The Fall of Hong Kong's Economy

—The Analysis of Reasons Behind

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Roadmap

- Introduction
- Internal cause
- External causes
 - Return of Hong Kong
 - 2 Economic crisis
 - The rise of mainland China
- Conclusion

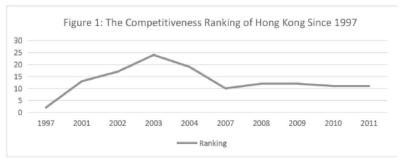
Introduction

Became a colony \Longrightarrow Mainly transit trade \Longrightarrow Industrial city \Longrightarrow Diversification



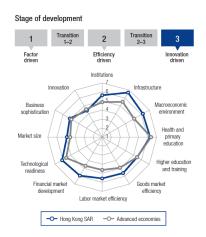
Figure: Hong Kong map

a. The competitiveness analysis of Hong Kong



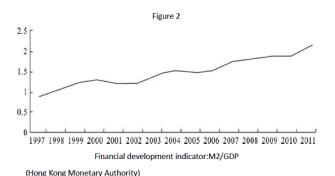
(http://reports.weforum.org/)

a. The competitiveness analysis of Hong Kong



b. The financial market of Hong Kong

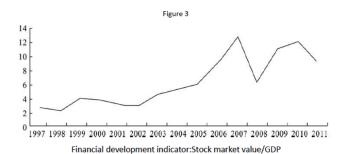
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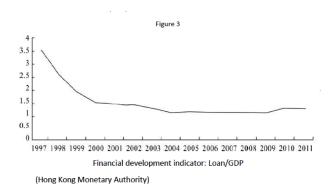


(Hong Kong Monetary Authority)



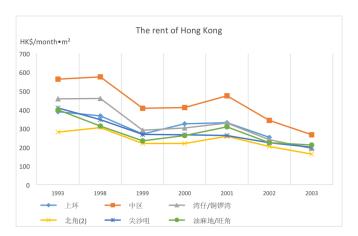
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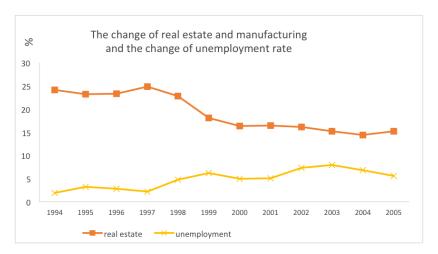




c. The real estate market saturation of Hong Kong



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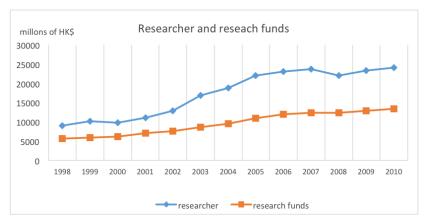


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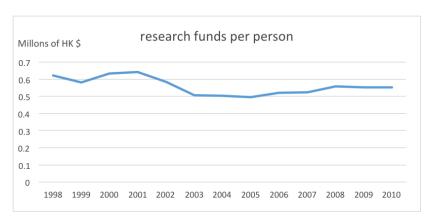
d. The science and technology competitivness of Hong Kong

Higher education and training ranks 24. Innovation ranks 26



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- Brain drain and capital flight
- Confliction between Hong Kong and mainland

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Brain Drain and Capital Flight

Definition

Brain drain: a mass emigration of technically skilled people from a country or a region to another country.

Capital flight: assets or money rapidly flow out of a country or a region, due to an event of economic consequence.

