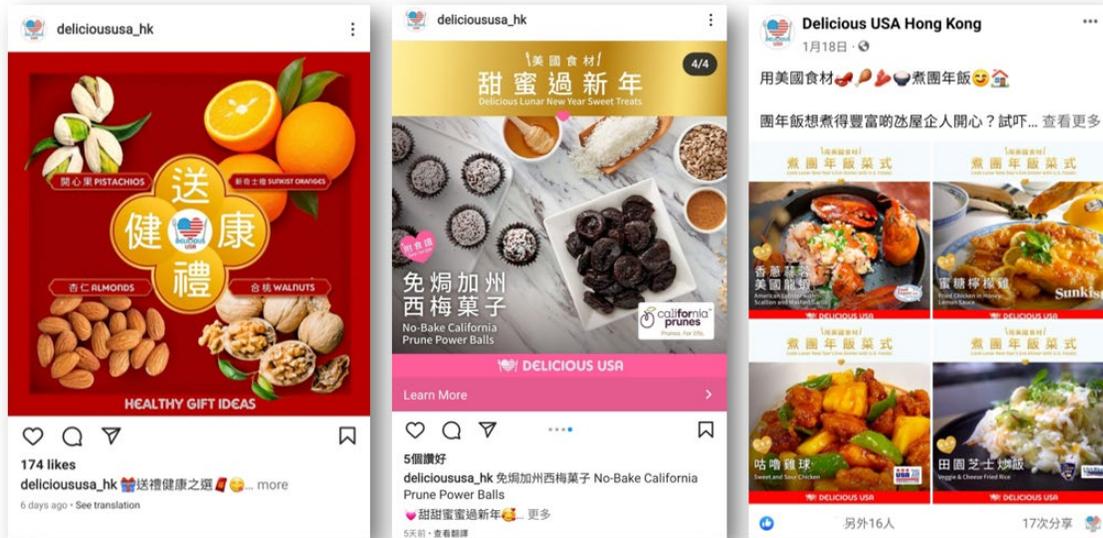


THE HONG KONG WONTON

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FEATURED PHOTO:



Celebrating Lunar New Year with U.S. Ingredients!

In anticipation of the Lunar New Year Holiday, ATO Hong Kong is highlighting U.S. Cooperator products on our Delicious USA's social media platforms. Delicious USA is encouraging Hong Kongers to incorporate U.S. food products as gifts or ingredients as part of their families' new year celebration. Viewers are invited to visit our recently launched [Recipes](#) page on the Delicious USA website. Digital ads are running from mid-January to early February 2022. As of January 27, the ads have reached over 86,000 social media accounts.

OVERALL ECONOMY



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Hong Kong Eases Quarantine Rules for Arrivals but Extends Social Distancing Measures and Flight Bans Until Mid-February [[South China Morning Post](#), January 27, and [South China Morning Post](#) on January 14, 2022]

On January 27, Hong Kong authorities announced that starting February 5, it will reduce its mandatory three-week hotel quarantine on inbound travelers to two weeks. At the same time, authorities extended social-distancing measures, such as the closure of services, recreational, and entertainment facilities and the prohibition of dine-in services after 6pm until February 17. Passenger flights from “high risk” countries (including the United States) remain until February 18. **ATO Notes:** Battling its fifth wave of COVID-19, Hong Kong also recorded its highest daily caseload on record since the start of the pandemic with 164 new infections on January 27. The food service sector fears that the extension of dining restrictions will lead to significant business losses during the Chinese New Year (early February). In addition, flight bans (which also carry cargo) will continue to pressure prices of imported foods upward.

Hong Kong Finance Chief Urged to Give Out More Consumption Vouchers [[South China Morning Post](#), January 14, 2022]

Hong Kong lawmakers urged Financial Secretary Paul Chan to issue another round of digital vouchers to residents (up to \$1,284 each) to rescue the economy especially the food service sector once again facing dining curfews and social distancing restrictions. **ATO Notes:** Mr. Chan is due to deliver the new budget by the end of February and he is now gathering views from the public and traders on how to revitalize the economy. Post expects new measures may be announced to boost the economy and help the hard-hit industries.

