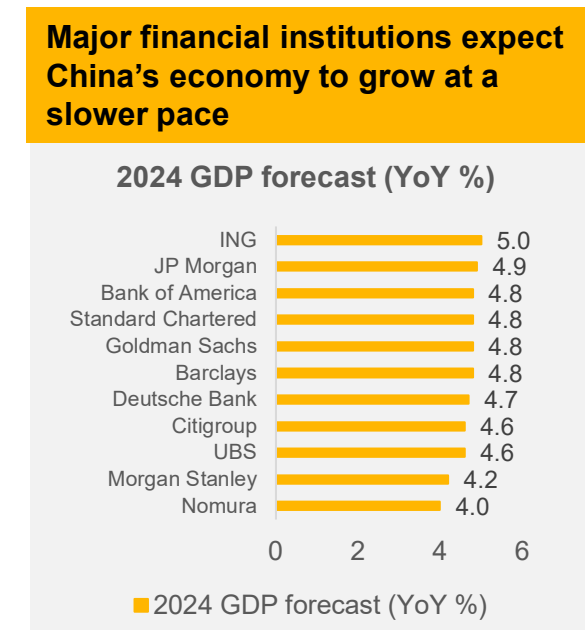
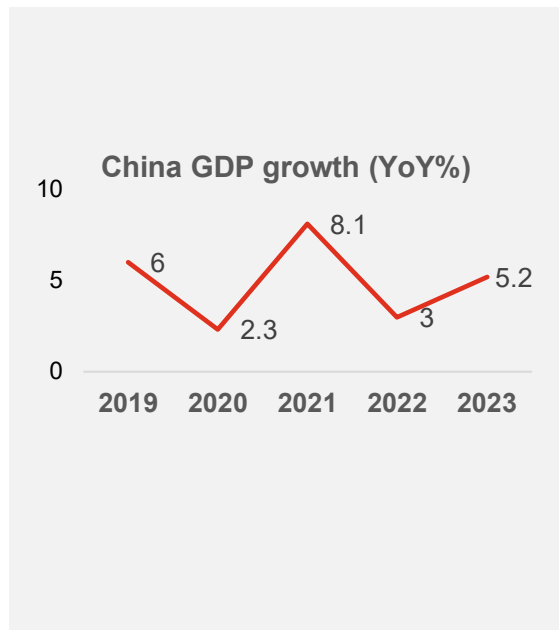
**5.2%**  
Unemployment rate

**+7.2%**  
Retail sales

Source: National Bureau of Statistics

# China's key economic performance

- China's economy is gaining momentum, with GDP growing 5.2% year-on-year in 2023, above the government's target of 5%.
- The employment market is generally stable, with the urban unemployment rate improving from 5.6% in 2022 to 5.2% in 2023, while domestic demand is relatively stable, with the CPI rose slightly to 0.2% year-on-year, the slowest growth since 2010 and below the government's target of 3%.
- China's growth target for 2024 will be announced at the Two Sessions meeting in March, with at least 8 of China's top cities already setting their growth target above 5%, despite global uncertainties and domestic challenges.
- Major financial institutions expect China's economy to grow slower, averaging 4.7% in 2024.

