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Estimates of Gross Domestic Product 1966~71



ESTIMATES
OF
GROSS DOMESTIC PRODUCT

CENSUS AND STATISTICS DEPARTMENT

HONG KONG

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CONTENTS

	<i>Page</i>
INTRODUCTION	1
THE MAIN ESTIMATES, 1966–1971	1
 METHODS AND SOURCES:	
Private consumption expenditure	3
Government consumption expenditure	8
Gross domestic capital formation	9
Imports and exports of goods and services	10
LIMITATIONS OF THE ESTIMATES	11
 TABLES:	
Table 1—Total Expenditure on Gross Domestic Product and on the main components 1966–1970 .	16
Table 2—Per Capita Expenditure on Gross Domestic Product and on the main components 1966–1970	17
Table 3—Composition of Private Consumption Expenditure and its Percentage Distribution, 1966–1970	18
Table 4—Private Consumption Expenditure in the domestic market by Commodity/Service Groups and Sections, 1966–1970	19
Table 5—Government Consumption Expenditure, 1966–1970	22
Table 6—Total Government Expenditure by Functional Classification, 1965/66–1970/71	23
Table 7—Total Government Expenditure by Economic Classification, 1965/66–1970/71	24
Table 8—Gross Domestic Fixed Capital Formation by Product Classification, 1966–1970	25
Table 9—Gross Domestic Fixed Capital Formation by Public and Private Sectors, 1966–1970	26
Table 10—Composition of Imports and Exports of Goods and Services, 1966–1970	27
APPENDIX National income estimation: A report by Mr. H. A. FELL on estimates for 1970 and 1971 made using the “income approach”	29

INTRODUCTION

The object of this introduction is to set these preliminary estimates of the gross domestic product in an appropriate context.

2. In November 1971 the Executive Council approved a long term programme for the collection of economic statistics starting with a Census of Industrial Production in the manufacturing sector. They also approved the setting up of a small National Income section in the Census and Statistics Department.

3. Reliable national income accounts cannot, however, be produced without an adequate set of economic statistics. In Hong Kong economic statistics are not yet well developed but, since some estimates of gross domestic product were required within a relatively short period, preliminary estimates derived from expenditure were made by the Census and Statistics Department. Only information that was readily available was used and no special surveys were conducted. These estimates cover the period from 1966 to 1970 and it is intended in due course to take the series back to 1961.

4. The Department is aware of the deficiencies resulting from the many assumptions and informed guesses that have had to be made. In the Appendix is a report on estimates for 1970 and 1971 made from the income side which was specifically requested by the government as a check on the order of magnitude of the expenditure estimates made by the Census and Statistics Department; and it will be seen from the report that the estimates derived using the two approaches are well within the margin of difference thought to be acceptable.

5. The present estimates mark the end of a phase in the Department's work in the National Income field. They cannot be much further improved unless surveys are undertaken in both the public and private sectors to check on figures and ratios that have now been estimated in one way or another. Surveys are also needed to provide information in areas where it is not available at present and where it cannot be estimated.

6. The next step towards the improvement of the expenditure estimates must be the carrying out of surveys and enquiries. Of these the most difficult area to be covered is likely to be the estimation of the value of imports and exports of "services". In addition, the estimates now given at market prices will need to be put in real or constant price terms. This will provide a measure of the real growth of the economy as opposed to growth measured in purely monetary terms.

7. Work on estimates from the production side is also being undertaken. A start is being made with the Census of Manufacturing production to be taken in respect of 1973 and which will be the first in a series of such surveys and censuses designed to cover the whole economy.

THE MAIN ESTIMATES, 1966-1971

8. In the following paragraphs, reference is made to estimates for the year 1971 as well as to those for the years 1966 to 1970; but it should be noted that the figures for 1971 are *provisional* in the sense that all the information on which the 1966-1970 estimates were based is not yet available for 1971. The more detailed figures in Tables 1 to 10 relate to the years 1966 to 1970 only.

The gross domestic product

9. Estimates of the total and the per capita expenditure on gross domestic product at market prices for 1966 to 1971, together with annual rates of growth, are given below. Over this six-year period the total gross domestic product increased at an average rate of 13 per cent per annum, but this average conceals a slowing down in growth in 1968, its rapid recovery in 1969 and 1970, and a further slowing down in 1971.

	1966	1967	1968	1969	1970	1971
Total G.D.P. (at market prices)						
Amount (HK\$ Mn.)	10,890.4	12,066.6	12,769.0	15,000.5	17,884.1	19,597.1
Annual growth (%)	—	10.8	5.8	17.5	19.2	9.6
Per Capita G.D.P. (at market prices)						
Amount (HK\$)	3,000	3,241	3,358	3,882	4,517	4,844
Annual growth (%)	—	8.0	3.6	15.6	16.4	7.2

10. In 1967, despite the disturbances which seemed likely to adversely affect the economy of Hong Kong, the gross domestic product increased by 10.8 per cent to \$12,066.6 million compared with \$10,890.4 million in 1966—itself a year of recovery from the banking crisis of 1965.

11. The main effect of the 1967 disturbances on the economy was felt in 1968 when the total gross domestic product rose by only HK\$702.4 million to HK\$12,769.0 million, or by only 5.8 per cent over the 1967 level. In 1969, the economy appeared to have regained its momentum and a jump of HK\$2,231.5 million to HK\$15,000.5 million, or 17.5 per cent, was recorded in the total gross domestic product. In 1970, a year of a larger than normal increase in the level of retail prices, the G.D.P. was estimated at HK\$17,884.1 million, giving a rise of HK\$2,883.6 million or 19.2 per cent over the 1969 figure. The decline in the percentage rate of growth in 1971 was mainly the result of the large excess of imports over exports of goods and services in that year, and to the fact that prices rose less sharply in 1971 than in 1970.

Indexes of total expenditure on the gross domestic product

12. Total expenditure on gross domestic product, together with that for its main components, are shown below converted into indexes with 1966 as the base year:—

INDEXES OF TOTAL EXPENDITURE ON GROSS DOMESTIC PRODUCT AND ITS MAIN COMPONENTS
(1966=100)

	1966	1967	1968	1969	1970	1971
1. Private consumption expenditure	100	105	117	129	148	166
2. Government consumption expenditure	100	111	120	131	153	168
3. Gross domestic fixed capital formation	100	87	74	95	131	169
4. Exports less imports of goods and services	100	36	36	4	4	74
Total expenditure on gross domestic product...	100	111	117	138	164	180

These figures reveal that, in a span of six years, the total expenditure on gross domestic product at market prices increased by 80 per cent. Expenditure on capital formation in 1967, 1968 and 1969 was, however, below the 1966 level. The value in 1966 of the net balance of exports and imports of goods and services was a large negative one, and the index shows movement towards a closing of that gap until the re-emergence of the large deficit in 1971.

13. Tables 1 and 2 give respectively the total and the per capita expenditure on the gross domestic product and its main components.

Consumption expenditure

14. Expenditure on consumption in the private sector, amounting to 81.4 per cent of the gross domestic product at market prices in 1966, grew at a slower rate than that of the gross domestic product itself; by 1971 its share had fallen to 75.1 per cent. Table 3 shows private consumption expenditure by commodity/service sections and its percentage distribution; it was estimated at HK\$8,869.0 million in 1966 and at HK\$9,344.3 million in 1967, representing an increase of 5.4 per cent. It moved up further by 10.7 per cent to HK\$10,348.3 million in 1968 and by 10.4 per cent to HK\$11,422.9 million in 1969. In 1970, as a result of price increases in food and other consumer goods and services, it rose more quickly by 14.7 per cent to reach a level of HK\$13,104.6 million. In 1971, consumption expenditure was provisionally estimated at HK\$14,723.2 million, an increase of 12.4 per cent on the figure for 1970. Private consumption expenditure at commodity/service group levels is given in Table 4.

15. Government consumption expenditure over this period represented about 6 to 7 per cent of the gross domestic product at market prices, the most important constituent of this being the compensation of employees. With the exception of 1970, consumption expenditure of the government for all the years under review went up at an annual rate of between 8 and 10 per cent. A higher rate of increase of 16.8 per cent was recorded in 1970, due principally to higher purchases of goods and other services in that year. Table 5 shows government consumption expenditure, as estimated for the purposes of the gross domestic product, broken down into its main constituents and shown on a calendar year basis. Tables 6 and 7, respectively, give total government expenditure by functional and economic classifications on a financial year basis.

Gross domestic fixed capital formation

16. Hong Kong's gross domestic fixed capital formation by product classification for 1966 to 1970 is shown in Table 8. In 1966, HK\$2,810.2 million was spent on capital formation in fixed assets, accounting for more than one quarter of the total expenditure on gross domestic product at market prices. Expenditure fell, however, to HK\$2,448.8 million in 1967 and to HK\$2,073.2 million in 1968, a decrease of 12.9 per cent and 15.3 per cent respectively as compared with the preceding year. This decline in investment in fixed assets was doubtless brought about by the difficult economic and political situation prevailing in those years. The drastic fall in building and construction investment in both the private and government sectors was the main factor directly causing the decline

in overall capital formation. Heavier investment in building and construction, and plant, machinery and equipment, was recorded in 1969 reflecting renewed confidence. In 1969 overall capital formation in fixed assets amounted to HK\$2,658.5 million, an increase of 28.2 per cent over the 1968 figure—but it was still below the 1966 level. The 1970 estimate of HK\$3,688.2 million showed a rise of 38.7 per cent over the previous year whilst the provisional estimate of HK\$4,749.9 million for 1971 represented a rise of 28.7 per cent over 1970. Expenditure on fixed capital formation in the private and public sectors is shown in Table 9.

Exports less imports of goods and services

17. Throughout the period, total imports of goods and services were estimated to exceed total exports of goods and services; the difference between them narrowed over the period 1966–1970, but widened again between 1970 and 1971. In 1966, total imports of goods and services were estimated to have exceeded total exports by HK\$1,538.0 million; in 1970, the difference was as low as HK\$58.7 million, but by 1971 it had risen again to HK\$1,131.6 million. The composition of imports and exports of goods and services is given in Table 10.

METHODS AND SOURCES

18. In this section an account is given of the sources and methods used in deriving the estimates for private consumption expenditure, government consumption expenditure, gross domestic capital formation, and imports and exports of goods and services.

Private consumption expenditure

19. Private consumption expenditure refers to the value of final expenditure by households and private non-profit making institutions on goods and services.

20. In general, the commodity flow method was the one mainly used. Trade statistics of retained imports were backed up and complemented by data from the Household Expenditure Survey, from the 1971 Census of Manufacturing Establishments, from administrative statistics and many other sources including informed guesses.

21. A household expenditure survey is usually a very good source since data derived from it can be analyzed in great detail by types of commodities and by types of households. Unfortunately, the monthly Household Expenditure Survey conducted at present in Hong Kong is specifically devised to check on the weights for the Consumer Price Index, which covers only those urban households spending between HK\$100 and HK\$2,000 a month. Such an expenditure bracket was fixed during 1963/64 and was intended to cover the majority of urban households, but the rapid rise in the standard of living of the people during subsequent years has probably reduced its coverage. Therefore, the household expenditure survey data are deficient in that higher income classes are not included nor are non-urban households. Moreover, the small sample size of 60 households a month is bound to generate a wide margin of sampling error especially at the detailed level.

22. The use of the commodity flow method in the present exercise was principally dictated by the fact that a large proportion of the commodities included in private consumption expenditure was imported and adequate and detailed trade statistics were available. Commodities produced domestically for local consumption were mainly foodstuffs whose annual output, both in value and in quantity terms, was regularly made known by the Agriculture and Fisheries Department and other government departments concerned. For other domestically-produced consumer goods, some benchmark estimates were derived for 1970 from the results of the Census of Manufacturing Establishments conducted in 1971. Figures for the preceding years were based on these benchmark estimates projected backward by changes in population, consumer prices and the relative importance of the commodity in consumers' expenditure.

23. By the commodity flow method, consumers' expenditure on any particular commodity was taken to be the retail value of that part of retained imports together with that part of domestically-produced commodities which were for private consumption. Imported and domestically-produced commodities were usually recorded in importers' and wholesalers' values respectively, and were then valued at retail level by adding transport expenses and distributors' profit margin. Distributors' margins varied considerably and, in general, a flat 30 per cent of the retained import value was added to imported goods and half that percentage added to domestically-produced goods. Estimates made from the Census of Manufacturing Establishments where information was at manufacturers' prices, were also grossed up by 30 per cent.

24. All the consumer goods and services were classified into twelve sections, each of which was sub-divided into an uneven number of groups, making a total of 81 groups. The sources and methods for estimating consumers' expenditure on each group are described below.

Food

25. This section comprised all food and non-alcoholic beverages bought by persons. Food used by farmers and fishermen for their own consumption, estimated by the Agriculture and Fisheries Department, was treated as household purchases. That consumed in catering establishments was also included but valued at retail market prices, not at the prices paid by customers.

26. *Bread and cereals: Rice, other cereals and cereal preparations, bread, cakes and biscuits.* Rice is the staple food of the people and supply mainly depends on imports. A small proportion, less than 5 per cent of the total supply in value terms, of rice consumed is grown in the New Territories. The estimate of expenditure on the locally-produced rice was obtained from the annual reports of the Agriculture and Fisheries Department. The estimate of expenditure on imported rice was based on offtakes figures released by the Commerce and Industry Department since imports and stocks of rice are controlled by that Department. Estimates of expenditure on other cereals and cereal preparations, bread, cakes and biscuits were calculated from the value of imports, and local production which was estimated from the Census of Manufacturing Establishments.