Application for Fifth Round Anti-Pandemic Funding Begins [[Hong Kong Standard](#), January 14, 2022]

Application for the fifth round of the Anti-Pandemic Funding worth \$458 million begins the week of January 17. Businesses can receive half of the funding they received in the last round, while individuals can receive two-thirds of the last amount received. Catering businesses will get extra subsidy according to their floor area and their liquor license. Apart from restaurants, fitness centers, beauty parlors, registered sports coaches and individual performers will benefit from the scheme as well. The tourism sector and the cross-border transport industry that remained “frozen in the ice” will also be covered. As for interest class instructors at nurseries and children centers will receive individually funding. The funding will support over 1,000 kindergartens across the city as well, including school bus drivers. **ATO Notes:** The previous four rounds of Hong Kong government Anti-Pandemic Funds have already added up to \$40.8 billion. The fifth round of funds will raise the total disbursed fund to \$41.2 billion.

Visitor Numbers Continue to Drop [[The Standard](#), January 18, 2022]

Hong Kong Tourism Board announced that only 91,000 people visited Hong Kong in 2021, a 97.4 percent drop compared to 2020. Most of the inbound travelers visited the city to see family or out of necessity. The board added that the number of leisure visitors remained close to zero. According to its statistics, more than 65,000 visitors came from the mainland, down 97.6 percent compared to 2020. There were just over 25,000 overseas travelers last year - a 97 percent drop. **ATO Notes:** Prior to the

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pandemic, Hong Kong used to host over 55 million visitors a year. The city's restrictive zero-Covid policies have been limiting international travel to Hong Kong and participation at in-person business activities. Over the last two years, the lack of international participation canceled international trade shows and adversely affected the food service sector.

HOTELS, RESTAURANTS AND INSTITUTIONS



MICHELIN Hong Kong Macau 2022 Guide Unveiled with 11 Newly Starred Restaurants [[Michelin Guide 2022](#), January 19, 2022]

The latest edition of the MICHELIN Guide to Hong Kong Macau brings together 249 restaurants across the two territories, offering a diverse array of cuisines. In total, the 2022 edition of the Guide highlights 71 starred restaurants in Hong Kong and 15 starred restaurants in Macau. Among them, 11 are new additions or promotions to the starred list. **ATO Notes:** Hong Kong is a gourmet paradise with over 15,000 eateries and annual restaurant sales over \$10 billion. Restrictions on international travels, dining and social gatherings are still adversely affecting the food service sector. According to an article in [The Standard](#) on January 19, 2022, Hansik Goo, a Korean cuisine restaurant obtaining a Michelin Star for the first time, said that they had to adapt fast as curfews on evening in-dining services barred dinners. Like many others, the restaurant had to shift their main menu from evening to noon, and food combinations and layouts were redesigned to maintain a quality dining experience while adjusting to the new restrictions.

Industry Warns “Wave of Closure” for Restaurants [[The Standard](#), January 24, 2022]

The president of the Federation of Restaurants and Related Trade warned that some 500 restaurants could close in March if stringent social distancing measures remain throughout February, the usual peak season for the catering industry. He estimated that the industry would lose \$1.02 billion in business during January and February as the holiday is a crucial period for restaurants. He called on the government to allow restaurants to operate until 8pm after February 4. **ATO Notes:** It is unlikely that the restrictive social distancing measures will be relaxed as recently there has been a sharp surge in COVID-19 cases. The catering industry said that the subsidies under the fifth round of the Hong Kong government's anti-epidemic fund are not enough and urged the government to launch a new round of the employment support scheme to help pay salaries during this difficult period.

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RETAIL



Tightened Quarantine Requirements on Aircrews Set to Drive Food Prices Upward [[The Standard](#), January 13, 2022]

Hong Kong Chief Executive Carrie Lam warned that the people of Hong Kong will soon feel rising prices and products going out of stock amid reduced cargo capacity following stricter COVID-19 quarantine requirements on aircrews. The tightened rules prompted Cathay Pacific Airlines, Hong Kong's local operator, to cancel most of its planned passenger and cargo flights in January. Cathay will operate at about 20 percent of its cargo capacity and about 2 percent of its passenger flight capacity pre-pandemic. **ATO Notes:** The president of the Federation of Restaurants and Related Trades has stated that 15 percent of food ingredients in Hong Kong arrive by air cargo, especially fresh and expensive ingredients, and prices could rise 20 to 30 percent.

