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**Report Highlights:**

Bite size local news, Post reports and activity summaries wrapped by ATO Hong Kong. In this issue: ATO Kicks Off Summer 2023 In-Store Retail Promotions; Most Business Receipts in Hong Kong Scored Two-digit Improvement for the First Quarter 2023; Hong Kong is Growing Faster Than Singapore; Prices of Hong Kong's Daily Necessities Rose in 2022; Hotels Operating at 70 Percent Capacity Due to Labor Shortage; Macau F&B Revenues Rise in April; Macau's Trade and Investment Promotion Institute Says MICE on the Rise; Hong Kong's Volume of External Merchandise Trade Decrease While Prices Increase in April 2023; Hong Kong and Guangdong Customs' Co-operation to Combat Cross-Boundary Smuggling; Import of Poultry Meat and Products from Republic of Mari El in Russia Suspended.

# THE HONG KONG WONTON

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## ATO HONG KONG KICKS OFF SUMMER 2023 IN-STORE RETAIL PROMOTIONS

Beginning June 23 – July 20, ATO will kick off its summer in-store retail promotions with its seventh collaboration with partner Dairy Farm highlighting U.S. fresh produce at over 280 food retailer stores in Hong Kong and 22 San Miu retail stores in Macau. Similarly, from June 27 – July 10, ATO will run its second in-store retail promotion of 2023, this time in partnership with YATA retail stores. This will be ATO’s ninth collaboration with this fast-growing retailer targeting middle to high-income consumers. Highlighting over 100 U.S. products, the promotion will include live cooking demonstrations featuring recipes with frozen beef cheeks, pork ribs, yellow corn, and fresh peaches. YATA (established in Japan) has three department stores and eight supermarket outlets in Hong Kong. While the retailer primarily carries Japanese goods, these promotions have allowed ATO to expand U.S. product offerings at these stores. In 2022, Hong Kong’s food retail sales held steady at \$12 billion. Food retail sales in the first quarter of 2023 declined as Hong Kong consumers increased spending on travel and dining out but figures are expected to normalize in the coming months. For more details on the outlook of Hong Kong’s food retail sector please see our June 2023 [Retail Report](#).

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## ECONOMY

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### **Most Business Receipts in Hong Kong Scored Two-digit Improvement for the First Quarter 2023** **[[HKSAR Website](#), Jun 9]**

In the first quarter of 2023, the value of business receipts from many major service industries increased when compared to the first quarter of 2022, according to provisional figures from business receipts indices released by the Census and Statistics Department. Comparing the first quarter of 2023 with the same period last year, double-digit increases were recorded in business receipts in industries providing accommodation services (+84.5 percent), food services (+81.7 percent), banking (+30.6 percent), retail (+24.1 percent), and administrative and support services (+21.9 percent). Conversely, double-digit decreases were recorded in business receipts for transportation (-18.7 percent), import/export trade (-17.5 percent) and courier services (-12.5 percent). Analyzed by service domain, business receipts for tourism, convention and exhibition services increased 400.6 percent year-on-year, whereas receipts for computer and information technology services decreased 9.9 percent year-on-year. **ATO Notes:** With increasing tourism and domestic demand, most service industries in Hong Kong are showing improvement. However, the recovery in businesses related to trade and transportation are still lagging. In the first quarter of 2023, Hong Kong's import and export trade decreased 17.5 percent compared to the same period in 2022. According to the Hong Kong Census, the city's import and export trade receipts in 2022 decreased 8.5 percent to \$13.5 million compared to 2021. Even though the trade industry is still recovering, Hong Kong still ranked as the world's 10th largest trading entity in merchandise trade.

### **Hong Kong is Growing Faster Than Singapore** [[The Standard](#), Jun 12]

Hong Kong's economy is expected to grow faster than previously forecast this year as consumer spending rebounds, while growth in rival financial hub Singapore is likely to slow as global demand weakens. The latest Bloomberg survey of economists shows the Hong Kong economy will grow around 4.6 percent in 2023, up from a previous estimate of 3.4 percent. By comparison, Singapore's gross domestic product is projected to expand 1.4 percent, down by half a percentage point, according to the survey. Hong Kong's economy continues to see a consumption-driven rebound supported by tourism, boosting its short-term cyclical prospects. Still, there are risks to the outlook from a slowdown in the global economy and rising interest rates. **ATO Notes:** Singapore is one of the first Asian economies to reopen its borders after the pandemic, attracting the temporary relocation of major events and trade shows previously held in Hong Kong. With the reopening, Hong Kong is regaining its position not only on airport operations, but also for hosting major events and trade shows. Returning trade show exhibitors explain that while Singapore offered a much-needed temporary solution, Hong Kong is far better positioned (transportation logistics, venue locations) to host major international trade shows.

