

# Hong Kong The Servicing Economy

## Healthcare Services

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## Developing Hong Kong's Healthcare Sector into a Strategic Industry: *Opportunities, Issues and Challenges*

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The Asian healthcare market is huge. In 1999, the consumer healthcare expenditure is estimated at around US\$391 billion, with Japan accounting for the largest contribution at US\$301 billion. This is expected to grow at an annual rate of 9 percent in Asia's developing economies. The projected consumer healthcare expenditure in Asia in 2013 is US\$610 billion, with Japan spending the most, at US\$422 billion. Outpatient care will account for the fastest growth, with hospitals continuing to contribute the largest share of expenditure.

During this period, China is estimated to have spent US\$11.4 billion in 1999 and this is expected to grow to US\$64.6 billion by 2013. In contrast, Hong Kong spent only around US\$4.8 billion in 1999 and may jump to US\$8.5 billion by 2013. China's growth is phenomenal: its share of the Asia market in 1999 was only 2.9 percent but by 2013 will jump to 15.3 percent!

A number of countries in Asia, such as Singapore, Thailand and Malaysia, have already positioned themselves to take advantage of this rapid growth market, especially in attracting international patients by catering to their healthcare and lifestyle needs. In one of the prominent hospitals in Bangkok, one-third of its 3,000 daily outpatient services visitors are foreign patients, including many from China and Hong Kong. Singapore, a veteran player with over 15 years of experience in the medical tourism market, is targeting to

annually attract one million foreign patients by 2012: growing the market share from 1 percent to 3 percent of GNP, contributing S\$2.6 billion to the GDP and creating 13,000 new jobs.

Interests of both domestic and international healthcare enterprises to capture or hold onto a share of the international patients market are mounting. All signs are pointing to a rapidly rising competition in Asia for these well paying patients.

### ***The Opportunity***

In Hong Kong, there is a surge of advocacy for its health system to be an active player in this market. This advocacy should be strongly supported as there are now conclusive and mounting evidence suggesting that investments in health yield returns in improved productivity, which contributes to GNP growth. It has been estimated that every 10

percent improvement in life expectancy correlates to approximately 0.5 percent increase in GNP.

While not yet an active and experienced player in this market, Hong Kong has most of the fundamental ingredients for developing healthcare as a successful strategic industry. Apart from having some of the world's top talents in clinical practice, biomedical technology and healthcare industry management, it has an excellent medico-legal system that offers healthcare consumers protection, quality, trust and reliability. It also has an excellent infrastructure to do business and to link to the rest of the world.

The advent of CEPA gives Hong Kong a unique opportunity to develop its healthcare sector to become a strategic industry to help power Hong Kong's growth. It can offer itself as another choice of care for Mainland patients. Hong Kong providers can also be active players in the Mainland markets. Already, ten to twenty percent of the patients in some private hospitals and clinics are from the Mainland and a number of Hong Kong healthcare organizations are offering services in the Mainland.

Hong Kong can also be a regional medical hub for international patients and the various sectors within the medical industry. Most of the world's top pharmaceutical companies, medical informatics and medical equipment manufacturers and suppliers are already here and can create synergy for improving health and its delivery. Hong



Kong is well positioned in the Pearl River Delta (PRD) region to work collaboratively with its PRD counterparts to develop a medical hub that will benefit both. It can be a centre of collaboration for Hong Kong and Mainland providers as well as the international healthcare community to implement innovative treatment modalities, to conduct research and clinical studies and to educate healthcare practitioners and researchers. One particularly noteworthy potential is the development of Hong Kong as the centre for Chinese medicine and practice and as support for the modernization and globalization of Chinese medicine. With successful collaboration, the healthcare sectors in Hong Kong and the Mainland can be powerful engines helping to propel the region's economic growth and reinforce Hong Kong's hub status to the Mainland and to the rest of the world.

## Issues and Challenges

To transform Hong Kong's healthcare sector into a strategic industry requires at least three conditions to be in place:

- **A strong market orientation**

The concept of a market is particularly important. This concept may not be well accepted by some healthcare providers in Hong Kong as the healthcare sector has been predominantly operated by independent, voluntary, not-for-profit and often charitable organizations. To be a strategic industry means new values and practices. It also means that consumer sovereignty, including the removal of consumer ignorance and enhancing information given to end-users, free entry and exit of suppliers, and free competition are pursued persistently.

- **Close collaboration and active participation of key stakeholders**

The constituency of the healthcare sector is broad and diversified. It includes service providers, pharmaceutical companies, medical devices manufacturers, biomedical and life-science technology firms, related industries (such as tourism and financial institutions) and the government. The competitive advantage is dependent on the synergy of efforts and the cooperation and collaboration among key players. Pockets of excellence are not good enough. An overall rise in quality and standards throughout the industry is needed.

