

HONGKONG FACES THE WORST SITUATION IN THE PAST 3 DECADES

It is now only too apparent that the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is in for its worst year in the past 3 decades.

Property prices are guaranteed to fall in short order as consumers rein in spending in the light of job prospects, drying up, and the expected rapid fall in the value of equities, listed on The Stock Exchange of Hongkong Ltd.

It is, also, only too apparent that little improvement may be expected in the growth of employment in the 416 square miles, which constitutes the HKSAR.

The PRC, proper, on the other hand, is trying to stimulate its economy, internally, neglecting, to some extent, foreign trade; this will have an immediate and dramatic impact on the HKSAR and its trading position.

The focus of the PRC Government makes the HKSAR's economic focus blurred, if not myopic.

The US economy is almost guaranteed, now, to be weak for the remainder of the year while the situation in Singapore, as it faces recession for the first time in its 36 years as an independent city state, looks desperately for some method to turn its economy (and enacting draconian legislation to regulate its Internet will do little to enamour the government).

The HKSAR, with its close to 7 million permanent residents, mostly all of whom are ethnically Chinese, will find itself unable to cope with the impending situation and, try as the HKSAR Government might, the writing appears to be on the wall.

The HKSAR unemployment rate, standing at 4.70 percent, today, has been steadily rising since last December, when it stood at 4.40 percent.

From March to June, the unemployment rate was about 4.60 percent, but now it has broken out of this level.

Where it will stop is anybody's guess, but it could top 5 percent, according to some observers of the territory.

The size of the labour force in the HKSAR is about 3.44 million workers, which is slightly higher, month-on-month, from the June statistic, by about 2,700 workers.

School leavers were the cause of this slight increase.

Economic growth for the HKSAR for 2001 is likely to be about 2 percent, at most, a full 33 percentile points off previous estimates.

It was only a year or so ago that the HKSAR was boasting of an annual growth rate of 10 percent and more.

In view of the aforementioned, it seems inevitable that further job cuts will be forthcoming since workers, who opted for concentration on IT skills (Information Technology) over old economy skills, during the past few years, will find themselves without jobs, and being unable to find alternative employment.

As the prolonged economic sluggishness takes root, so the population will feel more restless and dissatisfied with their lot.

An exodus of fresh graduates seems on the cards because the HKSAR is unable to offer any material suggestion of permanent and stimulating employment.

Exports of the HKSAR's goods and services are likely to continue to slow, this year and in the future, thus aggravating the already precarious situation, even further.

Meanwhile, TARGET has confirmed that US defaulters, those US importers, who have failed to pay for goods, shipped to them by HKSAR exporters, is foreshadowing a payments crisis.

(Please refer to [TARGET Intelligence Report, Volume III, Number 135](#), published on July 23, 2001: '**HOW SCARED IS THE HKSAR GOVERNMENT OF THE FACTS ?**'))

Lower interest rates in the HKSAR will have little to no effect on the economy because the slowing international economic situation, with regard to the cascading effects on global economies, continues to weigh heavily on the inhabitants of the territory.

In anticipation of lower, buying-in costs, purchases of capital goods will be curtailed.

Prime commercial property prices will, most likely, be hit in the coming months as employers look to curb costs while households will seek to protect nest eggs in view of the prospects of employment, drying up.

The stage may, also, be set for civil unrest since, no doubt, the Government of Mr Tung Chee Hwa, rightly or wrongly, will be held to be partly to blame for the current situation, which must be among the worst positions with which the HKSAR has had to contend for at least the past 3 decades.

An employment level of about 165,000 people – the present position ... [CLICK TO ORDER FULL ARTICLE](#)

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