27. *Meat and poultry: Pork, beef, other meat and poultry.* Most of the swine and beef cattle slaughtered for meat were imported. The value of the locally-produced pork and beef was obtained from the annual reports of the Agriculture and Fisheries Department, while the estimate of expenditure on imports was from the trade statistics. Expenditure on mutton, offal, bacon, ham, canned meat, sausages etc., of which local production was negligible, was also estimated from import values. Expenditure on locally-bred poultry was estimated by multiplying the number of birds produced by their average retail prices. The yearly production of poultry was given in the Agriculture and Fisheries Department's annual reports.

28. *Fish and sea products: Salt water, fresh water and other fish; fresh and preserved sea products.* Approximately 95 per cent of the salt water fish consumed was caught by the local fishing fleet, while local production of fresh water fish was unimportant in relation to imports. Estimates of expenditure on local production of fish, including other fish (mainly salted fish) and sea products, were based on the Agriculture and Fisheries Department's annual publication entitled "Fish and Fishery Products". The trade statistics were the source from which expenditure on imported fish and sea products was estimated.

29. *Milk and eggs: Fresh, condensed and dried milk, fresh eggs in shell and preserved eggs.* Estimates for local fresh milk were obtained from the annual reports of the Agriculture and Fisheries Department. Of the fresh eggs in shell consumed, only a negligible proportion was locally-produced. The local eggs, because of their freshness, were often used for hatching purposes. Consumers' expenditure on local fresh eggs was obtained from the Agriculture and Fisheries Department. Imports were derived from trade statistics.

30. *Oils and fats: Peanut oil, lard, butter, margarine and other edible fats.* The several local oil manufacturing establishments supplied a considerable proportion of the peanut oil consumed in Hong Kong. But the locally-manufactured peanut oil was mainly processed from imported oil and information was not available as to the value added by the local establishments in the course of processing the imported oil. Expenditure on peanut oil had to be based on data from the Household Expenditure Survey. The estimate of expenditure on butter, margarine and other edible fats was derived from the trade statistics.

31. *Vegetables and fruit: Fresh and preserved vegetables and fruit, beans and peas.* Vegetable farmers in the New Territories are capable of providing half of the fresh vegetables consumed in Hong Kong. The expenditure on locally-grown fresh vegetables was estimated on the basis of the quantity figures supplied by the Agriculture and Fisheries Department. The quantity figures were valued at wholesale price by applying the average annual price of local fresh vegetables sold through the Vegetable Marketing Organization, and a percentage mark-up obtained from the trade was added on to put it at retail level. The value of imports of fresh vegetables was calculated in a similar manner. The estimated expenditure on fresh fruit of local production was also made from the Agriculture and Fisheries Department's annual reports. Adjustments were made both in the vegetable and fruit estimates to allow for a part being used up in the local production of preserved vegetables and fruit. The adjustment was determined in the light of the results of the Census of Manufacturing Establishments. Expenditure on preserved vegetables and fruit, peas and beans was obtained from trade statistics and the Census of Manufacturing Establishments.

32. *Sugar and confectionery: Sugar, syrup, glucose, sugar confectionery and other sugar preparations.* Local production of both sugar and confectionery was estimated from the Census of Manufacturing Establishments. Imports were obtained from trade statistics. A percentage deduction was made for sugar for industrial use.

33. *Non-alcoholic beverages: Table waters, tea, coffee, fruit juices, ice cream, malted milk mixture, meat extracts and other soft drinks.* Table waters mainly consisting of aerated waters are dutiable commodities. The value of locally-produced table waters was based on the duty-paid quantity figures supplied by the Commerce and Industry Department. (A benchmark estimate of expenditure on Vitasoy, a duty-free beverage manufactured locally, was made for 1967 from information supplied by the establishment concerned and consumption figures for other years were projected, assuming the consumption growth pattern of Vitasoy and all other table waters was the same for all the years.) The value of imports of these items was taken from the trade statistics.

34. *Other foods: Sauces, canned foods, infant foods and other manufactured foods.* Local production was estimated from the Census of Manufacturing Establishments. Imports were derived from trade statistics.

Alcoholic beverages

35. This covers beer and liquors. Since alcoholic beverages are dutiable commodities, expenditure on both locally-brewed and imported beer and liquors were based on the duty-paid quantity statistics supplied by the Commerce and Industry Department. The local production value was taken to be the product of duty-paid quantities and their average retail prices. Estimates of imports were derived on the basis of the duty-paid quantities plus duties payable and a fixed mark-up.

Tobacco

36. As tobacco is also dutiable, duty-paid quantity data was available from the Commerce and Industry Department. Consumers' expenditure on both the locally-manufactured and imported cigarettes, cigars and cut tobacco were estimated from duty-paid quantities, which were valued at retail prices by applying the average retail prices of one or more popular brands of each category.

Clothing and other personal effects

37. *Clothing: all kinds of ready-made clothing other than footwear, clothing materials and tailoring charges.* Local production estimated from the Census of Manufacturing Establishments and the value of imports constituted the basis of the estimate of expenditure on ready-made clothing. Tailoring charges and the amount of materials purchased by consumers for clothing were substantial, but for lack of information, expenditure on them had to be based on the Household Expenditure Survey.

38. *Footwear.* The Census of Manufacturing Establishments and trade statistics were the sources from which consumers' expenditure on footwear was calculated.

39. *Other personal effects: Watches, cameras, optical goods, travel and sport goods, stationery, jewellery and other personal effects.* Local production of these items was insignificant compared with imports. Consumers' expenditure was based on the Census of Manufacturing Establishments and trade statistics. The genuine jewellery exported from Hong Kong was made chiefly from imported materials, and both exports and re-exports of genuine jewellery were deducted from imports to arrive at a retained import value.

Rent, rates, water and housing maintenance charges

40. *Rent and rates.* Expenditure on rent and rates was made up of:—

- (i) The rent of Hong Kong Island, Kowloon and New Kowloon residential buildings, except resettlement estates, was estimated from the rateable values of these buildings obtained from the Rating and Valuation Department. Rateable value is defined as the annual letting value of a tenement and is estimated on the assumption that the tenant pays the rates while the landlord pays the Crown rent and other incidental expenses. The rateable value statistics compiled by the Rating and Valuation Department, however, included together both non-residential and residential buildings and this total value had to be broken down. This was achieved by applying the ratio of the cost of new non-government buildings of these two types completed during the last twenty years to the total rateable value figure of the Rating and Valuation Department. Expenditure on rates was based on government collection of rates which also included non-residential buildings; this was broken down in the same manner as the rateable value.
- (ii) The rent and rates estimate of residential buildings, except resettlement estates, in the New Territories which were only partially covered by Rating and Valuation Department was taken to be 13 per cent of the estimated rent and rates of the residential buildings in Hong Kong Island, Kowloon and New Kowloon. This was derived from rental particulars collected during the 1971 Population and Housing Census.

- (iii) The rent and rates of resettlement estates were obtained from the annual reports of the Accountant General. Although resettlement estates in Hong Kong house nearly one quarter of the population, they generate less than 5 per cent of the calculated total rent and rates.

41. *Water.* Consumers' expenditure was calculated on the basis of the quantities consumed multiplied by the rates charged. The consumption data were supplied by the Waterworks Office of the Public Works Department.

42. *Insurance and other housing charges.* Insurance mainly covers insurance against fire. Available insurance statistics are very limited and the Household Expenditure Survey was the only source from which an estimate could be made without a special survey. Other housing charges comprised scavenging fees, maintenance costs, multi-storey building maintenance subscriptions and watchmen's fees, etc. and the estimate for these was also based on the Household Expenditure Survey.

Fuel and light

43. This covered kerosene, liquefied petroleum gas, coal gas, electricity, firewood and other fuel (e.g. charcoal, candles, matches etc.) There was no local production of kerosene and liquefied petroleum gas. Consumers' expenditure on them was derived on the basis of the duty-paid quantities released from bond, which were valued at retail prices by applying the relevant average retail prices. The value of coal gas for domestic consumption was obtained from the annual reports of the Hong Kong and China Gas Co., Ltd. Since the production statistics of electricity were not broken down by users until 1970, the quantities for domestic consumption for the years before 1970 were obtained by assuming the distribution pattern for these years to be the same as 1970. Consumers' expenditure on electricity was taken to be the sum of products of the estimated quantities distributed to domestic users by each company and its average charging price. Firewood, gradually losing its importance as a fuel, was estimated from trade statistics. Local production statistics of firewood were not available and no estimate has been made. The estimate of expenditure on other fuel, with charcoal being the major item, was made from the Census of Manufacturing Establishments and the trade statistics. Since charcoal was mainly for industrial use, only an arbitrary percentage of it was taken into the calculation.

Furniture, furnishings and household equipment

44. This covered furniture, soft furnishings, glass, crockery, earthenware, hardware, iron-mongery, cutlery, radio sets, television receivers, sewing machines and other consumer durables. The Census of Manufacturing Establishments and trade statistics again were the sources from which consumers' expenditure on these items was obtained.

Household operation

45. This comprised domestic servants, cleaning services and non-durable household goods. Information regarding the number of persons engaged in domestic service was limited and the 1971 Population and Housing Census did not provide an estimate. It was assumed that two-thirds of the households with a monthly income of HK\$2,000 and above would employ an average of one domestic servant. Expenditure on domestic servants was calculated by multiplying together the estimated number of domestic servants and their average wages. Expenditure on cleaning services was calculated by assuming arbitrarily that one quarter of such households would clean windows and polish floors once a month and the average monthly charges was obtained from the records of the Consumer Price Index Section. The household by income data were taken from the 1966 and 1971 Population Censuses and data for the intervening years were obtained by interpolation. Estimates of expenditure on the other non-durable household goods were made from the Household Expenditure Survey data.

Personal care and health expenses

46. *Personal care: Soaps, detergents and toilet requisites, laundry and dry cleaning, hairdressing and shoe repairing.* Expenditure on soaps, detergents and toilet requisites was obtained by applying a fixed mark-up to the value of imports, and the estimate of local production was made from the Census of Manufacturing Establishments. The shoe repairing, laundry and dry cleaning estimates were based on the Household Expenditure Survey. An estimate of expenditure on hairdressing was made for 1970 from information supplied by a barbers' association. Expenditure for the preceding years was based on the benchmark estimate projected backwards taking into account changes in the population and the rates of charges.

47. *Health expenses: Medicines, drugs and medical treatment.* The value of imports and an estimate of local production obtained from the Census of Manufacturing Establishments formed the basis for calculating

expenditure on medicines. Drugs refer to narcotics mainly purchased by drug-addicts. Their expenditure was calculated by multiplying together the estimated number of drug-addicts and their estimated average daily expenditure on drugs. The numbers of drug-addicts in 1966 and 1970 were available from the "Report by the Action Committee Against Narcotics" and the Police Department respectively and figures for intervening years were obtained by interpolation. Their average daily expenditure was based on the annual surveys of the Prison Department ("Drug Addiction Research Programme" by the Prison Department). Medical treatment covers payments for the consultation of physicians, dentists and midwives, expenditures in all hospitals, X-ray clinics and medical laboratories, etc. Information of this kind was limited and the Household Expenditure Survey formed the basis of the estimates of expenditure.

Transportation and Communication

48. *Purchase of motor cars, cycles and other vehicles and maintenance of motor vehicles.* Expenditure on new motor cars and cycles was based on the number of newly registered private motor cars and cycles, while that on other vehicles was based on import values. Allowances were made for motor vehicles not for private use, and for personal exports of used motor vehicles which were included in the trade statistics. Due to lack of information, local transactions in used motor vehicles were not taken into account, but the net expenditure accountable in the private consumption account would not be significant because most of the transactions of used motor vehicles took place within the private sector. Maintenance expenditure on motor vehicles was derived by multiplying the number of registered private motor cars and motor cycles by their estimated annual maintenance fees; account was also taken of motor vehicles not for private use.

49. *Petrol and Oil.* The duty-paid quantity statistics of motor spirit supplied by the Commerce and Industry Department and its average retail price obtained from the Consumer Price Index Section formed the basis of the estimate of expenditure on petrol and oils. Additions were made for consumption by private vehicles of diesel oil and lubricating oil.

50. *Motor licences and insurance.* The types of motor licences required in Hong Kong are vehicle licence, driving licence, provisional driving licence and driving test form. Expenditure on vehicle licences was based on the estimated number of private motor cars and cycles and their respective average annual licence fees, while that on driving licences, provisional driving licences, and driving test forms were based on the numbers of such licences or forms issued during the year and their respective prescribed fees. For vehicle insurance, expenditure on third party insurance was taken to be the product of the estimated number of private vehicles and their respective average insurance charges with an arbitrary percentage deducted as claims received by the insured; comprehensive insurance is not compulsory for every car owner in Hong Kong, and consumer expenditure was based on the assumption that only an estimated percentage of the private vehicle owners would purchase comprehensive insurance. An adjustment for claims was also made as in the case of third party insurance.

51. *Parking and driving instructors fees, railway, bus, tram and ferry fares.* Collections of parking fees by the government formed the basis of the estimate of expenditure on parking. A mark-up was added to allow for expenditure on non-government owned car parks. The estimate of driving instructors' fees was obtained on the basis of the number of new driving licences issued and the estimated average driving instructors' fees for each person. Expenditure on railway, bus, tram and ferry fares was derived from passenger receipts statistics supplied by the Transport Department.

52. *Other transportation.* Taxis and mini-buses were the most important in this group. Expenditure on taxis was based on the number of taxis and the estimated average monthly revenue of each taxi. The monthly revenue estimates for 1968 and 1970 were obtained from the Transport Department, while figures for other years were estimated. The 14-seater vans were legalized in 1969 and were given the present name—mini-bus. The estimate was derived by multiplying together the number of mini-buses, the estimated number of passenger trips and the average charge per trip. Other items included in this group were peak tram (based on the number of passenger trips), Lion Rock Tunnel (based on revenues collected by government). Macao ferries and hydrofoils (based on the number of passenger trips), Pak pai (unregistered taxis) and other miscellaneous modes of transport (based on the Household Expenditure Survey).

