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Compilation and Development of Service Statistics of Hong Kong

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Background

1. The services sector is an important sector in the Hong Kong economy. It contributes over 80% in terms of value added contribution to the GDP of Hong Kong.
2. Trade in services is also an important component in the external sector of Hong Kong. Invisible trade surplus generated in 1998 was HK\$ 90,895 Mn (US\$ 11,736 Mn), which effectively offset the visible trade deficit at HK\$ 84,774 Mn (US\$ 10,946 Mn).
3. Compilation and development of service statistics mainly focus on the following areas:
 - (a) industry and domain statistics,
 - (b) service product statistics,
 - (c) trade in services statistics.

Industry and domain statistics

Statistics related to market activities

4. The services sector includes wholesale, retail and import/export trades, restaurants and hotels; transport, storage and communications, financing, insurance, real estate and business services; and community, social and personal services.

5. On the macro-side, production-based GDP estimates provide relative contribution of individual sectors to the Hong Kong economy. Current-price annual estimates are released. National accounts aggregates, e.g. Gross Output, Intermediate Consumption, Value-added, are also compiled for each sector.

6. On the micro-side, detailed structural statistics on twelve selected industries, considered to be the most important ones within the services sector of Hong Kong, are compiled annually. This is supplemented by quarterly updates on key structural statistics, which include employment, business receipts, output type volume indicators, external trade statistics related to the industry, etc. The twelve selected industries are :

- (a) Air Transport Services
- (b) Banking Services
- (c) Film Entertainment Services
- (d) Financial Markets and Fund Management Services
- (e) Import and Export Trade Services
- (f) Insurance Services
- (g) Land Transport Services
- (h) Maritime Transport Services
- (i) Professional Services
- (j) Real Estate Services
- (k) Telecommunications Services
- (l) Wholesale and Retail Services

7. Apart from industry statistics, the usefulness and importance of **domain** statistics is fully recognised. A **service domain** differs from a service industry in that a domain comprises those parts of economic activities straddling different industries but are some how related to a common purpose. It may include all activities carried out by all establishments in a service industry that is closely related to the domain. In some cases, however, only a portion of the establishments in an industry or even only part of the establishment's activities is related to the domain.

8. Structural statistics are compiled for two service domains :

- (a) Computer and Related Services,
- (b) Tourism, Convention and Exhibition Services.

9. Establishments involved in the provision of **computer and related services** straddle a number of industries and can broadly be classified into the following two groups :

- (a) Establishments closely related to the domain :

Data processing and tabulating services companies;

- (b) Establishments partly related to the domain :

Distributors of office machines, appliances and equipment (except furniture and fixtures) – within this group, only those wholesalers, retailers and importers/exporters of computer equipment are related to the domain.

10. For example, to compile business receipts index for the computer and related services domain, business receipts data are collected from establishments rendering data processing and tabulation services and distributors who mainly deal in computer equipment.

11. Establishments involved in the provision of **tourism related services** and convention and exhibition services fall into a wide range of economic activities, which can broadly be classified into the following three groups :

- (a) Establishments closely related to the tourism domain :

Hotels and travel agents;

- (b) Establishments partly related to the tourism domain :

Restaurants, retailers, transport operators and other service providers serving visitors;

- (c) Establishments closely related to convention and exhibition services domain :

Convention and exhibition organizers.

12. For example, to compile business receipts index for the tourism component in the tourism, convention and exhibition services domain, multiple data sources are used.

13. For industries which primarily serve visitors including travel agents, air ticket agents and hotels), business receipts data are collected directly from establishments in the industries concerned.

14. As for other industries which also serve a good number of local residents (such as restaurants, retailers and transport operators), using the total receipts data of the entire industries will substantially over-estimate the tourism-related receipts, but the operators of the businesses often cannot provide the relevant receipts breakdown. Therefore, such data have to be collected from the visitors instead of the service providers. Those data are currently collected by the Hong Kong Tourist Association (HKTA) through a regular Visitors Survey.

Statistics related to non-market activities

15. Service industry and domain statistics above refer to market activities. There are also those non-market activities performed by the government or non-profit bodies.

16. Their contribution is covered by production-based GDP estimates under “Community, Social and Personal Services”, which of course also cover market activities.

17. Producers of community, social and personal services comprise both business establishments and services rendering organizations providing a wide range of services to individuals and households such as education, medical and health, sanitary, laundry, repair, hairdressing and photo-finishing services.

