

## HONG KONG: CITY IN TRANSITION



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**Lee Lap Kee** sells fruit for a living after losing his job as a property agent in Hong Kong when the Asian financial crisis took hold.

# The struggle to survive

Once riding the wave of success, city residents find themselves mired in the depths of recession

By Harry Mok and Anne Senges  
SPECIAL TO THE EXAMINER

**H**ONG KONG — Things were going well for Hong Kong native Lee Lap Kee back in 1997. The 36-year-old father of one had just signed on as an agent with a local property firm, hoping to cash in on the territory's red hot property market.

His starting salary was a mere \$900 per month, but friends said he could earn many times that figure in sales com-

missions.

Just over a year later, Lee was out of a job. The Asian financial crisis swept into Hong Kong in late 1997, and by mid-1998 the bottom had completely fallen out of the property market.

"When I was out of work, I was pretty down and depressed," he said. "I thought I could make money in real estate. I thought that the market would recover in a short time, but it didn't."

Today, Lee has made a new

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## Island still mired in deep recession

start. Rather than fighting a tight job market, he has started his own fruit import business.

"I'm not going to make big money at this," conceded Lee. "But even when the economy is bad, Hong Kong people will always buy fruit."

Thousands like Lee have lost their jobs, and many have cut back on eating out and shopping for expensive clothes, as Hong Kong endures its worst economic recession since an embargo on trade with China imposed by the U.S. during the Korean war in the 1950s.

The territory's unemployment rate of 6.3 percent is a record. Its gross domestic product shrank by more than 5 percent in 1998 and 3.5 percent in the first quarter of 1999, after years of sustained growth. The big question now is: When will it end?

Some say Hong Kong is already showing signs of economic recovery and a renewed sense of opti-

mism. There has been no real rebound yet, but "the mood of the public has improved greatly from what it was (in fall 1997)," said Allen Lee, general manager of The Better Hong Kong Foundation, a nonprofit business group that promotes economic and social confidence in the city. "People are feeling a lot better, but people are still a bit cautious in making large investments."

"Things will only start to get better when consumer expenditures begin to rise, and this will not happen until the property market has bottomed," warned Andrew Ferris, Bank Of America's managing director of Asia research. His guess on when that will happen? Maybe next year. Maybe not.

Lee Lap Kee, for one, remains optimistic despite the economic situation, expanding his fruit business gainfully. In May, he traveled to China to buy the company's first shipment of lychees, mangos and other fruits. He expects to sell about \$500 worth of produce per day if business is good.

Like Lee, many people in Hong Kong who are out of work have had to reinvent themselves by taking lower status and lower pay when they do find jobs.

Fung Kam Chung, Lee's brother-in-law, was unemployed for six months until he found a job in June 1998 as a maintenance supervisor in a high-rise building. But his salary is only \$2,000 a month, half what he was making in his old job as a site foreman with a construction company.

Fung, 30, had been married for six months when he lost his job. His wife Fannie, 29, is expecting a baby in July.

"I'm pretty content in that I just have a job," Fung said. "I'm happy that I won't be laid off, and I don't even expect that I'll get a raise."

There is very little in terms of a social safety net in Hong Kong. So the Fungs and the Lees, like many

facing financial hardship, had to rely on family for support.

The Fungs live with his mother and two sisters in a cramped three-bedroom apartment in the middle-class area of Kowloon. Lee splits time between his parent's home and the Fung's apartment, where his wife Wendy and 3-year-old daughter Ying Tung stay most of the time.

Another Fung sister, Cora, graduated from New York University and lived in the U.S. for 10 years before returning to Hong Kong in 1998. She is looking for work and has found that the city's job market is much different than she remembers.

"I don't even see many jobs out there, and if there are, the pay is low," said Cora, who is looking for something in the marketing field.

Companies also are having to reinvent themselves to make it through the recession. In April consumer prices fell for the sixth consecutive month. Clothing and footwear were hit the hardest with their prices falling 24.2 percent from the previous year. While retailers have reasons to remain cautious, Sarah Rutson-Pang, a senior buyer at luxury retailer Lane Crawford is optimistic.

"It is a cultural thing," said Rutson-Pang. "The Chinese are extremely superstitious, and it is very bad luck to always think negatively."

But the recession has also forced some companies to rethink the way they do business. Peter Lau, chairman of retailer Giordano Ltd., a chain similar to The Gap, says Hong Kong is depending on itself more.

"When in June 1997 we did not see the volume of tourists that we were expecting, we knew that we had to do something," Lau said. "We have learned not to rely on tourists as much as we used to."

Giordano has begun to market its clothes more toward local and

cline in sales reduced to 8 percent compared with the corresponding period of 1997.

Giordano was also one of the few retail companies that chose not to lay off any of its 600 Hong Kong employees "to avoid adverse publicity and effect on morale," said the report.

"Part of the reason we made it is that we had a small amount of debt when the crisis hit and inventory management was also the key to our success," Lau said.

"The problem with Hong Kong is that it was so easy to make money that people and companies alike mainland Chinese clientele.

"Our clothes have become more stylish," Lau said. "Tourists are looking for comfortable clothes while locals tend to be more style-oriented."

As a result Giordano posted increased sales earlier than most of its competitors even though in Hong Kong total retail sales declined 23 percent last year. The company annual report shows that although the operations recorded a 35 percent drop in sales in the first six months of 1998, there were significant improvements in the second half of the year with the de-

were spending all their earnings on the property market and the stock market."

For David Roche, president of the consulting firm Independent Strategy, Hong Kong's boom days are over.

"I don't think things are going to get super dynamic here. The super-dynamic growth is over, and the Hong Kong economy needs to reinvent itself," Roche said.

That said, as Roche put it: "I have an enormous faith in the ability of the people in Hong Kong to find new ways to make money."

## ECONOMIC DECLINE

While Hong Kong's gross domestic product has been in a steady decline, the unemployment rate has risen to record levels.

Year	GDP growth (%)	Unemployment rate(%)
1992	6.3	2.0
1993	6.1	2.0
1994	5.4	1.9
1995	3.9	3.2
1996	4.5	2.8
1997	5.3	2.2
1998	-5.1	4.7
1999	-1.0	6.3

SOURCE: Hong Kong Census and Statistics Department

EXAMINER GRAPHICS