



Market Opportunity Report: HONG KONG

A custom report compiled by Euromonitor International for

British Columbia Ministry of Agriculture

March 2014



+1 312-922-1115

www.euromonitor.com

This document includes source material that is the exclusive property of Euromonitor International Ltd and its licensors. All such source material is © Euromonitor International Ltd 2014 and provided without any warranties or representations about accuracy or completeness. Any reliance on such material is made at users' own risk. Publication or making available of all or part of the material contained in this document (or any data or other material derived from it) may require Euromonitor's prior written consent. Please refer to the applicable terms and conditions with Euromonitor.

List of Contents and Tables

Contents

INTRODUCTION.....	4
KEY TAKEAWAYS FOR B.C. EXPORTERS	5
Hong Kong: A trade hub in Asia offering strong opportunity for imported agrifoods products	5
OPPORTUNITIES FOR B.C. EXPORTERS.....	6
Top Exports from British Columbia	6
Agrifood	6
Seafood	7
MARKET OPPORTUNITY.....	9
Overview.....	9
Agrifood.....	11
Fresh Food.....	11
Frozen Food.....	13
Packaged Food.....	14
Seafood	15
Fresh Seafood.....	15
Frozen Seafood.....	16
Canned/Preserved/Processed Seafood	18
Wine	19
BARRIERS TO MARKET ENTRY.....	20
OVERVIEW OF HONG KONG’S ECONOMY	21
Performance.....	21
Structure and Major Industries	22
Foreign Trade	22
CONSUMERS IN HONG KONG.....	23
Demographics.....	23
Consumer Habits	25
General Purchase Habits	25
Eating and Drinking Habits.....	26
Health & Wellness Habits.....	27
RETAIL LANDSCAPE	28
REFERENCES.....	29

INTRODUCTION

Introduction

The following report is part of a series of Market Opportunity reports created by Euromonitor International that explore export opportunities for agrifood and seafood producers in British Columbia (B.C.). The report was commissioned by the B.C. Ministry of Agriculture and funded by Agriculture and Agri-Food Canada and the B.C. Ministry of Agriculture through *Growing Forward 2*, a federal-provincial-territorial initiative.

Opinions expressed in this document are those of the authors and not necessarily those of Agriculture and Agri-Food Canada and the B.C. Ministry of Agriculture. The Government of Canada, the B.C. Ministry of Agriculture, nor their directors, agents, employees, or contractors will not be liable for any claims, damages, or losses of any kind whatsoever arising out of the use of, or reliance upon, this information.

Purpose

The purpose of this report is to:

- Identify key trends influencing food purchase and consumption in Hong Kong
- Analyse the Hong Kong food market to identify the largest and fastest-growing food categories
- Provide insight into Hong Kong's participation in the global food market, including factors influencing its trade environment
- Highlight commodities offering B.C. exporters the greatest opportunity in the Hong Kong market

Scope

The geographic focus of this report is Hong Kong. The report is divided into six main sections: Opportunities for B.C. Exporters, Market Opportunity, Barriers to Trade, Overview of Hong Kong's Economy, Consumers in Hong Kong, and Retail Landscape. The report begins by looking at the current state of B.C. exports to Hong Kong in order to understand how this aligns with the dynamics of Hong Kong's food market and to identify the areas of immediate opportunity. This is followed by the market analysis section, which serves as the support behind the highlighted opportunities. The report provides specific market analysis of two categories: agrifood and seafood. The report does not include analysis of non-alcoholic beverages, but does include a special section on wine. The market analysis includes total market size and growth, largest and fastest-growing subcategories, analysis of imports, and identification of where the largest opportunities reside. This is followed by a discussion on the barriers to market entry, which provide context for the logistics behind a market entry strategy. The final three sections of the report serve to provide context for the principle macro factors influencing Hong Kong's food market, including economic performance, structure of the economy, participation in foreign trade, demographic shifts, consumer trends, and retailing landscape.

KEY TAKEAWAYS FOR B.C. EXPORTERS

HONG KONG: A TRADE HUB IN ASIA OFFERING STRONG OPPORTUNITY FOR IMPORTED AGRIFOODS PRODUCTS

- **A growing population and economy increase demand for imported food**

Despite a notable slowdown in recent years, Hong Kong's economy is predicted to bounce back over the next five years as result of its strong business environment, increasing foreign investment, and resilient domestic demand. In addition, the population continues to grow as a result of increasing immigration from mainland China. These two factors are contributing to not only a general increase in demand for food, but also consumers trading up to more value-added products, suggesting strong opportunities for food exports from B.C.

- **Health consciousness and demands for convenience shape food consumption trends in Hong Kong**

The two most important trends affecting food consumption in Hong Kong are increasing health consciousness and growing demands for more convenient meal solutions. On one hand, government health campaigns have caused people from Hong Kong to become more aware of the food they consume, leading to an increased preference for healthy products, especially fresh fruits and vegetables, and value-added packaged food. On the other hand, increasingly hectic lifestyles are causing younger generations of consumers to place more importance on convenience, driving growth in convenience foods, such as ready meals and frozen foods. Catering to these two trends will help B.C. exporters to achieve success in Hong Kong.

- **The effect of mainland China cannot be ignored**

Hong Kong is a special administrative region of China and therefore is dependent on mainland China for a number of things, including imported goods. However, Hong Kong often acts as a gateway for companies interested in exporting to the more closed economy of mainland China, suggesting a highly intertwined relationship between the two. Mainland Chinese are increasingly traveling to Hong Kong to purchase products, including food, which they perceive as being safer than alternatives in the mainland market. Paying attention to this intertwined relationship can help B.C. exporters design broader regional trade strategies, leveraging synergies between the two markets.

- **Dependence on imported seafood grows as local stock declines**

Overfishing, rising labour costs and fewer workers entering the fishing profession have led to a decrease in local fish production. As one of the largest consumers of fish and seafood, Hong Kong is therefore becoming increasingly reliant on imports. It receives most of its imported fish and seafood from China, but that could change due to consumer concern about the safety of food produced in that country, creating greater opportunity for foreign suppliers.

- **Cherries and poultry, and geoduck clams offer greatest immediate opportunity**

Among the products B.C. currently exports to Hong Kong, cherries, poultry, and geoduck clams offer the greatest immediate opportunity, due to current consumer preferences and dynamics in the Hong Kong market.

OPPORTUNITIES FOR B.C. EXPORTERS

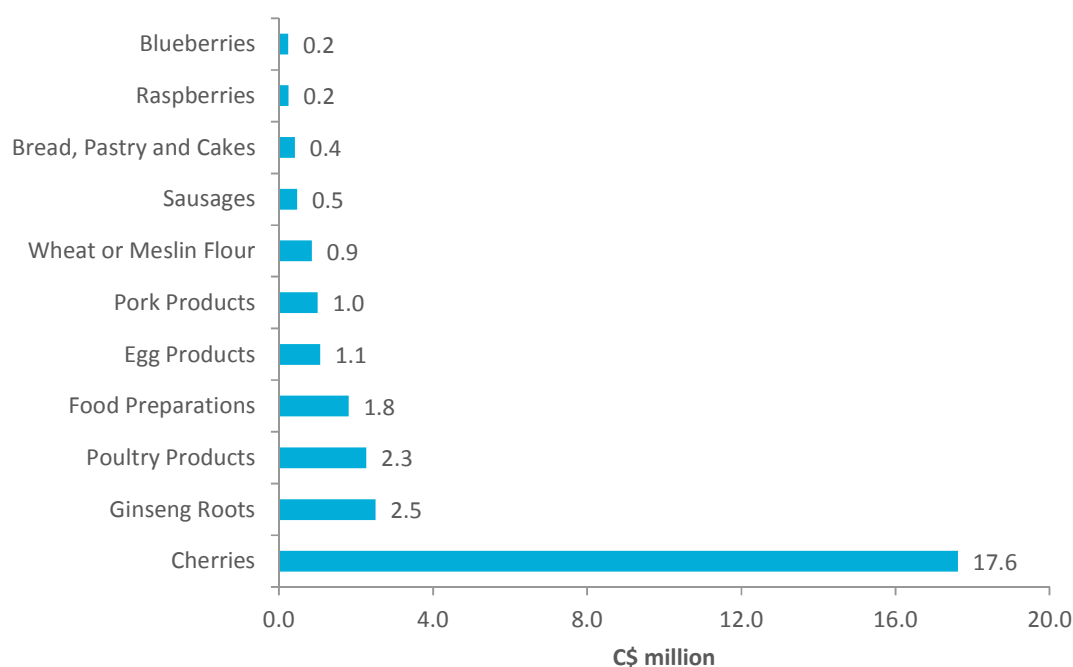
TOP EXPORTS FROM BRITISH COLUMBIA

Agrifood

B.C. agrifood exports to Hong Kong increase by over 35 per cent in 2012

- B.C. exported C\$31.4 million in agrifood products to Hong Kong in 2012, representing two per cent of total agrifood exports and B.C.'s fifth largest export market for agrifood in 2012, behind the USA, Japan, China, and Taiwan.
- The top agrifood exports from B.C. to Hong Kong in 2012 were cherries (C\$17.6 million), ginseng root products (C\$2.5 million) and poultry products (C\$2.3 million).

