

**Legislative Council Panel on Financial Affairs**

**Proposed Implementation of  
an Integrated Annual Survey of Economic Activities**

**PURPOSE**

To implement the proposal by the Census and Statistics Department (“C&SD”) to adopt an integrated mandatory survey approach for the collection of annual business operating data of different economic sectors in Hong Kong, it is proposed that the Census and Statistics (Annual Survey of Economic Activities) Order (“the Order”) be made by the Secretary for Financial Services and the Treasury. The Order will be subject to the negative vetting procedures. This paper explains the reasons for the proposal.

**BACKGROUND**

2. C&SD compiles annual business operating statistics of business establishments in order to gauge the performance and structural changes of different economic sectors in Hong Kong. The statistics obtained are also used for compiling the Gross Domestic Product (“GDP”). At present, the required data are collected through six different mandatory surveys and one voluntary survey.

3. Each mandatory survey covers business establishments engaged in a defined scope of economic activities as specified in the respective survey order separately enacted under section 11 of the Census and Statistics Ordinance (“the Ordinance”), viz. -

- (i) Cap 316A Census and Statistics (Annual Survey of Industrial Production) Order;
- (ii) Cap 316C Census and Statistics (Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels) Order;

- (iii) Cap 316E Census and Statistics (Annual Survey of Building, Construction and Real Estate Sectors) Order;
- (iv) Cap 316H Census and Statistics (Annual Survey of Banks, Deposit-taking Companies, Restricted Licence Banks and Representative Offices of Foreign Banks) Order;
- (v) Cap 316I Census and Statistics (Annual Survey of Storage, Communication, Financing, Insurance and Business Services) Order; and
- (vi) Cap 316J Census and Statistics (Annual Survey of Transport and Related Services) Order.

The classification of economic activities in each mandatory survey as enshrined in the respective survey order has followed a standard industrial classification scheme known as the Hong Kong Standard Industrial Classification (“HSIC”), which has been adopted for use in all relevant statistical surveys conducted by C&SD. Apart from the scope of coverage, each survey order has also specified other common requirements including the purpose for which the survey is required, types of business establishments covered in the survey, the information to be collected in the survey, the persons required to give information and the time allowed for doing so, the period in respect of which the survey is to be carried out, provision for the use of sampling methods, the time limit within which all data received in a survey shall be destroyed and a Schedule listing out the matters in respect of which information is to be given by the business establishments covered in the survey.

4. The mandatory surveys have practically covered all major types of economic activities in Hong Kong except for personal services, viz. medical and health, elderly services, education, etc. Since the personal services industry has only emerged in greater importance in recent years, the sampling frame falls short in providing a comprehensive coverage of business establishments engaged in personal services. They have been therefore excluded from these mandatory surveys.

5. Data pertaining to the personal services industry are currently collected by C&SD through a voluntary survey. But due to the limitations in sampling frame coverage and hence quality of the resulting data, only aggregate estimates in terms of value added of personal services activities are produced for the purpose of GDP compilation. Detailed statistics on the operating characteristics of establishments engaged in personal services activities such as operating expenses, compensation of

employees and business receipts, are largely lacking at present.

## **NEED FOR CHANGE**

6. The HSIC was last revised in October 2008 to align with the latest international standards released by the United Nations in August 2008. The revised HSIC, viz. HSIC Version 2.0, entails major changes in the coverage of economic activities across different sectors. As a consequence, it is now necessary to make corresponding amendments to the six survey orders to reflect the revised classification of economic activities. On the other hand, C&SD has reviewed the existing survey arrangements and identified room for streamlining the collection of business data through the surveys.

## **PROPOSAL**

7. C&SD recommends that an integrated survey covering all economic activities in Hong Kong, including the personal services industry, should be conducted instead of continuing to conduct seven separate surveys as at present. This will help harmonise and standardise the data collection system for all annual economic surveys. The proposed integrated approach is in line with that adopted for other economy-wide surveys carried out by C&SD such as data collection for balance of payments, business innovation, and employment statistics, and also in line with the practices of other statistically advanced economies where economic statistics are collected through an integrated survey.

