

HONG KONG CONSUMERS

More cautious as the year progresses

IPSOS HONG KONG
NEW NORMAL TRACKER
July 2023

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GAME CHANGERS



TWO STEPS FORWARD, ONE STEP BACK

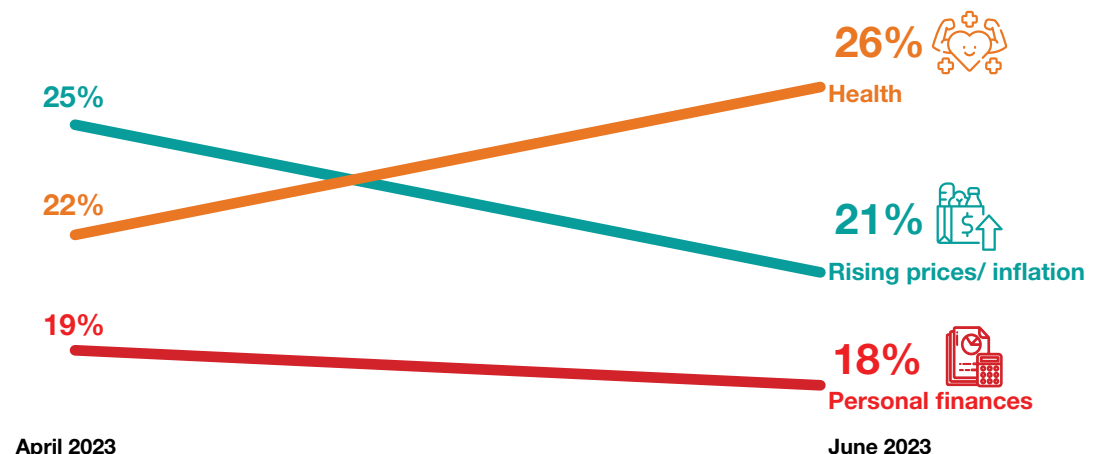
In our previous newsletter at the end of [Q.1](#) we reported an uplift in Hong Kong consumers' confidence. Following the removal of the last covid-related restrictions and the re-opening of the border with the mainland, Hong Kong's economy grew 2.7% in Q.1, after a decline of 4.1% in Q.4 last year and of 3.5% for the whole of 2022. Hong Kongers felt upbeat and positive about the future.

Our latest *New Normal*¹ data (collected in June), suggest this uplift has been temporary. Hong Kong residents continue to worry about the same pressing issues, and the money-saving behaviours reported in the past have remained. There is also a rather pessimistic outlook on inflation and the ability of Hong Kong to retain people and businesses.

The top three challenges faced by Hong Kong residents have remained unchanged since April: Health, inflation and personal finances (see Figure 1). Health has replaced inflation as their top concern, and this may be due to the flu season in Hong Kong, which started in early April and peaked near the end of May. Coming shortly after the last covid-related restrictions were lifted, this was a reminder to stay vigilant, thus pushing health back top of mind for more than one in four (26%) Hong Kongers.

Official data show Hong Kong's inflation rate slowed for a second straight month to 1.9% in June, down from 2.1% in April. Despite this decline, rising prices are still a top concern for more than one in five (21%) Hong Kong residents. What's more, over three in four Hong Kongers (76%) fear inflation will increase over the course of the year, a higher proportion than what was reported in April (64%). Boomers are particularly concerned about the rising cost of living, 83% expecting inflation to go up over the next twelve months.

