Commerce, Industry, Innovation and Technology

Statistical Highlights

Research Office
Legislative Council Secretariat

ISSH28/2022

Re-industrialization in Hong Kong

Figure 1 – Manufacturing sector's contribution to GDP in selected Asian economies, 1980-2020

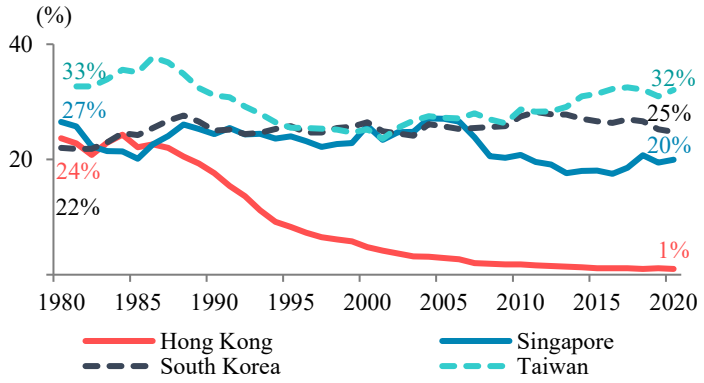
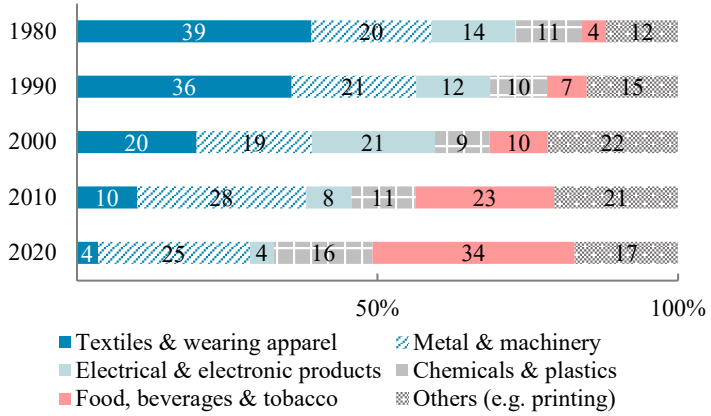


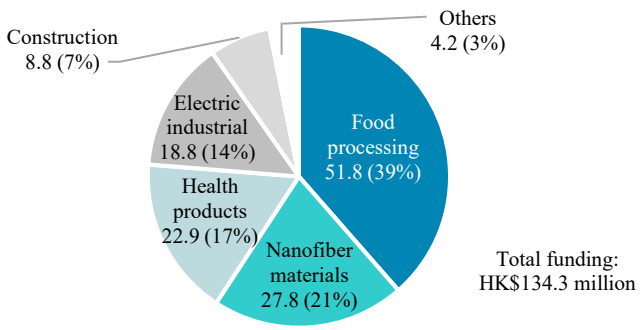
Figure 2 – Value added of manufacturing activities(1) in Hong Kong, 1980-2020(2)



Notes: (1) Amid concerns that the current classification is limited to traditional manufacturing and excludes supporting services for the sector (e.g. product design and logistics), the Government is exploring the development of new metrics.

(2) Figures may not add up due to rounding.

Figure 3 – Projects under Re-Industrialization Funding Scheme (HK$ million), 2020-2022(1)



Note: (1) Figures may not add up due to rounding.

Highlights

- Fuelled by rapid industrialization and economic growth in the 1960s-1990s, Hong Kong, Singapore, South Korea and Taiwan were once dubbed the "Four Asian Dragons". While the manufacturing sector's contribution to Gross Domestic Product ("GDP") has continued to hold up in most of the Dragon economies, Hong Kong is an exception (**Figure 1**). Following a massive relocation of manufacturing industries to the Mainland and other emerging markets in the 1980s and 1990s, Hong Kong has become a predominantly service economy. With the unfolding of the idea of re-industrialization based on Industry 4.0 technologies (e.g. big data and artificial intelligence) across the globe in the 2010s, Hong Kong also introduced such an initiative in 2016 as a potential new area for economic growth.

- Hong Kong's re-industrialization initiative focuses on developing high-end and less land/labour-intensive manufacturing industries. Although the Government did not identify any specific segment for priority development, it was noted that food, beverages and tobacco ("FBT") accounted for 34% of the industry value added of the manufacturing sector in 2020 (**Figure 2**). The emergence of FBT as the largest manufacturing sector is partially by virtue of its high product quality and safety standard as perceived by customers, both locally and globally. There have thus been calls for the Government to strengthen the "made in Hong Kong" brand by harnessing innovation and technology to revitalize the manufacturing sector.

- To promote re-industrialization, besides enhancing the tax reduction regime on the research and development front, one key measure is the Re-industrialization Funding Scheme. It funds local companies to set up new smart production lines in Hong Kong on a matching basis, at a government to company ratio of 1:2. The funding for each project is capped at HK$15 million. Since the launch of the Scheme in July 2020, the Innovation and Technology Commission ("ITC") has approved 18 projects as at end-2022, involving total funding of HK$134.3 million. Some 39% of the funding has been channeled to food processing projects, while the rest are related to nanofiber materials, health and other products (**Figure 3**). Through the Scheme, the Government targets to increase the number of funded smart production lines from 22 currently to over 130 in five years.