- **An environment in which relevant values and incentives are espoused and facilitated**

To develop Hong Kong's healthcare sector into a strategic industry would also mean remaking the healthcare sector, changing its value system and orientation and converting self-centered professional silos into a dynamic service delivery powerhouse. Healthcare providers must be willing to embrace the change. Some rules of the game, such as those related to healthcare marketing and product promotion may need to be changed. Incentives and commercial value need to be added and healthcare providers who make the most contribution should be rewarded.

## Making it Happen

To develop the healthcare sector into a strategic industry, Hong Kong's healthcare sector should do at least the following:

- **Develop the Hong Kong healthcare brand**

Hong Kong healthcare providers should collaborate to offer services and products that represent a winning brand so as to stay ahead of the pack. This means that there should be unique emphases on professionalism, discipline, efficiency, access and quality backed by an effective infrastructure to deliver the brand. This

brand should, at the minimum, convey to healthcare consumers a heightened sense of trust, safety and excellence.

- **Enhance greater system transparency**

Availability and access to information are important ingredients of a market-oriented health system. There should be a responsible Healthcare Consumer Forum for Greater Transparency on matters such as fees and charges and clinical practice norms. There should also be one-stop centers established in key regional markets to make it more convenient for Mainland and international patients to come to Hong Kong.

- **Strengthen market orientation and mindset**

A new mindset is needed for our healthcare sector to thrive in a rapidly changing and often unpredictable business environment. Healthcare providers need to nurture the spirit of entrepreneurship and creativity so that new ideas and businesses, new markets and new economic well-being can materialize.

- **Lower cost, stay competitive**

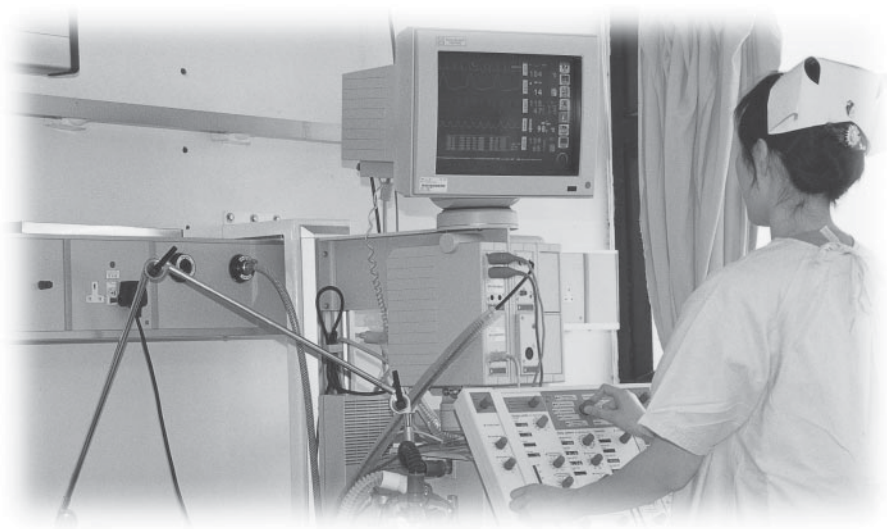
Competition and substitution are realities in the business world. Other Asian health systems generally have a lower cost base than that of Hong Kong. To stay competitive, Hong Kong needs to find and implement solutions that will lower the cost of care and service.

The Hong Kong Government must respond decisively and implement concrete steps to provide a conducive business environment for the healthcare sector. It ought to encourage and support development of new services as well as technology commercialization. In addition, it should shoulder responsibility for the following:

- **Appoint a Health for Economic Growth Task Force to develop an integrated and coherent strategy for sustaining health as engine for economic growth.**

- **Strengthen external ties with officials in PRD and establish a forum for developing an overarching plan and strategy for making the entire PRD a medical hub for the rest of China and the world.**

- **Enhance our competitiveness by unleashing the vast quantity of healthcare talents and expertise currently locked in the Hospital Authority and other parts of the government sector. Instead of a burden to the public purse, they ought to be converted to become productive resources to fuel Hong Kong's economic growth.**



# Financing Hong Kong's Future Healthcare

Dr Raymond YT Yeung

The University of Hong Kong

In considering healthcare reform, policymakers typically face a fundamental question: To what extent should government be involved in the healthcare system? Over the past few decades, the world has accumulated a tremendous amount of empirical evidence showing that neither polar structure of central planning or free market yields desirable outcomes. In almost all developed countries, healthcare services cannot immune itself from significant government involvements due to three 'textbook' reasons:-

- ① **Externality:** Public health delivers tremendous external benefits to the economy. The impact of SARS on the regional economy last year spoke for this;
- ② **Asymmetric information:** The problems associated with information asymmetry between the supply and demand sides, as was first articulated in Nobel Laureate Kenneth Arrow's seminal article on moral hazard, has long been recognized as the major justification of the visible hand in health care financing; and
- ③ **Equity versus efficiency:** In any developed (and humanistic) country, equitable provision of healthcare is judged to be very important. Market solution, such as private insurance, does not normally work: the unhealthy would attempt to get themselves into the insurance pool (i.e. adverse selection) while profit-making insurers tend to welcome the healthy only (i.e. cream-skimming). Universal coverage seems to be unachievable in a laissez faire society. Government subsidy (from the pockets of taxpayers) is inevitable.

