

THE HONG KONG WONTON

wrapped by ATO Hong Kong

June 15 – July 4, 2024 | Vol. 4 Issue #11



ATO HONG KONG KICKS OFF SIZZLING SUMMER RETAIL PROMOTIONS

During the June 29-30 weekend, ATO Hong Kong organized Four Chef Demonstrations at City' Super stores and YATA supermarkets to kick off this year's ATO summer retail promotions. To highlight U.S. quality products and ingredients, and support the local food and beverage industry, every year, ATO Hong Kong partners with supermarket chains to launch U.S. product promotions from June to August. This is the time of year where most of the U.S. produce is available in the market. In the four months of 2024, retail sales for food and beverage in Hong Kong slowed 12 percent year-on-year, totaling \$1.6 billion. Similarly, supermarket sales dropped 6 percent to \$2.3 billion compared to the same period last year.

The decline in local retail consumption is believed to be a result of the ongoing trend of Hongkongers crossing the border during the weekend and travelling aboard during local holidays. ATO's collaboration with City' Super highlighted over 800 U.S. products. In addition, YATA introduced several new products during the promotion period. The chef demonstrations featuring U.S. beef, lobster, and salmon were well-received by retail customers who were eager to learn about the recipes and explore U.S. premium food ingredients. Of note, ATO leveraged City's Super new location on the Southside of Hong Kong and on Sunday welcomed swarms of enthusiastic mainland customers who were visiting for the weekend.

ECONOMY



Foreign Chambers Welcome Beijing's Move To Offer 5-year Travel Permits To Non-Chinese Hong Kong Permanent Residents [SCMP, July 1]

Expatriates and foreign chambers in Hong Kong have welcomed Beijing's move to offer five-year multi-entry travel permits to non-Chinese permanent residents. About 270,000 adult permanent residents are set to benefit from the new permit. Non-Chinese permanent residents from Hong Kong and Macau, regardless of their nationality and occupation, would be able to apply for permits to enter mainland China starting July 10. Holders of the multi-entry permits will also enjoy self-service clearance at control points. Permit holders can enter mainland and stay up to 90 days for investment, visiting relatives, tourism, business, seminars, and exchanges. **ATO Notes:** Although the majority of Hong Kong's ethnicity is Chinese, 8 percent of its population belong to other ethnicities. The two largest origins are Filipino and Indonesian. These segments of the Hong Kong population will now benefit from this new scheme. This is yet another initiative added to the stronger logistics between Hong Kong and the Greater Bay Area (including railway, cross sea bridge, undersea tunnels, and the introduction of new methods of payment). Along with a strong Hong Kong dollar, these initiatives continue to drive daily travel and consumption to mainland. According to city's Census and Statistics Department, last year, Hong Kong residents, a population of 7.5 million people, made a total of 530 million trips to mainland.

A Quarter of Hong Kong Companies Plan Cuts In Office Space, Up From 2023, Says Colliers [SCMP, June 30]

More than a quarter of Hong Kong companies want to reduce their office footprint this year amid macro uncertainties, but those in the insurance and legal services sectors are bucking the trend. Of the 358 Hong Kong companies surveyed by the property consultancy, 27 percent said they intended to downsize their office space, an increase of 6 percentage points from last year. Around 91 percent said price is the top factor when making rental decisions. The logistics and shipping sector had the highest share of respondents cutting their office space because of the weak outlook, followed by the technology, media, and telecommunications industry. **ATO Notes:** According to Hong Kong's Property Review, office prices dropped throughout 2023. Office rents were steady but still dropped slightly 0.7 percent. This property trend in Hong Kong reflects not only the continued high in property prices but can also serve as an indication of what business sectors may be performing better than others.

