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Report Highlights:

Bite size local news, Post reports and activity summaries wrapped by ATO Hong Kong. In this issue: USA Pavilion Dazzles at HOFEX 2023; Hong Kong Reports Q1 GDP Rebound; Golden Week Holiday in May surpasses Hong Kong and Macau Government Expectations; Despite the Mild Relaxation on Consumer Price, Pressure Still Remains; There is Potential for Non-Gaming Investment in Macau; Unemployment Rate in Hong Kong Drops Slightly in Q1; Macau Hotel Group First Quarter Revenues Reached 84 Percent of Pre-Pandemic Level; Hong Kong First Quarter Restaurant Receipts Up Over 80 Percent Year-on-Year; Hong Kong Retail Sales Soar 41 Percent to a 35-Year Record; “Polluter Pays” Principle in Effect for Glass Beverage Containers.

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USA Pavilion Dazzles at HOFEX 2023

During May 10-12, 2023, ATO Hong Kong hosted the largest national pavilion at HOFEX, Hong Kong's top food and beverage trade show. Acting U.S. Consul General, Colin Crosby, inaugurated the USA Pavilion and joined the first of many cooking demonstrations featuring local Chef influencer Andy Dark. A total of thirteen U.S. food and beverage exhibitors (double the number at HOFEX 2021) presented at the show featuring their quality products including beverages, cherries, ginseng, hazelnuts, pecans, seafood, and other grocery products to over 25,000 professional buyers from Hong Kong and the region. U.S. exhibitors and local traders were optimistic about the trade potential opportunities with the city's return to normal business activities.

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ECONOMY



Hong Kong Reports Q1 GDP Rebound, Looks Forward to Revival and Growth [[Hong Kong Free Press](#), [South China Morning Post](#), May 2]

Chief Executive John Lee Ka-chiu said the city's economy grew 2.7 percent in the first quarter of 2023, reversing contractions in the previous four quarters, including a 4.1 percent drop in the last stretch of 2022. Although exports continued to decline in the first quarter, faster economic growth in mainland China, coupled with the acceleration of Hong Kong's aviation capacity, are expected to provide further support the recovery. Financial Secretary Paul Chan said in a 2023/24 budget speech in February, Hong Kong economy is expected to grow 3.5 percent to 5.5 percent this year after shrinking 3.5 percent in 2022. **ATO Notes:** The Hong Kong government has offered consumer vouchers to more than six million people, a series of tax breaks and welfare allowances, and a new campaign to revive tourism in order to help Hong Kong's dampened economy.

Vouchers and “Happy Hong Kong” Programs will Boost Local Economy [[RTHK](#), May 1]

Hong Kong government is expected to announce handouts, a series of tax breaks, a rise in tourist traffic, and an increase in events being held in Hong Kong that aim to boost the local economy. The Travel Industry Council also said on Saturday that some 600,000 mainland tourists are expected to visit the SAR during the five-day “May 1 Golden Week” holiday. These positive factors will offset a weak export performance and will underpin an economic improvement in the first quarter. Consumption vouchers (around \$385) were handed out earlier this month and a series of "Happy Hong Kong" events are also expected to boost the economy in the second quarter. **ATO Notes:** For the last three years, the government of Hong Kong has handed out consumption vouchers for Hong Kong residents to rehabilitate the economy. With the positive boost in tourism during the Golden Week holidays, visible improvements in the economy are expected for the second quarter of 2023.

Golden Week Holiday in May surpasses Hong Kong and Macau Government Expectations [[The Standard](#), [Macao Daily](#), May 4]

During the five days between April 29 and May 3 considered the “Labor Day Holidays” approximate 1.71 million visitors entered Hong Kong and 0.49 million entered Macau. In Hong Kong, 37 percent are recorded to be travelers from mainland China, while in Macau, almost for 86 percent. Both governments opined that the figures surpassed their expectations and were encouraged on the positive impacts this incline will bring to the two cities. **ATO Notes:** While Hong Kong enjoys a more diverse set of travelers to the city, it is very visible that both cities are looking positively on their economic recovery following a period of closed borders.

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Despite the Mild Relaxation on Consumer Price, Pressure Still Remains [[Press Release by HKSAR](#), April 21]

Hong Kong Government announced that regardless to the relaxation of consumer price inflation rate from 2.1 percent to 1.7 percent, price continues to pressure on some of the most major components including “meals out and takeaway food” and “alcoholic drinks and tobacco,” while the smaller increase in March 2023 was mainly due to the decreases in the prices of basic food. Comparing March 2023 with February 2023, the year-on-year rate of increase in the Composite CPI in March 2023 (1.7 percent) was virtually the same as that in February 2023. The Government spokesman assumed that the price pressure will continue to remain notable for some time. **ATO Notes:** Hong Kong has a diversified food supply, reliant mostly on mainland China but supplemented by other country suppliers. Since 2022, local importers have expressed concern about higher U.S. food prices and the need to consider other suppliers.