Table 1: Sources of finance for health expenditure in selected economies (%)

	Hong Kong	US	UK	Singapore
Tax and government revenues	54%	30%	73%	28%
Social insurance	0%	15%	10%	7%
Private insurance	9%	34%	3%	0%
Out-of-pocket payments	36%	16%	11%	65%
Others (e.g. charitable organizations etc)	1%	5%	3%	0%

Sources: The Harvard Report (96/97); The World Health Report 2001 - Annex 5

Note: Data on Hong Kong are in 1996/97; Data for other countries are in 1998

Similar to other post-colonial economies, Hong Kong has established a dual medical system in which the government has been significantly involved in both funding and provision of hospital-based services mainly through tax financing while the private sector operates in a loosely unorganized manner as individual clinics that take care of the ambulatory care sector. With the presence of a low-fee public sector, the population has been largely protected from serious financial shock from catastrophic illnesses. Everyone enjoys equal access to quality services. Hong Kong's healthcare system appears to be the world's most equitable one.

However, it is the government provision of quality healthcare that triggers the recent debate in Hong Kong's healthcare financing. The most alarming

issue is the problem of ageing.

Elderly population consumes about three times the medical services of the general population. It is projected that the proportion of those aged 65 and over in Hong Kong will rise markedly, from 11% in 2001 to 24% in 2031. Currently, the taxpayers contribute HK\$30 billion and HK\$3 billion per year to services delivered by Hospital Authority and Department of Health respectively. The health bill of an aged (65+) in the public sector is approximately HK\$18,000 a year. The increase in dependence ratio would triple the burden of an average taxpayer if health is still financed on a pay-as-you-go (PAYGO) basis.



Sustainability becomes a critical issue. The question is whether the system has sufficient funds (either collected through tax, social insurance or patients' pockets) to cover all expenses on an actuarial basis. There are two apparent issues. (1) In a PAYGO system, we ask whether the future workforce is able to fund the retirees' spending in an overlapping generation model. The core issue is whether the societal productivity growth can match the speed of ageing. (2) Even if it does, it is still questionable whether the 'future young' is willing to fund the 'future old'.

With regard to the first issue, one can only hope for the best. For the second issue, a natural solution is for individuals to prefund these expenditures of old age with their own saving. Many economists would simply argue that individuals will save for themselves on a voluntary basis and there is no need for government to institutionalize such a structure. In developed countries, empirical evidence shows many individuals do not save adequately, either because they are unlucky or short-sighted, or because they explicitly decide to consume all of their earnings during their working years and then to rely on whatever public and private assistance would be available after retirement.

In *Life Long Investment in Health* published in 2000, the government proposes a mandatory saving scheme called Health Protection Accounts (HPA) which may be operated in similar manner as the Mandatory Providence Fund (MPF) scheme. The proposed scheme requires every individual to contribute 1-2% of the earnings to a personal account to cover their future medical needs. As opposed to the MPF, withdrawals from the accounts can be used either to pay for medical expenses at public sector rates in either the public or private sectors, or to purchase a health insurance plans from private insurers. If people 'undersave', the scheme would be welfare improving as it spreads the catastrophic risk over time rather than taking it all in one year.

However, an institutional arrangement like HPA should be considered with great care. The prime concern is economic efficiency. A mandatory saving scheme may tax away some resources available for other uses. Another concern is equity. Government will have to ensure the accessibility of proper care for those who end up with a small balance upon retirement. Detailed and serious assessments of the contribution rate and benefits are required. The goal should be to maintain the overall health status of the population.



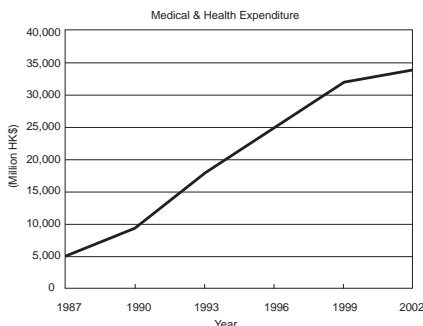
# Health Care For An Ageing Population – The Challenge Ahead for Hong Kong

**Laurence Ho**

Chief Executive, Hong Kong Policy Research Institute

The improvements to our hospital services since the establishment of the Hospital Authority have been most impressive to those who still recall the conditions in our hospitals before 1990. The most noticeable improvement is the disappearance of temporary beds which used to clog the corridors of some of our more popular hospitals. In addition, the general appearance and the standard of decor have been upgraded. Other than physical improvements, the standard of services, including staff attitude, etc. have also been much improved. In 2003/04, the Hospital Authority treated more than 200,000 inpatients and 10 million outpatients. The life expectancy of our population ranks the second longest in the world. In short, our hospitals are now much better managed. And the people of Hong Kong, rich or poor, are receiving very high standard of medical care.

