Hong Kong
The Servicing Economy

Tourism and Hospitality

Evolving Tourism in Hong Kong : Towards a Sustainable Future

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While Hong Kong was gearing up for the "golden week" national holiday and seeking to lure 400,000 high-spending mainland visitors to its shopping malls, the Business Environment Council (BEC) together with its Sustainable Tourism Task Force (STTF)[1] were hosting the last conference in EnviroSeries 2004 on the theme of, 'Sustainable Tourism – Developing Hong Kong's Green Area and Shorelines', to identify new tourism activities that address the need for conservation and sustainable development.

The conference saw 150 delegates from the private sector, government, NGOs and other stakeholders agree on a common theme - that the diversification of Hong Kong's tourism products is much needed.

Hong Kong has been very successful in attracting visitors, especially from the mainland by emphasising our world-class shopping, dining and other urban attractions. However, will shopping and dining alone sustain tourism?

"Shopping is in itself not a tourism attraction", stated the keynote speaker - Niclas Svenningsen, Industry Programme Officer at the United Nations Environment Programme at the Regional Office for Asia and the Pacific in Bangkok. Indeed, it appears that many tourists, even those from the mainland, are becoming a little jaded with the conventional promotion of Hong Kong as a shopper's paradise. Speaking in HKGCC Bulletin (Aug') this year, James Lu, Executive Director of the Hong Kong Hotels Association, observed, "visitors from Mainland China complain there is not much to do here." Perhaps this is a sign that we need to think about moving the focus away from shopping and dining.

A Hong Kong Tourism Board (HKTB) survey in 2002 found 24% of visitors expressed an interest in 'green tourism'. Alas, eco-tourism, heritage tourism and community-based tourism - all justly sustainable forms of tourism - have so far only been tentatively explored.

[1] The Sustainable Tourism Task Force (STTF) was established by the Business Environment Council in January 2004. It aims to promote sustainable tourism, advocate better tourism policies and practices, and bring together the tourism industry, NGOs, academics and government in shaping a new tourism profile for Hong Kong.

The current drive towards alternative tourism is mainly coming from local community groups, which are attempting to cater to this demand by tapping into local community resources to promote the authenticity and 'other side' of Hong Kong.

Speakers at the conference focused on sustainable tourism and presented the efforts of several local grass-root organisations that are making ecotourism, cultural and heritage tourism work in concert for the benefits of the local population. Sannie Chan of the Green Peng Chau (GPC) Association, reported on her association's eco-tours, which show visitors the unspoiled nature and wide range of cultural relics that can still be found on the island. Representatives of the Sai Kung Association also spoke of how to successfully engage the local community in cleaning up the waterfront so that it will appeal more to tourists. Eric Spain from the Living Islands Movement (LIM) presented a blueprint for the redevelopment of "Mui Wo" aiming to attract more tourists to the outlying islands.

We can certainly all applaud these initiatives, but for us to get serious about developing this new mode of tourism, a co-ordinated approach is required at a strategic level. These grassroots organizations do not have enough resources to develop the alternative tourism products on their own. Conference delegates agreed that there is a need for government and the wider tourism industry to work together in the management, conservation, infrastructure, marketing and promotion of these cultural heritage sites and green tourism destinations to make them sustainable, viable and accessible.

On a broader scale, Hong Kong needs to include the ideology of sustainable development into its long-term tourism planning. Key needs are:

- for more focus from the tourism authorities and economic policy makers on growing sustainable tourism as part of the overall tourism market.
- for repository to be created that receives, develops, coordinates and disseminates ideas and submissions from the public and other stakeholders.
- for local communities to be involved and consulted in tourism development, so that they can contribute and benefit.
- for more accountable, transparent and inclusive tourism strategies and plans, with earlier public consultation in the decision making process.
- to balance the economic potential of tourism with the protection of the environment, heritage, culture and the harmony of community.
- to put in place appropriate licensing scheme, standards and requirements for tour operators.

If Hong Kong is to continue to remain one of the most popular tourist destinations in Asia and enjoy the status of a "world class city", we must consolidate the achievements made on mass tourism and initiate action towards sustainable tourism through responsible eco-tourism and community-based tourism.