8. With the implementation of HSIC Version 2.0, C&SD is now able to develop a more comprehensive sampling frame for establishments engaged in personal services activities, hence enabling the inclusion of personal services activities<sup>1</sup> in a mandatory survey similar to all the other economic activities. This will help enhance the production of more comprehensive and reliable business operating statistics on personal services activities to facilitate informed policy analysis and decision making.

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<sup>1</sup> C&SD crudely estimated that personal services activities accounted for around 7% to 8% of Hong Kong's GDP.

## **IMPLICATIONS AND CONSULTATION**

9. The proposal will not result in any changes to the statistical and legal requirements of the existing six mandatory surveys and hence will not have any impact on their respondents.

10. Under the proposal, the sampled establishments from the personal services industry will be subject to a legal obligation to supply the required business data to C&SD similar to business establishments from other sectors. According to C&SD, normally less than one-tenth of the some 30 000 establishments engaged in personal services activities will be sampled for enumeration in the annual survey each year. It should be noted that establishments engaged in personal services have already been participating in the mandatory Quarterly Survey of Service Industries following legislative amendments made to the respective survey order in 2008 to reflect the more refined classification in HSIC Version 2.0.

11. C&SD has approached the relevant trade associations, and key institutions and business firms engaged in personal services in August – September 2009 to gauge their feedback. Majority of the respondents raised no objection to the proposal. The Statistics Advisory Board<sup>2</sup> also endorsed the proposal at its meeting on 24 June 2009.

12. To facilitate smooth implementation of the proposal, C&SD is prepared to provide assistance to sampled establishments, including those from the personal services industry, to complete the survey questionnaire where necessary. Besides, C&SD will continue to work towards the target to minimise the reporting burden of respondents while ensuring that requisite data are collected for analysis of economic performance.

## **LEGISLATIVE AMENDMENTS**

13. We propose that the Order be made by the Secretary for Financial Services and the Treasury under section 11 of the Ordinance to provide for the conduct of an annual survey by the Commissioner for Census and Statistics (“the Commissioner”) for the purpose of compiling statistics relating to the economic activities of business undertakings in all economic

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<sup>2</sup> The Statistics Advisory Board (“SAB”) is a non-statutory advisory body comprising a balanced mix of representatives from the academia, the business sector and the general community. The SAB is chaired by the Commissioner for Census and Statistics.

sectors in Hong Kong. As all business undertakings will be subject to the same legal requirement to provide the required statistical data to the Commissioner, there will be no need to specify the classification of economic activities in the Order. The survey requirements in the Order are basically the same as those of the existing six survey orders, save for a few adjustments to align with the standard practice.

14. The Order will include a provision to repeal the existing six survey orders.

15. A draft version of the Order, together with the consequential amendments to the Census and Statistics (Quarterly Survey of Service Industries) Order, are attached at **Annex(i)** and **Annex(ii)** respectively.

## **NEXT STEPS**

16. We plan to gazette the Order in November 2009, with a view to bringing it into operation in January 2010 after completion of the negative vetting procedures.

**Financial Services and the Treasury Bureau  
Census and Statistics Department  
October 2009**

**Annex (i)****CENSUS AND STATISTICS (ANNUAL SURVEY OF  
ECONOMIC ACTIVITIES) ORDER**

(Made by the Secretary for Financial Services and the Treasury under section 11 of the Census and Statistics Ordinance (Cap. 316))

**1. Commencement**

This Order comes into operation on 7 January 2010.

**2. Interpretation**

In this Order –

“business undertaking” (業務事業單位) means an undertaking carrying on business in Hong Kong, including a non-profit-making body and a statutory body;

“survey” (調查) means the statistical survey referred to in section 3;

“survey period” (調查期) means the survey period specified in or under section 6.

**3. Annual survey of economic activities**

The Commissioner must carry out a statistical survey every year for the purpose of compiling statistics relating to the economic activities of business undertakings in the survey period.

**4. Matters in respect of which information is required to be given**

(1) The matters in respect of which information must be given in a survey are the matters specified in the Schedule.

(2) The information must be given to the Commissioner –

(a) by completing such schedule as the Commissioner may issue for that purpose; and

- (b) by completing that schedule within such period as may be specified in the schedule.

