

## FEATURED PHOTO:



### The United States Becomes Hong Kong’s Top Ginseng Supplier:

Over the last few years, Hong Kong has been considering revisions to residue limits for heavy metals and pesticides on ginseng imports in adherence with mainland China. In anticipation of these changes which will take effect in late 2023, local traders responded by closing or relocating major ginseng processing plants out of Hong Kong. As traders expect other suppliers will face difficulties complying with these revisions, they have been sourcing more ginseng from the United States. Hence, while Hong Kong’s global imports of ginseng dropped 61 percent in the first three quarters of 2022, imports of U.S. ginseng increased 20 percent to \$18 million, turning the United States into the city’s top supplier. Hong Kong has been the largest export destination for U.S. ginseng, absorbing 63 percent of all U.S. ginseng exports to the world. For more details, please see ATO’s GAIN report [“Revised Residue Limits for Heavy Metals and Pesticides Spurs Demand for U.S. Ginseng.”](#)

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## *ATTENTION U.S. EXPORTERS! HONG KONG BUYERS ARE LOOKING FOR:*

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ATO maintains close contacts with buyers from Hong Kong and Macau. Currently Hong Kong buyers are seeking U.S. suppliers of the following products:

- Butter, cheddar cheese, cream cheese, whipping cream.
- Distilled spirits
- Apples, cherries, oranges, and grapes
- Organic products

If you are interested in supplying these products, please contact [ATOHongKong@usda.gov](mailto:ATOHongKong@usda.gov) provide your company information, contact person, and email address. We will connect you with interested buyers.

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## *OVERALL ECONOMY*

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### **Hong Kong Travel Agency Predicts Comeback of Travel Business [[The Standard](#), November 18, 2022]**

The tour agency business could reach 70 percent of its pre-pandemic level by the end of 2023, says Wing On Travel - one of the biggest travel agencies in Hong Kong which is opening two more branches in the city. At the opening of one of their branches on November 17, Wing On Travel chief executive, Lanny Leung, said seats for tours between the Christmas and New Year peak season are half full. According to the company's website, over 60 group tours departing between December to January are available. Apart from group tours, Wing On also saw its flight ticket sales triple in October while hotel package sales doubled. "Since the 0+3 arrangement was announced, we have recorded an 80 percent month-on-month business growth in October with tours to Turkey and Japan seeing a significant increase," Leung said. She also added that the number of customers has since reached 10 percent of the same period in 2019 and expressed confidence that the business will further recover as airlines increase flights. The agency will open another branch in December. Leung believes that local tourism could be recovered sooner if the city removed all COVID-19 testing requirements upon arrival. **ATO**

**Notes:** The opening of new branches marked the industry's optimism on the further opening of Hong Kong and the return of travel businesses. U.S. agricultural exporters considering travel to Hong Kong

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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's August-October Unemployment Eases to 3.8 Percent Improving for 6th Straight Period** [\[Reuters November 17, 2022\]](#)

Hong Kong's seasonally adjusted unemployment rate eased to 3.8 percent in the August-October quarter, improving for the sixth consecutive period as economic activities revive in an easing COVID situation. During the July-September period, the unemployment rate stood at 3.9 percent compared to August - October 2022. The unemployment rate in many major economic sectors decreased such as decoration, repair, and maintenance for buildings sector; retail sector; and food and beverage services. Analyzed by sector, the combined unemployment rate in the consumption- and tourism-related sectors (retail, accommodation, and food services sectors) fell 0.6 percent from the preceding three-month period to 5.2 percent in August - October 2022. Among these sectors, the unemployment rate for food and beverage service activities fell 0.8 percent to 5.4 percent and that of the retail sector declined 0.5 percent to 5.2 percent. **ATO Notes:** Lower unemployment rates in the retail and food services sectors reflect the gradual recovery of related economic activities. There are estimates that the unemployment rate will drop to 3.5 percent by the end of 2022.

