

Development of Trade in Goods and Services Statistics in Hong Kong

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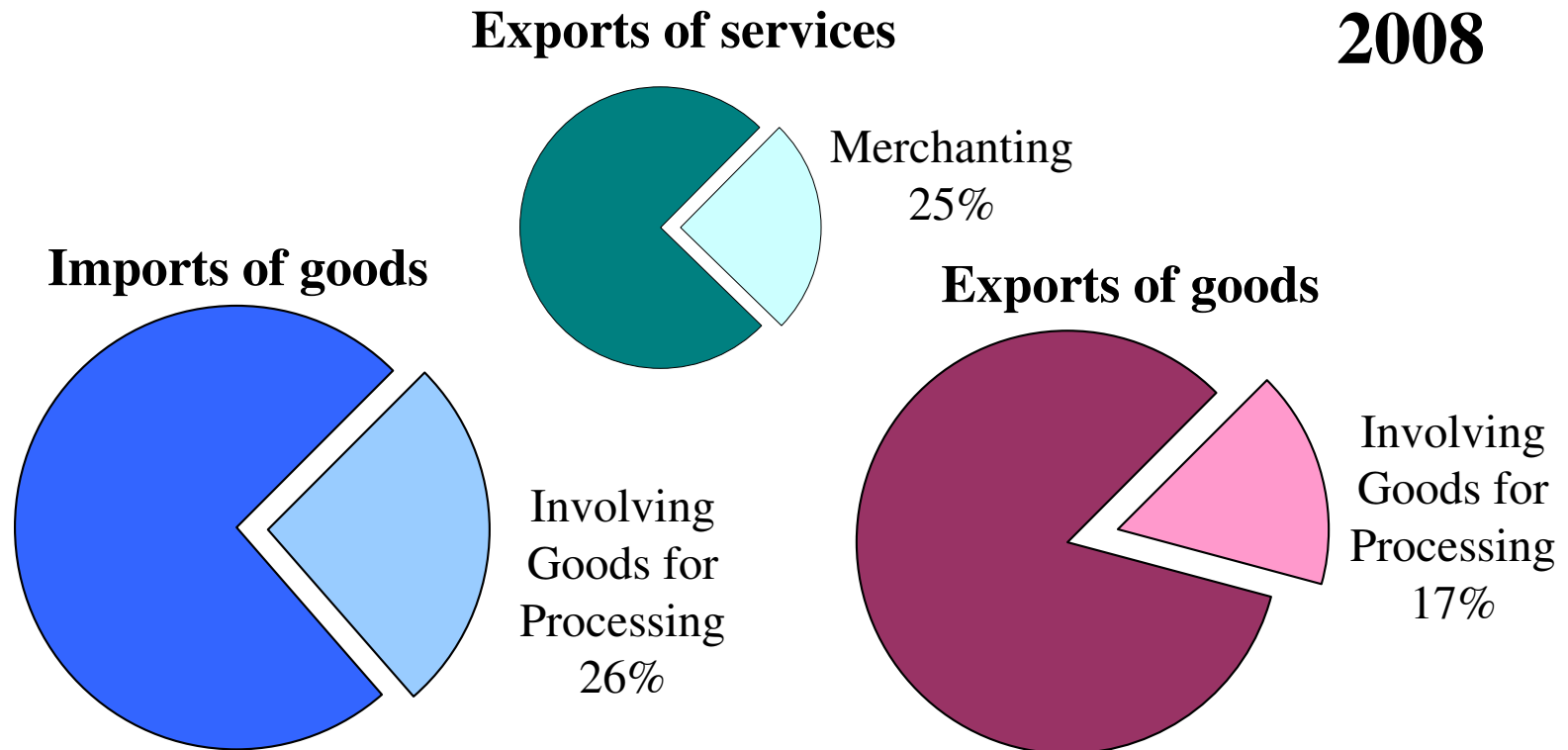


