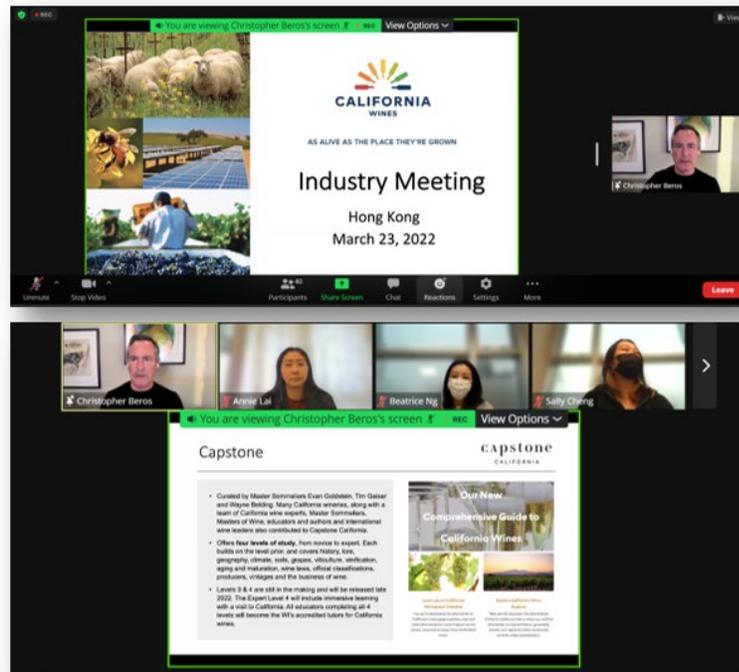


THE HONG KONG WONTON

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FEATURED PHOTO:



California Wine Institute Holds Virtual Briefing with Local Wine Professionals

On March 23, 2022, the California Wine Institute (CWI) held a virtual trade briefing gathering around 45 wine professionals in Hong Kong. At the event, CWI highlighted market trends in Hong Kong, shared their marketing efforts in 2021, and activity plan for 2022. Last year, the value of U.S. wine exports to Hong Kong recovered about 22 percent following a significant drop in 2020 due to the pandemic.

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OVERALL ECONOMY



Hong Kong Authorities Reveal Roadmap to Ease COVID-19 Restrictions [[The Standard](#), March 22, 2022, [The Standard](#), and other sources as of March 30, 2022]

Hong Kong's daily COVID-19 caseload has improved from previous weeks to below 10,000 cases a day. On March 21, Chief Executive Carrie Lam announced that effective April 1, the government will lift the ban on flights (including flights from the United States) for Hong Kong residents who are double vaccinated. The quarantine period for inbound travelers will also be reduced from 14 to 7 days. In addition, starting April 21, the government will also ease social distancing rules in three phases, as long as the local pandemic situation continues on a downward trend with no signs of rebound. The first phase will restore dine-in services allowing restaurants to stay open until 10pm and expanding the number of diners per table to four. During the second phase, dine-in services will be further extended to midnight with eight diners allowed per table, and bars and pubs will be able to reopen after months of closure. For the final phase, the government will eliminate most of the restrictions. People will still be required to wear a mask and observe a social gathering cap. In all three phases, people will still be required to use the LeaveHomeSafe contact tracing mobile app along with the vaccine pass. Ms. Lam also announced that the planned territory-wide mandatory testing for Hong Kong is now on hold following advice from experts and given capacity constraints. However, authorities will continue to evaluate outbreaks and reconsider the scheme at "the right time and in the right circumstances." U.S. travelers should note that the following travel notices remain in effect: The U.S. Centers for Disease Control and Prevention (CDC) [Traveler's Health Notice](#) for Hong Kong to Level 3, and the U.S. Department of State's [Travel Advisory for Hong Kong - Level 4: Do Not Travel](#). **ATO Notes:** The international business community continues to ask clarification on what milestones will determine the city's ability to progress from one phase to the next. Since the beginning of 2022, social distancing restrictions and flight bans have prompted the departure of about 140,000 Hong Kong residents. While the timetable to ease restrictions may change depending on the local pandemic situation, in general, the local hospitality sector welcomed the announcement as it gives some hope to already struggling businesses. Restaurants are expected to see business rebound 70 percent after the ban on evening dine-in is lifted on April 21.