Hong Kong's New Sleeper Trains Lure Gen Z Keen On 'Military-style Travel' [SCMP, June 17]

The new high-speed sleeper train service running from Hong Kong to Shanghai and Beijing has attracted young travelers who want to make the most out of trips while saving on lodging costs. Many tourism agencies were organizing sleeper train tours to the mainland, a mode of travel that was deemed family friendly. **ATO Notes:** A second-class seat on trains

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from Beijing costs \$117, while an upper berth bed was between \$129 and \$169, and a lower berth was priced at \$160 - \$182. A second-class seat on the trains from Shanghai costs \$85, and a sleeper seat costs \$110 - \$201. As reported in the last issue, the price and schedule offered from these trains might not be comparable to flight options. However, as the train travels through the night, this might be a more attractive option for passengers seeking to save on lodging expenses.

Hong Kong Comes Fifth In World Competitiveness Ranking, Singapore Takes Top Spot **[SCMP, June 18]**

Hong Kong has clawed back to fifth place in an annual global ranking of the world's most competitive countries and regions, while Asia-Pacific rival Singapore has moved up three spots to the top. Hong Kong's business efficiency ranked seventh, and infrastructure ranked ninth. Its government efficiency dropped one spot to third. However, the city ranked 65 out of 67 global economies in its management of inflation and rising living costs. **ATO Notes:** Hong Kong is often compared with Singapore when being rated among Asia Pacific locations. Singapore has out-ranked Hong Kong in recent years. One of the reasons Hong Kong has received less favor has been its high cost of living. High property prices are the primary reason driving Hongkongers' high living costs.

HOTELS, RESTAURANTS, AND INSTITUTIONS



Tasty Deals For Hong Kong July 1 Handover Anniversary Include \$0.91 Egg Tarts, Cheap Pork Chop Rice [SCMP, June 26]; Hongkongers Enjoy July 1 Handover Anniversary Deals, As Some Lament Loss Of Political Diversity [SCMP, July 1]

About 2,000 restaurants provide celebratory offering to mark the 27th anniversary of Hong Kong's return to Chinese sovereignty on July 1 – the second year the sector is participating in the campaign. Besides food and beverage offerings, the government also announced a list of discounts from the retail and transport sectors for the July 1 holiday, including free rides for children aged three to 11 on MTR trains, free tram rides, discounts for Ngong Ping 360 cable car tickets, and free admission to permanent exhibitions at the Science and Space museums. **ATO Notes:** The retail and hospitality industries in Hong Kong have been struggling to fully recover from the pandemic. The retail sales in March dropped 8.7 percent year-on-year, followed by a further 16.5 percent decline in April. The volume index of restaurant receipts in the first quarter dropped 0.7 percent year-on-year.

And The Hong Kong Oscar For Best Train Food Goes To Kitchen To Station Platform Delivery [SCMP, June 18]

New Hong Kong-Beijing sleeper service offers a wide range of cuisine, but the real treats are efficient takeaway deliveries to stations en route. Passengers can order their preferred dishes through the train's service platform two hours before the train departs from the cities

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it travels through and makes stops. Other food delivery operators also provided mini programs on WeChat (one of mainland's main social media platform) to cater to hungry travelers. **ATO Notes:** Estimates by Guangzhou-based iiMedia Research suggest China's food delivery market reached a staggering value of \$206 billion in 2023, which is 2.3 times its size in 2020.

Hong Kong Shisha Bars Warn Proposed Ban On Flavored Cigarettes Will Cripple Businesses [SCMP, June 22]

To lower Hong Kong's smoking rate, in early June, the Department of Health proposed a ban on flavored cigarettes among other measures expected to be passed by the end of 2025. The ban would cover conventional smoking products including tobacco products used in water pipe smoking. Shisha bar owners said that the business might close down under the ban and a shisha smoker said that the ban would tarnish the vibrancy of their nightlife. But Chin Chun-wing, chairman of the Hong Kong Bar and Club Association, said the ban would not have a huge impact on the wider industry as fewer than 10 percent of bars offered legal water pipe smoking activities. **ATO Notes:** Hong Kong boasts over 14,000 restaurants as well as 600 bars and pubs. Indoor areas of all restaurant premises are designated as no smoking areas.

