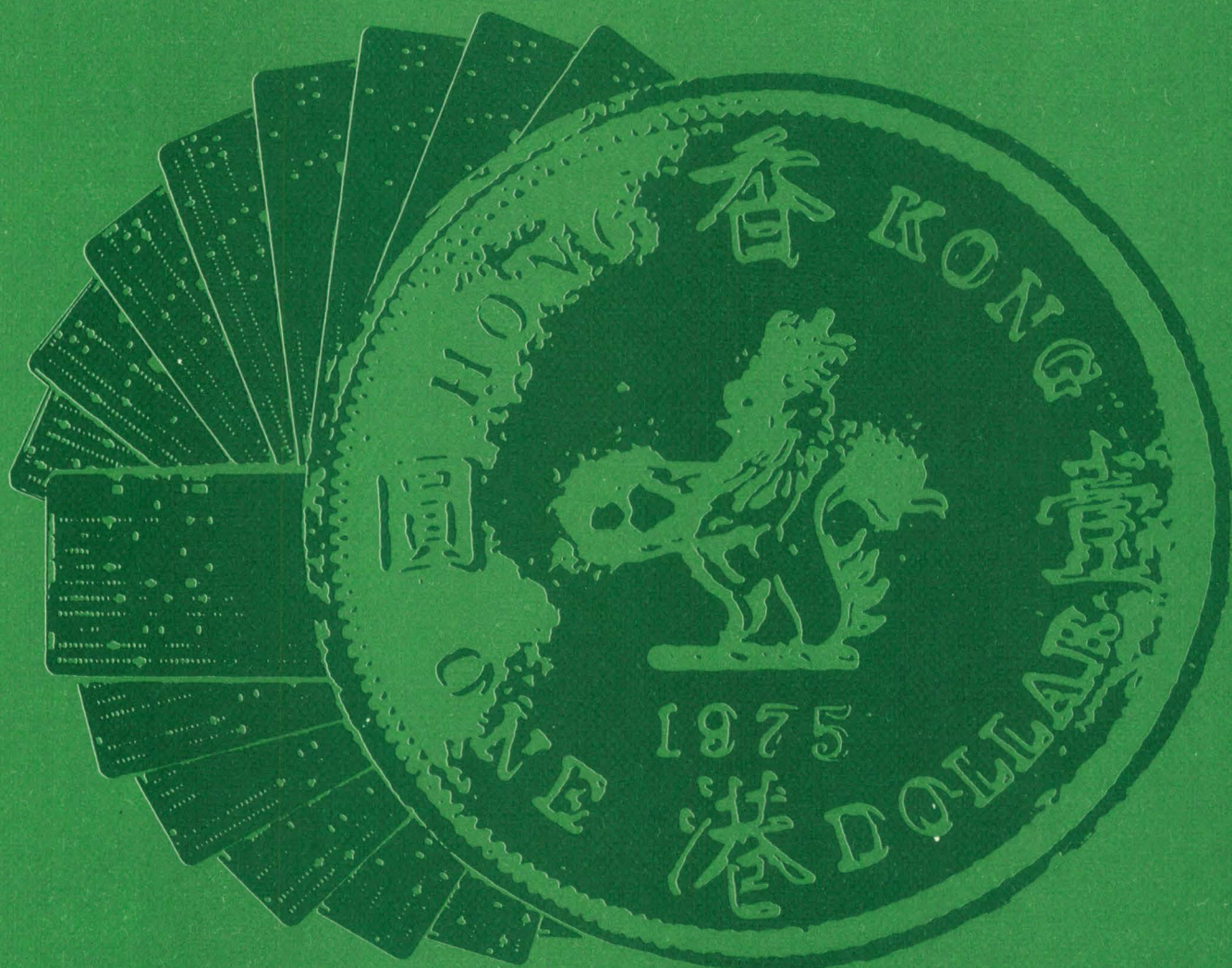


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# *Estimates of Gross Domestic Product 1961-73*



**ESTIMATES  
OF  
GROSS DOMESTIC PRODUCT**

**CENSUS AND STATISTICS DEPARTMENT**

**HONG KONG**

**1975**



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## INTRODUCTION

This booklet contains the latest estimates of gross domestic product made by the Census and Statistics Department. It is the third in the series.

2. The estimates of gross domestic product at market prices have been constructed using the expenditure approach as in the previous booklets, but some amendments have been made to the original figures to improve upon them. In addition, estimates of the gross domestic product at current and constant market prices for 1961–65 have also been made and these are included in the booklet; this historical series provides an indication of the pattern of growth over that period, and assists in making predictions about the future.