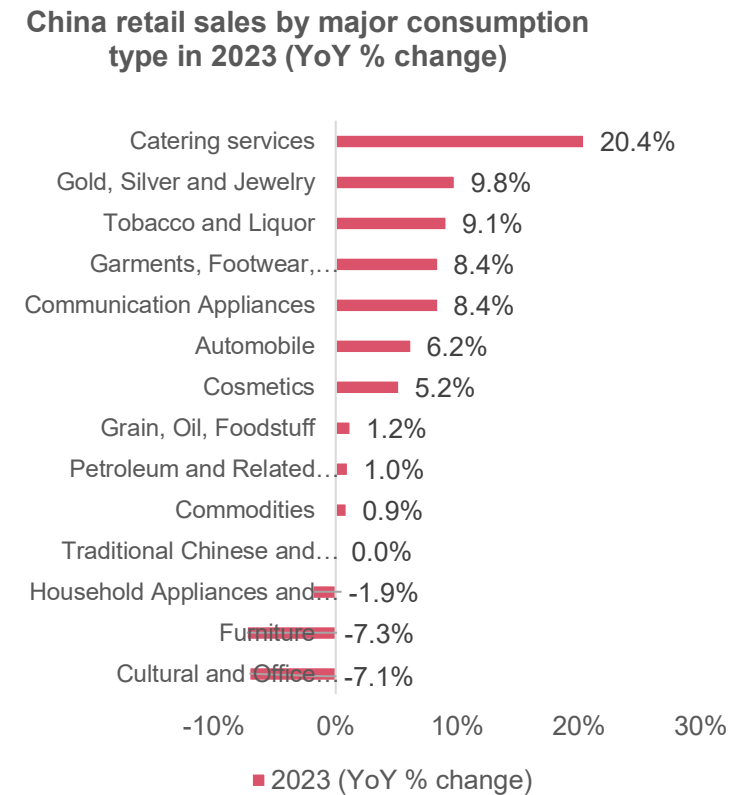
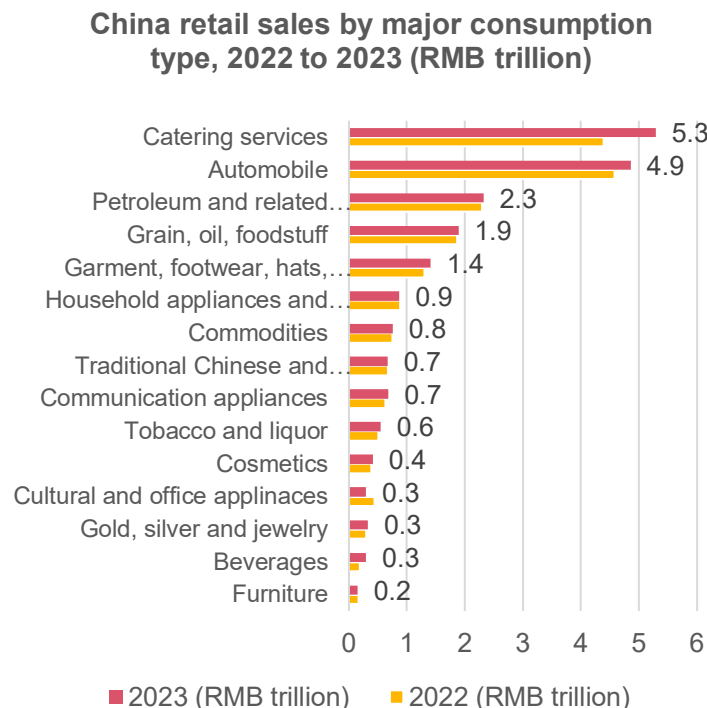
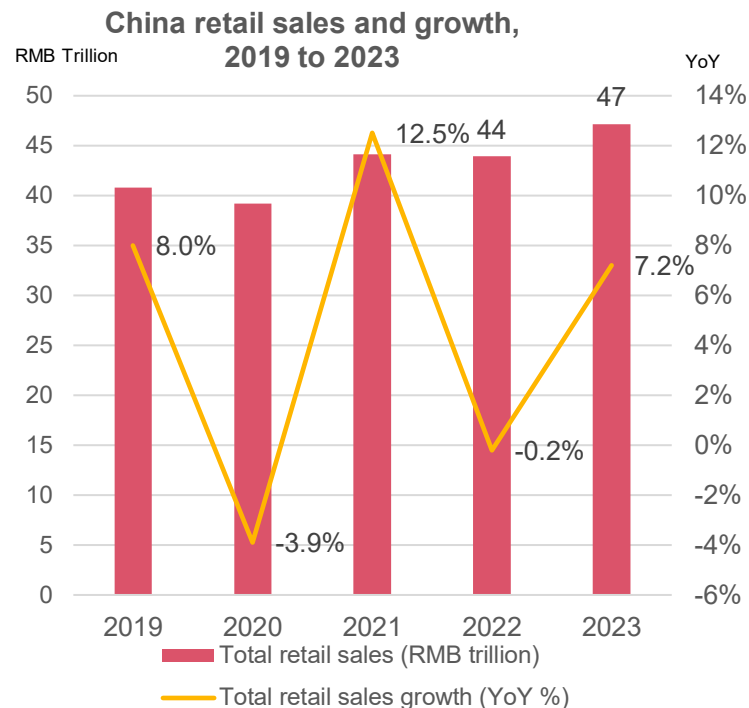


Source: National Bureau of Statistics; Bloomberg



# China's retail market landscape

Consumption is a key driver of economic growth, and the retail market has recovered, with retail sales rising 7.2% year-on-year to RMB47 trillion in 2023, surpassing the pre-Covid level of RMB41 trillion in 2019.