90 Percent Of Eateries Switch To Alternative Cutlery After Plastic Ban [The Standard, July 2]

Between May and June, the Environmental Protection Department (EPD) has inspected over 17,500 restaurants, 13,500 retail stores, and 1,300 hotels and guesthouses. The inspection results showed that 80-90 percent of eateries have switched to alternatives to disposable plastic tableware. About 20 percent of restaurants no longer provide takeout tableware, while 95 percent of retail merchants and hotels are compliant with the new regulations. The EPD installed food waste smart recycling bins in 213 public housing estates, and the demand for food waste recycling is expected to grow. The government plans to double the number of smart recycling bins in public and private housing estates and set up 100 recycling points for both the public and restaurants in the upcoming year. **ATO Notes:** The Hong Kong government implemented the first phase regulation from April 22, where phase two intends to expand the ban to all single-use plastics for dine-in and takeaway and ban additional items like plastic food containers and gloves.

Macau Woos Gourmets To City's Gastronomic Offerings In Effort To Veer Away From Gambling [SCMP, June 18]

Macau Government Tourism Office announced that the city is planning to organize public events to showcase its culinary scene from street fare to fine dining, as the Office observed changes in post-pandemic consumption patterns. Macau was listed as a "City of Gastronomy" in 2017 by UNESCO, along with Chengdu, Shunde, Yangzhou and Huaian. As the gambling industry has been the traditional revenue driver of Macau's economy, the new efforts reflect Macau government's devotion to diversify its economy, as well as developing cultural and gastronomy industries. **ATO Notes:** As of 2024, there are 16 Michelin-star restaurants in Macau. In the first quarter of 2024, visitor arrivals totaled over 8.8 million, representing a year-on-year increase of 79.4 percent. Total visitor spending (excluding gaming expenses) increased 35.9 percent year-on-year to \$2.5 billion, whereas per-capita

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visitor spending decreased 24.3 percent to \$286. Tourists are increasingly interested in personalized and creative travel experiences.

Green Hotel Award “Considers” Food Waste Amid Concerns Over Excess Waste By Large Firms [Macau Daily Times, June 19]

The “Macau Green Hotel Award” was established in 2007 and organized by The Environmental Protection Bureau (DSPA) in collaboration with the Macau Government Tourism Office (MGTO) and supported by several local HRI organizations. The Award evaluates hotels based on assessment criteria including “Green Leadership and Innovation,” “Green Program and Performance” and “Partner Synergy.” The number of hotel units receiving awards has quickly increased from eight in 2007 to 54 hotels in 2023. DSPA expected the award to drive the community to work together towards environmental excellence, with a mission to turn Macau into a green city for citizens and tourists. **ATO Notes:** There are 142 hotels in Macau, almost 40 percent are awardees of the “Macau Green Hotel Award” in 2023. These kinds of initiatives are intended to increase awareness of local hotels and restaurants and encourage establishments to develop food waste management plans to build a green city.

RETAIL



Higher Duty-free Limit In Hong Kong Draws Lukewarm Response Among Mainland Shoppers [SCMP, July 1]

A higher duty-free threshold in Hong Kong for mainland Chinese tourists drew a lukewarm response on Monday when it took effect, with an industry leader expressing pessimism on its effectiveness and warning of shops shutting down. Annie Tse Yau On-ye, chairwoman of the Hong Kong Retail Management Association, the city’s biggest trade body representing retailers, said the measure would not provide much of a boost to the ailing industry. Everyone will continue to suffer for quite a long period, and some retailers might not be able to withstand the high rents and increasing salaries. **ATO Notes:** The central government raised the duty-free threshold from \$688 per trip to \$1,651 for mainland residents aged 18 or older to help promote mainland visitors’ spending in Hong Kong. However, more people are leaving the city during the long holidays than people are entering. As an example, during the June 29-30 weekend, a total of 193,145 mainland visitors arrived in the city, while a total of 1,037,028 residents departed.