53. *Communication.* This included postage, telephone and telegram charges. Consumers' expenditure was based on the Household Expenditure Survey.

Recreation and entertainment

54. *Newspapers, periodicals, books, television licences and set rentals, hotel and other recreational expenses, cinema charges, betting and other recreational goods.* The value of imports together with estimates of local production constituted the basis of expenditure on newspapers, periodicals and books. Local production of newspapers was derived from the estimated daily circulation of each paper, while that of periodicals and books was drawn from the Census of Manufacturing Establishments. Expenditure on television licences and set rentals was calculated on the basis of the number of television licences issued by the Post Office and the number of television set, programme and audio subscribers of Rediffusion. For tax purposes the Inland Revenue Department keeps records of the number of hotel rooms by grades, their average charges and the occupancy rates. Hotel expenditure was, therefore, calculated from these data. "Other recreational expenses" included all expenses incurred in holiday-making. Expenditure on this by local residents was mainly estimated from the Household Expenditure Survey while that by tourists was from information supplied by the Hong Kong Tourist Association. Estimates of expenditure on cinema and betting were obtained from cinema tax data and betting statistics respectively of the Inland Revenue Department. Other recreational goods cover all such goods not included elsewhere. The values of imports and local production were combined to give an estimate. The local production figure was based on the Census of Manufacturing Establishments.

Miscellaneous services

55. *Education and research. Education fees and related expenditure, e.g. examination fees, private tuition fees, etc.* Statistics of collections of school fees and other school extras were available from the Education Department. This information was supplemented by results of the Household Expenditure Survey.

56. *Financial and other services. Life insurance, service charges in restaurants, cafes, etc. and other services.* Expenditure on the first two items was drawn from the Household Expenditure Survey with adjustment for claims received by the insured in the case of life insurance. Funeral expenditure, and wages and salaries paid by private non-profit making bodies were the most important in "other services". The former was calculated by applying the number of registered deaths and the estimated expenditure of each case. The latter was arbitrarily taken to be a percentage of the total of government subventions and grants from the Lottery Funds given to the private non-profit-making bodies. The rest was mainly obtained from the Household Expenditure Survey.

Expenditure by non-residents in Hong Kong and of residents abroad

57. Expenditure by non-residents in the domestic market was quite substantial, amounting to more than 10 per cent of total private consumption expenditure. Expenditure by the following five categories of non-residents was included in the calculation: ordinary tourists; U.S. military personnel and servicemen on rest and recreation; U.K. troops stationed in Hong Kong; Consuls and trade commissioners, including their dependents and non-local staff; and ships' crews calling at Hong Kong.

58. Included in the expenditure of residents abroad was that of students studying abroad and tourist expenditure of residents. Sources and methods for estimating these expenditures are given under the heading of imports and exports of goods and services.

Government consumption expenditure

59. General government consumption expenditure, for the purposes of calculating the gross domestic product, relates to current expenditure on goods and services by government departments which were not engaged in trading activities. This expenditure is shown in Table 5.

60. Government trading departments are distinguished from other government departments because they resemble business enterprises engaged in the production of goods and services, principally for sale to the public. The criteria for distinguishing the trading activities of the government from its other activities were: (i) that the activity consisted in the production of goods and services of a kind which might be conducted by a private business, and (ii) that sales, either to the public or to other government departments, accounted for the major part of their activities.

61. The departments or sections of departments which were taken as being engaged in trading activities were: Kowloon-Canton Railway; Post Office; Resettlement Department; Sand collection section of the Government Supplies Department; Housing Division of the Urban Services Department; Sections of the Public Works Department: Waterworks Office, Quarries operation section, Section dealing with works executed on private account. The above-listed departments or sections of departments called for the same treatment as private business enterprises, and expenditure on their goods and services would be included in the estimates of private consumption expenditure.

62. By convention, government consumption expenditure was classified into the following two categories:—

- (i) Compensation of employees, comprising wages and salaries and pensions.
- (ii) Purchases of goods and other services. This included operating costs of government schools, hospitals, police forces and social services; maintenance expenses of buildings and works; and expenditures on construction works, machinery, plant and equipment for military purpose. From this total it was necessary to deduct the value of sales of goods and services to households and enterprises by these non-trading departments.

63. Government consumption expenditure data were obtained from the Annual Reports of the Accountant General which gave the actual expenditure of each department by financial years ending 31st March. The data were put on to a calendar year basis by assuming that expenditure by all departments was evenly spread out throughout the whole financial year.

64. Additionally, Tables 6 and 7 provide further analyses of total government expenditure for the financial years from 1965/66 to 1970/71. Table 6 is an analysis by functional classification and Table 7 is an analysis by economic classification.

Gross domestic capital formation

65. Gross domestic capital formation consists of expenditure on fixed capital formation and the net increase in the value of stocks and work-in-progress. Table 8 shows expenditure on gross domestic fixed capital formation analysed by product classification, while Table 9 gives an analysis by the private and the public sector.

Fixed capital formation

66. Gross domestic fixed capital formation was defined as the gross value of investment in land, buildings and construction, plant, machinery and equipment. For the same reasons as given in the case of estimating private consumption expenditure, the commodity flow approach was generally used. An account of the sources and methods for calculating each of the component items of fixed assets is given below.

67. *Land.* Land was regarded as a second hand asset. Expenditure on land was defined as the net expenditure incurred in connection with the transfer of ownership of land and of the existing buildings and was calculated on the basis of stamp duty collected by the government.

68. *Building and construction.* This category was sub-divided into residential buildings, non-residential buildings, and other construction and works. Private sector investment in new buildings and construction in Hong Kong Island, Kowloon and New Kowloon was based on the Rating and Valuation Department's monthly returns of the value of newly completed buildings and construction to which an adjustment was made for the time lag between the time of completion of the buildings and construction and the time of their appearance in the returns. That in respect of the New Territories was extracted from the monthly statistical reports of the Building Ordinance Office of the Public Works Department and a similar adjustment was made for the difference in time of completion and publication of the data. A flat 30 per cent mark-up was then added to the residential and non-residential figures to account for such expenses as legal fees, stamp duties, major alteration and improvement, etc. Investment in this category in the government sector was obtained from an analysis of the Annual Reports of the Accountant General.

69. In the analysis of government expenditure, expenditure on major improvements to buildings and construction was distinguished from that on minor repairs or maintenance. The former was treated as a part of investment in buildings and construction, whereas the latter was regarded as current expenditure.

70. *Plant, machinery and equipment.* Investment in plant, machinery and equipment was mainly based on the value of retained imports of capital goods. From the Hong Kong Imports and Exports Classification List were selected those items which it was thought should be classified as capital goods. The values of the

retained imports of these items were then taken wholly or in part, and a flat 30 per cent was added to this value to allow for dealers' profits, transport and assembly charges, installation and other expenses. Although Hong Kong depended heavily on imports for the supply of capital goods, domestically manufactured capital goods had also to be taken into account but no direct information was available. An estimate of domestically manufactured plant, machinery and equipment locally purchased was calculated for 1970 from the results of the Census of Manufacturing Establishments. This benchmark estimate was projected backward on the basis of the number of employees engaged in the related establishments to provide estimates for the preceding years. The public sector investment in plant, machinery and equipment was based on data published in the Annual Reports of the Accountant General, while private investment was taken to be the overall value, both imported and domestically produced, less the public sector figure.

71. Expenditure on capital goods for military purposes was generally taken as consumption expenditure. But expenditure on residential buildings was regarded as capital formation on the grounds that they would be useable for other purposes if no longer required for military use.

Stocks and work in progress

72. Information available relating to changes in stocks was negligible and a special and large survey would have been necessary to obtain such figures, which in most countries' estimates of national income are usually the least reliable. No estimate was made for this item. Similarly for work in progress except that by the method of estimation, work in progress in building and construction in the private sector was included in the years' estimates of investment in building and construction.

Imports and exports of goods and services

73. This comprised the value of goods and non-factor services purchased from and sold to the rest of the world, including consumption expenditures by residents abroad and by non-residents in Hong Kong. The various estimates are shown in Table 10 and the sources and methods are given below.

Exports of goods and services

74. *Merchandise.* This covered the recorded total values, on f.o.b. basis, of domestic exports and re-exports of goods, including transactions in non-monetary gold and current coins. Trade statistics were used without adjustment.

75. *Transportation, n.e.s.* Included in this estimate were expenditure on fuel oils and payment of port and airport charges in Hong Kong by foreign airline and shipping companies; other port and airport revenue received by the Hong Kong authorities concerned; and expenditure of foreign crews in Hong Kong. Expenditure on fuel oils was derived from quantity statistics of petroleum products released from bond for ship and aircraft stores, which were obtained from the monthly returns of the oil companies. Port and airport charges and other port and airport revenue were based on the Annual Reports of the Accountant General, while expenditure of foreign crews was estimated from the number of ocean-going vessels entering Hong Kong waters, the estimated number of crew carried by each vessel, and the estimated expenditure by each crew.

76. *Travel.* Expenditure in Hong Kong by foreign tourists and the U.S. military personnel were the major constituents. Surveys conducted by the Hong Kong Tourist Association provided the main source of data.

77. *Other.* This was composed of exports of other services of the government and other services not elsewhere stated. Included in the first item were expenditure by U.K. troops and their dependents stationed in Hong Kong and that of foreign consuls and trade commissioners, including their non-local staff and dependents. Both of these estimates were based on the number of such persons staying in Hong Kong obtained respectively from the 1971 Population and Housing Census and the Immigration Department. The Census, however, only provided an estimate of the number of the U.K. military personnel in Hong Kong, and the number of their dependents had to be assessed. Included in the second item was expenditure on postal services which was taken to be the amount recovered by the government from other countries in connection with the conveyance of mails and parcels.

Imports of goods and services

78. *Merchandise.* This covered the recorded total values, on c.i.f. basis, of imports of goods, including transactions in non-monetary gold and current coin. An adjustment was made for the water imported from China, which had not been included in the trade statistics, from which the total values of imports were derived.

79. *Transportation n.e.s.* Expenditure by residents on passenger fares was the only item included in the estimate. Based on the number of residents returning from overseas travel, their port of embarkation, and the estimated passenger fare, an estimate of expenditure on passenger fares was made for 1970. Figures for the previous years were estimated on the assumption that the annual growth rate before 1970 was 5 per cent and that for 1970 was 10 per cent.

80. *Travel.* Included in this estimate were the expenditure of Hong Kong students abroad and tourist expenditure of residents. The former was estimated on the basis of the number of students leaving Hong Kong for study in the U.K., U.S.A., Canada and Australia during the past three years and their estimated annual expenditure per person. The number of residents returning from Macao, China and other countries constituted the basis of the estimate of tourist expenditure of residents. The number of residents returning from overseas travel other than Macao and China was available from the Hong Kong Tourist Association for 1970 only. Figures for other years were estimated by assuming that the annual growth rate before 1970 was 5 per cent and that for 1970 was 10 per cent.

81. *Other.* This was divided into other services of the government and other services not elsewhere stated. The first mainly comprised expenditure abroad of overseas offices and miscellaneous expenditure abroad of the government. An estimate of expenditure abroad of overseas offices was obtained from the Annual Reports of the Accountant General. The annual defence contribution to the U.K. was classified as miscellaneous expenditure abroad of the government. Payments by the government for postal services rendered to Hong Kong by other countries were included in the second item. The amount of such payments was calculated from the Annual Reports of the Accountant General.

LIMITATIONS OF THE ESTIMATES

82. The present estimates are based on available statistics only and no special surveys have been undertaken. Since economic statistics are not well developed in Hong Kong this has meant that many rough estimates and even guesses have had to be made. A general assessment of the limitations and reliability of the estimates is given in this section.

83. The commodity flow approach was the main one employed in making estimates of private consumption expenditure and expenditure on capital formation. Such an approach ideally requires a system of comprehensive commodity statistics showing the flow of each commodity through the economy to final user, but such a system has not been developed in Hong Kong. Imports play an important role in the supply of many commodities in Hong Kong, but the value of retained imports i.e. in the general trade system of Hong Kong, imports less re-exports, of each commodity is an understatement of expenditure since the values of re-exports in addition to the import value also include importers' profit and other transport storage expenses. No adjustment has been made to the retained import figures because the extent of the under-estimation was not established.

84. In order to put the retained imports at market prices a flat 30 per cent was added to allow for distributors' margins. Similarly a flat 30 per cent was added to estimates of the value of locally produced commodities derived from the Census of Manufacturing Establishments, while 15 per cent was added to the value of locally produced commodities estimated from other sources. These percentages were arbitrary and possibly conservative. Surveys will give more reliable estimates when they are conducted.

85. There was no information on stocks or work in progress at the end of each accounting period and, in respect of both consumer and capital goods, they were assumed to be unchanged. In reality this was not the situation, and stock-piling or stock-depletion in any one year could affect the estimated value of the gross domestic product, but at this stage no measure could be placed upon this item.

86. The 1971 Census of Manufacturing Establishments was one of the principal sources from which local production of many groups of consumer and capital goods were estimated. The Census only provided an estimate for the year 1970 and previous years' estimates which were derived by projecting the 1970 estimates backward by taking account of changes in population, consumer prices and the relative importance of the commodities in consumers' expenditure, may not be reliable. The output of an industry would be more closely associated with the number and size of the establishments engaged in the industry and its degree of mechanization, but such information and information on the change over the years in the proportion of manufactured goods for export and for local consumption is not generally available.

