

# Changes in Hong Kong's Economic Structure by the New Crown Epidemic and Its Development Trend

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## Abstract

This article provides an in-depth analysis of Hong Kong's economic transformation in this COVID-19, using online research and the actual situation in Hong Kong, combined with the characteristics of Hong Kong itself. The four pillar industries of Hong Kong are financial services, tourism, trade and logistics, professional services, and other industrial support services, while in the past the major industrial sectors, except for finance, have encountered bottlenecks in the development of major industries, which have less impact on the development of Hong Kong. The inherent contradictions of our capitalism are becoming increasingly prominent, and our development approach is in urgent need of transformation and upgrading. The violent impact of infectious diseases has caused dramatic changes in the economic structure of Hong Kong. To promote the sustainable development of our economy, it is necessary to improve the rigidity of the industrial structure, reduce the gap between the rich and the poor, and develop an innovative economy.

**Keywords:** Hong Kong, economic, development

## 1. Introduction

Hong Kong is the financial hub of Asia and the most influential region in the world. and its prosperity is closely related to the world's economic cycle. The structural problems of Hong Kong's economy are more prominent in this COVID-19. According to the Hong Kong government's annual policy address, Hong Kong has reached a new low in the world, hit by a worldwide pandemic and a trade war between China and the United States. How Hong Kong restructures its industrial layout has become a primary consideration in the post-epidemic period. Hong Kong has run into trouble in many areas. The economy of Hong Kong has undergone tremendous changes due to many factors. In recent years, Hong Kong's economic growth has been characterized by negative external demand. This phenomenon is due on the one hand to the huge impact on Hong Kong's foreign trade from the emerging trade protection policies around the world on the other hand. the competitive and comparative advantages of some of Hong Kong's service industries, which show a weakening trend under the effect of volatility. In addition, countries around the world have made corresponding adjustments to their development methods in an attempt to achieve a rebalancing of the world and their economies. The new international division of labor caused by re-industrialization will not only have an impact on the original mainland-based industrial chain and industrial structure but will also have a certain impact on the role and function of Hong Kong. For Hong Kong to become a key hub of a highly developed international business network, it must not only play an intermediary role but also a coordinating, coordinating, guiding, and planning role, as well as continuously moving to higher levels of industrial development (Zhu & Yang, 2019).

### 1.1 The History of Hong Kong's Development

Hong Kong's long history of development, constrained by island conditions, difficult terrain, and lack of abundant resources, has created a resilient civic spirit and business culture; a contractual nature compatible with a legal society, which has laid a solid foundation for the development of financial markets; and the integration and fusion of the West and China, which has produced a flexible economic system and approach to development. Hong Kong is the world's financial, commercial, and shipping center and most popular tourist destination, and over the past hundred years has shaped many "golden signs" one after another. "Hong Kong's position is largely determined by the degree of openness of the mainland. Hong Kong has no middleman position, as it did before the reform and opening up; when the mainland opens up to the outside world. Hong Kong will also encounter

major tests. This is the best choice for Hong Kong. Hong Kong's industrial development still has a lot of room for development, including the diversification of industrial structure and the transformation of institutional advantages to competitive advantages. Hong Kong's transformation from a transshipment port to a production base and a backup for productive activities has resulted precisely from China's external closure and opening. As a world service center for trade, and logistics, finance, professional services and real estate, Hong Kong is particularly "externally oriented" and vulnerable to any outside influence. In the 20 years since the handover, Hong Kong's development has been characterized by a "W" shaped curve due to various internal and external influences. Hong Kong's economy is also facing structural problems, so it is necessary to reposition the industrial structure, which relies excessively on services, to diversify its development. The financial sector alone, a high-risk industry, is vulnerable to external economic conditions and can hardly support the smooth development of Hong Kong as a whole. There is a cost-efficiency imbalance and a lack of control, there are no clear short, medium, or long-term quantifiable standards for Hong Kong's industrial development, and thus its effects are difficult to monitor by the community and the legislature: although various new committees, foundations, statutory bodies, etc. have been established and foreign and mainland professionals have been hired, they have little knowledge of Hong Kong's situation and play a minimal role (BBC News, 2019; Jiao, 2019).

