

Box 1.2**Economic contribution of the six industries (an update)**

In 2009, the Government accepted the recommendations of the Task Force on Economic Challenges for the development of six industries where Hong Kong enjoys clear advantage. They are cultural and creative industries, medical services, education services, innovation and technology, testing and certification services, and environmental industries. To track the performance of the six industries, statistics on their value added and employment size will be useful. However, the six industries straddle different industries as defined by the current industrial classification⁽¹⁾. Therefore, statistics for the six industries could not be readily compiled. In *Box 1.2* of the *2009 Economic Background and 2010 Prospects*, a set of crude estimates have been worked out by the Economic Analysis and Business Facilitation Unit in collaboration with the Census and Statistics Department (C&SD). By now, the C&SD has developed a new statistical framework for measuring the economic contribution and employment of the six industries, by taking into account relevant policy objectives, international guidelines and feedback from stakeholders. In addition, the C&SD has also made suitable enhancements to economic surveys to collect the necessary data. This article summarises the latest statistics released by the C&SD on the direct economic contribution (in terms of value added) and employment in respect of the six industries for 2008 and 2009⁽²⁾.

The value-added of the Six Industries continued to increase in 2009, by 3.0% over 2008 to \$123.9 billion, despite the global recession in that year (*Table 1*). This is in stark contrast to the decline of 2.6% in the nominal Gross Domestic Product (GDP) in 2009⁽³⁾. As a result, they outperformed the overall economy by a clear margin with their combined direct contribution to GDP rising to 8.0% in 2009 from 7.6% in 2008, indicating their strong relative competitiveness.

As for employment, the six industries together employed 394 970 persons in 2009, representing an increase of 1.7% from 388 320 persons in 2008 (*Table 2*). The six industries also fared better than the overall economy in terms of employment. In 2009, total employment in Hong Kong recorded a decline of 1.0%. As a result, the contribution of the six industries to total employment increased from 11.0% in 2008 to 11.3% in 2009.

Among the six industries, growth in the value added in 2009 was the biggest in testing and certification, thanks to the tightening of regulatory requirements in overseas markets, and the growing demand for medical testing. Growth in the value added of environmental industries was also sizable, attributable to increased businesses in waste management and environmental engineering. The value added of medical services also rose notably, amidst growing demand for medical services, including private hospitals and nursing and residential care. Innovation and technology, and education services also saw solid growth in terms of value added in 2009. Although cultural and creative industries showed a marginal decline in value added, their share in GDP actually edged up in 2009, as they still fared relatively better than the overall economy.

(1) The Hong Kong Standard Industrial Classification (HSIC) Version 2.0.

(2) For more details, see the C&SD's feature article "The Situation of the Six Industries in Hong Kong in 2008 and 2009", published in the February 2011 issue of the *Hong Kong Monthly Digest of Statistics*.

(3) To facilitate comparison of contribution of the Six Industries in the private sector as percentage of nominal GDP, GDP in terms of total gross value added is used. This is slightly different from the GDP figure commonly used, which is compiled at market price basis.

Box 1.2 (Cont'd)

In terms of employment, education services expanded the most in 2009, followed by innovation and technology, environmental industries, medical services, and testing and certification services. Cultural and creative industries saw a small decline, but their share in total employment remained stable.

Table 1: Value Added of the Six Industries ^{(a) (b)}

| <u>Value added at current prices</u> | <u>2008</u> <u>HK\$Mn</u> | <u>2009</u> <u>HK\$Mn</u> | <u>Annual growth rate</u> |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------|
| 1. Cultural and creative industries | 63,080 (4.0%) | 62,935 (4.1%) | -0.2% |
| 2. Medical services | 22,444 (1.4%) | 24,077 (1.6%) | +7.3% |
| 3. Education services | 15,809 (1.0%) | 16,386 (1.1%) | +3.6% |
| 4. Innovation and technology | 10,283 (0.6%) | 10,733 (0.7%) | +4.4% |
| 5. Testing and certification services | 4,499 (0.3%) | 5,090 (0.3%) | +13.1% |
| 6. Environmental industries | 4,178 (0.3%) | 4,697 (0.3%) | +12.4% |
| Six Industries^(c) | 120,293 (7.6%) | 123,918 (8.0%) | +3.0% |
| GDP^(d) | 1,592,897 | 1,550,851 | -2.6% |

Notes : Figures in brackets refer to percentages to GDP (see note (d)).

- (a) This set of estimates reflects the direct economic contribution of the Six Industries in private sector.
- (b) Strictly speaking, some of the Six Industries are service domains straddling different industries rather than individual industries. For example, innovation and technology 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.
- (c) The above total for the Six Industries in the private sector is only a simple summation of the figures for individual industries. Users should note that there is some overlapping among the Six Industries.
- (d) To facilitate comparison of contribution of the Six Industries in the private sector as percentage of nominal GDP, GDP in terms of total gross value added is used. This is slightly different from the GDP figure commonly used, which is compiled at market price basis.

Main data sources: GDP by economic activity at detailed level, Annual Survey of Economic Activities, Survey of Innovation Activities, 2009 Survey of Testing and Certification Activities, Hong Kong's Domestic Health Accounts compiled by the Food and Health Bureau.

Box 1.2 (Cont'd)

Table 2: Employment in the Six Industries^{(a)(b)}

| <u>Employment</u> | <u>2008 Number</u> | <u>2009 Number</u> | <u>Annual growth rate</u> |
|--|----------------------------|----------------------------|---------------------------|
| 1. Cultural and creative industries | 191 260 (5.4%) | 188 250 (5.4%) | -1.6% |
| 2. Medical services | 70 440 (2.0%) | 71 990 (2.1%) | +2.2% |
| 3. Education services | 56 840 (1.6%) | 62 240 (1.8%) | +9.5% |
| 4. Innovation and technology ^(c) | 26 090 (0.7%) | 27 470 (0.8%) | +5.3% |
| 5. Testing and certification services ^(d) | 12 420 (0.4%) | 12 610 (0.4%) | +1.5% |
| 6. Environmental industries | 31 270 (0.9%) | 32 410 (0.9%) | +3.6% |
| Six Industries^(e) | 388 320 (11.0%) | 394 970 (11.3%) | +1.7% |
| Total employment^(f) | 3 521 400 | 3 486 900 | -1.0% |

Notes : Figures in brackets refer to percentage shares to total employment (see note (f)).

(a) This set of estimates reflects the direct contribution of the Six Industries in private sector to employment.

(b) Strictly speaking, some of the Six Industries are service domains straddling different industries rather than individual industries. For example, innovation and technology 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.

(c) Since innovation and technology involves significant non-routine activities, persons engaged in these activities are measured by the volume of labour input to innovation and technology in full-time equivalent terms (in terms of man-years).

(d) Figures refer to the quarterly averages of employment in the years concerned, which differ from the figures at a particular time point in the *Report on the 2009 Survey of Testing and Certification Activities* published in February 2010.

(e) The above total for the Six Industries in the private sector is only a simple summation of the figures for individual industries. Users should note that there is some overlapping among the Six Industries.

(f) Figures for total employment refer to Composite Employment Estimates.

Main data sources: Quarterly Survey of Employment and Vacancies, Survey of Innovation Activities, 2009 Survey of Testing and Certification Activities, Annual Survey of Economic Activities.

It should be noted that, as figures on the six industries are available for only two years at present, a longer time series on the performance of the industries would be needed to have a clearer picture on their long term growth trend. The Government will closely monitor the six industries. Indeed, various measures to promote the development of these industries are being implemented by the Government, as part of the efforts to move Hong Kong towards a more diversified knowledge-based economy.