

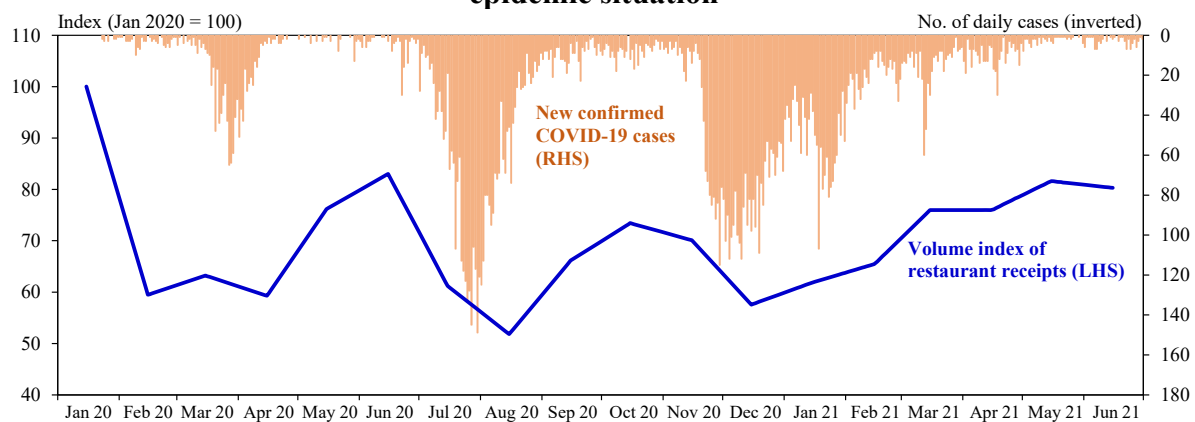
**Box 5.1****Business performance and employment situation of the food and beverage services sector amid the COVID-19 epidemic**

The COVID-19 epidemic has severely disrupted consumption- and tourism-related activities since the start of 2020. Food and beverage services (F&B) sector is one of the hardest-hit. This article takes a look at the impact of the epidemic on the business performance and employment situation of this sector since then.

**Business performance of the F&B sector**

The F&B sector was especially sensitive to the local epidemic situation. *Chart 1* shows that the monthly restaurant receipts fell when the local epidemic situation worsened, and improved when the situation eased<sup>(1)</sup>.

**Chart 1: Business performance of the F&B sector was sensitive to the evolving local epidemic situation**



Sources: Quarterly Survey of Restaurant Receipts and Purchases, Census & Statistics Department (C&SD) and Centre for Health Protection.

In Hong Kong, the first imported case of COVID-19 infection was confirmed on 23 January 2020. By February 2020, tourism was brought to a virtual standstill as travel restrictions were implemented by governments worldwide<sup>(2)</sup>. At the same time, the public became extremely cautious towards dining out, out of fear of getting infected. Business of the F&B sector took a big hit and restaurant receipts plunged by more than 40% in volume terms in February 2020 from January. After a brief period of falling new confirmed cases, the second wave of the local epidemic started in mid-March 2020 and the Government introduced a range of social distancing measures in response. Restaurant receipts in March and April 2020 remained low, similar to the level in February 2020.

Business of the F&B sector improved in May and June 2020, as the epidemic situation eased and the associated restrictions on restaurants were relaxed. Restaurant receipts in June 2020 recovered to over 80% of the level in January 2020. However, the third wave of the local epidemic started in July 2020 with new confirmed cases increasing sharply to levels substantially above those in the previous two waves. Restrictions on restaurants were tightened again. Restaurant receipts plunged in August 2020 to level only about half of that in January 2020. Business of the F&B sector revived somewhat in the following two months, when the epidemic situation stabilised. By October 2020, restaurant receipts recovered to around 70% of that in January 2020.

- (1) The time series of monthly restaurant receipts is not seasonally adjusted, so the changes over time can be partly due to the effect of seasonality. Nonetheless, the changes in restaurant receipts since the start of 2020 are understandably driven predominantly by the epidemic situation rather than seasonal factors.
- (2) Inbound tourism directly contributed around one-fifth of the value-added of the food and beverage services sector before the epidemic.