### *1.2 Changes in Hong Kong's Economic System*

From ancient times to the late Qing Dynasty, Hong Kong's local agriculture and fishing industries were the mainstay of the economy, with salt, pearl, and incense wood industries also flourishing, but came to a standstill in the early Qing Dynasty after the imposition of the "sea ban" restrictions. The 1950s were a period of recovery from World War II, but Hong Kong was hit hard by changes in China's domestic political situation and political shifts. The war in Korea hit Hong Kong's export trade hard, in two ways. On the other hand, entrepreneurs and labor immigrants from Shanghai and other places provided a large infusion of capital, technology, and talent to Hong Kong's economy, thus boosting industry and manufacturing (BBC News, 2019; Demographia, 2023; Takungpao, 2021).

These newly arrived escapees not only brought a large number of cheap laborers to Hong Kong but also many entrepreneurs. As the Chinese Communist Party imposed a public-private partnership and full nationalization, private companies moved their businesses, capital, and technology to Hong Kong, creating a favorable environment; during the Korean War, Hong Kong could not continue to rely on transit trade due to the U.S. government's trade ban on the mainland, which also promoted the development of Hong Kong's industries and dominated Hong Kong's economy thirty years later. Hong Kong's housing, health care, and education were unable to meet the needs of a growing population, and the people were generally poor. Coupled with the situation in mainland China, Hong Kong was also politically turbulent and even had a major riot. Between 1952 and 1969, the rapid development of Hong Kong was propelled by the production of various trading light industries (Takungpao, 2021). The Second Hong Kong Economic System Change. The 1970s saw the second transformation of Hong Kong into a more diversified economy. During this period Hong Kong's industrial development gradually shifted from manufacturing to service-oriented, which largely ended in the late 1990s. The accumulation of the past decades, combined with the shrinking of major Asian markets, labor-intensive production, and competition among labor-intensive industries in Asia, led Hong Kong to a diversified path of development. From the initial export-oriented and production-oriented enterprises, it has transformed into a port-oriented and service-oriented economic system. Hong Kong has gradually solidified its important role in the development of the world economy, and the real estate industry and tourism have gradually developed as important sources of its economy. In the context of this transformation, Hong Kong has seized some big opportunities. First, Hong Kong achieved worldwide financial liberalization and the rise of developing countries in the 1970s and 1980s, and Hong Kong quickly broke down a large number of policy barriers, making full use of its industrial and geographical conditions to create a free trade zone: second many countries in the sub-Pacific region had also developed rapidly during this period, and East Asia needed a global international financial hub. In addition, the continued development of mainland China since the late 1970s has provided new opportunities and new space for Hong Kong to grow and develop. This transformation had two lasting impacts on Hong Kong: first, its continued economic development from the 1980s to the 1990s, and second the consolidation of its position as an international trade center, shipping and Aviation hub, and international financial center in the Asia-Pacific region, and its development into a major service economy, thus ensuring its economic competitiveness. Hong Kong's manufacturing base, technology, and capital have gradually shifted inland, while Hong Kong has gradually established a "front store and back factory" relationship with the Pearl River Delta and other regions, a move that has gradually shifted Hong Kong's trade to inland transit, making Hong Kong the "center" (Encyclopedia of China, 2013).

### 1.2.1 Evolution of the Industrial Landscape in Hong Kong

Hong Kong's industries changed from basic and service sectors to heavy and high technology from the late 1970s to the early 1980s. Our development was accelerated in the late 1980s with a large number of foreign-entrant and industry clusters, especially export-oriented industries in the Pearl River Delta. The 1990s also saw a diversification into electronic trading, financial services, and tourism, which were also major propellers of Hong Kong's development. Entering the 21st century, Hong Kong has not only continued the development of its original industries, but also emerged many new industries, such as biochemical and new energy, etc (Hong Kong Trade Development Council, 2013). Evolution of regional architecture in Hong Kong.

From the late 1950s to the present day the regional landscape of Hong Kong has changed significantly and can be broadly divided into three phases. First, the central city has gradually developed from a small town in the beginning into the core of today's metropolis and the center of the global economy. Second, the New Territories has evolved from a predominantly agricultural and pastoralist region to a multi-functional commercial, industrial and residential area that encompasses an industrial zone and a new residential area in the south. Kowloon has also changed considerably with new places, many historical sites, and several distinctive towns being preserved.

