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Year of the Ox Is Looking Inauspicious

By MARK McDONALD and BETTINA WASSENER

[HONG KONG](#) — Hong Kong's gleaming past and current troubles are right there, plain to see, on Vincent Chan's wall — photographs of more than a hundred Bentleys, Rolls-Royces and Jaguars for sale, luxury cars dumped by their once-flush owners in need of some ready cash.

Mr. Chan sells only one or two cars a week now — a third of the sales his dealership has made in recent years. And under pressure from his bank, he is prepared to sell any of his cars at a loss, just to free up some money. He is ready to haggle.

The Chinese Lunar New Year began Monday, and projections for the Year of the Ox from astrologers, lawyers, bankers and fishmongers are anything but auspicious.

"The mood is confused and desperate," said Kerby Kuek, a feng shui master and Chinese astrologer. "Two years ago, people would ask me if they should change from a medium house to a big house, or from a Nissan to a [BMW](#)."

"Now people ask me directly, 'When am I going to get laid off?'"

Mr. Kuek said he was getting the same fearful questions from clients as he heard in 2003, when Hong Kong was rocked by the epidemic of SARS severe acute respiratory syndrome. Foreigners fled, tourism disappeared, local people went around in surgical masks, and the economy, of course, buckled.

Hong Kong's other economic calamity came with the 1997-98 Asian financial crisis. Property values dropped 50 percent.

But Mr. Chan, 58, does not see a current parallel to that dark period, which he called "completely horrible."

"We haven't had any suicides this time!" he said brightly. "So, you see: Not so bad as '98!"

Most of his customers are expatriates, and the global crisis and the ensuing recession in Hong Kong are forcing many of them to economize. (Which explains the huge backlog of cars in Mr. Chan's jammed warehouse.) Some expats have been recalled to their home countries, especially those in banking, law and finance, while others have been fired outright.

But gloom can be relative. There are no signs of mortgage defaults in Hong Kong, and people are not losing their homes like they are in the United States. And even if thousands of expats have been handed one-way tickets back to New York, London and Sydney, a number have chosen to remain.

“There isn’t the desperate urge to leave like there was during SARS,” said Shriram Chaubal, chief operating officer of GeoClicks, which runs a popular Hong Kong Web site called GeoExpat.com. “They know Hong Kong is a lot better than wherever they’d be expatriating back to.”

But Mr. Chaubal said friends and clients working in the manufacturing, retail, and food and beverage sectors were worried. And while enrollments have grown a bit at the Discovery Bay International School, the principal, Grant Ramsay, has heard plenty of gruesome layoff stories on the parental grapevine.

“We certainly know a dip is coming,” he said. “So it’s eyes wide open and bracing for the worst.”

And the worst appears yet to come. [Donald Tsang](#), Hong Kong’s chief executive, delivered this blunt warning last Tuesday: “Hong Kong is in the grip of the financial tsunami.” He predicted more layoffs and company closings after the New Year holiday.

The economic numbers — macro and micro — certainly support Tsang’s baleful analysis. The Hang Seng stock index, for example, was off 48 percent in 2008.

The unemployment rate ticked up recently to 4.1 percent, a mild cough compared to the tubercular rate of 8.8 percent in 2003. But a new Citigroup analysis warns that “this cycle appears worse,” with no appreciable recovery until 2011.

Personal bankruptcies, up 85 percent from a year ago, are increasing 10 percent per month, said Thomas Tse, a partner at the law firm Yip, Tse & Tang. He expects bankruptcies to double between now and late summer, eventually ensnaring 1 percent of the city’s working population, largely on personal loans and credit card debt.

A dozen years ago, a bankruptcy was a traumatic loss of face, a deep humiliation in a society that prizes propriety and thrift. But now, after a dozen years of economic peaks and troughs, Mr. Tse said it carries much less of a stigma.

John Carroll, a historian of Hong Kong, said people here were “legendary for their resourcefulness and ability to recover” from economic shocks.

He pointed to rebounds from labor strife in the mid-1920s; the Japanese occupation from 1941 to 1945; [United Nations](#) and United States embargoes during the Korean War that prompted a shift from trade to light industry 50 years ago; and Hong Kong’s more recent move to a service economy after industrial jobs were shipped to mainland China.

Anil Daswani, head of research at Citigroup in Hong Kong, wrote a strategy report last week that admired the city’s transformation from a trading port into “a genuine global financial powerhouse alongside London and New York.”

“Hong Kong has always prospered by being able to reinvent itself,” he wrote, “and we are of no doubt that during this downturn it will do it again.”

The go-go years in the middle of this decade certainly burnished the city’s reputation as an Asian hub for

business, banking and excess. Those were the days when the Peninsula Hotel, in a single order, bought 14 custom-made Rolls-Royces specially painted in “Peninsula green.”

The Hong Kong wealthy remain wealthy, and stratospherically so. But for people a few rungs down the economic ladder, the impromptu weekend trips to Bali or Tokyo, the jewelry binges, the full-on lush life — that is mostly over.

“The whole party-party thing, the let’s-go-splurge thing, that’s clearly not happening now,” said Chaubal of GeoClicks.

If there is any time for Hong Kongers to party, however, it is now. The New Year holiday in Asia calls for a long break from work, with money spent on new clothes, big dinners, flowers and gifts. But this year, in street markets and marbled malls alike, the buzz of commerce is more muted. And with consumers more cautious, prices have plunged.

Caterpillar fungus, a kind of Chinese cure-all that is cooked into stews, has dropped in price by a third, down to about \$250 an ounce. Crocodile jerky, sea cucumbers, shark’s fin and dried fish bellies have seen similar reductions.

Kumquat trees, a traditional holiday gift that symbolizes prosperity, are the same price as last year, although more buyers are going for the lower-priced potted shrubs rather than the grander 5-footers.

And at his showroom on Dragon Road, Mr. Chan has a ’96 Rolls-Royce Silver Spur for sale. Marked down from \$48,000, the sticker now says \$38,000 — and even that is negotiable.

Mr. Chan is making other changes. He has always reserved four tables at a good restaurant where he treats his employees and a few dozen loyal customers to a New Year’s dinner. This year he has cut back to one table, staff only.

He is also cutting back on the money he is putting into the red-and-gold envelopes traditionally given to children, staff members and service people during the holiday. In previous years he has put in a crisp bill of 100 Hong Kong dollars, worth about \$12.80. This year he will use 50-dollar notes.

“They won’t be angry,” Chan said. “Everybody knows the problems with the economy. They know what’s happened.”

A former garage mechanic, Mr. Chan bought a 1956 Vauxhall junker when he was a teenager, fixed it up, and sold it for five times the money. He has been buying and flipping cars ever since.

“If I sell a car now and lose money, O.K., I’m still alive,” he said. “I can always make money again.” He snapped his fingers. “This is Hong Kong. We’re gamblers.”

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