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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 Consumers Celebrate the Holidays with Alaskan Seafood; Hong Kong Economy Contracts in 2022 But Gradual Recovery Expected; Spending Riving in Hong Kong and Macau as Borders Reopen; Tourism Boom in Macau Over Chinese New Year Holiday; Mask-Free Eating, Drinking, and Toasting Resumes in Hong Kong; Lunar New Year Business in Hong Kong Restaurants Reaches 90 Percent of Pre-COVID Levels; Hong Kong Catering Orders Surge During Festive Season; Macau Gaming Revenue Surges as Borders Reopen; Hong Kong Ranks Second in Most Preferred Retail Expansion Destinations in Asia; Hong Kong Bans CBD Products Effective February 1.

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Hong Kong Consumers Celebrate the Holidays with Alaskan Seafood

From December 24, 2022, to January 23, 2023, the Alaska Seafood Marketing Institute (ASMI) held a consumer promotion with well-known Hong Kong retailer Cookcookland. The promotion featured sockeye salmon and Pacific Ocean Perch at three store locations and through Cookcookland's online platform. Over the past two years, ASMI has developed a relationship with this retailer as the city has seen the emergence of smaller specialty and health food retailers. In 2022, Hong Kong global seafood imports slowed 3.2 percent to \$3.4 billion but still within the five-year average. Among the city's top 10 suppliers, seafood imports from Canada, Tanzania, Vietnam, and Thailand grew well above 10 percent while imports China, Japan, and the United States lowered between 6-7 percent. The anticipated recovery of Hong Kong's food service and hospitality sectors is expected to renew the city's demand for seafood products. For more information on Hong Kong seafood market please see our latest [GAIN report](#).

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ECONOMY



Hong Kong Economy Contracted 3.5 Percent in 2022 But Gradual Recovery Expected [[The Standard](#), [RTHK.HK](#), February 2, 2023]

Hong Kong's economic growth in 2022 is estimated to have contracted by 3.5 percent, dragged partly by a 4.2 percent year-on-year decline in the fourth quarter. However, the city's economy is projected to rebound as much as 5 percent with the gradual resumption of economic activities. The advance growth data released by the Hong Kong Census and Statistics Department on February 1 was worse than previous estimates, economists and the government had forecast a decrease of about 3 percent for the year. This would be Hong Kong's third annual contraction since 2019 as slowing global demand, rising interest rates and COVID-19 curbs weighed heavily. The plunge in exports and slackening domestic demand that was caused initially by the fifth wave of the epidemic and by tightened financial conditions was among the contributors to the economy's struggles last year, a government spokesperson said. The economy is expected to recover in 2023 with a strong rebound in tourism following the removal of travel restrictions, though softer growth of advanced economies will continue to pose challenges to its exports, he said. The spokesman noted that an improved outlook and return of economic activities as well as a strong labor market should boost private consumption this year and fixed-asset investment will benefit. **ATO Notes:** As Hong Kong has lifted most of its COVID-19 restrictions, business activities are resuming, and international visitors are slowly returning. On February 2, the Hong Kong government announced an active campaign called "Hello Hong Kong" to lure back international tourism. On Friday February 3, the Hong Kong and Macau authorities said via statement that starting February 6, there will be no quota for people traveling between Hong Kong and the mainland [[RTHK](#)]. U.S. agricultural exporters considering travel to Hong Kong please 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.

Hong Kong Ends Isolation Requirement for COVID-19 Patients [[The Standard](#), January 30, 2023]

Hong Kong scrapped the quarantine arrangements for COVID-19 patients starting January 30. People no longer need to submit their personal data through the online self-reporting platform for COVID-19 patients as the isolation mandate is being lifted. The government has also arranged for those staying in the quarantine facilities to leave early. However, only a few of the 500 patients isolated at the city's quarantine center were seen leaving. Some citizens were also worried about being infected and choose to dine out less often. Chief Executive John Lee said the decision was based on the fact that the inoculation rates in the city for the second and third vaccine doses have reached 93 percent and 84 percent respectively. He added that the community already has a strong level of immunity. **ATO Notes:** The lifting of the isolation requirement marks that Hong Kong is taking another step towards post-COVID-19 normalcy. It is expected that the Hong Kong government will announce more relaxations within the next few weeks to accelerate Hong Kong's return to pre-pandemic vibrancy.