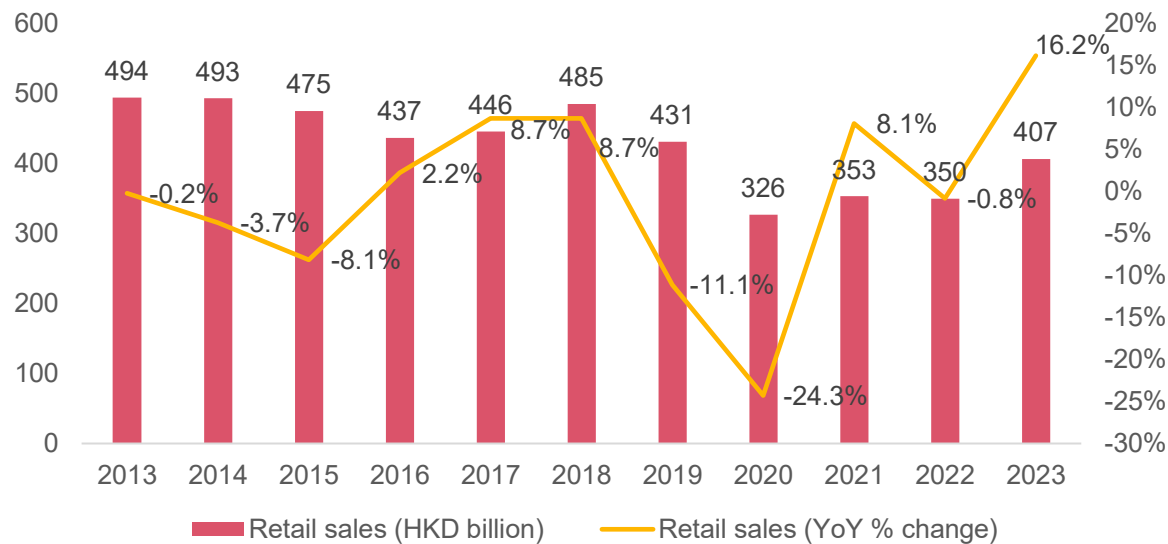
Source: National Bureau of Statistics

Note: The above breakdown announced by the government accounting for around 50% of the total retail sales.

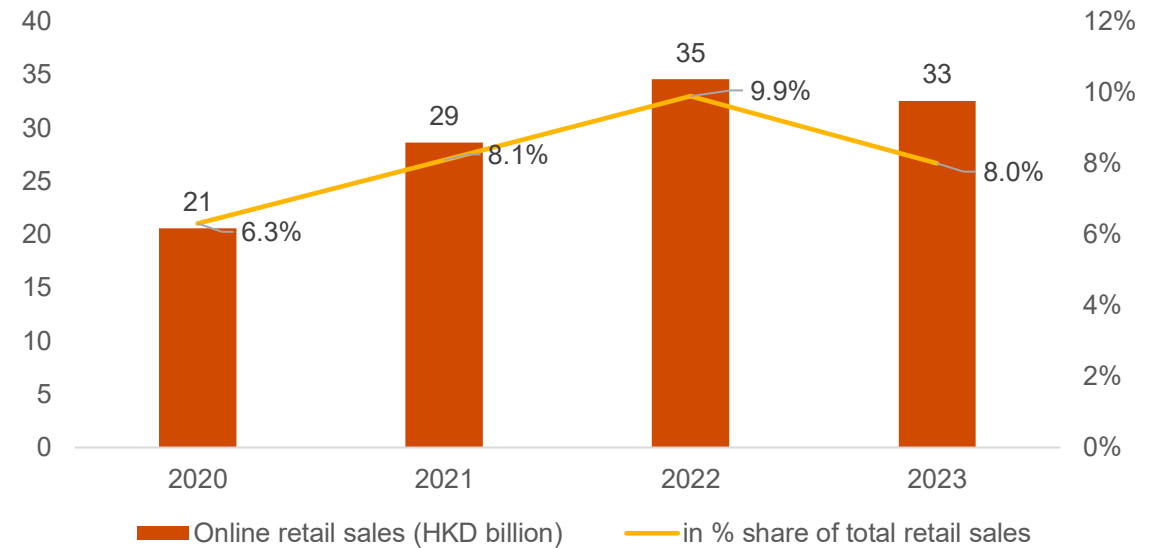
# Hong Kong retail market landscape

Hong Kong retail sales rose 16.2% year-on-year to HKD407 billion in 2023, returning to 84% of the pre-pandemic levels in the same period of 2018 or 94% of 2019.