High-End Foods will be Pricier as Shipping Costs Go Up [[The Standard](#), January 14, 2022]

Chairman of the Hong Kong Association of Freight Forwarding and Logistics, Gary Lau, said that more expensive foods such as fruits and seafood, which have shorter shelf life and remain fresh, are mostly flown into Hong Kong by cargo flights. He added that lower-end food such as vegetables and meat are mainly coming from China and supply chains are stable as they are transported to Hong Kong by trucks. **ATO Notes:** Imports of fruits, seafood and high-end foods are expected to be more expensive as shipping costs are expected to go up by 30 to 40 percent amid tightened rules on cargo flight operations.

How Does a Hong Kong Craft Brewery Describe the Current Local Craft Beer Scene? [[Hong Kong Trade Development Council](#), January 24, 2022]

Carbon Brews, established in 2018, owns a 35 hectoliter brewhouse in Hong Kong and is currently the largest craft brewery in Hong Kong. Their facility brews ales for other craft beer brands. The general manager, who had worked in San Francisco, described the craft beer market as cohesive and low market penetration. He said the market is hard to penetrate since it is hard to match the prices of the big beer brands. Some craft breweries have opened their own restaurants or brew pubs, but in his views that it is risky because one may end up compromising the beer quality if the beer facility is in-house. Hence, Carbon Brews is planning to open tap rooms to sell their own beer. **ATO Notes:** The United States is not a significant beer supplier for the Hong Kong market with \$270,000 export value in January – November 2021. The pandemic and related restrictions imposed on restaurants and bars triggered a 32 percent decrease in the value of exports compared to the same period in 2020. In 2020,

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Hong Kong imported a total of \$115 million worth of beer from all over the world. South Korea, being the largest supplier, experienced a drop of 1 percent. However, imports from China, the second largest supplier, rose 5 percent. This rise is probably due to traders sourcing more from China given the ongoing sea logistics disruptions. Popular brands in Hong Kong include Tsingtao, Blue Girl, Heineken, Guinness, Carlsberg, Kirin, San Miguel, Budweiser, etc.

Supermarkets Raised Prices under COVID-19 [[The Standard](#), January 17, 2022]

The Hong Kong Consumer Council sampled and analyzed the price of over 700 grocery items from four supermarket chains and food shops from June to November 2021. The analysis found that during this period supermarkets have raised prices on average about 1.5 percent, with bread and cereals registering the steepest price hike. **ATO Notes:** The global pandemic has disrupted logistics and supply chains, driving product prices upward. Hong Kongers are feeling the price increase at supermarkets now more than ever as they spend more time at home amid closures of entertainment premises and a ban on evening dine-in services.

Spending Power on Lunar New Year Gifts Remains Strong, Pudding Sales Expected to Increase [[Hong Kong Economic Times \(Print Article\)](#), January 21, 2022]

According to the Hong Kong Economic Times, Hong Kong Hang Heung, a traditional pastry chain, reported a 50 percent increase in Lunar New Year pre-orders of pudding as compared to last year. The company's CEO stated that the tightened social distancing regulations have facilitated the rise in sales as people have to stay home to celebrate the festival. He expected overall sales will increase 70 to 80 percent from the previous year. Another supplier, Hung Fook Tong, said consumer spending power remains strong despite the impacts on overall sentiment brought by the pandemic. Over 90 percent of their festive puddings have already been sold with some items already sold out. Yung Kee Restaurant's CFO said Hong Kongers have adapted to celebrating Lunar New Year under the pandemic, and many have planned to buy gift vouchers for relatives and friends in advance. She mentioned that costs of pudding ingredients have surged and due to the unpredictable sea shipment schedule, the company air-shipped some of the ingredients. The purchasing process had to start at least three to four weeks earlier than last year's schedule. **ATO Notes:** Hong Kongers are used to spending a little extra to buy food, gifts and snacks to celebrate the Lunar New Year. In addition to the traditional new year pudding, Hong Kongers also buy tree nuts, fruits, dried seafood, cookies, candies, for gifts or treating visitors. New flavors of new year pudding and innovative gifts are popular in the market as suppliers want to gain market share and attract younger consumers.

