



Four pillar industries in Hong Kong

Figure 1 — Performance of the four pillar industries, 2008-2018

		2008	2013	2018
Trading & logistics	GDP share	25.6%	23.9%	21.2%
	Employment share	23.4%	20.6%	18.6%
Financial services	GDP share	17.1%	16.5%	19.8%
	Employment share	5.9%	6.2%	6.8%
Professional services & other producer services	GDP share	12.2%	12.4%	11.9%
	Employment share	13.0%	13.3%	14.2%
Tourism	GDP share	2.8%	5.0%	4.5%
	Employment share	5.6%	7.3%	6.6%
Total	GDP share	57.7%	57.8%	57.4%
	Employment share	47.9%	47.4%	46.2%

Figure 2 — Global ranking of Hong Kong's container port and airport, 2001-2019

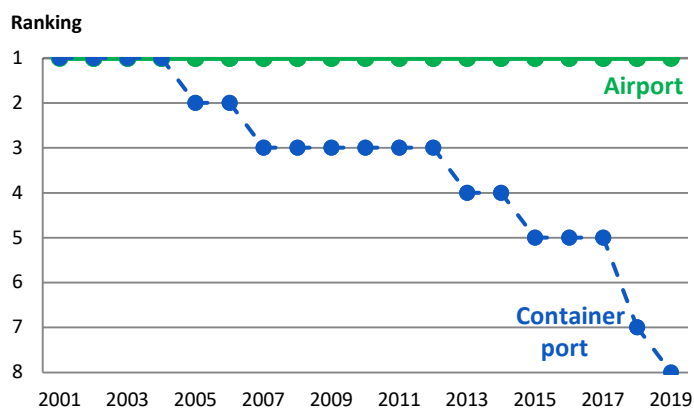
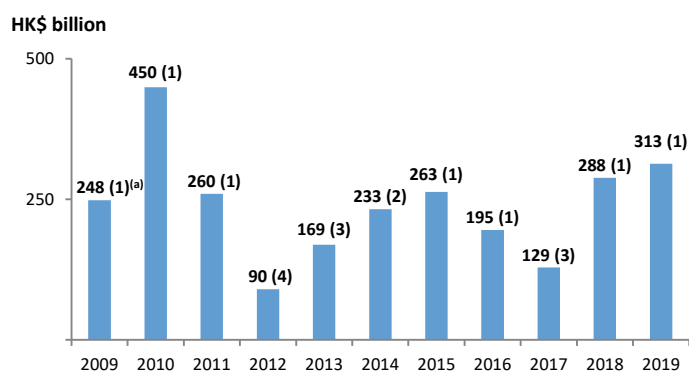


Figure 3 — IPO funds raised in Hong Kong, 2009-2019



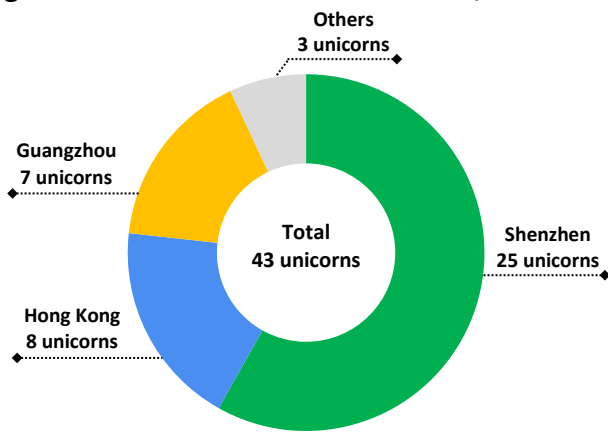
Note: (a) Figures in parentheses denote HKEX's ranking among stock exchanges in the world.

Highlights

- The four pillar industries, comprising trading and logistics, financial services, professional and producer services, and tourism, have been a driving force of Hong Kong's economic growth. They together contributed about 60% of Gross Domestic Product ("GDP") and almost half of the total employment in 2018 (**Figure 1**). While the trading and logistics industry is the largest among the four pillars, the past decade has seen diminishing importance of the industry in terms of GDP contribution and job creation.
- Hong Kong lost its position as the world's busiest container port in 2005 and the ranking has been on the decline since then amid intense competitions from Mainland ports (**Figure 2**). On the other hand, it has maintained its status as the world's busiest airport for international cargo over the years, notwithstanding its handling charges being considered as among the highest in the world. However, the recent outbreak of Coronavirus Disease 2019 ("COVID-19") has wreaked havoc on Hong Kong's air cargo industry. During the first five months of 2020, cargo throughput handled by the Hong Kong International Airport decreased by 11% year-on-year to 1.7 million tonnes.
- As to financial services, Hong Kong Stock Exchange ("HKEX") has been among the world's top four exchanges in Initial Public Offerings ("IPO") over the last decade, raising a total of HK\$2,638 billion over the period (**Figure 3**). In April 2018, HKEX changed its listing rules to establish a new concessionary secondary listing route for Greater China and international companies that wish to secondary list in Hong Kong. The Alibaba Group Holding became the first secondary listing company in Hong Kong under the new rules in November 2019, followed by NetEase Inc and JD.com Inc in June 2020.