Private consumption expenditure

87. Broadly speaking, the estimates of expenditure on goods were more reliable than those on services. This was because almost all the goods estimates had their basis in firmer figures—values of imports and local

production. The local production statistics of food were mostly worked out by government departments concerned, while those of other consumer goods were obtained from the Census of Manufacturing Establishments. On the other hand, many of the service estimates were derived from less reliable data and many were drawn from the Household Expenditure Survey.

88. The estimate for rent and rates was the largest single group estimate, amounting to more than 10 per cent of total consumer's expenditure in the domestic market. To check on the present estimate, two alternative estimates were worked out, one from the results of the 1971 Population and Housing Census, and the other from taking household rent as an aggregate of the estimated rent of all types of dwellings, as shown below.

89. *Household rent estimated from the Population and Housing Census.* In the Census, rent was defined as the amount paid periodically for the accommodation occupied by a household and referred to the month of January, 1971. In addition to the rent proper, any payments for rates, water, electricity and communal cleaning service were included.

90. The estimated annual household rent was worked out as shown in the table below.

Household rent per month	Mid-rent	No. of Households	Estimated monthly household rent
HK\$	HK\$		HK\$
Rent free	—	205,755	—
50	25.0	238,812	5,970,300
50—99	74.5	134,023	9,984,714
100—199	149.5	124,564	18,622,318
200—399	299.5	78,779	23,594,311
400—599	499.5	44,608	22,281,696
600—799	699.5	8,962	6,268,919
800—999	899.5	3,537	3,181,532
1,000 and over	1,500.0	7,630	11,445,000
Total		846,670	101,348,790

91. The estimated annual household rent is, therefore, \$1,215.60 million (\$101.3 million \times 12).

92. In addition an estimate was made for imputed rents of owner occupied premises. This was worked out at \$317.7 million in 1970. Therefore, total household rent was \$1,215.6 million plus \$317.7 million i.e. \$1,533.3 million.

93. *Household rent as an aggregate of the estimated rent of all types of dwellings.* Rent receivable in respect of resettlement estates, resettlement cottage areas, government low-cost housing estates, Hong Kong Housing Society estates and Hong Kong Housing Authority estates were available. What remained unknown and required to be estimated was the rent for private dwellings and government quarters. Private dwellings were classified into post-war and pre-war in accordance with whether or not they were built after or before World War II. The household rent for private post-war dwellings was estimated from information collected in the 1970 Rental Survey conducted by the Rating and Valuation Department as follows:—

Type of dwelling	No. of dwellings	Average effective area	Average rent including rates as in Dec. 1970	Yearly rent including rates, of each dwelling	Total yearly rent, inclu- ding rates
		sq. ft.	HK\$/sq. ft.	HK\$	HK\$
Tenement floor	172,000	341.5	0.93	3,811	655,492,000
Small flat	59,100	453	1.11	6,034	356,609,400
Medium flat	13,700	802	1.35	12,992	177,990,400
Large flat	7,600	1,251	1.54	23,118	175,696,800
House	600	1,251	1.54	23,118	13,870,800
Workers' quarters	4,600	—	—	720	3,312,000
Total	257,600				1,382,971,400

94. Houses and workers' quarters were not included in the Survey and the former was treated the same as large flats, while the rent of the latter was taken arbitrarily to be \$60 a month.

95. For private pre-war dwellings, the monthly rent of each type of dwelling, because of lack of information, was assumed to be one-third of the corresponding post-war type. The calculation of the total annual rent of private pre-war dwellings is set out below:—

Type of dwelling							No. of dwellings	Annual rent, including rates, of each dwelling	Total annual rent, including rates
								HK\$	HK\$
Tenement floor	...	...	...	...	...	...	24,500	1,270	31,115,000
Small flat	...	...	...	...	...	...	950	2,011	1,910,450
Medium flat	...	...	...	...	...	...	1,500	4,331	6,496,500
Large flat	...	...	...	...	...	...	950	7,706	7,320,700
House	...	...	...	...	...	...	500	7,706	3,853,000
Total	...	...	...	...	...	...	28,400		50,695,650

96. There were 11,000 units of government quarters in 1970 whose rent was taken to be the same as that of post-war small flats. Thus the estimated total rent of this type of dwelling was \$79.6 million.

97. The estimated total rent in 1970 in respect of each type of dwelling, therefore, was:—

Type of dwelling													Estimated annual rent in 1970
													HK\$ mn.
Private dwelling													
Post-war	...	...	...	...	...	...	...	...	...	...	...	...	1,383.0
Pre-war	...	...	...	...	...	...	...	...	...	...	...	...	50.7
Resettlement estates	...	...	...	...	...	...	...	...	...	...	...	...	63.3
Resettlement cottage areas	...	...	...	...	...	...	...	...	...	...	...	...	0.3
Government low-cost housing estates	...	...	...	...	...	...	...	...	...	...	...	...	23.1
Hong Kong Housing Society estate	...	...	...	...	...	...	...	...	...	...	...	...	21.0
Hong Kong Authority estates	...	...	...	...	...	...	...	...	...	...	...	...	38.8
Government quarters	...	...	...	...	...	...	...	...	...	...	...	...	79.6
Total	...	...	...	...	...	...	...	...	...	...	...	...	1,659.8

98. The comparative estimates of total rent and rates derived from the three different methods are tabulated below. It can be seen that all the estimates were in the region of \$1,500–\$1,700 million.

					Rent and Rates (HK\$ mn)			
Year					Based on the rateable value	Based on the 1971 Population and Housing Census	Based on the estimated rent and rates of all types of dwellings	
1970	...	...	...	...	1,546	1,533	1,660	

Government consumption expenditure

99. The estimate of government consumption expenditure is straight-forward, being based on the actual expenditure of each non-trading department recorded in the Annual Reports of the Accountant General. The conversion of the financial year figures to a calendar year basis by treating the expenditure of all departments as evenly spread throughout the financial year may have led to some distortion. No rent for buildings owned and used by the government was imputed but it is considered that it would be only a minor item in relation to total government expenditure.

Gross domestic capital formation

100. Since stocks and work-in-progress were not taken into account throughout the whole period, the gross value of investment in fixed assets equalled the gross domestic capital formation. The coverage of the fixed assets estimates was quite good but the methods of estimation were not without drawbacks.

101. *Land.* The land estimate comprised the net expenditure incurred in connection with the transfer of ownership of land and the existing buildings.

102. *Building and construction.* The statistics for the building and construction estimates were obtained from two different sources. However, both sets of data referred to private buildings for which occupation certificates had been issued and, therefore, imply a time-lag between the time of completion of the building and that of publication of the statistics. This difference in time was adjusted by dating back the published statistics from from both sources by an average period of four months. This four-month adjustment, determined in the light of information supplied by the Rating and Valuation Department, may not be applicable equally well to data obtained from the Building Ordinance Office of the Public Works Department.

103. The device used to obtain the value of investment in building and construction in a specified period was to assign to each value group of building and construction an average period of time which it was supposed to require from the beginning to the completion of the work, as follows:—

Value	Time required to complete
Buildings under \$50,000	4 months
Buildings \$50,000—\$99,999	5 months
Buildings \$100,000—\$199,999	6 months
Buildings \$200,000—\$299,999	7 months
Buildings \$300,000—\$499,999	8 months
Buildings \$500,000—\$999,999	9 months
Buildings \$1 million and over	12 months

104. The above method of averaging the investment on a monthly basis is considered far from perfect.

105. Squatter huts and similar own-account structures which should also be regarded as capital formation were not included, but since they are gradually giving way to resettlement estates and government low-cost housing, new investment in this type of dwelling must be becoming unimportant.

106. *Plant, machinery and equipment.* Capital investment in imported plant, machinery and equipment was derived from reliable sources, but difficulty was experienced in estimating the capital formation in durable consumer goods, viz. motor cars, air-conditioners, refrigerators, etc. which when purchased for private use are treated as consumer goods, but when purchased for commercial or other uses are treated as capital goods; an estimated percentage of durable consumer goods was taken as capital goods.

107. Estimates of locally produced and locally purchased capital goods were not so reliable and it was thought that they may be under-estimated.

108. It is possible that international transactions in ships contribute substantially to the wealth of Hong Kong but transactions abroad by residents are not known and, therefore, not taken account of.

Imports and exports of goods and services

109. Estimates of imports and exports of services were the weakest of all the estimates and those for “transportation, n.e.s.”, “travel” and “other”, were seriously incomplete. The upward adjustment of 5 per cent of the calculated total exports of goods and services to account for the missing items was no more than a guess. The imports and exports of merchandise estimates were taken from the trade statistics, but valuation adjustments were not made.

110. Expenditure by foreign tourists and by U.S. military personnel in Hong Kong were the most important in the estimates of imports and exports of services. The Hong Kong Tourist Association carries out a half-yearly systematic sample of 900 tourists (about 2 per cent of the total number of tourists) to obtain, among other things, an estimate of total expenditure and of some of the items of expenditure by tourists. It is likely that there is some under estimation.

111. In the 1966 tourist study, a much larger sample was covered and special arrangements were made to interview U.S. military personnel. In the half-yearly follow up surveys this was not possible and only a few U.S. military personnel were interviewed in 1968, 1969 and 1970. The 1966 expenditure figures were used in the calculation of expenditure for subsequent years and estimates in these years were less reliable.

112. Systems have not been developed in Hong Kong to record the great volume of business transacted by residents with the rest of the world. For this reason, a number of import and export items find no place in these estimates. But almost all the missing items would be included under non-factor services and it is considered that exports of non-factor services, in the case of Hong Kong, always exceed imports. In order to make the estimates more complete, an arbitrary adjustment of 5 per cent of the calculated total exports of goods and services has been added to the calculated estimate of net imports and exports of goods and services to account for the missing items. A list of the items for which no data was available and no sensible estimate could be made is given below.

ITEMS NOT INCLUDED IN THE IMPORTS AND EXPORTS OF GOODS AND SERVICES ESTIMATES

Import	Export
Transportation <ol style="list-style-type: none"> 1. Time charter of ships and aircraft 2. Expenditures abroad of domestic ships and aircraft <ol style="list-style-type: none"> (a) Stores (b) Fuel oil (c) Port and airport charges (d) Repairs, maintenance and servicing 3. Expenditure abroad of resident ship and aircraft crews 4. Other revenue of foreign airline and shipping companies 	Freight and insurance <ol style="list-style-type: none"> 1. Freight and insurance on exports and imports
Other <ol style="list-style-type: none"> A. <i>Government</i> <ol style="list-style-type: none"> 1. Collections in H.K. by foreign consulates and trade commissions B. <i>Other services</i> <ol style="list-style-type: none"> 1. Non-merchandise insurance <ol style="list-style-type: none"> (a) Premiums paid by residents to local offices or agents of foreign insurance companies (b) Claims paid to foreigners by domestic insurance companies 2. Miscellaneous companies expenditure <ol style="list-style-type: none"> (a) Administrative expenditure abroad of domestic airline and shipping companies (b) Administrative expenditure abroad of domestic insurance companies (c) Administrative expenditure abroad of other domestic companies (d) Miscellaneous expenditure abroad of resident companies 3. Film rentals 4. Communications <ol style="list-style-type: none"> (a) Telephone (b) Telegraph, radio 5. Banking commission 6. Agency fees 	Transportation <ol style="list-style-type: none"> 1. Passenger fares 2. Time charter of ships and aircraft 3. Expenditure in H.K. of foreign airline and shipping companies <ol style="list-style-type: none"> (a) Stores (b) Repairs, maintenance and servicing 4. Other international revenue of domestic airline and shipping companies
	Travel <ol style="list-style-type: none"> 1. Expenditure of foreign students in H.K.
	Other <ol style="list-style-type: none"> A. <i>Government</i> <ol style="list-style-type: none"> 1. Receipts of overseas offices B. <i>Other services</i> <ol style="list-style-type: none"> 1. Non-merchandise insurance <ol style="list-style-type: none"> (a) Premiums collected by domestic insurance companies (b) Claims paid to resident by local offices or agents of foreign insurance companies 2. Miscellaneous companies expenditure <ol style="list-style-type: none"> (a) Local administrative expenditure of foreign shipping and airline companies (b) Local administrative expenditure of foreign insurance (c) Local administrative expenditure of other foreign companies (d) Miscellaneous receipts from abroad by resident companies 3. Film rentals 4. Communication <ol style="list-style-type: none"> (a) Telephone (b) Telegraph and radio 5. Banking commission 9. Agency fees

TABLE 1 - TOTAL EXPENDITURE ON GROSS DOMESTIC PRODUCT AND ON THE MAIN COMPONENTS 1966 - 1970

Description	1966			1967			1968			1969			1970		
	H.K. \$ Mn.	H.K. \$ Mn.	Compared with 1966 (%)	H.K. \$ Mn.	Compared with 1967 (%)	H.K. \$ Mn.	Compared with 1968 (%)	H.K. \$ Mn.	Compared with 1969 (%)	H.K. \$ Mn.	Compared with 1969 (%)	H.K. \$ Mn.	Compared with 1969 (%)	H.K. \$ Mn.	Compared with 1969 (%)
1. Private consumption expenditure	8,869.0 (81.4)	9,344.3 (77.4)	+ 5.4	10,348.3 (81.0)	+ 10.7	11,422.9 (76.2)	+ 10.4	13,104.6 (73.3)	+ 14.7						
2. Government consumption expenditure	749.2 (6.9)	827.9 (6.9)	+ 10.5	897.4 (7.0)	+ 8.4	985.0 (6.6)	+ 9.8	1,150.0 (6.4)	+ 16.8						
3. Gross domestic fixed capital formation	2,810.2 (25.8)	2,448.8 (20.3)	- 12.9	2,073.2 (16.2)	- 15.3	2,658.5 (17.7)	+ 28.2	3,688.2 (20.6)	+ 38.7						
4. Exports less imports of goods and services	- 1,538.0 (- 14.1)	- 554.4 (- 4.6)	+ 64.0	- 549.9 (- 4.3)	+ 0.8	- 65.9 (- 0.4)	+ 88.0	- 58.7 (- 0.3)	+ 11.0						
Total expenditure on gross domestic product at market prices	10,890.4 (100.0)	12,066.6 (100.0)	+ 10.8	12,769.0 (100.0)	+ 5.8	15,000.5 (100.0)	+ 17.5	17,884.1 (100.0)	+ 19.2						
5. Less Indirect taxes	775.8	821.8	+ 5.9	877.8	+ 6.8	979.2	+ 11.6	1,092.0	+ 11.5						
Total expenditure on gross domestic product at factor cost	10,114.6	11,244.8	+ 11.2	11,891.2	+ 5.7	14,021.3	+ 17.9	16,792.1	+ 19.8						