Structural change in Hong Kong's external trade

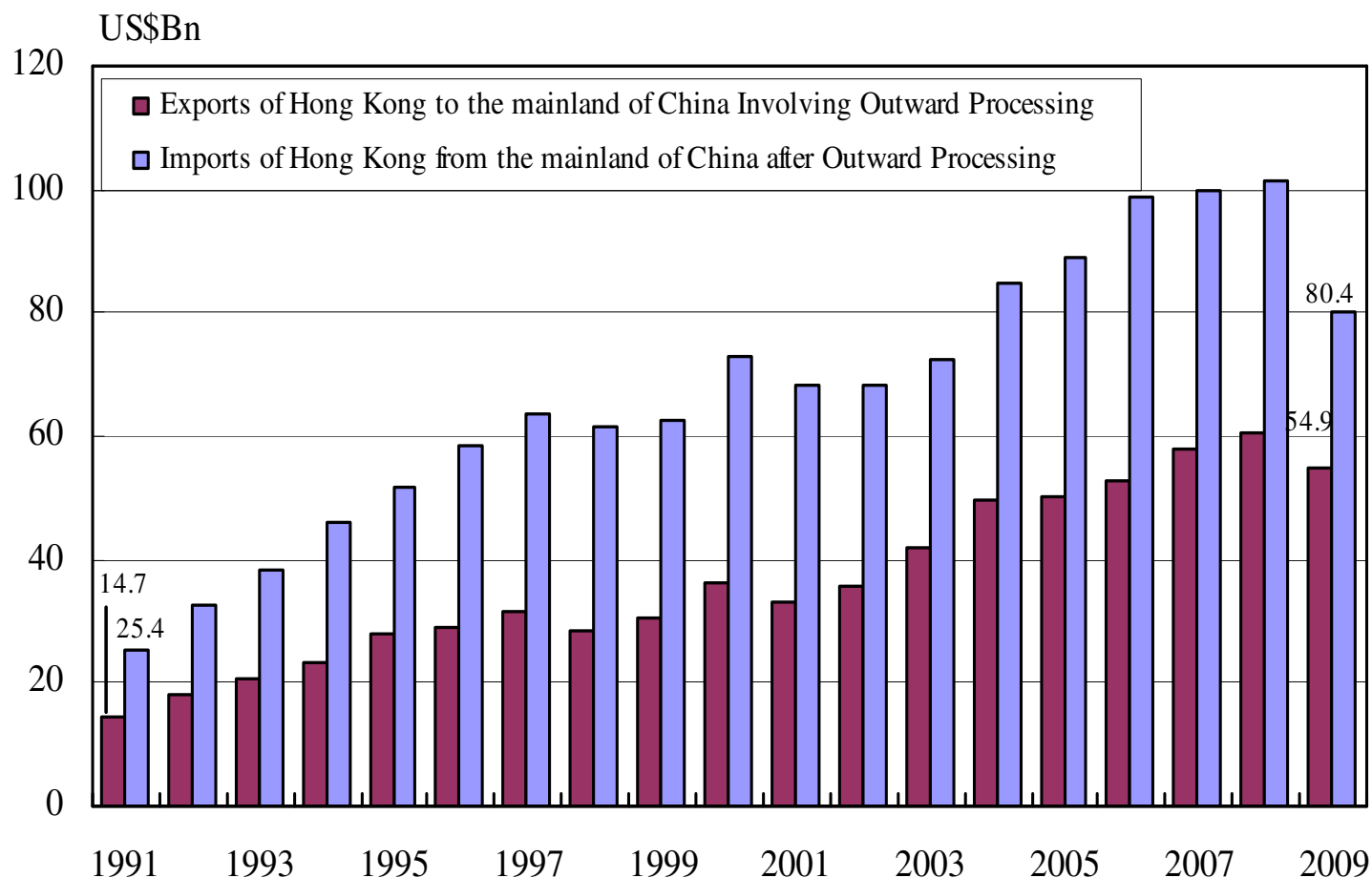
- Hong Kong's external trade mainly comprised merchandise trade in the past.
- Increasing degree of globalization of the world economy in past decades and opening policy of the mainland of China in late 1970s
 - ⇒ Remarkable development in both trade in goods and trade in services
 - ⇒ Structural shift of Hong Kong to a servicing economy



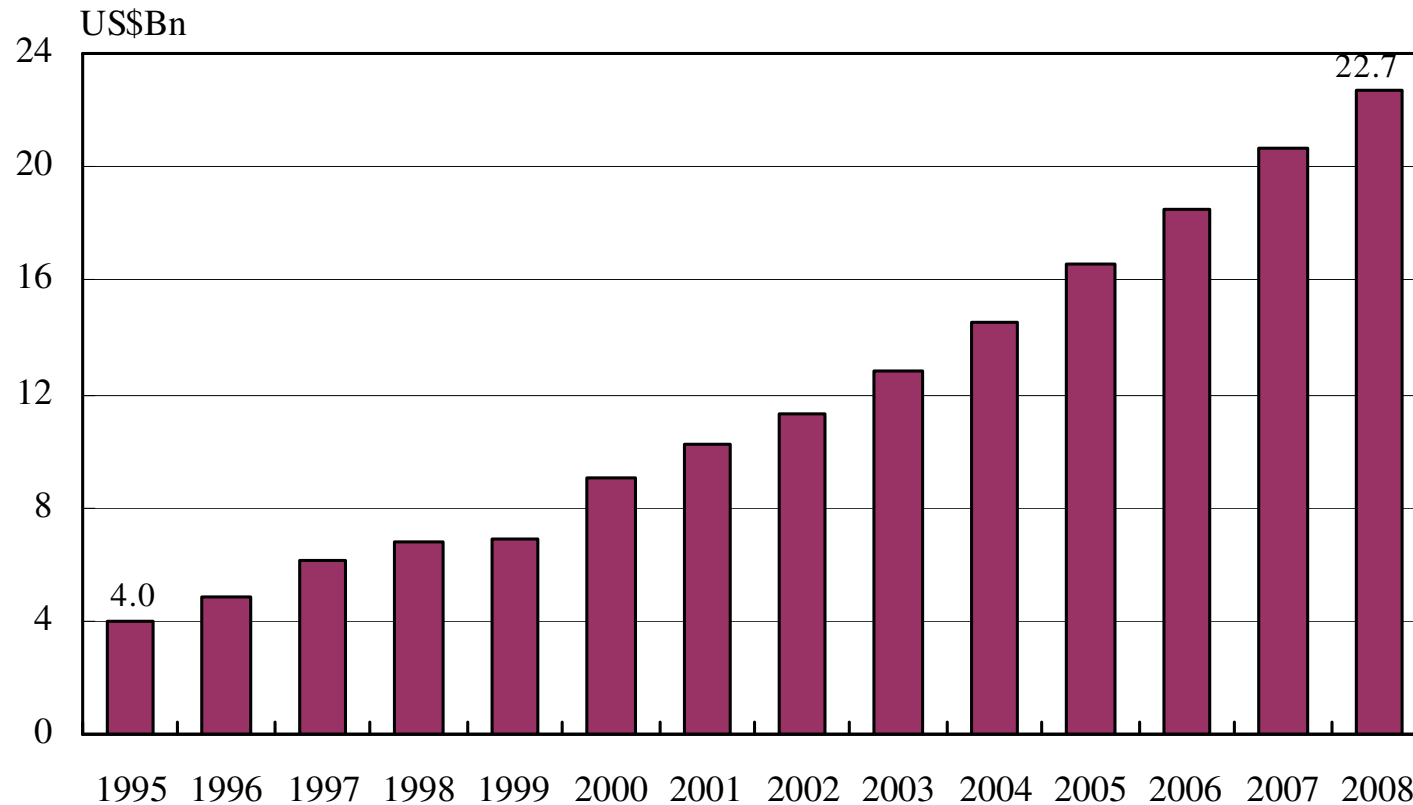
Significant shares of trade in goods and services related to outward processing and merchanting



