

Voluntary Report – Voluntary - Public Distribution

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Report Name: Price Changes and Product Availability in Hong Kong during the Pandemic

Country: Hong Kong

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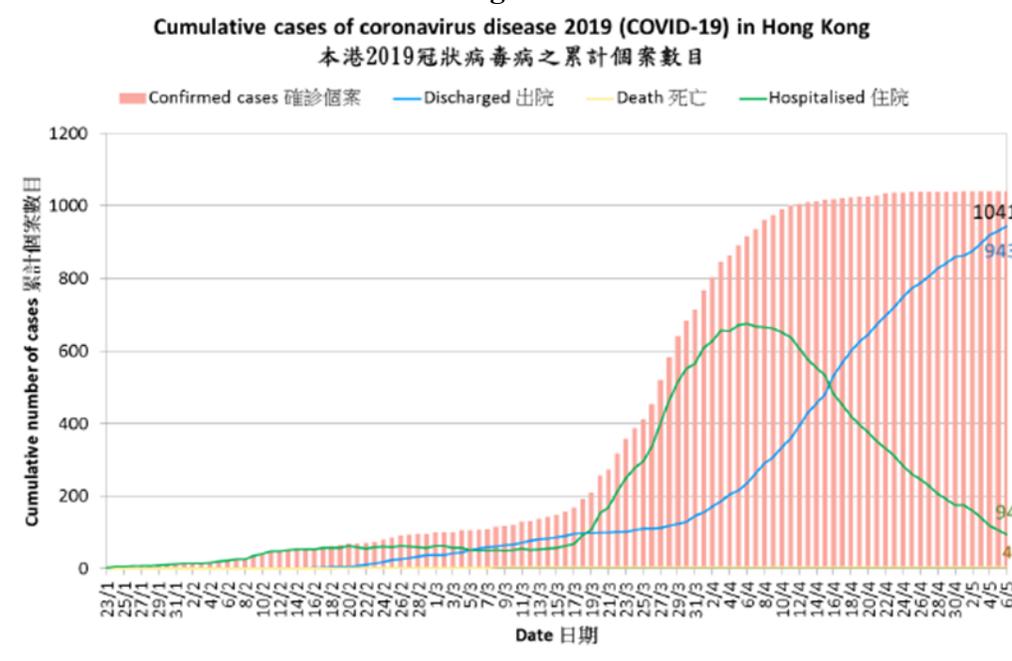
Approved By: Alicia Hernandez

Report Highlights:

The global food supply chain has been disrupted by COVID-19. Hong Kong relies on food imports and the supply and prices of food have been affected to varying degrees. Euromonitor International tracks product availability and prices of consumer products in 40 countries. Based on Euromonitor's tracking system, this report analyzes the Hong Kong data under the backdrop of the development of COVID-19 between January 1 – April 30, 2020.

Hong Kong’s Department of Health (“DH”) received the first notification from China’s National Health Commission (“NHC”) about a cluster of 27 pneumonia cases with unknown causes in Wuhan, Hubei Province on December 31, 2019. The first suspected case in Hong Kong was recorded on January 22, 2020. Since then, the city has been on full alert and increasingly stepping up measures on various fronts to combat the spread of disease. As of early May, the situation in Hong Kong has gradually calmed down and the government has started to lift restrictions on economic activities in phases. The figure below shows the outbreak development of COVID-19 in Hong Kong.

Figure 1



Source: Hong Kong Government

The global pandemic has caused panic buying and production and logistics disruption worldwide. International flights have been vastly reduced, causing freight costs to rise. The slowdown of international trade has affected the normally smooth circulation of empty containers to pick up products, resulting in delayed shipments. Production plants have also been forced to shut down because some workers were infected with the virus.

