

Box 1.2

Economic contribution of the six industries

Background

In response to the global financial tsunami, the Chief Executive established the Task Force on Economic Challenges (TFEC) in late 2008. With the experience and collective wisdom of its members from different sectors, the TFEC identified six industries where Hong Kong enjoys clear advantages for further development. The recommendation was made making reference to the findings of various studies and the views of the public and the industries, and considering factors such as whether the opportunities for co-operation with the Mainland and the Pearl River Delta region could be capitalised. The six industries are cultural and creative industries, testing and certification services, medical services, education services, environmental industries, and innovation and technology. The Government has accepted the TFEC recommendations and has been developing specific measures for promoting the six industries.

To track the performance of the six industries over time and to assess their impact on the economy, it will be useful to have statistics on their value added and employment size. Value added refers to the value of total output minus the value of goods and services used up in the course of production. The value added of an industry indicates how much it contributes to the Gross Domestic Product (GDP) while the employment size shows the employment opportunities created by the industry.

The six industries referred to in this article mainly cover the production activities of private corporations, including non-profit making or subsidised organisations.

The estimates given in this article only relate to the direct economic impact of the six industries. Their indirect economic impact, including spill-over effects on other industries (e.g. expansion in the cultural and creative industries may have a positive impact on tourism) as well as future benefits to Hong Kong (e.g. enhanced productivity and faster growth brought about by technological innovation activities and education services) are not taken into account.

Crude estimates on value added and employment

As the six industries are either relatively small at present, or not well defined industries in the current industrial classification, official statistics for these industries are not readily available. Moreover, some of the six industries such as innovation and technology are not exactly an industry in the traditional sense since innovation and technology activities can exist in any organisations and in any industries, but the term “industry” is still used to denote the aggregate of the economic activities concerned for the sake of simplicity and easy general understanding. This is similar to the use of the term “industry” for tourism and producer services which do not fall under the standard statistical classification of industries and hence are not industries in the traditional sense.

Box 1.2 (Cont'd)

There is also some overlapping of the coverage of activities in the six industries with the four traditional pillar industries (i.e. financial services, trading and logistics, tourism, and producer and professional services). For instance, advertising and software and computing are covered in both "cultural and creative industries" and "producer and professional services", and medical tourism is covered in both "medical services" and "tourism".

For a quick assessment on the economic contribution of the six industries, some ballpark figures had been worked out in 2009 by drawing reference to the best available information from various sources at that time. As released in the Chief Executive's Policy Address in October 2009, the private sector component of these six industries directly contributed around 7% to 8% of the GDP, and employed around 350 000 persons or about 10% of the total workforce. These ballpark figures had many limitations and were necessarily crude. Given these considerations, figures pertaining to individual industries were not released.

Effort has been made in the past few months to improve the data sources and the methodological framework for compiling estimates for the six industries. Some data gaps have been filled, industry coverage more specifically defined and some conceptual issues in the estimation process worked out. As a result, an updated set of crude estimates has been produced as refinements to the ballpark figures released earlier in the 2009-10 Policy Address. Moreover, though still subject to considerable limitations at this stage, estimates for each of the six industries are now made available, as given below.

Based on updated data and a better estimation framework, it is estimated that in 2008 the private sector component of the six industries contributed around 8% of the GDP and employed around 380 000 persons, accounting for some 11% of total employment.

Box 1.2 (Cont'd)**Direct contribution to GDP and employment in 2008**

	<u>Value added</u> (HK\$Bn)	<u>Contribution</u> <u>to GDP</u>	<u>Number of</u> <u>persons engaged</u>	<u>Contribution to</u> <u>employment</u>
Cultural and creative industries	around 60	around 3.9%	around 176 000	around 5.0%
Medical services	around 25	around 1.6%	around 69 000	around 1.9%
Education services	around 21	around 1.3%	around 69 000	around 2.0%
Innovation and technology [#]	around 10	around 0.6%	around 22 000	around 0.6%
Testing and certification services	around 4-5	around 0.3%	around 13 000	around 0.4%
Environmental industries	around 3	around 0.2%	around 35 000	around 1.0%
Total	around 120	around 8%	Around 380 000	around 11%

Note: (#) For innovation and technology, persons engaged refer to the number of research and development personnel in full-time equivalent terms.

Way forward

The estimates given above are compiled by the Economic Analysis and Business Facilitation Unit in collaboration with the Census and Statistics Department (C&SD) based on best available information and in consultation with relevant policy bureaux/departments.

C&SD is stepping up its existing data collection framework, with a view to compiling a set of official estimates on the employment size and value added for the six industries. Relevant economic surveys have been enhanced and sample sizes in respect of the targeted industries enlarged for collecting more comprehensive data. Relevant administrative data are also being collated to provide inputs to the estimation framework. Some basic figures for the testing and certification services will be available later this year from an ad hoc survey carried out from end 2009 to early 2010, while data for other industries are being collected. It is expected that the official estimates showing the situation of the six industries in 2009 will become available in early 2011.