Salary Subsidy Aims to Help Businesses Rebound [[The Standard](#), March 21, 2022]

On March 18, the Hong Kong government announced a three-month employment support scheme starting in May to benefit up to 1.3 million employees in the city. Workers earning more than \$3,846 a month will not be eligible. The subsidy is set to provide monthly installments of \$1,026 per full-time

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worker for three months. Secretary for Labor and Welfare, Law Chi-kwong, said the new round of the employment support scheme is to help businesses rebound and lower the jobless rate, currently at 4.5 percent. Meanwhile, Financial Secretary, Paul Chan, stated that the negative economic growth in the first half of the year is inevitable and the city's unemployment rate will continue to worsen. He said that the efficiency of Hong Kong's anti-epidemic effort is the key factor that will steer the growth of the city's economy in the second half of the year. Secretary Chan said the government has already rolled out tax concessions to lower the operating expenses of small to medium enterprises along with the rent moratorium to help businesses "ride out the storm." **ATO Notes:** If the pandemic situation is under control by April and May, the government is expected to launch more measures to further stimulate the economy and recover lost ground for the second half of the 2022.

Final Phase of the Vaccine Pass Accelerated to May 31 [[The Standard, March 20, 2022](#); [The Standard, March 21, 2022](#)]

Hong Kongers will be required to get the third vaccine dose sooner than expected as the government accelerated the plan for a "vaccine pass" by moving the implementation of its final phase to the end of May instead of June. Under the "no job, no entry vaccine pass" implemented since February 24, only inoculated people can enter regulated premises - including restaurants, supermarkets, malls, and entertainment venues. In the first phase, people have to get at least one vaccine dose before entering designated premises. The second phase will start on April 30, with people needing two doses to be allowed entry. Announcing the new date for the final phase as May 31, a government statement explained the decision was reached after taking into account "the enthusiasm shown by the public in getting vaccinated since the start of the year and the fact that the government has sufficient vaccine doses and vaccination capacity." **ATO Notes:** Vaccination among the elderly population remains a challenge. The government's announcement is expected to boost the vaccination rate among Hong Kongers and pave the way to relax the social distancing restrictions during the second half of the year.

Major Airlines Urge Hong Kong to Drop COVID-19 Tests for Aircrews ([Bloomberg, March 24, 2022](#))

A coalition of 11 leading passenger and cargo airlines (including FedEx Corp., United Airlines Holdings Inc., Japan Airlines, UPS, and British Airways) called on the Hong Kong government (HKG) to scrap pre-flight and inbound COVID-19 tests for aircrew, stating these requirements are a key reason to avoid flying to the city. Hong Kong is the only jurisdiction in Asia that requires such tests, which cause delays and risk quarantine. In a joint letter to the city's leader, Carrie Lam, the industry group stated that the current procedures are disrupting operations beyond what airlines can endure. "Hong Kong's restrictions are now an outlier globally and, more importantly, at odds with best practices" established by the International Civil Aviation Organization. **ATO Notes:** The joint letter came right after Hong Kong's March 21 announcement lifting the flight ban from eleven countries effective on April 1 and allowing Hong Kongers to return under specified vaccination and quarantine conditions. The HKG continues to work under a "zero-COVID" policy seeking to re-open the border with China. However, the fifth wave of the pandemic postponed that possibility.

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Hong Kong Economy Slips in First Quarter [[The Standard](#), March 28, 2022]

Financial Secretary Paul Chan said Hong Kong's economy will contract during the first quarter of this year, departing from consecutive growth in the past four quarters. Mr. Chan added that the first quarter has been a "turbulent" period rocked by over 7,000 COVID-19 deaths and more unemployment. Mr. Chan also previewed that retail sales in February, which have yet to be announced, will fall for the first time in a year, and growth in exports will also slow down. Between last December and February, the unemployment rate rose to 4.5 percent up from 3.9 percent between last November and January. Those unemployed increased by about 22,700, to 157,900, while the number of underemployed climbed by around 17,100, to 86,900. **ATO Notes:** The government and the general public are optimistic that the pandemic situation will improve by April and economic activities will be able to resume to pre-fifth wave levels. It is expected that the government will launch more measures to stimulate the economy in the latter half of the year.

