

LCQ4: Measures to support retail and related industries

Following is a question by the Hon Vincent Fang and a reply by the Secretary for Commerce and Economic Development, Mr Gregory So, in the Legislative Council today (June 22):

Question:

According to the figures on retail sales for April released last month, both the value and volume of total retail sales have declined for the 14th consecutive month, with the figures on retail sales for the first four months of this year taken together even experiencing a double-digit year-on-year decrease and consumer durable goods registering the most notable drop. There are comments that apart from the slowdown in inbound tourism, another factor contributing to the continued slide in retail sales is the sluggish domestic demand in Hong Kong caused by the more cautious local consumer sentiment. In this connection, will the Government inform this Council:

(1) of the contributions to the Gross Domestic Product, economic growth, number of employed persons and per capita income, etc. made by the retail and related industries (including the tourism, import and export trade, logistics, wholesale trade, etc.) in the past three years; whether the authorities have studied and analysed how the continued decline in retail sales in the past 14 months has affected the contributions of the retail and related industries; if they have, of the results; if not, the reasons for that;

(2) whether, apart from the measures to promote tourism as well as certain relief and tax concession measures proposed in the Budget of this financial year, the authorities have considered and studied the introduction of new plans and measures to directly boost the domestic demand; if they have, of the details; if not, the reasons for that; and

(3) given that the authorities indicated before the downturn of inbound tourism that they would review from time to time the adequacy of the tourist and supporting facilities in Hong Kong, and that there has also been a strong voice in the community calling on the Government to increase and improve the relevant facilities and services as soon as possible to meet the development needs of the tourism industry, whether the authorities will continue to conduct the relevant review and introduce improvement at the present stage, with a view to making preparation for the recovery of the tourism industry in future; if they will, of the relevant plans; if not, the reasons for that?

Reply:

President,

The retail and related industries, including the import and export trade, wholesale, transportation and storage sectors, form an essential part of Hong Kong's economy. The prospect for the retail industry depends on the performance of inbound tourism, as well as consumer sentiment as affected by uncertainties in the economic outlook and other unfavourable external factors. While visitor arrivals to Hong Kong have seen a milder decline in recent months as compared with the figure earlier this year, the situation has not yet stabilised. Given also the recent slowdown in growth momentum of local consumption, the impact on our retail industry warrants attention. My reply to each part of the question asked by the Hon Fang is as follows:

(1) From 2012 to 2014, the retail, import and export trade, wholesale, transportation and storage sectors account for about 30 per cent of the Gross Domestic Product (GDP) of Hong Kong, with the number of total employment amounted to some 1.13 million in 2015. The median monthly employment earning of these sectors was \$14,500 in 2015, up from around \$13,000 in 2013. On the other hand, the tourism sector also accounts for about 5 per cent of our GDP in 2014, with an employment size of about 270 000.

For the short-term performance of the above industries, one can refer to the quarterly Business Receipts Indices compiled by the Census and Statistics Department. While business receipts for the import and export trade during 2013 and 2014 remained broadly stable, the index turned weaker in 2015 and recorded a visible year-on-year decline in the first quarter of 2016, reflecting the austere trading environment. Amid the worsened external environment, business receipts for the transportation industry also recorded decreases in 2015 and the first quarter of 2016. The tourism, convention and exhibition services industry grew rapidly in 2013, leading to a considerable growth in the retail industry, which mirrored the buoyant inbound tourism and strong local consumption over the period. However, the respective business receipts for both industries fell in 2014, with the rates of decline widening in 2015 and the first quarter of 2016. As regards the wholesale industry, slight increases were recorded in both 2013 and 2014. The indices started to edge down in 2015 and saw a widening drop in the first quarter of 2016.

The recent retail sales performance was weak, down by 2.3 per cent year-on-year in volume terms in the second half of 2015, and fell at a faster pace of 11.3 per cent in the

first quarter this year, before narrowing somewhat to 7.6 per cent in April this year. Despite the distinct fall-off over the same period of 2015, the value of retail sales amounted to \$150.3 billion in the first four months of 2016, still twice than that a decade ago.

