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Report Highlights:

Bite size local news, Post reports and activity summaries wrapped by ATO Hong Kong. In this issue: Hong Kong's International Wine & Spirits Fair Returns; 2023 Economic Turnaround Predicted for Hong Kong; Hongkongers Optimistic About Household Finances But May Still Cut Back Spending; First Cruise Arrives in Hong Kong; Macau's January Daily Gross Gaming Revenue Estimate Revised Upward; Food Trucks Offered More Flexible Contracts; Mainlanders Return to Hong Kong Shopping; Hotel Bookings Surge; Hong Kong Retail Trade Improved; Optimistic Outlook for Hong Kong Exports; Hong Kong Resumes Hamster Imports; ATO Bids Farewell to Agricultural Specialist Caroline Yuen.



Hong Kong's International Wine & Spirits Fair Returns

Following a three-year hiatus due to the pandemic, the Hong Kong International Wine & Spirits Fair (Wine Fair) took place from January 10 – 11, 2023. Over 100 local and international wine exhibitors joined the fair, which included the celebrated return of tasting sessions. Two local exhibitors showcased quality U.S. wines to traders attending the show. While exhibitors reported not seeing an immediate boost to business following the reopening of mainland border on January 8, they remain optimistic about the overall business outlook. In 2021, Hong Kong's global imports of alcoholic beverages recovered and grew nearly 30 percent to \$1.8 billion but slowed 17 percent in 2022 as a result of the fifth wave of the pandemic. In anticipation of the city's economic recovery and the market for alcoholic beverages, the show organizer, the Hong Kong Trade Development Council, is actively considering staging the next Wine Fair in November 2023.

ECONOMY



Major Hong Kong Business Group Predicts 2023 Turnaround, GDP to Grow 3.8 Percent after Border Reopening with Mainland China [[South China Morning Post](#), January 9, 2023]

The Hong Kong General Chamber of Commerce predicts that in 2023, Hong Kong's economy will grow 3.8 percent and the jobless rate will ease to 3.3 percent as activity picks up following the reopening of the border with mainland China. In November 2022, Hong Kong downgraded its full year forecast to a 3.2 percent economic contraction after its gross domestic product (GDP) fell for three straight quarters, prolonging the recession. The Chamber's figure for 2023 is broadly in line with the 2-5 percent expansion predicted by several economists last week, who similarly expect a boost as the city has eliminated nearly all COVID-19 restrictions. The Chamber also predicted a 10 percent growth in retail

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sales, as well as a 4.5 percent growth in exports. After three years of restrictions, Hong Kong and the mainland resumed quarantine-free travel on January 8, 2023. **ATO Notes:** The border traffic has steadily resumed. As of January 16, nine days after the opening of border with China, Hong Kong recorded 207,000 arrivals from and 140,000 departures to China. With an expected increase in economic activities and the flow of people, the retailing and restaurant businesses are expected to significantly rebound in 2023. However, as Hong Kong's re-export trade contributes significantly to its GDP, high interest rates and weak overseas demand may temper the pace of Hong Kong's re-export trade and its recovery. U.S. agricultural exporters considering travel to Hong Kong should consult the latest U.S. Department of State's [Travel Advisory](#), the U.S. Consulate's [COVID-19 information page](#), or contact ATO Hong Kong.

Hongkongers Are Optimistic About Household Finances But May Still Cut Back Spending [[The Standard](#), January 13, 2023]

Hongkongers' optimism about their household finances improved in the fourth quarter, the first rise since last year. However, over 70 percent of citizens may cut spending to prepare for inflation and a possible recession, a survey by TransUnion showed. The survey polled 1,011 spenders between November 3 and 15 last year. About 36 percent of respondents are optimistic about their household finances this year, up 4 percentage points from that in the previous quarter. Around 34 percent surveyed expected the city's economy to fall into recession this year - an increase of 10 percentage points from the previous quarter. To deal with a potential economic slowdown, 73 percent of consumers plan to cut back on spending while 63 percent said they would increase their savings. **ATO Notes:** Hong Kong has just reopened its orders. It will take several months for trade and businesses to recruit staff and resume capacity before the city returns to its pre-COVID-19 vibrancy. Nevertheless, there is a palpable growing optimism in the city, one that is expected to grow as the economy continues to pick up.