Figures in brackets are percentages of total expenditure on gross domestic product at market prices

TABLE 2 – PER CAPITA EXPENDITURE ON GROSS DOMESTIC PRODUCT AND ON THE MAIN COMPONENTS, 1966 – 1970

Description	1966		1967		1968		1969		1970	
	H.K. \$	H.K. \$	Compared		Compared		Compared		Compared	
			with 1966	H.K. \$	with 1967	H.K. \$	with 1968	H.K. \$	with 1969	H.K. \$
			(%)		(%)		(%)		(%)	
Per capita expenditure at market prices on:										
Gross domestic product	3,000	3,241	+ 8.0	3,358	+ 3.6	3,882	+ 15.6	4,517	+ 16.4	
Private consumption expenditure	2,443	2,510	+ 2.7	2,721	+ 8.4	2,956	+ 8.6	3,310	+ 12.0	
Government consumption expenditure	206	222	+ 7.8	236	+ 6.3	255	+ 8.1	290	+ 13.7	
Gross domestic fixed capital formation	774	658	– 15.0	545	– 17.2	688	+ 26.2	932	+ 35.5	
Imports of visible trade	2,865	2,915	+ 1.7	3,351	+ 15.0	3,975	+ 18.6	4,529	+ 13.9	
Exports of visible trade	2,164	2,455	+ 13.4	2,823	+ 15.0	3,463	+ 22.7	3,898	+ 12.6	
Per capita expenditure on Gross Domestic										
Product at factor cost	2,786	3,021	+ 8.4	3,127	+ 3.5	3,629	+ 16.1	4,242	+ 16.9	

TABLE 3 – COMPOSITION OF PRIVATE CONSUMPTION EXPENDITURE AND ITS PERCENTAGE DISTRIBUTION 1966 – 1970
(AT MARKET PRICES)

		1966			1967			1968			1969			1970		
Description		H.K. \$ '000	Percentage of total Expenditure in the domestic market	H.K. \$ '000	Percentage of total Expenditure in the domestic market	Compared with 1966 (%)	H.K. \$ '000	Percentage of total Expenditure in the domestic market	Compared with 1967 (%)	H.K. \$ '000	Percentage of total Expenditure in the domestic market	Compared with 1968 (%)	H.K. \$ '000	Percentage of total Expenditure in the domestic market	Compared with 1969 (%)	
1.	Food	3,101,418	32.3	3,355,202	32.9	+ 8.2	3,616,934	31.7	+ 7.8	4,022,921	31.5	+ 11.2	4,630,745	31.2	+ 15.1	
2.	Beverages	255,085	2.7	266,933	2.6	+ 4.6	278,415	2.4	+ 4.3	338,421	2.6	+ 21.6	453,590	3.1	+ 34.0	
3.	Tobacco	263,726	2.7	303,003	3.0	+ 14.9	289,667	2.5	- 4.4	302,515	2.4	+ 4.4	336,457	2.3	+ 11.2	
4.	Clothing and other personal effects	1,248,088	13.0	1,299,624	12.7	+ 4.1	1,584,732	13.9	+ 21.9	1,878,084	14.7	+ 18.5	2,202,874	14.8	+ 17.3	
5.	Rent and water charges	1,276,486	13.3	1,398,524	13.7	+ 9.6	1,532,077	13.4	+ 9.5	1,606,265	12.6	+ 4.8	1,706,859	11.5	+ 6.3	
6.	Fuel and light	195,962	2.0	213,759	2.1	+ 9.1	237,004	2.1	+ 10.9	252,375	2.0	+ 6.5	284,076	1.9	+ 12.6	
7.	Furniture, furnishings and household equipment	632,849	6.6	575,828	5.6	- 9.0	764,662	6.7	+ 32.8	844,631	6.6	+ 10.5	1,062,460	7.1	+ 25.8	
8.	Household operation	126,281	1.3	134,688	1.3	+ 6.7	164,143	1.4	+ 21.9	214,998	1.7	+ 31.0	245,122	1.6	+ 14.0	
9.	Personal care and health expenses															
	A. Personal care	226,889	2.4	234,578	2.3	+ 3.4	262,875	2.3	+ 12.1	301,902	2.4	+ 14.8	332,969	2.2	+ 10.3	
	B. Health expenses	469,441	4.9	511,307	5.0	+ 8.9	490,946	4.3	- 4.0	504,412	3.9	+ 2.7	631,932	4.3	+ 25.3	
10.	Transport and communication	695,103	7.2	751,683	7.4	+ 8.1	838,292	7.4	+ 11.5	999,463	7.8	+ 19.2	1,180,497	7.9	+ 18.1	
11.	Recreation and entertainment	610,865	6.4	612,904	6.0	+ 0.3	683,075	6.0	+ 11.4	786,427	6.1	+ 15.1	906,967	6.1	+ 15.3	
12.	Miscellaneous services															
	A. Education and research	196,048	2.0	210,550	2.1	+ 7.4	225,839	2.0	+ 7.3	243,753	1.9	+ 7.9	279,295	1.9	+ 14.6	
	B. Financial and other services (including wages and salaries paid by private non-profit institutions)	315,514	3.3	338,393	3.3	+ 7.3	431,957	3.8	+ 27.6	493,041	3.9	+ 14.1	609,902	4.1	+ 23.7	
Consumption expenditure of goods and services in the domestic market		9,613,755	100.0	10,206,976	100.0	+ 6.2	11,400,618	100.0	+ 11.7	12,789,208	100.0	+ 12.2	14,863,745	100.0	+ 16.2	
13.	Expenditure of residents abroad	374,806		348,779		- 6.9	377,896		+ 8.3	410,375		+ 8.6	464,598		+ 13.2	
14.	Less expenditure of non-residents in the domestic market	1,119,555		1,211,406		+ 8.2	1,430,264		+ 18.1	1,776,706		+ 24.2	2,223,701		+ 25.2	
Consumption expenditure of households and private non-profit institutions		8,869,006		9,344,349		+ 5.4	10,348,250		+ 10.7	11,422,877		+ 10.4	13,104,642		+ 14.7	

TABLE 4 - PRIVATE CONSUMPTION EXPENDITURE IN THE DOMESTIC MARKET BY COMMODITY/SERVICE GROUPS AND SECTIONS, 1966 - 1970
(AT MARKET PRICES)

Commodity/service groups and sections	1966	1967	Compared with 1966 (%)	1968	Compared with 1967 (%)	1969	Compared with 1968 (%)	1970	Compared with 1969 (%)
	H.K. \$ '000	H.K. \$ '000		H.K. \$ '000		H.K. \$ '000		H.K. \$ '000	
I. FOOD									
<i>Bread and cereals</i>	593,082	721,991	+ 21.7	732,106	+ 1.4	719,878	- 1.7	680,763	- 5.4
1. Rice	399,409	522,984	+ 30.9	539,404	+ 3.1	509,668	- 5.5	452,527	- 11.2
2. Other cereals and cereal preparations	68,506	78,258	+ 14.2	91,129	+ 16.4	97,604	+ 7.1	106,538	+ 9.2
3. Bread, cakes and biscuits	125,167	120,749	- 3.5	101,573	- 15.9	112,606	+ 10.9	121,698	+ 8.1
<i>Meat</i>	959,214	901,945	- 6.0	956,486	+ 6.0	1,187,707	+ 24.2	1,348,246	+ 13.5
4. Pork, locally slaughtered	390,835	325,700	- 16.7	330,901	+ 1.6	443,747	+ 34.1	488,801	+ 10.2
5. Beef, locally slaughtered	110,589	97,522	- 11.8	101,379	+ 4.0	131,671	+ 29.9	146,787	+ 11.5
6. Other meat	198,048	207,610	+ 4.8	239,730	+ 15.5	267,234	+ 11.5	305,130	+ 14.2
7. Poultry	259,742	271,113	+ 4.4	284,476	+ 4.9	345,055	+ 21.3	407,528	+ 18.1
<i>Fish and sea products</i>	376,280	464,418	+ 23.4	493,119	+ 6.2	509,794	+ 3.4	692,468	+ 35.8
8. Fish, salt water	136,203	149,567	+ 9.8	142,884	- 4.5	162,594	+ 13.8	222,202	+ 36.7
9. Fish, fresh water	95,583	140,235	+ 46.7	147,834	+ 5.4	166,818	+ 12.8	185,104	+ 11.0
10. Other fish	18,963	20,248	+ 6.8	20,276	+ 0.1	16,938	- 16.5	28,585	+ 68.8
11. Sea products	125,531	154,368	+ 23.0	182,125	+ 18.0	163,444	- 10.3	256,577	+ 57.0
<i>Milk and eggs</i>	207,398	219,239	+ 5.7	244,546	+ 11.5	279,489	+ 14.3	296,986	+ 6.3
12. Milk and milk powder	65,424	66,077	+ 1.0	69,583	+ 5.3	71,253	+ 2.4	72,231	+ 1.4
13. Fresh milk	19,720	20,823	+ 5.6	22,363	+ 7.4	23,525	+ 5.2	25,358	+ 7.8
14. Eggs	122,254	132,339	+ 8.2	152,600	+ 15.3	184,711	+ 21.0	199,397	+ 8.0
<i>Oils and fats</i>	80,743	88,273	+ 9.3	88,905	+ 0.7	96,543	+ 8.6	112,800	+ 16.8
15. Edible oils	59,196	66,698	+ 12.7	67,673	+ 1.5	72,610	+ 7.3	86,845	+ 19.6
16. Butter and margarine	21,547	21,575	+ 0.1	21,232	- 1.6	23,933	+ 12.7	25,955	+ 8.4
<i>Vegetables and fruits</i>	464,136	530,628	+ 14.3	586,890	+ 10.6	672,798	+ 14.6	874,027	+ 29.9
17. Fresh vegetables	157,928	186,270	+ 17.9	196,674	+ 5.6	253,303	+ 28.8	341,613	+ 34.9
18. Fresh fruits	193,993	227,101	+ 17.1	256,348	+ 12.9	280,298	+ 9.3	360,495	+ 28.6
19. Other vegetables and fruits	109,804	105,383	- 4.0	120,655	+ 14.5	122,930	+ 1.9	156,213	+ 27.1
20. Bean and peas	2,411	11,874	+392.5	13,213	+ 11.3	16,267	+ 23.1	15,706	- 3.4
<i>Sugar and confectionery</i>	106,002	91,162	- 14.0	114,162	+ 25.2	131,196	+ 14.9	147,459	+ 12.4
21. Sugar	57,570	38,693	+ 32.8	49,281	+ 27.4	55,107	+ 11.8	71,402	+ 29.6
22. Confectionery	48,432	52,469	+ 8.3	64,881	+ 23.7	76,089	+ 17.3	76,057	- 0.0
<i>Coffee, tea, table waters, etc.</i>	141,695	146,788	+ 3.6	161,736	+ 10.2	180,541	+ 11.6	193,644	+ 7.3
23. Tea	32,170	29,214	- 9.2	34,361	+ 17.6	26,692	- 22.3	31,388	+ 17.6
24. Coffee, fruit juice, aerated water and other soft drinks	109,525	117,574	+ 7.3	127,375	+ 8.3	153,849	+ 20.8	162,256	+ 5.5
<i>Other foods</i>	172,868	190,758	+ 10.3	238,984	+ 25.3	244,975	+ 2.5	284,352	+ 16.1
25. Other foods	172,868	190,758	+ 10.3	238,984	+ 25.3	244,975	+ 2.5	284,352	+ 16.1
Total	3,101,418	3,355,202	+ 8.2	3,616,934	+ 7.8	4,022,921	+ 11.2	4,630,745	+ 15.1
II. BEVERAGES									
26. Alcoholic drink, imported	177,233	191,059	+ 7.8	199,204	+ 4.3	255,905	+ 28.5	372,707	+ 45.6
27. Alcoholic drink, locally brewed	77,852	75,874	- 2.5	79,211	+ 4.4	82,516	+ 4.2	80,883	- 2.0
Total	255,085	266,933	+ 4.6	278,415	+ 4.3	338,421	+ 21.6	453,590	+ 34.0