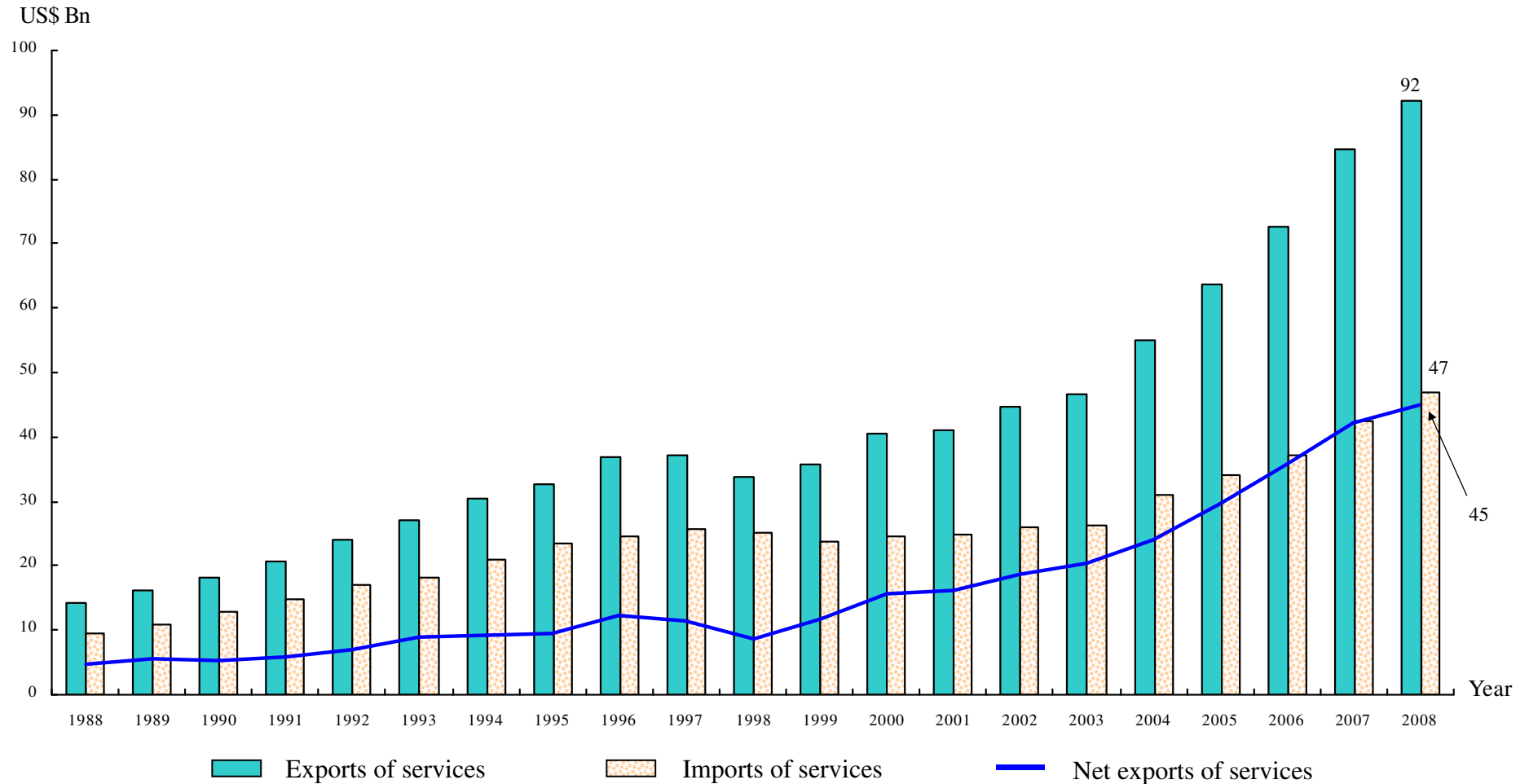
Outward processing trade of Hong Kong in the mainland of China