Chart 1 Top B.C. Agrifood Exports to Hong Kong: 2012



Source: CATSNET Analytics, December 2013 and Global Trade Atlas, December 2013

Cherries, poultry products and pork products offer B.C. the greatest opportunity in Hong Kong

- Among British Columbia's top exports to Hong Kong, cherries, poultry products, and pork products offer the greatest long-term growth. In the case of cherries, Hong Kong already exhibits high consumption of fresh fruits and this consumption is expected to continue growing due to increasing concerns for health. While the bulk of consumption consists of familiar fruits like durians, consumers are turning their attention to non-traditional fruits as their interest in unfamiliar products grows.
- In the case of poultry and pork products, both are very popular ingredients in meals consumed in Hong Kong, especially within the dominant Cantonese cuisine. Consumption of the two

products exceeded 600 thousand tonnes in 2012 and Hong Kong will continue to rely on imports to meet local demand.

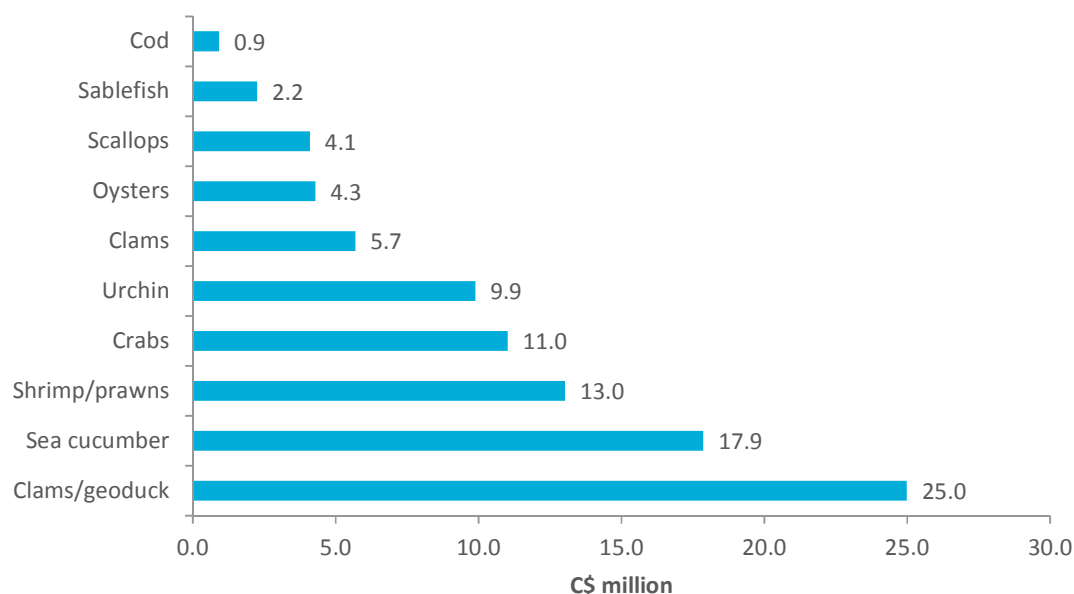
Table 1 Opportunity Assessment of Select B.C. Agrifood Exports to Hong Kong

Top B.C. Exports	Explanation
Cherries	Despite current low levels of cherry consumption, fruit is the largest fresh agrifood category in Hong Kong and consumers are expanding consumption to non-traditional fruits like cherries
Ginseng Root products	Lower consumption levels compared to other fresh agrifoods, but importance of ginseng root in popular Cantonese cuisine and growing interest in natural remedies leads to moderate growth
Poultry and Pork Products	Popular items in local cuisine, both poultry and pork exhibit high consumption. Strong growth is expected, especially for frozen varieties
Egg Products	A mature category presenting moderate growth. There is more opportunity in other agrifood categories
Bread, Pastry, and Cakes	Westernization of eating habits and greater on-the-go consumption is leading to a decline in traditional foods like rice as well as increasing consumption of breads, pastry, and cakes

Seafood

Hong Kong imports more seafood from B.C. than agrifood

- B.C. exported C\$44.3 million in seafood products to Hong Kong in 2012, representing 5.1 per cent of total seafood exports and B.C.'s fourth largest export market for seafood in 2012, behind the USA, China, and Japan.
- The top seafood exports from B.C. to Japan were geoduck clams (C\$25.0 million), sea cucumber (C\$7.4 million) and shrimp/prawns (C\$2.4 million). A large percentage of geoduck clams are eventually distributed through to mainland China, where demand for these seafood products is growing rapidly due to sharp increases in disposable income. The majority of seafood exports was in fresh form (C\$31.0 million), followed by other (C\$6.8 million) and frozen (C\$5.2 million).

Chart 2 Top B.C. Seafood Exports to Hong Kong: 2012

Source: CATSNET Analytics, December 2013 and Global Trade Atlas, December 2013

Geoduck and crabs offer greatest opportunity

- The overfishing of local fisheries in Hong Kong provides growing opportunity for foreign suppliers of seafood. This has been a big reason behind the success of growing geoduck exports into Hong Kong. As disposable incomes continue to rise, this popular seafood delicacy will continue to attract a large portion of Hong Kong consumers, offering opportunities to B.C. exporters of this product. Similarly, crabs are among Hong Kong's top imports of seafood and are expected to maintain this important position in the future, especially considering the strong growth of the foodservice industry and its preference for this product.

Table 2 Opportunity Assessment of Select B.C. Seafood Exports to Hong Kong

Top B.C. Exports	Explanation
Geoduck clams	Rising disposable incomes are allowing more Hong Kong consumers to afford this popular seafood delicacy
Shrimp/prawns	A more mature seafood category in Hong Kong, but still a staple for most consumers
Crabs	Crabs are among Hong Kong's top imports of fresh and frozen seafood and are in high demand in the foodservice sector
Scallops	Second largest import of frozen seafood into Hong Kong and growing in popularity

MARKET OPPORTUNITY

Key Points

- Rising interest in healthy eating spurs strong growth in fresh foods.
- Consumers are willing to pay more for value-added products, leading to a spike in higher priced packaged foods.
- Smaller households and the convenience trend drive frozen food and frozen seafood sales.
- The popularity of Cantonese and Japanese cuisine propels sales across multiple categories, including fresh agrifood, and fresh and frozen seafood.
- Limited local supply means imports play an important role in the food supply chain.

OVERVIEW

Health: an increasingly influential factor in Hong Kong eating habits

- Increasing consumer awareness of healthy eating has positively impacted sales across multiple agrifood and seafood categories. In addition to strong growth in fresh agrifood, fuelled by the EatSmart Campaign launched by the Department of Health, consumers are also trading up to premium products with purported health benefits in packaged and frozen agrifoods. For instance, there is a growing migration from vegetable and seed oils to olive oil. Health and wellness products, especially fortified/functional, naturally healthy and organic, also saw increases across the board. In search for lighter meals, many Hong Kong consumers are also increasing their consumption of fresh fish.

Increasingly hectic consumer lifestyle drives demand for convenient food products

- Low unemployment, a stable economy and continued foreign investment make for a bustling and busy Hong Kong workforce. Women are delaying marriage and childbirth in order to focus on their careers, while young people are preoccupied with studies in growing industries such as engineering and health. All of this activity results in less time to prepare home-cooked meals. Consumers are looking for quick and convenient meal options, leading to booming sales in frozen and packaged foods. Between 2012 and 2017, value sales of packaged food are expected to grow by 56 per cent, fuelled by increases in meal replacement products and chocolate confectionery. With seafood, young people are increasingly prone to choosing frozen over fresh products, due to the convenience pre-prepared meals provide, helping sales grow to 17.9 thousand tonnes by 2017.