Hong Kong retail sales and growth, 2013 to 2023

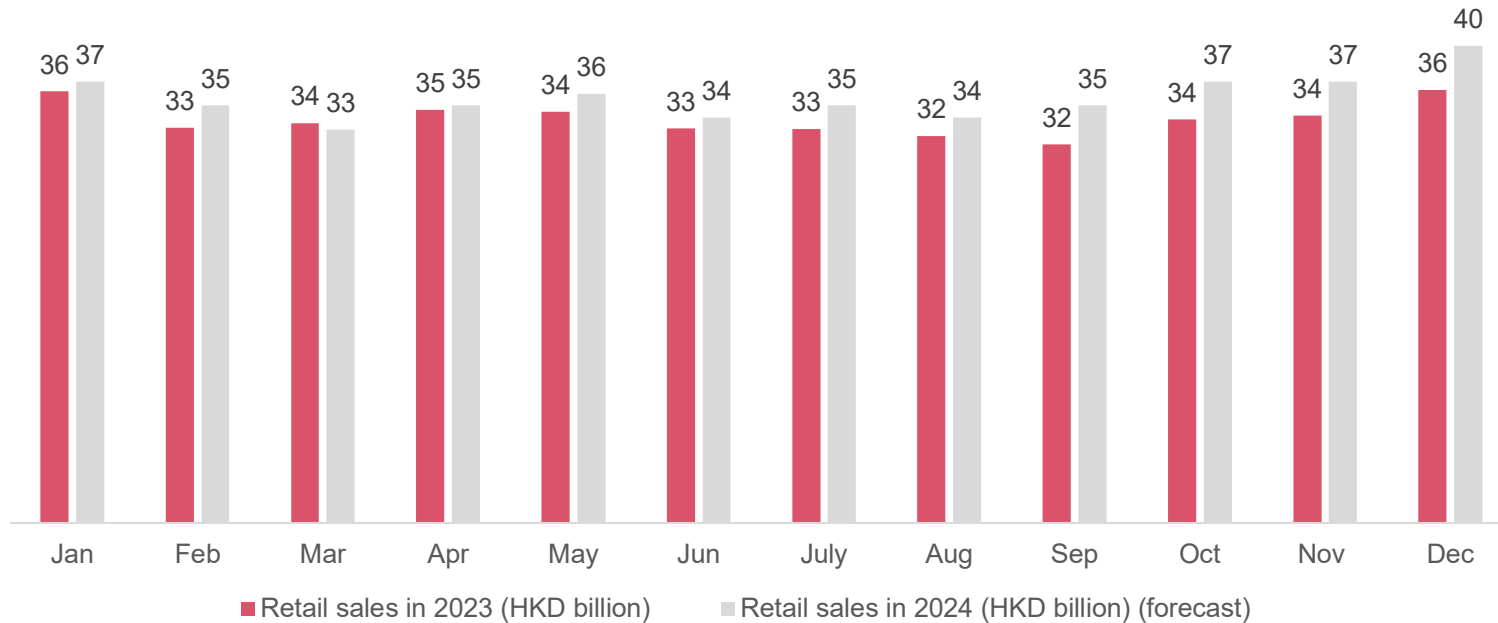


Hong Kong online retail sales and its proportion, 2020-2023



# Monthly Hong Kong retail sales, 2023 and 2024 (forecast)

Monthly Hong Kong retail sales, 2023 and 2024 (forecast)



Half year retail sales, 2023 and 2024 (forecast) (HKD billion, YoY % change)

	2023	2024 (forecast)	2024 (forecast)
1H	205	210	2.4%
2H	201	218	8.4%

# Retail sales and forecast by retail outlet (2019-2024)

Hong Kong retail sales value by retail outlet HKD billion	2019	2020	2021	2022	2023	2023 YoY % change	2024 Forecast	2024 Forecast YoY % change
<b>Total retail sales value</b>	<b>431</b>	<b>326</b>	<b>353</b>	<b>50</b>	<b>407</b>	<b>16.2%</b>	<b>428</b>	<b>5.2%</b>
Jewellery, watches and clocks, and valuable gifts	66	30	39	39	60	55.0%	67	11.4%
Supermarkets	53	58	54	54	51	-5.7%	52	1.6%
Clothing, footwear and allied products	54	32	38	35	49	41.3%	52	5.8%
Electrical goods and other consumer durable goods, not elsewhere classified	40	35	42	43	41	-4.9%	42	3.1%
Food, alcoholic drinks and tobacco	43	38	36	36	38	4.2%	41	8.1%
Department stores	46	36	35	31	35	12.4%	42	19.4%
Medicines and cosmetics	43	22	22	23	32	38.9%	36	13.9%
Motor vehicles and parts	16	15	17	17	19	10.8%	19	1.1%
Fuels	10	10	11	12	10	-9.7%	11	5.3%
Furniture and fixture	7	7	8	7	7	-10.0%	7	6.3%
Other consumer goods	52	44	51	53	65	22.6%	59	-9.1%