1990 1991 1992 1993 1994 1995	2 804. 1 2 792. 3 2 856. 4 2 929. 0 3 000. 7	_	5 752.0 5 815.3 5 887.6 5 998.0 6 119.3 6 270.0	NA 1. 10% 1. 24% 1. 88% 2. 02%
1992 1993 1994	2 792. 3 2 856. 4 2 929. 0 3 000. 7	-0. 4 2. 3 2. 5	5 887. 6 5 998. 0 6 119. 3	1. 24% 1. 88%
1993 1994	2 856. 4 2 929. 0 3 000. 7	2. 3 2. 5	5 998.0 6 119.3	1.88%
1994	2 929. 0 3 000. 7	2.5	6 119.3	
	3 000.7	_		2. 02%
1995		2.4	6 270 0	
2000	3 160 8		0 210.0	2. 46%
1996	0 10010	3. 1	6 466.6	3. 14%
1997	3 234.8	2. 3	6 516.7	0. 77%
1998	3 276.1	1.3	6 583.4	1. 02%
1999	3 319.6	1.3	6 637.6	0. 82%
2000	3 374.2	1.6	6 711.5	1.11%
2001	3 427.3	1.6	6 730.3	0. 28%
2002	3 472.6	1.3	6 725.8	-0.07%
2003	3 465.8	-0. 2	6 764.2	0. 57%
2004	3 512.8	1.4	6 797.7	0. 50%
2005	3 534.2	0.6	6 837.8	0. 59%
2006	3 571.8	1.1	6 904.3	0. 97%
2007	3 622.3	1.4	6 938.4	0. 49%
2008	3 637. 2	0.4	6 963.9	0. 37%
2009	3 660.3	0.6	6 996.4	0. 47%
2010	3 631.3	-0.8	7 052.1	0. 80%
2011	3 703.1	2. 0	7 112.4	0. 86%
2012	3 785. 2	2. 2	7 177.9	0. 92%
2013	3 858.8	1.9	7 221.8	0.61%
2014	3 876.4	0.5	7 266.5	0. 62%
2015	3 909.8	0.9	7 324.3	0. 80%

Why?

- Uncertainty.
- Better life in other countries.

Brain Drain ⇒ Capital Flight

Process

Many capitalists transferred their capital to other countries to avoid the uncertainty of Hong Kong and people who emigrated brought their fortune abroad.

Effect

$$Y = A \cdot K^a \cdot L^{1-a}$$



Economic Downturn

Confliction between Hong Kong and Mainland

Institutional difference.

Different economic circumstance

Economic Crisis on Hong Kong

- Back ground
- Data
- Explanation

Background

On July 2, 1997, Thailand gave up Fixed Exchange Rates which marked the beginning of Financial Crisis.

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In 2008, Subprime mortgage crisis in America spread to the whole world which resulted from lending too much to those in poor credit.

Do they have influence on Hong Kong?

Data comes from Hong Kong SAR Government Census and Statistics Department.

Series	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
name GDP (% real	%	2.37	4.26	5.10	-5.88	2.51	7.66	0.56	1.66	3.06	8.70	7.39	7.03	6.47	2.13	-2.46	6.77	4.82
change pa) Real GDP	bil	129.70	135.20	142.10	133.80	137.10	147.60	148.50	150.90	155.50	169.10	181.60	194.30	206.90	211.30	206.10	220.00	230.60

Figure: Data

The real GDP from 1995 to 2011.

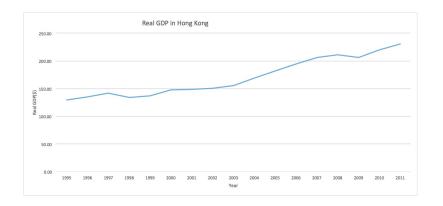


Figure: The real GDP



GDP growth rate from 1995 to 2011 in Hong Kong.

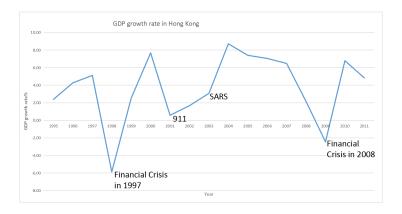


Figure: GDP growth rate



Explanation

Financial Crisis in 1997



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- i International speculators have two attacks in Hong Kong.
- ii Use USD to change for Hong Kong dollar, increase exchange rate, change back.
- iii A panic in Financial market and less investment, less GDP.

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Financial Crisis in 1997

I The poor credit borrow money to buy houses.

The Influence of Economic Crisis on Hong Kong

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Financial Crisis in 1997

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- II Price of houses falls. Unable to pay back.

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Explanation

Financial Crisis in 1997

- I The poor credit borrow money to buy houses.
- II Price of houses falls. Unable to pay back.
- III Banks are less willing to lend. World economy came into recession.