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## **Prices of Hong Kong's Daily Necessities Rose in 2022 [[HKSAR Website](#), Jun 14]**

The Consumer Council conducted a recent survey on the prices of goods sold by three major supermarket chains in 2022 and found that there was a price increase in nearly 70 percent of the goods. The aggregate average price of a 260-items basket from the surveyed supermarkets rose by 2.1 percent compared to 2021, higher than the 1.9 percent increase in the Composite Consumer Price Index during the same period. **ATO Notes:** Hong Kong is an open and dynamic market that encourages fair competition. The government has put in place regulation to prevent monopolies and ensure abundant choices remain available to consumers. The three major supermarket chains in Hong Kong includes Wellcome, Parkshop, and AEON. As Hong Kong imports 95 percent of its food needs, rising global food prices since the onset of the pandemic continue to impact import food prices.

## **Hong Kong Unemployment and Underemployment Hold Steady in March – May 2023 [[HKSAR Website](#), Jun 19]**

According to the latest labor force statistics by the Census and Statistics Department (i.e. provisional figures for March - May 2023), the seasonally adjusted unemployment rate stood at 3.0 percent during March - May 2023, same as in February - April 2023. The underemployment rate also remained unchanged at 1.2 percent in the two periods. The labor force increased from 16,700 and 17,900 workers and total employment increased from 3,787,000 and 3,673,800. The number of unemployed people decreased further by 1,300 to 113,100. The labor market should improve further in the coming months as the economy continues to recover. Comparing the preceding three-month period, the unemployment rates in various sectors showed diverse movements in March - May 2023. The combined unemployment rate of the consumption- and tourism-related sectors remained unchanged at 4.2 percent. The unemployment rates of the retail sector held steady at 3.8 percent and the rate in food and beverage service activities remained at 4.8 percent. However, the rate of unemployment in the accommodation services sector declined 0.4 percentage points to 3.5 percent. The unemployment rates for some sectors also declined, notably for the construction sector, the wholesale sector, the human health activities sector, and the social work activities sector. The unemployment rates of the remaining sectors either showed little change or increased but stayed low in general. **ATO Notes:** It is noticeable from several reports that Hong Kong continues to face labor shortage in various sectors. ATO continues to hear anecdotal accounts from the food service and hospitality sectors that these employment challenges are delaying a speedy return to full business operations.

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## HOTELS, RESTAURANTS, AND INSTITUTIONS

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### **Hotels Operating at 70 Percent Capacity Due to Labor Shortage** [[Sky Post, Jun 15](#)]

Hong Kong Commercial Daily and Sky Post front-page stories reported labor shortages in the hotel sector reached 9,000. This is three times higher than the government’s forecast, according to a survey conducted by Hong Kong’s Federation of Hotel Owners last month. “Due to severe shortage of staff, hotels can only operate 70 percent of the rooms. As the total number of hotel rooms will increase to 91,000 in the coming four years, the gap between workers needed and available will widen to 12,000 people. Most of the Federation’s members support the government efforts to increase labor importation from overseas,” the papers reported. **ATO Notes:** Even as the Hong Kong economy is recovering after the reopening of the border, hotel operations cannot return to their full capacity due to labor shortages caused by high emigration. New immigration programs offered by the United Kingdom, Canada, and even Japan have drawn thousands of Hong Kong residents. The Hong Kong Government is introducing a talent acquisition program to fill back the loss of labor. Although hotels are not operating at their top capacity, business receipts in hospitality and retail services continued to improve in the first quarter of 2023.

### **Macau F&B Revenues Rise in April** [[Macau Daily Times, Jun 20](#)]

According to survey data from the Statistics and Census Service, in April 2023, F&B establishments’ receipts rose 57 percent year-on-year, with notable growth in receipts for western restaurants (+134 percent) and Chinese restaurants (+82 percent). In addition, retail sales grew 74 percent year-on-year. As for May business expectations, 26 percent of surveyed restaurants and similar establishments expected receipts to increase month-on-month. On the other hand, 26 percent of the interviewed retailers predicted receipts would decrease month-on-month in May. **ATO Notes:** The improvement in Western restaurant receipts is a direct result of the rise in tourism following the border reopening in January. It is important to note that while Macau business receipts have generally recovered in March and April, receipts have not yet returned to 2019 levels.