Source: Census and Statistics, forecast by PwC

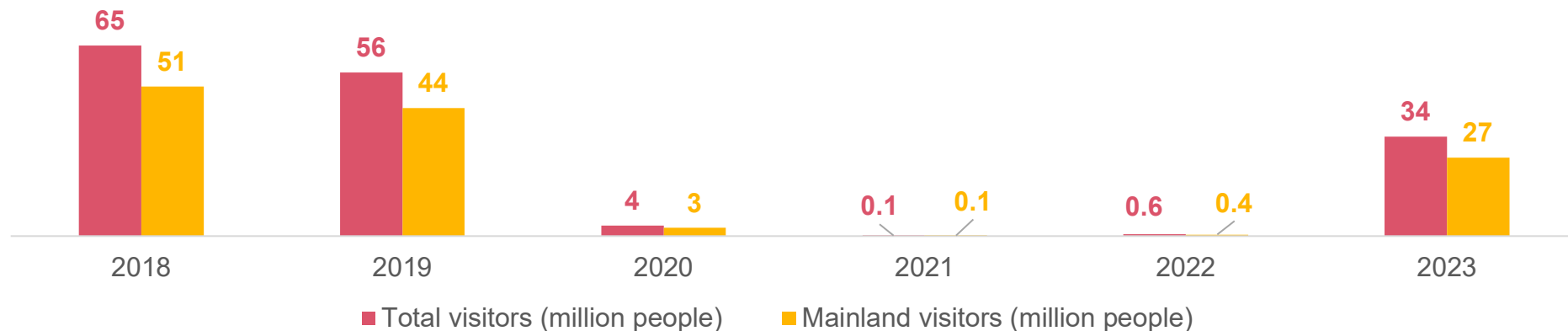
# Inbound tourism continues to recover

The total number of visitors exceeded 34 million in 2023, returning to 52% of the same period in 2018, when visitor arrivals reached the highest level in the last 20 years.

The total number of mainland visitors in 2023 reached around 27 million, accounting for 79% of the total number of tourists and returning to 53% of the same period in 2018.

Tourist remains a key driver of Hong Kong's retail market.

Hong Kong visitor arrivals, 2018 to 2023

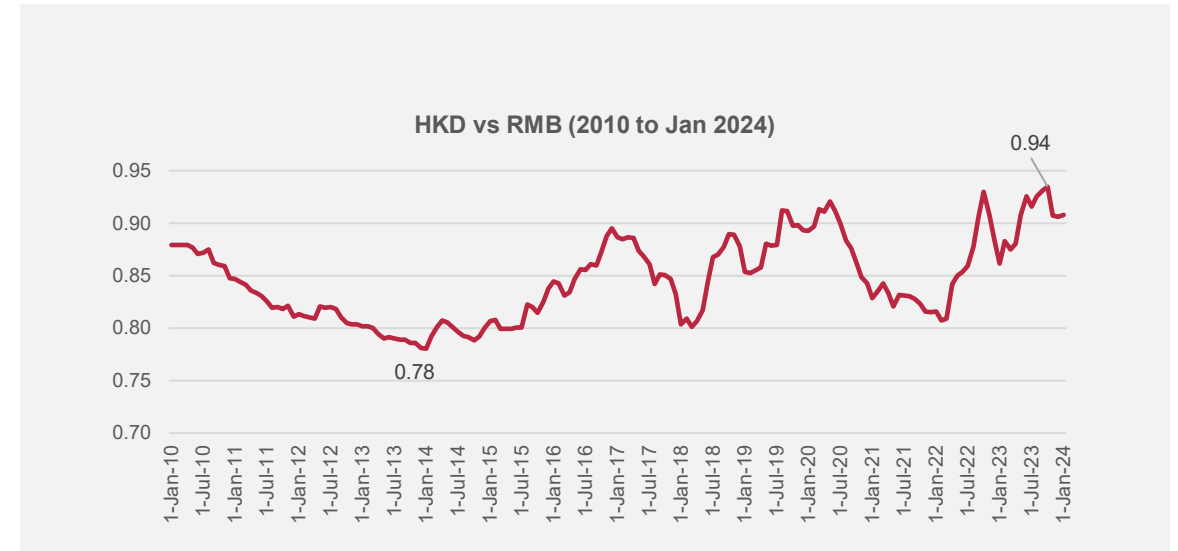


\*Note: Visitor arrivals in 2018 is the highest in the last 20 years.

Source: Census and Statistics

# Factors weigh on retail sales in 2024

- Global economic headwinds
- Geopolitical tensions
- Uncertainties in Hong Kong's equity and real estate markets
  - Impact the local economy and consumer market
- Appreciation of the Hong Kong dollar against the renminbi
  - The growing trend for Hong Kong residents “tripping north” to Shenzhen and travelling overseas
- Transformation in shopping habits
- Retail sales will recover more noticeably in the second half of 2024 with the expectation that global interest rates would be gradually eased from the second quarter of the year onwards
  - Benefiting equity and real estate market valuations
  - Possible rebound of the renminbi is expected to diminish the price differential between the Chinese mainland and Hong Kong.
  - Hong Kong residents' consumption may shift back to their home market and more Mainland Chinese will come to Hong Kong for travel and shopping.



# Factors weigh on retail sales in 2024

- We expect Hong Kong's local retail to improve, as inbound tourism continues to pick up and Hong Kong residents' outbound travel rush may recede.
- The Hong Kong government launched the 'Hello Hong Kong', 'Night Vibes Hong Kong' and 'Day and Night Vibes at 18 Districts' campaigns to promote shopping, entertainment and dining experiences for visitors and residents. While these may have cheered the public's mood in the short term, **sustainable recovery requires more substantive and long-lasting initiatives.**
- Warehouse club retail stores in the mainland have become a new shopping hotspot for Hong Kong residents. We expect this consumption craze to subside.
- **To promote a 'mega event economy' and to re-establish Hong Kong's reputation as an events capital,** the government should organise more regional financial forums and trade fairs, as well as international sports and cultural events, including art exhibitions, concerts, luxury brand fashion shows and other world-class events in long term.
- Kai Tak area to be the next key shopping and activities place in Hong Kong to help transform the district into a large-scale lifestyle retail and leisure location with increased traffic and spending.
- The resumption of multiple entry permits for Mainland tourists may also have a positive impact on the local retail market.