Non-gaming Investment in Macau, There is Potential [[Maca News Agency](#), May 7]

The co-chairman and executive director of gaming company SJM Holdings, Daisy Ho, said that betting on non-gaming projects, as required by local authorities, is not a problem and that the company wants to boost cultural exchanges with Portugal. Betting on non-gaming elements and foreign visitors are two of the requirements set out in the public tender for the granting of gaming concessions by the Macau authorities, with the aim of pushing for economic diversification. In December, SJM pledged a \$1.78 billion investment for the next 10 years, of which \$1.5 billion is allocated to non-gaming developments. Gaming revenue in April reached \$1.83 billion, accounting for a 15.6 percent increase from the previous month. The results indicate that the Macau’s core industry keeps on gaining momentum since the post-COVID reopening in early January. **ATO Notes:** Macau’s economy is greatly dependent on its gaming industry. With the support of the private sector, authorities in Macau intend to expand and invest on non-gaming sectors, opening opportunities for businesses like cultural, retail, tourism, and food services.

May Day: Visitor Figures Skyrocketed in the First Two Days [[Macao Daily](#), May 1]

Visitors entering Macau in the first two days of the May 1 holidays, informally called “May 1 Golden Week,” have far surpassed predictions from the Macau Government Tourism Office (MGTO) of a daily average of 70,000 people over five days. On the first day (Saturday, April 29), the border posts recorded a record-high of 109,196 visitor entries. The previous single-day record this year was on March 18, when 96,011 visitors arrived in Macau. April 30 saw a new record-high, with 133,911 visitors entering Macau. While the lack of manpower in the hospitality, and the food and beverage (F&B) sectors is not new, the sector’s top representative association says F&B establishments will continue to struggle as it becomes very difficult and almost impossible to recruit workers even from the mainland, since current Macau salaries are almost equivalent to those in mainland China. **ATO Notes:** Similar to Hong Kong, the Macau government has been encouraged about the rise in visitors over the “May 1 Golden Week.” With the robust return of travelers to Macau, Macau’s economy is expected to continue improving.

Unemployment Rate Slightly Drops in Q1 [[Macao Daily](#), May 1]

The local residents’ unemployment rate stood at 3.9 percent in the first quarter, as shown by data from the Statistics and Census Service. The figure is a slight drop of 0.6 percentage points from the previous quarter, while it is a drop of 0.4 percentage points in the general unemployment rate, which stood at 3.1 percent. Total employment was 359,300 and the number of employed residents totaled 281,200, down by 600 and 1,000, respectively, from the previous period. **ATO Notes:** With the sudden reopening of

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the borders in Macau, the demand for local workers surged. However, many workers previously employed by these sectors changed their jobs or left Macau during the pandemic. Employers and the local government in Macau are working to increase manpower.

HOTELS, RESTAURANTS, AND INSTITUTIONS



Macau Hotel Occupancy in March Up 46 Percent Year-On-Year [[The Macao News](#), April 28]

Average Macau hotel occupancy in March grew to 77 percent, an increase of more than 46 percent compared to the same month in 2022, when Macau was in the grip of pandemic travel restrictions. According to figures from the Macau Statistics and Census Service (DSEC), the luxury and budget ends of the market have recovered especially well, with five-star properties posting slightly higher than average occupancy at 77.2 percent and two-star hotels registering an average of nearly 81 percent – year-on-year increases of more than 50 percent and 46 percent respectively. A total of 972,000 visitors stayed at hotels during the month – a jump of more than 164 percent – with the majority of them from mainland China (694,000), Hong Kong (186,000) and Taiwan (13,000). Macau’s hotels are preparing for a large influx of visitors over the upcoming Labor Day Golden Week – a customary holiday in mainland China. A Morgan Stanley survey of 25 hotels earlier in April found that 17 were reporting themselves fully booked for the holiday period. **ATO Notes:** Macau reopened its border in January 2023 and tourists have been gradually coming back. The improving hotel occupancy marks that Macau’s economy is gradually recovering from the pandemic.

Macau Gaming Revenue Hit A Three-Year High in April [[The Standard](#), May 2]

A recovery for Macau’s casinos gained traction in April, with gross gaming revenue climbing 449.9 percent to hit a three-year high of \$1.8 billion as Chinese tourists flocked in. The accumulated gaming revenue in the first four months of this year, however, has reached \$6.1 billion, surging 1.4 times year-on-year and surpassing the full-year figure for 2022. China’s current five-day Labor Day holiday will be a key test of the strength of the tourism boom. Macau authorities expect at least 70,000 visitors a day on average, which would be about 64 percent of the average daily visitation rate in May 2019. Travel data firm ForwardKeys pointed to Macau being the top destination for travelers from the mainland within Asia from April 17 to May 7, with bookings up 11 percent from pre-pandemic levels in 2019.

