

## **What were the changes in consumption choices among Hong Kong's young households in recent years?**

James L. Y. Cheng

Census and Statistics Department, Hong Kong, China

[jlycheng@censtatd.gov.hk](mailto:jlycheng@censtatd.gov.hk)

### **Abstract**

Youth is the driving force of the development of a society. Undoubtedly, their contribution to the consumption of commodities and services is one of the propellants for economic growth. As revealed from the official Household Expenditure Survey, the young households in Hong Kong were found to have on average larger consumption expenditure per person than the other households in the past decade. A closer look at the expenditure profile in various consumption categories would help identify what consumption patterns, or lifestyle, of young households are and how they are similar to or different from the characteristics of the other households. Moreover, by studying the changes over time in consumption patterns of the young households, insights may be gained in regard to their changes in consumption choices. Spending more on catering services and trendy gadgets are, among others, some of the examples prevailing among young households. A few more examples are discussed in this paper. These observations would be meaningful in revealing the change in well-being of young households and shedding light on the development of consumption market, pointing to possible areas of business opportunities.

Keywords: expenditure patterns, consumption choices

### **1. Introduction**

Youth is the driving force of the development of a society. Undoubtedly, their contribution to the consumption of commodities and services is one of the propellants for economic growth. This paper aims to give an account on the expenditure profile of young households in Hong Kong, and to throw light on how such profile is similar to or different from other households in general. The changes over time in the consumption patterns of young households may also provide insights in regard to their changes in consumption choices. Throughout this paper, those domestic households comprising members all (except foreign domestic helpers) of age 35 or below are taken as young households, whereas a domestic household consists of a group of persons who live together in the same quarters and make common provision for essentials for living.

### **2. Household Expenditure Survey**

The data on household expenditure used for this study are sourced from the latest 2009/10 round of Household Expenditure Survey (HES) conducted by the Census and Statistics Department once every five years. Where applicable, reference is also drawn to 1999/2000 round of HES. While the primary purpose of HES is to collect up-to-date information on the expenditure patterns of households in Hong Kong for updating the expenditure weights of the Consumer Price Indices (CPIs), the results of HES are also useful for various applications such as estimation of certain components of private consumption expenditure in national accounts, conduct of market research and studies on consumption behavior. The HES covers all land-based domestic households in Hong Kong, except households receiving Comprehensive Social

Security Assistance<sup>1</sup> and those households which were away from Hong Kong during the reference period of HES. Expenditure information covered in HES is mainly geared to consumption expenditures on commodities and services (including payment in kind) but not business expenses, investment amounts, overseas expenditure, remittance to abroad, personal income tax, charities, savings, etc. For employer-subsidised, owner-occupied and rent-free accommodations where the actual rent is not paid out in full, a rent amount is imputed as the expenditure on housing rent with the assistance of the Rating and Valuation Department.

### 3. Profile of young households in 2009/10 HES

According to the 2009/10 HES, it was estimated that among a total of 1 727 000 households, some 135 000 or 8% were young households.

The young households could be characterized by their smaller size (2.2 household members on average) as compared to all the other households (3.1) (Table 1). Two-thirds of young households comprised of one or two persons only, as contrasted against the remaining households where the majority comprised of 2 to 4 persons. In particular, some 70% of the two-person young households were couples (Table 2).

Table 1 Size of households covered in 2009/10 HES

Size of household	Young households		Other households	
	No. of households	Column %	No. of households	Column %
1 person	44 000	33%	176 000	11%
2 persons	46 000	34%	391 000	25%
3 persons	22 000	16%	405 000	25%
4 persons	17 000	13%	414 000	26%
5 persons or more	6 000	4%	206 000	13%
Overall	135 000	100%	1 593 000	100%
Average size of households	2.2		3.1	

A notable observation is the markedly smaller proportion of households having children among young households (28%) than that among the remaining households (46%). The observation is in line with the trends of fertility decline and postponement of marriage. Furthermore, a remarkably larger proportion of young households resided in private housing (77%) as compared to the other households (50%) (Table 3). This may reflect the higher ability of young households to establish a household on their own as they were usually supported by employment earnings. In fact, the dependency ratio<sup>2</sup> of about 80% of the young households was less than 1, whereas only some 40% of other households had dependency ratio less than 1.

<sup>1</sup> The Comprehensive Social Security Assistance (CSSA) Scheme is administered by the government of Hong Kong Special Administrative Region to provide a safety net for those who cannot support themselves financially. Households receiving CSSA were covered in a special survey conducted along with the HES from which the updated expenditure patterns of such households derived were used in rebasing a separate price index targeted for reflecting the impact of price changes on households receiving CSSA.

<sup>2</sup> Dependency ratio refers to the ratio of the number of non-earners to the number of earners, where an earner refers to a household member whose activity status is either employer, employee, outworker, student worker or self-employed and who receives income from employment.