Cantonese and Japanese cuisines have large impact on food purchases

- The popularity of Cantonese and Japanese foods continues to impact food sales across a number of categories. Cabbage and cauliflower are among the largest fresh vegetable imports, due to their prominence in Cantonese dishes, while all types of seafood continue to grow because of their importance in both cuisines. Hong Kong consumers' love for Japanese food is leading to increasing demand for sushi, sashimi, ramen, and processed fish snacks.

Limited local supply means imports play an important role in the food supply chain

- As Hong Kong's population continues to grow due to increasing immigration, its local supply of food is having trouble keeping pace with demand, leading to the growing importance of imported food. This is especially true in seafood, where overfishing of domestic fisheries has caused a decline in local supply. Leading suppliers of imported food and seafood include China, the USA, Japan, Australia, Thailand, and Canada.

AGRIFOOD

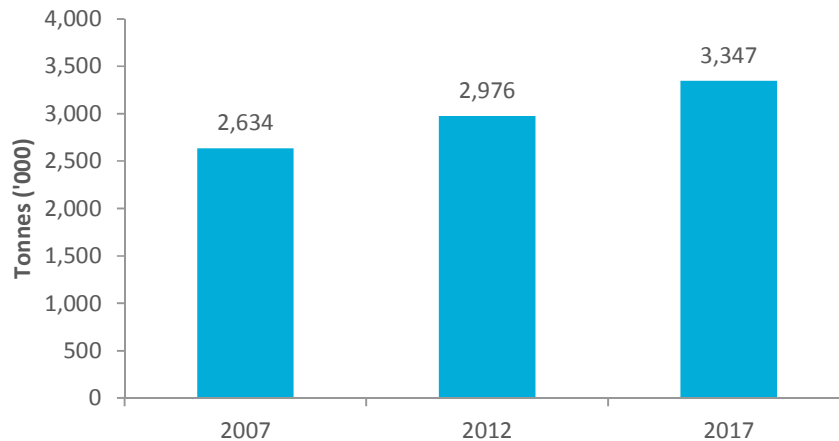
Fresh Food

Key Points

- Stimulated by government healthy living campaigns, fresh food consumption grew by 13.0 per cent from 2007 to 2012, reaching almost three million tonnes.
- Organic fresh foods have witnessed particularly strong growth, due to increased concern over food safety.
- Fruits and vegetables are among fresh foods most consumed in Hong Kong, driven by growing consumer health consciousness and increased availability in restaurants and retail. Other fruits, which consisted primarily of fruits native to the Asia continent, accounted for half of all fruit sales in 2012.
- Common ingredients in popular Cantonese dishes, including cabbage and cauliflower, lead fresh food imports in 2012. China supplied more than half of these imports, due to proximity, strong trade and political relations, and preference for local varieties of these vegetables.
- Eggs, pork, and poultry offer the greatest short-term opportunity for B.C. exporters, while cherries present interesting longer-term prospects.

Consumers turn to fresh foods to enhance well-being

Chart 3 Total Volume Consumption of Fresh Food: 2007-2017



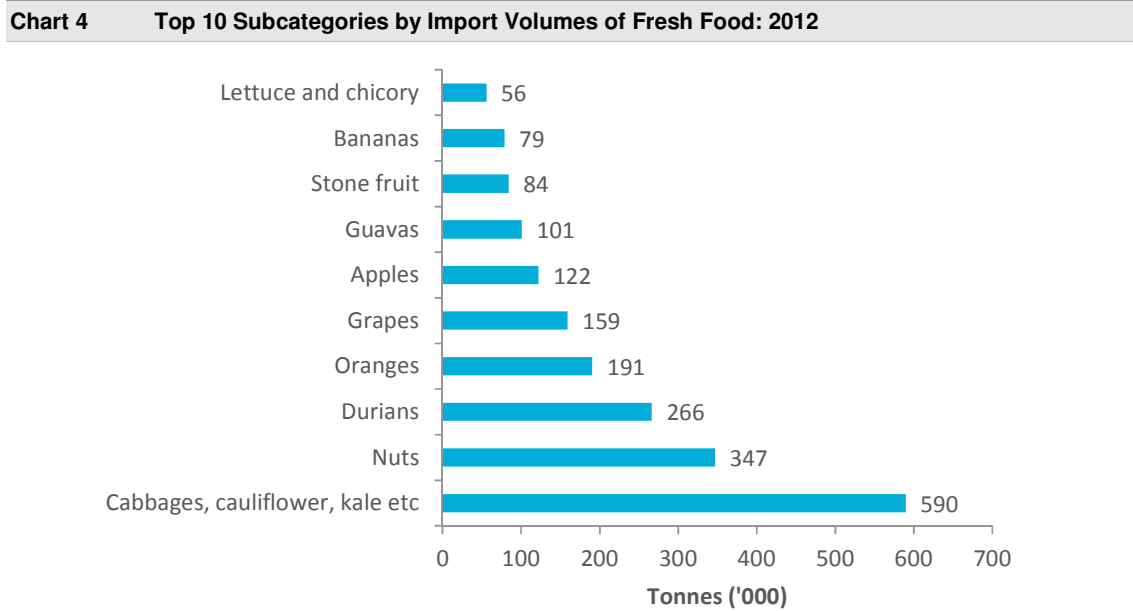
Source: Euromonitor International

Fruits and meat among the largest and fastest growing fresh foods in Hong Kong

Largest Categories	Fastest Growing Categories
1. Fruits	1. Nuts
2. Meat	2. Fruits
3. Vegetables	3. Meat
4. Starchy Roots	4. Sugar and Sweeteners
5. Eggs	5. Starchy Roots

Source: Euromonitor International

Love of Cantonese dishes drive imports of cabbages, cauliflower and kale



Source: Euromonitor International

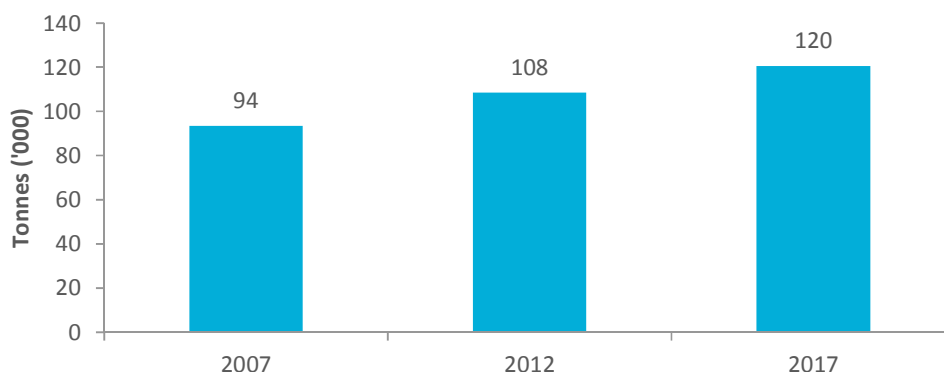
Frozen Food

Key Points

- Consumption of frozen processed food reached 108 thousand tonnes in 2012, up from 94 thousand tonnes in 2007.
- Increasing demand for convenient food options continues to drive growth, with sales expected to reach 120 thousand tonnes by 2017.
- Other frozen processed food is the largest category in Hong Kong at 34 thousand tonnes, consisting mainly of Chinese-type dim sum products. Frozen processed potatoes are also important, due to their high usage in food service establishments.
- Frozen poultry, frozen red meat, and frozen potatoes offer B.C. exporters the greatest opportunities.

Busy Hong Kong consumers drive up demand for convenient, frozen foods

Chart 5 Total Volume Sales of Frozen Food¹: 2007-2017



Source: Euromonitor International

Other frozen processed foods lead volume sales of frozen foods category

Table 4 Top Frozen Food Categories in Hong Kong: 2012

Largest Categories	Fastest Growing Categories
1. Other Frozen Processed Food	1. Other Frozen Processed Food
2. Frozen Processed Potatoes	2. Frozen Processed Poultry
3. Frozen Processed Red Meat	3. Frozen Processed Red Meat
4. Frozen Processed Poultry	4. Frozen Ready Meals
5. Frozen Processed Vegetables	5. Frozen Processed Potatoes

Source: Euromonitor International

¹Total Sales is the aggregate of products sold through both the retail and foodservice channels. Does not include fish that is used for other purposes.