Residents of and visitors to Hong Kong will increasingly call upon the tourism sector to upgrade the existing tour products, as well as to work on identifying and developing alternative tourism products that are consistent with the principles of sustainable development.

This is an exciting opportunity for the development of sustainable tourism in Hong Kong, but we should not forget the drive for best practice in existing tourism products and sensitivity in new development areas such as those highlighted in the government's recent conservation policy announcement.

Exploring New Ideas in Tourism Development

Tourism Commission

Tourism is one of Hong Kong's key economic pillars. As a premier tourist destination, visitors arrival is likely to exceed 21 million in 2004. However, the competition for tourists among destinations has intensified and we can no longer take success for granted. To maintain Hong Kong's position as the premier destination city for visitors in Asia, it is necessary to diversify our tourist attractions, as well as explore new ideas to develop niche markets.

We have been relentless in investing in new tourist attractions. New major projects coming on stream include Disneyland, the Tung Chung Cable Car, the Hong Kong Wetland Park and "A Symphony of Lights" Phase II. In addition, a number of major events are organized by the Hong Kong Tourism Board (HKTB) every year including Winterfest and Chinese New Year Parade to enhance visitors' experience.

Apart from the major tourism projects already in the pipeline, we are also exploring the possible development of a wide range of more niche markets, such as eco-tourism and other tourism products targeted at the high-spending segment of the market including spa and resort facilities, and the cruise market.

Northern New Territories Tourism Development Programme

Sophisticated city life and a cosmopolitan culture have always been mainstays of Hong Kong's attraction as a tourist destination. However, given Hong Kong's vast expanses of natural parkland and spectacular scenery, we believe that we have much more to offer to in-bound tourists. We have been actively exploring opportunities to utilise Hong Kong's natural resources to promote and encourage our tourist industry in a sustainable way. To this end, the Government is taking forward the Northern New Territories (NNT) Tourism Development Programme anchoring on the Tolo Channel area and Tung Ping Chau. The former is an extensive leisure and recreational hub with a variety of land- and water-based attractions; whereas the latter is Hong Kong's eastern-most island with unique ecological, geological and heritage interests.

The NNT Programme is the outcome of a Government consultancy study completed in 2002 which sought to identify this area's potential for tourism in a sustainable manner.

The Programme will spearhead long-term tourism development in an area where such potential has largely been untapped. The Tourism Commission will consult relevant stakeholders on the Programme in early 2005.

Spa and Resort Development

Spa and resort facilities have become increasingly popular amongst high yield visitors, and can complement the growing family and business markets. To take advantage of this, we are actively exploring the development of spa and resort facilities in Hong Kong to enhance Hong Kong's popularity as a tourist destination.

In July 2004, we commissioned a consultant to assess the market demand and to submit detailed recommendations on the provision of these facilities, including possible sites. The study is expected to be completed in the first quarter of 2005.

Development of Hong Kong as a Regional Cruise Hub

The international cruise industry has been one of the major growth areas over the past decade, attracting more than 11.8 million passengers in 2003. Many cities in North America such as Vancouver, Miami and Seattle have derived substantial economic benefits from their position as cruise hubs. A "Cruise Market Study for Hong Kong" (the Market Study) commissioned by the Hong Kong Tourism Board (HKTB) in 2002 has suggested that the Asia Pacific region is one of a few areas in the world where there is significant potential for the cruise market to grow. The Study also confirmed that Hong Kong, with its world-class infrastructure and tourism facilities, is well placed to serve as a cruise hub for the Region.

However, we are not alone. Shanghai and Singapore in particular, have announced plans to develop their cruise terminal facilities. If Hong Kong is to become a regional cruise hub, new terminal facilities will be required. According to a recent study commissioned by the Government, Hong Kong is likely to require one additional berth for cruise ships in the medium term (2009-2015) and one to two additional berths in the longer term (beyond 2015).

In the next few months, we intend to launch an invitation for proposals (IFP) exercise to take forward the development of new cruise terminal facilities. The IFP exercise will allow private sector investors to submit proposals on the location, development and operation of a cruise terminal. By adopting an open invitation approach, we hope to receive innovative proposals which will also ensure the timely development of a cruise terminal to meet our medium-term needs.