Figure 4 – Re-industrialization and Technology Training Programme, 2018-2022(1)

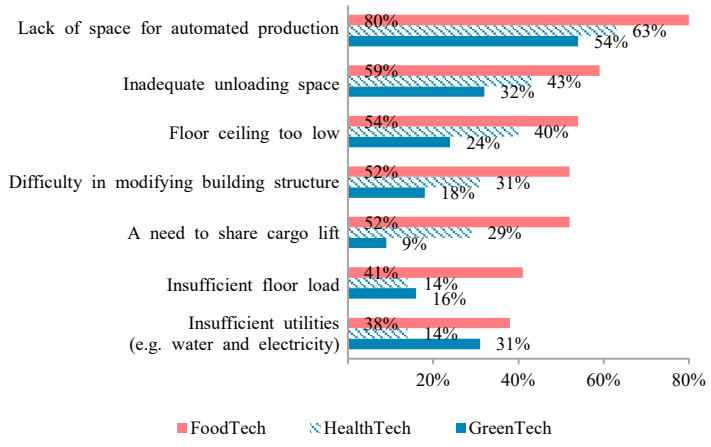
Industry	Trainees approved	Funding approved (HK$ million)
Innovation & technology	2 486	22.4
Building & civil engineering	1 911	15.4
Management & consultancy	1 844	22.7
Retail trade	1 441	15.4
Media & communications	1 313	15.2
Banking & finance	1 020	8.3
Biomedical & healthcare	1 018	3.8
Manufacturing industry	976	6.8
Others	5 973	55.5
Total	**17 982**	**165.5**

Note: (1) Participating enterprises (which may involve in more than one industry) are categorized by their principle industry.

Figure 5 – Availability of advanced manufacturing facilities and infrastructure

Major facilities (completion year)	Industries being housed/targeted	Inno-Park	Gross floor area (m^2)
Precision Manufacturing Centre (2017)	Precision engineering; yarn production; indoor hydroponics	Tai Po	8 500
Data Technology Hub (2020)	Information and communications technology; data-centric industry	Tseung Kwan O	27 000
Medical Accessory Resilience Supplies Manufacturing Centre (2021)	Medical supply manufacturing (e.g. protective gear and masks)	Tai Po	18 600
Advanced Manufacturing Centre (2022)	Medical devices; robo & smart electronics; biomedical engineering	Tseung Kwan O	108 600
Microelectronics Centre (2023)	Microelectronics; advanced materials	Yuen Long	36 180

Figure 6 – Key challenges facing manufacturers in relation to factory buildings/facilities, 2021



Highlights

- On nurturing talent, ITC introduced the Re-industrialization and Technology Training Programme in August 2018. The Programme aims to fund local enterprises on a 2 (Government): 1 (enterprise) matching basis to train their staff in advanced technologies, particularly those related to Industry 4.0, such as smart manufacturing, supply chain automation and digitalization. As at August 2022, the Programme has subsidized 17 982 trainees with a total funding of HK$165.5 million (translating into an average of about HK$9,200 per trainee). Since the Programme is open to all companies registered in Hong Kong, enterprises applying for the training grants span across a diverse array of sectors, with most coming from I&T, followed by building and civil engineering (**Figure 4**).

- As for infrastructure, the Hong Kong Science and Technology Parks Corporation has provided specialized industrial facilities at its three InnoParks (formerly known as industrial estates), with a view to supporting re-industrialization and high-tech smart production. To date, at least five new facilities have been/are being developed, each designed to cater to the operation needs of specific clusters of high-value added manufacturing industries from precision engineering to medical supply manufacturing (**Figure 5**). In the 2022 Policy Address, the Government has announced its plan to build a second advanced manufacturing centre. Including the first one completed in 2022, it is expected that the total supply of floor area for advanced manufacturing in the InnoParks will be over 200 000 square metres ("m^2") in 2027.

- Advanced infrastructure will likely be witnessing growing demand in the market. According to a joint survey by the Hong Kong Productivity Council and University of Hong Kong in 2021, some manufacturers have expressed concerns about Hong Kong's existing factory buildings or facilities. A shortage of space for setting up automated production lines and for unloading were cited as top common challenges for local manufacturers in the FoodTech, HealthTech and GreenTech sectors (**Figure 6**). Overall, FoodTech companies appear more likely to face operational obstacles than its counterparts. Insufficient utility supply was also a key concern for GreenTech companies. Despite various operational challenges, about half of the surveyed manufacturers have revealed plans to expand their operations in Hong Kong.

Data sources: Latest figures from Census and Statistics Department, Innovation and Technology Commission, Hong Kong Productivity Council, Taiwan authorities, and World Bank.

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