## **Finance Minister Confident in Hong Kong's Economic Fundamentals** [\[The Standard, November 22, 2022\]](#)

Hong Kong's Finance Minister said on November 22 that Hong Kong still maintains strong economic fundamentals and is confident that the city is full of opportunities under the Greater Bay Area plan and China's national economic development. In his speech delivered at the Asian Logistics, Maritime and Aviation Conference, Financial Secretary Paul Chan said the global economy is facing challenges due to the epidemic, geopolitical, and trade competition factors, which Hong Kong, as a part, is also significantly affected. However, he touted that Hong Kong still enjoys its strong economic fundamentals, as it will be in line with China's 14th Five-Year Plan and the construction of the Greater Bay Area. "I believe the future of Hong Kong remains very promising," Chan said. He also pointed out that Hong Kong was actively seeking regional economic partners, citing Hong Kong looking to join the Regional Comprehensive Economic Partnership (RCEP). **ATO Notes:** Hong Kong hosted several international events in November to show that the city is heading towards pre-COVID-19 normalcy. However, the current "0+3" entry-requirements still poses inconveniences to international and returning travelers.

## **October 2022 Consumer Price Indices Rise** [\[Hong Kong Government Press Release, November 21, 2022\]](#)

Hong Kong's consumer prices rose 1.8 percent in October 2022 compared to the same month last year, a smaller increase than the corresponding (4.4 percent) in September 2022. The larger increase in September 2022 was mainly due to the low base of comparison resulting from the waiver of public housing rentals in September 2021. Among the various components, year-on-year increases in prices were recorded in October 2022 for electricity, gas and water (13.4 percent); clothing and footwear (4.5 percent); meals out and takeaway food (3.5 percent); basic food (3.3 percent); alcoholic drinks and tobacco (1.9 percent); and transport (1.5 percent). From January – October, 2022, consumer prices rose

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1.9 percent compared to the same period a year earlier. A Government spokesman said that underlying consumer price inflation remained moderate in October. Year-on-year increase in food prices showed some moderation. **ATO Notes:** The Hong Kong government commented that withstanding the intensive external price pressures, overall inflation should remain moderate in the near term amid largely mild domestic cost pressures. However, the public had an outcry over the inflation pinch following the recent announcement related to applications by electricity suppliers to raise fares by 6.4 and 5.5 percent and bus companies by 10 to 20 percent next year. The pressure on prices inevitably will dampen consumers' purchasing power. Thus, food suppliers are very likely to opt for more affordable food sources at the expense of premium food choices.

## **Hopes for Normalcy Drive Sales of Hong Kong Shops** [[The Standard](#), November 21, 2022]

In October, turnover in Hong Kong shop deals jumped 61.4 percent from the previous month to \$202 million as life gradually resumed to normal and visitors returned, according to data from local estate agency Midland Realty and the Land Registry. The number of transactions also rallied 25 percent month-on-month to 100 after a three-month decline. Midland attributed the rise to relaxed COVID-19 restrictions in Hong Kong, which benefits the retail industries and restaurants. If Hong Kong's pandemic situation does not worsen, market sentiment can further improve amid expectations that the government could again relax measures against the pandemic, it said. The agent also expected more investors to continue looking for good-value shop deals as the end of the year, traditionally a season of high consumer spending, is coming and the local COVID-19 pandemic remains relatively stable. However, Midland also stressed that the rally in commercial shop deals might be limited, as the Hong Kong government sticks to its three-day medical surveillance requirement for new arrivals and border controls between Hong Kong and the mainland remains in place. Therefore, investors may stay cautious but be more optimistic about the commercial market, it said. **ATO Notes:** The surge in shop deals shows that investors are optimistic about Hong Kong's economic growth. High turnover for Hong Kong shop deals is expected if the Hong Kong government further relaxes its travel and dining restrictions.