Hong Kong Retailers To Offer \$154 Million In Sweeteners, Perks For Summer Shopping Festival [SCMP, June 27]

Hong Kong’s retail sector plans to offer \$154 million worth of sweeteners and other perks in a summer shopping festival targeting locals and tourists, with organizers confident the event will see more business than last year. Merchants taking in the festival also signed a

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courteous service pledge to support a recently launched government campaign to promote good manners among the service industry. **ATO Notes:** In May, supermarket sales decreased 3.4 percent compared to May 2023. Sales of food, alcoholic beverages, and tobacco dropped 4.1 percent. Not the steepest drop compared to other categories, but also no major improvements. Supermarkets are offering buy one get one free promotions during this festival. Retailers hope that the Central Government's support to further extend the duty-free threshold for mainland travelers, will improve sales during festive weekends.

Mainland Chinese Retailers Struggle To Survive Hong Kong's Sky-high Rents, Competition [SCMP, June 24]

A tide of mainland Chinese retail brands expanding in Hong Kong appears to have ebbed, with several food and beverage chains ending their tenancies as their businesses have come under intense pressure. Mainland China-based brands have become increasingly favored by Hongkongers as growing numbers of people have made weekend excursions across the border to shop and dine. **ATO Notes:** Data showed that mainland retailers accounted for 28 percent of all new business operations in 2023, compared to less than 5 percent in 2022. At least 20 mainland food and beverage brands have entered Hong Kong in 2024.

TRADE



Advance Release Arrangement for Hong Kong-Manufactured Food Products Entering the Mainland Market [ATO Report]

Beginning May 21 of 2024, the CFS will coordinate with General Administration of Customs of the People's Republic of China (GACC) and facilitate trade by shortening the time required for customs clearance. The arrangements will begin with three major categories of food, namely (1) beverages and frozen drinks (excluding alcoholic and milk beverages); (2) biscuits, pastries, and bread; and (3) candies and chocolates (including chocolate, cocoa butter substitute chocolate and their products) at its first phase. Manufacturers required to meet four listed criteria in order to participate in the arrangement and the details for the requirements are shared on the website of Center of Food Safety here in this [link](#). Industries from the sectors are generally happy about the arrangements but would like more support from the Hong Kong Government in standardizing regulations between Hong Kong and mainland. **ATO Notes:** As previously reported, local traders and food manufacturers opine that accelerating the testing is unlikely to translate to significant higher volumes of goods crossing the border as long as the relevant food standards between the two economies remain different. Some local businesses, like a popular bakery, are considering expanding operations to mainland cities to take advantage of lower operating costs, rents, and the influx of customers, instead of shipping product from Hong Kong.

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California Wines Brings Good Vibes to Local Consumers [ATO Hong Kong]



On June 27th, ATO Hong Kong supported the California Wine Institute (CWI) at their media workshop to launch the 6th edition of the California Wine Month. The launch party featuring more than 25 California wine samples was embraced by around 60 media and influencers. Following an informative session on California's wine sustainability with wine journalist Rebecca Leung, the guests had the opportunity to experience the sustainability themselves at an Art & Craft Upcycle workshop where they made decorative ornaments and crafts using recycled wine bottles. During the month of July, over 60 participating partners of CWI will be hosting more than 130 events and promotions to highlight sustainability. **ATO Notes: The United States has been a stable supplier of wines to Hong Kong. In 2023, U.S. exports of wine to Hong Kong dropped 35.2 percent to \$38.7 million, the lowest level since 2013. In the first four months of 2024, U.S. exports of wine to Hong Kong decreased 61 percent to \$6.3 million year-on-year. That said, Hong Kong remains a significant market for U.S. wines. Last year, Hong Kong was the sixth largest export destination for U.S. wines. For the latest on Hong Kong's wine market please see our [GAIN wine report](#).**

Hong Kong Market Pumped For California Raisins [ATO Hong Kong]



