Department for Trade and Investment

Overseas Update Webinar Series

Hong Kong

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Welcome

- HK maintains a substantial trade & investment partner for Australia in its own right
  - Important entrepôt for Mainland China, over 50% of two-way re-exports via HK
  - Appro. 65% of mainland outbound investment flows through HK
  - Approx. 2.9% of trade between Australia and Mainland China is routed through HK
  - Presence of mainland investment offices & MNCs with regional headquarters
  - Strong and growing interests for premium food and agriculture, health & medical, infrastructure and smart cities, digital technology, renewable energy, international education
  - 12th largest foreign direct investor in Australia and 5th largest (total stock investment)
  - Investment interests span across tourism infrastructure, major infrastructure, agri-food, renewable energy, healthcare, aged care and disruptive technologies
  - Pivotal role in Greater Bay Area scheme (Intl finance, transport, trade, aviation & innovation and technology hub)

- South Australia’s biggest merchandise exports to HK - wine, petroleum & seafood (2018-2019)
- Top 3rd destination source of international students, with 2,040 HK international student enrolments in SA (2018-2019)
- 18,000 HK tourist visitors into South Australia, 7% of Australia (2018-2019)
Current Market Conditions

- Social unrest in June 2019 had negative impact on HK economy
  The city entered a technical recession with the biggest contraction in a decade.

- COVID-19 added further challenge following US-China Trade dispute & 2019 social unrest
  - Further hit on the economy across all sectors with significant reduce of the visitor number and major interruptions of transport and logistics to the trading activities
  - Slowdown in investment activities
  - Current economic situation worse than that of SARS epidemic in 2003
  - Tourism sector hardest hit (retail, accommodation, food and beverage, and travel agencies)
  - Retail sales in record 44% in decline in February 2020, consumer spending halved
  - Employment rate 3.7%, a nine-year high, 9% rise from previous month.
  - Steep decline in exports & imports, changing supply chain model (Sino-US Trade tensions), HK role as key trading and transhipment hub between Mainland & world may worry.
  - Anticipates growth by an average of 2.8% per annum in real terms from 2021 to 2024
  - Financial system operating in order - Stock, future & derivative markets, HKEX
  - HK Govt established Anti-epidemic Fund of HKD30 billion (A$6 billion), Stimulus package to enterprises, and HK$10,000 cash payout to HK permanent residents
Current Market Conditions

• **First imported coronavirus infection** on 21 Jan 2020
  Emergency Response Level activated on 25 Jan 2020

• **HK is battling a second wave of Covid-19** as many infected residents return from overseas. As of 6 April, 914 cases of infection, with 4 fatalities recorded. **May impose wider lockdown amid warnings of third wave of outbreak**

• **HK has avoided complete lockdown so far.** The authorities have ordered:
  • temporary closures of pubs and bars, leisure facilities
  • public gatherings in restaurants have limited to 4 people.
  • all Schools & education institutions closed since early February
  • Otherwise all other sectors resumed normal operations with varies levels of capacity

• **Called the biggest work-from-home experiment in history.** Unpaid leave or reduce working hrs
Current Market Conditions

- Outbound global travel red alert
- Inbound Travel restrictions
  - All non-HK residents arriving by plane will be denied entry till 8 April 2020.
  - All transits HKIA suspended.
  - Quarantine – All inbound travellers require virus test & 14-day compulsory quarantine
- Cross-border crossings to the Mainland
  - Most and boundary control points closed
  - Shenzhen Bay and Hong Kong-Zhuhai-Macao Bridge (world’s largest sea crossing) remain open, cargo remains 24 hrs operation
  - Temporary suspensions of all public transport to Macau & high-speed rail train services to Mainland
  - HK Flights are still flying into Beijing, Shanghai, Chengdu & Xiamen
  - Qantas – passenger flights suspended. One cargo flight per week
  - Cathay Pacific – passenger flight twice a week to Sydney. Ramping up of cargo capacity
  - Ports shipping some delays
  - Cross-border truck drivers requiring health certificates (potential food shortages)
Current Market Conditions

- **HK Air traffic dropped 90%** from 40-50 departing flights daily down from 550-600. **Cargo flights remain busy** with surge in demand for medical supplies from China.

- More staying at home and switched to **home dining mode, surge in food & necessities shopping via retail, online/e-commerce platforms**

- Highest risk sectors - **hotels, retail, food & beverage, entertainment, conventions, tourism-related**

- High virus testing rate, roughly average 12,000 tests per 1 million people. **1,016 isolation beds 66% occupied**, facing strains with 2nd-tier isolation wards proposed. **Shortage of ideal PPE**
What is functioning?