Service Quality

In addition to the new and exciting projects mentioned above, we continue to emphasize the importance of the workforce and in particular, the quality of service. The importance of this in such a labour intensive industry is obvious. To this end, we are simultaneously working on four fronts to enhance our visitors' experiences of Hong Kong.

Firstly, we continue to invest in human resource training for the industry through the Tourism Orientation Programme. This offers structured training and job attachments for those who are interested in joining the industry. Secondly, we work closely with the industry on the Service Quality Study which aims at identifying best practices and standards to ensure quality service and which also makes sector-specific recommendations for improvement. Thirdly, in order to reach the wider community, we have recently launched a new campaign to promote the theme: Friendly Hong Kong – You Make a Difference! And finally, secondary school students are appointed as Hong Kong Young Ambassadors to welcome visitors at major tourist spots and to spread the friendly Hong Kong message to their peer groups. Only when the community together greets and serves our visitors with genuine friendliness will Hong Kong gain that vital edge over our competitors.

Conclusion

Hong Kong needs to identify "niche" opportunities, to develop new attractions and improve service quality in order to maintain its competitiveness. The Government cannot do this alone. We need to work together with the private sector which has the necessary resources, expertise and innovativeness, to take forward new ideas and projects. In this spirit, we welcome feedback from the community on our strategy and initiatives.

China's Multi-Faceted Impact on Hong Kong Tourism

Clara Chong
Executive Director, Hong Kong Tourism Board

When the topic of China tourism comes up, the first thing that generally springs to mind among Hong Kong people is the huge growth in Mainland visitors to our city since 1997. That is indeed a major impact of our closer relationship with China, yet in fact it is only one aspect of the many tourism opportunities that the Mainland's rapidly-developing economy is opening up for Hong Kong – and I should add that it's creating a few interesting challenges for our industry, too.

In reality, the tourism relationship between Hong Kong and the Mainland is multi-faceted and often complex, as it is for many other sectors of the economy. In different ways, China is our customer, our partner and our competitor. Hence I should like to address here these three different aspects of our relationship and how they impact on our local and global tourism strategies.

Firstly, China as a customer. Since 1997, the number of visitor arrivals to Hong Kong from the Mainland has more than tripled from 2.4 million a year to nearly 8.5 million, and this year we expect the number to exceed 11 million.

This is creating substantial increased business for our retail, catering and other sectors as from this market alone, we're adding a further 11 million high spending visitors a year to Hong Kong's existing customer base of 6.8 million population. Mainland visitors tend to have very high consumption power and are the highest per capita spenders of visitors from any market.

With China outbound travellers forecast by the World Tourism Organization to reach 100 million a year by 2020, we can expect to see continued strong growth in Mainland arrivals. But like any prudent business addressing this huge and complex market, we have to take a highly focused approach and ensure we get the best return on our marketing resources. Following a comprehensive market survey we commissioned late last year, we've identified 24 cities with medium-to-high growth potential on which to focus our campaigns. Most fall into three regional clusters – the Bohai Rim, the Yangtze River Delta and the Pearl River Delta. In addition, we've identified key demographic target segments in each area.

At the same time, it's important we build in flexibility so that we can fully capitalise on new opportunities as they arise – the Individual Visit Scheme being a prime example. Since its introduction in July 2003, this scheme has been progressively expanded to 32 affluent cities including Beijing, Shanghai and the whole of Guangdong, a total potential market of 150 million resident permit holders. By the end of September this year, 3.6 million Mainland visitors had arrived as individuals.

The influx of individual visitors is creating new trends and new business opportunities for different sectors. They tend to make shorter, more frequent visits and have more flexibility to visit at non-peak periods. Many, especially those from Guangdong, come on same-day trips, and 55% of this group come just for shopping.

To address this market, we've strengthened our Quality Tourism Services (QTS), scheme which now covers more than 4,000 retail and restaurant outlets. The China National Tourism Administration is supporting the scheme and actively promoting it to Mainland travellers through its provincial tourism bureaux.

China UnionPay, the Mainland's largest bank card operator, is also helping us promote Hong Kong to its customers. Mainland visitors have been allowed to use UnionPay cards in Hong Kong since January this year, thus lifting their purchasing power and making their spending far more convenient. We've recently signed a joint promotional agreement with UnionPay which gives us a new direct marketing channel to affluent Mainland consumers.