### 1.3 The Hong Kong Economy Forms the Social Structure of Hong Kong

Hong Kong's economy has always included the four major industries of finance, commerce, tourism, and industry, which are its important pillars, see Figure 1. In recent decades, the financial sector has become an important driving force of Hong Kong's economic development, especially before 2000, when it accounted for 32% of the GDP. However, since 2004, Hong Kong's financial sector has been hit hard by the global financial market turmoil, causing the financial sector's share of GDP to drop from 32% to 20%. Hong Kong's tourism market has grown as a result of the global financial downturn, followed by a boom in Hong Kong's cultural and retail industries, and the rapid growth of technological innovation in Hong Kong in recent years, bringing Hong Kong's economic structure into the twenty-first century. Hong Kong's economic development process Hong Kong has experienced a variety of economic development. In the early 1960s, Hong Kong's main income came from the manufacturing and service sectors, which accounted for over 50% of Hong Kong's GDP. Hong Kong has undergone many changes and the financial sector has become an important economic mainstay of Hong Kong, while the manufacturing and service sectors have declined. Since 1999, the financial sector has accounted for more than 32% of GDP while the contribution of other sectors has declined. Hong Kong's financial sector has been affected by the global financial instability since 2004, and although its share of GDP has declined, it remains at 20%, see Figure 2 (Census and Statistics Department, 2023).

