

## Hong Kong's tourism industry

Based on statistics published by the World Tourism Organisation, the growth rate of international visitor arrivals for the world as a whole slowed down gradually in recent decades, from 5.6% p.a. in the 1970s to 4.6% p.a. in the 1980s and further to 4.3% p.a. in the 1990s. In 2000-2003, due to such events as the 911 terrorist attacks and the spread of SARS, the average annual growth rate slowed to only 0.2%. International visitor arrivals in Asia and the Pacific showed a similar trend, with the average annual growth rate slowing from 14.5% in the 1970s to 9.1% in the 1980s and 7.1% in the 1990s. The growth rate slowed markedly further to 1.3% p.a. in 2000-2003, mainly reflecting the SARS impact.

Hong Kong's visitor arrivals largely followed the trend in Asia and the Pacific up to the 1990s. Nevertheless, there has been an upsurge in visitor arrivals from the Mainland in recent years. The implementation of the Individual Visit Scheme (IVS) in 2003 reinforced this trend. As a result, Hong Kong's visitor arrivals showed relatively faster growth in 2000-2003, at 6.0% p.a., than the regional average, at 1.3% p.a..

With Hong Kong's share of visitor arrivals in the regional total increasing from 11% in 2000 to 13% in 2003, the tourism industry in Hong Kong outperformed most of its counterparts in the region in the recent past. A similar development can be said of tourism receipts. Between 2000 and 2003, Hong Kong's tourism receipts rose by 6.5% p.a. in US dollar terms, much faster than the regional average of 3.2% p.a..

As to the world ranking in respect of international visitor arrivals, Hong Kong ranked around the 18<sup>th</sup> in 1990 and advanced to the 14<sup>th</sup> in 1995 and the 12<sup>th</sup> in 2003 (rankings prior to 1990 are not available). Within Asia and the Pacific region, Hong Kong is the second largest destination for international visitors, after the Mainland but well ahead of the third and fourth largest destinations – Malaysia and Thailand.

The direct value added contribution of the tourism industry to Hong Kong's GDP amounted to about \$29.3 billion in 2003, or equivalent to 2.5% of the GDP. The direct contribution of the tourism industry to GDP ranged between 3.2% and 3.6% in 1990-1996. This share then fell to 2.8% in 1997 and further to 2.2-2.5% between 1998 and 2001, as the impact of the Asian financial crisis led to a markedly lower per capita spending of visitors. In 2002, reflecting the sustained economic revival in the region and the large increase in Mainland visitors, such percentage contribution to GDP rebounded to 3.0%, but the impact of SARS brought it down to 2.5% again in 2003.

### Direct value added contribution of tourism industry

	<u>Inbound tourism</u> (\$Bn)	<u>Outbound tourism</u> (\$Bn)	<u>Total</u> (\$Bn)
1990	16.8 (3.0)	3.7 (0.7)	20.4 (3.6)
1995	26.3 (2.5)	7.4 (0.7)	33.7 (3.2)
2000	21.9 (1.8)	9.1 (0.7)	31.0 (2.5)
2001	20.4 (1.7)	9.2 (0.8)	29.5 (2.4)
2002	26.4 (2.2)	10.0 (0.8)	36.4 (3.0)
2003	21.0 (1.8)	8.2 (0.7)	29.3 (2.5)

Notes : Figures in brackets represent the corresponding % shares in GDP.

Figures may not add up exactly to the corresponding totals due to rounding.

Source : Census and Statistics Department.

### **Hong Kong's tourism industry (cont'd)**

On employment contribution, the tourism industry directly provided around 122 900 jobs (on a full-time equivalent basis) to the local workforce, or about 3.8% of Hong Kong's total employment, in 2003. The higher percentage contribution to total employment than that to GDP indicates that jobs provided by the tourism industry are on average relatively lower skilled. It suggests that from the employment creation angle the tourism industry is of importance to Hong Kong, particularly when the supply of lower skilled jobs is limited at present amidst the transformation of the economy into more knowledge based.

Despite the impact of SARS, the employment contribution of the tourism industry in 2003, at 122 900 jobs or 3.8% of Hong Kong's total employment, was only slightly lower than that in 2002, at 126 800 jobs or 3.9% of Hong Kong's total employment. In other words, the industry has been a stable source of job supply for the local workforce. In fact, between 2000 and 2003, the tourism industry created around 25 000 additional jobs for the local workforce.

#### **Direct employment contribution of tourism industry**

	<u>Inbound tourism</u> (No.)	<u>Outbound tourism</u> (No.)	<u>Total</u> (No.)
2000	76 100 (2.4)	21 800 (0.7)	97 900 (3.0)
2001	80 900 (2.5)	23 100 (0.7)	104 000 (3.2)
2002	104 900 (3.2)	21 800 (0.7)	126 800 (3.9)
2003	99 200 (3.1)	23 600 (0.7)	122 900 (3.8)

Notes : These employment figures are based on composite employment estimates.  
Figures in brackets represent the corresponding % shares in total employment.  
Figures may not add up exactly to the corresponding totals due to rounding.

Source : Census and Statistics Department.

In respect of IVS, it is estimated to have raised Hong Kong's GDP by \$4.5 billion or 0.36% in 2004. In terms of job creation, IVS is estimated to generate an additional 16 600 jobs spreading through the economy in a chain of related sectors. Of this, the first round effect accounted for about 9 200 jobs or 55% of the total, with the bulk concentrating in the retail trade (5 000) and restaurants (2 500). The newly created jobs are generally of lower-skilled nature. As for business receipts of the tourism industry, IVS is estimated to generate a net incremental spending of \$6.2 billion in 2004, about 9% of the total business receipts of the tourism industry. Inclusive of cross-boundary transport services, the aggregate net incremental spending would amount to \$6.5 billion.

The benefits of IVS to Hong Kong should spread out into more sectors over time, as the Mainland visitors come to Hong Kong more often and build up their understanding of our place. There might also be a trip generating effect due to the freedom given under the Scheme. Furthermore, as the Mainland visitors' understanding and interest about Hong Kong build up, there will be more sources of information about Hong Kong appearing in the Mainland, which in turn should help promote Hong Kong's image and build up Hong Kong brand in the Mainland.