However, Hong Kong has been able to receive supplies from China and other agricultural producers. China maintained its food supplies to Hong Kong throughout the pandemic and the Hong Kong government’s cross-border passenger restrictions have not applied to the transportation of goods. The daily delivery of livestock and produce never stopped, even when China restricted domestic cross-city transportation. As an important market for Australia, Hong Kong is included in the Australian government’s International Freight Assistance Mechanism launched on April 1 to combat freight challenges resulting from COVID-19. Through this Mechanism, the Australian government sends weekly chartered flights to Hong Kong supplying Hong Kong with seafood, premium red meats, dairy, and produce.

Hong Kong’s air cargo and container terminals have been in full operation throughout the pandemic.

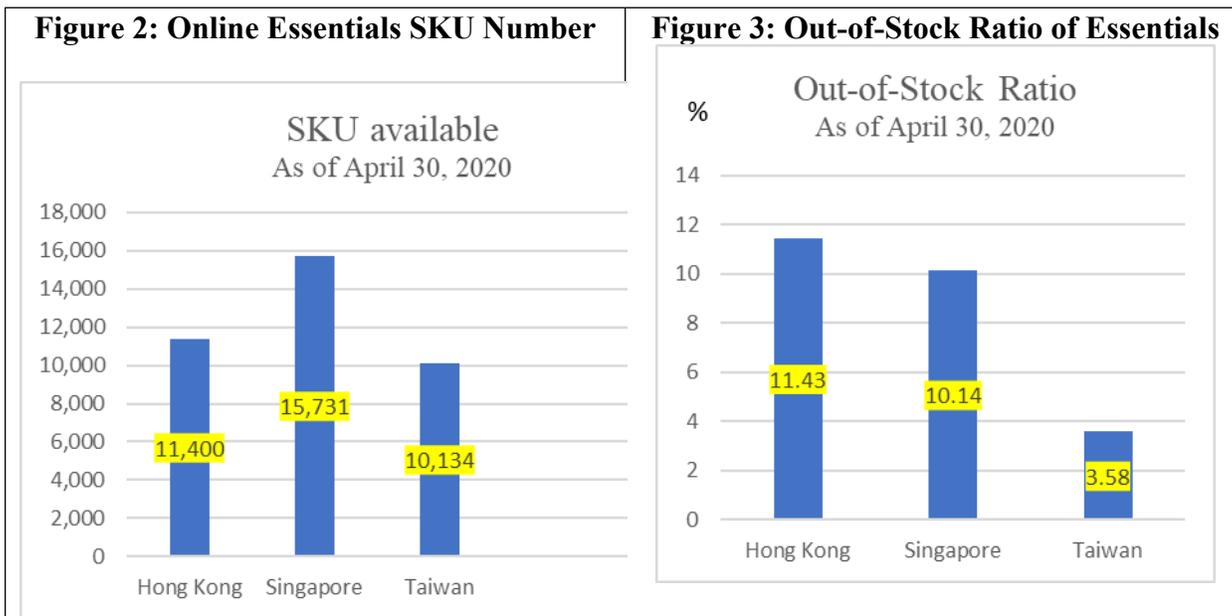
Nonetheless, Hong Kong relies on over 95 percent of imported foods, so the supply and price of food items have inevitably experienced some fluctuations as the virus spreads around the world.

Euromonitor has developed a tracking platform to provide up-to-date information on products' availability and price changes for e-commerce. This report is based on the raw data obtained from this [tracking platform](#), showing the e-commerce data of Hong Kong between January 1, and April 30, 2020.

Hong Kong's Online Sales Compared to Taiwan and Singapore

While the pandemic has prompted people to do more online shopping, Hong Kong still lags behind Singapore but lies ahead of Taiwan in terms of the prevalence of online shopping. Figure 2 below shows the number of essential SKUs available on online shopping platforms. Euromonitor defined essentials as “a basket of product categories from across the fast moving consumer goods (fmcg) industries shown that have been determined to be essential necessities based on their econometrically estimated income elasticity of demand and qualitative input from Euromonitor International’s research teams.” As such, essentials contain non-food products as well.