### **Macau’s Trade and Investment Promotion Institute Says MICE on the Rise** [[Macau Daily Times, Jun 16](#)]

This summer holiday will see 35 MICE events (Meetings, Incentives, Conventions, and Exhibition) being held in Macau. These events – which will include some professional meetings with over 1,000 participants – are expected to draw over 240,000 cumulative participants. The Macau Trade and Investment Promotion Institute (IPIM) emphasized its confidence in reaching IPIM’s annual target of 1,000 MICE events. Macau has 240,000 square meters of event space and 39,000 hotel rooms. The city is also one of the few locations in the region that is capable of hosting events with over 10,000 participants. When asked to recap their visit to Macau, several delegates made special reference to the

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new arena at the Galaxy Macau resort, describing it as world-class and magnificent. **ATO Notes:** In an effort to attract more MICE events to the city, the Macau government has supported the refurbishing of meeting facilities, and the introduction of new hotels and exhibition locations.

## **International Tourists Doubled Since Resumption of Flights [[Macau Daily Times, Jun 14](#)]**

International tourist arrivals nearly doubled in the first quarter from 3,000 to 5,000 daily travelers while the overall average daily visitor arrivals reached 60,000, according to the director of the Macau Government Tourism Office (MGTO). Macau recorded overseas visitors surge since the gradual resumption of international flights as the local government pushes tourism campaigns in its source markets. The head of the local tourism board also said that she was confident that the quality of tourism service would improve in time for the summer holidays. Her outlook for the summer holidays is as optimistic as usual. She was also supportive of the local hotel industry, saying that she believes “hotels have their own strategies on how to alleviate the burden and to service their clients better.” **ATO Notes:** Tourists number has continued to grow since the reopening of borders. With Macau’s Government promotion of tourism campaigns, the number is expected to keep recovering during the summer holidays. Prior to the pandemic, the city used to host 29 million visitors a year.



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## **RETAIL**

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## **Hong Kong’s Agricultural Department Holds First Happy Hong Kong Event - A and F Carnival: Local Organic Watermelon Festival 2023 [[HKSAR Website, Jun 19](#)]**

The Agriculture, Fisheries and Conservation Department (AFCD) will hold the Local Organic Watermelon Festival 2023, which is the first event under the Happy Hong Kong - A and F Carnival, from June 22. For this occasion, the AFCD introduced four highlighted varieties of organic watermelons. The department will hold the Happy Hong Kong - A and F Carnival between June 2023 and January 2024 to promote local premium agricultural and fisheries products, and to strengthen the sustainability of local agriculture and fisheries with an array of carnival activities themed on local agricultural and fisheries delicacies. The Carnival also aims to provide members of the public with opportunities to enjoy happy moments together, thereby bringing more joy to the community. Four highlighted varieties of watermelons, namely Huang Yu, seedless 3F-2728, Super Sweet Black Angel 168 and Diana. A newly introduced watermelon variety - Huang Yu - is spherical in shape, green with dark striped skin, with juicy yellow flesh and a sweetness of around 10 degrees Brix (degrees of Brix denote the units for measuring sucrose content in a solution). The seedless 3F-2728 is also spherical in shape, green with dark striped skin, with red flesh and a sweetness of around 10 degrees Brix. Super Sweet Black Angel 168 is also spherical with dark striped skin in green, and its bright crimson-colored

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flesh is very juicy, with a sweetness of around 12 degrees Brix. Diana is oblong in shape, with intense red flesh encased under its bright striped yellow skin. The fruit has a sweetness of around 11 degrees Brix. The sweetness of local organic watermelons is usually between 8 and 12 degrees Brix. Furthermore, the AFCD has continued to invite all regular local organic farmers' markets to join the Watermelon Festival. Members of the public can purchase local organic watermelons and other seasonal vegetables and fruits at organic farmers' markets from late June. **ATO Notes:** Hong Kong has very limited farm production, some seasonal local produce includes water spinach, sweet yam shoots, corns, gourds, chives, beetroot, cucumbers, eggplant, long bean, okra, button mushrooms, sugar canes, lemon and etc. Hong Kong consumers are health conscious and prefer organic and local produce. However, given its limited availability, locally produced organic and fresh produce is often expensive. As Hong Kong recognizes the USDA organic logo, U.S. producers are uniquely positioned to expand their organic offerings in this market.