On June 26th, ATO Hong Kong joined the Raisin Administrative Committee (RAC) as they organized a California Raisin Bakery Confectionery Training in collaboration with its largest raisin importer Shoei Hong Kong. Visiting Chef Daisuke Mori, a certified technical instructor by the Federation of Japan Confectionery Association, demonstrated 6 types of pastries from different cuisines using California raisins, e.g. matcha mooncake, crêpe, parfait, macaron bread, tropézienne and French Cruller. Around 30 industry professionals attended the seminar, including established bakery chains, e-commerce retailers, pastry chefs. Besides

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B2B training, RAC also focused on customer engagement by running a California Raisin Festival retail promotion on the largest e-commerce platform – HKTV Mall. ATO supported RAC's consumer activation strategy and shared the promotion with local consumers on its social media platforms. **ATO Notes:** Hong Kong is one of the top markets that appreciate high value/premium products. In 2023, Hong Kong's global imports of raisin were over \$4.6 million. The United States is the city's largest supplier. In the first four months in 2024, Hong Kong imported \$1.9 million U.S. raisins, an increase of 42 percent compared to the same period in last year.

Consumer Spending on Premium Pet Foods Expected to Grow [ATO GAIN Report, July 1]

In 2023, Hong Kong was the tenth export market for U.S. pet food. Pet owners in Hong Kong value U.S. pet food for its high safety and quality and have confidence in U.S. origin and branding. From 2021-2023, U.S pet food exports to the city held steady between \$32-\$35 million. Hong Kong re-exported \$47 million to other markets and retained \$112 million for domestic consumption. Last year, Hong Kong's global pet food imports continue to recover for a second consecutive year, growing 2 percent from 2022 to \$159 million. The increasing value of retained pet food imports signals promising market potential for U.S. exporters. Pet owners' interest in pet food with less common meat ingredients (rabbit), smaller and easy to carry packaging, and pet supplements is also on the rise. Hong Kong consumer spending on premium pet food is expected to continue growing steadily, and domestic sales are expected to reach \$1 billion by 2028.

Hong Kong Suspends Imports Of Poultry Meat And Products From Three U.S. Counties [CFS - Press Release, June 24; CFS - Press Release, July 2]

The Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department (FEHD) has suspended imports from Lyon County and Pipestone of State of Minnesota, and Sac County of the State of Iowa following a notification from the World Organization for Animal Health (WOAH) about outbreaks of highly pathogenic H5N1 avian influenza (AI). **ATO Notes:** In the first five months of 2024, the recovery of U.S. poultry exports has been a key driver of overall consumer-oriented exports. U.S. poultry exports continued to improve, jumping 137 percent to \$61.3 million. U.S. egg exports dropped further 64 percent to \$0.9 million. During the same period, Hong Kong's global imports of poultry products increased 18 percent to \$443 million and global egg imports grew 7 percent to \$130 million.

AFCD Holds Local Organic Watermelon Festival 2024 And Feature Locally Farmed Produce [HKSAR - Press Release, June 18]

The Agriculture, Fisheries and Conservation Department (AFCD) will hold the Local Organic Watermelon Festival 2024. The annual Local Organic Watermelon Festival promotes local organic watermelons and other premium agricultural products and strengthens sustainability of local agriculture. It also provides an opportunity for the farmers to share their harvests and interact with members of the public. Furthermore, the AFCD has continued to invite all regular organic farmers' markets to join the Local Organic Watermelon Festival. The "[Local Fresh](#)" is a website to purchase agricultural products directly from local farms. The public can also check from certified organic farmers listed on the [Hong Kong Organic Resource Centre Certification Limited](#) website for certified organic farms. **ATO Notes:** Hong Kong has a very minimal agricultural production. According to the AFCD, in

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2023, local crop production stood at around \$391 million and accounted for 2 percent of the city's total consumption. Hong Kong does not have its own organic standards. However, the government encourages the public to look for trusted organic accredited organization labels. USDA Organic is a recognized and sought after label in Hong Kong.

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