Table 2 Composition of households covered in 2009/10 HES

Composition of household	Young households		Other households	
	No. of households	Column %	No. of households	Column %
Single person	44 000	33%	176 000	11%
Head and spouse (i.e. couple)	32 000	24%	240 000	15%
Head, spouse & 1 child	16 000	12%	271 000	17%
Head, spouse & 2 children	7 000	5%	275 000	17%
Head, spouse, child(ren) & others	15 000	11%	188 000	12%
Others	21 000	16%	443 000	28%
Overall	135 000	100%	1 593 000	100%

Table 3 Distribution of households by type of housing covered in 2009/10 HES

Type of housing	Young households		Other households	
	No. of households	Column %	No. of households	Column %
Public rental housing	20 000	15%	485 000	30%
Subsidised sales flat	11 000	8%	317 000	20%
Private housing	104 000	77%	791 000	50%
Overall	135 000	100%	1 593 000	100%

#### 4. Expenditure patterns of young households

Taking into account the smaller size of young households, the average monthly expenditure per capita among the young households was HK\$10,565 in 2009/10, distinctly higher than other households (HK\$6,927) by some 50%.

Breakdowns of per capita monthly expenditure of the young households and the other households classified into the twelve Divisions of the Classification of Individual Consumption According to Purpose (COICOP) are given in Table 4. The distribution of expenditure among the COICOP Divisions for young households was in fact quite similar to that of other households. For example, the top two Divisions with largest share of expenditure for both young households and other households were “Housing, water, electricity, gas and other fuel” and “Restaurants and hotels”. These two divisions taken together had accounted for 54% and 53% of overall expenditure of young and other households respectively, showing that these were the core aspects of household expenditure in Hong Kong regardless of age.

The most significant difference between young households and other households in terms of expenditure share was observed in “Food and non-alcoholic beverages”. Moreover, it is interesting to note that the young households’ per capita expenditure on “Food and non-alcoholic beverages” was even lower than the other households (by some HK\$100), where the expenditure for this Division was predominately attributable to expenditure on food. On the other hand, the monthly average per capita expenditure of young households on “Restaurants and hotels”, which was largely expended on catering services, was much higher than the remaining households (by over HK\$750). This suggested that young households had a higher preference for having meals away from home than other households.

Besides, the per capita expenditure on “Clothing and footwear” among young households doubled that among other households, reflecting young people’s keenness on catching up with the trends of fashion and taste.

Table 4 Average monthly expenditure per capita observed in 2009/10 HES

COICOP Division	Young households		Other households		Difference	
	Exp. (HK\$) (a)	Column % (b)	Exp. (HK\$) (c)	Column % (d)	[(a)/(c) -1] x 100%	(b)-(d) (% pt.)
Food & non-alcoholic beverages	613	5.8	720	10.4	-15%	-4.6
Alcoholic beverages & tobacco	62	0.6	43	0.6	+46%	***
Clothing & footwear	542	5.1	271	3.9	+100%	+1.2
Housing, water, electricity, gas & other fuels	3,773	35.7	2,466	35.6	+53%	+0.1
Furnishings, household equipment & routine household maintenance	452	4.3	268	3.9	+69%	+0.4
Health	225	2.1	192	2.8	+17%	-0.6
Transport	932	8.8	562	8.1	+66%	+0.7
Communication	297	2.8	172	2.5	+73%	+0.3
Recreation & culture	803	7.6	417	6.0	+93%	+1.6
Education	294	2.8	307	4.4	-4%	-1.7
Restaurants & hotels	1,943	18.4	1,185	17.1	+64%	+1.3
Miscellaneous goods & services	628	5.9	325	4.7	+93%	+1.3
<b>Overall</b>	<b>10,565</b>	<b>100.0</b>	<b>6,927</b>	<b>100.0</b>	<b>+53%</b>	<b>Nil</b>

\*\*\* less than 0.05

## 5. Change in consumption choices of young households

Over the decade, the average household size of young households observed in HES had dropped from 2.4 to 2.2, whereas the average per capita monthly expenditure of young households had increased by some 10% from HK\$9,513 to HK\$10,565.

Looking into the expenditure breakdowns of young households by COICOP Division, the most notable changes over the decade, in terms of both expenditure share and nominal expenditure amount, were the increased spending on "Restaurant and hotels", as attributable mainly to catering services; and decreased spending on "Food and non-alcoholic beverages", as attributable mainly to food (Table 5). The expenditure on "Restaurant and hotels" grew by 28% in nominal terms accompanied by an increase of 2.5 percentage points in expenditure share, whereas for "Food and non-alcoholic beverages", expenditure dropped by 28% with a reduction of 3.2 percentage points in expenditure share. Whilst the findings indicated the shifting preference of young people to dine out more often along with their hectic lifestyle, the changes may also be due to the substitution behavior between having meals away from home and purchasing food for home cooking, as the cumulative price hike over the decade in food (31%) was larger than in eating out (10%). Having adjusted for the price changes, the expenditure per capita on food among young households had indeed decreased by about a half in real terms. On the other hand, such substitution was less obvious for non-young households, as their nominal per capita expenditure on both "Restaurant and hotels" and "Food and non-alcoholic beverages" had increased by some 19% over the decade.