First Cruise from Singapore Arrives in Hong Kong [[NOW News](#), January 17, 2023]

An international cruise ship arrived in Hong Kong for the first time in three years. The ship arrived in Hong Kong on January 17, 2023, and stayed in the harbor for one night. The Hong Kong government staged a welcome ceremony for the ship's arrival and sent welcome souvenirs to all passengers on board. Silver Spirit, of the Silversea cruise line carried a few hundred passengers on board from over twenty countries and departed Singapore in early January after stopping by Vietnam and Thailand. After the stop in Hong Kong, the ship will return to Singapore. **ATO Notes:** International cruises were curtailed in early 2020 after reports of COVID-19 outbreaks on the ships. "Cruises to nowhere" were set in Hong Kong during the pandemic, but these too were eventually stopped. The return of international cruises to Hong Kong is another indication that Hong Kong is returning to normal. Silversea Cruises have demonstrated their confidence in Hong Kong by arranging six ship calls to the city in the coming two months. The Tourism Board has pledged that it is prepared to work alongside local businesses on a "Hello! Hong Kong" campaign to offer a range of perks for travelers, including free "welcome drinks" for visitors dining out at more than 100 restaurants and bars across the city. It can be expected that the government and the Tourism Board will spare no efforts to render support to international cruise lines in a variety of ways to facilitate their deployment to Hong Kong. In the past, cruise tourism benefited various sectors, contributing \$219 million in 2018.

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Morgan Stanley Raises Macau’s January Daily Gross Gaming Revenue Estimate [[Macau Daily Times, January 17, 2023](#)]

Visitor numbers to Macau have picked up since China eased its zero-Covid policy on January 8. Over the past weekend (January 14), 160,000 people entered Macau Casino floors, starting to resemble pre-pandemic days, but the numbers are still shy from optimal levels. According to Morgan Stanley’s on-the-ground checks, ease of travel between Hong Kong and Macau is similar to pre-pandemic times, and “foot traffic in most casinos were about 35-45 percent compared to 2018-2019.” It raised its January gross daily gaming revenue estimates to \$31 million its previous estimate of \$24.9 million. However, Morgan Stanley warns that without a recovery in premium mass segment, “the sector’s growth trajectory could be slower than what the market expects.” **ATO Notes:** The number of tourists going to Macau over the past weekend was record-breaking compared to recent months and the Macau government is expecting an even higher turnout during the Lunar New Year holiday starting January 22. With the change of China’s recent COVID-19 policy allowing normal life to resume, Macau’s Prosperity Index for January (prepared by Macau Economic Association) is 2.8, 0.9 points higher than the December 2022 index. Although the index is still at unsatisfactory levels, the Index together with the rising visitor arrival numbers are good indicators of Macau’s path to economic recovery.



HOTELS, RESTAURANTS, AND INSTITUTIONS

Food Trucks: Contract Offered By Arts Hub More Flexible Than The Government [[Ming Pao, January 9, 2023](#)]

The Hong Kong government (HKG) launched a pilot food truck program promoting Hong Kong’s creative and delicious food products in 2017. The program started with 15 trucks which were chosen based on their food products/cuisines being innovative and delicious. At the end of 2021, the HKG announced the end of the program in June 2022 concluding that the results were not satisfactory. Following this pilot program, the Hong Kong Arts Hub – West Kowloon Cultural District Authority obtained HKG approval for six food trucks to continue their businesses at the waterfront adjacent to the District starting June 2022. After a six-month trial, one food truck was able to breakeven and all other five recoded profits. Given the successful trial, the Authority renewed the contracts for all six food trucks operators for one year until the beginning of 2024. The spokesman of the Authority indicated that the organization is prepared to launch more large-scale activities and catering services in the coming year to accommodate the appetite of local and international visitors. **ATO Notes:** Referencing the food trucks experience in the United States and other overseas markets, the HKG introduced the idea to Hong Kong. The program in Hong Kong was not successful greatly due to the social unrest in 2019 and the pandemic. However, based on the feedback of surviving food trucks operators, the cultural authority has been more flexible and accommodative in the contract terms compared to those stipulated by the HKG. They are confident that their businesses will improve significantly in 2023 when the city is accessible to mainland and international visitors.