## Rising Medical Cost



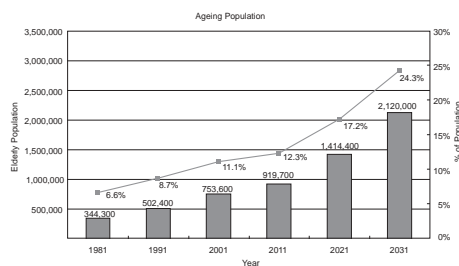
The successful experience of the Hospital Authority in service delivery, however, has been met with escalating cost. In 1993, medical expenditure was only about \$11.3 billion, accounting for 10% of Government's annual total expenditure. Medical expenditure grew exponentially throughout the 1990s and despite a slow-down in the rate of growth in the past few years, it is estimated to cost Hong Kong's taxpayers \$33 billion in 2004/05, 12.7% of Government's total expenditure, or 2.6% of Hong Kong's GDP.

Between 1993 and 2003, the number of hospital beds increased by 30% from 22,437 to 29,188. The total number of medical, para-medical and other staff employed by the Hospital Authority increased 42.6% from 37,000 in 1991 to 52,757 in 2003. A great proportion of the increase in medical expenditure, therefore, could be attributed to the high rate of general inflation and correspondingly rising salary levels in the 1990s. Indeed, almost 80% of the Hospital Authority's total expenditure in 2003 was staff cost, a very high level by international standards.

Compared with other countries, our medical expenditure in proportion to our GDP is not high by any standard. In 2003, Hong Kong's total medical expenditure including public and private sector expenditure was less than 6% of our GDP, whereas it costs between 6-10% in European and other western countries and 14% in the USA. But as an item of Government expenditure, our public medical expenditure stands much higher than many countries.

In brief, the Hong Kong Government dealt only with the issues of service delivery by setting up the Hospital Authority in 1990. It has left behind another very important aspect of any modern health care system for future consideration, i.e. service financing. Unlike most western countries, Hong Kong still relies entirely on general revenue to finance its public medical system and the public sector now takes up greater than 90% of the total inpatient caseload of the entire hospital system. Such arrangement is hardly sustainable in the long term.

## Ageing Population



International experience has shown that demand for medical services is mainly a function of two factors: size of the total population; and the proportion of older people aged 65 or above. The importance of the latter factor cannot be underestimated as older people aged 65 or above account for 45% of our inpatients, although they only represent 11 – 12% of our population. If we study our demographics more carefully, we will observe a frightening trend of a rapidly ageing population between 2006 and 2031. By 2031, one in four people of Hong Kong will be aged 65 or above. It simply will not be possible for Hong Kong to continue to finance its medical system entirely from general revenue, unless we sharply increase our tax rates. Any such proposal will be highly unpopular and probably not feasible politically.

In many services, it has been possible for human civilization to rely on technological breakthrough to reduce its cost of provision. Unfortunately, this has not been the experience in medical care. Medical technology has a general tendency of increasing rather than reducing the cost of medical care, although it might improve the efficacy of the curative care administered by our medical practitioners.

## Challenge Ahead

One logical conclusion that can be drawn from the discussions above is that we should expect a rapid growth in medical expenditure in the next three decades. In the face of this challenge, the health care sector must work with the community at large to find a way to meet the rising demand for medical care from our ageing population, and to finance it. Indeed, a multi-pronged strategy is called for.

To start with, the health care sector must try its best to educate the general public on the importance of primary care – development and maintenance of health habits. There is ample evidence to show that people with good health habits live not only longer, but healthier, reducing their chances of having to rely on the medical system during their old age. Other than help checking the rise in medical expenditure, such older people will enjoy a higher quality of life.

Another well known factor that will reduce the cost of medical care is to strengthen care in the community so as to reduce the demand for inpatient care. Furthermore, patients receiving home care are generally happier than being inpatient. In this connection, statistics show that the average period of stay in hospital has been on the decline throughout the 1990s and number of patients receiving community nursing services have been on the rise. We must encourage the Hospital Authority to continue to make efforts in this direction.

