

FEATURED PHOTO:



U.S. Beef “Around the World”

Taking advantage of the relaxation of social distancing restrictions and the reopening of evening dining, the U.S. Meat Export Federation partnered again with the American Club in Hong Kong to promote U.S. beef during the month of May. On May 12, the “U.S. Beef Around the World” tasting dinner showcased the versatility of U.S. beef cuts adapted to various world’s cuisines. Last year, Hong Kong was the seventh largest market for U.S. beef and beef products, contributing close to \$500 million in U.S. sales. U.S. beef is well known in the local market for its superior quality and reliable grading standard.

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OVERALL ECONOMY



Hong Kong Continues Relaxing Social Distancing Restrictions but not Ready to Ease Quarantine Requirements on Foreign Travelers [Various Sources, May 24]

Hong Kong's pandemic situation is improving with daily infections now oscillating around 200 cases a day. As a result, government restrictions on social and business activities continue to ease. However, speaking to journalist on May 25, Chief Executive Carrie Lam stated that the government will not be relaxing border control measures any further at least until she completes her term in office (June 30). She reasoned that while the local COVID-19 cases remain at a low level, the city needs to remain vigilant to minimize imported cases. Hence, international travelers remain subject to a seven-day quarantine at government-designated hotels. **ATO Notes:** U.S. travelers should note that as of May 24, the U.S. Department of State's still maintains a [Travel Advisory for Hong Kong - Level 4: Do Not Travel](#) due to arbitrary enforcement of local laws.

Hong Kong Cuts Growth Forecast [[The Standard](#), May 13, 2022]

Hong Kong cut its economic growth forecast for the year as the city faces trade disruptions due to COVID-19, higher interest rates, and higher commodity prices resulting from the war in Ukraine. On May 13, the government stated the economy is expected to expand between 1 - 2 percent in 2022, compared to the previous estimate of 2 -3.5 percent. The government kept the first-quarter contraction in gross domestic product unchanged at 4 percent. Authorities attributed the downward revision for the full year to the worse-than-expected performance in the first three months of 2022, along with a deteriorating outlook for exports. "The worsened global economic prospects may continue to weigh on Hong Kong's export performance," the government said in a statement, citing tensions in Ukraine that contributed to elevated commodity prices, as well as supply chain disruptions. "In the face of mounting inflation, major central banks are expected to expedite their monetary policy tightening, further dampening global economic growth." **ATO Notes:** The fifth wave of the pandemic since late January has led to stricter COVID-19 rules that seriously impacted retail sales and restaurant businesses which contracted economic activity. Hong Kong's further relaxation of restrictions depends on the evolution of the pandemic in Hong Kong and mainland China. However, observers expect Hong Kong is likely to relax COVID-19 rules to encourage more business activities to boost the economy during the second half of the year and prompt an upward revision of the overall growth forecast.

Unemployment Surged to 5.4 percent During the Fifth Wave [[The Standard](#), May 19, 2022]

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Hong Kong's unemployment rate surged to 5.4 percent for the first three months of 2022 as the city's COVID-19 restrictions continued to weigh on businesses and kept people at home. The jobless rate was worse than the 5 percent rate expected by economists in a Bloomberg survey. The figure is the highest rate since June 2021, when unemployment also reached 5.4 percent. The elevated unemployment rate is one of several challenges for Hong Kong's economy, which is also contending with rising interest rates worldwide, struggling exports due to China lockdowns and higher global commodity prices. The Hong Kong government expected that the labor market should improve in the coming months should infections remain stable and social restrictions ease. The government's consumption voucher plan and unemployment support programs should also provide some relief. **ATO Notes:** Tourism and foodservice are key industries in Hong Kong providing employment for many locals as well as expatriates. It is expected that if Hong Kong can lift its stringent testing and quarantine requirements for inbound travel, visitors (over 55 million in 2019) will return to Hong Kong and help boost the beleaguered industries and economy.

Cathay Pacific to Boost Flights as Pandemic Curbs Ease [[The Standard](#), May 12, 2022]

Hong Kong based airline, Cathay Pacific, will boost flights from early June as Hong Kong gradually rolls back some of the world's strictest and longest-lingering COVID-19 rules. Flight arrangements will include daily flights to and from London as well as a resumption or increase in passenger flights to the United States, Australia, New Zealand, and India. According to Cathay, it has recruited about 180 pilots since last year. The airline carried 40,823 passengers in April, up 82 percent from last year but still down about 99 percent from its pre-pandemic level in 2019. Cargo carriage for April was up 26 percent from last year, but down about 44 percent from 2019. **ATO Notes:** This is another symbol of the city's gradual recovery from the pandemic's fifth wave as Hong Kong has started to ease travel curbs, lift flight bans and reduce the length of required quarantine. It is expected that international flights linking Hong Kong and the rest of the world can pick up in the second half of the year.