Figure 1: Top Three Concerns

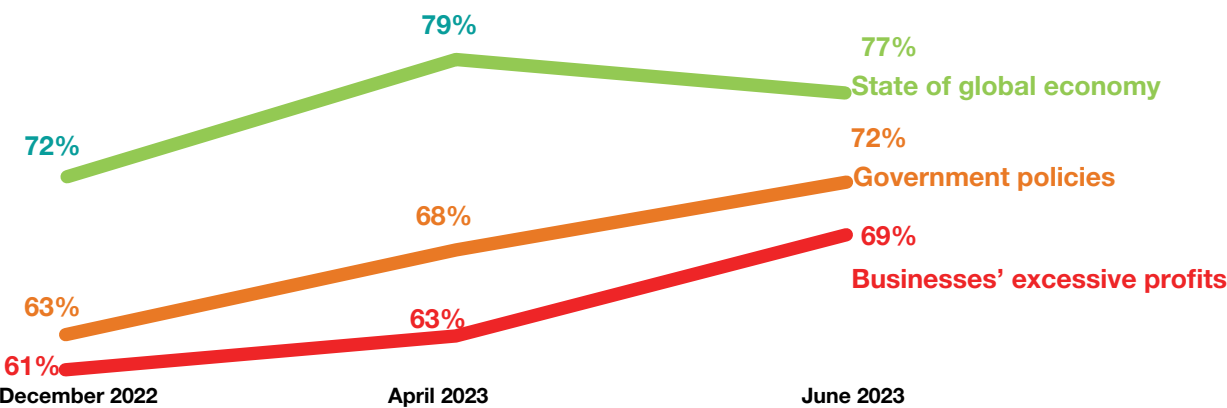


Q: There are a number of challenges we may face today. Which of these concerns you the most? Single answer.
Source: Ipsos The New Normal survey | June 2023 | Base: N = 1,000

When asked about the potential contributors to inflation, the majority of our survey respondents concur on the following three: The state of the global economy, the policies of Hong Kong’s government, and businesses being too greedy. The last two factors have been mentioned by an increasingly higher proportion of people over the past three quarters (see Figure 2), meaning that a larger number of Hong Kongers feel the cost of living is, by and large, the doing of both the local government and businesses. This does not bode well for brands, who must show empathy to their consumers. Data from our *Global Trends*³ show that Hong Kong consumers are particularly distrusting of business – only one third (34%) trust business leaders to tell the truth. Being seen as greedy surely doesn’t help.

However, 79% of Hong Kongers believe it’s possible for brands to support good causes while also making money, and a similar proportion (80%) are willing to buy products from brands that act responsibly, even if it means spending more. The ball is on businesses’ court.

Figure 2: Putting The Blame On Government And Businesses.



