

Hong Kong as a Food Trading Hub

6 December, 2018



Overview of Hong Kong's Economy



Major Economic Indicators

	2016	2017	Latest
Population, Mid-year (mn)	7.34	7.39	7.45 ^a
Gross Domestic Product (US\$ bn)	319.3	341.2	267.9 ^b
GDP Per Capita (US\$)	43,500	46,200	—
Real GDP Growth (%)	+2.2	+3.8	+3.7 ^c
Inflation (% Change in Composite CPI)	+2.4	+1.5	+2.3 ^c
Unemployment Rate (%)	3.4	3.1	2.8 ^d
Retail Sales Growth (%)	-8.1	+2.2	+11.1 ^c
Number of Visitors (mn)	56.7	58.5	46.7 ^b
Visitor Arrivals Growth (%)	-4.5	+3.2	+9.5 ^c

^a mid-2018; ^b January-September 2018;

^c year-on-year change, January-September 2018;

^d seasonally adjusted, January-October 2018.

Source: Census and Statistics Department, HKSAR

Characteristics of Hong Kong's Economy

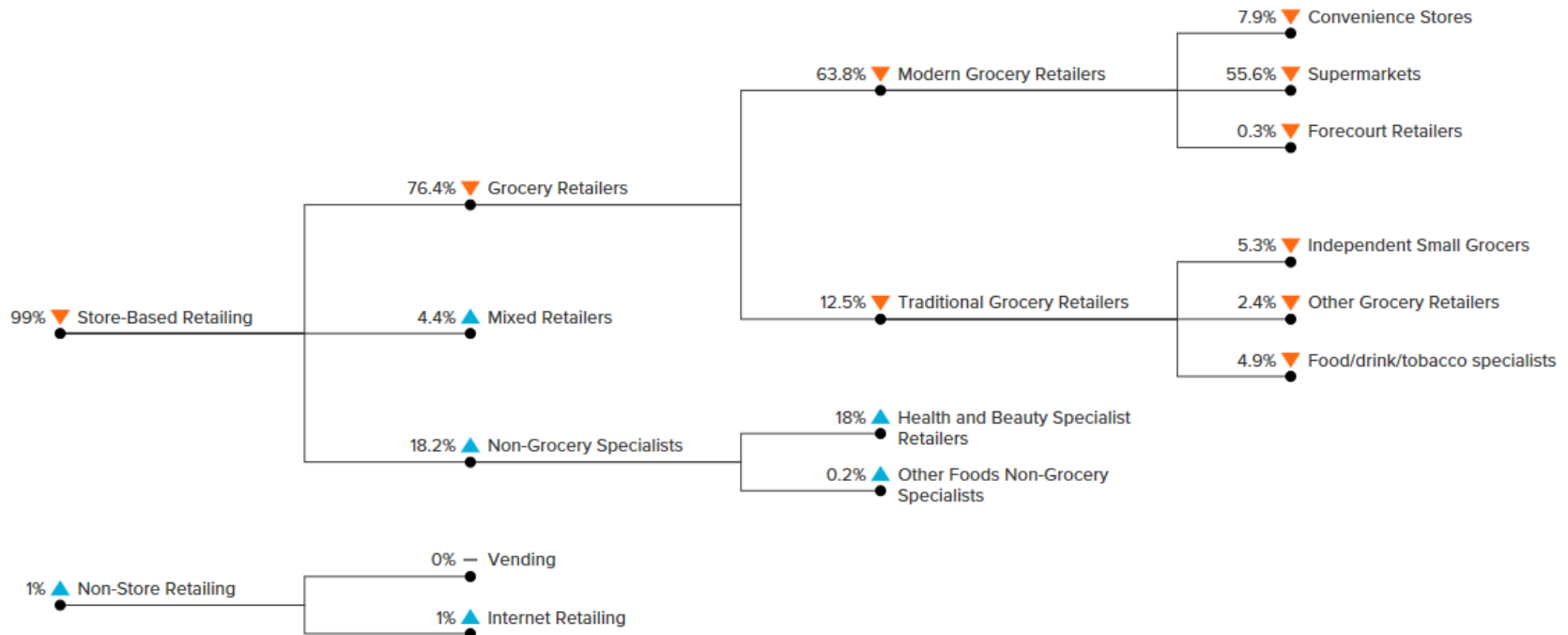
- free trade
- low taxation
- 7th largest trading economy of merchandise
- 15th largest exporter of commercial services
- 3,955 regional headquarters and regional offices in Hong Kong representing their parent companies located outside Hong Kong (as of June-2018)
- Among these companies, US accounted for 18%, Japan (17%), the mainland (11%) and UK (9%)