Three other aspects of the strategy will have to involve community-wide discussions. First, we should explore the role of the private sector in the provision of medical care. After the setting up of the Hospital Authority, the role of private hospitals has shrunk, as even very rich patients prefer to utilize public medical services. The relative merit of a predominant public medical sector in the free market economy of Hong Kong is debatable at a philosophical and policy level. Second, we should develop a strategy that will encourage people with means to meet a higher proportion of cost. The present strategy of product differentiation in our public hospitals only attracts a small fraction of inpatients to pay a higher fee. The strategy will have to be overhauled if it is to become an effective way to reduce the overall degree of subsidy in our public medical sector. Third, we need to consider an alternative system of health care financing, that will replace general revenue as the major source of funds to pay for the rising medical care bill. The Harvard study conducted at the end of the last decade already put forward proposals for the community's consideration. In face of the impending demographic trend while the public budget has been experiencing huge deficits, it is time we must address this issue in earnest.

Each of the above aspects deserves thorough consideration and in-depth study. Hong Kong community as a whole will have to work hand in hand to tackle the challenges of providing health care services for a rapidly ageing population at an affordable cost. ●

# The Role of the Private Sector in Providing Elderly Care Services in Hong Kong

**Arthur Dew**  
Chairman, Quality HealthCare Asia



In 2004 the private sector is well placed to meet the exponentially growing demands for residential care services for our elderly population.

This has not always been true. In the early 1990s the provision, both in terms of quantity and quality, of elderly care in the private sector was generally quite poor. Government introduced legislation which resulted in many sub-standard private residential homes closing down. The homes which remained raised their standards and new entrants including Quality HealthCare Asia (QHA) entered the market. The consequence is that many private homes have standards of facilities and care which compare very favourably with the non-government organisations (NGOs) funded by Government. In the mid 1990s Hong Kong was in danger of falling into the "Swedish syndrome"; that is the public sector was so generously funded that the private sector was effectively barred from competing effectively in the market place. This threat, although it still exists to a certain extent, is receding.

The improvements which private operators like QHA has introduced to this industry include a better designed space allocation for each resident; well qualified and trained staff with an emphasis on nursing care; an individualised personal care plan; individual attention to dietary, rehabilitative and personal needs; a multi-disciplinary continuous quality improvement programme; provision of respite care to support the needs of families who normally care for their elderly at home; and the use of volunteer visitors to stimulate social interaction.

The question remains: would it be appropriate for the Hong Kong Government to make the private sector a partner in its provision of residential care for the elderly or continue to rely, as it has done in the past, entirely on the NGOs? We believe that the answer to this question is that the private sector provides an attractive partnership opportunity for Government for the reasons set out hereunder.

The primary problem which Government faces is demography. The number of people aged 60+ in Hong Kong will increase from 981,000 in 2000 to

2,365,000 in 2025. More significantly, those aged 75+ will increase over the 25 year period from 278,000 to 661,000. It is this latter group which will most need residential care.

There is a second and often unrecognised factor at work. The percentage of the elderly population entering residential care grew from 3.51% in 1998 to 5.91% in 2003. Thus the demand for residential care is exponential. We have estimated the size of the market of residential care for the elderly in 2025 as follows.

	2003	2025
Government funded places	12,000	29,000
Private places	47,000	120,000

These numbers create a major cost for Government to continue to fund such growth. Government's own figures demonstrate the following cost to the tax-payer –

Type of place	Cost in HK\$ (year 2003)
An NGO provided care and attention place	8,474
An NGO provided nursing place – for frail elderly	12,488
Buying a place in a private home	6,191

Thus it appears clear that if Government is to continue to meet the needs it will have to buy considerably more places from the private sector, at the expense of further NGO growth.

If that goal is to be achieved two things require consideration. First a genuine means-tested scheme should be considered so that those who can afford to fund their own care either wholly or partially through a co-payment system, could do so. Such an initiative would provide major assistance to Government's public finances. In June 2003 the Director of Social Welfare noted that 97% of all residents of all elderly care homes received some form of financial support from the Government. This imposes a major financial burden. Secondly, a voucher scheme enabling the elderly to choose the home of their choice, should be considered to provide a genuine internally competitive market. This will allow NGO and private homes to compete for customers. Such competition is expected to drive up quality and drive down costs.

The Government is to be congratulated for its current examination of these difficult issues. Major changes to the funding of elderly care are essential. We believe it is preferable for Government to carefully and consciously choose its preferred path rather than allow the effusion of time and economic circumstances to dictate less attractive alternatives. ●

# Government's Studies on Long-Term Health Care Financing

Thomas Yiu

Deputy Secretary for Health, Welfare & Food (Health),  
Government of the Hong Kong Special Administrative Region

The financial sustainability of our health care system has long been an important subject which draws the attention of both the Government and the community. Having regard to the outcomes of earlier consultation exercises in 1993 (the "Rainbow Document") and 1999 (the Harvard Report), the Government has in December 2000 proposed in the Health Care Reform Consultation Document three strategic directions to address the issue. These three directions are, namely, (i) containment of costs and enhancement of productivity, (ii) revamp of public fees structure to better target public subsidies to those in need, and (iii) initiating studies to assess the feasibility of establishing a Health Protection Account (HPA) scheme in Hong Kong.