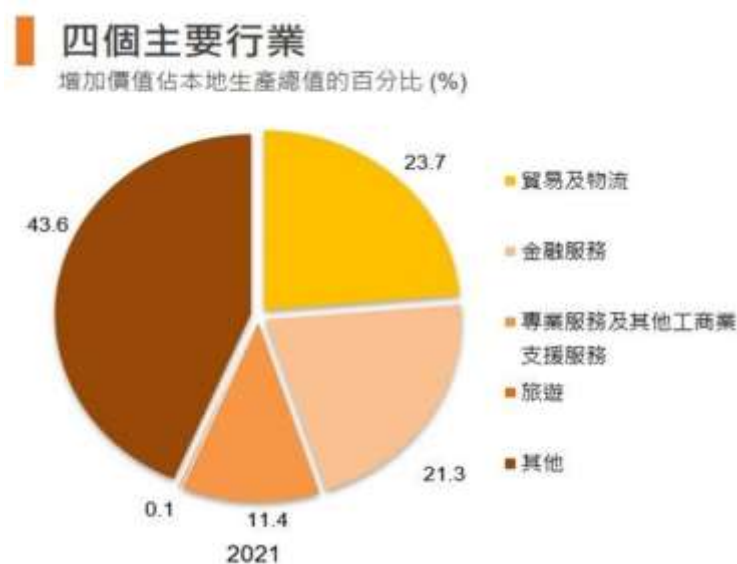


Figure 1. Major Distribution of Industries in Hong Kong

Source 1: Data source HKTDC, Hong Kong Trade Development Council

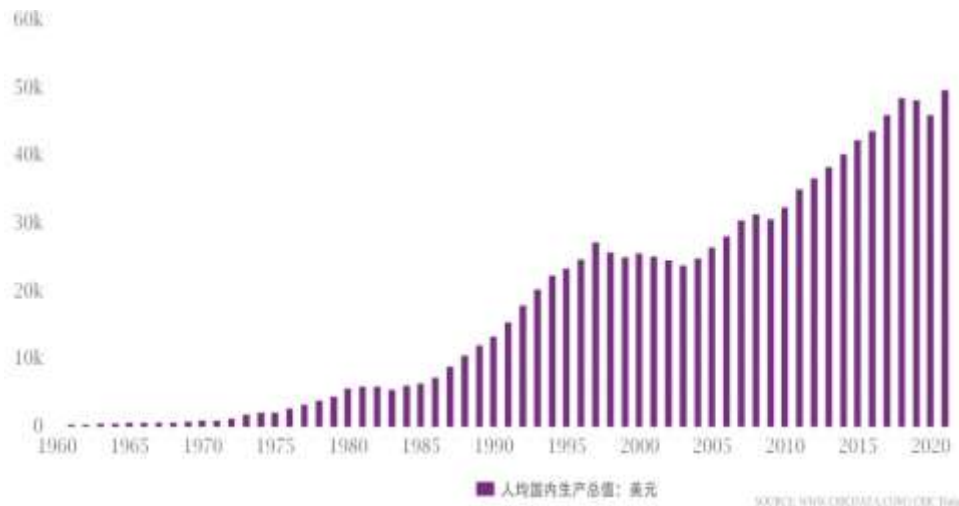


Figure 2. Gross GDP per capita in Hong Kong, 1961-2020

Source 2: Data source CEIC

## 2. Hong Kong Economy under the Epidemic

Struck by the epidemic, several industries in Hong Kong have been severely affected, and the structural problems that already existed are being further accentuated. Throughout Hong Kong's economic development in recent decades, this year's sharp contraction of 6.1% is unprecedented. 2019 saw Hong Kong's annual economic figures shrink by 1.2% due to the impact of social movements. Global economic growth has slowed significantly since late 2018 as trade friction between China and the U.S. heats up, and the outlook for the mainland and regional economies has been affected. Hong Kong's economy grew only slightly by 0.5% year-on-year in the first half of the year, the worst performance since the recession in 2009. The violence in 2019 recent months has added to the unprecedented and significant challenges facing the Hong Kong economy. In July 2019, visitor arrivals and retail sales fell sharply, exports continued to decline, and the business, investment, and consumer atmosphere was very low, with some sectors operating in the worst conditions on record. The Hong Kong economy may enter a technical recession in the third quarter. The government in mid-August 2019 lowered this year's annual economic growth forecast to 0 to 1%. As Asia's financial center and a major global free trade port, the rise and fall of Hong Kong are closely linked to the international economic cycle. The impact of the economic downturn on the labor market has also gradually emerged. Unemployment rates are gradually rising in some of the more affected sectors such as retail, accommodation, and food services, and labor demand in the import/export trade has also weakened significantly. The local labor market will face more layoff pressure shortly (Hong Kong Government, 2023a).

Wrapped up in social unrest and epidemics, as well as the trade and technology wars between the US and China, Hong Kong's economy is at rock bottom. Compared to Singapore, which is similar in scale and development, Hong Kong's service sector accounts for nearly 99% of the economy and almost no industry; Singapore's GDP is about 26% industrial, which is still a significant percentage. High-end manufacturing is the stabilizer of the economy, capable of absorbing a large amount of labor and creating a large number of engineering and management quality jobs. Singapore's industry is concentrated in electronics manufacturing, biomedical, petrochemical, and other high-end manufacturing. In 2003, the SARS epidemic hit Hong Kong and the unemployment rate soared to 8%, after which mainland China opened up to the "free flow" of tourists. The tourism industry expanded rapidly, creating a large number of new jobs in the related retail, hotel, and restaurant industries. However, 13 years later, the original low-wage jobs offered by these industries were the first to be hit by the epidemic. As mentioned in the Policy Address, tourism, one of Hong Kong's four pillar industries, has been hit repeatedly since the second half of 2019, with cross-border passenger traffic coming to a halt and a business nearly frozen, leaving nearly 260,000 workers in the cold (BBC News, 2022; Hong Kong Government, 2023b).

Subsequently, Hong Kong took several measures to urgently respond to the Newcastle Pneumonia outbreak and enacted new policies to protect Hong Kong and safeguard its citizens. Hong Kong's economy is in an extremely difficult situation, as the outbreak of Newcastle-pneumonia has led to a large number of non-social gatherings including the closure of stores and the blockade of tourist attractions. The Hong Kong government is taking a

series of measures to help local businesses resume operations, especially to strengthen business management capabilities, promote economic development and relieve employment pressure. In addition, the government will also boost the local investment climate and protect the interests of investors by increasing capital investment and promoting investment for non-social purposes.

