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Report Highlights:

Bite size local news, Post reports and activity summaries wrapped by ATO Hong Kong. In this issue: USA Pavilion Dazzles at HOFEX 2023; Hong Kong Reports Q1 GDP Rebound; Golden Week Holiday in May surpasses Hong Kong and Macau Government Expectations; Despite the Mild Relaxation on Consumer Price, Pressure Still Remains; There is Potential for Non-Gaming Investment in Macau; Unemployment Rate in Hong Kong Drops Slightly in Q1; Macau Hotel Group First Quarter Revenues Reached 84 Percent of Pre-Pandemic Level; Hong Kong First Quarter Restaurant Receipts Up Over 80 Percent Year-on-Year; Hong Kong Retail Sales Soar 41 Percent to a 35-Year Record; “Polluter Pays” Principle in Effect for Glass Beverage Containers.

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USA Pavilion Dazzles at HOFEX 2023

During May 10-12, 2023, ATO Hong Kong hosted the largest national pavilion at HOFEX, Hong Kong's top food and beverage trade show. Acting U.S. Consul General, Colin Crosby, inaugurated the USA Pavilion and joined the first of many cooking demonstrations featuring local Chef influencer Andy Dark. A total of thirteen U.S. food and beverage exhibitors (double the number at HOFEX 2021) presented at the show featuring their quality products including beverages, cherries, ginseng, hazelnuts, pecans, seafood, and other grocery products to over 25,000 professional buyers from Hong Kong and the region. U.S. exhibitors and local traders were optimistic about the trade potential opportunities with the city's return to normal business activities.

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ECONOMY



Hong Kong Reports Q1 GDP Rebound, Looks Forward to Revival and Growth [[Hong Kong Free Press](#), [South China Morning Post](#), May 2]

Chief Executive John Lee Ka-chiu said the city's economy grew 2.7 percent in the first quarter of 2023, reversing contractions in the previous four quarters, including a 4.1 percent drop in the last stretch of 2022. Although exports continued to decline in the first quarter, faster economic growth in mainland China, coupled with the acceleration of Hong Kong's aviation capacity, are expected to provide further support the recovery. Financial Secretary Paul Chan said in a 2023/24 budget speech in February, Hong Kong economy is expected to grow 3.5 percent to 5.5 percent this year after shrinking 3.5 percent in 2022. **ATO Notes:** The Hong Kong government has offered consumer vouchers to more than six million people, a series of tax breaks and welfare allowances, and a new campaign to revive tourism in order to help Hong Kong's dampened economy.

Vouchers and “Happy Hong Kong” Programs will Boost Local Economy [[RTHK](#), May 1]

Hong Kong government is expected to announce handouts, a series of tax breaks, a rise in tourist traffic, and an increase in events being held in Hong Kong that aim to boost the local economy. The Travel Industry Council also said on Saturday that some 600,000 mainland tourists are expected to visit the SAR during the five-day “May 1 Golden Week” holiday. These positive factors will offset a weak export performance and will underpin an economic improvement in the first quarter. Consumption vouchers (around \$385) were handed out earlier this month and a series of “Happy Hong Kong” events are also expected to boost the economy in the second quarter. **ATO Notes:** For the last three years, the government of Hong Kong has handed out consumption vouchers for Hong Kong residents to rehabilitate the economy. With the positive boost in tourism during the Golden Week holidays, visible improvements in the economy are expected for the second quarter of 2023.

Golden Week Holiday in May surpasses Hong Kong and Macau Government Expectations [[The Standard](#), [Macao Daily](#), May 4]

During the five days between April 29 and May 3 considered the “Labor Day Holidays” approximate 1.71 million visitors entered Hong Kong and 0.49 million entered Macau. In Hong Kong, 37 percent are recorded to be travelers from mainland China, while in Macau, almost for 86 percent. Both governments opined that the figures surpassed their expectations and were encouraged on the positive impacts this incline will bring to the two cities. **ATO Notes:** While Hong Kong enjoys a more diverse set of travelers to the city, it is very visible that both cities are looking positively on their economic recovery following a period of closed borders.

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Despite the Mild Relaxation on Consumer Price, Pressure Still Remains [[Press Release by HKSAR](#), April 21]

Hong Kong Government announced that regardless to the relaxation of consumer price inflation rate from 2.1 percent to 1.7 percent, price continues to pressure on some of the most major components including “meals out and takeaway food” and “alcoholic drinks and tobacco,” while the smaller increase in March 2023 was mainly due to the decreases in the prices of basic food. Comparing March 2023 with February 2023, the year-on-year rate of increase in the Composite CPI in March 2023 (1.7 percent) was virtually the same as that in February 2023. The Government spokesman assumed that the price pressure will continue to remain notable for some time. **ATO Notes:** Hong Kong has a diversified food supply, reliant mostly on mainland China but supplemented by other country suppliers. Since 2022, local importers have expressed concern about higher U.S. food prices and the need to consider other suppliers.