- In gist, the HPA concept is a mandatory medical savings scheme in which individuals will put a certain percentage of their monthly income into a personal account during working years. The savings accrued will be used to assist them in paying for medical services after retirement. For those who have managed to save very little or have already exhausted their savings because of frequent sickness, they will have the assistance of a safety net provided by the Government (which includes a highly subsidised fees structure and an effective fee waiver mechanism). Although the concept received mixed response from the community during the consultation period, there was a wide support to the Government's suggestion to conduct further studies on the concept's feasibility.
- Against this background, the Government has recently completed an initial research on various health care financing sources and conducted an assessment on the economic feasibility of implementing a medical savings scheme in Hong Kong. In particular, we have through this research analysed Hong Kong's savings behaviour and health care utilisation pattern, conducted a focus group research to collect views on a medical savings scheme, assessed the effectiveness of the HPA scheme through sophisticated actuarial illustration, and made use of economic analysis tools to determine the potential economic impact of the HPA scheme. The major findings of our research were reported to the Legislative Council on 14 June 2004.
- Here is a brief summary of the key findings of our research: -
  - There are four internationally recognised main sources of health care financing, namely general taxation, social health insurance, private health insurance, and out-of-pocket expenditure. All economies we have studied depend on a mix of these funding sources instead of one single source.
  - While Hong Kong has a low taxation rate, public fundings still provide a solid support to her health care system and account for more than half of the total health care expenditure. By comparing the major health indicators, the performance of Hong Kong's health care system is also among the best in the world.

- Given the median saving rate of the Hong Kong's working population is about 10.5%, the HPA scheme seems to generally affordable to most of the people if the contribution rate is set at 1% to 2% of their income. However, the lower income group, in particular those earning less than \$5,000 may still have difficulties.
  - The result also suggests that if the HPA scheme is to be introduced, contribution should commence early in one's working life to raise its affordability and minimise impact on savings and consumption.
  - The focus group study has provided us with useful insight on the desirable and undesirable features of the HPA scheme. In particular, we have noted the viewpoint that a medical savings scheme should not be introduced in times when Hong Kong is facing economic difficulties.
  - Our actuarial analysis has demonstrated the feasibility of the HPA scheme in that it can provide sufficient funding to support the post-retirement medical expenses of most contributors, especially if they start saving from the beginning of their career. Even if the amount saved would not be sufficient to meet all the contributor's total post-retirement medical expenses, the amount saved could still provide support and protection for quite a substantial period of time before it is exhausted.
  - We estimate that the impact of a 2% HPA contribution on an individual's personal consumption would only be around 1.4% to 1.8% of his/her personal income. Nevertheless, since the savings accrued in the HPA accounts would be re-invested in other economic activities, the scheme would in fact have a positive impact on job creation and in turn contributes to Hong Kong's economic growth.
- In general, the research has demonstrated that it is feasible to introduce a medical savings scheme in Hong Kong. However, we need to examine carefully the role of a medical savings scheme, and how it will complement other measures, in our health care financing arrangement. Given the subject's complexity and its far-reaching implications, we will need further studies before developing new financing options that will be sustainable in the long-term, and equitable and accessible to all members of the community. These options should address not only the issue of the most appropriate mix of financing sources for Hong Kong, but also other issues like target subsidy, cost control measures and interface between public and private health care sectors. We will also continue our previous discussion with the private insurance industry, to explore the provision of new insurance products that could enhance the scheme's flexibility and attractiveness.
  - Through this initial research we hope to generate more discussion in the community about the health care financing issue. We will take into account the views of the community, and consult the Legislative Council, the major stakeholders and the general public again when more details about these options are available. ●