HOTELS, RESTAURANTS AND INSTITUTIONS



Restaurant Receipts Dropped 23 Percent in First Quarter [[Hong Kong Census and Statistics Department](#), May 6, 2022]

According to the Hong Kong Census and Statistics Department, in the first quarter of 2022, total restaurant receipts were provisionally estimated at \$1.9 billion, a decrease of 23.1 percent compared to the same period last year. Similarly, the provisional estimate for total restaurant purchases

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decreased 18.9 percent to \$667 million. Analyzed by type of restaurant, total receipts for Chinese restaurants decreased 33.5 percent in value and 35.4 percent in volume, while total receipts for other restaurants decreased 23.6 percent in value and 26.1 percent in volume. Total receipts for fast-food shops decreased 11.3 percent in value and 13.9 percent in volume. Total receipts for bars decreased by 34.9 percent in value and 34.0 percent in volume. Analyzed by month, it was provisionally estimated that the value of total restaurant receipts increased 15.3 percent in January, but decreased 31.4 percent in February and 46.9 percent in March 2022, compared with the corresponding months in 2021. **ATO Notes:** Restaurant business deteriorated sharply in the first quarter of 2022 due to the fifth wave of the local epidemic and the reintroduction of government restrictive measures. The local epidemic situation has eased since April and the government has then announced gradual relaxations of social distancing measures, as well as the launch of a new round of the consumption voucher scheme to boost consumption and economic recovery towards the second half of the year.

Mother's Day Sales Soar [[The Standard](#), May 10, 2022]

Maureen Fung, executive director at local property developer said its shopping malls sales increased by up to 60 percent over the Mother's Day and Buddha's Birthday holidays (May 8-9) following the lifting of some COVID-19 restrictions. Overall sales on Mother's Day returned to 90 percent of the level before the fifth wave of the pandemic, with restaurants, cake shops, and jewelry stores among the best performers, Fung added. People are eager to dine out on Mother's Day, which stimulated the growth in mall traffic and business, Fung said. Since last week, the cap on diners per-table doubled to eight people. This, coupled with the consumption vouchers, have boosted the retail and catering industry. According to Fiona Chung, a sales and leasing department director, consumer sentiment is improving, and overall turnover could rise 15 percent over the first quarter. Chung added that the promotions at their malls and the consumption vouchers combined will help merchants boost their business and recover from the big drop in income over the first quarter and cash in on the consumption boom into the second and third quarters. **ATO Notes:** Crowds of diners and shoppers not only showed up at shopping malls, but they were also everywhere across the city boosting restaurant and retail sales. If the local epidemic situation continues to stabilize, it is expected that the spending spree will continue in the months to come.

Spending Rewarded with Tasty Foods on Local Tours [[The Standard](#), May 17, 2022]

Seafood feasts with abalone, Korean barbecues and buffets are among the offers being listed to wet appetites for taking one of the 150 local tours in the Hong Kong Tourism Board's new round of Spend-to-Redeem program. Starting from May 17, people holding receipts for local retail or catering services worth at least \$103 from December 10, 2021, can enroll in the tours at travel agencies from May 17. Some 60,000 slots on the 150 tours are available, with the first tour starting on May 24. The tourism board introducing the attractions: "The new round of Spend-to-Redeem local tours centers around four themes - lively culture, neighborhoods, scenic harbor and gastro-fantasies, encompassing a wide variety of distinctive tours, authentic local culture and delightful culinary experiences." Tours in the gastro-fantasies category include lunch buffets at starred hotels, all-you-can-eat Japanese fare, Korean barbecues and dim sum buffets in hotels. **ATO Notes:** The local tours can satisfy the hunger of

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Hongkongers who cannot travel outside Hong Kong because of COVID-19 restrictions. Tasty food is always a great way to attract Hongkongers who are well known food lovers in Asia. As local COVID-19 rules are gradually relaxed, more local tours are forthcoming, paving the way for the relaxation of restrictions on large scale in-person events and international travel in the second half of the year.