Functioning sectors
- **Retail** (supermarkets, wet market, pharmacies, restaurants, Cafes, hair and beauty salons, Some Beauty salons, shopping centres, banks, petrol stations, food delivery, bottle shops)
- **Online /e-commerce shopping platforms**
- **Government with services & time limitations** (e.g. Post office’s suspension of airmail & speedpost to number of destinations)
- **Financial sector, utilities, public transportation, healthcare** (clinics, hospitals, medical practices), **manufacturing, construction, professional services**, **wholesale & distribution**, freight and logistics - heavily reduced capacity, inno & tech incubation, telecommunications

Non-functioning sectors (temporary closures)
- Theme Parks, Concert /Performance venues
- **Education / Schools** (HKDSE exam postponed. All int'l exam such as IB & IGCSE cancelled / postponed, Hardest hit ELICOS sector, many of them are closing down, education agents in operation but promotional fairs postponed)
- **Most conferences / tradeshows/larger-scale promotional events**
- Public entertainment/recreational/social gathering facilities (cinemas, gyms, games centre, bbq)
- **Bars and liquor sections of all food premises and clubs**
Public Safety and Confidence

How is the public responding in your market

- Broad public displeasure w/ government’s inability to implement epidemic measures timely (procurement & scarcity of surgical masks & PPE for residents and medical professionals, immigration control, disruption to school life, designation of quarantine centres and virus testing clinics in neighbourhoods)
- Severe panic buying of surgical masks, toilet papers, rice, sanitizing items
- Breaching compulsory home quarantine orders – criminal offence
- Students under skyrocketed stress over HKDSE exams amid HK School closures

HK’s Government response

- Government warned of a possible third wave of transmission from another potential outbreak in Mainland due to business resumption and may bring new influx to HK.
- Proposed for a wider lockdown e.g. expanding precautions to limit restaurants selling take-away only, non–essential businesses to close, so most to stay home for few weeks.
- Anti-epidemic Fund of HKD30 billion (A$6 billion). Stimulus Package to enterprises, HK$10,000 cash payout to HK PR, Local Mask Production Subsidy Scheme
- New social distancing & public gatherings limitations, temporary closures of bars, gyms and restrictions on restaurants, closures of schools, cross-borders
Public Safety and Confidence

What sectors are active to support the public

- Donation of masks & sanitizing items from charities, NGOs, enterprises, individuals, celebrities
- Local masks production for commercial and as charity for the city’s needy
- Encouragement activities by entertainment sector, social media and enterprise
- E-payment service provider OCTOPUS supporting researchers to study transmission patterns of the coronavirus & movements of residents to identify the risk of infection in various districts
- HK University proposing to utilize train journeys data from HK Mass Transit Railway Corporation

What opportunities lie within this crisis?

- Retail packaged F & B, wine range:
  - healthy and functional foods, longer shelf life & durability, healthy canned foods, essential basic food ingredients (rice, pasta, flour)
  - Entry to mid level priced wines (daily drinking)
- Open up new product lines for global distribution
- Online/e-commerce, home delivery channels
- Edutech /online & mobile learning
- Livestreaming solutions for product promotions
- Remote conferences technology /systems
- Work place technology upgrade & digital transformation
What you need to do

• Maintaining sufficient liquidity & protect your employees

• Monitor leading indicators of how and where the pandemic is evolving and conduct scenario planning domestically and in your overseas markets of interests

• Establish preparedness strategies (e.g. business continuity, workplace technology advancement, digital transformation, online services, crisis & emergency response & risk management, organizational & financial realignments)

• Time for survival, staying competitive and not profit-making

• Leverage financial relief programs offered federal and state government and private entities

• Potential cross – industry partnerships with complementary product offerings
What you need to do

• Maintain ongoing communications with your in-market partners & stakeholders
  • Exchange latest in supply chain capability & challenges, market insights, industry and customer trends
  • Collectively devise new win-win promotional campaigns, product offerings, pricing and distribution strategies
  • Provide relevant support to local partners
  • Be responsive amid remote working and reduced manpower
  • Enhance brand positioning, maintain & expand market share

• Organize interim digital/social media promotional campaigns
  (e.g. online store, website, digital catalogues, products & service marketing via livestreaming)

• Keep abreast of freight shipping and logistics timetables

• Seek latest market intelligence & business opportunities, export services support, upcoming promotions and business missions from South Australian Department of Trade and Investment (DTI) and South Australian overseas in-market representatives
Preparing for Recovery

• Beyond coronavirus: The path to the next normal
  Near-term survival- plan to how to position your business once the crisis has passed and things
  return to normal – next normal

• Monitor schedules of local key conferences, events and tradeshows, plan for participation

• Digital transformation – business operation, marketing and communications and
  product/service offerings

• Deepening pandemic across the globe suggests an economy recovery may not come in near
  term. Earliest signs of market recovery in 2nd half of 2020?? Plan for deliver series of in-
  market promotions activities upon signs of market recovery to stay highly competitive and win
  over market share.

• Continued monitoring of all relief and assistive programs and financial funding available on
  federal, state and industry levels
How DTI can help

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Thank you

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