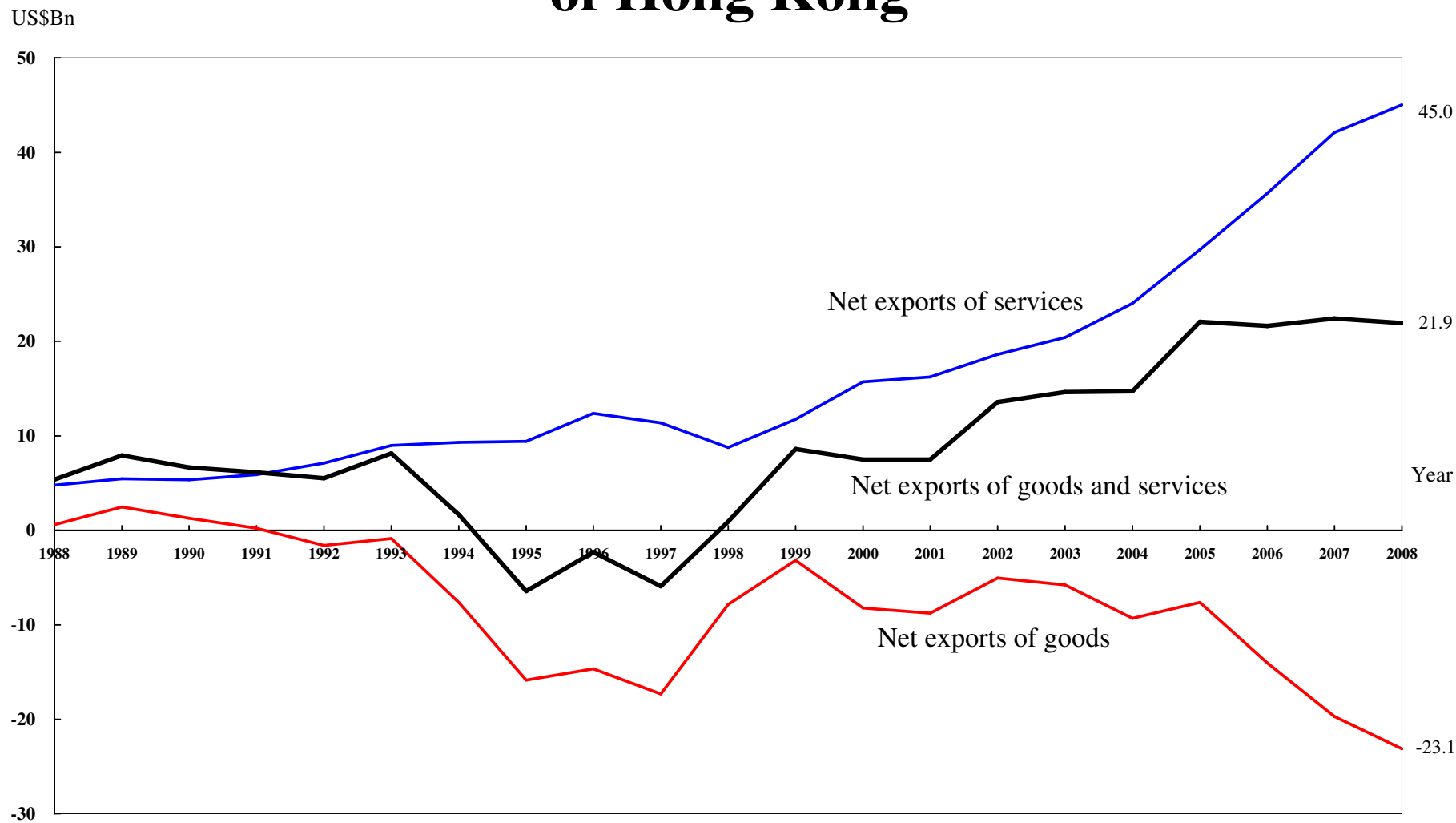
Exports of Merchanting Services from Hong Kong



Trade in services of Hong Kong



Balance of trade in goods and trade in services of Hong Kong



Growing significance of service industries in Hong Kong

Ratio of TIS to GDP (%) :

Year	Exports of services	Imports of services	Total TIS
1988	23.9	15.9	39.8
1998	20.3	15.0	35.3
2008	42.8	21.9	64.7



Hong Kong plays an important role as the regional and world hub

According to WTO statistics released, ranking of Hong Kong's TIS in world in 2009:

Total TIS:	16 th
Exports of services:	13 th
Imports of services:	20 th



Hong Kong's trade in services statistics

- Available since reference year 1980
- Compiled more statistics on offshore trade activities since reference year 1999
- Compiled detailed trade in services statistics by type of services and country/territory annually since July 2002



Statistical System of Hong Kong's TIS

International guidelines

- *Manual on Statistics of International Trade in Services (MSITS) of 2002*
- *Balance of Payments Manual, Fifth Edition of 1993*
- *1993 System of National Accounts*
- Services classification of Hong Kong's TIS statistics complied with the Extended Balance of Payments Services (EBOPS) Classification with local adaptations