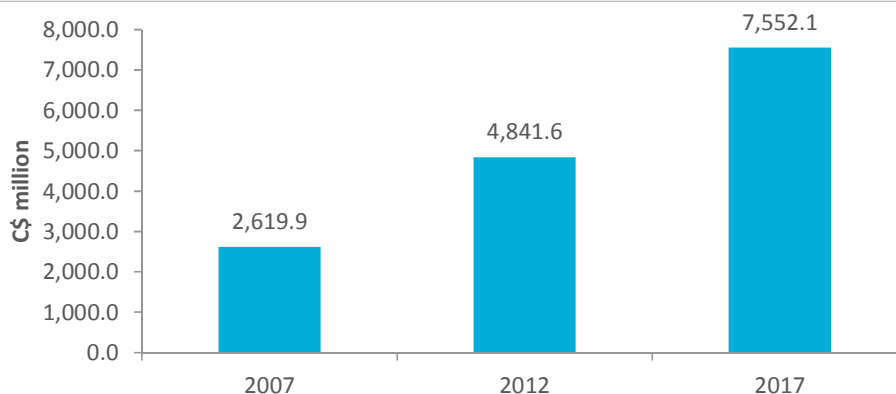
Packaged Food

Key Points

- Packaged foods are in the middle of a boom, as a result of consumers' willingness to spend on premium products for indulgence, convenient packaging and higher product quality. Sales are expected to triple from 2007 to 2017, reaching C\$7.6 billion.
- Milk formula registered an outstanding performance in 2012, owing to higher birth rates during the Year of the Dragon (an auspicious year for giving birth in Chinese culture) and increased cross-border shopping from consumers from mainland China.
- Changing eating habits slows growth of rice while benefitting bread and pasta.
- Meal replacement experiences 14.0 per cent growth to reach C\$28.8 million in 2012.
- Bread and cakes offer greatest opportunity to B.C. exporters.

Consumption of packaged food expected to triple from 2007 to 2017

Chart 6 Retail Sales of Packaged Food (C\$ Million): 2007-2017



Source: Euromonitor International

Year of the dragon drives baby food sales, while growing appreciation of premium products spurs strong performance in chocolate confectionery

Table 5 Top Packaged Food Categories in Hong Kong: 2012

Largest Categories

1. Baby Food
2. Dried Processed Foods
3. Drinking Milk Products
4. Bread
5. Chocolate Confectionery

Fastest Growing Categories

1. Baby Food
2. Meal Replacement
3. Chocolate Confectionery
4. Hot Cereals
5. Yoghurt

Source: Euromonitor International

SEAFOOD

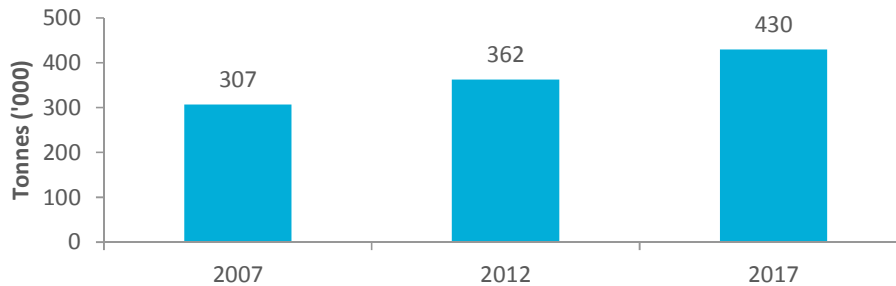
Fresh Seafood

Key Points

- Fresh fish and seafood is very popular in Hong Kong, with consumption reaching over 360 thousand tonnes in 2012. Recent increases in consumption can be attributed to the growing sushi trend and tourism, which should continue and allow consumption to reach 430 thousand tonnes by 2017.
- Hong Kong consumers eat twice as many fish as crustaceans or molluscs and cephalopods.
- The decline of Hong Kong’s local fishing industry makes the city-state increasingly dependent on foreign markets to supply consumer demand for fresh seafood.
- Australia, Japan, and the USA are top suppliers of imported Hong Kong seafood, and crab is one of the most popular imported products.

Increased availability at retail and foodservice channels contributes to boost in sales

Chart 7 Total Volume Consumption of Fresh Seafood: 2007-2017



Source: Euromonitor International

Hong Kong consumers eat twice as much fish as crustaceans or molluscs and cephalopods

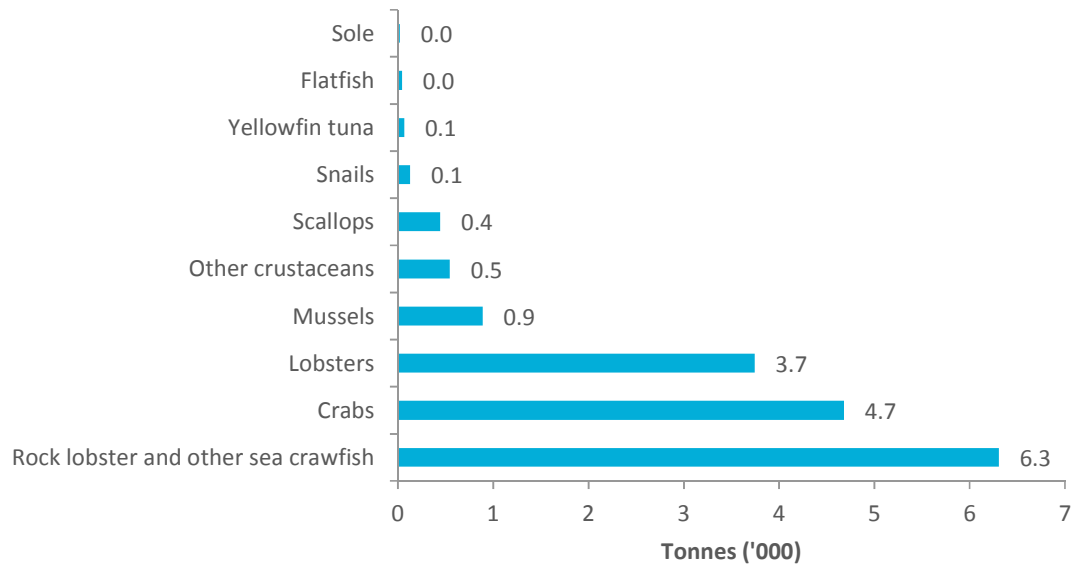
Chart 8 Volume Consumption by Fresh Seafood Category: 2012-2017



Source: Euromonitor International

Hong Kong looks abroad to meet rising fish and seafood demand

Chart 9 Top Categories of Fresh Seafood by Import Volumes: 2012



Source: United Nations Comtrade

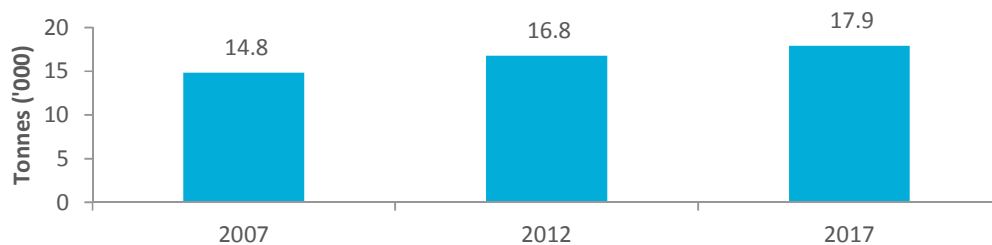
Frozen Seafood

Key Points

- Frozen seafood consumption reached 16.8 thousand tonnes in 2012, driven by the growing popularity of processed Japanese seafood snacks.
- Young people are increasingly choosing frozen over fresh seafood due to the convenience pre-prepared meals provide, helping sales grow to 17.9 thousand tonnes by 2017.
- Cuttlefish, squid, and scallops represent the most important varieties of frozen seafood imported into Hong Kong, with most of these products coming from China and Japan.