## **5. Persons required to give information**

The following persons must give information in respect of a business undertaking for the purpose of a survey, if so requested by the Commissioner –

- (a) if the business undertaking is a body corporate, any director, secretary or other person concerned in the management of the body corporate;
- (b) if the business undertaking is a partnership, any partner of the partnership;
- (c) in any other case, the proprietor of the business undertaking.

## **6. Survey period**

The survey period in relation to any year in which a survey is carried out under section 3 is the calendar year immediately preceding that year or such other period of 12 consecutive months commencing in that calendar year and ending not later than 31 March in the following year as the Commissioner may specify in any particular case.

## **7. Sampling methods may be used**

The Commissioner may use sampling methods in the collection of statistical information under this Order.

## **8. Application of Order**

This Order applies to a business undertaking that carried on business during the whole of a survey period or any part of it, regardless of whether the business undertaking commenced business before or after the commencement of

the survey period and regardless of whether or not the business undertaking ceased to carry on business during the survey period.

## **9. Date for destruction of completed schedules**

All completed schedules collected or received for a survey and all copies of the schedules must be destroyed not later than 4 years after the end of the survey period covered by that survey.

## **10. Repeals**

The following Orders are repealed –

- (a) the Census and Statistics (Annual Survey of Industrial Production) Order (Cap. 316 sub. leg. A);
- (b) the Census and Statistics (Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels) Order (Cap. 316 sub. leg. C);
- (c) the Census and Statistics (Annual Survey of Building, Construction and Real Estate Sectors) Order (Cap. 316 sub. leg. E);
- (d) the Census and Statistics (Annual Survey of Banks, Deposit-taking Companies, Restricted Licence Banks and Representative Offices of Foreign Banks) Order (Cap. 316 sub. leg. H);
- (e) the Census and Statistics (Annual Survey of Storage, Communication, Financing, Insurance and Business Services) Order (Cap. 316 sub. leg. I);
- (f) the Census and Statistics (Annual Survey of Transport and Related Services) Order (Cap. 316 sub. leg. J).



## SCHEDULE

[s. 4]

MATTERS IN RESPECT OF WHICH INFORMATION IS REQUIRED  
TO BE GIVEN

1. Name and address of business undertaking. (For business undertakings submitting a combined return, this information is required in relation to each business undertaking.)
2. Particulars of business premises. (For business undertakings submitting a combined return, this information is required in relation to each business undertaking.)
3. Type of business activity. (For business undertakings submitting a combined return, this information is required in relation to each business undertakings.)
4. Type of ownership.
5. Percentage of shareholding by country/territory of origin of investment.
6. Number of persons engaged, by type. (For business undertakings submitting a combined return, this information is required in relation to each business undertaking.)
7. Number of working days, shifts and hours worked, by type.
8. Compensation of employees, by type.

9. Operating expenses, purchases and payments, by type.
10. Stocks (including materials and supplies, work in progress, finished products and goods for sale or resale), by type, at the beginning and end of the survey period; and associated prices.
11. Business receipts, sales and incomes, by type.
12. Acquisitions, disposals, depreciation and stock of fixed assets, by type.
13. Characteristics of transactions with parties outside Hong Kong, and receipts and payments arising from them, by type.
14. For a business undertaking that carries on business in or relating to manufacturing – value, quantity and description of goods or industrial services produced or sold, by type.
15. For a business undertaking that carries on business in or relating to building, construction and real estate –
  - (a) value of contract work, by type;
  - (b) value of construction work performed, by type;
  - (c) value of property completed or under construction; and associated price of land;
  - (d) particulars of individual building and construction projects; contract sum of the whole project; construction outlays, by type; value of construction work performed; and percentage of completion;
  - (e) particulars of individual real estate development projects; construction cost of the whole project; project outlays, by

type; project value and land value; and percentage of completion;

(f) transactions in land and property.

16. For a business undertaking that carries on business in or relating to insurance –

(a) premiums received and claims paid for direct insurance and inward reinsurance, by type;

(b) particulars of insurance funds, reserves and provisions, by type;

(c) investment, by type;

(d) number of life policies in force, by type.