The Rise of China's Economy on Hong Kong's Economic Status

Structure

- Hong Kong's special economic status for China
- The rise of China's economy
- The impact on Hong Kong's economic status

The Special Economic Status of Hong Kong

• The leading economic zone: Dragon's Head .

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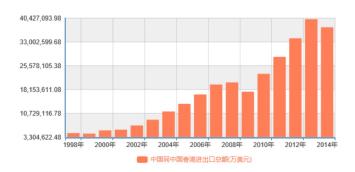
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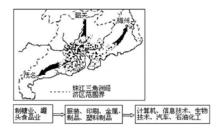
The Close Economic Relationship

The economic return runs before the political return.



The Close Economic Relationship

Case: In 1980s, the north movement of manufacture industries contributed to the economic development of Guangdong.



The rise of China's Economy An economic miracle.



The impact on Hong Kong's economic status

From the perspective of the background of Hong Kong's rise

Shanghai financial center went to the weak \Longrightarrow the rise of Shanghai, Beijing and Shenzhen

The economic autarky situation, the planned economy \Longrightarrow The more open economy, the maket economy.

The lack of bridge between China and foreign countries \Longrightarrow The second largest international trade country.



Shanghai financial center went to the weak \Longrightarrow the rise of Shanghai, Beijing and Shenzhen

	Table 1: The GDP of Hong Kong and the First-tire Cities				
				100 millions of RMB	
Year	Hong Kong	Shanghai	Shenzhen	Beijing	Guangzhou
1997	11074.44	2699.47	1130. 01	1288. 84	1161, 61
1998	10488. 19	2973.26	1289. 02	1780. 98	1298. 30
1999	10276. 48	3615.57	1436. 51	1824. 58	1451. 13
2000	10690.09	4098.64	1665. 24	2332. 31	2165. 11
2001	10540. 56	4893.01	1954. 17	2697. 94	2448. 99
2002	10362. 85	5346. 27	2256. 83	3124. 51	2731. 11
2003	10017. 62	6180.74	2895. 41	3557. 26	3187. 65
2004	10481.37	7371.27	3422. 80	4160. 98	3791. 44
2005	11216. 95	9058.46	4950. 91	6765. 62	4792, 44
2006	11969. 57	10258. 11	5813. 56	7737. 41	5643. 95
2007	13107. 15	12066.06	6801. 57	9207. 60	6570. 49
2008	13605. 59	13560.44	7806. 54	10325. 15	7560. 67
2009	13163. 47	14876.00	8201. 00	11972. 00	8410. 00
2010	14130. 07	16971.55	9581. 51	13904, 41	9879. 41
2011	15364. 89	19000.00	11000. 00	16000. 00	12380. 00

(The Census and Statistics Department, CEI net database)

The exceeding point



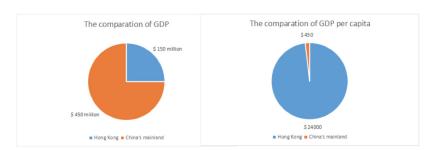
The more open economy, the maket economy.

The economic autarky situation, the planned economy \Longrightarrow



The high economic density \Longrightarrow the fast development of China.

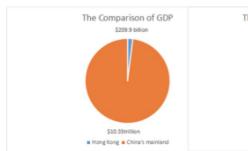
In 1978

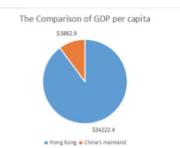


Shanghai \$3000



In 2014





The impact on Hong Kong's economic status

From the perspective of the institutinal reasons

- Government's policy change.
- Political institutional contradiction.
- Different economy system on tax, trade, accounting policy.

The impact on Hong Kong's economic status

From the perspective of the cultural reasons.

- The rise of Hong Kongs native consciousness.
- The miss of British ruling.

Conclusion

Conclusion

Now, we can draw the conclusion that the reasons which lead to the fall of Hong Kong's economy are internal cause: the economic competitiveness of Hong Kong and the external causes: the return of Hong Kong, the economic crisis and the rise of mainland China.

Thank

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