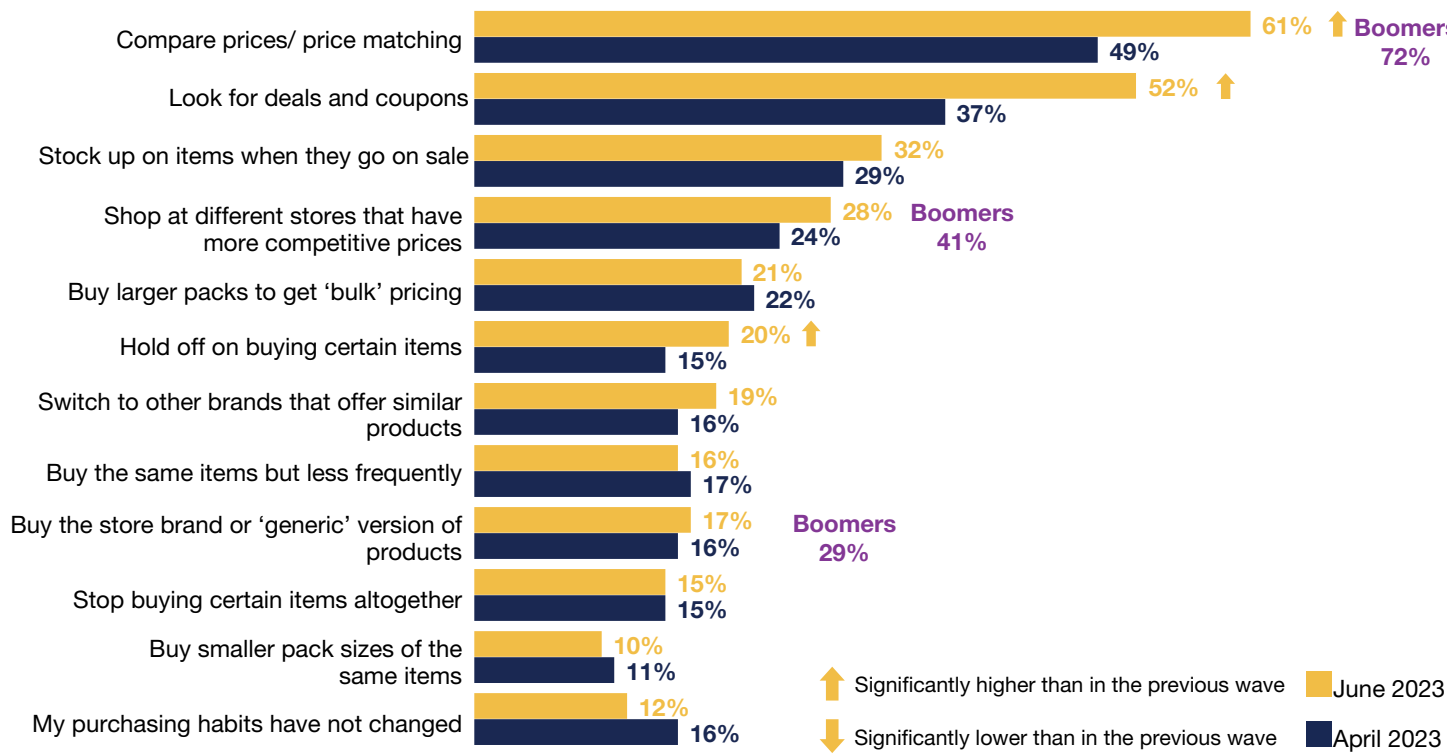
Q: Which one of the following do you think contribute to the rising cost of living in Hong Kong today? Multiple answer
Source: Ipsos The New Normal survey | December 2022, April 2023, June 2023 | Base: N = 1,000 per wave



CAUTIOUS DOES IT

The majority of Hong Kong residents continue to be careful with their money when they shop, maintaining the cost-saving behaviours reported in the past (see Figure 3). Some of such behaviours are relatively more prominent among Boomers, who, as noted above, are particularly worried about the rising cost of living; this cohort are more likely to compare prices, look for deals/ coupons, shop at different stores with more competitive prices, and buy store-own brands or generic products.

Figure 3: Keeping Shopping Habits To Save.



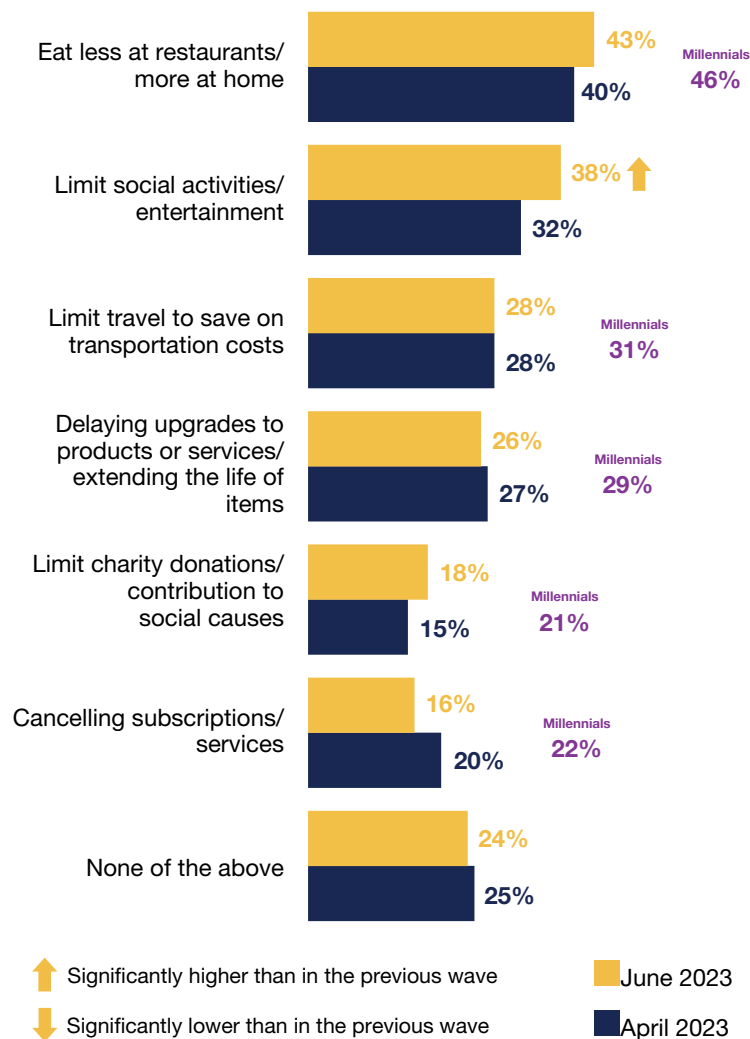
Q: Which of the following, if any, have you done while shopping within the past 3 months to help manage costs? Select all that apply
Source: Ipsos The New Normal survey | April 2023, June 2023 | Base: N = 1,000 per wave