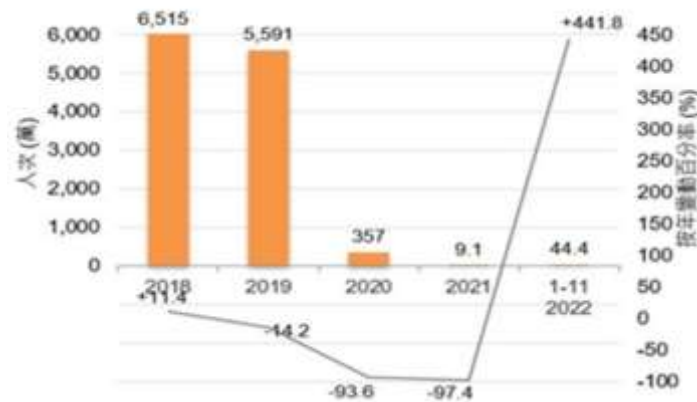


Figure 3. Visitor arrivals and growth/decline of visitors to Hong Kong 2018-2022

Source 3: Data source HKTDC, Hong Kong Trade Development Council

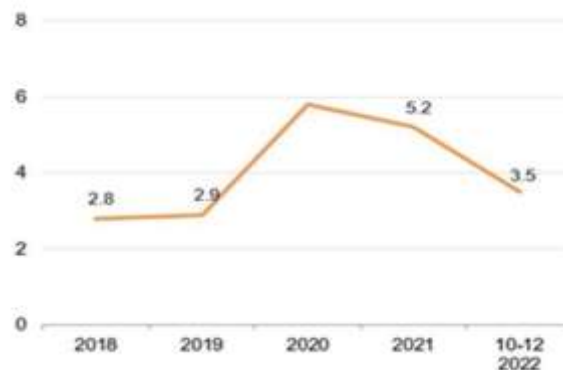


Figure 4. Human Unemployment Rate in Hong Kong, 2018-2022

Source 4 : Data source HKTDC, Hong Kong Trade Development Council.

### 2.1 Policies Implemented in Hong Kong in the Face of the Epidemic

During the new epidemic, the Hong Kong government took various measures to ease the impact on the local economy, including providing unemployment benefits, distributing anti-epidemic supplies, introducing business subsidies, relaxing employment requirements, improving permit application services, and providing loan support for small businesses. In addition, the government set up the Epidemic Relief Financial Assistance Scheme to help local enterprises Resume normal operations and meet the training and social security needs of the unemployed promptly.

The quarantine policy in Hong Kong in 2020 to implement external prevention of importation, internal prevention of rebound measures to strictly control the epidemic, as well as further increase the precision of prevention measures. In terms of external prevention of importation, the government has tightened entry control measures, requiring all people arriving in Hong Kong from outside China to undergo mandatory quarantine in hotels for 14 days, while those from high-risk areas must be able to provide proof of a negative virus test before boarding. On January 8, 2023, Hong Kong officially resumed customs clearance and the quarantine policy was lifted on January 31, 2021, and on July 4, 2021, Hong Kong enacted a consumer voucher program divided into a 2021 program and a 2022 program...

On February 24, 2021, the Hong Kong Government announced the "Budget for 2021", in which it was mentioned that due to the impact of the 2019 coronavirus in Hong Kong, to stimulate the economy, it decided to issue HK\$5,000 worth of electronic consumption vouchers to eligible Hong Kong residents in phases to boost

local consumption and promote electronic payment. 2022 Plan The Hong Kong Government announced the "Budget for 2022", in which it proposed On March 7, 2022, the government announced that the first phase will be launched on April 7, using the registration data and four designated stored value payment tools of the 2021 voucher program to issue \$5,000 vouchers to eligible citizens. The second phase is expected to be launched in the middle of the year when new designated stored value payment instruments will be added to issue the balance to eligible citizens (Hong Kong Trade Development Council, 2013). The vouchers issued by the Hong Kong government aim to help local people alleviate the economic pressure caused by the new crown epidemic, while promoting consumption in the local market, boosting the real economy, increasing employment opportunities, and stimulating local economic vitality. The aim is to create a virtuous cycle in the real economy, through tax relief and subsidies, to motivate people to spend locally, thus driving economic vitality and employment growth; it also helps to minimize the damage caused by the epidemic to the community and protect the health and safety of the public...

The establishment of the new Hong Kong Investment Management Company Limited can promote the improvement of Hong Kong's financing and investment environment; can promote more professional capital market services; strengthen international investors' confidence in Hong Kong; enrich the investment range of local investors and investors oriented investment products; further use of fiscal reserves to promote industrial and economic development. However, excessive competition will adversely affect the performance of a local investment or financial markets; it may bring about volatility in asset prices thus affecting market stability as well as high-risk investments may result in capital loss.

By allocating \$30 billion from the Future Fund to set up the Co-Investment Fund, enterprises can achieve more investment objectives through pooled contributions; the security of local investors is enhanced and the risk to investors is reduced: brokerage institutions can earn income by providing co-investment services; lower financing costs can be obtained with the help of a large amount of capital thus bringing greater capital gains to enterprises to introduce and invest in settling enterprises Hong Kong. However, due to extensive investment, it is vulnerable to loss of principal; for new investors. It may be subject to the investment risk of excessive upgrading; the returns received by investors may be subject to variation due to market transactions. As shown in Figure 5.