# Recommendations

- The retail landscape in Hong Kong is influenced by a range of factors that require retailers to be **proactive**.
- Retailers should demonstrate resilience and adaptability by **embracing digitalisation and implementing innovative strategies** to enhance the customer experience.
- The rise of **online shopping and generative AI** has led even traditional retailers to utilise online platforms for selling their goods and services.
- Like many other frontline industries in Hong Kong, the retail sector is facing a labour shortage. In order to improve operational efficiency, retailers should consider adopting **automation and digitalisation** to capture value.
- Retailers must also adapt their business strategies to changes in consumer preferences, such as the **growing demand for eco-friendly products and services**.
- To broaden their customer base, retailers should not only rely on marketing tactics targeting Gen-Z, but also aim to **attract middle-aged and silver-haired customers**.
- It is crucial for industry stakeholders to equip themselves with the necessary knowledge and strategies to succeed in this ever-evolving retail environment.



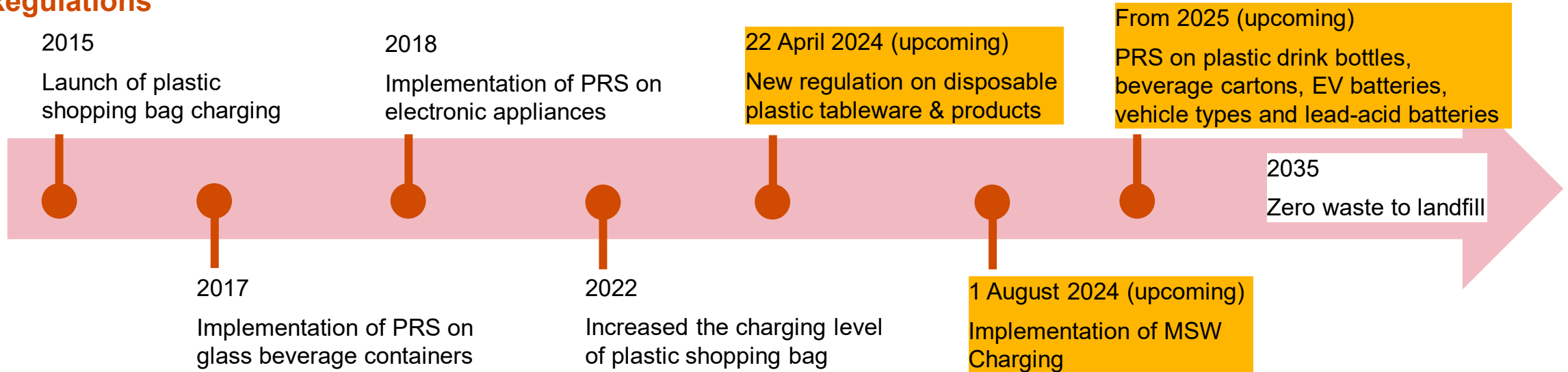
An aerial photograph of a city, likely Hong Kong, showing a mix of green spaces, residential buildings, and a large body of water in the background. A large, semi-transparent red number '2' is overlaid on the left side of the image. A red rectangular box is positioned on the right side, containing white text.

# Circular economy and related regulatory developments

# Hong Kong waste management policies

Aligning with global trends, Hong Kong government is implementing series of policies and also providing incentives to encourage waste reduction, recycling and circular economy.