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Hong Kong Employment Improved As COVID-19 Restrictions Lifted [[The Standard](#), January 20, 2023]

Hong Kong employment improved for the eighth consecutive month in December with the jobless rate falling to 3.5 percent in the last quarter from 3.7 percent in the September-November period, according to the latest government job figures. This came as the city removed most of its COVID-19 restrictions. Secretary for Labor and Welfare Chris Sun said that when viewed together, the sectors related to consumption and tourism saw an overall 0.3 percentage point decrease in the unemployment rate to 4.7 percent in the fourth quarter of 2022. Of these, unemployment in the retail sector fell the most to 4.6 percent from 5 percent, compared to that of food and beverage services, which only edged down to 5 percent from 5.1 percent. Sun believes the labor market would continue to improve in the near term with the government lifting most social distancing measures and normal travel resuming between the city and the mainland. **ATO Notes:** The lifting of COVID-19 restrictions is set to attract the return of multi-million tourists to Hong Kong to boost its retail and food service sector. While some workers in the food service industries have either migrated or switched to other industries under the pandemic, food service operators comment that it will take several months for the employment situation in the sector to improve.

Hong Kong's Overall Inflation Rate for 2022 Stands At 1.9 Percent [[The Standard](#), January 20, 2023]

Hong Kong's inflation rate for last December rose to 2 percent from 1.7 percent in November, with the overall inflation rate for 2020 standing at 1.9 percent. According to latest data released by the Census and Statistics department, the year-on-year increase in the underlying inflation rate in December 2022 was 2 percent, larger than 1.7 percent recorded in November. The overall consumer prices also rose by 2 percent in December 2022 over the same month a year earlier, larger than the corresponding increase of 1.8 percent in November 2022. "The larger increase was mainly due to increases in fresh vegetable prices, as well as the smaller decreases in charges for information and communications services," the department explained. A government spokesperson said that the underlying consumer price inflation rate remained moderate in December 2022, though showing some increase from the preceding month mainly due to a surge in fresh vegetable prices. "Prices of energy-related items soared further year-on-year, and those of clothing and footwear as well as food continued to increase visibly, but price pressures on other major components remained broadly in check." **ATO Notes:** Hong Kong's overall inflation (1.9 percent) for 2022 is moderate. As Hong Kong has re-opened its border, it is expected that tourism and business activities will resume and grow in 2023, hence posing upward pressure on wages, rents, hotel room rates, transportation, and fuel costs.

Hong Kong's Deficit Hits \$23 Billion in Nine Months [[The Standard](#), February 1, 2023]

Hong Kong's deficit for the first nine months of the current fiscal year stood at \$23.4 billion, after taking into account the \$2.6 billion generated by the issuance of green bonds, a government spokesperson said. Expenditures for the nine-month period amounted to \$76 billion and revenues \$50 billion. The spokesperson explained the year-to-date deficit for the period was cumulative, saying some major revenue sources including salary and profit taxes are mostly received towards the end of the financial year. The revised estimates for the current financial year will be published along with the 2023-24 fiscal budget, which will be presented by the Financial Secretary on February 22. Analysts forecast a government deficit between \$14-22 billion for 2022-2023. The city's worst deficit was \$30 billion in 2020. Increased spending in pandemic control and consumption vouchers and less income from

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weakened land sales were blamed for the widened gap. **ATO Notes:** As Hong Kong has lifted most of its COVID-19 restrictions, it is expected that Hong Kong's businesses and economy will gradually recover in 2023 and boost government revenues.

