



Logistics industry in Hong Kong

Figure 1 – Performance of four key industries, 2006-2016

		2006	2011	2016
Trading & logistics	GDP share	27.1%	25.5%	21.7%
	Employment share	24.3%	21.6%	19.3%
Financial services	GDP share	16.7%	16.1%	17.7%
	Employment share	5.4%	6.3%	6.7%
Professional services & other producer services	GDP share	10.8%	12.4%	12.5%
	Employment share	12.3%	13.1%	14.1%
Tourism	GDP share	3.2%	4.5%	4.7%
	Employment share	5.1%	6.6%	6.8%

Figure 2 – Average annual growth of four key industries, 2006-2016

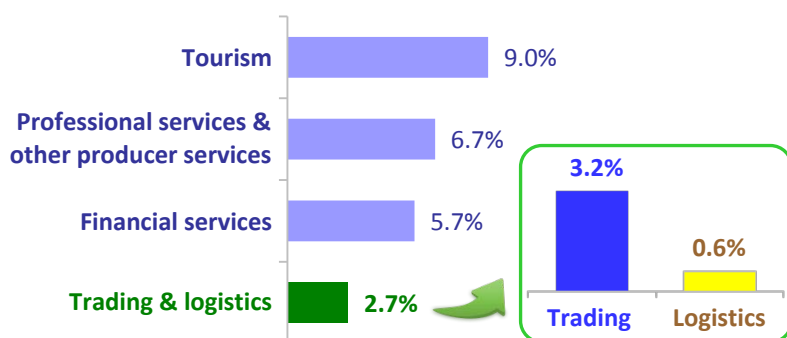


Figure 3 – Global ranking of container ports*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	HK	HK	HK		SG		SG			SHG	SHG	SHG	SHG	SHG	SHG	SHG	SHG
2		SG	SG	SG	HK		SHG	SG		SG	SG	SG	SG	SG	SG	SG	SG
3		BS	BS	SHG	SHG		HK	HK		SHZ	SHZ	SHZ	SHZ	SHZ	SHZ	SHZ	SHZ
4		KS	SHG	SHZ	SHZ		SHZ	SHZ		SHZ	SHZ	SHZ	HK	HK		NB-Z	
5		SHG	KS	BS	BS		BS	BS		BS	BS	BS	BS	NB-Z		HK	

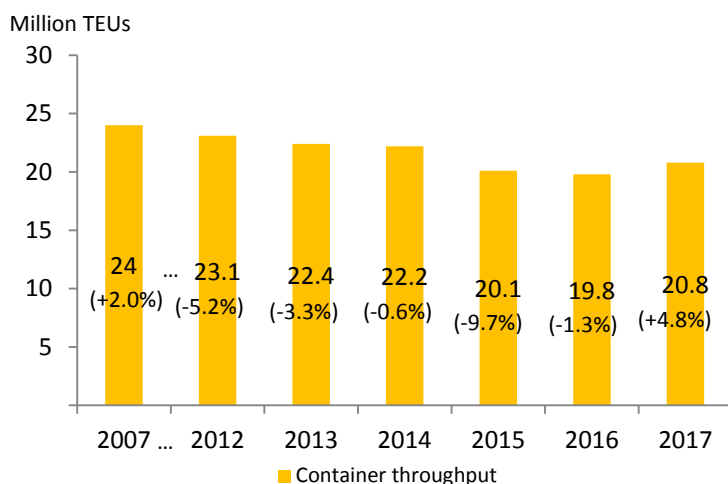
Note: (*) HK stands for Hong Kong; KS for Kaohsiung, SG for Singapore, SHG for Shanghai, SHZ for Shenzhen, BS for Busan, and NB-Z for Ningbo-Zhoushan.