3. The Department is fully aware of the inadequate basis on which many of the estimates are founded and revision (and of course updating) is a continuous process. In the meantime, the estimates are still considered to be of value, as indicating the proportionate order of magnitude of year to year changes through the application of a consistent set of assumptions and methodology throughout. A comparison of the present estimates of the percentage annual growth in expenditure on the gross domestic product with last year's estimates shows the following consistent pattern:—

### PERCENTAGE ANNUAL GROWTH IN EXPENDITURE ON THE GROSS DOMESTIC PRODUCT AT CURRENT AND CONSTANT MARKET PRICES

		<i>1967</i>	<i>1968</i>	<i>1969</i>	<i>1970</i>	<i>1971</i>	<i>1972</i>
Last year's estimates:	current prices	12.0	4.8	17.8	18.6	11.6	16.4*
	constant prices	9.9	1.5	14.6	7.0	1.8	8.0*
Present estimates:	current prices	11.5	6.9	17.0	19.4	12.6	15.4
	constant prices	8.6	3.7	14.2	6.2	3.1	7.3

\* published as preliminary figure.

4. The estimates for 1970 and 1971 using the income approach have been further revised and estimates for 1972 prepared. They are given in the Appendix to this booklet. As a result of the various revisions made, the income estimates now differ from the expenditure estimates by 1 per cent and 4 per cent for 1970 and 1971 respectively, compared with last year's "differences" of 3 per cent and 6 per cent. The difference for 1972 is 11 per cent. Satisfactory estimating from the income side will not be possible until the programme of industrial censuses has been completed but annual revisions will be made in the light of new information that becomes available in the meanwhile.

## THE ESTIMATES, 1961–1973

5. Estimates appearing in the following paragraphs and in Table 1 to Table 9 relate to the years 1961 to 1973. The figures for 1973 are preliminary in the sense that not all information on which the 1961–72 estimates are based is yet available for 1973.

### The gross domestic product

6. Estimates of the total and the per capita expenditure on gross domestic product at current and constant market prices for 1961 to 1973 together with annual rates of growth are given below:—

#### EXPENDITURE ON THE GROSS DOMESTIC PRODUCT

	<i>At Current Market Prices</i>				<i>At Constant Market Prices of 1966</i>			
	<i>Total GDP</i>		<i>Per Capita GDP</i>		<i>Total GDP</i>		<i>Per Capita GDP</i>	
	<i>Amount</i>	<i>Annual Growth</i>	<i>Amount</i>	<i>Annual Growth</i>	<i>Amount</i>	<i>Annual Growth</i>	<i>Amount</i>	<i>Annual Growth</i>
	HK\$Mn	%	HK\$	%	HK\$Mn	%	HK\$	%
1961	6,066	—	1,915	—	6,648	—	2,098	—
1962	6,901	13.8	2,088	9.0	7,329	10.2	2,217	5.7
1963	7,927	14.9	2,317	11.0	8,087	10.3	2,364	6.6
1964	8,888	12.1	2,536	9.5	8,822	9.1	2,517	6.5
1965	10,499	18.1	2,918	15.1	10,423	18.1	2,897	15.1
1966	11,110	5.8	3,061	4.9	11,110	6.6	3,061	5.7
1967	12,391	11.5	3,328	8.7	12,071	8.6	3,242	5.9
1968	13,242	6.9	3,482	4.6	12,523	3.7	3,293	1.6
1969	15,499	17.0	4,011	15.2	14,305	14.2	3,702	12.4
1970	18,501	19.4	4,673	16.5	15,199	6.2	3,839	3.7
1971	20,829	12.6	5,149	10.2	15,674	3.1	3,875	0.9
1972	24,047	15.4	5,896	14.5	16,813	7.3	4,122	6.4
1973*	30,240	25.8	7,269	23.3	18,912	12.5	4,546	10.3

\* preliminary figures.

7. Over the thirteen-year period 1961–1973, total gross domestic product at current market prices increased at an average rate of 14.3 per cent per annum, or 9.1 per cent in real terms. Per capita gross domestic product at current market prices increased at an average rate of 11.8 per cent per annum, passing HK\$7,000 in 1973. Average real growth of per capita gross domestic product over the same period was 6.7 per cent per annum. It should be noted, however, that these average percentages conceal a wide variation in growth rate in individual years: an abrupt rise in 1965, a slowing down in 1966–68, a rapid recovery in 1969, a further slowing down in 1971 and another recovery in 1973.