## **2022 Annual Survey of Companies with Parent Companies Located Outside the City** [[Hong Kong Government Press Release](#), November 24, 2022]

The number of business operations in Hong Kong with parent companies located outside Hong Kong was 8,978 in 2022, according to the recently released results of a government survey as of June 1, 2022. Among these companies, 1,411 operated as regional headquarters, 2,397 as regional offices and 5,170 as local offices. In terms of source country/territory, mainland China ranked the first with 2,114 companies, followed by Japan (1,388), the United States (1,258), the United Kingdom (655) and Singapore (463). By sector, import/export trade, wholesale and retail topped the list (4,170), followed by financing and banking (1,683), and professional, business and education services (1,308). In terms of jobs, the number of people engaged by foreign and mainland companies in Hong Kong was about 468,000 in 2022. **ATO Notes:** Compared with last year, the number of foreign companies in Hong Kong declined by 71, while those from China increased by 34. This meant that netting out the increase by companies from China, 105 foreign companies left Hong Kong in one year. The number of U.S. companies in Hong Kong in 2022 declined by five compared to 2021 and by 93 compared to 2018, dropping for five

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consecutive years. In stark contrast, the number of mainland China companies rose steadily from 1,591 in 2018 to 2,114 in 2022.

## **Hong Kong Expects 70 Percent Pre-Pandemic Air Travel Rebound** [[The Standard](#), November 26, 2022]

Hong Kong expects air passenger traffic to recover to as much as 70 percent of pre-pandemic levels by the end of next year and return to normality by 2024, South China Morning Post reported, citing a local official. Deputy Director of Airport Operations Steven Yiu brushed aside concerns about the airport's status as an aviation hub, the newspaper reported. The end-2023 forecast of between 60 - 70 percent of the pre-pandemic traffic levels is in line with a prediction by Hong Kong's main carrier, Cathay Pacific Airways Ltd. A total of 755,000 passengers passed through the airport in October, 13 percent of pre-pandemic levels. On November 25, Hong Kong's Airport Authority officially opened its third runway, capable of handling an additional 30 million passengers a year. Yiu said he is confident the new facility will be fully utilized by 2024. **ATO Notes:** The opening of its third runway marks that Hong Kong is ready to receive more international travelers. The increase in flights could also facilitate space for air cargo, a critical avenue for premium food trade when maritime shipping logistics are disrupted such as in late 2021 and early 2022.

## **Macau to Ditch 'Gambling Hub' Image in Next Decade – Secretary** [[MNA Macau News Agency](#), November 23, 2022]

Macau's Secretary for Economy and Finance has flagged the need for Macau to change its reputation as a gambling city, saying that the next ten years would serve as a turning point for non-gaming to evolve into another major pillar of the city's economy. In response to lawmakers' concern over the future of the city's gaming industry, the official said that gambling would have to make way for other sectors – such as events & exhibitions, culture, modern finance, and Chinese medicine – industries that Macau has to pursue and develop in the long run. Non-gaming will have to become another field of economic development in the next ten years. To help achieve the development of non-gaming industries, the Macau government required gaming concession bidders to expand their non-gaming investment during negotiations. By doing so, Macau hopes to diversify the source of tourists to Macau. It was revealed earlier that local authorities requested gaming license contenders to invest as much as \$12.4 billion over the next decade. **ATO Notes:** The Macau government has been trying to diversify their economy for decades. However, the gaming industry remains the bread and butter of Macau's treasury. Some discernible progress has been made with developing Macau as a recreational resort; Meetings, Incentives, Conferences and Exhibitions (MICE) hub; and a trade bridge between Portugal and China.

## **Macau Government Announces Provisional Results of Open Bidding for Casino Concessions** [[Government Information Bureau](#), November 26, 2022]

The Macau Government recently had announced the list of the provisional awardees of casino concessions to its six incumbent casino operators, namely: MGM Grand Paradise, Galaxy Casino, Venetian Macau, Melco Resorts (Macau), Wynn Resorts (Macau), S.A. and SJM Resorts. The Malaysian operator Genting failed in this round of license bidding. The licenses were awarded in the context of commitments to ensuring local employment, exploring overseas customer markets, and developing non-gaming projects. These new concession contracts last for 10 years with effect from January, 1

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2023. **ATO Notes:** According to various casino operators' financial reports, the non-gaming revenue for the first half of 2022 ranged from 7.7 percent to 37.9 percent. It is a challenge for these operators to expand non-gaming industries given the pressure to maintain employment and brain drain of recreational resort professionals. In addition, still observing stringent COVID-related measures, business activities in Macau are far from pre-pandemic levels.