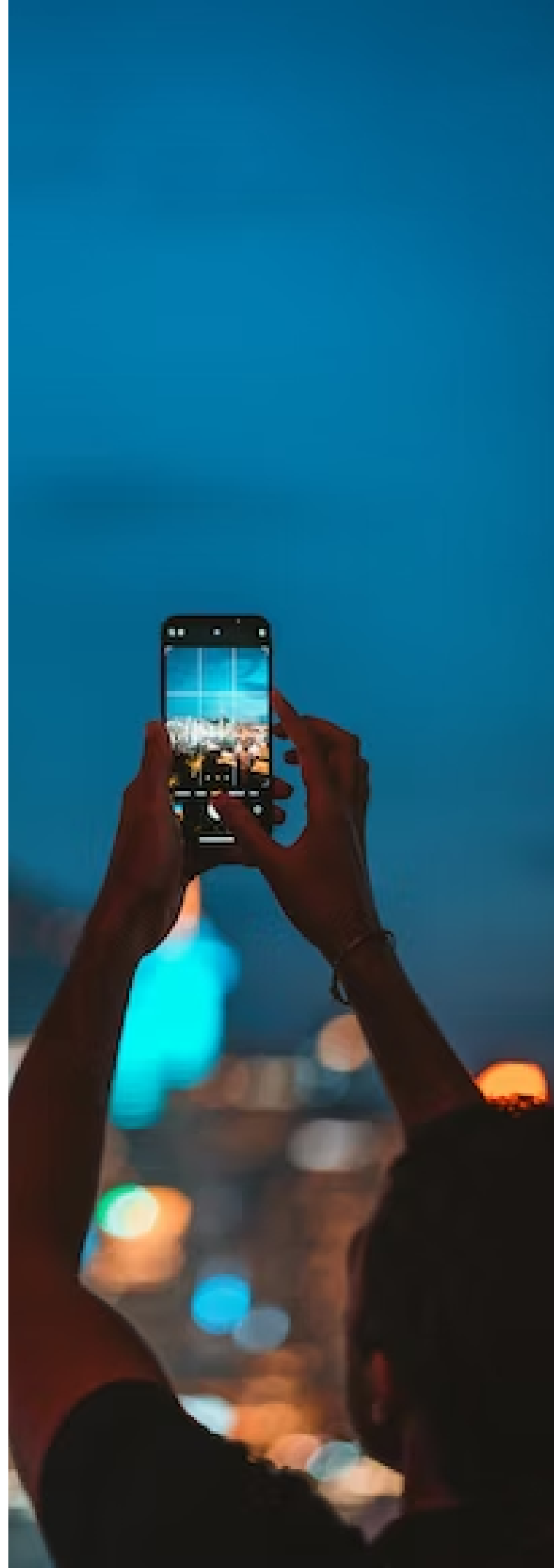
The changes in lifestyle behaviours made in the past have also remained (see Figure 4). Millennials are particularly conscious of the need to make tweaks to their lifestyles to save money, as they are more likely than other cohorts to cut down on a range of activities, from eating out less often and limiting travel to delaying upgrades and cancelling subscriptions. Data from our *Financial Services Survey*² show that about 30% of Hong Kong millennials have a mortgage, a much higher proportion than other generational cohorts.