Costlier Meat and Veggies Drive Domestic Inflation ([The Standard](#), March 23)

The latest government statistics showed that in February Hong Kong's overall Consumer Price Index rose 1.6 percent year-on-year, the fastest pace in more than 18 months, and up from 1.2 percent in January. The rise is "mainly due to increases in the price of fresh vegetables and meat from China. Basic food prices rose as the supply of fresh vegetables from the mainland was temporarily affected by pandemic-related disruptions to cross-border transport during February. The costs of basic food went up by 4.5 percent; dining-out and takeaway food rose 3 percent. In addition, the price of clothing and footwear rose 8 percent in February and transport 7 percent compared to 2021. Conversely, February prices for electricity, gas and water, slid 2.7 percent, and housing prices also slowed slightly 0.3 percent. A government spokesman told the public that external upward pressure on prices will remain amid elevated inflation in major advanced economies as well as surging international energy and commodity prices. However, the austere living brought on by the local COVID-19 situation has dealt a severe blow to economic activities and will likely keep domestic price pressures at bay in the near term. In addition, the resumption of stable food supplies from the mainland should help contain upward pressures on basic food prices. **ATO Notes:** Given the downturn of the economy, rising logistics costs and inflation pressure driven by international surging energy and commodity prices, the general public is expected to become more reserved in spending on premium foods (for example replace fresh meats with frozen meats.) In order to retain or attract returning customers, hospitality outlets will likely stall in passing on the higher costs on to consumers.

Hong Kong to Expect 9.6 Million Visitors in 2022 [[The Standard](#), March 22, 2022]

The Hong Kong Tourism Board is optimistic on the rekindling of inbound travel in the second half of 2022, expecting to host 9.6 million for all of 2022, about 20 percent of visitors in 2019 before the start of the pandemic. The forecast came after Chief Executive Carrie Lam announced the lifting of the flight ban starting April 1. The Board also welcomed a plan to resume social activities. The Board's Executive Director, Dane Cheng, said the first batch of arrivals will be mainly key business people, short-haul travelers, those reuniting with families, and repeat visitors. He also stated that the spend-to-redeem local tour program and "staycation" schemes will be re-launched when the pandemic situation allows.

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The Board has also shaped a plan to first target visitors from the Greater Bay Area before attracting travelers from other mainland cities. **ATO Notes:** If the local pandemic situation continues to improve, the government is expected to relax requirements on international travelers and quarantine. The expected number of visitors in 2022 pales in comparison to the 60+ million annual visitors prior to 2019. However, there is cautious optimism that the second half of the year may allow more international participation in food trade shows such as the Hong Kong Food Expo, Restaurant and Bar, the Hong Kong International Wine and Spirits Fair, and other in-person business activities.



HOTELS, RESTAURANTS AND INSTITUTIONS

Demand for Hotels Surges as Flight Ban is Lifted [[The Standard](#), March 22, 2022]

More hotels are expected to be added to the list of designated quarantine facilities for arrivals. That comes with many Hong Kong residents now overseas expected to rush back in the wake of the administration moving to lift the flight ban on nine countries from April 1 and halving the compulsory hotel quarantine reduced to seven days as long as people test negative for COVID-19 from the day of arrival. However, overseas arrivals will likely face enormous difficulties in booking quarantine hotels as the city currently has only 25 hotels for travelers - providing around 6,500 rooms - as 18 hotels have been turned into isolation facilities for COVID-19 patients with mild symptoms amid the Omicron surge. The government is in discussion with the hospitality sector to see if more hotels can become designated hotels. **ATO Notes:** The international and local business sectors welcome the lift of the ban, which is expected to facilitate travel and business activities.