## **Macau Hopes Major Upcoming Events Will Boost Daily Arrivals to 20,000** [[The Macao News, November 18, 2022](#)]

Macau tourism officials are hoping that major upcoming events will increase arrivals by 25 percent and giving the city's finances a much-needed boost. The Macau Government Tourism Office (MGTO) Deputy Director Ricky Hoi said that the recent average daily number of visitor arrivals was "stable," at around 16,000 a day, adding he hoped that a raft of activities, such as the current 69th Macau Grand Prix and the Macau Food Festival, which starts November 19, could boost the number of visitor arrivals to about 20,000 daily. Hoi said he believed that the current travel measure of holding a nucleic acid test result valid for 24 hours between Macau and Zhuhai would have "just a little impact" on those keen to watch the motor races. Hoi added that the Ministry of Culture and Tourism in Beijing has completed the procedures related to the resumption of tour groups to Macau from Guangdong, Fujian, Jiangsu, Zhejiang, and Shanghai and is now in the assessment stage of its COVID-19 joint prevention and control mechanism. Hoi said he believed that the result will be released after integrating the evaluations from mainland China's COVID-19 pandemic prevention entities. **ATO Notes:** Over 90 percent of tourists to Macau are from mainland China, and Macau follows closely China's zero-COVID-19 policy. If mainland China relaxes its travel restrictions, Macau is expected to follow and allow more travelers to visit the city.

## **Macau's GDP Dropped 33 Percent to \$4.6 Billion in Third Quarter** [[The Macao News, November 21, 2022](#)]

In the third quarter of 2022, Macau's gross domestic product (GDP) decreased 33.4 percent year-on-year in real terms, the drop is attributed to the summer COVID-19 outbreak, the Statistics and Census Bureau has announced. Due to a 50.8 percent decline in the number of visitor arrivals amid the outbreak in the third quarter, exports of services fell 46.7 percent year-on-year, of which exports of gaming services and exports of other tourism services tumbled 72.5 percent and 45.9 percent, respectively. Domestic demand dropped 14.4 percent year-on-year, dragged down by a decline in gross fixed capital formation and private consumption expenditure. The implicit deflator of GDP, which measures the overall changes in prices, decreased by 1.1 percent year-on-year. With Macau's economic activity being affected by Covid-19 control measures in July, household final consumption expenditure in the domestic market and abroad dropped 13.3 percent and 12.2 percent year-on-year, respectively. Overall private consumption expenditure fell 13.3 percent year-on-year. In the third quarter, Macau's GDP at current prices amounted to \$4.6 billion. External merchandise trade was impacted amid the pandemic, with imports decreasing 27.9 percent and exports of goods dropping 43 percent year-on-year, respectively. For the first three quarters of 2022, GDP declined 27.8 percent in real terms. **ATO Notes:** Macau follows closely mainland China's stringent zero-COVID-19 policy. If

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mainland China gradually relaxes its travel restrictions, Macau is expected to follow and set to welcome the return of more international travelers to boost its beleaguered economy in 2023.

## **Macau Finance Secretary Expects Recovery in 2023** [[The Macao News, November 24, 2022](#)]

Macau can look forward to a steady economic recovery next year, with substantial numbers of tourists drawn back to the city and massive investment in new infrastructure projects, Secretary for Economy and Finance Lei Wai Nong has said. The policy secretary underlined that the government's e-consumption benefit scheme will not become a permanent measure because it is merely a "special and temporary" measure that aims to relieve residents' financial hardship resulting from the COVID-19 pandemic. Lei underlined that the government's work for Macau's economy next year will put special emphasis on promoting the city's economic recovery and economic diversification while fully engaging in the development of the Guangdong-Macau Intensive Cooperation Zone in Hengqin. In terms of the external environment in 2023, Lei said, the global economy will continue to have many elements of uncertainty. Nevertheless, Lei said that with the continuous recovery of commercial and trade activities among countries and regions worldwide, and with the central government's strengthened capability to bring COVID-19 under control while ensuring continuous socioeconomic development, the national economy will stay in a stable and good condition.