Table 5 Average monthly expenditure per capita for young households observed in 1999/2000 and 2009/10 HES

COICOP Division	2009/10		1999/2000		Change	
	Exp. (HK\$) (a)	Column % (b)	Exp. (HK\$) (e)	Column % (f)	[(a)/(e) -1] x 100%	(b)-(f) (% pt.)
Food & non-alcoholic beverages	613	5.8	855	9.0	-28%	-3.2
Alcoholic beverages & tobacco	62	0.6	73	0.8	-14%	-0.2
Clothing & footwear	542	5.1	470	4.9	+15%	+0.2
Housing, water, electricity, gas & other fuels	3,773	35.7	3,235	34.0	+17%	+1.7
Furnishings, household equipment & routine household maintenance	452	4.3	383	4.0	+18%	+0.3
Health	225	2.1	224	2.3	**	-0.2
Transport	932	8.8	962	10.1	-3%	-1.3
Communication	297	2.8	346	3.6	-14%	-0.8
Recreation & culture	803	7.6	657	6.9	+22%	+0.7
Education	294	2.8	233	2.5	+26%	+0.3
Restaurants & hotels	1,943	18.4	1,515	15.9	+28%	+2.5
Miscellaneous goods & services	628	5.9	562	5.9	+12%	***
<b>Overall</b>	<b>10,565</b>	<b>100.0</b>	<b>9,513</b>	<b>100.0</b>	<b>+11%</b>	<b>Nil</b>

\* Note: Figures may not add up due to rounding.

\*\* less than 0.5% \*\*\* less than 0.05

Continuous learning is the hallmark in today's knowledge-based society of Hong Kong. This is evidenced in the 26% increase of per capita average expenditure (in nominal terms) in the past decade among young households on "Education", especially tertiary education. Noting that the fee for tertiary education remained almost unchanged over the decade, there was an increase of 136% in real terms on per capita expenditure on tertiary education among young households. In fact, tertiary education had become more popular, as reflected in the substantial 110% increase in student enrollments in Hong Kong's government-funded tertiary institutions from 2000 to 2010.

A larger increase in per capita average expenditure on "Recreation and culture" was also observed for young households (by 22% in nominal terms) than that for the non-young households (7%) during the ten-year period. The nominal increase in expenditure on this Division related mainly to items such as admission to sports and games, concerts, amusement parks karaoke and Package holidays. After discounting for the cumulative price increases over the decade on Package holidays (63%) and Recreation and cultural services (18%), these two categories still saw real increases in the per capita expenditure, by 11% and 69% respectively, among young households. It is also interesting to note that there was a notable increase in per capita expenditure on hotel and transport packages than on traditional tour packages among young households. This reflected the shifting consumption behavior amongst young consumers towards planning tour itinerary on their own instead of joining package tour with tour guide services.

Accelerated consumption on trendy gadgets among young households is another

notable phenomenon in the past decade. With the rapid technological advancement and keen market competition over the last decade, the prices of such products as digital cameras, computers, mobile phones and televisions had been driven down substantially over the decade. The quality of the products had also been improved markedly as more technologically advanced products such as digital single-lens reflex cameras, tablet computers and smart phones became more and more popular, especially among the young households. Taking the consumption of Audio-visual, photographic and information processing equipment as a whole (in the Division “Recreation and culture”), and Telephone and telefax equipment, (in the Division “Communication”), there was a real increase in spending of some 130% among young households over the decade. This was significantly higher than the 78% real increase in these consumption categories for non-young households.

Rising expenditure on personal care products is another notable trend. It is worth noting that young households had spent more on personal care, which is the largest spending category under the Division “Miscellaneous goods and services”, over the last decade. With a small cumulative price decrease (2%) on personal care, there was a real increase of 55% in per capita expenditure of this category among young households. Meanwhile, the real increase observed from the non-young households was smaller, at about 26%.

## **6. Concluding remarks**

Some insights on the consumption patterns of young households and their changes from 1999/2000 to 2009/10 could be gained from the results of HES. While housing and dining out remained the largest spending categories for both young and other households, the HES results suggested that it had become more prevalent for young households to dine away from home; spend less on basic food; spend more on clothing and footwear; consume more recreation and cultural services as well as personal care products and services; purchase more trendy and technologically advanced products like smartphones, tablet computers and digital cameras. It had also become more popular for young households to pursue tertiary education. Such latest changes in consumption preference of young households help shed light on areas with potential growth in consumption demand and related business opportunities.

## **References**

Census and Statistics Department (2011). *2009/10 Household Expenditure Survey and the Rebasing of the Consumer Price Indices*. Hong Kong : Census and Statistics Department.

Census and Statistics Department (2011). *Hong Kong Annual Digest of Statistics, 2011 Edition*. Hong Kong : Census and Statistics Department.

Census and Statistics Department (2012). *Annual Report on the Consumer Price Index 2011*. Hong Kong : Census and Statistics Department.