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## TRADE

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### **Hong Kong's Volume of External Merchandise Trade Decrease While Prices Increase in April 2023** [[HKSAR Website, Jun 19](#)]

According to the Census and Statistics Department, in April 2023, the volume of Hong Kong's total exports and imports of goods decreased by 17 percent and 16 percent respectively compared to same month in 2022. Comparing the first four months of 2023 with the same period last year, the volume of Hong Kong's total exports and imports of goods decreased 20 percent and 16 percent respectively. Comparing April 2023 with April 2022, the prices of total exports of goods and imports of goods increased 5 percent and 4 percent respectively. With regards to price changes in the first four months of 2023 over the same period in 2022, prices for total exports and imports of goods also increased. Comparing April 2023 with April 2022, the import volume from all main suppliers declined: Singapore (-33 percent), the USA (-31 percent), Japan (-21 percent), Taiwan (-16 percent) and the mainland China (-10 percent). Over the same period of comparison, the import prices from mainland China (8 percent), Taiwan (4 percent), the USA (3 percent) and Japan (2 percent) increased. On the other hand, import prices from Singapore decreased 4 percent. **ATO Notes:** During the first four months of 2023, Hong Kong's global imports of food and agricultural products slowed 2.44 percent to \$8.1 billion compared to the same period in 2022. While imports from the United States slowed 15 percent to \$454 million during the same period, the United States was Hong Kong's second largest supplier.

### **F&B Industry Happy with New Measures to Ensure Good Practices,** [[Macau Daily Times, Jun 13](#)]

The Food and Beverage (F&B) industry is happy with new measures launched by the Municipal Affairs Bureau (IAM) which aim to ensure that establishments systematically enforce good food safety practices, said a representative from the sector interviewed by the media on the sidelines of the 2023

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World Food Safety Day and Food Safety Industry Exchange Conference event. Unidentified inspectors from IAM will visit stores regularly as consumers to report on food and beverage handling practices. The industry has been paying a lot more attention to matters related to food safety especially since COVID-19, adding that several good practices regarding cleanliness and disinfection have persisted after the pandemic, improving the image of F&B establishments. The practice to disclose the name of food establishments involved in food poisoning cases, would potentially contribute to entities taking extra care regarding food safety practices. There are currently 8,096 F&B-related licensed stores and venues in Macau. This includes not only F&B establishments but also food processing venues (276) and other food retailers (988), which includes supermarkets, fruit stalls, convenience stores, and wholesale venues. Nonetheless, take-away establishments (including bakeries, sushi shops, snack shops, and Char Siu meats stalls) have reached a total of 3,625. **ATO Notes:** As mentioned in previous WONTON editions, Macau is moving to diversify its economy and F&B has been identified as a target industry. The city intends to promote food safety practices to food and beverage services providers in order to strengthen the industry's reputation.

## **Imported Chilled Chicken Sample Detected with Enrofloxacin Exceeding Legal Limit, [[CFS Website](#), Jun 13]**

Hong Kong's Center for Food Safety (CFS) of the Food and Environmental Hygiene Department announced that a sample of imported chilled chicken was found with excessive enrofloxacin, a veterinary drug residue. The CFS collected the above-mentioned chilled chicken sample at the point of import under its routine Food Surveillance Program. The test result showed that the sample contained enrofloxacin at a level of 190 parts per billion (ppb), exceeding the legal limit of 100 ppb. According to the detected level, normal consumption is unlikely to pose adverse health effects. According to the Harmful Substances in Food Regulations (Cap. 132AF), muscle of poultry sold in Hong Kong for human consumption is not allowed to contain enrofloxacin exceeding 100 ppb per kilogram. Offenders will be prosecuted and will be liable to a fine of \$6,400 and six months of imprisonment upon conviction. **ATO Notes:** Hong Kong is currently reviewing its regulations regarding Harmful Substances in foods. The country of origin of said sample was not identified. In 2022, Hong Kong's global imports of poultry decreased 7.5 percent to \$934 million. In the first four months of 2023, Hong Kong's total imports of poultry products increased 4.5 percent to \$301 million compared to the same period last year.

