

# BACK TO BUSINESS



**THE VIEW**  
RICHARD HARRIS

## No economic storm

**Scaremongering** cries of damage to the economy are well off the mark, providing it ends peacefully

The Umbrella Revolution is a historical event – not just for Hong Kong but also for China. For a group of disorganised students to take matters into their own hands, after Occupy Central had run out of ideas, was dramatic. For the government and the police to wisely enact a hands-off policy breaks the cycle of reaction and protects the economy.

This is now a polite protest with water-serving extremists and rubbish-collecting militants chanting the incendiary phrase, “you mo lap sap!”

But the revolting students are still in the streets and sooner or later Gloucester Road has to be cleared. In the meantime, what is the likely impact on the economy? A review of Hong Kong government economic statistics together with some dangerous fieldwork in the streets of Wan Chai provides us with a good indication.

Hong Kong is a sub-economy of China. We have 0.6 per cent of

the population of the mainland and are merely China's 14th largest city. Our economic growth has slipped this year to 2.4 per cent, because of weakness up north. This has massively more impact than a bunch of student squatters sleeping rough.

Nevertheless, local prosperity can be very different from the rest of the country. We have full employment, inflation is a fraction of what it was, and house prices are still extraordinarily high. We are pretty important to the mainland too – our economy is as much as 9 per cent of the size



**Beijing will handle the ‘umbrellas’ as carefully as a live grenade**

of the mainland (though re-exports count for half of that).

The stock market increasingly reflects the Chinese economy, albeit one with a global outlook, and US interest rates. Seventy per cent of the Hang Seng Index comprises companies trading in the mainland economy, and around 15 per cent are those who trade outside Greater China. That leaves only about 15 per cent of the market sensitive to events within Hong Kong.

This may be why the Hang Seng Index only fell 3.5 per cent on Monday and Tuesday to 22,933, when in the 1967 riots, it collapsed to an all-time low of 58.6. The best way to shake an economy to the core is to hear the bellow of a police sound cannon and badly sung songs from *Les Misérables*. The cessation of violence certainly helped the index. In 1967, when children were killed by roadside bombs, businesses couldn't wait to leave.

Blocking off Gloucester Road

1%

The expected reduction in Hong Kong's GDP if the occupation lasts a year

and the shopping areas of Causeway Bay is hardly going to impact the banking, insurance and professional services – our biggest industry at a whopping 28 per cent of our domestic GDP. Bankers themselves are quite able to walk to the office from the nearest MTR, stepping over prone and sleeping students, or work from home for a number of days.

Import and export trading is 25 per cent of our GDP but almost all of this occurs outside Central so will be largely unaffected. Government

services take up 17 per cent of our economy, and Central Government Office is surrounded by students. This begs the question of how many people normally work in that building? About half of them!

The tourism and leisure sector contributes just 4.7 per cent to our economy. Students are unlikely to be moved by inconvenience to fat cat sellers and mainland shoppers looking for branded goods in Central.

Fieldwork revealed restaurants to be quiet, and supermarkets busy, with a run on water and toilet paper that make effective barricades in Hennessy Road.

Analysts suggest a 20 per cent hit to the retail sector, or a 1 per cent impact on our domestic GDP – if the occupation lasts a year. With a tight labour market, jobs are unlikely to be threatened. Falls in retail spending caused by temporary events are typically quickly recovered.

This indicates that scaremongering cries of harm to the economy are well off the mark, but this is predicated on a

velvet end to the Umbrella Revolution after the weekend.

For the roads to be cleared without fuss the parties have to negotiate but one side has no credibility and the other has no leadership. It may require a Hong Kong-based mediator to bring the sides together (as China will not allow an outsider); perhaps a churchman or an independent business columnist.

Hong Kong developed from a barren rock to a prosperous metropolis in 155 years under the British; it is untenable for its prosperity to last only two decades under Chinese rule. The leadership in Beijing will handle the “umbrellas” as carefully as a live grenade because Hong Kong is the world's window to the Middle Kingdom. The students in Victor Hugo's *Les Misérables* fought for the right to go to the opera – today it is the freedom to use Facebook.

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