

**Hong Kong Retail Management Association
Submission on
2024-25 Budget Consultation**

22 January 2024

I. Introduction

1. The Hong Kong Retail Management Association (“HKRMA”) welcomes the recent initiatives by the Government to bolster the economy. However, despite the great efforts by the HKSAR Government, the city’s economy is facing numerous internal and external challenges, such as the increasing trend of local people travelling abroad or to the Mainland for leisure spending, the slower-than-expected return of visitors, high operating costs, the high interest rate, the appreciation of the Hong Kong dollar, the depreciation of the Renminbi, the geopolitical tensions and the uncertain economic environment, which are expected to cloud the economic performance and consumption sentiment. The Government’s GDP growth forecast for 2023 as a whole has recently been revised down to 3.2%.
2. Under these circumstances, HKRMA remains cautious about the market outlook and we estimate that overall retail sales will register a single-digit or even low double-digit decline in the first half of 2024. We believe there is still a long way to go before a return to the pre-pandemic level of business can be achieved.
3. To address the challenges, and to bolster the local economy, it is essential to attract local people to stay in Hong Kong for consumption, while attracting visitors to come for leisure and MICE events. Also, enhanced efforts should be considered to attract more international brands to invest in Hong Kong and to facilitate the city’s integration into the Mainland so as to grasp the many opportunities created from the rapid development of the Greater Bay Area (“GBA”) and Hainan Province.



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4. Against this background, we would like to put forward both short-term and medium-to-long-term strategic recommendations to the Government's 2024-25 Budget in this paper, focusing on the possible support for retailers to raise our own competitiveness and to showcase the city's uniqueness, enabling Hong Kong retail to tide over the economic uncertainties and fierce competition in the months ahead and paving the way for our greater contributions to Hong Kong's economy as a whole.

II. Short-Term Recommendations

5. As a short-term measure to support retail, HKRMA calls on the Government to consider taking more effective measures to stimulate consumption. Electronic consumption voucher disbursements were found effective in the past, though the effectiveness on reviving the economy could be further enhanced if the usage of consumption vouchers could be more focused on commercial activities. We are of the view that the Government should consider taking similar or even more effective measures for our industry to sail through the challenging year ahead.
6. HKRMA welcomes the "Day & Night Vibes" campaign announced by the Government in early-January 2024, which aims to boost the local economy. Prior to the launch of the "Day & Night Vibes" campaign, HKRMA, in response to the Government's appeal, launched the "Festive Shopping in Hong Kong for Great Rewards!" programme in December 2023 to bring together a wide range of discounts and privileges offered by Hong Kong retailers and caterers from Christmas to Chinese New Year to tie in with a series of large-scale celebrations for Christmas and Chinese New Year run by the Government. In this regard, we call on the Government to put our "Festive Shopping in Hong Kong for Great Rewards!" programme under the umbrella of the "Day & Night Vibes" campaign to create greater synergy in stimulating local consumption.

III. Medium-to-Long-Term Recommendations

7. HKRMA suggests that the following three focus areas be considered for supporting Hong Kong retail:

Area 1: Showcasing Hong Kong's Uniqueness to Build its Image as an Experiential Shopping Paradise

Enhanced Cross-Sectoral Collaboration under the Government's Leadership for a New Definition of Hong Kong's Image and Experiential Journey

8. We hope that the Government could continue to take the lead in organising even more cross-sectoral events and drive even closer cross-sectoral cooperation among retail, tourism, catering and other related sectors to further enhance our synergy.
9. Hong Kong, as a metropolitan city where East meets West, has very unique characteristics and culture. Many local brands have very solid historical and cultural background which is closely connected to the city's development. HKRMA suggests the Government consider riding on these local brands to bring out the story of Hong Kong. On top of these, street names with unique stories behind, well-known cultural spots and hiking trails could be developed into tourist attractions.
10. Regarding tourism, the Victoria Harbour is one of the greatest tourism assets in Hong Kong. The Association suggests the running of more enhanced programmes in the Victoria Harbourfront, such as "The Greatest Light Show in the World", under a coordinated and creative approach, to showcase the iconic skyline of the Victoria Harbour. We believe the above-mentioned attractions



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would provide our customers with shopping and travelling experience filled with Hong Kong characteristics.