The convenience factor of popular frozen Japanese snacks drives up sales of frozen seafood

Chart 10 Total Volume Sales of Frozen Seafood²: 2007-2017

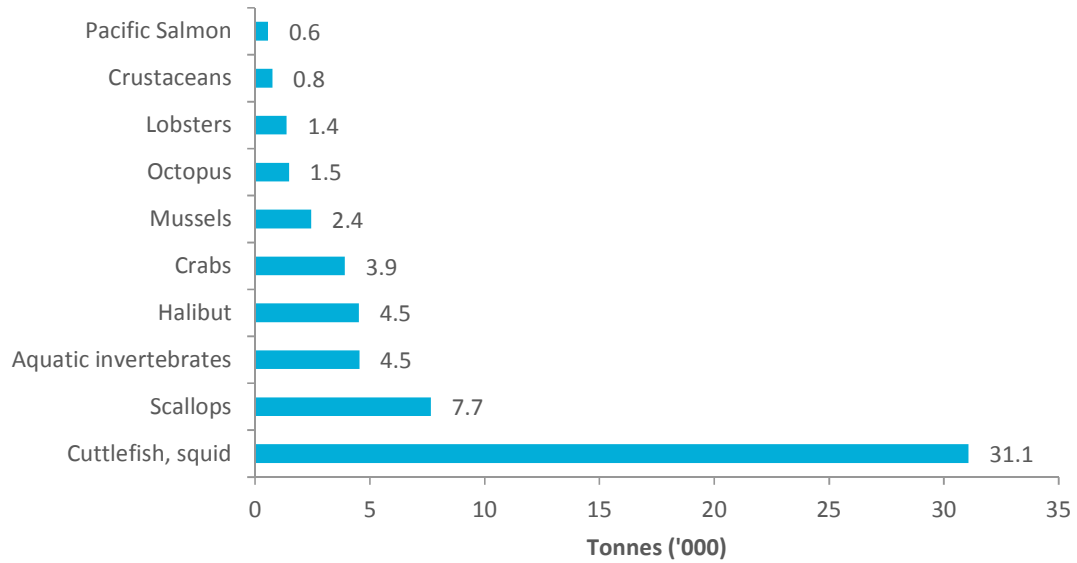


Source: Euromonitor International

²Total Sales is the aggregate of products sold through both the retail and foodservice channels. Does not include fish that is used for other purposes.

Cuttlefish/squid and scallops are the most imported frozen seafoods in Hong Kong

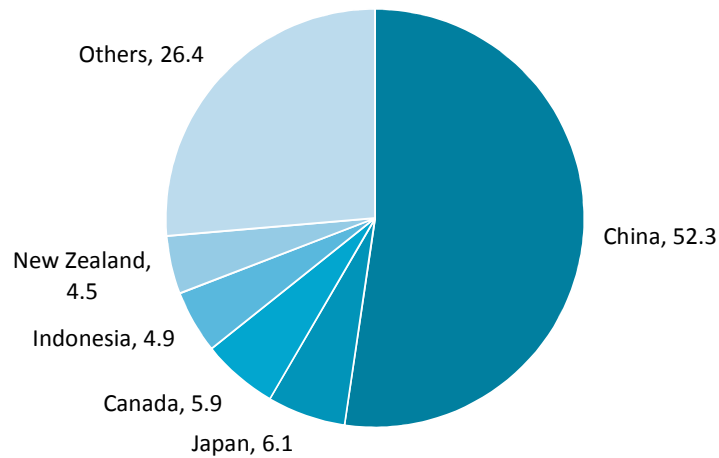
Chart 11 Top Categories of Frozen Seafood by Import Volumes: 2012



Source: United Nations Comtrade

China dominates frozen seafood import source

Chart 12 Top Suppliers of Frozen Seafood by Import Volumes (per cent share): 2012



Source: United Nations Comtrade

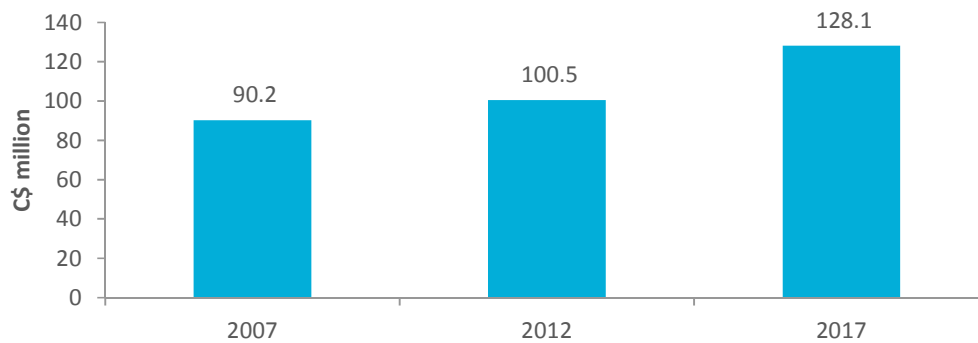
Canned/Preserved/Processed Seafood

Key Points

- Retail sales of canned/preserved/processed seafood reached C\$100 million in 2012. Increasing demands for convenience and growing scarcity of local fresh fish are expected to continue driving the category, allowing sales to reach C\$128 million by 2017.
- Nearly three quarters of imported canned/preserved seafood comes from China.

Convenience and price drive canned/preserved/processed food growth

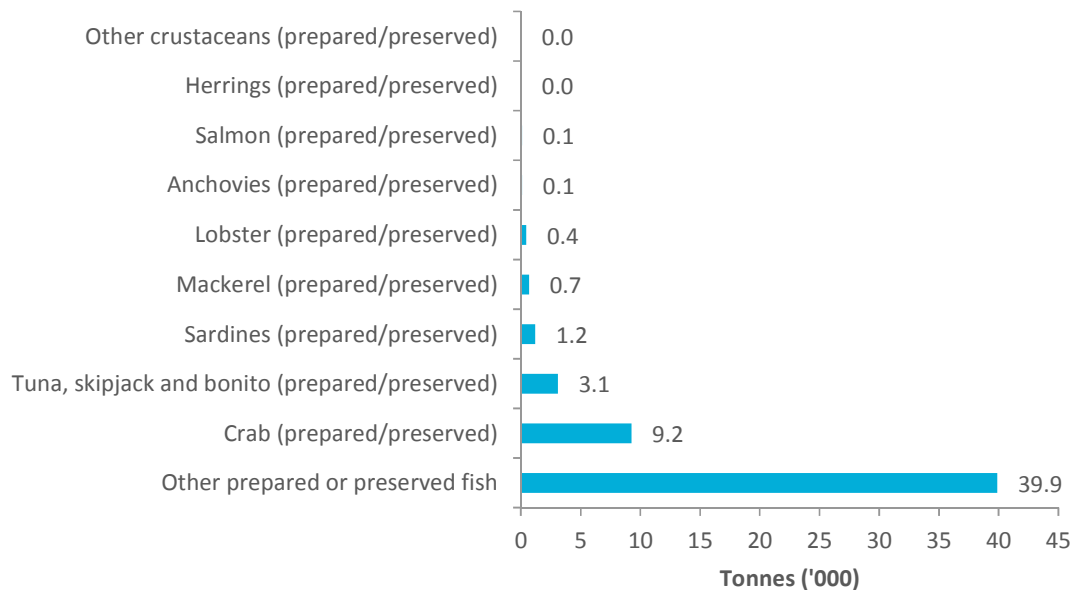
Chart 13 Retail Sales of Canned/Preserved/Processed Seafood (C\$ Million): 2007-2017



Source: Euromonitor International

A wide range of fish products are imported into Hong Kong

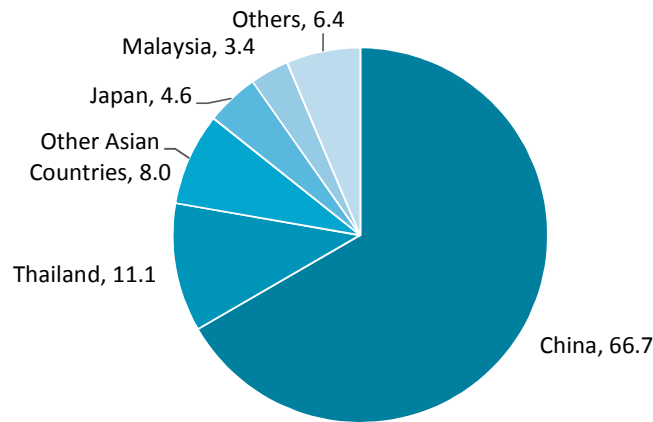
Chart 14 Top Categories of Preserved Seafood by Import Volumes: 2012



Source: United Nations Comtrade

China dominates imports

Chart 15 Top Suppliers of Preserved Seafood by Import Volumes (per cent share): 2012



Source: United Nations Comtrade

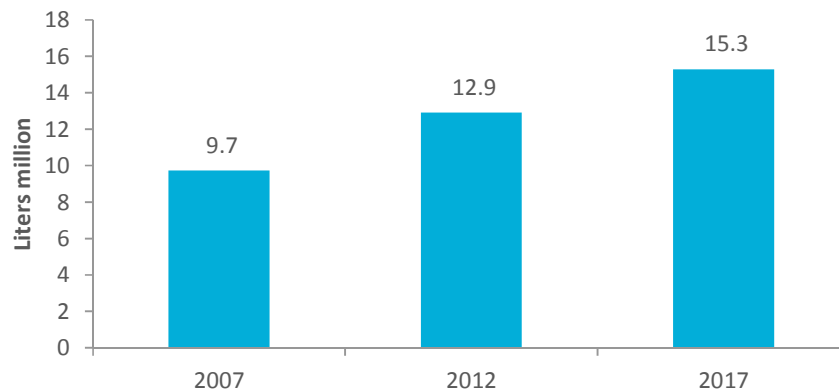
WINE

Key Points

- Total volume sales grew by five per cent in 2012 to reach 13 million litres, driven by rising disposable incomes and purported health benefits vis-à-vis other alcoholic beverages.
- Wine is increasingly consumed across age groups. Most notably, there is growing consumption among young adults, as they seek to improve their lifestyles and image.
- Champagne records the strongest total volume sales growth of seven per cent in 2012 due to consumers trading up to this premium product to help enhance their social status.