Hong Kong Food and Beverages Market

- Hong Kong area 1,092 Km² with **7 million+** population
- **<1%** agriculture land, **>95%** of food supply relies on imports
- **58 million** tourists in 2017, of which **44 million (~76%)** were from China
- **~14,000+** restaurants
(37% Chinese, 56% non-Chinese restaurants, 7% fast food outlets)
- **1,000+** bars, pubs and other eating and drinking establishments



Distribution Channels for Packaged Food

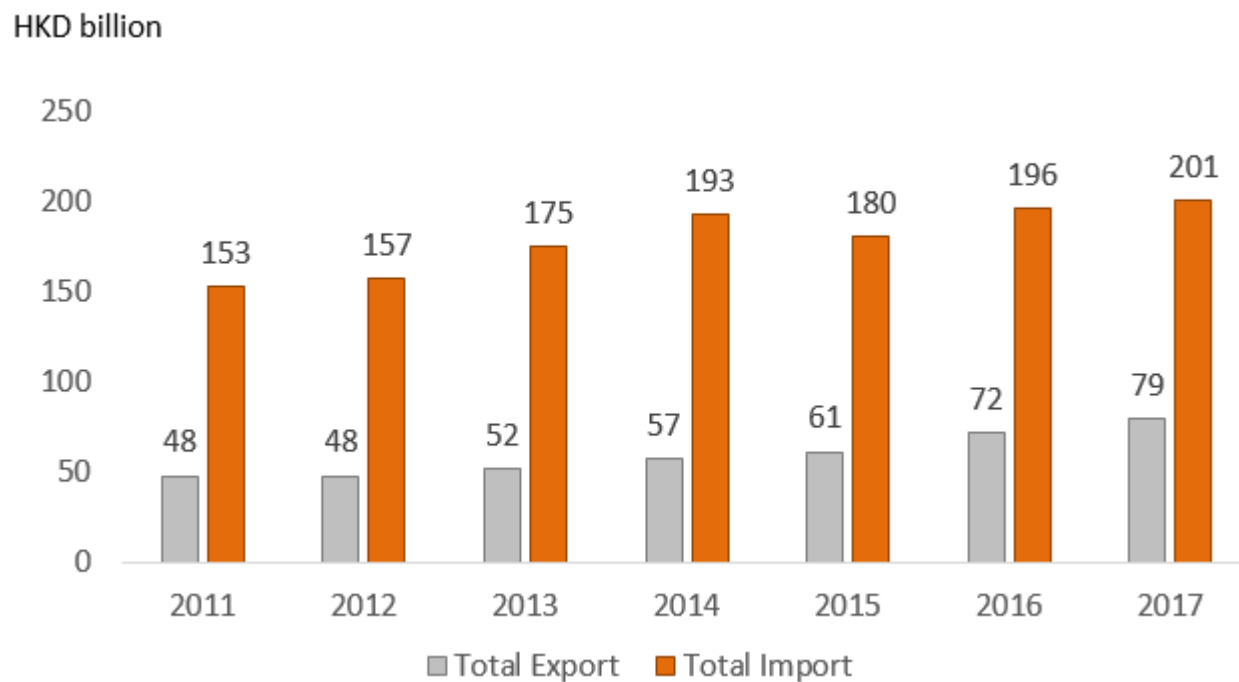


▲ Increasing ▼ Decreasing — No change

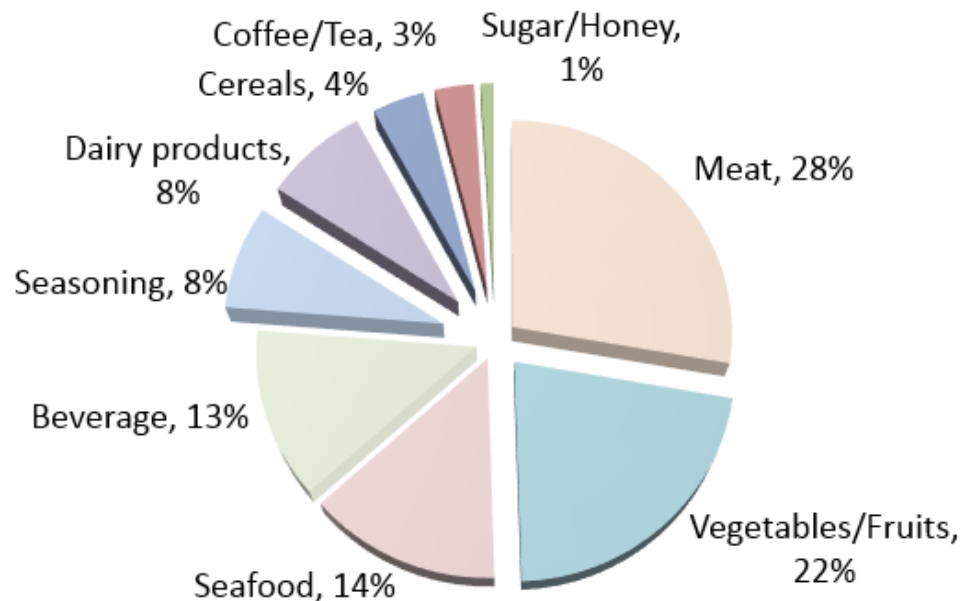
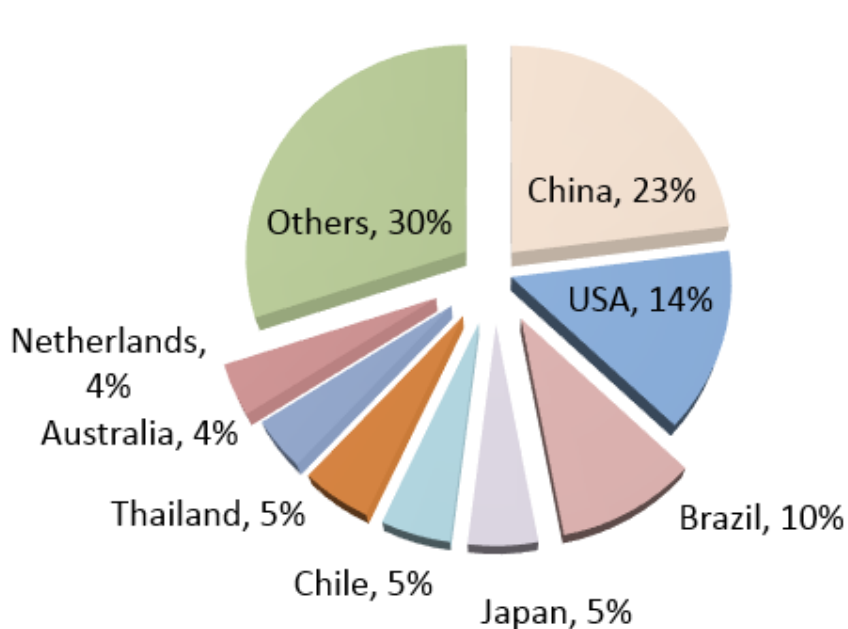
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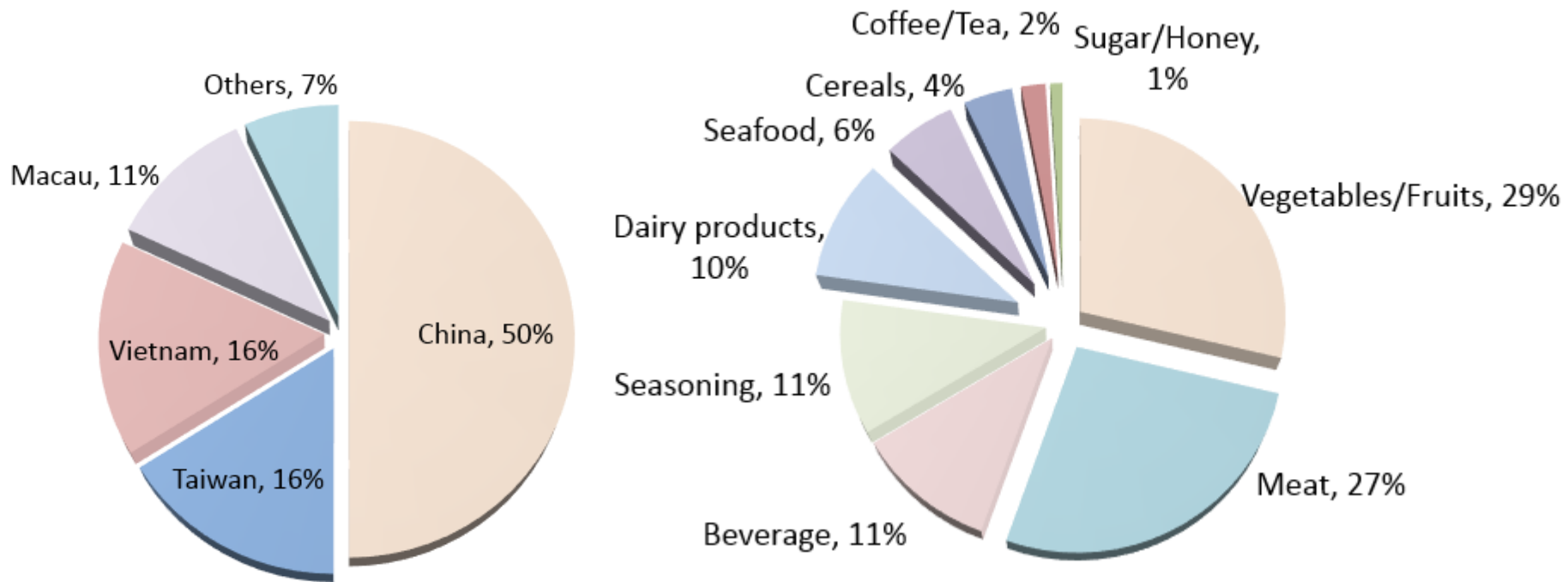
Hong Kong's Trade on Food and Beverages