## **Macau's Gaming Revenue in November Dropped 56 Percent** [[The Macao News, December 1, 2022](#)]

Macau's gross gaming revenue (GGR) in November dropped by 55.6 percent year-on-year to just nearly \$374 million, the Gaming Inspection and Coordination Bureau (DICJ) has announced. The figure also shows a 23 percent decrease from October's GGR of around \$486 million, a setback just as Macau began to recover from its summer COVID-19 outbreak that resulted in a two-week partial lockdown and affected the city's tourism and businesses. Macau's total GGR from January to November dropped by about 51 percent year-on-year to \$4.8 billion. This year's figure was also down 85.6 percent compared to the pre-pandemic figure totaling \$33.6 billion in 2019. In addition, last month's GGR decreased by 86.9 percent from November 2019's GGR of \$2.8 billion. **ATO Notes:** Macau's all six gaming operators were granted a provisional 10-year gaming contract by the Macau government to continue their businesses. The gaming operators committed to investing \$12.5 billion over the next 10 years.

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## HOTELS, RESTAURANTS AND INSTITUTIONS

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### **Hong Kong Bars Expect Rise in Profits During World Cup [[The Standard](#), November 20, 2022]**

Hong Kong bars and pubs expect a business boost of 20 to 30 percent during the World Cup (November 20 – December 18), said an industry veteran. Many bars are getting ready and offering various promotions and activities to attract crowds during the period of the tournament. Hong Kong Bar and Club Association chairman Chin Chun-wing expected up to 30 percent business income increase, which would return to the level before the epidemic. "Bars are looking forward to overnight operations until 6 am following with the exciting atmosphere and the scrapping of dine-in hour restrictions," he said. Multiple shopping malls are gearing up to provide live streaming of the games. A promotion manager of a mall expected a 20 percent increase in turnover to be brought by soccer fans, especially upon catering services and jersey sales. The shopping malls will extend the opening hours in accordance with the games, she said. **ATO Notes:** The World Cup is the most popular single-sports event among Hong Kong residents, and many residents go to shopping malls, restaurants, bars, and pubs to enjoy the games as well as food and beverages. Hong Kong's gradual relaxation of the dining restrictions will help boost food and beverage sales during World Cup and the festive season in December.

### **Hong Kong Catering Industry Concerned Over Rising Electricity Costs [[The Standard](#), November 23, 2022]**

The Hong Kong catering industry has voiced concerns that the imminent rise in electricity prices will further negatively impact the cost of operating a restaurant in the city. With the new arrangement of the city's two major power companies - CLP Power and Hong Kong Electricity - on electricity fares on November 22, customers will pay 19.7 to 4.6 percent more next year, citing rising global fuel prices. Ray Chui, president of the Institute of Dining Professionals, slammed the two companies' actions as shifting costs to consumers and that it would place a heavy burden on the catering industry. "Roughly 4-8 percent of operating costs for restaurants are currently electricity bills" he said in a radio program, "owners of larger-scale restaurants will suffer the most." "Food prices may have to go up by 5-10 percent next year," said Choi, a local eatery owner. He explained that his restaurant's business income dropped by 20-30 percent during the pandemic, while he still needs to pay around \$7,700 - \$10,300 a month for electricity - nearly 50 percent of his operation costs. Multiple lawmakers argued the two power companies should bear part of the cost of rising fuel prices. **ATO Notes:** The increase in electricity costs will hinder the recovery of the catering industry, which is already suffering from escalating food and labor costs. However, if Hong Kong relaxes its travel and dining restrictions, it is expected that the businesses for the catering industry will increase and offset the increase in operational costs.