Statistical System of Hong Kong's TIS

Data sources

- Mainly from various establishment surveys
 - Annual Survey of Imports and Exports of Services (ASIES)”
 - Supplementary questionnaires attached to the “Annual Survey of Economic Activities (ASEA)”
- Household survey, administrative records and other data sources



Statistical System of Hong Kong's TIS

Sample size

- ASIES: about 7 000 establishments
- Supplementary questionnaires attached to ASEA: about 4 000 establishments

Data collection

- Postal enumeration, Telephone interview, Face-to-face interview
- Different survey questionnaire for different major industry groups

Future Development

- Development of Foreign Affiliates Trade in Services (FATS) statistics
- Implementation of *Manual on Statistics of International Trade in Services 2010*
- Change in treatment of “merchanting” and “goods for processing” in *2008 SNA* and *BPM6*



Development of Foreign Affiliates Trade in Services (FATS)

- In response to growing needs for statistics on economic activities of foreign affiliates, a statistical framework has been developed for compiling FATS statistics for Hong Kong
- Inward FATS statistics for Hong Kong: released since 2006
- Explore the feasibility of compiling more inward FATS statistics
- Outward FATS statistics for Hong Kong: compilation is being conducted on a trial basis



International Standards on Change of Ownership Principle

Under BPM5, Goods for processing

- Data source of the goods account: primarily from external merchandise trade statistics based on trade declarations
- Record all physical movements of goods at the time they cross the boundary of Hong Kong, but not at the time of ‘change of ownership’
- ‘Goods for processing’ (export of raw materials/ semi-manufactures to the processing economy or the subsequent re-import of the processed goods), are included in external merchandise trade statistics
- A change in ownership is imputed and recorded on gross terms under the goods account



International Standards on Change of Ownership Principle

New standards under BPM6, Goods for processing

- Imports and exports of goods involved in processing without a ‘change of ownership’ to be *excluded* from trade in goods
- The payment of processing fees to the processing economy would be recorded as imports of services



International Standards on Change of Ownership Principle

Under BPM5, Merchanting

- Merchanting is another exception to the ‘change of ownership’ principle
- Sales of goods - Cost of goods sold
= Exports of merchanting services
- Currently collected through the Annual Survey of Imports and Exports of Services and Quarterly Survey of Service Industries



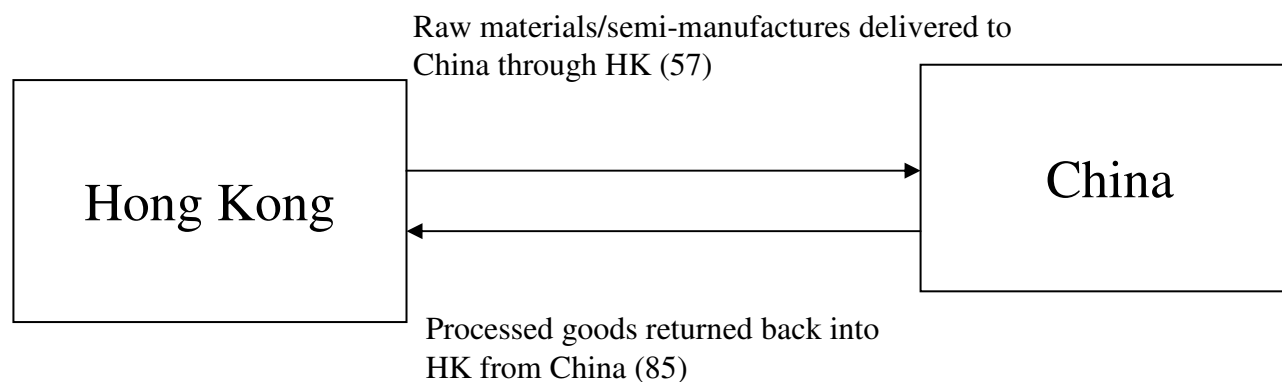
International Standards on Change of Ownership Principle

New standards under BPM6, Merchanting

- The acquisition of goods abroad for “merchanting” would be recorded as imports (shown as negative exports) of goods by the economy where the trader resides, while the subsequent resale of goods would be recorded as exports of goods from that economy
- Merchanting will *not* be included as exports of services



Typical trade flows of outward processing trade of Hong Kong (US\$)



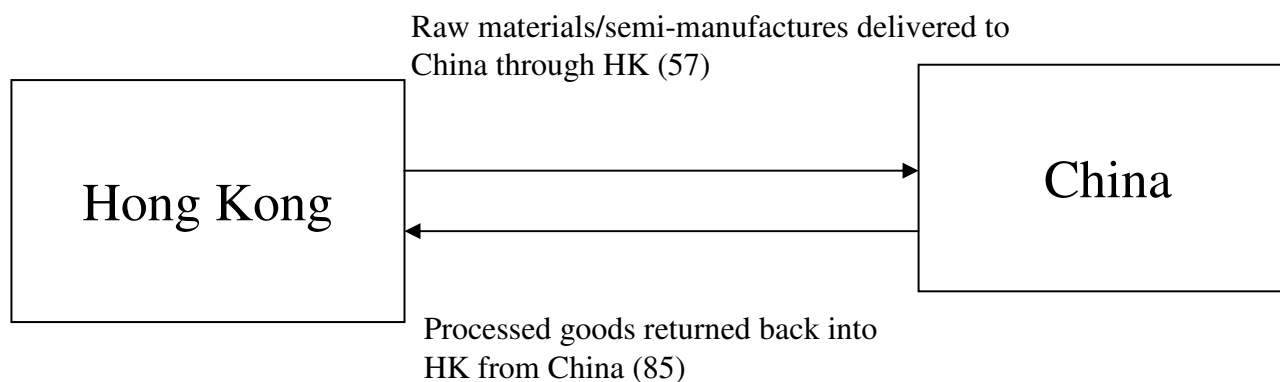
Current situation:

57 → exports of goods

85 → imports of goods



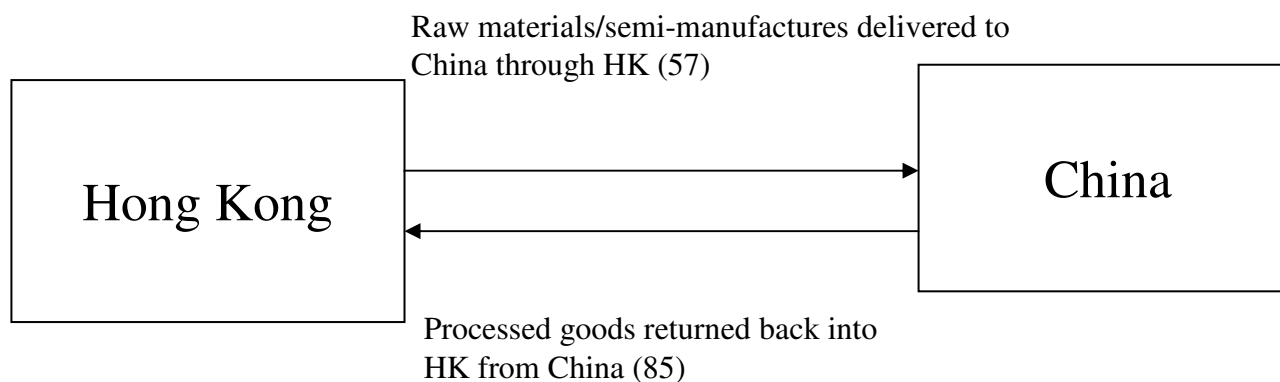
Typical trade flows of outward processing trade of Hong Kong (US\$)



New international standard:
57 → deducted from exports of goods
85 → deducted from imports of goods



Typical trade flows of outward processing trade of Hong Kong (US\$)



New international standard:

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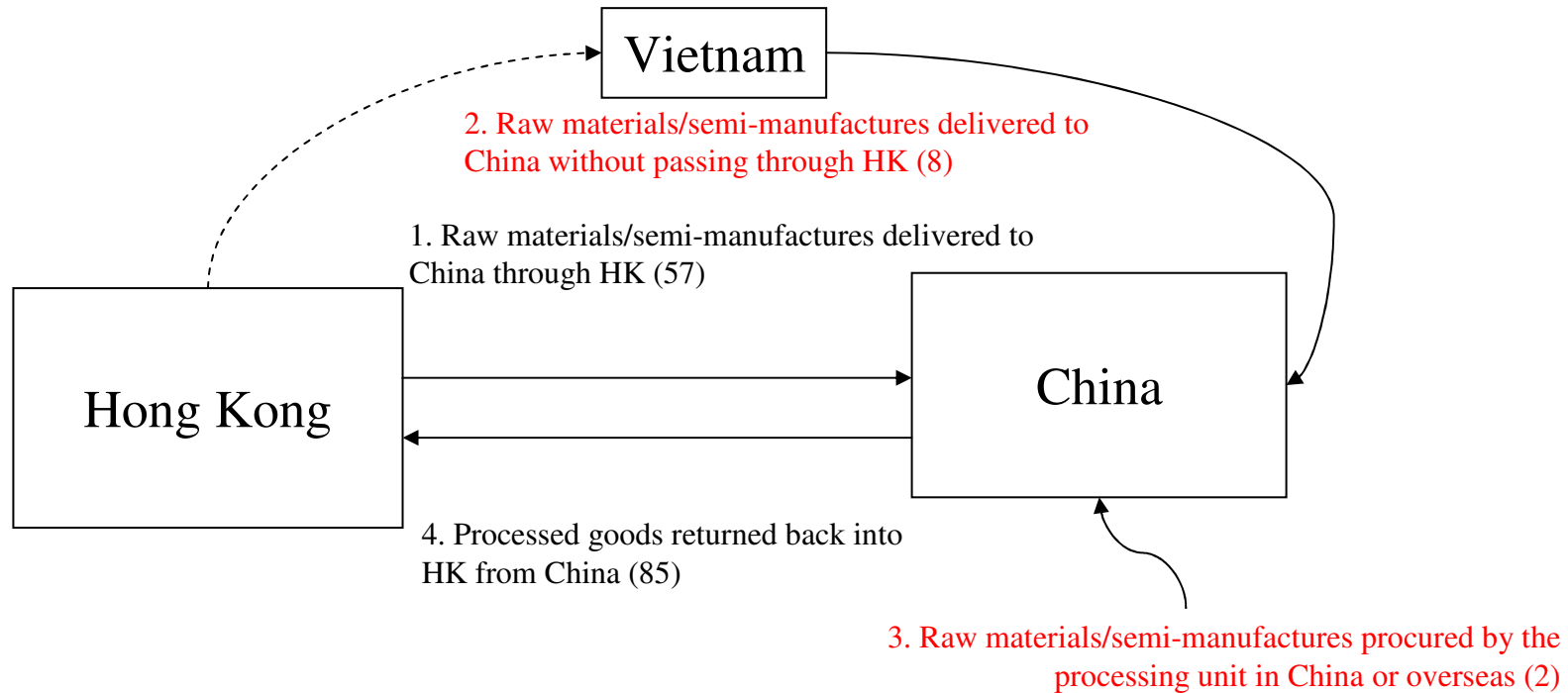
85 → deducted from imports of goods