Figure 5. Stock of foreign direct investment

Source 5 : Data source HKTDC, Hong Kong Trade Development Council

The High-end Talent Pass Scheme was launched for a period of two years, and its purpose is to attract more technologically advanced and high quality talents to Hong Kong. Quickly obtain permanent residency in Hong Kong without any restriction on the duration of residence in Hong Kong; enjoy preferential policies for immigrant families, where Hong Kong family members can apply for permanent residency in Hong Kong; have the freedom to apply for visas, including visas for the United States, the United Kingdom and other countries; and gain a multicultural experience and integrate into the socio-economic environment of Hong Kong. However, according to the study the policy measures may have a negative impact on the local workforce, as there is a possibility of a competitive situation that will put the local workforce under pressure. In addition, the policy measures may exacerbate the problem of lack of immigrant factories, as companies can more easily attract foreign labor under the influence of the policy measures, while the local labor force may be eliminated.

Promote the market to provide more RMB-denominated investment instruments, as well as sound and efficient

treasury services such as exchange, exchange rate risk and interest rate risk management, and optimize market infrastructure. It can help Hong Kong attract more foreign investors to invest in Hong Kong, it can stabilize foreign investors' investment in the Hong Kong market, it can help promote the stability of the Hong Kong dollar exchange rate, and it can help increase the scale of capital investment, thus promoting the development of the Hong Kong economy. However, it may also result in a lack of liquidity of capital, which may pose certain risks to investors. Since some investors may be more optimistic about this new investment tool, there may be over-investment and unfavorable investment results. As shown in Figure 6.

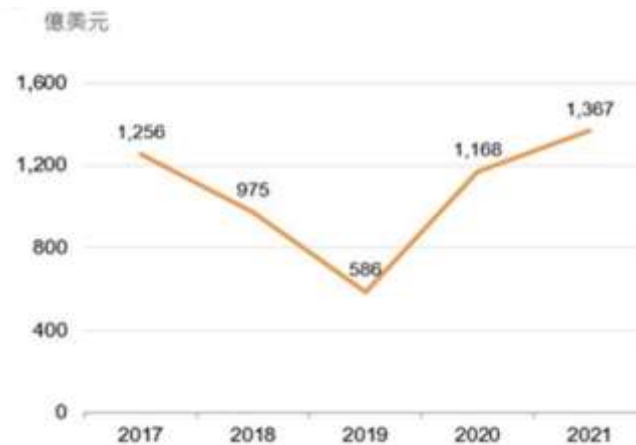


Figure 6. Foreign direct investment inflows

Source 6 : Data source HKTDC, Hong Kong Trade Development Council

To promote Hong Kong as the preferred financing platform for Mainland and overseas governments and green enterprises, as well as to build an international carbon market in Hong Kong, and to support HKEx to continue to take forward its cooperation with Guangzhou financial institution and others in carbon market development. This greatly enhances Hong Kong's international competitiveness and is also conducive to advancing the development of HKE's carbon market to achieve the goal of low-carbon development, as well as effectively curbing carbon pollution.

To set up a \$10 billion "Industry-University-Research 1+ Scheme" to provide funding support in the form of matching grants to not less than 100 university R&D teams with potential to become start-ups starting from next year. It will help promote the development of Hong Kong's technology and innovation industries, support industry-academia-research collaboration, such as promoting technology transfer and integration between universities and enterprises, enhancing the training and innovation capability of technological talents in Hong Kong society, and also help enhance the international competitiveness of Hong Kong's economy. It may lead to more selective investment by regional investors, limiting effective investment opportunities; in addition, if Hong Kong's technology companies do not have a truly effective market, they may not be able to successfully market the products they have developed. As with the government's "Smart City" initiative in Beijing, these policies could be undermined if the initiative is not followed up with real implementation.

It actively attracts domestic and overseas innovation enterprises to the Hong Kong-Shenzhen Science Park, which has become an important engine for building an international science and technology innovation center in the Greater Bay Area. The Hong Kong-Shenzhen Science Park is the largest platform for the development of innovative technology enterprises in the Hong Kong region. It unites the government, non-government sectors, schools, and enterprises to provide innovative services such as technical cooperation, talent exchange, and capital financing for overseas and mainland technology enterprises, giving full play to the role of technology enterprises in building an international technology innovation center in the Greater Bay Area. It will also leverage the efficient policy system of the Hong Kong-Shenzhen Science Park to facilitate the transformation and landing of technological achievements and attract more overseas and Mainland innovative enterprises to invest in the Greater Bay Area. The land price issue arising from the location of the Hong Kong-Shenzhen Science Park makes it difficult for some small enterprises to afford to move in, and may also put unprecedented pressure on enterprises that are strong but do not have complete financial support or policy support. In addition, the development of the Greater Bay Area may also bring a certain degree of social instability, and the development of the Greater Bay Area may also affect the economic and ecological environment of the surrounding areas.