		1966	1967		1968		1969		1970	
Commodity/service groups and sections		H.K. \$ '000	H.K. \$ '000	Compared with 1966 (%)	H.K. \$ '000	Compared with 1967 (%)	H.K. \$ '000	Compared with 1968 (%)	H.K. \$ '000	Compared with 1969 (%)
III.	TOBACCO									
28.	Cigarettes and tobacco, imported	146,386	146,170	- 0.1	152,370	+ 4.2	158,924	+ 4.3	191,360	+ 20.4
29.	Cigarettes and tobacco, locally made	117,340	156,833	+ 33.7	137,297	- 12.5	143,591	+ 4.6	145,097	+ 1.0
	Total	263,726	303,003	+ 14.9	289,667	- 4.4	302,515	+ 4.4	336,457	+ 11.2
IV.	CLOTHING AND OTHER PERSONAL EFFECTS									
30.	Clothing	408,844	457,920	+ 12.0	457,010	- 0.2	557,775	+ 22.0	594,603	+ 6.6
31.	Clothing materials and tailoring charges	101,928	95,110	- 6.7	87,614	- 7.9	93,058	+ 6.2	99,054	+ 6.4
32.	Footwear	101,131	87,726	- 13.3	99,146	+ 13.0	115,774	+ 16.8	116,925	+ 1.0
33.	Watch, camera and optical goods	193,858	247,317	+ 27.6	323,700	+ 30.9	445,740	+ 37.7	511,306	+ 14.7
34.	Sports goods and other personal effects	132,198	123,654	- 6.5	158,403	+ 28.1	195,789	+ 23.6	239,831	+ 22.5
35.	Stationery	30,612	37,365	+ 22.1	50,401	+ 34.9	48,732	- 3.3	67,121	+ 37.7
36.	Jewellery	279,517	250,532	- 10.4	408,458	+ 63.0	421,216	+ 3.1	574,034	+ 36.3
	Total	1,248,088	1,299,624	+ 4.1	1,584,732	+ 21.9	1,878,084	+ 18.5	2,202,874	+ 17.3
V.	RENT AND WATER CHARGES									
37.	Rent and rates	1,195,822	1,310,751	+ 9.6	1,416,490	+ 8.1	1,474,658	+ 4.1	1,546,133	+ 4.8
38.	Water	46,122	41,590	- 9.8	51,592	+ 24.0	58,886	+ 14.1	63,050	+ 7.1
39.	Fire insurance)									
40.	Other housing charges)	34,542	46,183	+ 33.7	63,995	+ 38.6	72,721	+ 13.6	97,676	+ 34.3
	Total	1,276,486	1,398,524	+ 9.6	1,532,077	+ 9.5	1,606,265	+ 4.8	1,706,859	+ 6.3
IV.	FUEL AND LIGHT									
41.	Firewood	1,554	1,269	- 18.3	760	- 40.1	739	- 2.8	1,068	+ 44.5
42.	Kerosene	71,899	75,828	+ 5.5	80,006	+ 5.5	73,278	- 8.4	76,093	+ 3.8
43.	Other fuel	8,286	6,815	- 17.8	7,843	+ 15.1	9,022	+ 15.0	9,787	+ 8.5
44.	Electricity	89,302	99,403	+ 11.3	113,078	+ 13.8	125,765	+ 11.2	145,392	+ 15.6
45.	Liquefied petroleum gas	15,019	20,481	+ 36.4	25,184	+ 23.0	32,058	+ 27.3	38,433	+ 19.9
46.	Coal gas	9,902	9,963	+ 0.6	10,133	+ 1.7	11,513	+ 13.6	13,303	+ 15.5
	Total	195,962	213,759	+ 9.1	237,004	+ 10.9	252,375	+ 6.5	284,076	+ 12.6
VII	FURNITURE, FURNISHING AND HOUSEHOLD EQUIPMENT									
47.	Furniture	117,368	75,789	- 35.4	85,598	+ 12.9	94,472	+ 10.4	108,745	+ 15.1
48.	Radio, T.V., Sewing machine and other consumer durables	286,879	310,739	+ 8.3	450,557	+ 45.0	543,504	+ 20.6	673,411	+ 23.9
49.	Glass, crockery and earthenware	70,778	55,908	- 21.0	67,632	+ 21.0	70,574	+ 4.4	90,725	+ 28.6
50.	Hardware, iron-mongery and cutlery	58,037	57,565	- 0.8	78,689	+ 36.7	61,391	- 22.0	93,760	+ 52.7
51.	Soft furnishings	99,787	75,827	- 24.0	82,186	+ 8.4	74,690	- 9.1	95,819	+ 28.3
	Total	632,849	575,828	- 9.0	764,662	+ 32.8	844,631	+ 10.5	1,062,460	+ 25.8
VIII	HOUSEHOLD OPERATION									
52.	Other household goods	31,711	36,543	+ 15.2	44,537	+ 21.9	45,718	+ 2.7	51,214	+ 12.0
53.	Domestic help	94,570	98,145	+ 3.8	119,606	+ 21.9	169,280	+ 41.5	193,908	+ 14.5
	Total	126,281	134,688	+ 6.7	164,143	+ 21.9	214,998	+ 31.0	245,122	+ 14.0

Commodity/ Service groups and sections	1966	1967	Compared with 1966 (%)	1968	Compared with 1967 (%)	1969	Compared with 1968 (%)	1970	Compared with 1969 (%)
	H.K. \$ '000	H.K. \$ '000		H.K. \$ '000		H.K. \$ '000		H.K. \$ '000	
IX. PERSONAL CARE AND HEALTH EXPENSES									
Personal care	226,889	234,578	+ 3.4	262,875	+ 12.1	301,902	+ 14.8	332,969	+ 10.3
54. Soaps, detergents, and toilet requisites	103,542	103,537	— 0.0	128,900	+ 24.5	144,104	+ 11.8	150,702	+ 4.6
55. Laundry and dry cleaning	5,576	7,729	+ 38.6	6,571	— 15.0	10,711	+ 63.0	5,939	— 44.6
56. Hair-dressing	114,722	121,525	+ 5.9	124,073	+ 2.1	143,841	+ 15.9	174,000	+ 21.0
57. Shoe repairing	3,049	1,787	— 41.4	3,331	+ 86.4	3,246	— 2.6	2,328	— 28.3
Health expenses	469,441	511,307	+ 8.9	490,946	— 4.0	504,412	+ 2.7	631,932	+ 25.3
58. Medicines and drugs	350,569	359,283	+ 2.5	386,357	+ 7.5	383,673	— 0.7	457,815	+ 19.3
59. Medical treatment	118,872	152,024	+ 27.9	104,589	— 31.2	120,739	+ 15.4	174,117	+ 44.2
Total	696,330	745,885	+ 7.1	753,821	+ 1.1	806,314	+ 7.0	964,901	+ 19.7
X. TRANSPORTATION AND COMMUNICATION									
60. Purchase of motor cars	77,665	76,261	— 1.8	106,951	+ 40.2	170,733	+ 59.6	193,633	+ 13.4
61. Maintenance of motor vehicles	19,784	20,861	+ 5.4	22,899	+ 9.8	26,614	+ 16.2	30,674	+ 15.3
62. Petrol and oil	72,938	79,208	+ 8.6	83,917	+ 5.9	92,226	+ 9.9	102,154	+ 10.8
63. Motor licences, insurance, parking fees & driving instructor's fees	36,491	44,656	+ 22.4	44,952	+ 0.7	58,086	+ 29.2	68,640	+ 18.2
64. Purchase of cycles and other vehicles	2,928	3,581	+ 22.3	3,421	— 4.5	3,004	— 12.2	4,696	+ 56.3
65. Railway fares	7,495	6,922	— 7.6	7,444	+ 7.5	6,997	— 6.0	8,046	+ 15.0
66. Bus and tram fares	158,899	135,561	— 14.7	153,279	+ 13.1	157,624	+ 2.8	155,069	— 1.6
67. Ferry fares	42,863	42,212	— 1.5	45,261	+ 7.2	48,634	+ 7.5	51,767	+ 6.4
68. Other transport	241,280	285,730	+ 18.4	310,435	+ 8.6	371,559	+ 19.7	468,854	+ 26.2
69. Postage, telephone, telegrams	34,760	56,691	+ 63.1	59,733	+ 5.4	63,986	+ 7.1	96,964	+ 51.5
Total	695,103	751,683	+ 8.1	838,292	+ 11.5	999,463	+ 19.2	1,180,497	+ 18.1
XI. RECREATION AND ENTERTAINMENT									
70. Newspapers & periodicals	72,038	72,920	+ 1.2	74,585	+ 2.3	83,857	+ 12.4	93,246	+ 11.2
71. Books including textbooks	44,913	45,287	+ 0.8	46,926	+ 3.6	46,537	— 0.8	48,971	+ 5.2
72. Toys	78,266	83,706	+ 7.0	95,607	+ 14.2	120,169	+ 25.7	139,335	+ 15.9
73. TV. licences and set rentals	26,415	31,334	+ 18.6	35,233	+ 12.4	34,403	— 2.4	37,177	+ 8.1
74. Cinema entertainment	144,584	145,492	+ 0.6	144,718	— 0.5	147,733	+ 2.1	156,625	+ 6.0
75. Other entertainment and holiday expenses	182,920	178,245	— 2.6	219,527	+ 23.2	277,428	+ 26.4	332,451	+ 19.8
76. Betting, horse and other	61,729	55,920	— 9.4	66,479	+ 18.9	76,300	+ 14.8	99,162	+ 30.0
Total	610,865	612,904	+ 0.3	683,075	+ 11.4	786,427	+ 15.1	906,967	+ 15.3
XII. MISCELLANEOUS SERVICES									
Education and research	196,048	210,550	+ 7.4	225,839	+ 7.3	243,753	+ 7.9	279,295	+ 14.6
77. Education	196,048	210,550	+ 7.4	225,839	+ 7.3	243,753	+ 7.9	279,295	+ 14.6
Financial and other services	315,514	338,393	+ 7.3	431,957	+ 27.6	493,041	+ 14.1	609,902	+ 23.7
78. Meals bought away from home (Service charges only)	224,968	239,765	+ 6.6	317,453	+ 32.4	360,758	+ 13.6	447,898	+ 24.2
79. Other services)	21,733	22,912	+ 5.4	24,824	+ 8.3	28,677	+ 15.5	33,920	+ 18.3
80. Life insurance)									
81. Wages, salaries, etc. paid by private non-profit bodies	68,813	75,716	+ 10.0	89,680	+ 18.4	103,606	+ 15.5	128,084	+ 23.6
Total	511,562	548,943	+ 7.3	657,796	+ 19.8	736,794	+ 12.0	889,197	+ 20.7
GRAND TOTAL	9,613,755	10,206,976	+ 6.2	11,400,618	+ 11.7	12,789,208	+ 12.2	14,863,745	+ 16.2

TABLE 5 - GOVERNMENT CONSUMPTION EXPENDITURE, 1966 - 1970

(AT MARKET PRICES)

		1966	1967		1968		1969		1970	
Description		H.K. \$ Mn.	H.K. \$ Mn.	Compared with 1966	H.K. \$ Mn.	Compared with 1967	H.K. \$ Mn.	Compared with 1968	H.K. \$ Mn.	Compared with 1969
				(%)		(%)		(%)		(%)
1.	Compensation of employees	550.3	596.7	+ 8.4	679.9	+ 13.9	756.3	+ 11.2	861.9	+ 14.0
2.	Purchases of goods and other services	253.5	290.3	+ 14.5	285.4	— 1.7	307.0	+ 7.6	388.3	+ 26.5
3.	Less sales by non-trading government departments to households and enterprises	54.6	59.1	+ 8.2	67.9	+ 14.9	78.3	+ 15.3	100.2	+ 28.0
Government consumption expenditure		749.2	827.9	+ 10.5	897.4	+ 8.4	985.0	+ 9.8	1,150.0	+ 16.8

TABLE 6 - TOTAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION, 1965/66 - 1970/71

Description		1965/66	1966/67	1967/68	1968/69	1969/70	1970/71
		HK \$ '000	HK \$ '000	HK \$ '000	HK \$ '000	HK \$ '000	HK \$ '000
I.	ECONOMIC SERVICES						
1.	Agriculture, fisheries and forestry	22,260	19,000	14,840	14,610	16,160	16,270
2.	Mining	4,280	3,290	3,150	4,210	2,770	4,130
3.	Railway and land transport	63,820	75,540	62,190	54,930	58,890	81,420
4.	Water transport	34,320	32,230	27,590	27,810	31,880	40,830
5.	Air transport	10,220	7,880	9,900	14,400	28,730	47,390
6.	Commerce and industry	22,450	33,040	36,780	39,320	44,610	49,460
7.	Development	55,790	32,540	20,940	21,080	16,100	17,990
	Sub-total	213,140	203,520	175,390	176,360	199,140	257,490
II.	SOCIAL SERVICES						
1.	Education	243,100	270,400	291,570	347,130	395,310	497,610
2.	Health	160,390	171,050	172,640	192,780	216,590	251,960
3.	Social security and welfare service	25,390	29,140	32,320	42,710	51,500	58,160
4.	Housing and resettlement	161,400	161,520	155,250	146,990	150,350	180,200
5.	Postal services	49,330	57,310	57,600	71,320	80,890	94,020
6.	Cooperative and marketing organization	—	190	—	190	670	930
7.	Water supply	215,240	182,330	127,340	104,940	74,320	115,490
8.	Fire protection	23,940	33,810	30,120	32,490	37,800	36,680
9.	Sanitation	97,740	92,610	101,400	99,630	99,480	118,790
	Sub-total	976,530	998,360	968,240	1,038,180	1,106,910	1,353,840
III.	GENERAL SERVICES						
1.	General administration	252,660	300,840	300,010	301,240	346,980	417,670
2.	Defence	93,770	89,330	92,670	88,210	87,930	102,990
3.	Justice	11,140	12,000	13,550	15,750	17,200	20,290
4.	Police	121,820	118,660	130,080	150,710	168,180	177,600
5.	Prisons	20,380	19,450	19,430	23,520	22,430	25,910
6.	General information services	10,250	11,270	13,200	19,650	21,690	20,240
	Sub-total	510,020	551,550	568,940	599,080	664,410	764,700
IV.	UNALLOCABLE EXPENDITURE						
1.	Interest and repayment on public debt	6,010	5,510	5,440	5,150	5,180	5,710
2.	Pensions	30,640	43,520	46,660	53,270	55,650	69,900
3.	Advances	32,790	3,610	1,350	930	890	550
	Sub-total	69,440	52,640	53,450	59,350	61,720	76,160
	GRAND TOTAL	1,769,130	1,806,070	1,766,020	1,872,970	2,032,180	2,452,190