5.7 Million People Visited Macau in 2022, Down 26 Percent Year-on-Year [[Macau Post Daily](#), January 21, 2023]

Macau recorded 5.7 million visitor arrivals in 2022, a year-on-year decline of 26 percent, the Statistics and Census Bureau (DSEC) has announced. According to a statement by the bureau, 5.1 million mainland Chinese visited Macau, accounting for 89.5 percent of Macau's visitor arrivals. A total of 513,447 Hong Kong residents and 67,303 Taiwanese residents visited Macau last year. A total of 241,186 visitors arrived by air. In 2019, Macau recorded 39.4 million visitor arrivals. Compared to 2019, Macau's number of visitor arrivals in 2022 dropped by 85.5 percent. COVID-19 control measures such as mandatory quarantine and border entry curbs have been drastically eased by the local government since early last month. **ATO Notes:** As Macau has lifted most of its COVID-19 curbs, many visitors are returning to Macau to boost the city's tourism and economy which are set to recover gradually in 2023.

Macau Inflation Rose 1.04 Percent in 2022 [[Macau Post Daily](#), January 22, 2023]

Macau's Composite Consumer Price Index (CPI) rose 1.04 percent year-on-year in 2022, the Statistics and Census Bureau (DSEC) announced. According to a DSEC statement on January 20, last year's increase was driven by higher wages for domestic helpers, the increasing cost of eating out and electricity, as well rising prices for gasoline and fruit. The CPI growth was partially offset by lower rentals for residential units, lower charges for telecommunications services and lower pork prices. The bureau pointed out that the price indices for Household Furnishings & Services (+11.23 percent) and Transport (+5.84 percent) rose notably, while the Communication index fell 9.39 percent. According to the statement, the Composite CPI aims to reflect the impact of price changes on Macau's households in general. In 2021 and 2020, Macau's Composite CPI rose 0.03 percent and 0.81 percent year-on-year, respectively, according to DSEC data. In 2019, the last year before the COVID-19 pandemic impacted Macau's economy, the Composite CPI increased 2.75 percent year-on-year. **ATO Notes:** Macau's inflation (1.04 percent) for 2022 is moderate. As Macau has re-opened its border, it is expected that tourism and business activities will resume and grow in 2023, hence posing upward pressure on wages, rents, hotel room rates, transportation costs and fuel costs.

Spending Reviving in Hong Kong and Macau As Borders Reopen [[The Standard](#), January 25, 2023]

Tourism and spending are reviving in Hong Kong and Macau as the Lunar New Year holiday spurred a jump in visitors and betting on horse races after pandemic travel restrictions were eased between the two territories and mainland China. Hong Kong's Sha Tin racetrack drew a crowd of more than 70,000 on January 24. The Chinese New Year races attracted \$263 million in bets, the most in a day since the city's handover from the U.K. in 1997, the South China Morning Post reported, citing the Hong Kong Jockey Club. In Macau, almost 40,000 mainland visitors arrived on the second day of the holiday (January 23), the most since the start of the pandemic, according to a statement by the Macau Government Tourism Office. The city also had about 28,000 visitors from Hong Kong on the same day. Hong Kong's daily passenger arrivals from mainland China also jumped, with 14,892 mainland

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visitors on the day before the holiday (January 21), government data showed. That was the highest daily tally since February 2020, before the city shut its borders due to the pandemic. Visitors from mainland China have been increasing since Hong Kong scrapped quarantine requirements with mainland China on January 8. **ATO Notes:** The increase in the number of visitors to Hong Kong and Macau marks the gradual recovery of the two cities after lifting most of their travel and dining restrictions under the pandemic. While most visitors to the cities are currently mainland Chinese, it is expected more international travelers will visit Hong Kong and Macau from the second quarter of the year onwards.