## Regulations



## Incentives/ voluntary schemes



Support the industry to phase out microbeads



Reward scheme for opting out disposable tableware



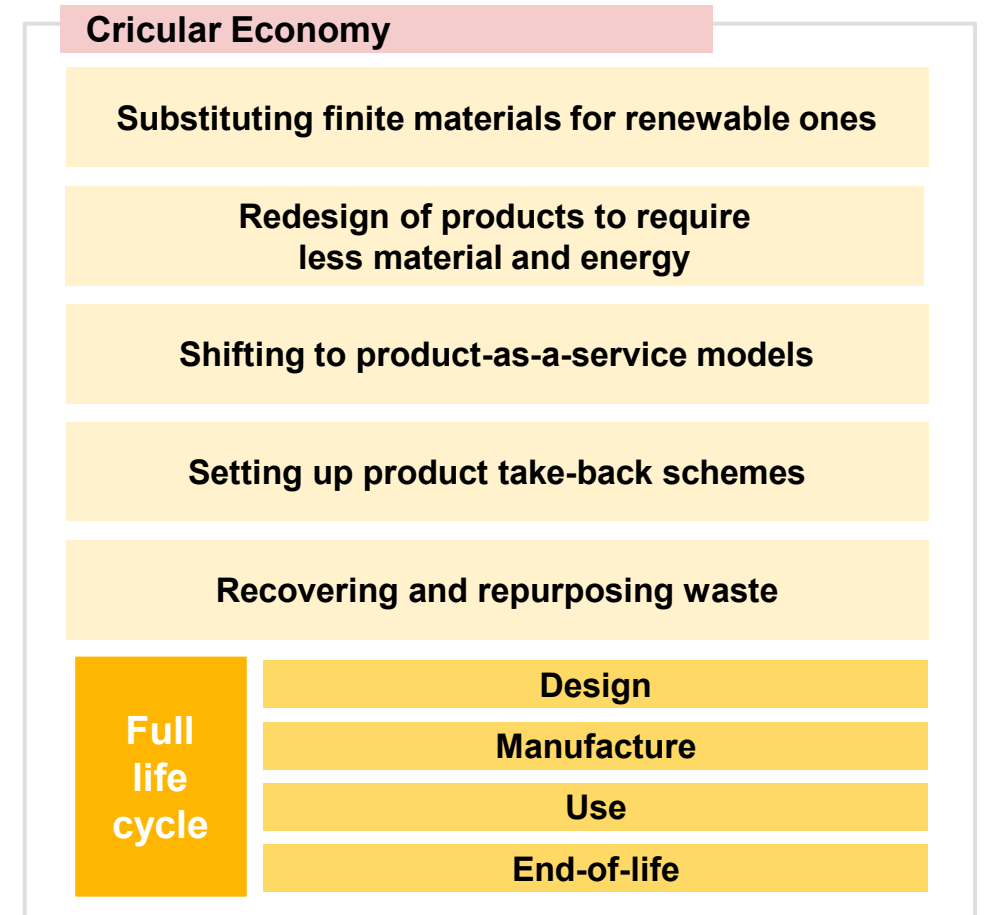
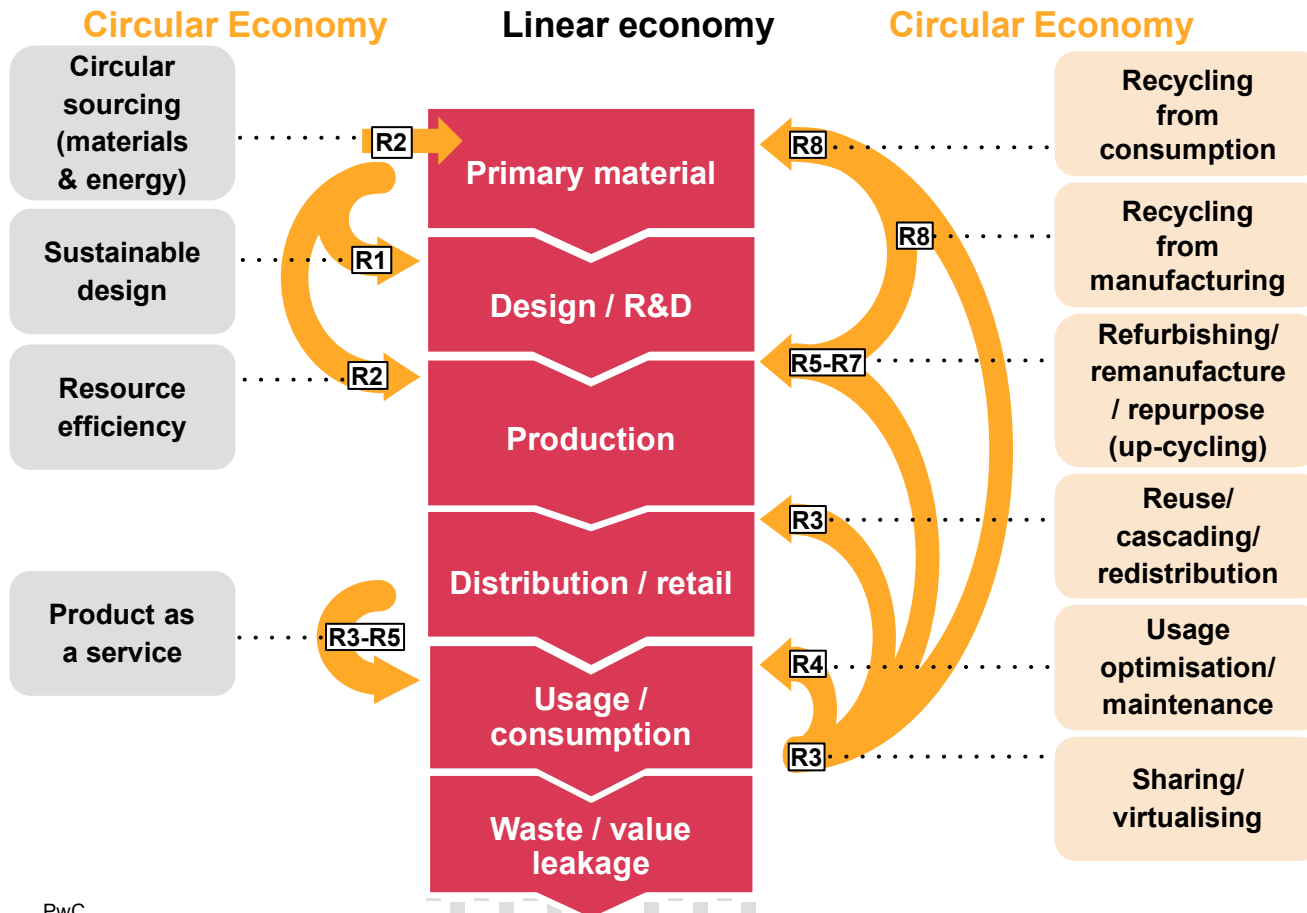
“Green\$” to promote recycling behaviour