China is also our partner in many different ways. Most long-haul leisure visitors come to Asia on multi-destination itineraries, and China is fast becoming the No.1 hot destination for many such travellers. By working together, we can create a true "win win partnership". Hong Kong can contribute an international dimension to China's marketing efforts and be their bridge to the outside world; conversely, their huge range and diversity of attractions can add value to Hong Kong's product. We see enormous potential in developing multi-destination China itineraries with Hong Kong as the hub.

The recent Pan-Pearl River Delta co-operation agreement, which covers a number of different economic sectors including tourism, opens up many exciting new possibilities, and we've already put various joint marketing initiatives into operation. At the end of October, we co-hosted a display booth and Tourism Exchange Forum at the ASTA World Travel Congress in Hong Kong, which attracted some 2,000 leading travel professionals from 40 different countries.

Apart from creating new business opportunities for our local and overseas trade partners, this partnership helps Hong Kong reinforce its leadership position in the China market and strengthen its leading position as a gateway and hub to the Mainland. This is vitally important because we must also take heed of China's role as a competitor. The rapid liberalisation of aviation policy on the Mainland, and the opening of new airports in Guangzhou and elsewhere, all pose a long-term threat to Hong Kong's well-established gateway role.

Nevertheless, we can look on some of these developments in a positive light, as for example, the new Guangzhou airport strengthens the overall gateway position of the southern China region against other potential competitors like Shanghai. These developments serve to expand the overall marketability of this region, while keeping Hong Kong positioned as the core destination.

Hong Kong's reputation as a "must see" destination, offering unrivalled diversity and sophistication, will be further reinforced in the coming two years with the opening of new family attractions such as Hong Kong Disneyland, the Tung Chung Cable Car and Hong Kong Wetland Park, as well as the new AsiaWorld-Expo exhibition facility which will double existing capacity. These new products will give our destination fresh appeal and help us show visitors that Hong Kong has much more to offer than just shopping and dining. Perhaps the most important challenge of all for Hong Kong is that we must continue to differentiate ourselves as a sophisticated, cosmopolitan and international destination – Asia's world city. This is what our visitors, both from the Mainland and other markets, are most looking for. Therefore we see it as critical that in trying to leverage new opportunities in the China market, we don't neglect the others. In fact, maintaining a balanced portfolio from all markets has long been an underpinning objective of our marketing strategies, and proportionally we invest far more of our resources in the other long- and short-haul markets.

In this respect, we count our fellow members in Hong Kong's service industries among our most important partners, as your local and international business networks provide an excellent avenue for promoting our city's benefits worldwide as a conventions, meetings and leisure destination. We are deeply grateful for your strong support and hope you will continue to be our good ambassadors.

Tourism Growth: A Welcoming Challenge to the Hospitality Industry

Mark Lettenbichler
Chairman, Hong Kong Hotels Association

As much as we could not have anticipated the dramatic impact SARS had on our industry, we neither expected the quick and strong recovery that we experienced towards the last quarter of 2003.

The comeback in business has been remarkable and we are now projecting 86% average room occupancy rate in 2004 and a return of average room rates to 2001 levels, even though they are still some 40% below room rate levels in 1997.

The strong growth in visitor arrival numbers and the further relaxation of the Individual Travel Scheme in China have provided our industry with the much needed business momentum. The significance of Hong Kong as the leading visitor destination in Asia is again reaffirmed and we expect this to continue, especially after Hong Kong Disneyland opens its gates in late 2005.

Although not all markets have recovered at the same pace, with the noted exception of the Japan market still lagging behind, there is considerable optimism to look ahead in a more positive light due to the new tourism initiatives of Government and Hong Kong Tourism Board and the build-up of a more affluent middle class across our markets. Travel and tourism have become a lifestyle that many long to experience and travel costs are also becoming more affordable.

In line with the projected growth in visitors to Hong Kong, our industry has embarked on a wave of new hotel developments that will increase our current hotel industry room inventory from the existing 38,500 rooms to 48,000 rooms by the end of 2005 and to 51,000 in 2006. Across these new developments are top class hotels as well as the more basic ones that cater to group travel and mass tourism.