11. Upon enhancing our attractions, all-encompassing experiences could be created for customers, after which the connection between these attractions and economic activities could be strengthened to stimulate the economy.
12. To achieve the above, the Association hopes the Government could take the lead in further strengthening communication among various sectors and in expeditiously taking forward cross-sectoral co-operation to jointly provide customers with all-encompassing unique “eating, playing and shopping” experiences and, ultimately, to turn Hong Kong into an Experiential Shopping Paradise.

Strengthened Support for MSEs in Digital Transformation

13. Nowadays, digital transformation forms an integral part of visitors’ experience. In this regard, we appreciate the launch of the Digital Transformation Support Pilot Programme, as announced in the latest Policy Address. The Association welcomes the various government measures in support of furthering retail’s digital development.
14. However, due to a lack of resources, many micro and small-sized enterprises (MSEs) in Hong Kong lag behind the global trend in digitalisation. Yet, it is the MSEs that are now the favourites of visitors given their increasing desire for in-depth cultural and authentic experiences in the city. This may give the visitors the impression that Hong Kong is behind the times, undermining our image as a world city. Under these circumstances, it would be highly appreciated if the Government could further look into the supports needed by MSEs and SMEs in their digital transformation journey, and provide suitable solutions accordingly, so as to expedite the industry’s transformation for new

retail developments and enable us to make greater contributions to Hong Kong's overall economy through providing enhanced experiences for our consumers and visitors.

Creating a Local Shopper- and Visitor-Friendly Environment

15. A convenient immigration and customs clearance mechanism for visitors is considered a significant pull factor drawing visitors to a city. Therefore, HKRMA supports the recent calls for the Government to resume the Multiple-entry Endorsement.
16. Besides, the industry hopes that the Government would proactively pursue more favourable policies from the Central Government to support Hong Kong's status as a shopping paradise. Key suggestions in this regard are to increase the threshold for the total value of items that Mainland residents could purchase in Hong Kong without incurring customs duties when they return to the Mainland and to reduce the restrictions on the product categories they are allowed to bring home. This would further enhance the attractiveness of Hong Kong as a shopping destination for Mainland residents.
17. To stimulate the consumption market, HKRMA calls on the Government to encourage more overnight visitors. To achieve this, the price and quality of local hotels appear to be the key determinants. As such, HKRMA suggests the Government encourage the hotel sector to offer more attractive prices and to further enhance its quality. This is likely to contribute significantly to a visitor-friendly environment.
18. In this digital era, the use of digital technology is an important part in consumer experience. Thus, HKRMA hopes that the Government would consider incorporating the retail industry into Hong Kong's digital technology development blueprint, enabling the industry to provide more convenient

services for local residents and enhanced travel and shopping experiences for visitors.

Area 2: Local Talent Development

19. While the Enhanced Supplementary Labour Scheme (ESLS) is a near-term measure to help alleviate the manpower shortage problems, the Association believes long-term measures should be considered to cater for the manpower needs of the industry.
20. In the long run, the industry hopes that the Government would help the industry to attract more local young people to join the retail sector through manpower training, including the introduction of retail-related education programmes at various levels, such as universities, vocational and tertiary institutions and secondary schools, by means of policies and subsidies, under a comprehensive approach.
21. In connection with this, the industry hopes to strengthen co-operation with the Government in promoting vocational and professional education and training (“VPET”) in retail. Cooperation efforts may include stepping up the promotion of the Qualifications Framework and incorporating retail-related content and teaching materials into the Applied Learning programmes of secondary schools.
22. Besides, these programmes should be articulated with VPET and specialised programmes at universities, so as to provide young people aspiring to pursue their career in the retail industry with clear, articulatable and systematic professional training to enhance the competitiveness of Hong Kong retail in the employment market.
23. To alleviate the manpower shortage in skilled trades, it was announced in the latest Policy Address that non-local students of designated full-time professional



