HK Consumer Confidence Fell 15 points In Q3 Amid Regional And Global Economic Jitters – NIELSEN

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Growing concern over the regional and global economy has further dampened outlook and raised recessionary concerns as consumer confidence dropped 15 points last quarter from 104 to 89 points in Hong Kong according to Nielsen, a leading global provider of information and insights into what consumers watch and buy.

â€œWhile we expect Hong Kongâ€™s fall in consumer confidence in Q3 to be a temporary dip, it demonstrated how sensitive Hong Kong consumers react to regional and global economic conditions of our trading partners,â€• said Oliver Rust, MD of Nielsen Hong Kong.Â â€œEuropeâ€™s ongoing debt crisis, fluctuating recovery data from the US and the speculation of China GDP growth last quarter has resulted in increased concern of Hong Kongâ€™s own economy, with more consumers believing we were in recession.Â This has impacted consumersâ€™ increasingly negative outlook for job prospects, personal finances and spending intentions in the immediate future.â€• Local government elections and other events during the summer also temporarily impacted Hong Kongers outlook on stability and confidence.

In the third quarter 2012, sixty percent of Hong Kong consumers said they felt in recession, up 19 percentage points from the previous quarter.

Last quarter, thirty-five percent, of Hong Kongers said they were optimistic about job prospects for the next twelve months, down from 50 percent in the second quarter.

Optimism for personal finances also fell from 61 percent in Q2 to 43 percent last quarter which in turn affected consumersâ€™ immediate spending intentions, which declined from 51 percent to 31 percent.

â€œProperty prices, which continued to edge into record territory has impacted local housing demand and made it harder for first time owners to get on the property ladder,â€• said Rust.

The economy increased two percentage points as the top concern for 39 percent of Hong Kong consumers last quarter while concern for increasing food prices was the second top concern at 29 percent in part driven by the inflationary pressures which are easing.Â A year ago (Q3 2011), 41 percent of Hong Kong consumers ranked increasing food prices as their top concern, followed by increasing utility bills (38%) and the economy (35%).

â€œDuring periods of uncertainty, cautious Hong Kongers always rein in discretionary spending and what we have seen in the last quarter is no different as consumers pulled back on nearly every aspect of discretionary spending,â€• observed Rust.Â According to Nielsen, only savings and retirement funds enjoyed marginal increases of one percentage point from the previous quarter as consumers cut spending in all lifestyle areas except for holidays and vacations, traditionally a Q3 expenditure due to summer and school holidays.

Spending on out of home entertainment dropped nine points to 33 percent, compared to 42 percent in Q2, and investment in stocks also fell six points this quarter.Â Spending for new clothes and new technology products also fell five and four percentage points respectively.Â â€œAs we enter into the fourth quarter of 2012, we expect spending to improve as confidence improves in the Chinese economy and we enter into the Christmas periodâ€•, said Rust

Advertising spend, another key barometer of economic and consumer confidence, dropped two percentage points to 11 percent growth continuing to declining trend each quarter this year after it rebounded in 2011 from the global recession.Â â€œThe decline in quarterly ad spend since the start of this year is another indication of how cautious the business community is feeling amid the current economic conditions, however there was strong growth in ad categories specifically targeting mainland tourists, a major and growing source of HK retailers business,â€• said Rust.Â Ad spending in cosmetics and skincare, a key mainland shopper category increased 16 percent year-on-year according to admanGo.

According to the latest HK2A Nielsen Adspend report, 56 percent of HK businesses named mainland Chinese tourists are their top business opportunity this year, ahead of government economic stimulation policies (48 percent). â€œWhile the number of Mainland visitors has increased 23 percent compared to the same period last year we have noticed the capita spend is slowing down as an increasing number of visitors use Hong Kong as a stopover towards their final destination.

Total retail sales slowed to a 6% growth in Q3 compared to an 11% growth a year ago.Â According to Nielsen, fast moving consumer goods (FMCG) sales in Hong Kong also slowed to a 12% growth from 15% in Q2, Nielsen said.Â â€œThe slow down in FMCG retail sales is a result of consumers continuing to be more frugal in their spending as they look to economize,â€• said Rust.

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