Rising disposable incomes and purported health benefits stimulate growth in wine sales

Chart 16 Total Volume Consumption: 2007-2017



Source: Euromonitor International

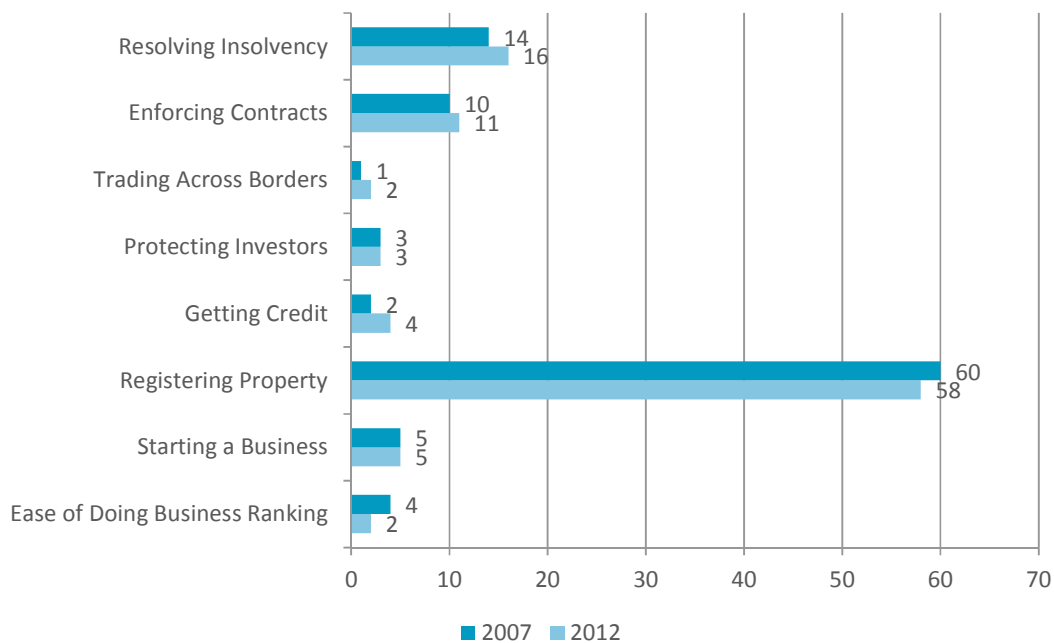
BARRIERS TO MARKET ENTRY

Key Points

- Hong Kong is considered the freest economy in the world due to a transparent regulatory regime and an efficient legal framework.
- Foreign investment is high. Low taxes, good infrastructure and few restrictions on doing business in the city-state are just a few of the reasons companies choose to invest there.
- An ageing population may force the government to raise taxes.
- All imported food and beverage products must comply with the local composition and labelling regulations set by the Center for Food Safety (CFS).

Hong Kong is one of the freest economies in the world, supported by fantastic infrastructure, few restrictions to foreign investment and low import/export costs

Chart 17 Ease of Doing Business Ranking: 2007 vs. 2012³



Source: Doing Business, World Bank

³ Note: (1) Regulations in Doing Business 2012 are measured from June 2010 until May 2011. The data for all sets of indicators in Doing Business 2012 are from June 2010 until June 2011 (except for paying taxes data which refers to January–December 2010). (2) Rankings are based on data sets across 183 countries. (3) Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies. A high ranking means the regulatory environment is conducive to the operation of business.

OVERVIEW OF HONG KONG'S ECONOMY

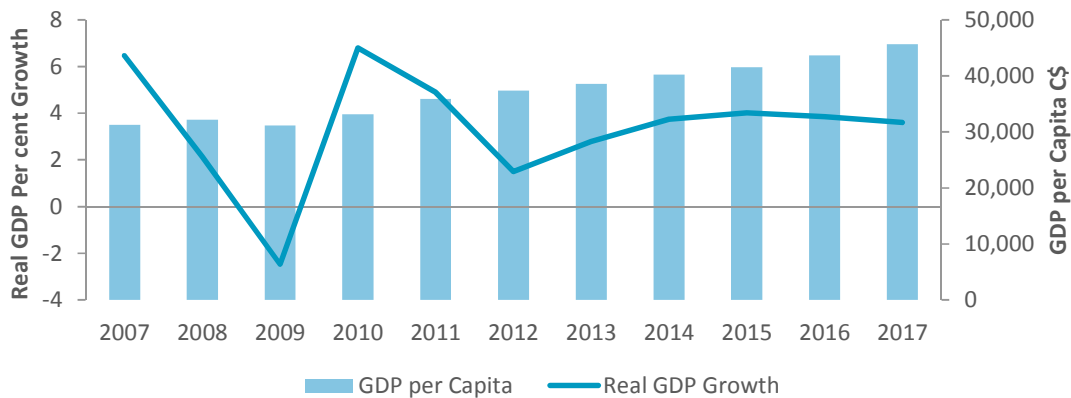
Key Points

- Hong Kong's economy is poised for stronger growth in the future, despite a weaker-than-expected performance in the last few years. By 2017, per capita GDP is expected to reach C\$45,630.
- Supportive fiscal policy and resilient domestic demand will be the main drivers of future growth, as the government continues to invest in stimulus policies to push the economy.
- Service-based industries are the backbone of Hong Kong's economy, with financial intermediation and real estate/wholesale/retail trade representing the most important sectors, accounting for 31.1 per cent and 29.5 per cent of Hong Kong's gross value added (GVA) in 2012, respectively.
- Foreign trade is integral to the functioning of Hong Kong's economy. Due to its strategic location in East Asia and its open economy, Hong Kong has become a trade and financial hub for the region.
- The export sector has been adversely impacted by the 2011-2012 global economic slowdown. Growth in exports in C\$ terms slowed to 3.2 per cent year-on-year in 2012, compared to 10.0 per cent year-on-year recorded in the previous year.

PERFORMANCE

Despite current low levels of growth, strong domestic demand and sound fiscal policy are expected to lead Hong Kong towards a brighter economic future

Chart 18 Real GDP Growth and Per Capita GDP: 2007-2017

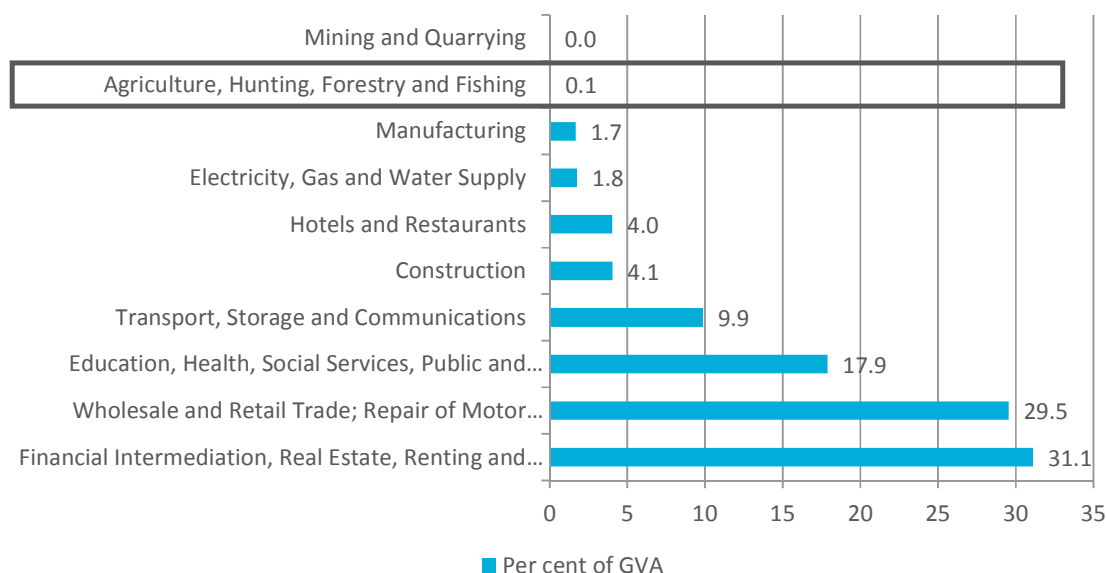


Source: Euromonitor International

STRUCTURE AND MAJOR INDUSTRIES

Hong Kong's growing financial centre rivals that of London, while construction, hotels and restaurants see highest GVA growth