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Mainlanders Return To Hong Kong Shopping Hotspots [[The Standard](#), January 16, 2023]

Thousands of mainland tourists went shopping right after stepping off trains to the city on January 15 - the first day that high-speed railway services resumed. Luxury bags and cosmetics were clearly top of many lists. “The Elements,” a shopping mall at a high-speed train station in West Kowloon, welcomed 20-30 percent more shoppers than usual. The comeback of mainland tourists came a week after the reopening of the Hong Kong-mainland border and the easing of COVID-19-related restrictions. The Hong Kong Tourism Commission pointed out that mainland tourists now account for nearly 80 percent of inbound tourists. In addition to shopping, a family of three from Guangzhou headed to Disneyland right after setting foot on Hong Kong soil. Mainland tourists also love to visit other tourist spots and enjoy good food in Hong Kong. **ATO Notes:** Hong Kong is well connected with mainland China by road, rail, sea and air transportation networks. Hong Kong is looking to regain its status as an excellent showcase for mainland Chinese who come to Hong Kong to buy high quality food products and enjoy good meals.

Bookings for Hong Kong Hotels And Attractions Surge [[The Standard](#), January 18, 2023]

Hong Kong hotel bookings by mainland tourists have increased three-fold for the Lunar New Year holiday and bookings for tourist attractions have shot up 10 times, says mainland booking site “Meituan”. Meituan's statistics showed bookings for Hong Kong hotels tripled a week after the city reopened its borders on January 8. Bookings were coming from all over China. A spokesman from the site said Hong Kong has become one of the popular destinations with proximity in location, transportation and convenience. However, the reality is far from rosy, local hotels said. A member of the executive committee of the Hong Kong Hotels Association, Victor Chan, told The Standard that 60 percent of hotel rooms are booked, with only 10 percent of tourists coming from mainland and overseas. He added that mainland tourism remained restrictive as tourists need to take extra time in applying for the exit-entry permit to Hong Kong, while the tourism trade had not received mass bookings from mainland group tours. He expected Hong Kong to see more mainland tourists by May, during China's Labor Day Golden Week. **ATO Notes:** Some mainland Chinese visitors are residents of neighboring Guangdong province, hence some of them may opt for same-day-return trips to Hong Kong. Moreover, as the Chinese border has just reopened, it will take extra time to process Chinese residents’ entry permits to Hong Kong. In addition, some Chinese tourists have opted to visit Southeast Asia instead of Hong Kong. It is expected that visitor arrivals to Hong Kong will become more apparent and stable by the second quarter of the year.

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RETAIL



Hong Kong Retail Trade Improved Amid Dropping Shop Vacancies [[The Standard](#), January 9, 2023]

Last December, the shops vacancy rate fell signaling that the city's retail trade may be picking up. This came as shopping malls said they expected visitor numbers to rise significantly now that China has reopened its borders. Property agency, Centaline Commercial, expects the shop vacancy rate will fall further as the border with the mainland had reopened after nearly three years and the Chinese New Year is around the corner. Meanwhile, property developer Sun Hung Kai Properties (SHKP) predicts that this year, the footfall will increase up to 20 percent at 15 of its shopping malls. Another property developer Sino Group estimates sales at its three major shopping malls will rise significantly in the first quarter, and is joining the race by organizing point-to-point shopping tours from Guangdong province and giving away gift vouchers to mainland tourists. **ATO Notes:** Retail stores and restaurants are preparing for the anticipated spending spree by local residents and tourists during the Lunar New Year holidays (January 21-25). The return of mainland Chinese tourists is expected to boost the Hong Kong food retail sector but more significantly the food service sector.

Tourists Expected to Boost Hong Kong Lunar New Year Fair [[The Standard](#), January 16, 2023]

Vendors at Victoria Park welcomed the largest Lunar New Year Fair launching on January 16, hoping to see an increase in business as the border reopened. Hundreds of visitors flocked to the 175 wet goods stalls at the Fair to purchase New Year flowers, including Peach blossom trees, daffodils, and orchids. "I expected the profit this year will increase over 20 percent compared to previous years during the pandemic," said Ko, a stall owner selling Tangerine trees. Another stall owner Ng believed the business turnover could be up to \$103,000 this year. A shopper said it is a tradition to purchase flowers to signify good luck for the Lunar New Year. "My shopping budget is about \$385," he added. The 2023 Lunar New Year fairs will be held at 15 locations in the city for seven days starting from January 16, with a total of 922 wet goods stalls selling New Year flowers. Visitors can pick up tickets on-site or online and have to wear a mask inside the venue. **ATO Notes:** The Lunar New Year Fair is the largest annual outdoor shopping festival across Hong Kong. Hongkongers like to buy flowers at the Fair to beautify their homes and purchase foods to serve their friends and relatives during the festive season. However, food tastings and sales at the Fair were limited under the pandemic. It is expected that sales at the Lunar New Year will increase significantly as Hong Kong has lifted most of its COVID-19 restrictions. The return of tourists will also boost the sales at the Lunar New Year Fair and shopping malls across the city.