# Major Statistics of Hong Kong

	2001	2002	2003	Q4 02	Q1 03	Q2 03	Q3 03	Q4 03
<b>1. Labour Force</b>								
Total employed persons (a)	3 256 400	3 235 200	3 226 500	3 269 600	3 247 000	3 222 700	3 198 000	3 238 400
Unemployment rate (%)	5.1	7.3	7.9	7.2	7.5	8.6	8.3	7.3
<b>2. Sectoral Employment (%) (a)</b>								
Manufacturing	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Services (b)	6.5	6.0	5.4	5.7	5.5	5.4	5.4	5.2
Others	83.5	84.1	85.3	84.3	84.8	85.4	85.3	85.5
	10.0	9.9	9.3	10.0	9.7	9.2	9.3	9.3
<b>3. Gross Domestic Product (GDP)</b>								
GDP at current market prices (HK\$ million)	1,269,896	1,247,381	1,219,849	327,475	295,347	283,871	313,762	326,869
Per capita GDP at current market prices (HK\$)	188,835	183,790	179,308	N.A.	N.A.	N.A.	N.A.	N.A.
Year-on-year growth rate of GDP in real terms (%)	0.5	1.9	3.2	4.8	4.4	-0.6	4.0	4.9
Trade balance - goods (HK\$ million)	-64,970	-39,406	-44,970	-5,603	-15,985	-9,811	-1,386	-17,788
Trade balance - services (HK\$ million) (c)	115,204	135,737	151,291	43,862	33,935	26,984	39,934	50,438
<b>4. Value of Trade in Goods</b>								
Year-on-year growth rate of total exports (%)	-5.8	5.4	11.7	15.5	17.6	12.2	7.1	11.4
Year-on-year growth rate of imports (%)	-5.4	3.3	11.5	14.9	17.8	9.6	6.1	13.8
<b>5. Tourism</b>								
Visitor arrivals	13 725 332	16 566 382	15 536 839	4 823 229	4 301 503	1 646 156	4 415 405	5 173 775
Tourism expenditure associated to inbound tourism (HK\$ million) (d)	61,797	77,542	74,930	N.A.	N.A.	N.A.	N.A.	N.A.
<b>6. Finance</b>								
Best lending rate (%)	7.00	5.11	5.00	5.00	5.00	5.00	5.00	5.00
Effective exchange rate index for HK\$ (e)	104.7	104.0	100.7	103.0	101.7	101.1	100.8	99.5
<b>7. Consumer Prices (f)</b>								
Year-on-year rate of change in the Composite CPI (%)	-1.6	-3.0	-2.6	-2.9	-2.0	-2.5	-3.6	-2.3
Year-on-year rate of change in the CPI(A) (%)	-1.7	-3.2	-2.1	-2.4	-1.8	-1.8	-3.3	-1.7
<b>8. Commercial Performance</b>								
Business receipts indices (2000=100) (g)								
Wholesale/Retail	96.0	90.6	87.9	88.9	89.3	81.4	88.2	92.9
- Wholesale	88.0	78.6	74.7	79.6	73.2	68.5	76.0	81.0
- Retail	98.8	94.7	92.6	92.1	95.0	85.9	92.4	97.1
Import/Export trade	85.9	83.5	89.0	86.9	75.2	85.1	98.2	97.4
Restaurants	97.5	92.2	83.2	91.2	86.7	72.9	85.9	87.4
Hotels	92.4	90.2	72.5	106.4	82.5	32.0	72.7	102.8
Transport	97.6	99.9	100.3	109.4	92.8	86.0	105.9	116.6
- Air transport	88.5	98.9	96.0	115.4	90.1	74.4	99.6	120.0
- Land transport	102.4	99.5	94.6	101.1	94.8	86.3	97.7	99.5
- Maritime transport	110.4	107.2	120.5	115.8	101.9	116.2	129.6	134.2
Storage	85.1	68.4	65.3	69.7	62.9	60.8	66.6	70.9
Communications	86.8	84.6	82.5	86.7	83.7	80.8	81.5	84.1
- Telecommunications	85.4	81.1	78.0	81.8	80.9	76.1	76.9	78.1
Banking	102.7	101.8	101.8	114.3	92.9	104.0	102.7	107.6
Financing (except banking)	87.4	74.9	87.8	71.8	69.9	77.6	93.7	110.1
- Financial markets and fund management services	80.1	68.7	85.8	62.5	63.9	73.9	95.8	109.7
Insurance	114.2	126.0	150.1	147.9	133.3	143.6	152.6	170.7
Real estate	83.1	81.0	86.0	78.8	76.8	77.6	90.7	98.8
Business services	90.4	85.2	85.6	86.7	83.2	83.8	84.7	90.8
- Professional services	98.8	92.9	96.3	92.3	93.7	95.4	96.0	100.2
Film entertainment	115.2	104.8	107.2	109.3	104.8	96.3	114.2	113.5
Tourism, convention and exhibition services (c)	96.2	107.3	94.0	124.2	99.4	40.9	100.8	134.9
Computer and information services	88.4	93.4	98.7	97.8	87.3	96.6	101.5	109.4

Notes: 'N.A.' denotes not available.

(a) Figures are based on a set of composite employment estimates derived by reconciling under a designated statistical framework the employment estimates obtained from the General Household Survey and the Quarterly Survey of Employment and Vacancies.

(b) Services sector covers the 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.

(c) Figures have been revised to incorporate the new data released by the Hong Kong Tourism Board (HKTb) in November 2003 on destination consumption expenditure of incoming visitors and travellers.

(d) Figures refer to the new data on tourism expenditure released by the HKTb in November 2003.

(e) The Effective Exchange Rate Index for the Hong Kong Dollars have been revised since 2000 with new currency weights.