Chart 19 Gross Value Added by Sector in Hong Kong: 2012



Source: Euromonitor International from national statistics

Notes: (1) Wholesale & Retail Trade includes Repair of Motor Vehicles, Motorcycles and Personal and Household Goods. (2) Financial Intermediation includes Real Estate, Renting and Business Activities. (3) Public Administration includes Defence and Compulsory Social Security. (4) Education, Health & Social Work includes Other Community, Social & Personal Service Activities

FOREIGN TRADE

Export growth slows due to recent economic slowdowns of biggest trading partners, while a dearth of land and natural resources make Hong Kong a major importer of essential goods

Chart 20 Hong Kong's Foreign Trade: 2007-2012



Source: Euromonitor International from national statistics/OECD/IMF

CONSUMERS IN HONG KONG

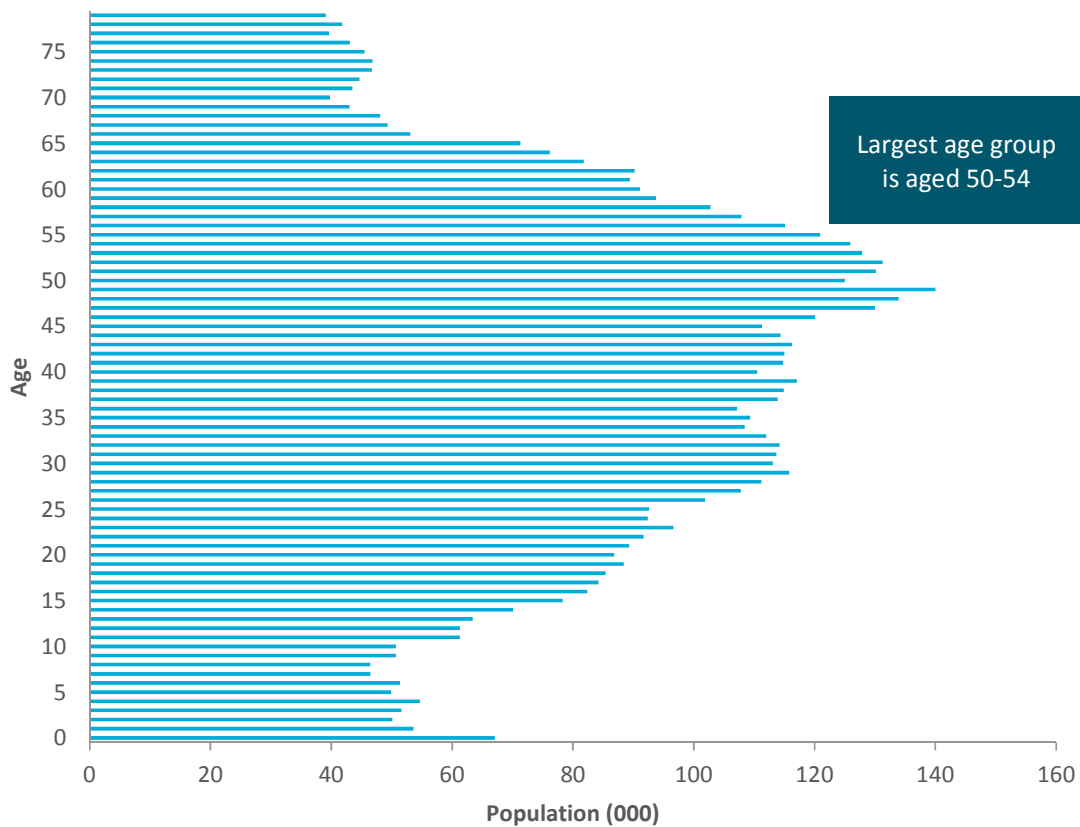
Key Points

- Hong Kong's population is growing as a result of swelling immigration from mainland China, reaching 7.2 million in 2013, up from 5.1 million in 1980.
- Hong Kong is relatively old, with the largest population segment being individuals aged between 50 and 54 years old.
- A wide income gap remains a source of social risk for Hong Kong. Its labour market is extremely divided between high-paid jobs in the financial sector and low-paid, unskilled jobs.
- The typical Hong Kong household is in the process of transformation. Single-person homes are on the rise -- women are choosing to remain childless and single for a longer period of time in order to focus on their careers; while, seniors are opting to stay on their own rather than move in with younger family members.
- Strong demand from mainland China tourists influences shopping patterns in Hong Kong.
- Traditional Cantonese dishes are the most popular cuisine in Hong Kong, but new and global foods are gaining ground.

DEMOGRAPHICS

Swelling immigration leads to a population bump, while the fertility rate is one of lowest in the world

- Hong Kong's population increased to 7.2 million in 2012, up by 3.4 per cent since 2007. However, the city-state's fertility rate (1.2 children born per female in 2012) remained among the lowest in the world, meaning the cause of this population increase was an influx of immigrants. This low fertility rate is expected to accelerate the ageing of Hong Kong's population over the medium and long term. By 2020, the share of the population aged 65 and over could reach 18.0 per cent, compared to 13.7 per cent in 2012.
- In recent years, the influx of unskilled immigrants from the mainland has swelled the ranks of the working poor. About half a million immigrants have relocated to Hong Kong in the past decade, boosting its population by about eight per cent. The income of recently arrived immigrants is estimated to be just a third of Hong Kong's average. Today, the city-state is one of the developed world's most unequal societies. The median age in 2012 was 42 years and is steadily rising.

Chart 21 Hong Kong's Age Pyramid in 2012

Source: Euromonitor International from national statistics/UN

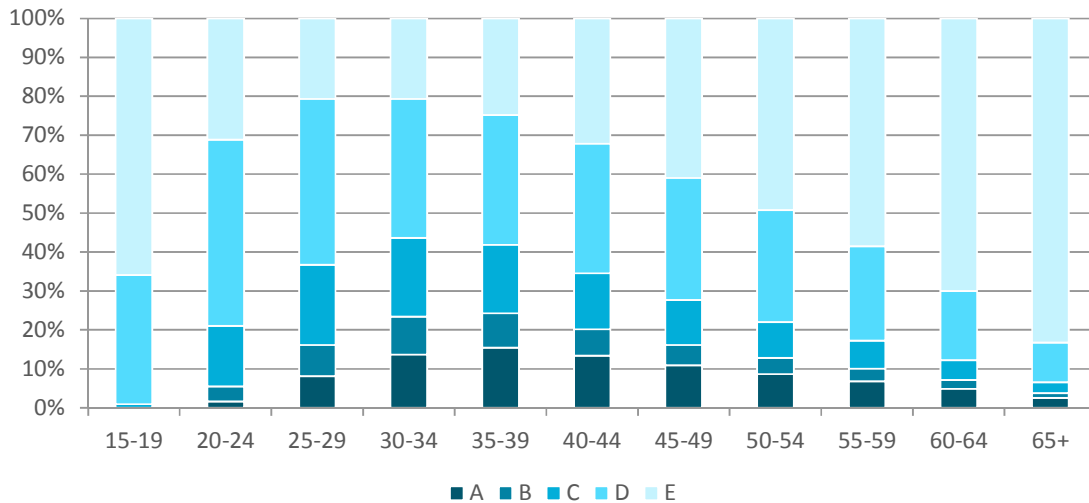
Mid-lifers and seniors are the most populous groups

- The “mid-lifer bracket” (those aged 45-59) is the most populous of all age segments in Hong Kong and will remain so over the next five years. Numbers in this group have been growing for a while as life expectancy continues to rise in the territory. Aside from spending on family members, mid-lifers in their fifties are keen on self-indulgent leisure and lifestyle spending. Many mid-lifers, unlike older compatriots, have lived and worked through an era of prosperity and have amassed savings, as a result of decades of more traditional attitudes towards money. What might have been considered audacious purchases just a few years ago have become reasonable consumer choices for many at this age. This has meant that demand amongst mid-lifers in Hong Kong is relatively high compared to regional neighbours.
- The elderly in Hong Kong are amongst the poorest in the developed world. About 33 per cent of those aged 65 and over are classified as being poor, according to 2013 figures from the Hong Kong Council of Social Service. Their number has grown by 10,000 since 2011, showing both an alarming trend amongst the elderly population, and a larger trend towards greater polarity of wealth in Hong Kong. The number of poor families, 80 per cent of which had at least one member of the household in a full-time job, jumped by 6,000 over the same period.