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TRADE



ATO Hong Kong Bids Farewell to Agricultural Specialist Caroline Yuen [ATO Hong Kong]

After 28 years of dedicated service to the U.S. government (26 of those years with FAS!) ATO Hong Kong is saying farewell to Agricultural Specialist extraordinaire, Caroline Yuen, who will be retiring in March 2023. Since joining FAS in 1996, Caroline has diligently safeguarded the interests of U.S. food exporters: from averting biotech labeling, the repayment of GSM credits after the collapse of GITIC bank, the Hong Kong ban on U.S. beef in response

to BSE, the ban on U.S. poultry, the occasional ban on certain U.S. oysters, lobbying for exemptions on nutritional labeling for small volumes, working with the U.S. dairy industry on the Hong Kong Code for infant formula, to successfully facilitating the air shipment of 120,000 U.S. live breeding pigs to Hong Kong. She enjoyed being able to help release millions of dollars in detained U.S. shipments as even a small-valued shipment could mean a lot for small-to-medium enterprises. Most recently, her timely reporting on disruptions to U.S. agricultural trade due to supply chain issues and pandemic restrictions received high praise. Acting U.S. Consulate General, Colin Crosby, joined ATO Hong Kong in a small retirement ceremony to honor Caroline's twenty-eight years of service. Thank you, Caroline, for all your work to support U.S. agricultural trade to Hong Kong and Macau!!



Hong Kong to Resume Hamster Imports a Year After Mass Cull Over COVID-19 [NBCNews, January 6, 2023]

Hong Kong is lifting a ban on the importation of hamsters for sale, a year after it ordered more than 2,000 hamsters and other small mammals to be culled in an effort to prevent pets from spreading COVID-19 to humans. According to a government emailed statement on trade on January 5, 2023, the Hong Kong Agriculture, Fisheries and Conservation Department said it was preparing for commercial hamster imports to resume by the middle of January, with all imported hamsters required to undergo quarantine and released to the market only after they test negative for COVID-19. A ban on commercial imports of other small mammals like chinchillas and guinea pigs was lifted in May 2022.

ATO Notes: Last January, the Hong Kong government ordered the mass culling of hamsters after a small virus outbreak was traced to a pet shop that had imported hamsters from The Netherlands. Eleven of the shop's hamsters tested positive for the Delta variant, which had not been seen in the city for months. Hong

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Kong residents who had recently purchased hamsters were advised to surrender their pets, shops selling hamsters were temporarily shut down and an import ban was enacted. Between January – November 2022, the value of Hong Kong’s global imports of small mammals (HS010619) reached \$2.6 million, growing 22 percent compared to the same period in 2021. The United States was the third largest supplier valued at \$23,000. Following a triple digit rise in Hong Kong import value of U.S small mammals in 2021, the import value for the first eleven months in 2022 declined 76 percent. Hong Kong’s imports of U.S. small mammals valued as high as \$124,000 in 2016, ranking second behind Taiwan. However, Hong Kong’s imports of Japanese small mammals have exploded since 2016 at a value of \$39,000 to almost \$2 million in 2022. Japan is now the largest supplier, taking up 84 percent of the Hong Kong market.

Optimistic Outlook for Hong Kong Exports [[The Standard](#), January 6, 2023]

Hong Kong exports are projected to rebound 5 percent this year and resume to usual levels in the second quarter thanks to China’s reopening, the Hong Kong Trade Development Council said. However, during the first nine months of 2022, cross-border logistics between the city and the mainland fell 53 percent year-on-year, making it the biggest obstacle for Hong Kong traders to pick up goods from the mainland and increasing transport costs and time. This significantly affected local exports, the council added. Overall exports have not risen since May 2022. These are expected to decline for most of the year due to the previously strict quarantine measures, according to the Hong Kong Export Credit Insurance Corporation (HKECIC). HKECIC chairman Dennis Ng said that Hong Kong businesses faced a very difficult situation in the past year. Even though many countries relaxed or lifted quarantine measures - which helped economic activities resume - the mainland continued its zero-COVID-19 policy, which disrupted supply chains and production operations. **ATO Notes:** In 2021, Hong Kong overall imports of consumer-oriented food products were \$24 billion, whereas Hong Kong exports of these products to China were \$5.4 billion (or 22 percent of overall imports). With China’s reopening, traders anticipate improvements in the product flow between Hong Kong and mainland.

Hungry for more information about the Hong Kong and Macau markets?

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No Attachments.