Q.37

Since early 2023, as Hong Kong fully resumed a normal flow of people with Mainland China and the rest of the world, more tourists have visited Hong Kong. In the same year, the government launched various measures to stimulate the tourism industry.

Source A: Statistical data of Hong Kong's hotel industry

Month	Average hotel room rate	Hotel occupancy rate	Number of hotel rooms
January 2023	$1,048	66%	89,205
February 2023	$1,162	78%	89,205

(Source: Culture, Sports and Tourism Bureau, HKSAR Government)

Source B: Details of 'Hello Hong Kong' Campaign

In February 2023, the Hong Kong government announced the launch of the 'Hello Hong Kong' Campaign to promote Hong Kong to tourists from around the world. Activities include:

- Distributing 500,000 free air tickets. Some of the tickets will be given out on a 'buy one, get one free' basis. Passengers who pay for one ticket can redeem another ticket for free.
- Hosting a variety of mega events, such as the Hong Kong International Jewellery Show from 1to 5 March 2023, attracting enterprises from around the globe.

(Source: various newspapers)

Source C: Some views of different stakeholders on measures stimulating tourism

 A local jewellery merchant	The Hong Kong International Jewellery Show was very successful. During the exhibition, there were many business travellers from all over the world and we received a lot of orders.
 A member of the hotel industry	Compared with distributing free air tickets, distributing air tickets on a 'buy one, get one free' basis can encourage tourists to increase the average length of stay in Hong Kong, which is more beneficial to the hotel industry.
 A politician	The government should aim at attracting tourists with strong consumption power. The higher the per capita spending of tourists, the more beneficial it is to Hong Kong's economy.

Source D: A news excerpt about the 'Temple Street Night Market' event

Cooperating with the Yau Ma Tei Temple Street Association of Hawkers and Shop Operators, the Hong Kong Tourism Board has organised an event called 'Temple Street Night Market' lasting six months from December 2023. Mobile stalls have been set up in Temple Street selling a variety of special food and snacks, and special decorations have been set up for tourists to take photos.

(Source: various newspapers)

Source E: A post on social media by a visitor to Hong Kong

Donna
2 January
I travelled to Hong Kong during the New Year holiday. I tried various types of street snacks of Hong Kong and took photos in front of the special decorations at Temple Street Night Market. The dynamic vibe made it an unforgettable experience for me!
#TempleStreetNightMarket

1025 Likes 25 Comments 30 Shares

Questions

(a) Refer to Source A. With the aid of a demand-supply diagram, explain how the total rental revenue of Hong Kong hotels would change during the above period. (7 marks)

(b) Refer to Source B. Using the law of demand, justify the view of the member of the hotel industry in Source C. (4 marks)

(c) Refer to Sources B and C. Explain the effect of the exhibition mentioned in Source C on **TWO** components of the current account in the balance of payments of Hong Kong. (4 marks)

(d) Refer to Source D. Which of the three basic economic problems is the Hong Kong Tourism Board's decision to organise 'Temple Street Night Market' related to? Explain. (2 marks)

(e) Refer to Source E. Explain how the tourist's behaviour of taking photos of the special decorations and sharing them on social media may involve externality. (3 marks)

For part (f), candidates are required to present their answer in essay form. Criteria for marking will include use of sources and economic theories, relevant content, logical presentation and clarity of expression.

(f) Suppose there are two proposals to attract more tourists to visit Hong Kong.

Proposal I:	promote green tourism, including improving supporting facilities in Hong Kong's country parks and a number of hiking trails
Proposal II:	encourage the retail industry to offer tourists shopping discounts

With reference to the above sources and your own knowledge in Economics, discuss the effects of each proposal on the following variables in order to **evaluate** the two proposals.

- tourists' total expenditure in Hong Kong
- aggregate output
- fiscal balance

(14 marks)