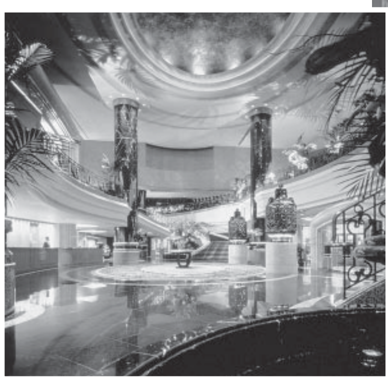
There is therefore sufficient supply of new hotel rooms in Hong Kong to meet the future demand of inbound tourism to Hong Kong and there is also a substantial supply of new hotel rooms in both Macau and Shenzhen. All this will bring even more diversity to Hong Kong in its offering of hotel accommodation to visitors from all markets and enable Hong Kong to further increase its business share in the Meetings, Incentives, Conferences and Exhibitions (MICE) market.

Our future challenges will be about maintaining our edge in service quality and excellence and meeting the wider expectations of visitors, especially those staying in our hotels. Our demand for qualified and well trained talent to serve our industry will be high and we are already experiencing some difficulty in attracting and recruiting talented people to our industry and retaining them.

This is an area that requires considerable attention from Government and the shortage situation will intensify with an improving economy to result in strong competition for talent from all service industry sectors, as well as neighboring areas of Macau and Pearl River Delta. Hong Kong is urgently in need of a high level Manpower & Talent Task Force to carefully map out the strategies for the future manpower and talent needs of the different service sectors. As the solutions will take time to explore and realize, the threats of a significant mismatch in manpower and talent supply and demand that will further upset the competitiveness of our different service industry sectors, are real and imminent.

To encourage more new hotel to be built in the future to meet continuing visitor demand beyond the next 5 years, there is the need to offer greater incentives to developers in such areas as payment of land premium for conversion of land use from industrial to hotel development, special zoning for hotel development and expediting approval processing time. For an industry that requires an average 3-4 years to plan, seek approval, execute, build and fit-out a new hotel, forwarding planning and strong co-ordination with the hotel industry at the Government level will ensure that the future supply and demand of hotel rooms will remain at an optimum level.

While the success of inbound tourism in Hong Kong can be expected to continue and expand, the pursuit for greater quality products and services and the cultivation of more high quality market segments are essential for maintaining the image of Hong Kong as Asia's World City and one of the most attractive tourism destinations in the world. The future of Hong Kong's tourism is bright and we will continue to be recognized as having the finest hotels in the world.



Tourism in Hong Kong : A Statistical Picture

Howard Wong
Statistician, Census and Statistics Department

Introduction

Tourism is one of the main economic pillars in Hong Kong. Following the implementation of the Individual Visit Scheme (IVS), inbound tourism (i.e. visitors coming to Hong Kong) continues to soar in number, providing momentum to the economic growth and creating many employment opportunities in Hong Kong.

Outbound tourism (i.e. Hong Kong residents travelling abroad) will not be covered in this article. Domestic tourism is essentially irrelevant to Hong Kong, given that Hong Kong is a city economy of small geographical size(1).

Visitor arrivals and tourism expenditure

Hong Kong is a dynamic metropolis and a vibrant travel hub in the region. In 2003, though affected by the outbreak of Severe Acute Respiratory Syndrome (SARS) in the region, Hong Kong still received 15.5 million visitors, just 6.2% lower than the historical high of 16.6 million in 2002. In the first nine months of 2004, 15.8 million visitors have visited Hong Kong, which was 34.2% higher than the number over the same period in 2002.

Analysed by source market, the mainland of China remained the largest source market since 1994. In 1994, it accounted for 20.8% of all visitor arrivals. In 2003, the proportion increased sharply to 54.5%, partly due to the launching of the IVS in the middle of the year. The mainland of China (54.5%), Taiwan (11.9%) and South & Southeast Asia (8.8%) together accounted for 75.2% of all visitor arrivals in 2003.

Total expenditure made by incoming visitors and travellers, including destination consumption expenditure(2) (DCE) and passenger international transportation expenditure(3), reached a historical high of $89.5 billion in 1996, and dropped thereafter. In 2003, despite more visitor arrivals than 1996, total expenditure made by incoming visitors, at $74.9 billion, was 16.3% lower than that in 1996.