8. The following indexes of gross domestic product provide indicators of growth over the past 13 years:—

#### INDEX OF GROSS DOMESTIC PRODUCT (1966=100)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
<i>Total GDP</i>													
at current market prices	54.6	62.1	71.4	80.0	94.5	100.0	111.5	119.2	139.5	166.5	187.5	216.4	272.2
at constant market prices	59.8	66.0	72.8	79.4	93.8	100.0	108.6	112.7	128.8	136.8	141.1	151.3	170.2
<i>Price index numbers</i>													
( $\frac{\text{current price total GDP}}{\text{constant price total GDP}}$ )	91.2	94.2	98.0	100.7	100.7	100.0	102.7	105.7	108.3	121.7	132.9	143.0	159.9
<i>Per Capita GDP</i>													
at current market prices	62.6	68.2	75.7	82.8	95.3	100.0	108.7	113.8	131.0	152.7	168.2	192.6	237.5
at constant market prices	68.5	72.4	77.2	82.2	94.6	100.0	105.9	107.6	120.9	125.4	126.6	134.7	148.5

\* preliminary figures.

9. These figures indicate that total gross domestic product at current market prices increased about five-fold between 1961 and 1973, and nearly three-fold at constant market prices. Prices were relatively stable up to 1969, increasing at an average rate of 2.2 per cent per annum; but rose rapidly in subsequent years, by about 10.2 per cent per annum for the period 1969–73.

10. Tables 1 and 2 show the total and per capita gross domestic product figures in relation to the main components, in both current and constant price terms. The price indexes in Table 3 are the result of dividing the current market price estimates by the corresponding estimates at 1966 prices.

### Private consumption expenditure

11. The share of private consumption expenditure in total gross domestic product at current market prices showed a gradual decline over time from 86.9 per cent in 1961 to 74.7 per cent in 1973. At constant market prices, this share also declined from 1961 to 1965, and fluctuated between 77.7% and 82.2% from 1966 to 1969; however, subsequent figures show a rising trend, that for 1973 being 85.5 per cent.

### PRIVATE CONSUMPTION EXPENDITURE

	<i>At Current Market Prices</i>			<i>At Constant Market Prices of 1966</i>		
	<i>Amount</i>	<i>Annual growth</i>	<i>Share in total GDP</i>	<i>Amount</i>	<i>Annual growth</i>	<i>Share in total GDP</i>
	HK\$Mn	%	%	HK\$Mn	%	%
1961	5,270	—	86.9	5,555	—	83.6
1962	5,872	11.4	85.1	6,124	10.2	83.6
1963	6,483	10.4	81.8	6,668	8.9	82.5
1964	7,157	10.4	80.5	7,253	8.8	82.2
1965	8,068	12.7	76.8	8,193	13.0	78.6
1966	9,127	13.1	82.2	9,127	11.4	82.2
1967	9,758	6.9	78.8	9,384	2.8	77.7
1968	10,751	10.2	81.2	10,166	8.3	81.2
1969	12,064	12.2	77.8	11,173	9.9	78.1
1970	13,806	14.4	74.6	12,169	8.9	80.1
1971	15,806	14.5	75.9	13,529	11.2	86.3
1972	17,130	8.4	71.2	14,078	4.1	83.7
1973*	22,588	31.9	74.7	16,178	14.9	85.5

\* preliminary figures.

12. Tables 4 and 5 show the composition of private consumption expenditure by commodity/service groups and sections at current market prices.

### Government consumption expenditure

13. Over the thirteen-year period 1961 to 1973, government consumption expenditure represented between 6 and 7 per cent of the gross domestic product at both current and constant market prices; such expenditure increased at a rate of 13.6 per cent per annum at current market prices and 8.2 per cent per annum at constant market prices. The growth was, however, at an uneven rate and was mainly influenced by the volume of purchases of goods and other services.

## GOVERNMENT CONSUMPTION EXPENDITURE

	<i>At Current Market Prices</i>			<i>At Constant Market Prices of 1966</i>		
	<i>Amount</i>	<i>Annual growth</i>	<i>Share in total GDP</i>	<i>Amount</i>	<i>Annual growth</i>	<i>Share in total GDP</i>
	HK\$Mn	%	%	HK\$Mn	%	%
1961	424	—	7.0	495	—	7.4
1962	445	5.0	6.4	519	4.8	7.1
1963	483	8.5	6.1	558	7.5	6.9
1964	562	16.4	6.3	621	11.3	7.0
1965	657	16.9	6.3	681	9.7	6.5
1966	766	16.6	6.9	766	12.5	6.9
1967	848	10.7	6.8	845	10.3	7.0
1968	921	8.6	7.0	881	4.3	7.0
1969	1,017	10.4	6.6	974	10.6	6.8
1970	1,190	17.0	6.4	1,023	5.0	6.7
1971	1,269	6.6	6.1	1,045	2.2	6.7
1972	1,581	24.6	6.6	1,106	5.8	6.6
1973*	1,953	23.5	6.5	1,272	15.0	6.7

\* preliminary figures.