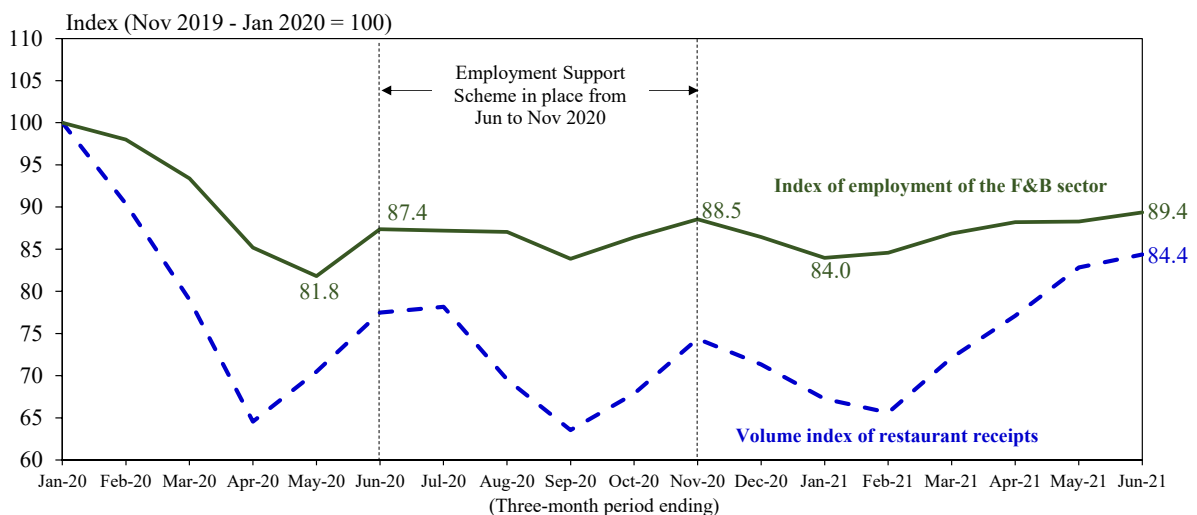
**Box 5.1 (Cont'd)**

The fourth wave of the local epidemic broke out in late November 2020, leading to another round of tightened restrictions on restaurants. Restaurant receipts dropped again, though the lowest level during this wave in December 2020 was somewhat higher than the lowest level during the third wave in August 2020. Restaurant receipts bottomed out at year-end, and recovered gradually after the easing of the epidemic in February 2021, which enabled a relaxation of the restrictions on restaurants in the same month. Further improvement was seen in the following months, as the overall economic conditions improved and the local epidemic situation stabilised, and the latter enabled further relaxation of the restrictions on restaurants with “vaccine bubble” as the basis in April and June 2021. Yet, in the absence of visitor spending, the volume of restaurant receipts in June 2021 was still close to 20% below that in January 2020.

**Employment situation of the F&B sector**

The ups and downs of the business performance of the F&B sector in the past one and a half year had consequences on the sector’s employment situation. *Chart 2* compares the restaurant receipts with employment of the F&B sector on a moving three-month basis. Employment of the F&B sector fell sharply in early 2020 along with the fall in restaurant receipts. It then held relatively stable from the second quarter of 2020 to the three-month period ending November 2020 notwithstanding the wider fluctuations in restaurant receipts in between due to the third wave of local epidemic, as the Employment Support Scheme (ESS) helped keep workers in employment. Employment of the F&B sector increased again in recent months alongside the recovery in business. In the second quarter of 2021, employment of the sector was 9.2% above the trough in the three-month period ending May 2020, though remained 10.6% lower than the pre-epidemic level in the three-month period ending January 2020.

