

Hong Kong retail sales up 12.9% vs 18.6% rise in April

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HONG KONG (Thomson Financial) - Hong Kong's retail sales expanded at a weaker-than-expected pace in May as consumers made fewer purchases of electronic goods, clothes and accessories amid rising inflation and a weak stock market.

Sales rose 12.9 percent to HK\$23.1 billion in May, easing from an 18.6 percent annual rise recorded for April, the government said on Thursday.

Fewer goods were sold in the month. Sales by volume expanded 5.5 percent in May, decelerating from an 11.5 percent expansion in April.

'The figures reflect slower consumer spending due to the bleak global economic outlook,' said Joe Lo, economist at Citigroup (nyse: C - news - people). He had predicted that sales by value would expand by 14 percent in May.

Local inflation accelerated to 5.7 percent in the month from a year earlier, the highest since February and faster than the 5.4 percent gain in April. Rising oil prices and a robust local economy contributed to the rise in consumer prices, the government said.

Worries about rising oil prices and a faltering U.S. economy have also limited investor gains from the local stock market.

The smaller number of tourists during the shortened Chinese labour holiday in May may have also contributed to the slowdown in sales, said Lo.

'The Chinese Labour Day holiday usually lasts more than a week, but the holiday was reduced to a few days, resulting in a smaller number of big spenders in the city and lost sales opportunity for some shops,' said Lo.

The government said the high base of comparison in May last year, when the value of retail sales registered a double-digit rise, was a main factor for the decline in sales in the period.

Sales by volume of miscellaneous consumer durable goods weakened, falling 2.9 percent in May, followed by sales of food, alcoholic drinks and tobacco, which were down 1.2 percent.

Sales of other goods slowed. Electronic goods sales rose 18.4 percent in May, compared with a 24 percent jump in April.

Purchases of jewellery and watches were up only 1.3 percent in May, compared with a 14 percent increase in April.

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'Looking ahead, the expected global economic slowdown, the ongoing financial market turbulence, inflation and high international commodity prices, the upward pressure on global interest rates, and the consolidation in local asset prices in recent months are likely to have some impact on the local economy and consumer sentiment,' the spokesman said.

Source: Forbes

<http://www.forbes.com/afxnews/limited/feeds/afx/2008/07/03/afx5180500.html>