

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. Since the Six Industries straddle different industries as defined by the current industrial classification⁽¹⁾, the Census and Statistics Department (C&SD) has developed a statistical framework specifically for measuring the economic contribution and employment of the Six Industries, by taking into account relevant policy objectives, international guidelines and feedback from stakeholders. This article provides a further update to **Box 1.2** of the *2010 Economic Background and 2011 Prospects* and 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 2010.

The value added of the Six Industries grew notably further in 2010, by 15.6% over 2009 to \$143.8 billion, alongside the global economic rebound and the full-fledged local economic upturn in that year (**Table 1**). Notably, this is way above the already very strong growth of 9.8% in nominal terms for the overall Hong Kong economy in 2010⁽²⁾. As a result, they outperformed the overall economy by a clear margin with their combined direct contribution to GDP rising further to 8.4% in 2010 from 8.0% in 2009, a manifestation of their strong relative competitiveness.

As for employment, the Six Industries together employed 407 750 persons in 2010, representing an appreciable increase of 3.0% from 395 760 persons in 2009 (**Table 2**), also far outstripping the 0.5% employment growth for the overall economy. As a result, the contribution of the Six Industries to total employment increased from 11.3% in 2009 to 11.6% in 2010.

Among the Six Industries, the value added of cultural and creative industries posted the biggest growth in 2010, in contrast to the zero growth in 2009, backed by broad-based increases across the component industries, in particular software, computer games and interactive media; advertising; art, antiques and crafts; television and radio. Environmental industries continued to see double-digit growth in its value added, attributable to increased businesses in waste management and environmental engineering. The value added of innovation and technology likewise picked up notably, thanks to increased business spending on product innovation as well as higher education research and development activity. Growth in the value added of medical services and education services also grew markedly in 2010. The value added of testing and certification recorded a modest growth on continued demand for medical testing as well as other testing services amid tighter regulatory requirements in overseas markets.

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

(2) 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, environmental industries expanded the most in 2010, followed by education services, innovation and technology, medical services, and cultural and creative industries. Testing and certification services however saw a small decline, although their share in total employment remained stable.

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

<u>Value added at current prices</u>	2008	2009	2010	% change of	
	<u>\$Mn</u>	<u>\$Mn</u>	<u>\$Mn</u>	<u>2009 over 2008</u>	<u>2010 over 2009</u>
1. Cultural and creative industries	63,275 (4.0%)	63,266 (4.1%)	77,683 (4.6%)	*	+22.8
2. Medical services	22,185 (1.4%)	24,156 (1.6%)	26,040 (1.5%)	+8.9	+7.8
3. Education services	15,809 (1.0%)	16,517 (1.1%)	17,542 (1.0%)	+4.5	+6.2
4. Innovation and technology	10,283 (0.6%)	10,733 (0.7%)	11,783 (0.7%)	+4.4	+9.8
5. Testing and certification services	4,499 (0.3%)	5,081 (0.3%)	5,157 (0.3%)	+12.9	+1.5
6. Environmental industries	4,178 (0.3%)	4,697 (0.3%)	5,603 (0.3%)	+12.4	+19.3
Six Industries^(c)	120,229 (7.5%)	124,450 (8.0%)	143,808 (8.4%)	+3.5	+15.6
GDP^(d)	1,592,897	1,550,851	1,702,966	-2.6	+9.8

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.
- (*) Change of less than 0.05%.

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)}

Employment	2008	2009	2010	% change of	
	Number	Number	Number	2009 over 2008	2010 over 2009
1. Cultural and creative industries	191 260 (5.4%)	188 250 (5.4%)	189 430 (5.4%)	-1.6	+0.6
2. Medical services	71 040 (2.0%)	72 750 (2.1%)	74 450 (2.1%)	+2.4	+2.3
3. Education services	56 840 (1.6%)	62 200 (1.8%)	66 540 (1.9%)	+9.4	+7.0
4. Innovation and technology ^(c)	26 090 (0.7%)	27 470 (0.8%)	28 860 (0.8%)	+5.3	+5.1
5. Testing and certification services ^(d)	12 420 (0.4%)	12 680 (0.4%)	12 390 (0.4%)	+2.1	-2.3
6. Environmental industries	31 270 (0.9%)	32 410 (0.9%)	36 080 (1.0%)	+3.6	+11.3
Six Industries^(e)	388 920 (11.0%)	395 760 (11.3%)	407 750 (11.6%)	+1.8	+3.0
Total employment^(f)	3 521 400	3 486 900	3 503 000	-1.0	+0.5

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 three 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 development of 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 diversify Hong Kong's growth engines and move towards a high value-added and knowledge-based economy.