Noodle Chain to Open New Outlets as Business Picks Up [[The Standard](#), May 17, 2022]

Tam Jai International, a locally listed company operating rice noodle shops, will open 14 new restaurants in Hong Kong and 26 restaurants in China. The chain said business has been picking up, after its net annual profit fell 29 percent. The company, which operates the TamJai and SamGor brands, posted a net profit of \$26 million for the last fiscal year. Excluding one-off listing expenses and COVID-19-related government subsidies, the firm said the adjusted profit rose by 17.8 percent to \$21 million. Revenue over the same period grew by 26.8 percent to \$292 million compared to the previous year mainly thanks to the increased number of restaurants in operation in Hong Kong and worldwide. As of March 2022, Tam Jai had 175 restaurants across Hong Kong, Mainland China, Singapore, and Japan. As the pandemic enters its third year, the firm said it is optimistic that social restrictions will be lifted gradually and the growth momentum will resume in Hong Kong, mainland China, and its overseas markets, with Hong Kong continuing to be the main revenue and profit engine. **ATO Notes:** TamJai and SamGor are popular rice noodle shops among Hongkongers. Like most restaurants that have been adversely hit under the pandemic, the noodle shops net profit fell during their last fiscal year. As Hong Kong is gradually relaxing its COVID-19 rules, restaurant businesses are picking up and restaurants appear to see light at the end of the tunnel. It is expected that more restaurants will resume pre-pandemic operations, and some will even expand operations in the second half of the year.

Bars Unsure of Businesses amid Reopening [[The Standard](#), May 18, 2022]

Following the second phase of the relaxation of COVID-19 rules, the bar industry expected “revenge-style” consumption when they were finally able to reopen for businesses on May 19. However, operators do not have high hopes that business will return to pre-pandemic level in the long run. The industry has been ordered by the government to suspend operations for more than five months since the city entered its fifth and worst wave of the COVID-19 outbreak in early-January. Ben Leung, charter president of Licensed Bar and Club Association of Hong Kong, said the biggest issue remains the manpower shortage. Leung pointed out that most staff switched to other industries permanently over fear that bars would be ordered to close their doors at any time. Apart from the rising costs of hiring employees, operation costs including rent and wholesale prices are still a huge financial burden to businesses, Leung noted. **ATO Notes:** Further relaxations of restrictions are expected to help bars and other food service establishments to “catch up” during the second half of the year.

Bars and Pubs Re-opened after a Long Closure in January 2022 [[881903](#) and [RTHK News](#), May 19, 2022]

The second phase of the government relaxation of social distancing measures was implemented on May 19, allowing bars and pubs to open, after a long closure since January 2022. The bars and pubs

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industry is happy about the reopening and expects a recovery of around 70 to 80 percent in businesses as operation resumes. A representative of the Hong Kong Bar and Club Association said the relaxation is helpful to the industry, however people have adapted to an early evening lifestyle during the pandemic, and it will take a while for late-night activities to come back and contribute to sales. On May 19, Lan Kwai Fong (LKF), Hong Kong's famed nightlife hotspot, was seen with bars starting to open in the afternoon and visitors increased as the evening wore on. Lan Kwai Fong Group Chairman, Allan Zeman, stated he saw full bookings in eight clubs in one of the buildings in the area and expects robust businesses in the first weekend after the reopening. He believes the government should have reopened bars a month earlier and hopes to see further relaxation of COVID-19 control measures. He mentioned around 10 and 30 percent of the bars and pubs have closed permanently in LKF and in entire Hong Kong respectively during the pandemic. The presentative of Lan Kwai Fong Association estimated bars business can only recover to 50 or 60 percent of the level prior to the pandemic under the COVID-related restrictions that are still in place, and many workers have left the industry. **ATO Notes:** Bars and pubs operators were frustrated about the long closure and not being able to open earlier even as restaurants were allowed to open. As the number of COVID-19 cases remains low and stable, it is expected that the government will further relax curbs on bars operations. Improvement in sales in the sector also depends on the resumption of travel and the return of expats to the city.

Wedding Bells Peal amid Relaxation of Curbs [[The Standard](#), May 19, 2022]

Wedding planners have already seen a 30 percent increase in inquiries ahead of the relaxation of social distancing curbs on May 19 - which will allow up to 120 guests to attend banquets - as couples fear a potential sixth wave will arrive soon, says an industry insider. Wedding planner, Sharon Au, said couples who had their banquets scheduled near the end of the year had inquired if they could bring their plans forward. From May 19, dine-in hours will be extended to 12 am, from the current 10 pm, and the cap on guests at banquets increased to 120 from 20. She added that "many engaged couples see this as a good time to get [the wedding] done, before the sixth wave arrives." As bars, party rooms and karaoke lounges also reopen, Au said this would offer more opportunities for weddings to take place. **ATO Notes:** Birthday, wedding and commercial banquets were big businesses for hotels and restaurants before the pandemic. These businesses are gradually coming back as the local pandemic situation stabilizes and relaxations are forthcoming.