Of the three places compared, Hong Kong, Singapore, and Taiwan, Hong Kong has the highest out-of-stock ratio, followed by Singapore and Taiwan, probably reflecting the fact that Hong Kong is the most reliant on imports while Taiwan is the least.



Source: Raw Data from Euromonitor International

Hong Kong's Price Index of Food

The price index was set at 100 on January 1, 2020, well before the first suspected case reported on January 22. In 2020, Chinese New Year fell in late January. The holiday is a traditionally low season for production and prices for many products are relatively higher. Higher prices can be attributed to greater demand in the festive season driven by high labor cost during the long holiday. Figures 4 - 13

below indicate the price index movements of a variety of food products offered by e-commerce. According to Euromonitor, the data was collected over 95 percent of food online sales.

Comparing between January 1 and April 30, of the 10 product categories tracked by Euromonitor, the price index of six items increased ranging from 4 to 28 percent, three items declined, and one remained unchanged. Quite a number of categories had pikes in early February, largely affected by the long Chinese New Year holiday, which triggered more consumption and drove up delivery cost.

Alcoholic Drinks: The price index of all alcoholic drinks, whether beer, spirits, and wine was characterized by the conspicuous fluctuation in early February. It is possible that the higher prices were in response to the increased demand during the festive season of Chinese New Year. At one point, the spirits price index was as high as 131. (The beer price index on April 30 was 80, decreasing 20 percent; the wine price index on April 30 was 98, decreasing 2 percent, and the spirits price index on April 30 was 100.)

Eggs: In early February, egg prices started to surge and fluctuate. The price index reached the height of 111.52 in early March but stabilized in April. The rising prices have been due to strong domestic demand in the United States which have reduced U.S. supplies to Hong Kong. The United States is a major supplying country for Hong Kong's egg market. (The price index on April 30 was 104, increasing 4 percent.)

Poultry: The price index for poultry has increased tremendously in the last two months, after a brief surge in early February. The highest recorded point on the index was 163. In March, as overseas poultry supplying countries felt the pinch of the pandemic and export shipments were delayed, Hong Kong still had some of its own poultry stock, but not enough to cover the drop in imports. Many retailers likely pushed up prices immediately. (The price index on April 30 was 128, increasing 28 percent.)

Vegetables: Prices in vegetables have been dropping, probably reflecting the supplies from China. China is Hong Kong's largest supplier of vegetables. (The price index on April 30 was 86 percent, decreasing 14 percent).

Shelf-Stable Fruit and Vegetables: The price index remained around 100 most of the time in the past four months, except during the Chinese New Year. (The price index on April 30 was 104, increasing four percent.)

Dried Pasta: The price index remained quite stable in January but started to rise in February. In mid-February, the price index once rose to a height of 121. (The price index on April 30 was 110, increasing 10 percent.)

Rice: Rice is Hong Kong's staple food. When news broke in late March that Vietnam restricted rice exports, panic rice buying appeared in Hong Kong, triggering the surge of the price index to 115. The panic buying did not last long and the price index dropped when retail shelves were restocked. Presently, supply at retail is normal. (The price index on April 30 was 108, increasing 8 percent.)

Noodles: The price index of noodles fluctuated throughout the past four months. The lowest and the highest recorded were 53 and 122, respectively. (The price index on April 30 was 112, increasing 12 percent.)