Secretary for Financial Services and  
the Treasury

2009

### **Explanatory Note**

This Order provides for the carrying out of annual statistical surveys for the purpose of compiling statistics relating to the economic activities of business undertakings in all economic sectors in Hong Kong. This Order will replace –

- (a) the existing 6 different survey orders (see section 10(a) to (f)) that provide for the carrying out of statistical surveys on 6 categories of economic activities respectively; and
  - (b) item 20 (on the Annual Survey of Personal, Social and Recreational Services) of the Notification of Voluntary Statistical Surveys Carried out under Part IIIA (G.N. 213 of 1990), which item provides for the carrying out of a voluntary statistical survey on economic activities on personal services but is not subsidiary legislation.
2. Sections 1 and 2 provide for commencement of this Order and definitions necessary for the interpretation of this Order.
  3. Section 3 provides that the Commissioner for Census and Statistics (“Commissioner”) must carry out a statistical survey every year for compiling statistics relating to the economic activities of business undertakings in Hong Kong in the survey period.
  4. Section 4, together with the Schedule, specifies matters in respect of which the information must be given for the purpose of a survey, and the form in which and the time within which the information is to be given.
  5. Section 5 specifies the persons required to give the information.
  6. Section 6 specifies the survey period in respect of which a survey is to be carried out.
  7. Section 7 authorizes the Commissioner to use sampling methods in collecting statistical information.

8. Section 8 makes it clear that this Order applies not only to a business undertaking that carried on business during the whole of a survey period, but also to one that carried on business during only part of a survey period.
9. Section 9 specifies the date by which completed schedules are to be destroyed.
10. Section 10 repeals the existing 6 survey orders.

**Annex (ii)****CENSUS AND STATISTICS (QUARTERLY SURVEY  
OF SERVICE INDUSTRIES)(AMENDMENT) ORDER  
2009**

(Made by the Secretary for Financial Services and the Treasury under  
section 11 of the Census and Statistics Ordinance (Cap. 316))

**1. Commencement**

This Order comes into operation on 7 January 2010.

**2. Interpretation**

(1) Section 1 of the Census and Statistics (Quarterly Survey of Service Industries) Order (Cap. 316 sub. leg. M) is amended, in the definition of “financing” –

- (a) in the English text, by repealing “include banks” and substituting “include the business of banks”;
- (b) by repealing “and representative offices of foreign banks within the meaning of the Census and Statistics (Annual Survey of Banks, Deposit-taking Companies, Restricted Licence Banks and Representative Offices of Foreign Banks) Order (Cap. 316 sub. leg.)” and substituting “, representative offices of foreign banks”.

(2) Section 1 is amended by adding –

““bank” (銀行) has the same meaning as in the Banking Ordinance (Cap. 155);

“deposit-taking company” (接受存款公司) has the same meaning as in the Banking Ordinance (Cap. 155);

“foreign bank” (外地銀行) means a bank formed or established outside Hong Kong;

“representative office” (代表辦事處), in relation to a foreign bank, means a representative office of the foreign bank in Hong Kong;

“restricted licence bank” (有限制牌照銀行) has the same meaning as in the Banking Ordinance (Cap. 155);”.

Secretary for Financial Services and  
the Treasury

2009

### **Explanatory Note**

This Order contains amendments to the Census and Statistics (Quarterly Survey of Service Industries) Order (Cap. 316 sub. leg. M) (“principal Order”), being primarily amendments that are necessary as a result of the making of the Census and Statistics (Annual Survey of Economic Activities) Order (L.N. of 2009) (“Economic Activities Order”).

2. The Economic Activities Order repeals and replaces, among certain other pieces of subsidiary legislation, the Census and Statistics (Annual Survey of Banks, Deposit-taking Companies, Restricted Licence Banks and Representative Offices of Foreign Banks) Order (Cap. 316 sub. leg. H) (“Banks Order”). The principal Order defines various expressions by cross-referencing to the Banks Order. With the Banks Order repealed, the cross-reference to the Banks Order

in the principal Order needs to be repealed and the relevant expressions need to be defined. Section 2(1)(b) and (2) provides for the repeal and the definitions, without changing the legal effect of the principal Order.

3. In addition, a minor textual amendment is made to the English text of the principal Order by section 2(1)(a).