Japanese Food and Retail Chains Find Hong Kong Gateway to China [[Nikkei Asia](#), January 24, 2022]

Japanese food shop operators and retailers are increasingly making market advances into mainland China after establishing strong footholds in Hong Kong. Hyakunousha International, which operates a chain of more than 100 Hana-Musubi stores in Hong Kong, will operate shops in China under the new brand name Omusubi (the first shop under the name Omusubi opened in Central, Hong Kong financial district, in January 2022). The company plans to expand to China and other Asian markets from Hong Kong, and aims to establishing a chain of 2,000 outlets by 2025 and 10,000 by 2030. It hopes to debut

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on the Stock Exchange of Hong Kong in a few years. As imports of agricultural products into China are under strict restrictions, the company plans to produce rice balls at its plant in Hong Kong and ship them to the mainland. Japanese cake shop, Chateraise, and sushi chain, Sushiro, also started in Hong Kong and entered the mainland China market with plans to expand. While the political environment has prompted financial and other experts to leave the city, moves to enter the mainland via Hong Kong have become active among food and retail shop operators over the past year. The use of Hong Kong as a gateway to China's market will likely continue to increase as businesses seek to reduce entry risks, among other purposes. **ATO Notes:** Despite adopting one of the most stringent COVID-19 control measures in the world and severely limiting travel, Hong Kong still presents opportunities for exports as demand for high-quality products and the appetite for new items remains. Its advantages in proximity to mainland China, ease of market entry, and sophistication in logistics network help businesses expand to mainland China and other Asia cities.

TRADE



Flight Suspensions Add to U.S. Agricultural Shipping Woes [[GAIN Report](#), HK2022-0001]

In response to Hong Kong's new quarantine requirements on locally based cargo crew, on December 30, 2021, Cathay Pacific airlines announced the suspension of all long-haul cargo and cargo-only passenger flights until January 6, 2022. Post estimates the impact of the seven-day flight suspension on U.S. agricultural and food exports at \$2.6 million. According to a logistics trade entity, this new quarantine measure could raise air shipping costs and further disrupt future supplies of fresh produce, seafood, and premium meats. In addition, the government's January 5 announcement suspending inbound passenger flights from various countries, including the United States, will extend the impact on U.S. agricultural trade as passenger flights also carry cargo. Hong Kong's Chief Executive Carrie Lam conveyed on January 12, she expects some goods, including premium foods, to become unavailable or their prices to go up.

Hong Kong Suspends Imports of Small Mammals Amid Fears of Covid Transmissions [[GAIN Report](#), HK2022-0003]

The Hong Kong government ordered the culling of 2,000 hamsters in Hong Kong. The order was issued over fears of an animal-to-human transmission of the COVID-19 virus after a pet shop saleswoman tested positive for the Delta variant, and samples collected from hamsters at the pet shop were also positive. As a result, effective January 18, 2022, Hong Kong authorities have suspended the import of

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all small mammals (including hamsters) and it is currently reviewing import procedures. **ATO Notes:** The import suspension does not include laboratory animals. During the first eleven months of 2021, the value of Hong Kong's global imports of small mammals grew 7.7 percent to \$2.1 million.

Food Trade Shows Postponed Again [[Vegetarian Food Asia](#), January 17, 2022]

Two concurrently held food trade shows, LOHAS and Vegetarian Food Asia, will be postponed from February to March 2022, as the recent number of COVID-19 cases have been rising. The two trade shows were normally held annually during February each year but were postponed to June in 2021.

ATO Notes: Whether the two trade shows take place in March will depend on the developing COVID-19 situation.

Major Wine and Spirits Trade Show Canceled [[The Spirits Business](#), January 18, 2022]

Vinexpo, one of the major wine and spirits trade shows in Hong Kong, has been canceled for 2022. The last iteration of this biennial show in 2018 hosted over 1,400 exhibitors and 17,000 traders from the region. **ATO Notes:** Hong Kong's restrictive zero-COVID policies have been limiting international travel to Hong Kong and participation at in-person trade shows and business activities. The lack of international participation also canceled Vinexpo in 2020. In addition, a new show "Vinexpo China" originally scheduled to take place in Hong Kong has now been rescheduled for the fall in Shenzhen.

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

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