Non-gaming Investment in Macau, There is Potential [[Maca News Agency](#), May 7]

The co-chairman and executive director of gaming company SJM Holdings, Daisy Ho, said that betting on non-gaming projects, as required by local authorities, is not a problem and that the company wants to boost cultural exchanges with Portugal. Betting on non-gaming elements and foreign visitors are two of the requirements set out in the public tender for the granting of gaming concessions by the Macau authorities, with the aim of pushing for economic diversification. In December, SJM pledged a \$1.78 billion investment for the next 10 years, of which \$1.5 billion is allocated to non-gaming developments. Gaming revenue in April reached \$1.83 billion, accounting for a 15.6 percent increase from the previous month. The results indicate that the Macau’s core industry keeps on gaining momentum since the post-COVID reopening in early January. **ATO Notes:** Macau’s economy is greatly dependent on its gaming industry. With the support of the private sector, authorities in Macau intend to expand and invest on non-gaming sectors, opening opportunities for businesses like cultural, retail, tourism, and food services.

May Day: Visitor Figures Skyrocketed in the First Two Days [[Macao Daily](#), May 1]

Visitors entering Macau in the first two days of the May 1 holidays, informally called “May 1 Golden Week,” have far surpassed predictions from the Macau Government Tourism Office (MGTO) of a daily average of 70,000 people over five days. On the first day (Saturday, April 29), the border posts recorded a record-high of 109,196 visitor entries. The previous single-day record this year was on March 18, when 96,011 visitors arrived in Macau. April 30 saw a new record-high, with 133,911 visitors entering Macau. While the lack of manpower in the hospitality, and the food and beverage (F&B) sectors is not new, the sector’s top representative association says F&B establishments will continue to struggle as it becomes very difficult and almost impossible to recruit workers even from the mainland, since current Macau salaries are almost equivalent to those in mainland China. **ATO Notes:** Similar to Hong Kong, the Macau government has been encouraged about the rise in visitors over the “May 1 Golden Week.” With the robust return of travelers to Macau, Macau’s economy is expected to continue improving.

Unemployment Rate Slightly Drops in Q1 [[Macao Daily](#), May 1]

The local residents’ unemployment rate stood at 3.9 percent in the first quarter, as shown by data from the Statistics and Census Service. The figure is a slight drop of 0.6 percentage points from the previous quarter, while it is a drop of 0.4 percentage points in the general unemployment rate, which stood at 3.1 percent. Total employment was 359,300 and the number of employed residents totaled 281,200, down by 600 and 1,000, respectively, from the previous period. **ATO Notes:** With the sudden reopening of

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the borders in Macau, the demand for local workers surged. However, many workers previously employed by these sectors changed their jobs or left Macau during the pandemic. Employers and the local government in Macau are working to increase manpower.

HOTELS, RESTAURANTS, AND INSTITUTIONS



Macau Hotel Occupancy in March Up 46 Percent Year-On-Year [[The Macao News](#), April 28]

Average Macau hotel occupancy in March grew to 77 percent, an increase of more than 46 percent compared to the same month in 2022, when Macau was in the grip of pandemic travel restrictions. According to figures from the Macau Statistics and Census Service (DSEC), the luxury and budget ends of the market have recovered especially well, with five-star properties posting slightly higher than average occupancy at 77.2 percent and two-star hotels registering an average of nearly 81 percent – year-on-year increases of more than 50 percent and 46 percent respectively. A total of 972,000 visitors stayed at hotels during the month – a jump of more than 164 percent – with the majority of them from mainland China (694,000), Hong Kong (186,000) and Taiwan (13,000). Macau’s hotels are preparing for a large influx of visitors over the upcoming Labor Day Golden Week – a customary holiday in mainland China. A Morgan Stanley survey of 25 hotels earlier in April found that 17 were reporting themselves fully booked for the holiday period. **ATO Notes:** Macau reopened its border in January 2023 and tourists have been gradually coming back. The improving hotel occupancy marks that Macau’s economy is gradually recovering from the pandemic.

Macau Gaming Revenue Hit A Three-Year High in April [[The Standard](#), May 2]

A recovery for Macau’s casinos gained traction in April, with gross gaming revenue climbing 449.9 percent to hit a three-year high of \$1.8 billion as Chinese tourists flocked in. The accumulated gaming revenue in the first four months of this year, however, has reached \$6.1 billion, surging 1.4 times year-on-year and surpassing the full-year figure for 2022. China’s current five-day Labor Day holiday will be a key test of the strength of the tourism boom. Macau authorities expect at least 70,000 visitors a day on average, which would be about 64 percent of the average daily visitation rate in May 2019. Travel data firm ForwardKeys pointed to Macau being the top destination for travelers from the mainland within Asia from April 17 to May 7, with bookings up 11 percent from pre-pandemic levels in 2019.

Macau Hotel Group First Quarter Revenues Reached 84 Percent of Pre-Pandemic Level [[The Macao News](#), May 2]

Macau Hotel Group MGM China has reported net revenues of \$618 million for the first quarter of the year. In a regulatory filing, the gaming concessionaire said the figure was just 16 percent less than the total for the first quarter of 2019 – the last year before the pandemic. It also represents an increase of some 130 percent over the same period last year. “The current quarter was positively affected by the