

## Summary

**The Chinese economic reform** – China to accept trade with other countries and accept foreign investment

**Some positive impact** – Hong Kong's economic growth, improved income of some industries

**Some negative impact** – High property price, high cost of living, negative externalities

## CPI (Consumer Price Index)

Increased together with GDP in China

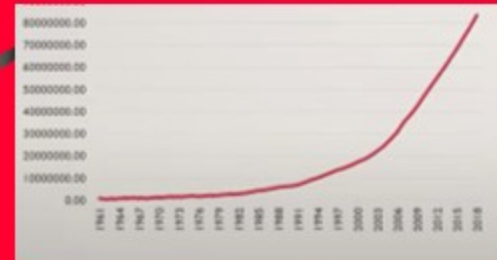
**Negative** - the cost of living has increased



## GDP comparison

Economic growths highly correlated

Chinese GDP



Hong Kong GDP



## Chinese Economic Reform

And its impact on Hong Kong's Economy

Competitive housing market in China

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Competitive housing market in Hong Kong

## Property Market



**More Chinese investments in the Hong Kong housing market**

**Rental** – Chinese hold their wealth in non-monetary assets such as property and collect rent payments as interest

**Negative** - causes rental burden

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$$\frac{\text{Average price of property rent}}{\text{Average income of a Hong Kong resident}}$$

**Negative** - when rental increases the price of properties also increase

**Demand for necessities from Chinese tourists**

**Negative** in theory demand for domestic goods should drive the economy. Hong Kong import based → increase economic growth, but does not benefit local businesses

**Positive** more tourists increase the export of services

- Tourism
- Hotel Industry 0.9354
- Retail Industry 0.8892
- Financial services
- Trading and logistics

**Strong positive correlation with Chinese GDP**

**Negative** externalities from a strong influx of tourists create problems like overcrowded transportation



## Tourism

**More Chinese tourists in Hong Kong**

After Individual Visit Scheme introduced in 2003

**Increasing rental burden**