Industry Leaders Dismayed with the Government's Policies as Bars in the City have Opened only for 6 Days during 2022 [[Vino Joy News](#), March 25, 2022 and [HK01](#), March 24, 2022]

By government order, Hong Kong bars have been closed since January 7, 2022, as the city was hard-hit by the fifth-wave of COVID-19. On March 21, 2022, the government laid out a three-phase roadmap to gradually ease social distancing restrictions starting from April 21. However, the re-opening of bars will come until phase two while dine-in dinner service is scheduled to resume in phase one. Bar owners and operators in Hong Kong are reportedly dismayed and complained that the city's bars have only operated for 6 days this year. One of the more prominent criticisms came from the Hong Kong Bar and Club Association Chairman, Chin Chun-wing, stating that the differentiation between bars and restaurants is unfair as bars should be allowed to operate if they comply with COVID-19-control measures. Mr. Chin called for additional anti-epidemic funds to help businesses with rent and to keep

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them afloat. For bars less than 1,000 square feet, he said the average rental would be around \$12,821 a month, and \$64,103 for bigger-sized establishments. He estimated that more than half of staff working in bars, pubs, and nightclubs have resigned or switched to other industries. Hong Kong has about 1,400 licensed bars, and roughly 200 have permanently closed before the Chinese New Year this year. **ATO Notes:** According to a March 2022 Euromonitor International report, in 2021, the value of foodservice sales at bars and pubs increased 30 percent from 2020 thanks to relaxed social distancing measures. However, sales in 2021 decreased 67 percent compared to 2019 and 70 percent compared to sales in 2018.

McDonalds Donates Meal Vouchers to Needy Families [[The Standard](#), March 21, 2022]

McDonald's is donating close to \$385,000 in meal vouchers to the charity Caritas Hong Kong for 30,000 families, helping to fight the pandemic. Chief executive of McDonald's Hong Kong, Randy Lai, said she hoped to bring warmth to the grassroots in Hong Kong, where many people are facing unprecedented challenges. Father Joseph Yim, CEO of Caritas Hong Kong, pointed out that the fifth wave of COVID-19 has had a severe impact on the livelihood of grassroots families. **ATO Notes:** While the food service sector has been seriously hit by the pandemic, McDonalds is among those enterprises that help low income families weather difficult times. More businesses are expected to come together with measures to help themselves and others to get over the challenges posed by the pandemic.

New COVID-19 Restrictions Hit Macau's Catering Sector [[Macau Business](#), March 21, 2022; [Macau News](#), March 22, 2022]

On March 21, the Macau health authorities announced new "Guidelines for Hosting or Participating in Catering Gatherings" indicating that organizers of catered gatherings with more than 200 people should require all attendees to present a negative COVID-19 certificate regardless of their vaccination status. Caterers are expected to keep a list of the attendee's contact and table number for 28 days. The guideline also requests event organizers, attendees, venues and service providers to observe stringent sanitary and social distancing rules. The health bureau said the new requirement is in response to the high risk of local pandemic transmission, caused by recent regional and global outbreaks. Many large-scale events have been canceled or postponed due to the pandemic changes in the neighboring economies. **ATO Notes:** Macau's hotels and restaurants are heavily reliant on catering events and gatherings for their businesses. The new guidelines are set to hit the already struggling catering sector. These strict requirements are expected to stay in place for a while, until the pandemic situations in neighboring areas like Hong Kong and Shenzhen have significantly improved.

Macau Food Delivery Service mFood Announces Pandemic Relief Measures for Restaurant Partners [[Macau Business](#), March 28, 2022 and [Macau Business](#), March 24, 2022]

Food delivery platform in Macau, mFood, has announced a series of pandemic-relief support measures in April for small- and medium-size food and beverage enterprises under its service. The measures include a reduction of the platform service fee to zero for the restaurants with the lowest transaction volume, purchase discounts handed out to users, suggestions for promotion and a (\$0.25) promotion subsidy per order for restaurants with low transaction volume, a better transaction settlement system.

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Other measures include opening a 24-hour delivery service to expand the scope of delivery, and free operation services for all merchants for three months. mFood is included in the Macau Pass MPay mobile payment service. A proposed \$100 million acquisition of Macau Pass Holding Ltd by Alibaba affiliate AGTech Holdings Limited was completed last week. The group's CEO considered this would help deepen the interconnection of the local mobile financial infrastructure within the Greater Bay Area.