Four pillar industries in Hong Kong (cont'd)

Figure 4 — Number of unicorns in GBA, 2019^(a)

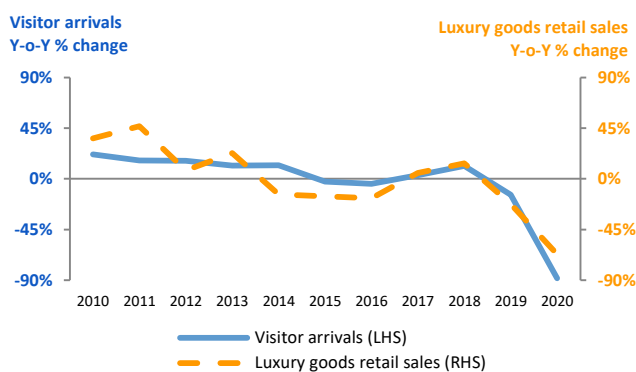


Note: (a) "Unicorn" refers to privately held start-up company with valuation over HK\$7.8 billion.

Figure 5 — Manpower requirements of the pillar industries in 2017 and 2027

	Actual manpower requirements in 2017 (Number)	Projected manpower requirements in 2027 (Number)	Projected average annual rate of change (2017-2027) (%)
Trading and logistics	739 200	669 600	-1.0%
Financial services	264 000	294 600	+1.1%
Professional services and other producer services	555 600	661 700	+1.8%
Tourism	265 400	284 000	+0.7%
Total	1 824 200	1 909 900	+0.5%

Figure 6 — Visitor arrivals and luxury goods retail sales, 2010-2020^{(a), (b)}



Notes: (a) The 2020 data are for the first five months of the year.
(b) Luxury goods include jewellery, watches and clocks as well as valuable gifts.

Highlights

- Apart from establishing a new secondary listing route, HKEX also announced in April 2018 a new regime allowing the listing on the Main Board of (a) biotech companies that do not meet any of the Main Board financial eligibility tests (including those that do not have any prior record of revenue or profit), and (b) innovative companies that have weighted voting rights structures. This should increase the attractiveness of HKEX as a potential fund raising platform for start-ups in the Guangdong-Hong Kong-Macau Greater Bay Area ("GBA"). According to a study conducted in 2019, there were 43 unicorns in GBA focusing on five key industries of biotech, healthtech, robotics, fintech and e-commerce (**Figure 4**).
- In addition to serve as a leading fund raising platform, Hong Kong is also a major wealth management hub. With the introduction of the "Wealth Management Connect" in June 2020, residents in GBA can invest in cross-border financial products, creating new business opportunities for wealth management sector in Hong Kong.
- In February 2019, the Outline Development Plan for GBA was promulgated. Apart from maintaining Hong Kong's role as an international financial centre, the Plan has designated Hong Kong as a professional services hub connecting GBA with the rest of the world. This might add to the demand for professionals in Hong Kong. The projected manpower requirements for professional services and other producer services will grow by an average annual of 1.8% between 2017 and 2027, outpacing other pillar industries over the same period (**Figure 5**). To facilitate talent flows within GBA, starting from January 2019, tax relief has been offered to overseas high-level and urgently-needed professionals working in GBA to offset the tax differential between the Mainland and Hong Kong.
- The tourism industry is the smallest pillar industry, but it helps provide many job opportunities for lower-skilled workers. However, the industry has been hit hard by the outbreak of social incidents in the second half of 2019, and the threat of COVID-19 in first half of 2020 (**Figure 6**). Reflecting the severe epidemic situations, the number of visitor arrivals declined by 88% in the first five months of 2020 over a year earlier period. Tourism sector has a strong ripple effect on the retail, accommodation and food services. As shown in Figure 6, the retail sales of luxury goods (i.e. jewellery, watches and clocks, and valuable gifts) mirrored the severe setback in inbound tourism to fall by 67% year-on-year during the first five months of 2020.

Data sources: Latest figures from Labour and Welfare Bureau, Airport Authority Hong Kong, Trade and Industry Department, Census and Statistics Department, Hong Kong Tourism Board, InvestHK, Hong Kong Stock Exchange and WHub.

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3 July 2020
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