TABLE 7 - TOTAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION, 1965/66 - 1970/71

Description	1965/66 HK \$ '000	1966/67 HK \$ '000	1967/68 HK \$ '000	1968/69 HK \$ '000	1969/70 HK \$ '000	1970/71 HK \$ '000
I. CURRENT EXPENDITURE						
1. Current expenditure on goods and services	735,780	848,330	922,720	1,022,680	1,141,610	1,301,740
2. Maintenance and current building expenditure	82,800	104,920	110,070	108,180	115,990	166,110
3. Interest and repayment on public debt	6,010	5,510	5,440	5,150	5,180	5,710
4. Grants to public institutions	224,550	254,060	280,420	333,050	378,900	480,550
5. Transfer to income account of households	67,660	52,380	52,990	59,560	64,100	76,910
Total	1,116,800	1,265,200	1,371,640	1,528,620	1,705,780	2,031,020
II. CAPITAL EXPENDITURE						
<i>Building and construction</i>						
1. Residential building	127,940	124,450	118,920	95,490	89,710	109,350
2. Non-residential building	102,630	53,120	53,890	54,760	62,880	61,120
3. Roads, bridges and drains	49,820	47,100	50,780	39,190	46,680	43,780
4. Waterworks	189,840	144,720	86,590	68,140	31,590	59,490
5. Airport	3,620	20	30	2,990	12,760	31,780
6. Reclamation, portworks and development	91,620	54,660	28,580	21,270	15,980	25,760
7. Railway	2,550	7,630	6,530	2,140	1,480	1,440
8. Building and construction, n.e.s.	19,310	53,890	18,090	31,390	38,240	46,700
Sub-total	587,330	485,590	363,410	315,370	299,320	379,420
<i>Plant, machinery and equipment</i>						
1. Motor vehicles	7,510	6,680	4,750	6,440	5,540	8,220
2. Railway locomotives and rolling stock	-	1,310	-	50	310	40
3. Ships, launches and boats	1,210	670	290	80	660	960
4. Other transport machinery and equipment	3,010	120	70	360	600	1,370
5. Office machinery and equipment	920	840	1,040	1,230	780	1,660
6. Other plant, machinery and equipment	9,930	12,860	5,970	12,250	9,020	18,650
7. Furniture and equipment	10,450	7,690	11,820	5,460	5,890	8,140
Sub-total	33,030	30,170	23,940	25,870	22,800	39,040
<i>Other capital expenditure</i>						
1. Surveys	3,200	4,000	3,010	3,090	4,260	2,680
2. Investment in agriculture and mining n.e.s.	7,970	5,100	10	20	20	30
3. Second hand assets	20,800	16,000	4,010	-	-	-
Sub-total	31,970	25,100	7,030	3,110	4,280	2,710
Total	652,330	540,860	394,380	344,350	326,400	421,170
GRAND TOTAL	1,769,130	1,806,060	1,766,020	1,872,970	2,032,180	2,452,190

TABLE 8 - GROSS DOMESTIC FIXED CAPITAL FORMATION BY PRODUCT CLASSIFICATION, 1966 - 1970

(AT MARKET PRICES)

		1966	1967	1968		1969		1970		
Description		H.K. \$ Mn.	H.K. \$ Mn.	Compared with 1966 (%)	H.K. \$ Mn.	Compared with 1967 (%)	H.K. \$ Mn.	Compared with 1968 (%)	H.K. \$ Mn.	Compared with 1969 (%)
I.	LAND	20.3	10.4	− 48.8	24.2	+ 132.7	30.0	+ 24.0	51.5	+ 71.7
II.	BUILDING AND CONSTRUCTION									
	Residential	837.1	702.2	− 16.1	357.5	− 49.1	433.7	+ 21.3	553.5	+ 27.6
	Non-residential	466.7	295.5	− 36.7	230.7	− 21.9	374.4	+ 62.3	518.8	+ 38.6
	Other construction and works	449.5	377.6	− 16.0	313.1	− 17.1	261.0	− 16.6	387.5	+ 48.5
	Total	1,753.3	1,375.3	− 21.6	901.3	− 34.5	1,069.1	+ 18.6	1,459.8	+ 36.5
III.	PLANT, MACHINERY AND EQUIPMENT									
	Transport equipment									
1.	Railways vehicles	2.4	0.6	− 75.0	0.3	− 50.0	0.3	−	0.2	− 33.3
2.	Road motor vehicles	75.3	58.5	− 22.3	70.8	+ 21.0	132.9	+ 87.7	231.1	+ 73.9
3.	Other road motor vehicles	0.3	0.2	− 33.3	0.2	−	0.2	−	0.3	+ 50.0
4.	Ships and boats	140.6	141.5	+ 0.6	126.6	− 10.5	142.3	+ 12.4	150.3	+ 5.6
5.	Aircraft	21.4	30.0	+ 40.2	61.2	+ 104.0	29.2	− 52.3	60.2	+ 106.2
	Sub-total	240.0	230.8	− 3.8	259.1	+ 12.3	304.9	+ 17.7	442.1	+ 45.0
	Machinery and other plant and equipment									
1.	Office machinery and equipment	21.1	30.4	+ 44.1	17.8	− 41.4	39.7	+ 123.0	79.5	+ 100.3
2.	Agricultural machinery	1.5	0.8	− 46.7	0.9	+ 12.5	1.2	+ 33.3	2.0	+ 66.7
3.	Textile machinery	52.0	66.6	+ 28.1	84.4	+ 26.7	173.7	+ 105.8	195.5	+ 12.6
4.	Garment machinery	19.5	12.7	− 34.9	23.0	+ 81.1	48.7	+ 111.7	73.6	+ 51.1
5.	Mining, construction and industrial machinery	347.7	325.2	− 6.5	323.1	− 0.6	392.0	+ 21.3	561.2	+ 43.2
6.	Electric machinery	205.8	225.3	+ 9.5	271.6	+ 20.6	372.7	+ 37.2	491.5	+ 31.9
7.	Radio and telegraphy	76.7	93.8	+ 22.3	65.7	− 30.0	79.6	+ 21.2	134.0	+ 68.3
8.	Scientific, medical, optical, measuring and controlling instruments and apparatus	43.7	55.3	+ 26.5	76.8	+ 38.9	109.1	+ 42.1	138.0	+ 26.5
9.	Others	28.6	22.2	− 22.4	25.3	+ 14.0	37.8	+ 49.4	59.5	+ 57.4
	Sub-total	796.6	832.3	+ 4.5	888.6	+ 6.8	1,254.5	+ 41.2	1,734.8	+ 38.3
	Total	1,036.6	1,063.1	+ 2.6	1,147.7	+ 8.0	1,559.4	+ 35.9	2,176.9	+ 39.6
GROSS DOMESTIC FIXED CAPITAL FORMATION		2,810.2	2,448.8	− 12.9	2,073.2	− 15.3	2,658.5	+ 28.2	3,688.2	+ 38.7

TABLE 9 - GROSS DOMESTIC FIXED CAPITAL FORMATION BY THE PUBLIC AND PRIVATE SECTORS

(AT MARKET PRICES)

		1966		1967		1968		1969		1970	
Description		Economic sector	H.K. \$ Mn.	H.K. \$ Mn.	Compared with 1966 (%)	H.K. \$ Mn.	Compared with 1967 (%)	H.K. \$ Mn.	Compared with 1968 (%)	H.K. \$ Mn.	Compared with 1969 (%)
I.	LAND	Public	—	—	—	—	—	—	—	—	—
		Private	20.3	10.4	— 48.8	24.2	+ 132.7	30.0	+ 24.0	51.5	+ 71.7
II.	BUILDING AND CONSTRUCTION										
	Residential	Public	125.4	120.3	— 4.1	101.3	— 15.8	91.2	— 10.0	104.5	+ 14.6
		Private	711.7	581.9	— 18.2	256.2	— 56.0	342.5	+ 33.7	449.0	+ 31.1
	Non-residential	Public	91.0	62.2	— 31.6	54.6	— 12.2	60.9	+ 11.5	61.6	+ 1.1
		Private	375.7	233.3	— 37.9	176.1	— 24.5	313.5	+ 78.0	457.2	+ 45.8
	Other construction and works	Public	288.3	208.8	— 27.6	169.0	— 19.1	145.9	— 13.7	180.5	+ 23.7
		Private	161.2	168.8	+ 4.7	144.1	— 14.6	115.1	— 20.1	207.0	+ 79.8
	Sub-total	Public	504.7	391.3	— 22.5	324.9	— 17.0	298.0	— 8.3	346.6	+ 16.3
		Private	1,248.6	984.0	— 21.2	576.4	— 41.4	771.1	+ 33.8	1,113.2	+ 44.4
III.	PLANT MACHINERY AND EQUIPMENT	Public	39.5	29.8	— 24.6	28.2	— 5.4	23.8	— 15.6	35.8	+ 50.4
		Private	997.1	1,033.3	+ 3.6	1,119.5	+ 8.3	1,535.6	+ 37.2	2,141.1	+ 39.4
	GROSS DOMESTIC FIXED CAPITAL FORMATION	Public	544.2	421.1	— 22.6	353.1	— 16.1	321.8	— 8.9	382.4	+ 18.8
		Private	2,266.0	2,027.7	— 10.5	1,720.1	— 15.2	2,336.7	+ 35.8	3,305.8	+ 41.5

TABLE 10 – COMPOSITION OF IMPORTS AND EXPORTS OF GOODS AND SERVICES, 1966 – 1970
(AT MARKET PRICES)

		1966	1967		1968		1969		1970	
		H.K. \$ '000	H.K. \$ '000	Compared with 1966 (%)	H.K. \$ '000	Compared with 1967 (%)	H.K. \$ '000	Compared with 1968 (%)	H.K. \$ '000	Compared with 1969 (%)
EXPORTS OF GOODS AND SERVICES										
I.	Merchandise (f.o.b.)	7,856,149	9,139,199	+ 16.3	10,734,753	+ 17.5	13,380,890	+ 24.7	15,430,509	+ 15.3
II.	Transportation n.e.s.									
	<i>Expenditure in H.K. of foreign airline and shipping companies</i>									
1.	fuel oils	88,867	100,989	+ 13.6	134,126	+ 32.8	134,074	– 0.0	167,070	+ 24.6
2.	port and airport charges	18,121	22,370	+ 23.4	26,878	+ 20.2	31,967	+ 18.9	40,633	+ 27.1
	Other port and airport revenue	7,028	7,780	+ 10.7	9,052	+ 16.3	13,078	+ 44.5	20,530	+ 57.0
	Expenditure of foreign crews in H.K.	18,755	19,406	+ 3.5	20,164	+ 3.9	21,606	+ 7.2	24,101	+ 11.5
	Sub-total	132,771	150,545	+ 13.4	190,220	+ 26.4	200,725	+ 5.5	252,334	+ 25.7
III.	Travel									
	Expenditure of foreign tourists in H.K.	687,300	769,900	+ 12.0	976,400	+ 26.8	1,317,500	+ 34.9	1,773,800	+ 34.6
	Expenditure of U.S. military personnel in H.K.	316,900	325,500	+ 2.7	337,100	+ 3.6	341,000	+ 1.2	329,200	– 3.5
	Sub-total	1,004,200	1,095,400	+ 9.1	1,313,500	+ 19.9	1,658,500	+ 26.3	2,103,000	+ 26.8
IV.	Other									
	<i>Government n.e.s.</i>									
1.	expenditure of foreign consuls and trade commissioners in H.K., including their personnel	6,600	6,600	–	6,600	–	6,600	–	6,600	–
2.	expenditure by U.K. troops stationed in H.K.	90,000	90,000	–	90,000	–	90,000	–	90,000	–
	<i>Other services</i>									
1.	Communications – post	4,909	4,600	– 6.3	4,298	– 6.6	5,920	+ 37.7	5,950	+ 0.5
	Sub-total	101,509	101,200	– 0.3	100,898	– 0.3	102,520	+ 1.6	102,550	+ 0.0
Total Exports Of Goods And Services		9,094,629	10,486,344	+ 15.3	12,339,371	+ 17.7	15,342,635	+ 24.3	17,888,393	+ 16.6
IMPORTS OF GOODS AND SERVICES										
I.	Merchandise (c.i.f.)	10,400,517	10,852,667	+ 4.3	12,743,343	+ 17.4	15,358,368	+ 20.5	17,930,188	+ 16.7
II.	Transportation n.e.s.									
	Passenger fares	250,486	263,010	+ 5.0	276,160	+ 5.0	289,968	+ 5.0	318,965	+ 10.0
	Sub-total	250,486	263,010	+ 5.0	276,160	+ 5.0	289,968	+ 5.0	318,965	+ 10.0