RETAIL



Top 3 Trends Impacting the Food & Beverage Industry in 2022 [[Food Dive](#), January 2022]

The pandemic has changed patterns in the food and beverage industry, especially in consumer behaviors, sustainable food and branding in the agricultural sector. There are three top trends that will impact the food and beverage industry this year. 1) The Rise of Gen Z Consumers. Gen Zers – those who were born between 1997 and 2012 – are now entering adulthood. The new generation's perspective on society and environment are drastically different than the older generations. Since many brands are now getting their hands on their commitment on sustainability and philanthropy, this practice is relatively more appealing to the Gen Zers and is likely to be more important in near future. 2) The Popularization of Plant-based Meats. While soy, wheat and pea proteins have been some of the biggest staples of plant-based meat, many companies are now focusing on the use of different ingredients (including plant-based fats), technologies and methods to produce meat-like plant-based products in order to create a more realistic structure, texture, and taste. 3) Storytelling of Green Brands. Although not necessarily about packaging, there is a new concept about having a branded product tell a story about the farming and practices behind the product. **ATO Notes:** Hong Kong's food business is also taking up these trends. Impossible Foods and Beyond Meat are already available in Hong Kong. The city also saw start-ups focusing on plant-based pork and seafood products. More and more premium foods such as wine and cheese are engaged in the storytelling of their brands. Sustainable-certified seafood also emerged in five-star hotels and upscale supermarkets.

Nissin Increases Price in Popular Instant Noodles for the First Time in 14 Years [[SCMP](#), March 22, 2022 and [Yahoo News](#), March 23, 2022]

Nissin announced it is increasing the price in three of its most popular instant noodle lines, Demae Iccho, Cup Noodles, and UFO noodles, due to rising costs in raw materials and logistics. Nissin said its last price increase in Demae Iccho products in Hong Kong was 14 years ago while the last price increase

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in Cup Noodles products was three years ago. CEO Kiyotaka Ando of Nissin’s operation in Hong Kong stated in an annual results filing that they will focus on increasing sales within the non-instant noodle side of the business to increase profit margins. Social media reactions to the price increase included comments about smaller portion sizes of Cup Noodles products and qualifying the price increment as unreasonable. There was also frustration that even though Nissin has not changed its price for a long time, retailers still raised prices pointing to increased-costs. **ATO Notes:** Nissin noodles are considered a staple of Hong Kongers’ every day life. Many consume Nissin noodles on a weekly basis and it is a staple item for many families and foodservice outlets. Some of the food bags local authorities distribute to families in lockdown as a result of mandatory COVID-19 testing contain Demae Iccho noodles.

Social Enterprise Selling Short Shelf-Life Foods Opens New Shop [[HK01](#), March 25, 2022 and the [GreenPrice Website](#)]

Local Social Enterprise, GreenPrice, established in 2016 with six supermarket shops, just opened a new outlet. Hoping to reduce food waste, the enterprise sells retail surplus, short shelf-life foods, and foods that have passed the “best before” date. They also sell beauty and personal care products. Snacks such as Lay’s, Doritos, and more are selling at a price as low as \$0.4. The founders want to create a community hub where people could learn and discuss the way of living a sustainable life, while providing low cost options for consumers on great food brands and help educate Hong Kongers about the “best before” concept and the edibility of some of the foods that have passed the “best before” date but would still be safe to eat. They have a return policy in place for products that do not perform well and adopt quality control measures such as samples testing, product trials, and accountable sourcing. **ATO Notes:** The Centre for Food Safety in Hong Kong advises consumers that foods kept in accordance with the manufacturer’s instruction may still be safe to eat after the best before date but these may have lost some quality and that consumers should avoid eating spoiled food ([CFS publication](#)).

TRADE



Hong Kong Expands its Temporary Suspension on Imports of U.S. Poultry and Eggs as additional Counties Confirm Findings of High Path Avian Influenza (HPAI): As of March 25, 2022, Hong Kong has suspended the importation of poultry and egg products from nineteen U.S. counties following USDA announcements confirming HPAI cases in commercial flocks. As Hong Kong continues to limit the bans to the county level, the impact on U.S. exports remains minimal. Among the newly affected U.S. states,

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Kansas and South Dakota did not have any poultry and egg exports to Hong Kong in 2021. Last year, poultry exports from Delaware to Hong Kong dropped 81 percent to \$225,000 while its egg exports rose 40 percent to \$847,000.

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