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## **Hong Kong to Welcome More Tour Groups in December** [[The Standard](#), November 26, 2022]

More tour groups will travel to Hong Kong in December with the relaxation of local tourism restrictions, the culture minister said on November 26. The tourism industry has received at least eight groups registered for a tour in Hong Kong in November as the city started to welcome inbound travelers entering and dining in designated attractions, said Secretary for Culture, Sports and Tourism, Kevin Yeung in a radio program, claiming more tourists will arrive in December. "It is anticipated the rebound on tourism has currently not met expectations due to the relatively strict anti-epidemic measures," he admitted, "but the government will be willing to ease the curbs if the risk could be controllable and the epidemic becomes stable." Hong Kong saw the first tour group arrive from Thailand on November 19, after a lengthy period of absence, for a four-day, three-night trip, with group members required to undergo PCR tests only twice in the period and a rapid antigen test each day under the government's "group-in-group-out scheme" arrangement. However, it is learned that the group was forced to have meals in hotel rooms during their trip as they failed to arrange designated areas with outside restaurants in advance of their travel. **ATO Notes:** If the local pandemic situation continues to stabilize, it is expected that the government will relax its travel restrictions more to inbound visitors towards the peak travel seasons of Christmas (December 2022) and Chinese New Year (January 2023). The news prompted an opinion piece in the [South China Morning Post](#) making the case that the Thai tour group deserved "Tourist of the Year" medals for having to eat meal boxes in their hotel rooms for three days, highlighting the need for Hong Kong to further relax travel restrictions.

## **Mixed Profit Results for Hong Kong Fast-Food Chains**

[[The Standard](#), [November 29](#), and [November 30](#), 2022] Hong Kong's fast-food chain Cafe de Coral said its net interim profit jumped 33.9 percent to \$14 million, mainly due to government subsidies. After excluding \$5.2 million of government pandemic-related subsidies, the net profit for the six months ending in September slid 16.5 percent to \$8.7 million. The fast-food chain said the business during dinner time recovered slower with social distancing rules in place, while sales during breakfast and lunch have basically recovered. Despite the recovery, it remained cautious about the market in the second half and said rising operation costs in labor and the supply chain have put its profitability under pressure. Revenue from April to September increased 0.7 percent year-on-year to \$500 million. On the other hand, net profit of fast-food chain competitor Fairwood fell 18.4 percent to \$5.5 million for the six months ending in September compared to a year ago. Revenue slid 0.3 percent to \$191 million during the period compared to the previous year, while the gross profit margin declined to 9.2 percent. Fairwood saw an uptick in sales after COVID-19 curbs eased in late April, the firm said, adding that the slow recovery caused a drop in profit compared to the corresponding period last year. During the period, the firm opened nine new stores, with six in Hong Kong and three in mainland China. **ATO Notes:** Cafe de Coral and Fairwood are two large local fast-food chains in Hong Kong, with over 370 and 150 outlets in Hong Kong respectively. Results at both chains showed recovery in businesses but market outlook remains cautious as increasing operational costs and supply chain challenges will temper profitability. Industry observers opine that larger scale recovery for the catering sector depends on the city's relaxation of all its travel and dining restrictions.

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## Macau Grand Prix Attracted 76,000 Spectators and \$4.2 million in Revenues [[The Macao News, November 21, 2022](#)]

This year's Macau Grand Prix (MGP) attracted about 76,000 people, although with a budget of \$22.4 million its estimated revenue was just \$4.2 million, similar to last year. Sports Bureau President Pun Weng Kun said that the Macau Grand Prix Organizing Committee had achieved its goals and the 70th MGP in 2023 would be even better. According to Pun, "about three or four" of the racers who failed to compete in the Grand Prix were undergoing quarantine. Pun claimed the absence of the racers "did not have much of an impact" on the overall event, and he was full of confidence about inviting international racers to compete next year, The Macau Post Daily reported. **ATO Notes:** Macau Grand Prix is the city's largest sports event attracting international travelers and local residents to join the event. It is expected that Macau will follow mainland China to gradually relax its travel restrictions to welcome the return of more international travelers in 2023.