	1966	1967		1968		1969		1970	
	H.K. \$ '000	H.K. \$ '000	Compared with 1966 (%)	H.K. \$ '000	Compared with 1967 (%)	H.K. \$ '000	Compared with 1968 (%)	H.K. \$ '000	Compared with 1969 (%)
III. Travel									
Expenditure of H.K. residents abroad	327,256	290,489	- 11.2	309,316	+ 6.5	329,153	+ 6.4	374,430	+ 13.8
Expenditure of H.K. students abroad	47,550	58,290	+ 22.6	68,580	+ 17.7	81,222	+ 18.4	90,168	+ 11.0
Sub-total	374,806	348,779	- 6.9	377,896	+ 8.3	410,375	+ 8.6	464,598	+ 13.2
IV. Other									
<i>Government n.e.s.</i>									
1. expenditure abroad of overseas offices	1,250	1,108	- 11.4	1,128	+ 1.8	1,227	+ 8.8	2,479	+ 102.0
2. miscellaneous expenditure abroad of the H.K. Government	24,000	59,959	+ 149.8	57,805	- 3.6	57,091	- 1.2	57,091	-
<i>Other services</i>									
1. Communications - post	36,237	39,485	+ 9.0	49,970	+ 26.6	58,621	+ 17.3	68,127	+ 16.2
Sub-total	61,487	100,552	+ 63.5	108,903	+ 8.3	116,939	+ 7.4	127,697	+ 9.2
Total Imports Of Goods And Services	11,087,296	11,565,008	+ 4.3	13,506,302	+ 16.8	16,175,650	+ 19.8	18,841,448	+ 16.5
EXPORTS LESS IMPORTS OF GOODS AND SERVICES	-1,992,667	- 1,078,664	+ 45.9	- 1,166,931	- 8.2	- 833,015	+ 28.6	- 953,055	- 14.4
<i>add 5% of the calculated total exports of goods and services to account for those items not included in the above estimates</i>	<i>454,700</i>	<i>524,300</i>	<i>+ 15.3</i>	<i>617,000</i>	<i>+ 17.7</i>	<i>767,100</i>	<i>+ 24.3</i>	<i>894,400</i>	<i>+ 16.6</i>
ADJUSTED NET IMPORTS AND EXPORTS OF GOODS AND SERVICES	- 1,537,967	- 554,364	+ 64.0	- 549,931	+ 0.8	- 65,915	+ 88.0	- 58,655	+ 11.0

APPENDIX

NATIONAL INCOME ESTIMATION: A REPORT BY MR. H. A. FELL ON ESTIMATES FOR 1970 AND 1971 MADE USING THE INCOME APPROACH

Mr. H. A. FELL of the United Kingdom's Overseas Development Administration was invited by the Hong Kong Government to make a quick and completely independent estimate of national income from the "income approach" in order that a conclusion could be reached as to whether the estimates produced by the Census and Statistics Department from the "expenditure approach" were of the right order of magnitude.

2. Mr. FELL was in Hong Kong from the 14th November, 1972 to 20th December, 1972 and his report is below.

REPORT

Introduction

3. Using the expenditure method of calculation the Department of Census and Statistics has estimated the gross domestic product of Hong Kong at market prices and factor cost for the years 1966 to 1970, and a provisional figure for 1971. The Department has pointed out that in making the estimates only information which was readily available was used and no special surveys were conducted. The Department recognized that such estimates, based on inadequate data, informed guesses and apriori assumptions about the relationships between various economic aggregates, can only result in figures with large margins of error. This, at once, raises the question "are these estimates, using the expenditure method of the right order of magnitude, or do they differ substantially from the true figures". If they are wide of the mark, then their value in use is greatly diminished, and in fact they may be misleading and harmful in arriving at broad policy decisions. Unfortunately the true figures of national income are unknown, and the reliability of the estimates can only be appraised by comparison with an estimate using another and independent method of calculation. But if the two estimates differ, as they will, what amount of difference is acceptable if only orders of magnitude are being tested. There is no objective acceptable difference. The acceptable difference is the result of a subjective decision and must be laid down in advance of the figures which have to be estimated. It was decided that an acceptable difference should not be greater than 20 per cent of the gross domestic product at market prices calculated by the expenditure method.

4. The alternative method of estimation used in this paper is the "income" approach. In national income accounting the sum of final consumption by households and government, gross investment, and exports less imports is by definition identical with the sum of compensation to employees, operating surplus, consumption of capital and indirect taxes; that is total expenditure equals total income. Thus if the sources of income and expenditure are complete and accurate, gross domestic product can be calculated using either source of data. But, as pointed out in the previous paragraph, the information on expenditure was inadequate, and that on incomes is even more fragmentary and incomplete. In consequence estimates using an expenditure or income approach will differ. If the results are widely different then doubt is thrown on the validity and usefulness of either estimate. If however they differ by less than 20 per cent, it is believed they can be accepted as figures of the right order of magnitude and may be used with some confidence; though naturally still with reservations and with the hope and expectation that more reliable figures will be available in the future.

The Estimates

5. Table 1 below gives the estimates of the net domestic product at factor cost for the years 1970 and 1971; these estimates are, of course, based on the income method of calculation. The totals of N.D.P. (f.c.) are broken down into the main industrial sectors to show the "value added" of each sector, the value added is also given as a percentage of N.D.P. (f.c.) to draw attention to the contribution of each sector to the overall economic activity of the territory. As can be seen manufactures is the most important sector, with a figure of about 32 per cent followed by wholesale and retail trade and community, social and personal services with 25 per cent and 15 per cent respectively. These percentage figure should be taken only as rough measures of the importance of the sectors to the economy.

6. Figures are also included in the table for consumption of capital, usually referred to as depreciation, and indirect taxes. If the figure of depreciation is added to the figure for N.D.P. (f.c.) the new figure represents gross domestic product at factor cost, i.e. G.D.P. (f.c.) If indirect taxes are added to this latter figure the result is an estimate of gross domestic product at market prices, i.e. G.D.P. (m.p.). It is this latter figures which will be compared with the expenditure estimates to see whether they agree within the allowed margin of 20 per cent.

Table 1 Estimated Domestic Product: 1970 and 1971

I.S.I.C. Major Industry Division						1970		1971	
						HK\$mn.	%	HK\$mn.	%
1. Agriculture and Fishing	...	...	...	...	...	442.1	2.5	491.7	2.5
2. Mining and Quarrying	...	...	...	...	...	24.5	0.1	28.2	0.1
3. Manufacturing	...	...	...	...	...	5,389.8	31.2	6,318.5	32.1
4. Electricity, Gas and Water	...	...	...	...	...	240.6	1.4	200.6	1.0
5. Construction	...	...	...	...	...	657.3	3.8	784.2	4.0
6. Wholesale and Retail Trade, Restaurants and Hotels	...	...	...	...	...	4,285.9	24.8	4,880.6	24.8
7. Transport, Storage and communication	...	...	...	...	...	1,111.2	6.4	1,272.3	6.5
8. Banking, Insurance and Real Estates	...	...	...	...	...	2,398.0	13.9	2,683.0	13.6
9. Community, Social and Personal Services	...	...	...	...	...	2,626.2	15.2	2,903.2	14.7
0. Activities not adequately defined	...	...	...	...	...	119.6	0.7	137.7	0.7
All Industries N.D.P. (f.c.)	...	...	...	...	...	17,295.2	100.0	19,700.0	100.0
Consumption of Capital	...	...	...	...	...	1,301.8		1,482.8	
Indirect Tax	...	...	...	...	...	1,092.0		1,146.5	
G.D.P. (m.p.)	...	...	...	...	...	19,689.0		22,329.3	

7. Table 2 gives the breakdown of the G.D.P. (m.p.) between compensation of employees, operating surplus, consumption of capital and indirect taxes. The figures are broad estimates only. The compensation of employees includes some income of the self-employed, and the figures are really estimates of income from employment. Again some income accruing to partners of a firm has been included under operating surplus, which includes income from dividends, interest, undistributed profits, rents etc., whereas at least some part of this income, such as entrepreneurial withdrawals, could be considered as income from employment rather than as profits. However, it is not thought that these inconsistencies would greatly alter the allocation of income between these two large categories of employment income and operating surplus.

Table 2 Components of G.D.P. (m.p.) 1970 and 1971

	1970 HK\$mn.	1971 HK\$mn.
Compensation of Employees	11,725.5	13,439.6
Operating Surplus	5,569.7	6,260.4
Consumption of Capital	1,301.8	1,482.8
Indirect Tax	1,092.0	1,146.5
G.D.P. (m.p.)	19,689.0	22,329.3

8. Table 3 shows both the income and expenditure estimates for 1970 and 1971. In both years the income estimates exceed the expenditure estimates, in 1970 by 10 per cent and in 1971 by 14 per cent. The differences for both years fall within the margins of 20 per cent laid down in paragraph 1. It is perhaps worth repeating that the figure of 20 per cent was agreed before the calculations were made, and that the method of calculating the G.D.P. (m.p.) using income data was quite independent of the calculations made much earlier by the Census and Statistics Department using the expenditure method. As should be obvious from the contents of this paper, there is no justification in using these income estimates to assert that the expenditure estimates are too low. Other evidence or an intuitive feeling may support the higher figures derived by the income method, but to the writer of this paper, the calculations only re-inforce the belief that both expenditure and income estimates are of the right order of magnitude.

Table 3 G.D.P. (m.p.) 1970 and 1971

Method of Estimate	1970 HK\$mn.	1971 HK\$mn.
Expenditure	17,884.1	19,597.1*
Income	19,689.0	22,329.3
Difference (% on Expenditure)	10%	14%

* Provisional.

Method of Estimation

9. The paragraphs which follow give only a brief outline of the way the compensation of employees, operating surplus, etc. were calculated. A detailed description of the calculations, including the sources of information and the assumptions basic to the calculations, are given in the notes kept in the Census and Statistics Department.

10. Tables showing the distribution of the numbers of employees and the self-employed in 1971 by sex, main industrial sector and main occupation group were available from the information on the Hong Kong Population Census 1971. However, it was soon realized that separate information on the income of the self-employed was unobtainable and in consequence, the data on employees and self-employed were aggregated to give figures for the employed.

11. For each category, as for example, males in textiles who were craftsmen, production workers or labourers, information was sought on wages and salaries, including bonuses, income in kind, subsidized housing, and overtime. For each category the numbers employed were multiplied by the estimated average yearly income to give the total wage and salary bill. Where a category included many different skills, as for example, the category referred to above, every effort was made to obtain earnings data for a broad range of skills, and then multiply these earnings for the sub-category by the appropriate number employed—the latter information was available generally from the Population Census, but in some cases needed to be supplemented by information from the Labour Department. The total wage and salary bill for each category or sub-category was added to give the total wage and salary bill for the economy as a whole. This wage and salary bill is referred to as compensation of employees in the tables above; a more accurate description would be compensation of those in employment.

12. The statistical information on wages and salaries was obtained from a number of sources, the main ones were: the Labour Department, the Pay Investigation Unit, the Hong Kong Productivity Centre, the Agriculture and Fisheries Department, and also from sundry official publications. The data in certain cases was given in confidence, and the detailed cannot be divulged.

13. In a few cases the wages and salaries related to minimum and maximum figures of a number of firms in an industrial sector. A simple average of these figures was used in the calculations of the wage and salary bill. If, as is usually the case, wages and salaries distributions are skewed to the right, then the estimated average will be higher than the true average and the wage bill will be over-estimated. These cases were too few to seriously affect the overall wages and salaries bill.

14. The sources which provided the data on earnings of employees for 1971 also were able to provide similar data for 1970. The 1970 average earnings were then multiplied by the numbers in employment in the various categories less approximately 2 per cent to give the overall wage and salaries bill for 1970—the 2 per cent represents the change in employment between 1970 and 1971. The 1970 figure does not then take into account structural changes in employment between the two years, but it is believed that this will not affect greatly the accuracy of the overall figures.

15. The estimates of operating surplus (profits, interest, property income, etc.) were based on information supplied by the Inland Revenue Department. From enquiries it appeared that profits tax was related to profits earned roughly a year earlier out interest and property tax were related to current income. In consequence a lag of one year was assumed when calculating profits from tax assessments, with no lag in the case of interest and property income. Because the Inland Revenue Statistics cover periods from 1st April to 31st March of the following year, adjustments to the data were necessary in order to convert to a calendar year.

16. For 1970 the estimates were fairly straight forward. However it was decided that income relating to personal assessment should be omitted from the calculation of operating surplus. This income, it was thought, had been covered in the estimate of earnings of the self-employed and was included under compensation of employees. It is likely that some of the income of partnership included under business profits should also have been omitted, but there was no clear method of doing this. Rather than undertake a quite arbitrary procedure, it was decided to make no adjustments. Thus some duplication may have occurred. Its effect on the total estimates of operating surplus would, however be relatively small.

17. No data on operating surplus were available for 1971; if it were then it was not available to the writer of this paper. The method of calculation was a simple one. Profits for 1970 were projected to 1971 by the use of key economic indicators, such as the quantum and unit value indices of exports and imports, local price indices, change in bank deposits and assets, commercial cargoes carried, income from rates etc. In the case of manufactures it was noted that the price of imported raw materials had remained unchanged between 1970 and 1971 whereas export prices and prices of locally sold goods had increased. In addition the volume of production (sales) had also increased. From data, and also some broad assumptions on the percentage of raw material used in production it was possible to make a statement about likely minimum profits, this minimum figure, when calculated, was slightly above the estimated percentage increase in wages and salaries in the industry. Because it was not possible to calculate an average or a maximum profit increase the minimum figures was used in the calculation. A similar procedure was adopted for the wholesale and retail sector. Operating surplus is then a conservative estimate.

18. The revenue from rates obtained from the Rating and Valuation Department for 1971 was 5.1 per cent higher than the revenue for 1970. In consequence profits of real estates was raised only by this percentage. Intuition, but not evidence, suggests that this figure is too low. This is a figure which certainly needs more attention. However, without evidence to the contrary the increase of 5.1 per cent was accepted.

19. To sum up there is some evidence that in 1971 the profits figures may have been understated, and that in 1970 and 1971 the compensation of employees may have been over-estimated (this latter results from taking average earnings as the average of a minimum and maximum figure). These defects in the estimates are it is believed, not of sufficient magnitude to diminish the value of the estimates.

20. The detailed notes referred to earlier are useful in showing the great gaps in the material needed for estimation of national income.

H. A. FELL,
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