The public committed to supporting the MICE industry by extending the "Funding Scheme for the Convention and Exhibition Industry "until the end of June next year, followed by a new \$1.4 billion scheme to fund more than 200 exhibitions in Hong Kong over three years. The aim is to help provide more resources to various enterprises so that they can achieve better development in this industry, especially some small enterprises. In addition, the exhibition industry can help companies interested in entering the Greater Bay Area to better integrate into the local community and enhance their influence in the Greater Bay Area. Through such means, it can promote economic development and cultural exchanges in the Greater Bay Area, thus promoting the development of Hong Kong. However, it may also lead to excessive competition in the market sector, resulting in some enterprises having to reduce their investment or go bankrupt. In addition, Hong Kong's focus on supporting the MICE industry may also cause certain legal problems, and the resulting risks are something that enterprises have to bear. At the same time, the development of the MICE industry may also enable some competitors to win unfair advantages, thus affecting the fairness of market competition.

Promote "Smart Port" to enhance port competitiveness by establishing a port community system to facilitate information interconnection between operators and other stakeholders. It will help port companies to enhance operational efficiency and use artificial intelligence and sensor technologies to achieve smart operations at all times and low cost. In addition, the construction of a smart port can also promote the economic development of Hong Kong and the Greater Bay Area, improve the local transportation system and public service facilities, and promote the protection and management of the local water and ecological environment. However, it may also introduce certain system risks, such as technical failures and security risks, which may affect the normal operation of port enterprises. In addition, the development of smart ports may also have an impact on the operating costs of port enterprises because of the large amount of capital investment required.

### *2.2 Economic Recovery Plan under the Hong Kong Epidemic*

The new crown epidemic can be seen as a stress test for the global economy. As a reflection of China's economic development, the process and effect of issuing consumption vouchers not only reflect the resilience of China's economy but also demonstrate the Chinese government's excellent leadership in leading the economic recovery by making good decisions in response to this economic crisis. Against the backdrop of market failure caused by the epidemic, the issuance and use of consumer vouchers once again demonstrate the irreplaceable role of a "responsive government" in fostering an "efficient market". In the era of electronic payment, new technology provides new possibilities, new margins, and new efficiency for consumer vouchers. With the commercialization of 5 G on the agenda, the technical environment for mobile payment development is changing. Against the backdrop of technological change, mobile payment will see upgraded development, including payment scenario interaction modes, payment efficiency, and commercialization exploration. Hong Kong needs to implement a series of policy measures to achieve economic recovery. These include easing borrowing and lending for entrepreneurs, the introduction of preferential policies by the government to support the production and operation of SMEs, increased public spending by the government, enhanced technical support for individual businesses, and the promotion of new markets and industries. Entrepreneurs can be helped to successfully finance their businesses, thereby improving their financial position, building the credibility of their companies, and improving their economic capacity. In addition, easing lending regulations will stimulate small business development, increase job creation, and improve the job market, among other things. However, the relaxation of borrowing loans for entrepreneurs may entail certain risks, as entrepreneurs may not be able to meet their repayment obligations, resulting in losses for banks. At the same time, banks may lower the credit standards of borrowers in the case of relaxed borrowing loans, thus posing greater risks to banks (Cai, 2017).

### **3. Future Development Trend of Hong Kong Economy**

The future trends of Hong Kong are very diverse and will be dominated by economic technological, social development, and cultural innovation. Hong Kong is reinventing itself as a financial center a center of technology and innovation, and an international tourism and cultural center, playing an important role in technological innovation, cross-border integration, and global competitiveness. Hong Kong will rely more on international economic development, enhancing its innovative capabilities and strengthening social integration to become an outstanding international city. Hong Kong is strongly influenced by China's economic development and can look forward to

new prosperity and innovation in the future, considering the Free Trade Zone, free trade ports, and other new industries (Lin et al., 2020). Hong Kong will move in a more innovative direction, including the development of more technological talent, more financial services and innovative technologies, and influential international financial operations through financial technology. Launching large-scale counter-cyclical measures involving