}

28: all counted as imports of services?



Typical trade flows of outward processing trade of Hong Kong (US\$)



New international standard:

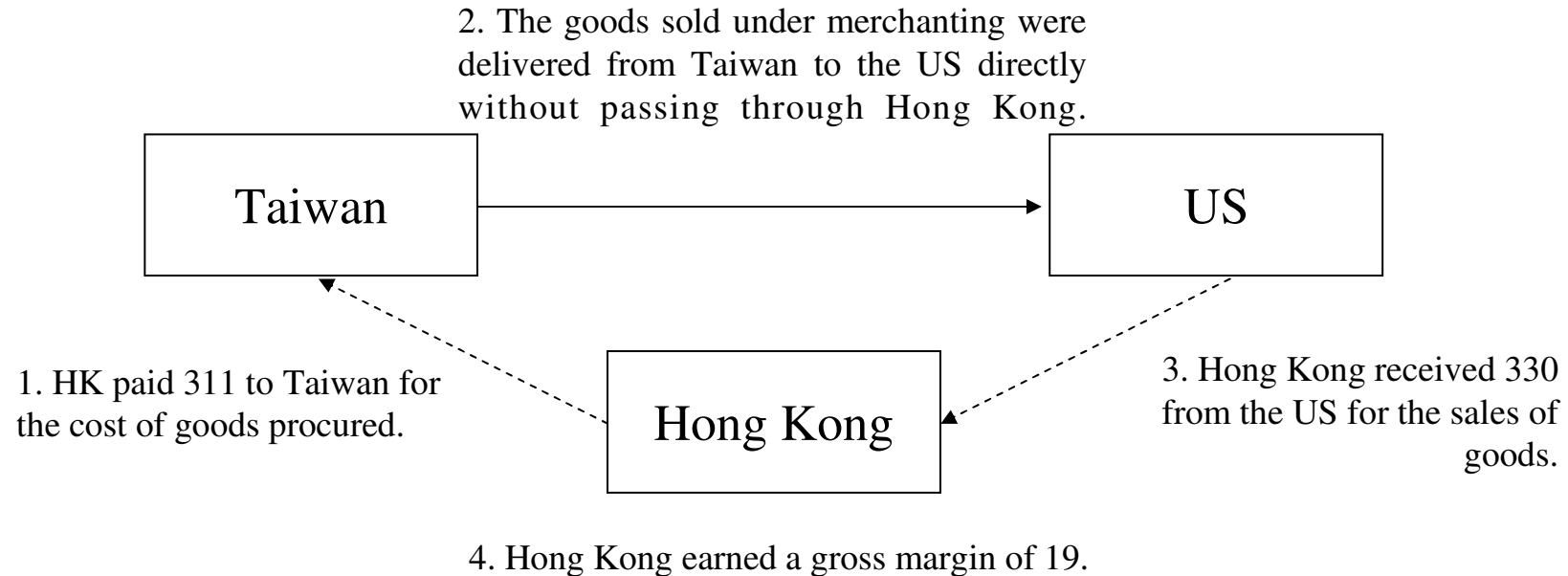
57 → deducted from exports of goods
 85 → deducted from imports of goods

} 28:
 8 → imports of goods
 2 } imports of services
 18

Processing fee ←



Simplified trade flows of a merchanting activity of Hong Kong (US\$)

