

**THEY MAY NOT HAVE THE BEST MANNERS,  
BUT LOOK AT THE CASH !**

Occupancy levels at hotels in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), during the month of September, fell to about 81 percent, down about one percentage point, compared with the like month in 2006.

The highest occupancy levels in the territory were in Yau Ma Tei and Mongkok where the average occupancy levels were about 86 percent.

However, the average achieved, hotel room rate in all of the hotels of the territory was about \$HK1,267 per day, up about 11.90 percent, Year-On-Year.

For the first 9 months of 2007, the average occupancy levels of all of the hotels in the HKSAR were about 85 percent, which, again, was about one percent lower than the first 9 months of 2006.

So, hotel owners of the HKSAR are not hurting, financially, even though, throughout the first 9 months of 2007, occupancy levels were one percent lower.

The lower occupancy levels at HKSAR hotels came in the wake of the highest tourist arrivals, seen for many a moon.

If there, ever, were a question as to the importance of visitors from the PRC, proper, to the HKSAR, then, that question has been resolved.

Because PRC visitors are feeding the HKSAR with tens of billions of dollars, annually.

Further, it appears that the number of tourists from the PRC, sleeping, eating and shopping in the HKSAR, is almost certain to grow, pushing visitors to the 416 square miles that constitute the HKSAR to hitherto unheard of levels.

In the month of September, according to HKSAR Government statistics, a total of 2,120,835 visitors arrived in the HKSAR, representing an increase of about 15.90 percent, Year-On-Year.

For the first 9 months of 2007, 20,363,764 tourists came to the HKSAR, representing a growth of about 9.60 percent, Year-On-Year.

From the PRC, alone, during the month of September, the number of tourists to the HKSAR was 1,136,325, an increase of about 22.10 percent, Year-On-Year.

Tourists from the PRC accounted from about 54 percent of the total number of tourists to the HKSAR, during the month of September, but they did not come to the HKSAR to sleep in a 5-star hotel, for the most part.

According to **TARGET**'s survey of the spending habits of PRC tourists to the HKSAR, about 67 percent of the money, budgeted to be spent in the HKSAR, is used for shopping and only 12 percent is allocated to be used in hotels.

Compared with tourists from other parts of the world, tourists from the PRC prefer to use their money for shopping and, if they do have to sleep in the territory, they prefer not '*to waste*' money, sleeping in relatively expensive HKSAR hotels.



Hence the reason that hotels in Yau Ma Tei and Mongkong receive the highest patronage in the HKSAR from this classification of tourist.

Other breakdowns of PRC spending habits are:

Meals	12 percent
Entertainment	2 percent
Tours	1 percent
Others	6 percent

However, the rising numbers of tourists from the PRC, coming to the HKSAR, primarily for shopping purposes, is only part of the story, because the HKSAR appears to be maintaining its importance as a Far East destination for tourists from a number of countries.

The following statistics, lifted from the HKSAR Government's archives, indicate how the HKSAR continues to attract tourists from all parts of the world:

Australia, New Zealand and South Pacific 73,573 tourists (plus 18.80 percent, YOY)

Europe, Africa and the Middle East 167,090 tourists (plus 10.20 percent, YOY)

The Americas	130,979 tourists (plus 8.70 percent, YOY)
North Asia	183,339 tourists (plus 8.70 percent, YOY)
Taiwan	180,339 tourists (plus 8.50 percent, YOY)
South and Southeast Asia	202,080 tourists (plus 7.10 percent, YOY)
(YOY = Year-On-Year)	

### Same-Day-Excursions

According to the HKSAR Government, about 58.30 percent of all PRC visitors to the territory, during the month of September, stayed for one day or more.

And about 41.70 percent of those PRC visitors left town within the same day of arrival.

In other words, nearly 42 percent of all of the PRC tourists, during the month of September, were, what could be described as, same-day excursion tourists from the PRC.

It is unknown how many of the same-day excursion tourists from the PRC left the HKSAR for a visit to the gambling Mecca of the Macau Special Administrative Region (MSAR) of the PRC.

The very positive effects of tourist spending on the economy of the HKSAR is becoming more and more evident as the months wear on.

As a percentage of personal consumption expenditure, total tourist spending was about 10.30 percent in 2006, representing about 6 percent of the **Gross Domestic Product (GDP)**.

GDP = The total market value of a country's output of goods and services that are exchanged for money or traded in a market system over a certain period (usually a year or a quarter), regardless of who owns the productive assets. GDP measures the value of all economic activity within a country's borders.

To understand the importance of tourists' dollars, spent in the HKSAR, the financial and insurance



industries of the HKSAR contributed about 10.30 percent to the GDP in 2005 so that it would not be unfair to state the tourist spending in the HKSAR is adding about 50 percent of the contribution from the financial and insurance industries.

The tourist from the PRC is the biggest spender in the HKSAR in terms of the contribution to the coffers of the territory, which is full to overflowing.

In 1998, spending from PRC tourists in the HKSAR represented about 1.60 percent of personal consumption expenditure.

That figure was about \$HK12 billion.

In 2006, spending by PRC tourists in the HKSAR represented about 5.50 percent of personal consumption expenditure.

That figure was about \$HK48 billion.

On average, today, tourists from the PRC are spending, on average, about \$HK4,705 each, which sum of money is about 84 percent of the amount of money that tourists from Australia spend in the territory.

For HKSAR retailers, the above statistics are all very positive, and, for the foreseeable future, it is quite likely that things will get even better for the retail trade of the HKSAR.

As the economy of the PRC improves and spending patterns among the populace become more sophisticated, the HKSAR can be seen as a likely candidate for some of that surplus cash.

Shopping centres in the HKSAR are almost guaranteed to be hot properties with rents, rising to record highs over the next few years.

Grade A commercial properties in key areas of the HKSAR will definitely benefit as more and more international companies enter the HKSAR in order to put their goods under the eyes of cash-rich, acquisitive PRC tourists.

It is a given, as far as **TARGET** can ascertain, that travel restrictions in the PRC will be lifted and, once again, the HKSAR, due to its proximity to the PRC, will be a recipient of what is likely to see another 220 million, PRC tourists flood out of the PRC, looking for adventure and, of course, to engage in wild shopping sprees.

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