(2) At present, domestic consumption contributes to over 50 per cent of the total retail sales. Local spending power is closely linked to the disposable income of Hong Kong people and consumption sentiment, with the latter in turn hinging on the overall economic outlook. In the 2016-17 Budget, a series of tax and short-term relief measures have been proposed to ease the burden of the public and boost consumption. Besides, supporting measures for small and medium enterprises (SMEs) would also help stabilise domestic demand. There are 320 000 SMEs in Hong Kong, employing 50 per cent of the private sector workforce. The Government has been providing SMEs with various supporting measures, including enhancements to the SME Financing Guarantee Scheme.

The above non-recurrent measures can alleviate the livelihood and operating pressure being faced by members of the public and enterprises respectively. More importantly, they have a fiscal stimulus effect of boosting the local economy. As global economic growth has remained weak in recent years, we have to rely on domestic demand all the more as the driving force of Hong Kong's economic growth. Together with other spending initiatives, the relief measures and tax concessions introduced in the Budgets of the past few years have had a fiscal stimulus effect of boosting local economic growth by about 1 per cent. The Government will continue to closely monitor the situation.

At the same time, it has always been part of our ongoing efforts to study and consider various new measures under different policy areas that address the prevailing economic conditions, with a view to stabilising the situation and stimulating growth through various means, including fuelling domestic demand and promoting the development of individual sectors as well as the overall economy.

(3) The outlook of the retail industry is closely intertwined with the tourism industry. To reduce the industry's costs of operation, the Government has launched short, medium and long-term measures to support the tourism industry, which include waiving the licence fees for travel agents, hotels and guesthouses; working with the industry to expand the scale of major events to be held this year; re-packaging Hong Kong's tourism image with new promotional videos; implementing the matching fund

for promoting tourist attractions; subsidising small and medium-sized travel agents to make use of information technology; continuing to promote Hong Kong's natural scenery as well as our unique history and culture; and embarking on a pilot scheme on food trucks, etc.

In addition to implementing various support measures, the Government also conducted a comprehensive assessment in 2013 to assess Hong Kong's capacity to receive tourists. On the basis that projected visitor arrivals would exceed 70 million in 2017, the assessment findings suggested that Hong Kong would generally still be able to receive the visitor arrivals in 2017. Since the completion of the assessment, the Government has been pressing ahead with measures to increase our capacity to receive tourists, and to develop and enhance tourism facilities, so as to ensure the healthy and steady development of the tourism sector.

The latest developments include the following:

(i) the Hong Kong Disneyland Resort will offer a new "Star Wars"-themed attraction this June, and a new themed area based on Marvel's "Iron Man" franchise and a new hotel with a theme dedicated to the spirit of exploration will also open in 2016 and 2017 respectively;

(ii) Ocean Park will launch an all-weather waterpark and two new hotels, which are scheduled for completion from 2017 to 2020;

(iii) Ani-Com Park@Harbour"FUN", which is located near the Golden Bauhinia Square in Wan Chai North, opened in late April this year;

(iv) we will update the Dr Sun Yat-sen Historical Trail which, together with PMQ, will transform the Central and Western District into an "art-across-time" community;

(v) the West Kowloon Cultural District (WKCD) will be in the spotlight of cultural tourism in Hong Kong. The public space, the Xiqu Centre and the M+ museum for visual culture in the WKCD will be successively completed in the coming few years; and

(vi) in the long run, the Government is planning the development concerning the tourism node of Kai Tak Fantasy and Lantau, and is discussing the further development of the Hong Kong Disneyland Resort with The Walt Disney Company.

In sum, Hong Kong's economic growth has slowed since the second half of 2015 but started to show some signs of stabilisation on entering the second quarter this year. The decline in visitor arrivals has somewhat narrowed recently. Locally, the employment and income conditions remained broadly stable over the recent period. The relief measures proposed in the 2016-17 Budget should be able to render support to the local economy. Nevertheless, given the still uncertain global economic outlook, the overall economy is forecast to register a moderate growth of 1 per cent to 2 per cent in 2016. The Government will continue to closely monitor the impact of the slowdown in the retail and related industries on our economy and the labour market.

Thank you, President.

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