Analysed by spending pattern, 59.3% (or $31.5 billion) of DCE by overnight visitors in 2003 was on shopping. This was followed by hotel bills and meals outside hotels, accounting respectively for 18.9% and 12.7% of DCE by overnight visitors in 2003.

Compared with the spending pattern in 1998, the proportion of DCE on shopping as incurred by overnight visitors has increased (46.9% in 1998 versus 59.3% in 2003), while that on hotel bills has decreased (29.7% in 1998 versus 18.9% in 2003), partly due to the increase in the proportion of mainland visitors, who spent a relatively high proportion of their DCE on shopping.

As regards the most favourite shopping item of overnight visitors, 27.8% (or $8.8 billion) of shopping expenditure incurred by overnight visitors in 2003 were on garments. Jewellery and watches came after, accounting respectively for 17.7% and 9.9% of shopping expenditure made by overnight visitors in 2003.

Economic contribution of inbound tourism

To estimate the economic contribution of inbound tourism, the Organisation for Economic Cooperation and Development (OECD) recommends the compilation of tourism ratios for selected tourism-related economic activities to allocate value added of these economic activities to inbound tourism. This is because these tourism-related economic activities serve not only visitors, but also local residents. Tourism-related economic activities comprise retail, restaurants, transport, hotel and personal services. In Hong Kong, the tourism ratios are estimated by the shares of the business receipts from visitors in total business receipts.

In terms of economic contributions, inbound tourism is estimated to generate a value added of $26.6 billion in 2002, or 2.2% of the Gross Domestic Product (GDP) of Hong Kong. This represented the value added generated by establishments in Hong Kong when they provided services to visitors. Within the 2.2%, 0.6% was from hotels and boarding houses, 0.6% from cross-boundary passenger transport, 0.4% from retail trades, and 0.3% from restaurants.

Concluding remarks

Hong Kong is Asia's premier international city, a world-class destination for leisure and business visitors. To continuously maintain the attractiveness of Hong Kong as a premier tourism destination, a number of major projects will be completed within the next two years. These include the Phase 1 of Hong Kong Disneyland, Tung Chung Cable Car System and the Hong Kong Wetland Park. The opening up of these projects will bring more visitors to Hong Kong and the region.

Table: Visitor Arrivals and Total Expenditure by Incoming Visitors and Travellers, 1993 – 2003

Year	Visitor Arrivals *(Million person-trips)*	Total Expenditure* of Incoming Visitors and Travellers *(HK$ billion)*
1993	8.9	67.1
1994	9.3	71.0
1995	10.2	76.7
1996	13.0	89.5
1997	11.3	76.2
1998	10.2	56.8
1999	11.3	57.0
2000	13.1	63.9
2001	13.7	61.8
2002	16.6	77.5
2003	15.5	74.9

* Includes both destination consumption expenditure and passenger international transportation expenditure.

(1) In accordance with World Tourism Organization guidelines for tourism statistics, for activities to be regarded as domestic tourism, the following criteria apply: (a) that the minimum distance of travel should exceed a certain threshold; and (b) that the duration of absence from the usual place of residence is longer than a pre-defined period.

(2) Destination consumption expenditure include expenditure on goods and services in Hong Kong by overnight visitors, same-day in-town visitors, cruise passengers, servicemen, aircrew members and transit/transfer passengers.

(3) Passenger international transportation expenditure are the receipts of Hong Kong-based carriers for international transportation of non-resident visitors by air, sea or land.