Macau Hotel Group First Quarter Revenues Reached 84 Percent of Pre-Pandemic Level [[The Macao News](#), May 2]

Macau Hotel Group MGM China has reported net revenues of \$618 million for the first quarter of the year. In a regulatory filing, the gaming concessionaire said the figure was just 16 percent less than the total for the first quarter of 2019 – the last year before the pandemic. It also represents an increase of some 130 percent over the same period last year. “The current quarter was positively affected by the

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removal of COVID-19 travel restrictions”, MGM China said. According to a report in March by Morgan Stanley, MGM China is gaining significant market share and could become the first of Macau’s six concessionaires to reach 100 percent of its pre-pandemic gaming revenue, or even exceed it. **ATO Notes:** Macau hotel groups have sustained significant losses under the pandemic when the city’s border was practically closed. As the city re-opened its border, the gradual return of tourists is expected to bring back profits to Macau’s hotel and gaming operators in 2023.

Hong Kong Restaurants Saw Double-Digit Growth During Labor Day Golden Week [[The Standard](#), May 3]

Hong Kong restaurants saw double-digit growth during the Labor Day "Golden Week" that lured over 600,000 mainland visitors to Hong Kong during the five-day holiday (April 29 – May 3), even though not many were big spenders, a catering veteran said. Institute of Dining Professionals president Ray Chui said although eateries saw "double-digit growth" of about 10 percent, the average spending in his local-style restaurant increased from \$1.9 to \$7.7. He believed the economy had just started to revive and the traveling cost was higher than in the past, causing customers to be more "stingy." "It is the first Golden Week holiday after the border reopened, and the hotel room prices went up higher than in previous years, so travelers tended to spend less on dining," Chui said on radio on May 2. He recalled travelers in the 2018 golden week seldom checked out prices, but he observed that visitors were more mindful this time. Chui added that his 44 restaurants are still short of staff, which led to slower table turnover. **ATO Notes:** Although Hong Kong restaurants are enjoying good growth during the Labor Day “Golden Week”, the city’s food service sector is still facing challenges including food price increases, high rents and labor shortage. The next large wave of tourist influx will be in summer, and this will give some time for the city to address the challenges and get better prepared to serve its visitors.

Hong Kong Fast Food Chain Profit Up Over 500 Percent [[The Standard](#), May 3]

One of the largest Hong Kong fast food chains Cafe de Coral expects its net profit will increase more than five-fold up to \$14.7 million for the year ending in March 2023 compared to \$2.7 million from the previous year. The fast-food chain recorded Hong Kong government COVID-19 subsidies of \$5.2 million and said its Hong Kong business started to improve in the second quarter of the 2022-23 fiscal year. However, the second half of the year was affected by the slower-than-expected pace of economic recovery in Hong Kong in the fourth quarter and the severe impact of the COVID-19 on its mainland business in the third quarter. It was also hurt by a fair value loss on investment properties as well as an impairment loss on property, plant and equipment and right-of-use assets. Cafe de Coral said its Hong Kong operations have made efforts to control costs in a challenging environment and successful branding and marketing campaigns had contributed significantly to sales. Multiple initiatives in digitalization and automation also enhanced its productivity and efficiency. **ATO Notes:** Café de Coral is one of the largest fast-food chains in Hong Kong, serving over 300,000 diners every day from over 160 outlets across the city. As Hong Kong lifted all its social distancing and travel restrictions in January, dining at restaurants has been growing. The gradual return of tourists to Hong Kong has also boosted businesses in the Hong Kong food service sector. It is expected that businesses of the food service sector will continue to improve in the next few months.

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Hong Kong First Quarter Restaurant Receipts Up Over 80 Percent Year-on-Year [[Hong Kong Census and Statistics Department](#), May 5]

The Hong Kong Census and Statistics Department released the latest provisional figures on restaurant receipts and purchases on May 5. Value of total receipts of the restaurants sector in the first quarter of 2023, provisionally estimated at \$3.5 billion, increased by 81 percent compared to a year earlier. Over the same period, the provisional estimate of the value of total restaurant purchases increased 73.8 percent to \$1.2 billion. After netting out the effect of price changes over the same period, the provisional estimate of the volume of total restaurant receipts increased 74 percent in the first quarter of 2023 compared with a year earlier. Analyzed by month, it was provisionally estimated that the value of total restaurant receipts increased 40.4 percent in January, 96.6 percent in February, and 136.6 percent in March 2023, compared with the corresponding months in 2022. **ATO Notes:** Hong Kong lifted all its dining and travel restrictions in January, and that has led to resumption of business activities and inbound travels. It is expected that the Hong Kong food service sector will continue to benefit from the recovery of private consumption and inbound tourism. The disbursement of a new round of consumption vouchers will also boost restaurant businesses.



