



## May retail sales - weakness from jewelry/watches, not severe as April

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### HK retail sales saw a 4.1%/4.7% yoy decline in value/volume for May

This is compared with a 9.9%/9.6% yoy decrease in value/volume in April. According to HK Government, the decline was mainly driven by jewelry, watches and others (20% of total retail sales in May) which fell by 24.5%/22.7% in value/volume (vs. -39.9%/-37.7% in April). The decline was mainly due to the high base effect from the gold rush that started in April 2013. It is also due to a change in the spending pattern of mainland tourists, who have turned more moderate. For reference, HK mainland visitor arrivals rose by 13.1% yoy in May with overnight/same day visitors increasing by 10.1%/15.1%. However, it seems that the conversion rate is not as high as before. Meanwhile, cosmetics reported 8%/5.5% growth in value/volume in May and department stores saw a 2.3% growth in value and 0.5% decline in volume, respectively.

### Focus stocks

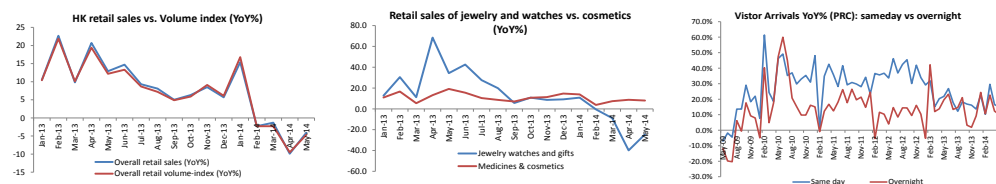
SA SA International (0178.HK),HKD5.70 Hold	Price Target HKD5.81
Lifestyle International (1212.HK),HKD15.18 Buy	Price Target HKD20.10
Giordano (0709.HK),HKD4.62 Hold	Price Target HKD4.70
Chow Tai Fook (1929.HK),HKD11.96 Buy	Price Target HKD13.10
Tsui Wah Holdings Limited (1314.HK),HKD3.76 Hold	Price Target HKD4.20

Source: Deutsche Bank

### Deutsche Bank view

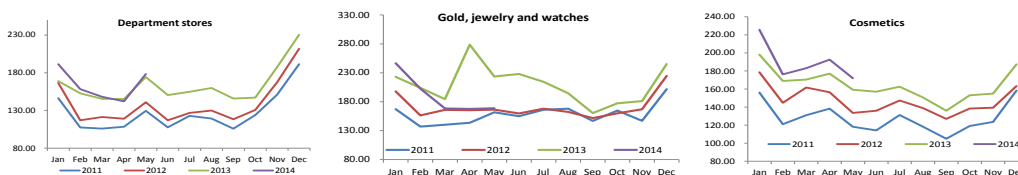
We believe high base effect and changing shopping patterns by mainlanders (lower-per-capita spending) will continue for the HK retail industry. For jewelry companies, Luk Fook commented that its SSS in April and May declined by 56.4% yoy. To recap, the gold rush was at its peak in April 2013, followed by June and then May. We have already seen the worst in terms of yoy decline in jewelry sales in April, but we expect to see tougher comps in June vs. May.

Figure 1: HK retail sales growth and PRC tourist arrivals growth



Source: Deutsche Bank, CEIC

Figure 2: Department stores, gold & jewelry and cosmetics sales among years 2011–2014 (value)



Source: Deutsche Bank, CEIC

### Deutsche Bank AG/Hong Kong

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