Tourism Boom in Macau Over Chinese New Year Holidays [[The Macao News](#), January 30, 2023]

Macau recorded 451,000 visitor arrivals over the Chinese New Year (CNY) holiday from January 21 to 27, the Macau Government Tourism Office (MGTO) announced. Among the arrivals, 265,000 came from mainland China, while 165,000 were from Hong Kong. Average daily visitor arrivals throughout the week reached around 64,000, a year-on-year increase of 297 percent compared to last year's CNY holiday period. On January 24, the city recorded over 90,000 visitors, which was the highest record for a single day since the start of the COVID-19 pandemic in early 2020. The city's hotels did well out of the new year influx. Average occupancy rates reached 85.7 percent, a year-on-year increase of 22.4 percentage points. The highest occupancy rate reached 92.1 percent on January 24. Over the CNY period, the average room rate was around \$200, up by nearly 50 percent year-on-year. **ATO Notes:** MGTO launched several promotional schemes and travel offers to attract visitors to Macau since the local government relaxed COVID-19 border measures. As the pandemic situation continues to stabilize, it is expected that the rest of travel and dining restrictions will be lifted within the next few months, and more international visitors will gradually return to visit Macau.

HOTELS, RESTAURANTS, AND INSTITUTIONS



Mask-Free Eating, Drinking and Toasting Resumed in Hong Kong [[The Standard](#), January 21, 2023]

The Hong Kong government's latest exemptions show people can finally go maskless when toasting on stage at an event or eating and drinking at an exhibition starting January 26. Citizens also need not wear a mask when delivering a speech in religious activity on a religious premise. A government spokesperson said Hong Kong is currently in the midst of the winter surge of influenza, and the COVID-19 virus still poses a threat to our community and may pose risks and a burden to the local healthcare system. The government appealed to the public to remain vigilant and observe personal hygiene to reduce the risk of infection while celebrating the Lunar New Year. The government also called on citizens to get inoculated against COVID-19. **ATO Notes:** Eating, drinking and toasting have been restricted in Hong Kong under the pandemic. The lifting of this latest restrictions will enhance the

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effectiveness of food promotional activities with the return of food tastings, wine appreciations and other culinary events to boost the food service sector and food exhibition industry.

Lunar New Year Business at Hong Kong Restaurants Reaches 90 Percent of Pre-COVID-19 Levels [[South China Morning Post](#), January 21, 2023]

Hong Kong's dining scene enjoyed a spirited return to 90 percent of pre-COVID-19 business levels a day shy of the Lunar New Year (starting January 22) as locals and tourists splashed out at large gatherings with family and friends for the first time in three years. Simon Wong, president of the Hong Kong Federation of Restaurants and Related Trades, said many eateries enjoyed booming business with full bookings throughout the break, especially on Lunar New Year's Eve, a day traditionally set aside for families to reunite over dinners. "I expect the catering industry could rake in about \$46 million on Friday (January 20) and \$49 million on Saturday (January 21)," he said. "With Hong Kong opening up and the stock prices climbing up, there is a rising consumer sentiment with people loosening their purse strings. The catering industry has restored 90 percent of its pre-COVID-19 business." Residents and travelers alike have used the occasion to dine with relatives and friends following the city's axing of restrictions last month, such as a vaccine pass requiring patrons to be fully inoculated or to seek an exemption to enter select premises, as well as a cap on the number of people per table at restaurants. Wong said people were also scrambling to book spring banquets in February and March, while demand for wedding venues was robust since the Year of the Rabbit was considered an auspicious time to get married. **ATO Notes:** Lunar New Year is the first and biggest festival in Hong Kong since the lifting of most COVID-19 restrictions. Residents, visitors and restaurants all welcome the easing of the pandemic curbs to boost Hong Kong's businesses and economy. As the pandemic situation remains stable after Lunar New Year, it is expected that Hong Kong will ease more pandemic restrictions in the first quarter of 2023.

