Hong Kong Consumer Confidence Shows Sign of Bottoming Out

Contributed by Nielsen
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Following a drop of 11 index point during the beginning of 2016, Hong Kong consumer confidence picked up gradually and remained steady at an index of 93 in the fourth quarter of 2016, according to the latest Nielsen Global Survey of Consumer Confidence and Spending Intentions conducted between October 31 to November 18, 2016.

In the latest round of survey covering 30,000 respondents in 61 markets, global consumer confidence increased two points to 101. Regionally, North America consumer confidence rebounded significantly to 120, an increase of 15 points, followed by South East Asia and Asia Pacific at 115 (alsoÂ 115) and 111 (from 109) respectively. Consumer confidence for Latin America (83), Africa/Middle East (83) and Europe (81) remained at a lower level during the quarter. Within Asia Pacific region, Indonesia and Philippines continued to lead the confidence at 136 and 132 respectively.

The steady consumer confidence in Hong Kong was attributed to the sustained optimism in job prospects, state of personal finance and spending intent amidst a cautiously optimistic economic outlook.Â As the survey report revealed, almost one-third of respondents in Hong Kong are optimistic about their job prospects, a slight decrease of 1% from the third quarter. This is mainly due to the stable and relatively low unemployment rate in the market. The recent steady rebound of tourist arrivals has also led to the boost of retail sales which has only recorded a 4% decrease in the fourth quarter, compared to an 8% decrease in the third quarter.

Hong Kong consumersâ€™ outlook towards their state of personal finance remained strong. Despite a slight drop of 2% from the third quarter, over half (52%) of the respondents in Hong Kong are optimistic about their own personal finance in the last quarter. This can be evidenced by their strong inclination to put their spare cash into savings (from 67% in Q3 2016 to 71% in Q4 2016) as well as the stronger appetite in investing in stocks and mutual funds. Almost half of the respondents (46%) said they will invest their money in stock markets after covering their essential living expenses, compared to 44% in the third quarter.

Despite the uncertain economic outlook, Hong Kong consumersâ€™ appetite on discretionary spending is still strong. Almost half (45%) of respondents in Hong Kong are ready to spend in the next 12 months. Close to four in 10 respondents (37%) will spend their spare cash on out of home entertainment after covering the essential living expenses, an increase of 6% from the third quarter. A respective 31% (+5%) and 21% (+3%) said they will spend the spare cash on holidays /vacations and new clothes. Â

â€œAlthough retail sales in Hong Kong were still recording a 4% decrease in the last quarter of 2016, Hong Kong consumersâ€™ readiness to spend is a good sign to the retail market after a gloomy year. It is important for retailers and manufacturers to cater to the spending appetite and interest to capture the right group of customers,â€• said Ms Angel Young, Managing Director, Nielsen Hong Kong & Macau.

â€œIn 2017, business operators should adapt to this new normal and capture the opportunities from a wide range of consumers, ranging from the 7.4 million local Hong Kong consumers with stable spending, 42.8 million of Mainland tourists who are big spenders and digital media savvy, to the 1.4 billion of consumers in China who are so fond of making cross border purchases. By better understanding the interest and spending pattern of these customer groups, this will certain help business operators to diversify its customer base,â€• Young suggested.

Hong Kong closed 2016 with retail market decline subsiding and the stable job market, consumer confidence gradually improved from the first quarter of the year. â€œAs we enter 2017, consumersâ€™ spending appetite has gradually improved but they are still very cautious in spending. It is therefore important for marketers to better understand their customers, be more innovative and communicate with their target customers via the appropriate channels so as to better engage them.â€•