Citizens Flock to Bars and Karaoke upon Reopening [[The Standard](#), May 20, 2022]

People flocked to bars and karaoke lounges on the first day (May 19) of their long-awaited reopening. Queues were seen outside some karaoke lounges. Some bars simply opened for business right after midnight on May 19 to squeeze out two hours of operation. Bars can have no more than four customers a table and a customer capacity of 75 percent. They can operate until 2 am, though dancing and live performances are not allowed. In popular bar area Lan Kwai Fong, drinkers were back in bars after a day's work. Lan Kwai Fong Group chairman, Allan Zeman, said eight nightclubs in a building of his group were fully booked last night (May 19) and he expects business on May 20 and the weekend to be good. Hong Kong Bar and Club Association representative, Chan Hing, said his bar had 60 to 70 percent bookings on the first day of reopening. **ATO Notes:** The first few days of the reopening of bars

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and karaokes saw the return of their long-awaited customers. More relaxations are expected to come in the next few months if the local pandemic situation continues to improve. In addition, the second batch of consumption vouchers, \$641 per resident, is expected to be released in July and will help boost spending and stimulating economic growth.

Wynn Resorts in Macau Suffers First Quarter Loss of \$183 Million [[The Macau News](#), May 11, 2022]

Wynn Resorts has announced its first quarter financial results, with its Macau operations continually impacted by travel-related restrictions, including COVID-19 testing and other mitigation procedures. In the first quarter of 2022, Wynn Palace's operating revenues fell 31 percent to \$163.3 million compared to the same period in 2021. Similarly, Wynn Macau's operating revenues decreased 25 percent to \$135.1 million. **ATO Notes:** Macau's hotel and gaming industries are heavily reliant on visitors from Hong Kong and China. Other hotels, resorts, and restaurants were similarly and adversely affected as COVID-19 cases surged in Hong Kong and China since late January. According to [The Macau News](#), the Macau government has already paid out almost \$750 million to Macau residents since the beginning of the year under its wealth-sharing scheme to alleviate the effects of the pandemic. However, it is expected that Macau's hospitality industries will continue to suffer, at least until the second half of the year when the COVID-19 situation in China and Hong Kong improve and travel restrictions to Macau are lifted.



RETAIL

March Retail Sales Plunged 13.8 Percent [[The Standard](#), May 6, 2022]

Hong Kong's retail sales plummeted 13.8 percent in March, the first back-to-back contraction in more than a year as stringent virus restrictions weighed heavily on the economy and crushed consumer spending. The fall in sales value from a year earlier was worse than the median estimate of a 12.6 percent decline expected by surveyed economists, although it was less than the 14.6 percent drop in February. According to the Census and Statistics Department, analyzed by product types, year-on-year sales of footwear, allied products and other clothing accessories plunged 55.4 percent; that of jewelry, watches and clocks, and valuable gifts slumped by 36.8 percent. Sales of commodities in department stores sank by 16.9 percent while sales of goods in supermarkets increased by 2.6 percent. The data released showed total retail sales in the first quarter of 2022 decreased by 7.6 percent compared to the same period in 2021, or 14.9 percent from the December quarter. **ATO Notes:** While COVID-19 rules have hindered retail sales of non-food products, food retail sales have been stable amid the pandemic. For the first quarter of 2022, food retail sales were \$3.19 billion, a modest increase of 2

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percent over the same period in 2021. As Hong Kong is accelerating plans to ease COVID-19 curbs and to introduce government measures such as the consumption vouchers scheme to boost the economy, retail sales of food and non-food products are expected to pick up from the second quarter of the year.

Food Export USA Northeast and Alaska Seafood Marketing Institute Promote High-Quality and Sustainable U.S. Seafood Products to Local Consumers

Food Export USA Northeast partnered with local importer, Worldwide Seafood, to launch an online promotion for U.S. lobsters and scallops until the end of May while Alaska Seafood Marketing Institute (ASMI) collaborated with local healthy food retailer Nature's Village to feature Alaska seafood products in their stores. These U.S. trade associations are amplifying their promotions by lining up influencers to feature the products on their social media accounts. The ATO helped spread the news through the Delicious USA Facebook page (Post for [Food Export USA promotion](#) and post for [ASMI promotion](#)). **ATO**

Notes: In 2021, Hong Kong was the sixth largest export market of U.S. seafood and accounted for \$180.7 million in U.S. seafood sales. Buyers and consumers are interested in high-value items from the United States such as lobsters, clams, crabs, and oysters. Sustainability is also increasingly emphasized in the food and beverage industry and among consumers.