## **Suspected Case of Ginkgo Seed Poisoning under CHP Investigation, [[HKSAR Website](#), Jun 13]**

The Centre for Health Protection (CHP) of the Department of Health is investigating a suspected case of ginkgo seed poisoning and hence reminded members of the public not to consume large amounts of ginkgo seeds. The case involved a 57-year-old man who brought ginkgo seeds from mainland China, as a gift from a relative. **ATO Notes:** Ginkgo seeds are a very popular ingredient used in Hong Kong home cooked dishes, for instance, congee, soups, dinner dishes and desserts. It is considered an ingredient with great health qualities. However, as natural toxins are present in ginkgo seeds, improper handling or over consumption can lead to food poisoning. Ginkgo seed poisoning cases are not rare in Hong Kong. Most Ginkgo seeds in Hong Kong primarily originate from mainland China, followed by Japan and Korea.

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## **Hong Kong and Guangdong Customs' Co-operation to Combat Cross-boundary Smuggling** [[HKSAR Website](#), Jun 15]

The Commissioner of Customs and Excise, Ms. Louise Ho, and the Director General of the Guangdong Sub-Administration of the General Administration of Customs of the People's Republic of China, Mr. Li Kuiwen, led delegations to attend the 2023 Annual Review Meeting between Hong Kong and Guangdong Customs held in Hong Kong. The meeting reviewed the co-operation between the Guangdong and Hong Kong Customs on clearance facilitation, anti-smuggling, combating cross-boundary drug trafficking, intellectual property rights protection and staff training over the past two years. At the meeting, the two Customs administrations reached consensus on a series of co-operation plans. On customs clearance, the two sides will proactively facilitate development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and explore new co-operation initiatives, including strengthening various trade facilitation measures and pressing ahead with the development of a new trade corridor of the Hong Kong-Zhuhai-Macao Bridge to enhance customs clearance efficiency and create a more advantageous business environment. They will also continue to combat cross-boundary smuggling and drug trafficking activities, protect intellectual property rights, and strengthen the risk prevention and control mechanism of the Customs of the GBA through intelligence exchanges and joint operations. To enhance the enforcement and management capabilities of Customs officers of both administrations, they will continue to provide mutual training programs, arrange visits and exchange activities. In addition, both pledged to deepen the understanding of enterprises and the public of both sides about Customs' duties through publicity campaigns and education.

## **Import of Poultry Meat and Products from Republic of Mari El in Russia Suspended** [[CFS Website](#), Jun 15]

The Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department announced that in view of a notification from the World Organization for Animal Health (WOAH) about an outbreak of highly pathogenic H5N1 avian influenza in the Republic of Mari El in Russia, the CFS has suspended the importation of poultry meat and products from the affected area to protect public health in Hong Kong. Currently, Hong Kong has established a protocol with Russia for the import of poultry meat but not for poultry eggs. According to the Census and Statistics Department, Hong Kong imported about 30 tons of frozen poultry meat from Russia in the first three months of this year. **ATO Notes:** Russia is not a major poultry supplier to Hong Kong. As reported in previous editions, global outbreaks of avian influenza continue to impact poultry imports to the city.

## **Hong Kong Customs and AFCD Join Hands to Combat Smuggling Activities** [[HKSAR Website](#), Jun 16]

Hong Kong Customs and the Agriculture, Fisheries and Conservation Department (AFCD) conducted a one-month joint enforcement operation codenamed "Shepherd" in May to combat endangered species smuggling activities at the airport, seaport, land boundary and railway control points. During the operation, Customs detected 24 cases with seizures of about 5.3 tons of suspected endangered species with an estimated market value of about \$3 million and arrests of 14 people. Among the seizures, over 5 tons were suspected scheduled dried shark fins of endangered species, with an estimated market value of about \$3 million, seized by Customs inside two imported seaborne containers. Apart from these, other suspected endangered species, including live turtles, dried seahorses and American ginseng were also seized. As the pandemic gradually levelled off and normal travel between Hong Kong and mainland

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China resumed since February 6, Customs detected 175 cases of suspected smuggling of endangered species in the first five months of this year, which has exceeded 60 percent of the total number of cases detected last year, when borders were closed. **ATO Notes:** Dried seahorse and ginseng imports from the United States are traditionally used as herbal ingredients. According to government statistics, in 2022, Hong Kong imported \$22 million worth of U.S. ginseng. In the first quarter of 2023, the city's imports of U.S. ginseng slowed 1 percent to \$10 million.

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## **Attachments:**

No Attachments.