

LCQ19: Operation of shops in Hong Kong

Following is a question by the Hon Andrew Lam and a written reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (June 19):

Question:

It has been reported that as Hong Kong people continue to go north and travel abroad in recent months, the local market is sluggish, and the wave of shop closures in Hong Kong has aroused concern. Some netizens have created a concern group on social media for information on shop closures, which has attracted nearly 300 000 subscribers in just two weeks. In this connection, will the Government inform this Council:

(1) whether it has compiled statistics on the numbers of shop closures and openings in Hong Kong in the past three years, together with a breakdown by business type, such as catering, retail, and personal care services (e.g. hair cutting, beauty services);

(2) whether it has compiled statistics on the shop vacancy rates for the first and second quarters of this year, and how such data compare with the relevant data during the epidemic; whether it has forecast the data on shop vacancy rates for the coming quarters; and

(3) whether it has studied the reasons for the recent wave of shop closures in Hong Kong, and what counter-measures are in place to address the situation?

Reply:

President,

Having consulted the Environment and Ecology Bureau and the Census and Statistics Department (C&SD), the consolidated reply to the three parts of the question is as follows:

The Government does not compile statistics on the numbers of shop closures and openings in Hong Kong.

As regards the number of establishments in the relevant industries, according to the results of the Quarterly Survey of Employment and Vacancies of the C&SD, as at end 2023, the number of establishments in the industries of food and beverage services, retail trade, and beauty and body prettifying treatment (including hairdressing treatment) in Hong Kong was around 17 900, 65 600 and 12 300 respectively. The number of establishments of these industries had once recorded a drop owing to the impact of the epidemic in the last few years, but it has rebounded since the end of 2021 to remain stable with the epidemic subsiding in recent years. In addition, new food and

beverage restaurant brands gradually set up businesses in Hong Kong in recent years, which reflects their confidence in the prospects of the local catering business.

As regards the leasing situation of private shops, according to the latest data released by a real estate services organisation, the street shop vacancy rate has improved from 18.3 per cent in the third quarter of 2020 (the highest level during the epidemic) to 6.6 per cent in the first quarter of 2024. The vacancy rate in some of the core districts (such as Causeway Bay and Tsim Sha Tsui) was even lower than 6.6 per cent.

The closures and openings of shops are business decisions that involve various factors, including the business operating environment, changes in consumers' demands as well as the operating conditions of the enterprises. The Government does not compile relevant statistics or conduct research. As regards the leasing situation of shops in the private market, the Government is of the view that it should be market-driven, allowing private organisations to make adjustments having regard to the actual market conditions (such as location and vacancy rate of shops).

In recent years, the consumption pattern of residents and inbound visitors keeps on changing and some of the Hong Kong residents increase their spending in the Mainland, posing challenges to small and medium enterprises (SMEs) in the retail sector. The Government has been providing assistance to SMEs, including those in the retail sector, having regard to the economic situation and the needs of the trade, with a view to helping them cope with liquidity shortage, and encouraging them to enhance their competitiveness and develop more diversified markets, including providing low-interest concessionary loans to SMEs through the SME Financing Guarantee Scheme (SFGS) to assist them in coping with cash flow problems. As at end March 2024, a total of nearly \$19 billion of loans has been approved under the SFGS for SMEs in the retail sector, benefitting over 6 000 retail enterprises and nearly 53 000 employees. In view of the ongoing challenges faced by SMEs, the Government extends in this year's Budget the application period for the 80% and 90% Guarantee Products under the SFGS for two years to end March 2026, so as to assist more SMEs (including those in the retail sector) in coping with cash flow problems.

At the same time, the Government has also been actively supporting SMEs to carry out promotion activities and develop their businesses. Among others, the SME Export Marketing Fund (EMF) provides funding support for SMEs to participate in export promotion activities to expand their markets outside Hong Kong. The funding scope has been expanded following the implementation of the special measure from April 30, 2021, to June 30, 2026, to cover large-scale exhibitions and online exhibitions targeting the local market. As at end April 2024, the EMF has approved more than 31 400 applications from the wholesale and retail sector, benefitting over 6 800 enterprises and involving a total funding of nearly \$700 million.

Hong Kong's economy has been recovering steadily in the past year. In the first quarter of this year, the real gross domestic product grew by 2.7

per cent over the preceding year, marking the fifth consecutive quarter of growth. Some recent data show that the economic performance remains positive in general, including the increase in the number of inbound visitors and the continuous improvement in the exports of goods. The forecast of economic growth for 2024 is maintained at 2.5 per cent to 3.5 per cent.

Along with the rise in employment earnings, the recent stabilisation of asset markets and the further revival in inbound tourism with the number of visitors expected to increase by 35 per cent to 46 million in 2024 as compared with that in 2023, coupled with the Government's continued efforts in promoting mega event economy and stimulating consumption sentiment and the Central Government's further enhancement to the Individual Visit Scheme by extending its scope from 49 to 59 cities to cover all provincial capitals in the country, the local retail sector will be given a greater impetus of recovery.

The Government will continue to closely monitor the situation, and assist SMEs in riding out the storm having regard to the situation.