**Chart 2: Employment of the F&B sector plunged after the outbreak of the epidemic, stayed relatively steady as ESS helped, and increased again in recent months, though remained lower than the pre-epidemic level**

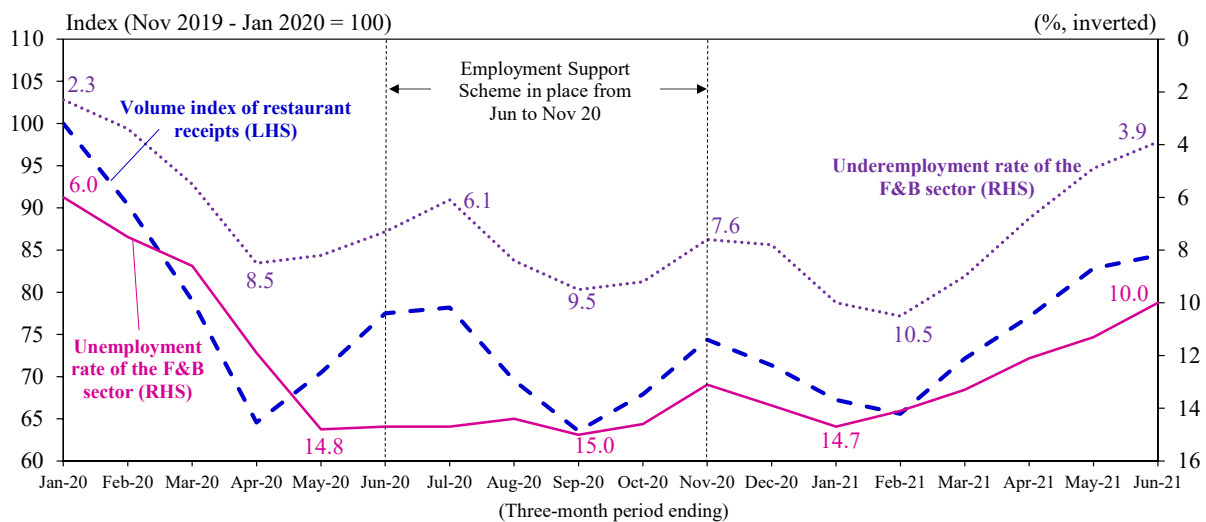


Sources: Quarterly Survey of Restaurant Receipts and Purchases and General Household Survey (GHS), C&SD.

**Box 5.1 (Cont'd)**

The movements in the unemployment rate of the F&B sector (*Chart 3*) largely mirrored that in the employment of the sector. The unemployment rate of the sector worsened noticeably after the outbreak of the epidemic, held largely stable at high levels when ESS was in place, and improved in recent months. In the second quarter of 2021, it declined visibly to 10.0%, having risen to the post-SARS high of 15.0% in the third quarter of 2020, though still noticeably higher than the pre-epidemic level of 6.0%. As for the underemployment rate of the sector, it showed more co-movements with the sector's business receipts. This conceivably reflected that employers preferred adjusting the working hours of existing employees over making layoffs or hiring new staff in response to the changing business situation. The underemployment rate of the sector went down to 3.9% in the second quarter of 2021, visibly lower than the record high of 10.5% in the three-month period ending February 2021, though still higher than the pre-epidemic level of 2.3%.

**Chart 3: Both the unemployment and underemployment rates of the F&B sector were affected by the business situation, with the latter showing more co-movements**



Sources: Quarterly Survey of Restaurant Receipts and Purchases and GHS, C&SD.

**Outlook**

More recently, as the local epidemic situation remained stable and the economy stayed on track for recovery, business sentiment in the F&B sector improved and hiring sentiment showed some revival<sup>(3)</sup>. The launch of the Consumption Voucher Scheme also helped. Should the local epidemic situation remain contained, the business performance of the F&B sector should continue to improve in the near term, which should support further improvement in the sector's employment situation, though the lack of visitors' spending would continue to pose a constraint. As such, the pandemic developments, not just in Hong Kong but also worldwide, hold the key to full recovery of the sector. To play our part, it is essential for the community to work together to keep the epidemic under control and actively participate in the COVID-19 Vaccination Programme.

(3) According to the results of the C&SD's Quarterly Business Tendency Survey conducted during 2 June to 9 July 2021, the proportion of large enterprises in the accommodation and food services sector expecting business situation to improve in the third quarter of 2021 over the second quarter was larger than the proportion of those expecting the situation to worsen by 33 percentage points (i.e. a net balance of +33), a back-to-back improvement from the net balance of -44 and +20 in the first two quarters of 2021. The net balance of expected changes in the number of persons engaged in the accommodation and food services sector also increased back-to-back to +19 from -18 and +11 in the preceding two quarters.