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## RETAIL

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## Hong Kong's Tsim Sha Tsui Dethroned as World's Most Expensive Shopping District, Falls Behind New York's 5th Avenue [[SCMP, November 23, 2022](#)]

Hong Kong can no longer lay claim to have the world's most expensive shopping district after losing that crown to New York amid an economic slowdown and an ongoing lack of international visitors due to COVID-19, according to global real estate company Cushman & Wakefield. Manhattan's Fifth Avenue displaced Hong Kong's Tsim Sha Tsui district on the company's first top 10 ranking since 2019. Via Montenapoleone in Milan ranked third. The average rent on Fifth Avenue surged 14 percent to \$2,000 per square foot in the third quarter, compared with pre-pandemic levels, while Tsim Sha Tsui dropped 41 percent to \$1,436 per square foot over the same period, according to the report. Tsim Sha Tsui saw rents decline 5 percent year-on-year as retailers in the city struggled amid COVID-19 restrictions and depressed visitor numbers while the border with mainland China remains closed. Rents in Hong Kong's other major shopping district, Causeway Bay, fell 7 percent over the past year and 49 percent since the pandemic to \$1,292 per square foot, according to the report. This puts Causeway Bay in second place in the Asia-Pacific region behind Tsim Sha Tsui. **ATO Notes:** Vacant shops prevail in Hong Kong's two traditional shopping districts as mainland tourist arrivals in Hong Kong are still at a very low level. Estate professionals cited a transition in prime commercial areas from luxury retailers to shops catering to lifestyle needs and local spending. Nonetheless, the lower rent could be conducive to more business in Hotel, Restaurants, and Institutions (HRI).

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## Hong Kong Retail Sales Rose 3.9 Percent in October [[The Standard](#), December 1, 2022]

Hong Kong's October retail sales rose 3.9 percent from last year, supported by a new batch of consumption vouchers leading to improvements in many types of retail outlet, government data showed on December 1. Sales rose to \$4.1 billion. That compared with a revised 0.3 percent gain in September. In volume terms, retail sales rose 2.4 percent year-on-year in October. That compared with a revised 1.4 percent decline in September. Retail sales have been shaky for much of the year as Hong Kong was battered by a brutal COVID-19 wave in the spring before its slow and steady path toward reopening. A government spokesman attributed the growth acceleration in October to the disbursement of more consumption vouchers, adding in a statement that retail outlets selling jewelry, watches, clocks, and valuable gifts all registered double-digit increases. Overall, Hong Kong's economy is still set for a gloomy year, with gross domestic product expected to contract for the third time in four years. **ATO Notes:** Hong Kong food retail sales have been stable under the pandemic. For the first ten months of 2022, food retail sales were \$10 billion, 0.5 percent increase over the same period in 2021. The disbursement of the last batch of the government's consumption vouchers in December and the festive season are expected to further promote retail sales.



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## TRADE

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## Major Food Trade Show Heads Back to Hong Kong [[Asia Fruit Logistica](#), December 1, 2022]

Asia's premier fresh fruit and vegetable trade show – Asia Fruit Logistica (AFL), will return to Hong Kong on September 6-8, 2023. AFL organizer Global Produce Events (HK) Co. Limited mentioned in their press release that Asia continues to drive the growth of the global fresh produce trade, and Hong Kong lies at the heart of the region which is home to more than 20 different markets. As the region's premier fresh produce trade show, AFL has made the strategic decision to return to Hong Kong, its long-established location, in 2023. The show will bring together leading players from across the global fresh fruit and vegetable industry and throughout the value chain. "We have missed Hong Kong for its unrivalled efficiency, connectivity, ease of doing business, favorable trading policies and dynamic market. Most importantly, it's strategically situated in the heart of Asia and the gateway to mainland China," said David Axiotis, Managing Director of organizer Global Produce Events (HK) Co Limited. "It's exciting to return and see first-hand the city's new future-proof developments of infrastructure and venues, as well as explore the enormous business opportunities brought by the Greater Bay Area, which includes Macau and nine cities in Guangdong Province," he added. **ATO Notes:** Asia Fruit Logistica (AFL), a USDA-endorsed show, is Hong Kong's largest specialized trade show for agricultural produce. At the last AFL in Hong Kong (2019), thirteen U.S. exhibitors represented their products to over 12,000 trade buyers and achieved sales of over \$12.75 million, 73 percent more than AFL 2018. Due to COVID-19 and Hong Kong's travel restrictions, in 2020 AFL was relocated to Singapore (as a virtual event),

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cancelled in 2021, and relocated to Bangkok in 2022. Hong Kong's gradual relaxation of its travel restrictions is set to attract the return of international trade events and visitors in 2023.