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Higher Diploma programmes of the Vocational Training Council from the 2024/25 and 2025/26 admission cohorts will be allowed to stay in Hong Kong for one year after graduation to seek jobs relevant to their disciplines under the Vocational Professionals Admission Scheme. However, graduates of retail-related programmes are not eligible for the Scheme. In this regard, the Association suggests the Government consider incorporating the retail trade into the Scheme.

24. While Hong Kong's young people are encouraged to gain exposure in the GBA, the Association hopes the Government could encourage GBA students to come to Hong Kong for exchanges through strengthened collaboration with educational institutes in the GBA, in a bid to attract more talents for the local retail industry.

Area 3: Enhancing Business Environment

Counteracting the Rising Operating Costs under the Challenging Business Environment

25. The development of Hong Kong retail has been obstructed by unproportionally high operating cost. Despite a decrease in rental prices from their peak, they are currently on the rise, with landlords pushing up the prices. Furthermore, labour costs have increased outrageously in the past two years due to a shortage of manpower.
26. Also, a number of new regulations and policy amendments in recent years, such as regulations regarding MPF offsetting, the statutory minimum wage, the municipal solid waste charging and the amendment to the “continuous contract” requirement (commonly referred to as the “418” requirement), have concurrently exerted considerable direct and indirect additional financial and operational pressure on the retail industry. These new regulations and amendments, coupled with the high labour and rental costs, will cause a continuous rise in operating costs starting from 2025.



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27. To address these challenges, HKRMA calls on the Government to help the industry control or even reduce these costs. HKRMA hopes that the Government could reconsider the timing for the execution of various initiatives that incur additional operating costs during this challenging time of our industry.
28. Also, we hope the Government could consider the reduction and/or waiving of the profits tax, rates, rents and related public charges in the coming year to temporarily alleviate some of the operating cost pressures facing the industry. This would also help raise the attractiveness of Hong Kong retail to investors.

Raising the Inflow of Mainland Visitors

29. Apart from stimulating local consumption, HKRMA hopes the Government would consider implementing the Individual Visit Scheme in more Mainland cities to attract more visitors to Hong Kong in a bid to offset the impact of the prevailing Northbound travels among Hong Kong people.

Strengthening Cooperation with the Mainland and Supporting Local Retailers in Exploring Business Opportunities in GBA and Hainan Province

30. It is an irresistible trend for Hong Kong to further integrate into the Mainland, particularly the GBA and Hainan Province. Apart from our continuous efforts to enhance the competitiveness of Hong Kong's retail industry, we must take a broader view of the GBA and Hainan as a whole, rather than just the Hong Kong market, in order to seize the opportunities arising from the city's integration into the national development.
31. To achieve this, the Government's support in the policy level is needed. Therefore, HKRMA hopes that the Government could consider providing more support for retailers in exploring business opportunities in GBA and Hainan Province.



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32. Moreover, riding on Hong Kong’s integration into the Mainland, the Association calls on the Government to further strengthen its efforts to attract a wide variety of foreign brands to invest in the city and to position Hong Kong as a gateway for local or overseas retail brands to set foot in the Mainland market. With a prosperous retail industry, we can “grow the pie together”, pursuing retail growth to increase government revenue for Hong Kong’s further development.

IV. Conclusion

33. HKRMA hopes that the retail industry could be provided with sufficient breathing space at this critical time under the prevailing challenging circumstances, so that the industry could be re-equipped before the pace of Hong Kong’s economic recovery could be accelerated under the leadership and support of the Government. It is also hoped that synergies could be strengthened through cross-sectoral cooperation to leverage the strengths of each and every economic pillar in the city in raising our overall competitiveness and generating economic benefits to the community as a whole.

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