

For Immediate Release

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Hong Kong Retail Management Association Sales Value Forecast for First Half of 2021

I. Retails Sales Forecast for the First Half of 2021

Background

1. Facing the ongoing COVID-19 challenges and inbound tourism remains at a standstill, the Association is pessimistic about retail sales performance for the first half of 2021, and the operating environment is expected to be highly challenging.

Retail Sales Forecast

2. Based on the presumptions that the 4th wave outbreak will subside soon without another wave coming, and that the border is still closed with no inbound tourists, the Association forecasts that the total retail sales value (RSV) for the first half of 2021 would be of similar level when compared with the same period of 2020, fluctuating between positive or negative in a single-digit.
3. Individual retail categories' sales performance would be different, for those that are seriously affected by the social distancing measures, there might be a double-digit decline in RSV.

4. When compared with the same period in 2019 (i.e. a normal period without the negative impact of social incidence or the pandemic), the drop in RSV of the first half of 2021 would be ranging around 20% to 30%; and it could be further deepened to a drop at 35% when compared with the same period in 2018.

Low-Base Effect

5. The Association would like to highlight that Hong Kong's retail industry has been deeply impacted by the social incidence since the second half of 2019 and the COVID-19 outbreak started in early 2020; the RSV has registered a negative growth for 22 consecutive months.
6. Stepping into 2021, the outbreak of COVID-19 is now one year on. As the RSV in 2020 has been deeply impacted by the pandemic, leading to a low base for comparison, the Association reiterates that when giving its forecast on the RSV for 2021, one must also make reference to 2019 and 2018 figures.

II. Additional Key Messages to Media

Rental & Manpower Costs

7. Despite the RSV stays at record-low level, retailers are continually facing high operating costs as rental and manpower costs are still at similar levels of 2018 and 2019. As a result, most of the retailers are suffering from a huge plunge in profit, leading to a high number of loss-making stores.

Completion of Employment Support Scheme (ESS)

8. The Government's Employment Support Scheme (ESS) came to an end by November 2020, as the companies no longer need to comply with the terms of the ESS, there would be new waves of layoffs and business closures.

Changing Retail Landscape in Traditional Shopping Areas

9. Without any further assistance from the Government or the major landlords, many previously thriving shopping areas, such as Tsim Sha Tsui, Causeway Bay, and Mong Kok, will become ghost towns with insufficient critical mass of stores to be attractive.

Impact of Weak US Dollars

10. Due to the weakening of the US dollars, the cost of goods from other countries such as Europe, and Mainland China in particular, will undoubtedly increase and exert further pressure on retailers. At the same time, with poor shopping sentiment, retailers will inevitably introduce deep-cut promotion. As a result, they will experience a double-blow with increasing cost of goods to be sold at a discounted price.

Cautious of New Wave of Pandemic

11. In case the 4th wave outbreak gets worse or there is a 5th wave outbreak, it would be detrimental to the retail sales performance in 2021. The Association will closely monitor the pandemic development and might update its RSV forecast when required.

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