Besides having to repay a mortgage and taking responsibility for their own families, this group are also likely to support their ageing parents, which puts additional strain on their personal finances.

Figure 4: Maintaining lifestyle changes to manage costs



Q: And have you done any of the following in the past 3 months to help manage costs? Select all that apply
Source: Ipsos The New Normal survey | April 2023, June 2023 | Base: N = 1,000 per wave



The drop in confidence among Hong Kongers also manifests itself in their views of the Territory’s ability to retain and attract people and businesses. Overall, there is a perception that there will be a net loss of people and businesses over the course of the year ahead (see Figures 5). Gen Z-ers are the most pessimist, over half of whom believing people and businesses will be leaving Hong Kong in the next 12 months.

Figure 5: More Leaving Than Staying.



Q: From a Hong Kong's population point of view, what do you think will most likely happen over the course of the next 12 months? Single answer.
Q: From a business point of view, what do you think will most likely happen over the course of the next 12 months? Single answer.
Source: Ipsos The New Normal survey | June 2023 | Base: N = 1,000

CONCLUSION

There are indications that Hong Kong’s recovery from a prolonged economic downturn will be slow in 2023-24 amid higher interest rates and muted business confidence tied to a very mild economic rebound in the mainland. As noted in our previous newsletter, it will be imperative to induce consumer consumption but, based our latest data, this remains challenging.

Government and businesses must work together to restore consumers’ trust and confidence. Even though inflation has come down in the past couple of months, perceptions that it will raise further is making Hong Kongers more conscious about how they spend their money. Importantly, perceptions that businesses are putting profits before people are eroding consumers’ trust in brands.

Brand owners need to understand consumers and their expectations of the products and services they offer. Such expectations must be placed in the context of the challenges Hong Kongers are currently facing, so that brands can deliver their products and services with empathy. This is easier said than done but it is the only way for brands to deliver value, earn trust and grow.



HONG KONG CONSUMERS: MORE CAUTIOUS AS THE YEAR PROGRESSES

July 2023

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(1) Ipsos Hong Kong *New Normal* Tracker monitors changes in consumer sentiment and behaviour in response to the dynamic environment of Hong Kong SAR. Data were collected monthly between April 2020 and June 2021, and quarterly thereafter. Additional markets/ questions available upon request.

(2) Ipsos Hong Kong Financial Services Survey is a comprehensive and robust source of insights into financial services and products in Hong Kong. It is a syndicated survey that leverages Ipsos' data-collection capabilities, unparalleled expertise in the financial-services sector, and in-depth knowledge of people, markets and society. Data is collected twice a year: April and October.

(3) Ipsos Global Trends is a regular publication that started in 2013. The 2023 edition is based on survey data collected from 48,541 consumers across 50 economies around the world, thus representing 70% of the global population and 78% of the global economy.

IPSOS HONG KONG NEW NORMAL TRACKER

This tracking programme monitors changes in consumer sentiment and behaviour in response to the COVID-19 pandemic. Data were collected monthly between April 2020 and June 2021, and quarterly thereafter. Additional markets/ questions available upon request.



Market coverage

The survey is administered in Hong Kong



Timing

Fieldwork conducted quarterly



Sample size

1,000+ interviews, general adult population



Pricing & additional data

Available on request

www.ipsos.com

GAME CHANGERS