RETAIL

Hong Kong Retail Sales Soar 41 Percent to a 35-Year Record [[The Standard](#), May 5]

Hong Kong's March retail sales soared by 40.9 percent, the fastest pace in 35 years, from a low base a year ago, as consumer and visitor spending continued to improve, but were still slightly below an estimated rise of 41.2 percent. Sales rose to \$4.3 billion for a fourth consecutive month, data from the Hong Kong Census and Statistics Department showed. This compared with a 31.3 percent rise in February and a record 44.8 percent jump in February 1988. By volume, sales grew 39.4 percent compared to last year, slightly higher than expectations. The jump in sales growth can be at least partially explained by base effects: The figures compare to a particularly dire March in 2022 when the city was in the midst of a deadly COVID-19 wave. Sales by volume plunged 13.8 percent year-on-year that month. **ATO Notes:** While Hong Kong's overall retail sales are showing growth, food retail sales dropped. For the first quarter of 2023, Hong Kong food sales were \$3.1 billion, down 4.2 percent compared with the same period in 2022. That was mainly due to Hongkongers' "revenge" outbound travel and more dining at restaurants upon the city's lifting of all pandemic restrictions in January. It is expected food retail sales will resume growth gradually in the next few months.

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TRADE



Two Fresh Beef Samples Found to Contain Sulphur Dioxide [[Press Release by Center of Food Safety, May 4](#)]

The Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department (FEHD) announced on May 4 that two fresh beef samples were found to contain sulphur dioxide, a preservative which is not permitted to be used in fresh meat. The CFS took fresh beef samples respectively from two stalls at FEHD Skylight Market in Tin Shui Wai and Haiphong Road Temporary Market in Tsim Sha Tsui for testing under its routine Food Surveillance Program. The test results showed that the two samples contained sulphur dioxide at levels of 980 parts per million (ppm) and 240 ppm respectively. Sulphur dioxide is water soluble, and most of it can be removed through washing and cooking. However, it is not permitted for use in fresh or chilled meat. Individual meat traders have been found illegally using sulphur dioxide to make meat look fresher. The CFS is following up on the cases. According to the Preservatives in Food Regulation (Cap. 132BD), it is illegal to add sulphur dioxide to fresh or chilled meat. The maximum penalty is a \$50,000 fine and six months' imprisonment. **ATO Notes:** The country of origin of the beef samples was not identified. During the first quarter of 2023, Hong Kong's global imports of chilled meat were \$37.2 million, and imports of frozen meat were \$130.8 million. Imports from the United States accounted for 31 percent of the city's total imports of chilled meat and 55 percent of frozen meats.

Hong Kong Customs Seizes Suspected Cannabis Buds Worth About \$6 million at Airport [[Press Release by HKSAR, May 6](#)]

Hong Kong Customs seized about 31 kilograms of suspected cannabis buds with an estimated market value of about \$0.8 million at Hong Kong International Airport. Customs inspected an air cargo consignment, declared as carrying jeans, arriving in Hong Kong from Canada. Upon inspection, Customs officers found that 10 carton boxes out of 12 carton boxes were concealed with suspected cannabis buds. Under the Dangerous Drugs Ordinance (Ordinance), cannabis and tetrahydrocannabinol (THC) are classified as dangerous drugs. Importation of products (including food or drinks) containing cannabis or THC into Hong Kong is prohibited. **ATO Notes:** Hong Kong has banned cannabidiol (CBD) products since February 1, 2023. For more information please see related [GAIN report](#).

“Polluter Pays” Principle in Effect for Glass Beverage Containers [[Press Release by HKSAR, May 1](#)]

The Producer Responsibility Scheme on Glass Beverage Containers (GPRS) will be fully implemented on May 1, 2023, to enable relevant stakeholders to take up environmental responsibility for proper collection and treatment of waste glass beverage containers, turning the waste into resources for better utilization as well as alleviating the pressure on landfills and promoting the development of a local circular economy. According to the Product Eco-responsibility Ordinance (Cap. 603), starting from May 1, suppliers of glass-bottled beverages (including manufacturers and importers) must first register

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with the Environmental Protection Department (EPD) as a registered supplier before distributing any glass-bottled beverages in Hong Kong, otherwise it will be an offence and is liable to a maximum fine of \$12,820 on conviction. **ATO Notes:** To reduce the use of plastic bags, since 2009, the Hong Kong government imposed a \$0.06 fee per bag and raised the fee to \$0.13 to strengthen the purpose of this policy. For more details on the Polluter Pays Principle please see [GAIN report](#). ATO has confirmed with relevant local authorities that this latest measure on glass beverage containers does not apply to foreign manufacturers, but it will impact local distributors of glass beverages.

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No Attachments.