Major Statistics of Hong Kong

	2001	2002	2003	Q2 03	Q3 03	Q4 03	Q1 04	Q2 04
1. Labour Force								
Total employed persons *(a)*	3 256 400	3 235 200	3 222 300	3 201 500	3 201 100	3 253 500	3 260 000	3 285 500
Unemployment rate (%)	5.1	7.3	7.9	8.6	8.3	7.4	7.2	6.9
2. Sectoral Employment (%) *(a)*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing	6.5	6.0	5.4	5.4	5.4	5.2	5.2	5.2
Services (b)	83.5	84.1	85.3	85.4	85.3	85.5	85.7	85.6
Others	10.0	9.9	9.3	9.2	9.3	9.3	9.1	9.2
3. Gross Domestic Product (GDP)								
GDP at current market prices (HK$ million)	1,269,896	1,247,381	1,220,023	283,911	313,859	326,860	302,898	309,836
Per capita GDP at current market prices (HK$)	188,835	183,790	179,333	N.A.	N.A.	N.A.	N.A.	N.A.
Year-on-year growth rate of GDP in real terms (%)	0.5	1.9	3.2	-0.6	4.0	4.9	7.0	12.1
Trade balance - goods (HK$ million)	-68,235	-39,406	-44,970	-9,811	-1,386	-17,788	-32,814	-29,432
Trade balance - services (HK$ million) *(c)*	115,204	135,736	155,810	28,022	42,386	50,195	42,055	38,460
4. Value of Trade in Goods								
Year-on-year growth rate of total exports (%)	-5.8	5.4	11.7	12.2	7.1	11.4	13.0	17.8
Year-on-year growth rate of imports (%)	-5.4	3.3	11.5	9.6	6.1	13.8	15.7	22.1
5. Tourism								
Visitor arrivals	13 725 332	16 566 382	15 536 839	1 646 156	4 415 405	5 173 775	4 935 200	5 077 418
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.
6. Finance								
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	101.1	100.8	99.5	98.4	98.8
7. Consumer Prices								
Year-on-year rate of change in the Composite CPI (%)	-1.6	-3.0	-2.6	-2.5	-3.6	-2.3	-1.8	-0.9
Year-on-year rate of change in the CPI(A) (%)	-1.7	-3.2	-2.1	-1.8	-3.3	-1.7	-1.2	-0.7
8. Commercial Performance								
Business receipts indices (2000=100) *(f)*								
Wholesale/Retail	96.0	90.6	87.9	81.4	88.2	92.9	96.3	95.1
- Wholesale	88.0	78.6	74.7	68.5	76.0	81.0	77.4	75.1
- Retail	98.8	94.7	92.6	85.9	92.4	97.1	103.0	102.2
Import/Export trade	85.9	83.5	89.0	85.1	98.2	97.4	85.9	98.4
Restaurants	97.5	92.2	83.2	72.9	85.9	87.4	90.0	88.5
Hotels	92.4	90.2	72.5	32.0	72.7	102.8	93.3	92.9
Transport	97.6	99.9	100.3	86.0	105.9	116.6	105.2	117.4
- Air transport	88.5	98.9	96.0	74.4	99.6	120.0	101.8	112.9
- Land transport	102.4	99.5	94.6	86.3	97.7	99.5	98.2	100.0
- Maritime transport	110.4	107.2	120.5	116.2	129.6	134.2	124.3	146.2
Storage	85.1	68.4	65.3	60.8	66.6	70.9	74.0	75.7
Communications	86.8	84.6	82.5	80.8	81.5	84.1	80.6	82.2
- Telecommunications	85.4	81.1	78.0	76.1	76.9	78.1	75.0	75.0
Banking	102.7	101.8	101.8	104.0	102.7	107.6	105.8	102.5
Financing (except banking)	87.4	74.9	87.8	77.6	93.7	110.1	123.0	107.5
- Financial markets and fund management services	80.1	68.7	85.8	73.9	95.8	109.7	128.9	104.8
Insurance	114.2	126.0	150.1	143.6	152.6	170.7	172.0	184.7
Real estate	83.1	81.0	86.0	77.6	90.7	98.8	96.0	82.1
Business services	90.4	85.2	85.6	83.8	84.7	90.8	89.6	92.2
- Professional services	98.8	92.9	96.3	95.4	96.0	100.2	99.3	102.5
Film entertainment	115.2	104.8	107.2	96.3	114.2	113.5	109.2	110.3
Tourism, convention and exhibition services *(c)*	96.2	107.3	104.0	49.1	117.6	140.5	118.4	118.7
Computer and information services	88.4	93.4	98.7	96.6	101.5	109.4	107.4	114.4

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.