In 2018 (J-S), Hong Kong imports HKD156 billion (+10.2%) of food and beverages



In 2018 (J-S), Hong Kong exports of HKD65 billion (+12%) of food and beverages



Hong Kong: Distribution Centre for Imported Food Destined for China/Asian Countries

- Foreign food imported into China is subject to **customs duties** (8-35%) and **value-added tax** (10-16%)
- Hong Kong is a **free port** and does not levy any customs duties on food imports
- Importers can first ship the products to Hong Kong then transship the right quantities to different cities in China according to the local demand
- Importers can also consolidate the products destined for China, Hong Kong and other Asian countries in FCL, then transship the other markets according to the sales level

Hong Kong-Zhuhai- Macau Bridge (HZMB)



Guangdong-Hong Kong-Macau Bay Area



Hong Kong's Positioning in Greater Bay Area

- On 1 July 2017, the *NDRC*, Guangdong, Hong Kong and Macau signed the *Framework Agreement on Deepening Guangdong-Hong Kong-Macau Co-operation in the Development of the Bay Area*.
- For Hong Kong, its primary aim is to consolidate and enhance its status as an **international financial, transportation and trade centre**, while strengthening its status as a global offshore renminbi business hub and an international asset management centre.

The World's Major Bay Areas

	Guangdong-Hong Kong-Macau Bay Area	San Francisco Bay Area	New York Metropolitan Area	Tokyo Bay Area
Land area (sq km)	55,905.5	17,886.4	21,478.5	36,898.3
Population (mn)	69.6	7.6	20.2	44.0
GDP ¹ (US\$ bn)	1,513.4	781.2 ²	1,657.5 ²	1,774.2 ^{3,4}
Real GDP growth (%)	7.0	5.3 ²	0.9 ²	1.9 ³
Per-capita GDP (US\$)	21,750	102,230 ²	82,050 ²	40,360 ^{3,4}
Air passenger traffic (mn passenger-times)	201.7	81.3	132.2	123.9
Air freight traffic (mn tonnes)	7.96	1.18	2.16	3.58
Port container throughput (mn TEUs)	66.48	2.42	6.25 ²	7.76 ²
GDP share of tertiary industry (%)	65.6	71.9 ²	83.3 ²	77.0 ³

¹ At current market prices

² 2016 figure

³ 2015 figure

⁴ 2015 average exchange rate for USD1 is JPY121.03

Transport Infrastructure Development Drives Logistics Service Upgrade

● Main transport routes on Pearl River estuary

Hong Kong-Zhuhai-Macau Bridge (Oct 2018)

Second Humen Bridge (~2019)

Shenzhen-Zhongshan Bridge (~2024)

- With Hong Kong International Airport is to the east and Zhuhai (Hongwan customs clearance centre) to the west of the HZMB
- Shortage of warehousing facilities at HKIA, Zhuhai is tapping into logistics business (bonded process, bonded warehousing and repackaging)



Zhuhai Bonded Warehouse

- Targeted cargo:
cross-border e-commerce goods;
high-priced electronics/raw materials;
chilled & frozen food (fruits/marine products/
cold meat)
- Zhuhai as a logistics distribution centre
for the west of PRD-region
- HZMB will connect with:
Beijing-Zhuhai Highway;
Guangzhou-Zhuhai Expressway West Line;
Jiangmen-Zhuhai Highway



Upgrade Cold Chain Logistics Services

- Rising demand for frozen food and fresh food from Mainland and ASEAN consumers
- Some Guangdong operators are partnering with Hong Kong/Macau logistics companies to enhance the import capacity of chill/frozen products
- Companies are eager to solicit advanced cold chain logistics solution in order to upgrade operation efficiency and quality
- Draw on the management experience of their Hong Kong partners and apply new information technology management systems to enhance the monitoring and inspection parts of cold chain transportation, and improve the processes of goods storage, transshipment etc.



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