Individuals between the ages of 30 and 39 are the most prosperous

- While older age segments are the most populous in Hong Kong, the 30-39 year old segment is the most prosperous, boasting the highest share of individuals in the A, B, and C social classes (defined in the footnote on the following page) in 2012. These social classes accounted for over 40 per cent of the individuals in this age group, compared to less than 20 per cent in younger (20-24) and older (50+) groups.

Chart 22 Age Composition of Social Classes ABCDE: 2012⁴



Source: Euromonitor International from national statistics

CONSUMER HABITS

General Purchase Habits

Chinese demands outweigh native demands

- Hong Kong has become, for many Chinese, a gigantic tax-free shopping mall. Mainland Chinese tax laws and import levies are much higher and more restrictive than the autonomous region of Hong Kong, which has a more liberal free market economy. Hong Kong's domestic consumer demand contributes two thirds of its GDP, with non-resident spending accounting for a third of retail consumption, according to 2013 Ministry of Finance figures. Between 2008 and 2012, mainland Chinese tourists increased their spending in Hong Kong from C\$5.6 billion to C\$15.5 billion, according to government census data. This demand from the

⁴ Social Class A presents data referring to the number of individuals with a gross income over 200per cent of an average gross income of all individuals aged 15+.
 Social Class B presents data referring to the number of individuals with a gross income between 150per cent and 200per cent of an average gross income of all individuals aged 15+.
 Social Class C presents data referring to the number of individuals with a gross income between 100per cent and 150per cent of an average gross income of all individuals aged 15+.
 Social Class D presents data referring to the number of individuals with a gross income between 50.0per cent and 100per cent of an average gross income of all individuals aged 15+.
 Social Class E presents data referring to the number of individuals with a gross income less than 50.0per cent of an average gross income of all individuals aged 15+.

mainland has enabled Hong Kong's economy to continue to grow amidst weakening export demand.

- The top items on Chinese customers' Hong Kong shopping lists are cosmetics, clothing and accessories, as well as food and consumer electronics, particularly smartphones. Mainland consumers are having a massive effect on the domestic market for cosmetics and fashion and, as a result, many Hong Kong retailers are now following trends on the mainland to better cater to mainland Chinese consumers.

Eating and Drinking Habits

Traditional Cantonese dishes are the most popular cuisine in Hong Kong, while new and global foods are also appealing

- Hong Kong proudly boasts a fine culinary tradition, including various Southern Chinese cooking styles, such as Fujianese, Hokkien, and Cantonese, as well as imports from its British colonial history. As they live in a modern and cosmopolitan city, Hong Kong residents are very open to experimentation and reinterpretations of global cuisine. Food trendsetting is a growing part of the modern culinary environment in Hong Kong. Fusion restaurants, cutting-edge preparation methods, health food trends, and new ingredients all find homes in Hong Kong, alongside the long-standing traditional dim-sum and Cantonese restaurants.
- The most popular cuisine in Hong Kong in terms of volume consumed is traditional Cantonese food, including dim-sum and traditional local snacks and pasties. Cantonese cuisine is traditionally lighter than other Chinese styles; it involves short cooking times and shallow frying or steaming.
- Seafood is integral to most Hong Kong cuisines and the freshness of seafood and other ingredients is paramount. Young people, particularly young families who lack the time to prepare meals from scratch, are increasingly accepting of processed and frozen foods.

Increased tourism spurs growth in fast food

- According to national tourism statistics, visitor arrivals in 2011 hit a record high, with a total of about 42 million visitors within the year; a 16 per cent increase from 2010. Hong Kong's international reputation as a food lover's paradise translated to a significant increase in sales for food outlets, particularly those related to lodgings, travel and retail. In particular, travel and leisure locations witnessed an above average growth in total value sales, at eight per cent and six per cent, respectively.
- Specific types of foodservice outlets also benefited from the swell in visitor arrivals. Fast food was an easy choice for independent travellers, tour groups and business travellers alike, reaching 10 per cent growth during 2011. A similar sales increase was experienced by fast casual dining, at nine per cent, given their relatively comfortable environment with ease of ordering and transactions. Specialist coffee shops also grew by 10 per cent in current value terms in 2011, with international brands like Starbucks and local company Pacific Coffee being choice locations for customers to get their coffees and snacks quickly.

Quick Facts on Dining Out in Hong Kong

- Most popular formats:
 - **Full-service restaurants**
 - **Fast food**
 - **Cafes/bars**
- Top foodservice chains
 1. **McDonald's**
 2. **Café de Coral**
 3. **Pizza Hut**
 4. **Fairwood**
 5. **Maxim's**

Health & Wellness Habits

Fast-paced consumer lifestyles and recent food scares result in growth of health and wellness products

- The Hong Kong government's various campaigns to promote healthy living, together with the ageing population, continue to drive consumer awareness of health issues and has many turning to health and wellness products to enhance their overall wellbeing with the notion of prevention being better than seeking a cure. The hectic and sedentary lifestyles of consumers also often led them to rush their meals and, consequently, not always obtain the required nutritional content. Therefore, they increasingly opted for health and wellness products to bridge any nutritional gap in their daily diets.
- Food scares and health epidemics, such as the 2011 incident with plasticiser⁵ being found in packaged food products from Taiwan, also raised consumer awareness of product quality. Consumers were thus willing to spend more on organic packaged food products, which promised a higher food safety level.

⁵ Plasticisers are additives that increase the plasticity or fluidity of a material. The dominant applications are for plastics, especially polyvinyl chloride (PVC).

RETAIL LANDSCAPE

Key Points

- Food/drink specialists remain the most numerous in regard to outlets, but supermarkets are experiencing the fastest growth.
- High rental costs and the adoption of the minimum wage have increased the operational costs of grocery retailers, leading to greater industry consolidation.

Supermarkets and other retailers expand product range in order to meet demand

- In value terms, the fastest growing channel in grocery retailers in 2012 was supermarkets, due to the consistent consumer behaviour of purchasing daily goods from supermarkets. The larger supermarkets offer lower prices and usually carry the widest range of products available in grocery retailing.
- Many grocery retailers are expanding their product ranges to meet the expectations of customers, who, as a result of increasing disposable incomes, can now buy a wider range of products. These are not only limited to daily household and grocery products, but also some ready-to-eat foods.

Promotions, private label and value-added services are a growing part of retailer strategy

- Demand for promotional packages and discounts has increased, as consumers are becoming more price-sensitive. Marketing tactics, such as selling bundled economy packs or enclosing complimentary samples are commonly used to stimulate sales. The most direct and effective marketing tool is to offer discounts.
- Other tactics have included developing private label products and more value-added services to increase customer flow. In 2011, Convenience Retail Asia (Circle K) introduced new convenience services, including Ta-Q-Bin courier service, an e-ticketing service for Ngong Ping 360 (a tourism project on Lantau Island) and popular exhibitions, such as annual book and comic shows.

Table 6 Ranking of Largest Retail Distribution Channels in Hong Kong by Outlets: 2012

1. Food/Drink Specialists
2. Independent Food Stores
3. Convenience Stores
4. Supermarkets

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

REFERENCES

For data sources and more information on topics discussed in this report, please visit the links listed below.

Description	Source
Export Tools for British Columbians	http://www.britishcolumbia.ca/Export/Index.aspx
Exporting Your Products from British Columbia	http://www.britishcolumbia.ca/Export/Exporting-Your-Products.aspx
Contact our Trade and Investment Representative Office in Hong Kong	https://www.britishcolumbia.ca/global/trade-and-investment-representatives/china/hong-kong.aspx
Agriculture and Agri-Food Canada - Agri-Food Trade Policy	http://www.agr.gc.ca/itpd-dpci/index-eng.htm
Foreign Affairs, Trade and Development Canada	http://www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx
Hong Kong Centre for Food Safety – Import Control	http://www.cfs.gov.hk/english/import/import.html
Hong Kong Customs and Excise Department	http://www.customs.gov.hk/en/home/