more than HK\$170 billion, including the use of HK\$66.4 billion to issue electronic consumer vouchers totaling HK\$10,000 to each eligible Hong Kong resident. etc. Introduced the Export Credit Guarantee Scheme and the Flexible Compensation Rate Arrangement to enhance support for export financing and export credit insurance. Allocated HK\$135 million to the Trade Development Council to launch the Mainland Development Support Program to assist Hong Kong businessmen in the Mainland to explore business opportunities in the Mainland. Increasing the allocation of the Future Fund to the Hong Kong Growth Portfolio setting up a HK\$ 5 billion Strategic Innovation Fund and a HK\$5 billion Greater Bay Area Investment Fund. Preparing for the launch of the Hong Kong Stock Connect for southbound trading in RMB-denominated stocks. Plan to issue not less than HK\$15 billion of inflation-linked bonds, not less than HK\$35 billion of silver bonds, and not less than HK\$10 billion of retail green bonds in the coming year. Set aside HK\$10 billion to further promote the development of life and health technologies, including the establishment of the In no Life Health tech Hub Life and Health Innovation Research Centre in the Hong Kong-Shenzhen Innovation and Technology Park. Doubled the funding to \$440 million to enhance support for the R&D work of 16 State Key Laboratories and six Hong Kong branches of the National Engineering and Technology Research Centre. The Central Government announced the Outline of the Development Plan for the Greater Bay Area of Guangdong, Hong Kong, and Macao (the "Outline") on 18 February 2019. With the strong support of the Central Government, Hong Kong will proactively integrate into the overall development of the country. Together with Macau, Guangzhou, and Shenzhen, Hong Kong will be one of the core engines of regional development. Support Hong Kong to consolidate and enhance its position as an international financial, shipping, and trade center, international aviation hub, and global offshore RMB business hub, and to strengthen its functions as an international asset management center and risk management center (Mao, 2007). The outlook of the Hong Kong Economic Development Board (HKEDB) is that Hong Kong's economy is expected to maintain a low to moderate growth rate, while investment opportunities and development prospects are favorable in the coming years. Hong Kong's key pillar industries are also expected to maintain a respectable performance in 2020, including banking, financial services, logistics, and commerce, aviation special services, and consulting and professional services. At the same time, the Hong Kong government is also strengthening innovation and technology development to drive economic transformation and enhance productivity. Therefore, the trend of Hong Kong's economic development in the coming years remains conducive to expanding economic growth and improving business efficiency and competitiveness, bringing us more prosperity and prosperity. For Hong Kong, post-epidemic economic development will face formidable challenges. A large number of businesses are unable to operate normally due to the local blockade measures, which have put investors in the market in a high degree of anxiety. In addition, because the global economy is slowing down and international trade has been in the doldrums, the export-dependent nature of Hong Kong has expanded even more. Therefore, the Hong Kong government must work harder to come up with practical policies to ease the pressure of the recession. For example, re-promoting urban renewal projects, government support for SMEs to innovate, improving the business environment, promoting the retail industry, and strengthening the employment skills of young people are all measures that the government can take to promote Hong Kong's economic development. The development of Hong Kong and the Greater Bay Area of Guangdong, Hong Kong, and Macao should make full use of digital technology the Internet, and financial technology to strengthen Hong Kong's financial services capabilities to cope with economic uncertainties and effectively drive the recovery of the regional economy. In addition, Guangdong, Hong Kong, and Macao should cooperate in depth to strengthen financial services, digital economy innovation, technology, etc. to enhance the power of common development and the international competitiveness of the Greater Bay Area.

#### 4. Conclusion

1) Hong Kong's economy is being affected by the new crown epidemic and its economic structure is changing. In recent months, foreign trade earnings have fallen sharply, particularly in the tourism, finance, and retail sectors, while the digital economy has been relatively stable and businesses that can adapt to the changes of the epidemic have flourished. Hong Kong's Internet and technology industries are growing significantly in a bid to drive economic recovery.

2) Hong Kong's economy is slowly recovering but is still at a slower stage of development. In recent months, foreign trade exports have fallen sharply, but the digital economy remains relatively stable, as well as the implementation of a new round of active stimulus programs, has also enabled Hong Kong's economy to emerge from the gloom. And with tourism, finance, retail, and other industries expected to resume normal operations, the trend of Hong Kong's economic recovery will become more and more obvious.

3) Due to the changes in the new crown epidemic, traditional sectors such as tourism, finance, and retail have been affected, while the digital economy and technology industry have dominated and driven the overall

economy.

4) After the epidemic, Hong Kong's GDP growth remains weak and residents' income is declining. However, residents' consumer confidence, tourism, and retail trade recovery have helped, and social order and operational disruptions have eased. In the period ahead, the Hong Kong government and the community will work together to implement effective improvement measures to improve the socio-economic situation in Hong Kong.

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