

Press release

LCQ6: Compilation method of percentage share of value added of tourism to GDP

Wednesday, March 11, 2009

Following is a question by the Hon Paul Tse and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 11):

Question:

During the Question and Answer Session of this Council on January 15 this year, the Chief Executive pointed out that the contribution of the tourism industry to the gross domestic product was less than 3%. In this connection, will the Government inform this Council:

- (a) what method and elements were used for computing the aforesaid percentage;
- (b) whether Hong Kong's method differs from that of other places (e.g. neighbouring places such as Macao, Singapore and Taiwan) and international organisations such as World Trade Organisation; if so, of the differences?

Reply:

President,

(a) In compiling the direct economic contribution of tourism to Hong Kong, i.e. the percentage share of value added of tourism to Hong Kong's gross domestic product (GDP), Census and Statistics Department (C&SD) adopts the "value added" method which is generally used by the international communities.

Value added refers to the net output of industry. It is calculated by deducting the cost of goods sold and the value of goods and services used in production from the business receipts. The value added of tourism is derived based on the aggregated data from the two categories of economic activities related to tourism, viz. inbound tourism and outbound tourism. The "value added" method is also adopted in compiling the percentage share of Hong Kong's GDP for other industries.

The economic activities related to inbound tourism straddle across different industries. These industries cover retail trade, hotels, restaurants, cross-boundary passenger transport services, entertainment services, etc. As these industries provide services to both local residents and visitors, in compiling the value added of these tourism-related industries, tourism ratios (i.e. the proportions of business receipts attributable to visitors to the total business receipts of the respective industries) have to be derived in order to apportion the value added of the economic activities to inbound tourism.

C&SD relies on two main data sources for compiling the tourism ratios. They are (i) visitors' spending by type of consumption collected through on-going visitor surveys conducted by the Hong Kong Tourism Board; and (ii) business receipts of various industries collected via the annual economic surveys conducted by C&SD.

The economic services related to outbound tourism cover travel agents and cross-boundary passenger transport services, pertaining to the segment of services provided to local residents travelling abroad, i.e. the economic activities of these industries other than for inbound tourism. In other words, the total value added of travel agents and cross-boundary passenger transport services for both outbound and inbound tourism are included in the value added of tourism.

(b) The methods adopted by C&SD for compiling the value added of tourism and tourism ratios, which I have just explained, are in full compliance with the international standards established by the United Nations World Tourism Organisation. The same standards are commonly adopted by a number of economies such as US, UK, Canada, Australia, and Japan, etc. Therefore, the compilation method of the percentage share of value added of tourism to GDP adopted by C&SD is basically similar to that used in other advanced economies.

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