## **Public Consultation on Free Trade Agreement with Peru Starts [[Hong Kong Government Press Release, November 24, 2022](#)]**

The Hong Kong Government launched a one-month public consultation on negotiation of a bilateral free trade agreement (FTA) with Peru. Peru is an important trading partner of Hong Kong. It ranked fifth among our merchandise trading partners in Latin America in 2021. A government spokesman said a bilateral FTA with Peru will provide a platform for Hong Kong's traders and investors to exploit untapped business and investment opportunities. Hong Kong and Peru will commence FTA negotiation in January 2023, covering subjects such as trade in goods, services, investment, electronic commerce, and small and medium-sized enterprises. The consultation aims to solicit views on areas of interest to the Hong Kong business community in the Peruvian market. The relevant consultation document is now available at ([www.tid.gov.hk/english/aboutus/noticeboard/peru\\_agreement.html](http://www.tid.gov.hk/english/aboutus/noticeboard/peru_agreement.html)). Hong Kong has so far signed eight FTAs with mainland China, New Zealand, the member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Chile, Macau, the Association of Southeast Asian Nations, Georgia and Australia. In addition to pursuing an FTA with Peru, Hong Kong has been actively seeking to accede to the Regional Comprehensive Economic Partnership and engaging in exploratory talks with other potential FTA or investment agreement partners. **ATO Notes:** Hong Kong imposes no duty on all food imports except liquor. For Peru, the FTAs supposedly has the effective merits of reinforcing the confidence of Peruvian exporters/businesses in Hong Kong as a springboard for their businesses in the region, mainland China in particular.

## **A Caution on Shipments Transiting Through Third-Party Destinations [[GAIN Report, November 29, 2022](#)]**

It has come to ATO's attention that a shipment of U.S. bovine genetics faced clearance problems in mainland China after Hong Kong Customs opened and inspected the shipment during transit. To minimize customs clearance issues in the future, U.S. exporters should be mindful that for any shipment transiting through a third-party, such as Hong Kong, shippers/forwarders should ensure that seals are handled properly in the case of inspection. Hence, U.S. exporters are encouraged to remind forwarders to request Hong Kong authorities provide an official seal in the event shipments are inspected by Hong Kong customs during transit to China or other final destinations.

## **University Opens Farm to Train Veterinary Students Giving Hong Kong a Taste of Local Dairy for First Time in Two Decades [[SCMP, November 16, 2022](#)]**

Hong Kong's first dairy farm in two decades will be a teaching and learning facility for local veterinary students and expects to produce its own milk and ice cream next year after its recent opening. The farm is operated by City University and houses 24 Jersey cows, a British Channel Islands breed of small dairy cattle flown in from Australia in September. It affords veterinary students hands-on practical experience, something that they have never been able to do in Hong Kong before. The farm features various facilities such as barns for cows and calves, feeding tables, milking machines and a room for processing milk. The cows at the farm are due to give birth between late January and mid-March and

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will be able to produce 20 to 30 liters of milk per day for nine months. Milk and ice cream produced by the farm is expected to hit the shelves of the CityU campus in February 2023. The milk that the farm produces is primarily a by-product of teaching veterinary students. **ATO Notes:** CityU was the first and only local university to launch a veterinary medicine program in 2017. Prior to this first batch of students, all veterinarians in Hong Kong had to be educated overseas. A negative opinion piece in the same news outlet criticized the move as a step back in the city's quest to improve global competitiveness in innovative plant-based and more sustainable food solutions. Hong Kong is the home of Avant Meats, a start-up focusing on cell-cultured fish.

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