Highlights

- In Hong Kong, the traditional Four Key Industries in Hong Kong comprise financial services, tourism, trading and logistics, and professional and producer services. They have been the driving force of economic growth for years. Among them, the trading and logistics industry has been the largest in terms of both Gross Domestic Product ("GDP") contribution and total employment (Figure 1).
- However, the trading and logistics industry has shown signs of weakness in recent years. As shown in Figure 1, its GDP and employment shares have been on the decline during 2006-2016, against the rising trend seen in other key industries over the period. The setback was attributable to, among other things, subdued performance of the logistics industry which recorded almost flat growth during 2006-2016 (Figure 2).
- The logistics industry includes primarily freight transport and storage services that accounted for some 90% of value-added of the industry in 2016. On water freight transport, Hong Kong has lost its position as the world's busiest container port since 2005 (Figure 3). Its global ranking in container throughput has been on the decline over the past years, surpassed by Shanghai, Singapore, Shenzhen and recently Ningbo-Zhoushan.
- The port of Hong Kong has been facing intense competition from the Mainland, with the latter building on its competitiveness on lower terminal handling charges, improved port infrastructure and transport network, as well as shorter distance to cargo sources. The recent relaxation of cabotage restrictions in some Mainland ports should undermine Hong Kong's position as a transshipment hub in the region. After the relaxation, foreign-flagged ships could transport cargo from one Mainland coastal port to another, eliminating the need to tranship the cargo via Hong Kong.

Logistics industry in Hong Kong (cont'd)

Figure 4 – Total container throughput, 2007-2017

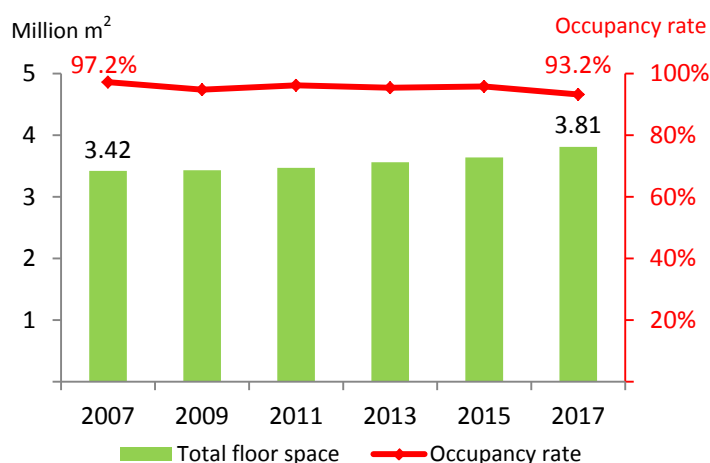


Note: Figures in brackets represent year-on-year changes.

Figure 5 – Percentage share of air cargo to total trade value, 2007-2017

	2007	2013	2015	2017
Total exports	31.3%	35.2%	37.5%	38.5%
Domestic exports	30.3%	27.4%	26.9%	25.6%
Re-exports	31.4%	35.4%	37.7%	38.7%
Imports	38.5%	39.4%	41.2%	44.7%

Figure 6 – Stock and occupancy rates of storage facilities, 2007-2017



Highlights

- Reflecting the declining competitiveness of the port of Hong Kong, its container throughput has generally been on the decline over the past decade. In particular, the number of twenty-foot equivalent units ("TEUs") handled fell for five consecutive years before reverting to growth in 2017 (Figure 4).
- On air freight transport, the Hong Kong International Airport ("HKIA") has maintained its position as the busiest cargo hub of the world for eight consecutive years since 2010. This reflects the extensive connectivity and frequent flight schedules of HKIA and Hong Kong's geographical position as a gateway to the Mainland.
- Mirroring the above, air freight transport has become more important to Hong Kong's external trade over the years. Goods carried by air have been on the rise over the past decade, accounting for 38.5% and 44.7% in value terms of Hong Kong's total exports and imports respectively in 2017 (Figure 5).
- As mentioned above, the logistics industry also includes storage services. Hong Kong's stock of storage facilities only increased modestly from 3.42 million m² in 2007 to 3.81 million m² in 2017, and the occupancy rates of storage facilities consistently exceeded 90% during the period (Figure 6). A major reason behind the slow growth has been the lack of land for logistics use. Since 2011, the Government has only sold by open tender three logistics sites in Tsing Yi and one in Tuen Mun.
- Looking ahead, the completion of the Hong Kong-Zhuhai-Macao Bridge and the construction of the Three-Runway System should vastly facilitate cargo movement by land and air, presenting new business opportunities for the logistics industry. In addition, the Chief Executive also pledged in her 2017 Policy Address to identify suitable sites for logistics use in locations such as Tuen Mun, Hung Shui Kiu and Yuen Long.

Data sources: Latest figures from Census and Statistics Department, Rating and Valuation Department and Marine Department.

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