

# Hong Kong's dire economic situation gets dramatically worse - ING

Hong Kong retail sales were in a sea of red in October. Both domestic and tourism spending were dismal. This situation will only reverse once we see a long-term end to violent anti-government protests, explained Iris Pang - Economist, Greater China at ING.

## Key Quotes:

"Hong Kong retail sales fell 24.3%YoY in October after falling 18.2% the previous month. It is the ninth consecutive month of negative yearly growth. The continuing violent anti-government protests and ongoing China-US trade tensions account for this dismal situation."

"Tourists are not going to Hong Kong due to the brutal incidents at the airport, increasingly violent activities elsewhere and not to mention dreadful traffic conditions. And, of course, it's not just tourism from mainland China that's declined. Tourism from everywhere on a monthly basis since August has dropped by double digits. And this has widespread impact on accommodation and catering spend."

"And it's not just foreigners who are reducing their spending. From the retail sales data, we note that domestic spending is way down. The trade war has led to redundancies in that sector. Since 1Q18, when it all started to kick off, employment there has fallen by 15%, affecting 67,500 people up to 3Q18. These people would normally be expected to get a job in the retail sector. But unfortunately, due to the violent protests, we see a 6% decrease in employment in both retail and catering affecting some 35,600 people just in the third quarter."

"These people are themselves, consumers. If they cannot find a new job, this will put additional pressure on retail sales and will create more unemployment in the industry, thus creating a vicious circle."

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