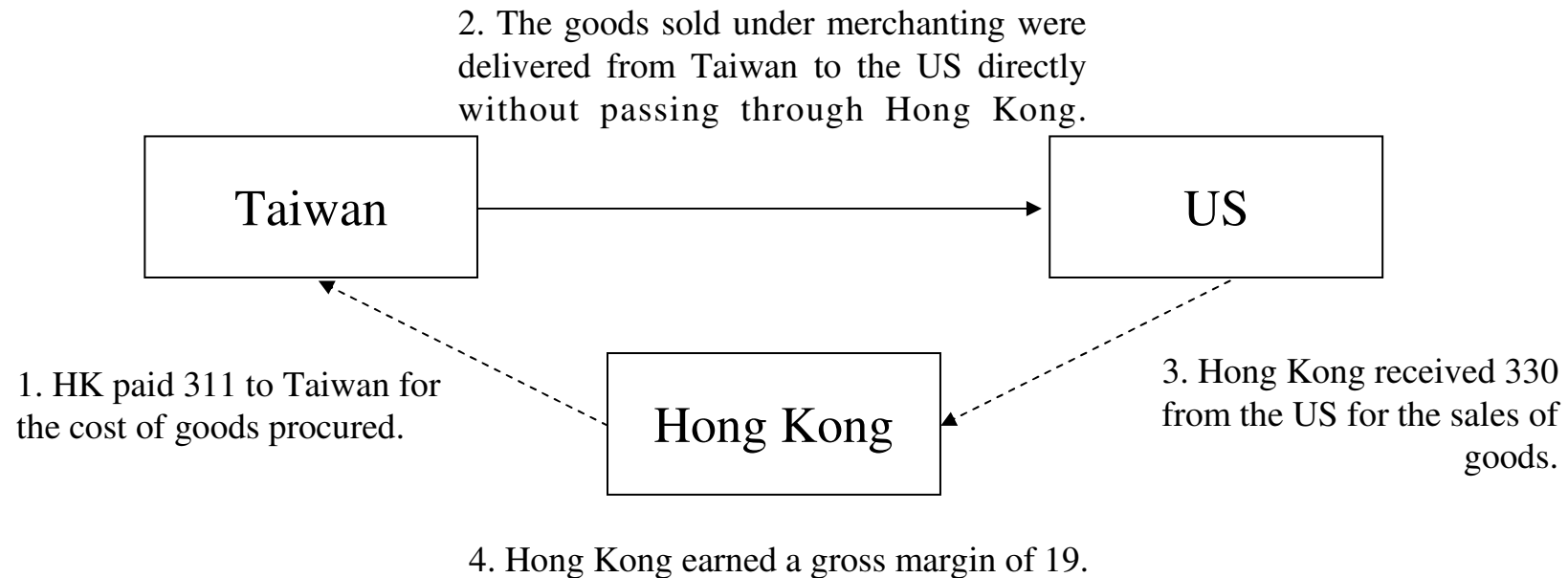


Current situation:

- 19 → EX of merchanting services
- 311 → not included in IM of goods
- 330 → not included in EX of goods



Simplified trade flows of a merchanting activity of Hong Kong (US\$)



Current situation:

19 → EX of merchanting services
 311 → not included in IM of goods
 330 → not included in EX of goods

New standard:

19 → not included in EX of merchanting services
 311 → included in IM of goods (-ve EX of goods)
 330 → included in EX of goods



Implementation of the New Standards

Outward processing

A pragmatic modular approach

- **Data models** are constructed to produce preliminary estimates of trade aggregates to support timely compilation of GDP and BoP statistics
- **Enhanced *the Survey on Trade Involving Outward Processing in the Mainland of China***
 - to compile trade statistics with broad breakdown by commodity group and by country
 - to revise the preliminary estimates at aggregate level and provide parameters for updating the data models



Implementation of the New Standards

Enhanced survey

- Since Q2 2008, the monthly sample size has been doubled to around 8 000 to 9 000 trade declarations
- To collect additional information for consignments imported from the Mainland involving processing of goods under the arrangement of “processing and assembling”:
 - the value of processing fee paid by Hong Kong traders; and
 - the value of raw materials / semi-manufactures concerned sent to the Mainland for processing with breakdowns into
 - those procured by the Hong Kong traders and exported from or through Hong Kong;
 - those procured by the Hong Kong traders and exported directly from place(s) other than Hong Kong; and
 - those procured by the Mainland processing factories



Implementation of the New Standards

Preliminary results of the enhanced survey

- Among imports from China involving outward processing,
 - around 70% were under the arrangement of “processing and assembling”
 - of which:
 - around 20% were processing fee;
 - around 70% were raw materials / semi-manufactures procured by Hong Kong traders and exported from / through Hong Kong;
 - around 10% were raw materials / semi-manufactures procured by Hong Kong traders without going through Hong Kong;
 - around 2-3% were raw materials / semi-manufactures procured by Mainland processing factories



Implementation of the New Standards

Merchanting

- A *Supplementary Survey on Offshore Trade* was conducted on a trial basis for 2007 and 2008 to assess the feasibility of collecting data of quarterly breakdown and the additional reporting burden
- Based on results of the supplementary survey, a new *Quarterly Survey of Merchanting and Other Trading Activities* (QSMTA) has been launched since Q1 2010
- The QSMTA is timely enough to support the dissemination of GDP and BoP statistics under the new standards, data models are not necessary
- Preliminary statistics from the QSMTA are being compiled for analysis



Implementation of the New Standards

- The new international standards have a profound impact on Hong Kong's trade in goods and services statistics
- preliminary study
 - the balance of trade in goods would be revised from a persistent deficit to a persistent surplus
 - the balance of trade in services would be revised from a persistent surplus to a persistent deficit



Way Forward

Dissemination plan:

- conventional merchandise trade statistics will continue to be compiled
- a supplementary set of trade in goods and trade in services statistics based on the “change of ownership” principle under the *BPM6* will be compiled starting from 2012 for the reference period 2011



Way Forward

Educational and publicity work:

- provide bridge tables explaining the gaps between the two sets of figures
- publish educational leaflets with illustrative applications for two sets of trade in goods figures
- engage different target groups of stakeholders (e.g. media, academia, economic analysts, teachers of secondary schools)



Thank You