Hong Kong Catering Orders Surge During Festive Season [[The Standard](#), January 31, 2023]

Catering orders from companies in Hong Kong during December grew 100-percent year-on-year as businesses returned to festive celebrations, according to food delivery operation Deliveroo. Celebrations in the first week of the month drove up sales by almost 60 percent compared to average monthly spending for the rest of 2022, with year-on-year growth doubling. Among businesses said to have seen the benefits of corporate food deliveries most were small-to-medium size enterprises with fewer than 100 employees. They made up about 80 percent of customers on the food delivery company's Deliveroo for Work platform. Companies in professional services made up the bulk of Deliveroo's customers, with financial services companies, law firms and consultancies leading the way. Deliveroo also expanded its catering menu selection by 70 percent to over 320 options last year, with Western, Thai and Chinese food the most popular during December. Businesses also made use of Deliveroo Hop, the company's on-demand grocery delivery service, after it launched last July - a sign that more firms value the convenience and flexibility of such a service for urgent pantry-filling requirements. Firms are said to be continuing to view food-related bonuses as an effective way to engage employees and maintain staff morale even as they started phasing out remote work as the city began to return to normal last year. In a survey this month on restaurant confidence Deliveroo found 23 percent of restaurateurs interviewed had plans to expand businesses, while one-fifth raised employee pay in the fourth quarter of 2022. **ATO Notes:** Hong Kong citizens and tourists generally prefer dining out over delivered foods. However, food delivery services grew significantly under COVID-19, as most restaurants were downsized or closed under

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the pandemic. As it may still take several months for restaurants to recruit enough workers to serve their clients, food delivery companies like Foodpanda and Deliveroo are strengthening their partnerships with restaurants by providing the delivery services and complementary promotional programs.

Macau Casino Optimistic Despite \$1.5 Billion Loss [[The Standard](#), January 27, 2023]

Macau casino operator Sands China widened its net loss by 50.5 percent to \$1.58 billion last year from a year ago but said early indications of recovery over the past few weeks were "all positive." In the fourth quarter, the net loss for the casino hub was \$348 million - compared with a loss of \$245 million in the corresponding period in 2021. However, Robert Glen Goldstein, chief executive of Sands China's parent company Las Vegas Sands Corp, said prospects looked positive. He said that the firm has seen a significant improvement in its property visitation, gaming volumes, retail sales and hotel occupancy over the last few weeks after travel restrictions were lifted. The latest figures recorded over 90,000 visitors on January 24 - setting the highest single-day record since the COVID-19 pandemic - and a total of 318,000 arrivals during the five-day Lunar New Year holiday started January 21, representing a year-on-year increase of 3.14 times. The world's biggest gambling hub has seen a resurgence of tourists from China since January 8 when it dropped all COVID-19 testing requirements for inbound travelers from the mainland, Hong Kong and Taiwan. Goldstein said the firm is committed to investing in Macau, adding that its \$3.8 billion commitment is just a baseline before further investments. Citibank said surging tourists will speed up the recovery in gross gaming revenue which may rise by 26 percent year-on-year to reach \$1 billion this month - though it would be less than one-third of the pre-pandemic level in January 2019. **ATO Notes:** Macau's six casino operators including Sands were awarded licenses that run from January 1, 2023, to December 31, 2033. The six operators are likely to invest a total of \$12.8 billion over the next 10 years on non-gaming elements. As Macau has reopened its border, it is expected that the city's gaming and tourism industries will gradually recover in 2023.