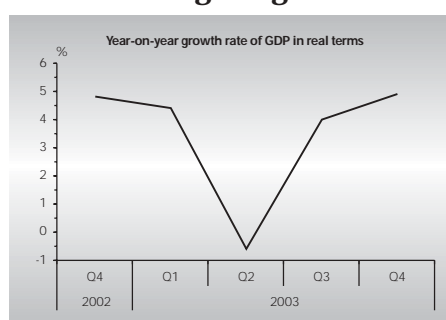
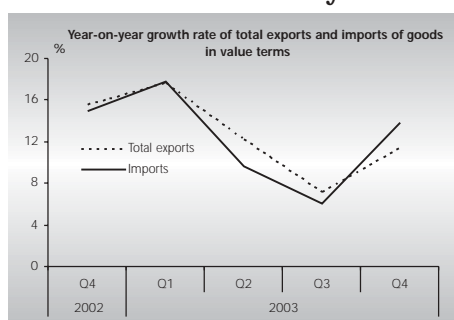
(f) The Consumer Price Indices have been rebased with new expenditure weights.

(g) As from the first quarter of 2004, the base year of the whole series of business receipts indices has been changed from 1996 to 2000.

Source: Census and Statistics Department, Hong Kong

Enquiries: Logistics and Producer Prices Statistics Section, Census and Statistics Department  
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## Charts: Key Economic Statistics of Hong Kong



# Summary of Key Statistics of Hong Kong and Other Economies

Economies	Q2 03	Q3 03	Q4 03	Q2 03	Q3 03	Q4 03
<b>1. Labour Force</b>	<u>Total employed persons ('000)</u>			<u>Unemployment rate (%)</u>		
Japan	63 590	63 627	63 223	5.6	5.1	4.9
Republic of Korea	22 303	22 294	22 324	3.4	3.5	3.6
Singapore	N.A.	N.A.	N.A.	4.6	5.5	4.5
USA	137 585	137 647	138 369	6.1	6.1	5.9
<b>Hong Kong</b>	3 223	3 198	3 238	8.6	8.3	7.3
<b>2. Sectoral Employment (%)</b>	<u>Manufacturing</u>			<u>Services</u>		
Japan	18.4	18.7	18.6	65.6	65.4	66.0
Republic of Korea	19.0	18.7	19.0	63.1	63.7	64.2
USA	10.6	10.5	10.4	78.5	78.5	78.3
<b>Hong Kong</b>	5.4	5.4	5.2	85.4	85.3	85.5
<b>3. Gross Domestic Product (GDP)</b>	<u>Year-on-year rate of change in real terms (%)</u>					
Japan	+2.3	+2.1	+3.4			
Republic of Korea	+2.2	+2.3	+3.7			
Singapore	-2.8	+1.7	+4.9			
USA	+2.4	+3.6	+4.3			
Hong Kong	-0.6	+4.0	+4.9			
<b>4. External Trade</b>	<u>Trade balance - goods</u>			<u>Trade balance - services</u>		
China, mainland of (US\$100 Mn)	55.3	46.5	163.9	N.A.	N.A.	N.A.
Japan (Bn Yen)	2,813.5	3,206.5	3,720.0	-728.9	-935.5	-1,218.2
Republic of Korea (US\$ Mn)	5,756.4	6,818.0	8,345.0	-1,674.9	-2,648.7	-992.2
Singapore (S\$ Mn)	11,733.2	13,912.9	13,405.6	-178.6	821.6	263.1
USA (US\$ Bn)	-138.0	-136.2	-139.2	13.9	14.6	16.3
<b>Hong Kong (HK\$ Bn)</b>	-9.8	-1.4	-17.8	27.0	39.9	50.4
<b>5. Finance and Consumer Prices</b>	<u>Lending rate (%)</u>			<u>Year-on-year rate of change (%) in Consumer Price Index</u>		
China, mainland of	5.31	5.31	5.31	+0.7	+0.8	+2.7
Japan	1.38	1.38	1.38	-0.2	-0.2	-0.3
Republic of Korea	N.A.	N.A.	N.A.	+3.3	+3.2	+3.5
Singapore	5.30	5.30	5.30	+0.2	+0.5	+0.7
USA	4.00	4.00	4.00	+2.1	+2.2	+1.9
<b>Hong Kong</b>	5.00	5.00	5.00	-2.5	-3.6	-2.3

Notes : 1. 'N.A.' denotes not available.

2. Statistics on labour force, employment and gross domestic product for the mainland of China are available on a yearly basis.

3. Statistics on employment for Singapore are available on a yearly basis.

4. For Hong Kong, the rates of change in consumer prices shown above are based on the Composite Consumer Price Index. It has been rebased with new expenditure weights.

5. Some figures for periods before Q4 03 are revised based on updated data available.

Sources : Customs General Administration, People's Republic of China

National Bureau of Statistics, People's Republic of China

Statistics Bureau, Japan

National Statistical Office, Republic of Korea

The Bank of Korea

Department of Statistics, Singapore

Ministry of Manpower, Singapore

Ministry of Trade and Industry, Singapore

The Joint Economic Committee by the Council of Economic Advisers, USA

Census and Statistics Department, Hong Kong

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