

HKRMA Monthly Retail Sales Statistics Press Information

Month of July 2010

1) July 2010 Total Retail Sales

a. Total value growth vs last year	18.9%
b. Total volume growth vs last year	16.0%

2) (Jan-Jul 2010) Total retail sales growth vs last year 18.00% (Value) 14.90% (Volume)

3) Trend of Retail Sales Growth in HK\$

2009	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(Value)	7.4%	-12.7%	-7.7%	-4.3%	-6.2%	-4.7%	-5.3%	-0.1%	2.6%	9.8%	11.9%	16.1%
(Volume)	5.4%	-13.9%	-9.2%	-5.4%	-6.4%	-4.1%	-5.2%	-0.9%	1.2%	8.3%	10.0%	11.4%
2010	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(Value)	6.50%	35.8%	19.0%	15.5%	19.7%	15.3%	18.9%*					
(Volume)	3.20%	31.5%	17.3%	12.4%	16.3%	11.9%	16.0%*					

* provisional figure

Source: Census & Statistics Department, HKSAR

4) Commentary on July Retail Sales (in value)

- The "Motor vehicles and parts" sector recorded very significant growth (+73.7%) and is a sign of strong consumer confidence. Improved job and income prospects might be reasons behind the revived sentiments.
- For "Jewellery, watches and clocks, and valuable gifts" sector, it continues to exhibit a strong growth (+36%) and the robust inbound tourism mainly led by Mainlanders would have driven this figure.
- For sectors such as "Acoholic drinks and tobacco" (+20.9%) and "Supermarkets and supermarket sections of department stores" including Convenience stores (+6.8%), the impact of the World Cup could have accounted for its rising trend.
- Summer holidays and sales seasons would possibly drive the figures up in sectors such as "Wearing apparel" (+16.0%), "Footwear, allied products and other clothing accessories" (+20.1%) ... etc.

5) Indication of August Sales & Summer Sales Comparison with Last Year

- The indication is mixed with the majority of sectors targeting single-digit (low to high) to double-digit increases.

- b. The "Watch & Jewellery" sector indicated double-digit growth but the increase might not be as high as that of the first half of 2010 due partly to the low comparison base in the first few quarters of last year.
- c. Sectors like "Cosmetics/Drug, Personal Health and Beauty/Health Care Products/Others" and "Furniture & Home Accessories" are expecting a double-digit figure. Strong tourist arrivals might be the reason behind the positive growth in summer sales.
- d. The August sales indication for the "Fast Food/Restaurants" sector is not very encouraging and the forecast ranges from low single-digit decrease to increase.
- e. The "Supermarkets/Convenience Stores" sector targets single-digit growth and is in line with last year.

6) Inflationary Pressure

- a. Inflationary Pressure felt for the majority of sectors, in particular those which rely on the supply of raw materials or finished products from China such as "Department Stores", "Fast Food/Restaurants", "Supermarkets/Convenience Stores" ... etc. For the "Furniture & Home Accessories" sector, tightening of labour laws and appreciation of RMB had further dampen the situation.
- b. For the "Cosmetics/Drug, Personal Health and Beauty/Health Care Products" sector, it will depend on the source of products.

7) YTD Overall Operating Cost Increase

- a. **High Rental** increased the operating costs for the majority of the sectors and the "Fast Food/Restaurants" sector even faced rising food cost.
- b. Some sectors recorded single to double-digit increase in operating costs.
- c. For "Watch & Jewellery" sector, salary pressure and staff turnover were comparatively higher than previous years.

8) Other Comments

- a. **Soaring Rentals** continue to hurt retailers.
- b. The **Nutritional Labelling** Scheme has increased the cost of doing business for certain sectors including "Department Stores" sector.
- c. **Statutory Minimum Wage** will have an impact on our business and adversely affect labour-intensive sectors like "Fast Food/Restaurants" and "Supermarkets/Convenience Stores".
- d. The possible reduction in the number of business and leisure travellers resulting from the expansion of **Cross-strait Direct flights** may affect sectors like "Cosmetics/Drug, Personal Health and Beauty/Health Care Products/Others" which are pretty dependent on tourist spending.