18. The general administration, public order and safety services and other services provided by non-trading bodies of the government are also included. Services such as education, medical and health and welfare are mainly provided by the government and private non-profit bodies. Data sources for compiling estimates of these services include government accounts and administrative records, accounts of private non-profit bodies and survey data collected from a small sample of commercial establishments rendering personal services.

19. Government services and services provided by private non-profit bodies are usually provided to the public free of charge or at prices below their input costs of production. The value of services rendered by these organizations is estimated as the sum of the input costs, i.e. operating expenses (including imputed rentals) and compensation of employees. The operating expenses are treated as intermediate consumption, and compensation of employees as value added for such kind of services.

20. The estimates of the value of services provided by non-profit bodies are based on two sources of data. For government-subsidized organizations, data on such activities are obtained from accounting records furnished by these bodies annually to government departments overseeing these subventions. These include the Education Department overseeing subventions to schools, the Social Welfare Department overseeing subventions to activities such as community development, child-care and services organized for youths and the aged, and also the Department of Health overseeing subventions to clinics and health services.

Service product statistics

21. Development and collection of service product statistics started for the reference year 1997 and was initially based on the Provisional Central Product Classification, with some local adaptation. Plan is in hand to converge to the Central Product Classification Version 1.0 promulgated in 1998.

22. Various service product statistics are collected on the output side. On the input side, expenditure by service type are only collected in a broad manner to reduce respondent burden.

23. Apart from receipts and expenditure statistics, collection of price data from hotels and boarding houses, freight transport industry and communications industry started in the second half of 1998 through the Quarterly Survey of Service Industries.

24. Compilation work of producer price index for these selected industries has started in the second half of 1999, and results will be available in early 2000. With the availability of Producer Price Index, productivity indices for these industries can be compiled as a long term target.

Statistics on trade in services

25. Over the past decade, Hong Kong has greatly enhanced its position as a financial, business, trade and communications centre in the region. Continuing transformation of the economy, at an accelerating pace, from manufacturing towards more service-oriented activities has resulted in a substantial shift in investment and resources towards the services sector. The rising significance of the service industries and trade in services has prompted an increasing demand for more statistics to be compiled for effective monitoring of the development of the service sectors.

26. It is on such ground that a series of developments is implemented to improve statistics on trade in services.

27. Both transportation (air, land and sea transport) and travel services are major contributors. Other services of significance are trade-related services (including off-shore trading, purchasing/merchandising services and other trade-related services), business services (comprising advertising, market research, management consultancy, communication, real estate, computer, information, architectural, news transmission, production and distribution of film, hotel management, etc.), financial and insurance services.

28. The major source of trade in services statistics is the Annual Survey of Imports and Exports of Services which has been conducted since the reference year 1978. The survey covers different types of service activities, including shipping, air transportation, insurance, cargo forwarding, production and distribution of films/programmes, hotel business, advertising and marketing research, news transmission, and financial asset dealing and broking. Trade in services statistics in regard to banking services are collected through the Annual Survey of Banks, Deposit-taking Companies, Restricted Licence Banks and Representative Offices of Foreign Banks which has been conducted since the reference year 1980.

29. Prompted by the rising significance of trade in services, there is a pressing demand for more detailed statistics on trade in services for economic analysis, bilateral and multilateral negotiations and international comparison purposes. In addition, trade in services statistics also provide a useful tool to the business community in making investment decisions.

30. To cater for the growing demand for more statistics on trade in services, while taking into account international guidelines and the need to adopt changes relevant to the local situation, the following areas of improvements are made :

- (a) The coverage is expanded such that fast growing service activities will be covered. Computer trading and supporting services, construction services and communications services are, among others, some of the fast growing activities. Other service activities which have potentials for rapid expansion in the near future will be identified and incorporated into the data collection framework as appropriate.
- (b) The services classification scheme is revised such that more detailed data item breakdowns will be made available to facilitate detailed analysis and comparison with similar statistics produced by other economies. The Central Product Classification is an important reference source in developing a classification system for service statistics of Hong Kong. For the external services sector, a N-to-1 relationship is maintained between statistics on items of trade in services of Hong Kong and the Central Product Classification at 2-digit products.

- (c) Trade in services statistics by major importing/exporting economy will be compiled. Of particular relevance is the rising significance of trade in services transactions with the mainland of China and some Asian economies, which have contributed substantially to the growth in trade in services in recent years.

31. The enhanced trade in services statistics are being reviewed in conjunction with relevant data sources, and will be released when more data points are gathered to facilitate trendal comparison.

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