TRADE

During the First Quarter of 2022, U.S. Agricultural Exports to Hong Kong Fall to the Lowest Level in Four Years [[GAIN Report](#), May 20]

While expanding U.S. direct exports to China, and lingering shipping issues continue to drive the overall decline in U.S. agricultural exports to Hong Kong, government restrictions in response to the city's fifth wave of the pandemic exacerbated the drop in U.S. agricultural sales. Nevertheless, peaking U.S. exports of protein supplements and hops stood out during this period. As the government began to ease pandemic restrictions in mid-April, business activity is picking up and the economy is expected to perform better in the second quarter.

Pet Owners Sniff Around for Premium Foods [[GAIN Pet Food Report](#), May 13, 2022]

In 2021, Hong Kong was the thirteenth largest market for U.S. pet food exports and a hub for pet food trade to the region. Hong Kong pet owners welcome U.S. pet food for its safety and quality. Despite lower exports in 2021, the United States is still the lead supplier, holding a 29 percent share of the Hong Kong pet food market. This share is expected to continue recovering in 2022 as the local economy is expected to recover in the second half of the year as the pandemic situation improves.

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While Hong Kong's global pet food imports slowed in 2021, the value of retained (not re-exported) pet food imports grew, signaling good market potential for U.S. exporters. Steady growth of the pet population will also encourage domestic pet food sales which are expected to reach \$844 million by 2026.

Hong Kong's Love for Wine Prevails Against Pandemic [[GAIN Wine Report, May 19 2022](#)]

The Hong Kong wine market has stayed resilient since the start of the COVID-19 pandemic. The local foodservice business has suffered the most as the operation of restaurants and bars were often curbed to contain the virus. However, wine retail sales injected energy to a sluggish market and enabled the continuation of wine consumption in Hong Kong. During this time, marketers navigated COVID-19 restrictions by reformatting and reimaging promotional events that expanded sales opportunities. Millennials are eagerly fueling the market with interest in wine appreciation and compelling-story-telling brands. As Hong Kong has bounced quickly from previous waves, the foodservice industry and wine traders remain cautiously optimistic about regaining market opportunities in the later part of 2022.

Hong Kong Issued Food Alert After Macau Government Announces Packaging on Imported Indonesian Frozen Shrimp Tested Positive for COVID-19 [[Hong Kong Center for Food Safety Press Release, May 16, 2022](#)]

The Hong Kong Center for Food Safety (CFS) issued a press release and food alert as a precaution urging the trade to stop selling and the public not to consume a certain batch of Indonesian frozen shrimp following the Macau government's positive finding of COVID-19 on the inner packaging of a product sample. The importer voluntarily removed products from the shelf and recalled the related products. The CFS marked and sealed the affected batches of frozen shrimp in the importer's warehouse and arranged for their disposal. In Macau, apart from destroying all affected products, the Macau government even imposed a one-week suspension on import applications from the Indonesian supplier involved. **ATO Notes:** Both the Hong Kong and Macau governments, following the practices of mainland China, conduct COVID-19 virus tests for imported frozen food samples. The CFS reported that between mid-2020 and May 2022, 32,000 samples were tested. By comparison, the Macau government tested 42,000 samples during the same period. In addition, the Macau government indicated that they have a precautionary measure to disinfect the packaging cartons of all frozen foods, noting that an average of 100,000 cartons have been disinfected each week.

Update on Hong Kong's Temporary Suspensions on Imports of U.S. Poultry and Eggs from Counties Confirmed with High Path Avian Influenza (HPAI):

As of May 19, 2022, Hong Kong has suspended the importation of poultry and egg products from eighty-one counties in nineteen States. As Hong Kong continues to limit the ban to the county level, the impact on U.S. exports has been contained. However, this year's scale of AI cases has further raised U.S. egg prices, already one of the most expensive egg choices in Hong Kong. A key importer commented that the current offer price of U.S. eggs has already doubled. Hence, importers are more likely to import from China during the next couple of months. Between January and March 2022, U.S. egg exports to Hong Kong increased 4

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percent by value but dropped 5 percent by volume, illustrating the rise in U.S. egg prices. The value of U.S. poultry exports to Hong Kong declined 17 percent. However, the three U.S. states that recorded the biggest drop in exports (namely, Georgia -73 percent, South Carolina -68 percent, and Washington -51 percent) are currently not subject to any bans. Thus, the 17 percent decrease in overall U.S. poultry exports is likely attributed to ongoing shipping issues and expanding direct exports to mainland China.

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

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