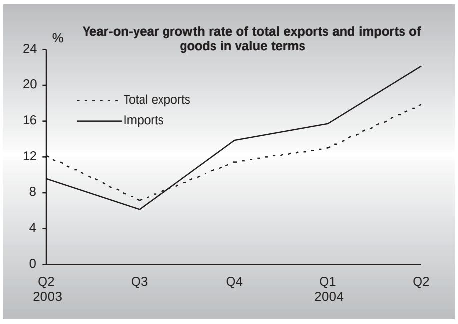
(e) The Effective Exchange Rate Index for the Hong Kong Dollars have been revised since 2000 with new currency weights.

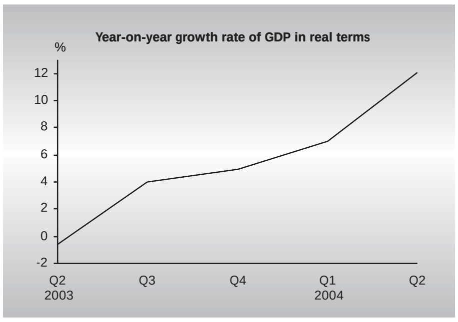
(f) As from the first quarter of 2004, the base year of the whole series of business receipts indices has been changed from 1996 to 2000.

Source : Census and Statistics Department, Hong Kong

Enquiries : Logistics and Producer Prices Statistics Section, Census and Statistics Department
23/F., Chuang's Hung Hom Plaza, 83 Wuhu Street, Hung Hom, Kowloon, Hong Kong, China.
Tel. : (852) 2123 1038 Fax : (852) 2123 1048

Charts : Key Economic Statistics of Hong Kong





Summary of Key Statistics of Hong Kong and Other Economies

Economies	Q4 03	Q1 04	Q2 04	Q4 03	Q1 04	Q2 04
1. Labour Force	Total employed persons ('000)			Unemployment rate (%)		
Japan	63 223	62 363	63 723	4.9	5.0	4.8
Republic of Korea	22 325	22 104	22 744	3.6	3.4	3.5
Singapore	N.A.	N.A.	N.A.	4.5	4.5	4.5
USA	138 369	138 388	138 793	5.9	5.6	5.6
Hong Kong	3 254	3 260	3 286	7.4	7.2	6.9
2. Sectoral Employment (%)	Manufacturing			Services		
Japan	18.6	18.4	17.9	66.0	66.4	66.4
Republic of Korea	19.0	19.4	18.9	64.2	65.3	64.1
USA	10.4	10.4	10.4	78.3	78.5	78.7
Hong Kong	5.2	5.2	5.2	85.5	85.7	85.6
3. Gross Domestic Product (GDP)	Year-on-year rate of change in real terms (%)					
Japan	+3.1	+5.9	+4.2			
Republic of Korea	+3.9	+5.3	+5.5			
Singapore	+4.9	+7.5	+12.5			
USA	+4.4	+5.0	+4.8			
Hong Kong	+4.9	+7.0	+12.1			
4. External Trade	Trade balance - goods			Trade balance - services		
China, mainland of (US$100 Mn)	163.9	-84.4	16.2	N.A	N.A.	N.A.
Japan (Bn Yen)	3,724.5	3,554.6	3,743.4	-1,233.5	-796.2	-1,131.7
Republic of Korea (US$ Mn)	8,345.0	8,606.4	10,411.9	-992.2	-1,882.0	-1,505.5
Singapore (S$ Mn)	13,405.6	11,882.9	13,406.8	263.1	490.6	128.7
USA (US$ Bn)	-139.4	-150.8	-163.6	13.9	12.2	13.3
Hong Kong (HK$ Bn)	-17.8	-32.8	-29.4	50.2	42.1	38.5
5. Finance and Consumer Prices	Lending rate (%)			Year-on-year rate of change (%) in Consumer Price Index		
China, mainland of	5.31	5.31	5.31	+2.7	+2.8	+4.4
Japan	1.38	1.38	1.38	-0.3	-0.1	-0.3
Republic of Korea	N.A.	N.A.	N.A.	+3.5	+3.3	+3.3
Singapore	5.30	5.30	5.30	+0.7	+1.4	+1.8
USA	4.00	4.00	4.00	+1.9	+1.8	+2.9
Hong Kong	5.00	5.00	5.00	-2.3	-1.8	-0.9

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 Q2 04 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
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Census and Statistics Department, Hong Kong

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