Figure 4: Price Index for Beer



Figure 5: Price Index for Wine



Figure 6: Price Index for Spirits



Figure 7: Price Index for Eggs



Figure 8: Price Index for Poultry



Figure 9: Price Index for Vegetables



Figure 10: Price Index for Shelf-Stable Fruit & Vegetables



Figure 11: Price Index for Dried Pasta



Figure 12: Price Index for Rice



Figure 13: Price Index for noodles



Source: Euromonitor International

Out-of-Stock Ratio

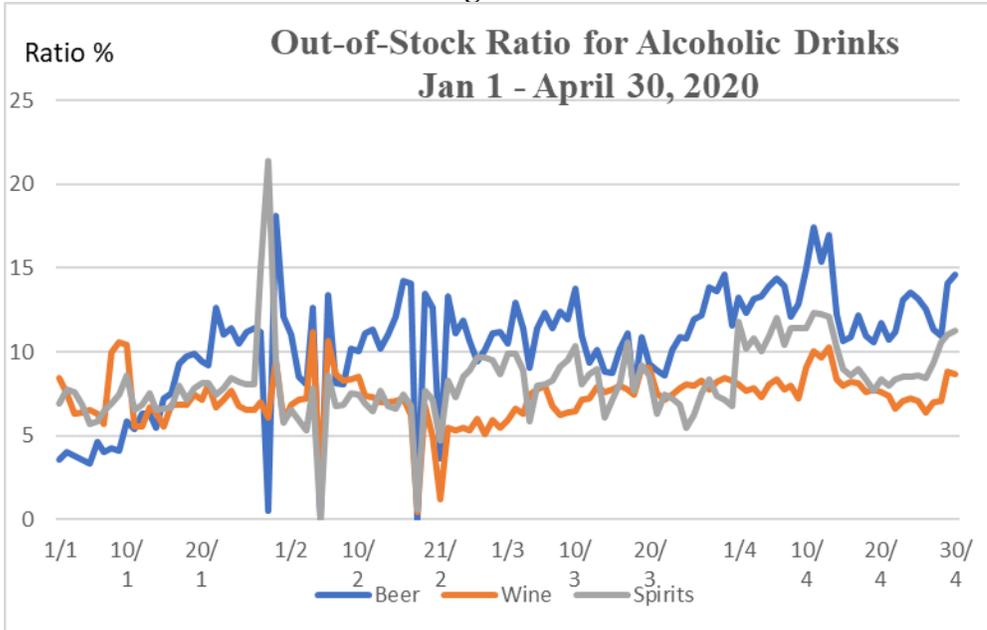
During the pandemic, panic buying occurred for some products, along with anecdotes of delayed shipments. Euromonitor's tracking of the out-of-stock ratio of online sales probably could present a general picture. Figures 14-16 show the out-of-stock ratio of alcoholic drinks, fresh food, and prepared food.

Staple foods have a higher percentage of out-of-stock ratio. Items that recorded the highest out-of-stock ratio include eggs (58%), dried pasta (63%), and rice (54%). By comparison, alcoholic drinks, as a non-staple food, have a relatively lower out-of-stock ratio than that of staple foods such as rice and eggs. The highest point recorded by spirits was 29 percent in the festive season of Chinese New Year. The high demand during the festive season more likely was the reason for the shortage, rather than the pandemic's impact on supply or panic-buying.

Another observation drawn was that the magnitude of the out-of-stock ratio does not necessarily correspond to that of the price index. For example, rice, eggs, and pasta had the highest out-of-stock ratio, but their highest increase in the price index in the past four months ranged from 111 to 121, far lower than that of poultry's 163, yet poultry's highest out-of-stock ratio was only 33 percent. When the out-of-stock ratio is high, it only shows that the supply at the retail level is short, but not necessarily stocks at the import level, otherwise, prices would be correspondingly high for a longer period of time.