Macau Gaming Revenue Surged 82.5 Percent As Border Reopened [[The Standard](#), February 1, 2023]

Macau's casinos saw gaming revenue surge in January as China's reopening and the week-long Lunar New Year break sparked an influx of visitors to the gambling hub, fueling optimism the enclave is finally shaking off its COVID-19 Zero doldrums. The Macau Gaming Inspection and Coordination Bureau said on February 1 that gross gaming revenue climbed 82.5 percent in January from a year earlier to \$1.4 billion, beating the median estimate of a 36.5 percent increase, according to analysts surveyed by Bloomberg. That's the first rise since February 2022 and the highest monthly revenue since January 2020. The recovery follows 10 consecutive months of double-digit declines as Zero COVID-19 policies and a crackdown on cross-border gambling kept casinos mostly empty for much of 2022. Last year's annual takings were the lowest since 2004 and the enclave — which in 2019 reported gaming revenue that was six times that of Las Vegas — lost its title of world's top gambling hub. **ATO Notes:** Macau started off well in economic recovery as borders with China and Hong Kong are reopened. It is expected more international visitors will gradually return to the city to boost its tourism and food service sectors in 2023.

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RETAIL



Hong Kong Ranks Second in Most Preferred Retail Expansion Destinations in Asia [[The Standard](#), January 31, 2023]

Hong Kong ranks second as the most preferred cross-border retail expansion destinations in Asia Pacific with tier-one cities in China ranking first, says commercial real estate services and investment firm CBRE. The city is one of the top three preferred destinations for cross-border expansion in Asia Pacific as retailers are seeing opportunities driven by a return of tourists, government stimulus as well as strong domestic consumption, according to CBRE's 2023 Asia Pacific Retail Flash Survey. Tier-one cities in mainland China have topped the ranking as the most preferred destinations, followed by Hong Kong and Singapore, both taking second place. Asia Pacific retailers have an increasingly optimistic outlook as the sentiment turns positive with 72 percent of the retailers expecting their sales to rise from 2022 and 71 percent intending to open new stores despite rising costs. Retailers polled in the survey also believe that some online sales will shift back to brick-and-mortar retail as the world returns to normal. The survey has revealed that retailers prefer quality retail spaces in shopping malls and along prime high streets. "China and Hong Kong are forecast to enjoy the strongest sales rebound after lifting pandemic-related measures. Retailers are positive yet believe the rebound is in sight but will happen gradually over a longer period," said Lawrence Wan, senior director, head of advisory and transaction services of retail, CBRE Hong Kong. **ATO Notes:** Many shops and restaurants have ceased businesses under the pandemic. As Hong Kong has reopened its border and strives towards pre-pandemic normalcy, those empty shops are being re-occupied and renovated. It is expected that more new shops and restaurants will open in the second quarter of the year.

TRADE



Hong Kong's Ban on CBD Products Effective February 1 [[The Standard](#), February 1, 2023]

Cannabidiol (CBD) will be listed as a dangerous drug from February 1 when all import, manufacturing, possession and consumption of CBD products in Hong Kong will be illegal. The Hong Kong government previously arranged special boxes for the voluntary disposal of CBD products and has provided further help for bulk disposal. By January 29, 77,400 items containing CBD were collected,

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mainly skin care products, edible oils and health supplements. Cannabidiol is one of the chemical entities found in cannabis plants, including marijuana. Previously, local businesses selling CBD-infused products were legal. The government announced in October that the chemical would be banned starting February 1, placing it on the same list of dangerous drugs as heroin and cocaine. Illegal possession and consumption of CBD may be punished with up to seven years' imprisonment and a fine of \$129,000 from February 1. Trafficking and illicit manufacturing of CBD and its products are liable to a maximum penalty of life imprisonment and a fine of \$643,000. **ATO Notes:** In Hong Kong, cannabis, cannabis resin, THC and certain other cannabinoids are already controlled under the Dangerous Drugs Ordinance (DDO). In recent years, with the growing global popularity of CBD ingredients and the fact that CBD was not explicitly prohibited, the Hong Kong retail market witnessed the emergence of CBD products, and Hong Kong traders brought in CBD products that were with or without THC-free certificates. On occasion, local law enforcement agencies launched operations at various locations to seize CBD-labeled products and test for THC. The ban has led to the closures of CBD-related businesses or forced them to remodel their businesses. For more information, please see related [GAIN report](#).

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