\$2 billion to support the recycling industry

# Circularity

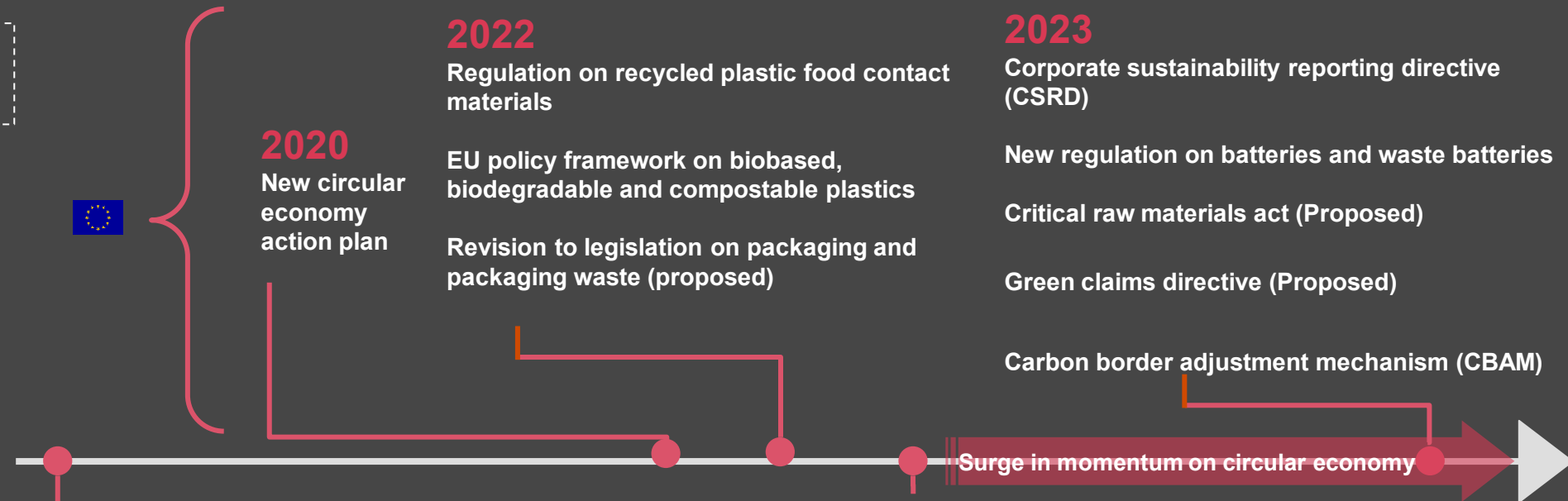
We are very used to make, use and throw. Scarcity of resources, climate changes and other environmental challenges are challenging the sustainability of our way of living. Circularity is not a trend or an option. It is what we need to do.



# CE is one of the fastest growing sustainability policy areas globally & it is experiencing a surge in momentum



Key  
● Key circular economy policies



**2000 - 2008**  
First CE Policies introduced in China, Japan and ASEAN region

**2020**  
New circular economy action plan



**2022**  
Regulation on recycled plastic food contact materials

EU policy framework on biobased, biodegradable and compostable plastics  
Revision to legislation on packaging and packaging waste (proposed)

**2023**  
Corporate sustainability reporting directive (CSRD)  
New regulation on batteries and waste batteries  
Critical raw materials act (Proposed)  
Green claims directive (Proposed)  
Carbon border adjustment mechanism (CBAM)

**2018**  
EU strategy for plastics in a circular economy

**2018 - present**  
Various policies implemented in APAC region including:

- China
- Japan
- Malaysia
- Philippines
- South Korea
- Vietnam
- Indonesia
- Thailand
- Australia
- New Zealand
- Singapore
- Taiwan

**Future outlook**  
UNEA Global Plastics Treaty (2024)  
Future focus expected to shift from plastics to e-waste



# Making business sense

While new regulations will increase operating costs of corporates in the short run, integrating circularity concepts into ways of doing businesses may create new opportunities, create long term values and win investors and consumers over.





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