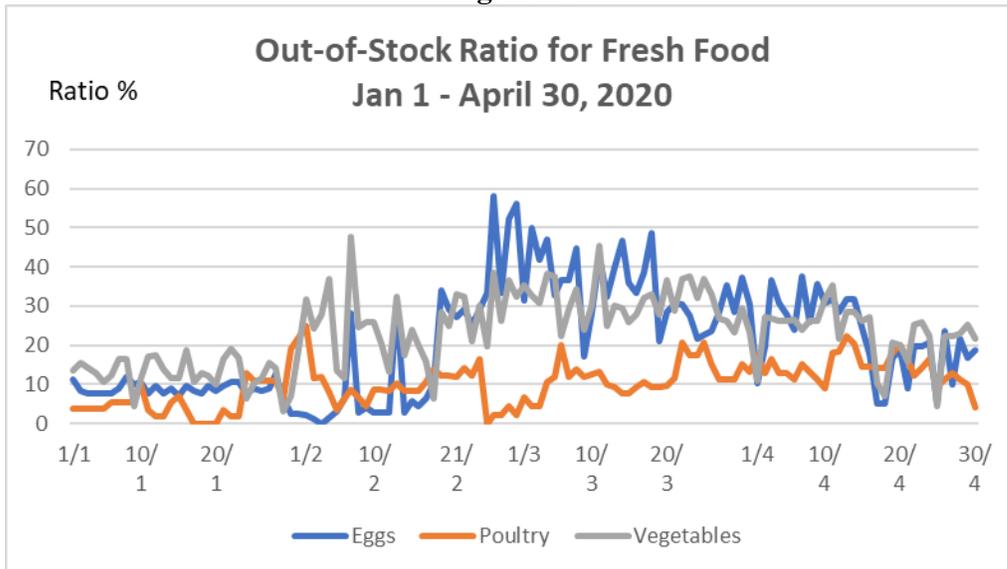
The high out-of-stock ratio at the retail level, therefore, could reflect the level of panic buying at the retail level and the retailers' capability to replenish stock quickly. In contrast, the high rise of the poultry price index indicates the rising cost at the supply end.

Figure 14



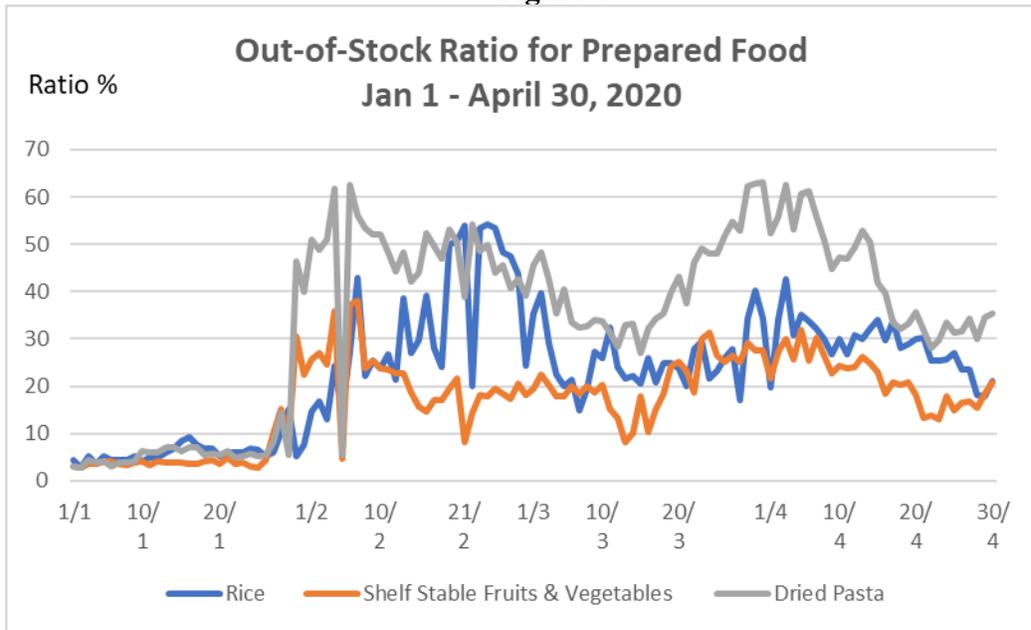
Source: Raw Data from Euromonitor International

Figure 15



Source: Raw Data from Euromonitor International

Figure 16



Source: Raw Data from Euromonitor International

Attachments:

No Attachments.