Table 6 gives government consumption expenditure at current market prices.

### Gross domestic capital formation excluding changes in stocks

14. The share of gross domestic fixed capital formation in total gross domestic product at constant market prices rose from 22 per cent in 1961 to 29 per cent in 1964, then dropped to 18 per cent in 1968, but rose again to 23 per cent in 1971. It was relatively stable in the last three years. At current market prices, this ratio also moved in a broadly similar manner. Changes in the level of gross domestic fixed capital formation at both current and constant market prices fluctuated considerably from year to year, being heavily affected by the activities of the building and construction sectors.

## GROSS DOMESTIC FIXED CAPITAL FORMATION

	<i>At Current Market Prices</i>			<i>At Constant Market Prices of 1966</i>		
	<i>Amount</i>	<i>Annual growth</i>	<i>Share in total GDP</i>	<i>Amount</i>	<i>Annual growth</i>	<i>Share in total GDP</i>
	HK\$Mn	%	%	HK\$Mn	%	%
1961	1,317	—	21.7	1,434	—	21.6
1962	1,727	31.1	25.0	1,832	27.8	25.0
1963	2,294	32.8	28.9	2,341	27.8	28.9
1964	2,708	18.0	30.5	2,557	9.2	29.0
1965	3,016	11.4	28.7	2,801	9.5	26.9
1966	2,598	—13.9	23.4	2,598	—7.2	23.4
1967	2,192	—15.6	17.7	2,354	—9.4	19.5
1968	2,054	— 6.3	15.5	2,290	—2.7	18.3
1969	2,500	21.7	16.1	2,756	20.3	19.3
1970	3,624	45.0	19.6	3,101	12.5	20.4
1971	4,860	34.1	23.3	3,619	16.7	23.1
1972	5,431	11.7	22.6	3,781	4.5	22.5
1973*	6,717	23.7	22.2	4,240	12.1	22.4

\* preliminary figures.

15. Tables 7 and 8 show gross domestic fixed capital formation by product classification and by public and private sectors at current market prices.

#### **Exports and imports of goods and services**

16. Throughout the period, total imports of goods have been estimated to exceed total exports of goods. The difference at current market prices was about HK\$2,000 million for 1961 rising to HK\$2,700 million for 1964, gradually declining to HK\$1,600 million for 1967, and rising again to HK\$3,000 million for 1971, HK\$2,200 million for 1972 and HK\$3,000 million for 1973. At constant market prices, the difference was much the same up to 1967, then increasing rapidly to HK\$3,900 million for 1971, HK\$3,500 million for 1972 and HK\$3,600 million for 1973 indicating that export prices rose faster than import prices after 1967. On the other hand, exports of services have been estimated to be higher than imports; the difference at current market prices was HK\$1,000 million for 1961, keeping relatively stable up to 1966, then gradually rising to HK\$2,200 million for 1970. It was around HK\$2,000 million for the last three years. At constant prices, the difference was about HK\$1,200 million up to 1968, gradually rising to HK\$1,700 million for 1970, but then dropping to HK\$800 million for 1973. Table 9 shows the detailed composition of imports and exports of goods and services at current market prices.

## METHODS AND SOURCES

17. This section describes the sources and methods used in arriving at the estimates at both current and constant market prices. It also describes the revisions made to the estimates published last year.

### PRIVATE CONSUMPTION EXPENDITURE AT CURRENT MARKET PRICES

18. Private consumption expenditure at current market prices refers to the value of final expenditure by households and private non-profit-making institutions on goods and services at current market prices.

19. In general, the commodity flow method has been used where appropriate. Trade statistics of retained imports were backed up and complemented by data from the Household Expenditure Surveys, from the 1971 Census of Manufacturing Establishments, from administrative statistics and many other sources including informed guesses.

20. A household expenditure survey is usually a good source of information since data derived from it can be analysed in detail by types of commodities and by types of households. In Hong Kong, information under this head derives from an exercise conducted in 1963/64 for the construction of a consumer price index which covered only those urban households spending (at that time) between HK\$100 and HK\$2,000 a month, and similar exercises on a smaller scale between 1965 and 1973. A new survey was conducted in 1973/74 covering those urban households spending (at that time) between HK\$400 to HK\$3,000 a month, and the results were fed into the estimates. Information from this source has been available only since 1963, and even then some of the records for the earlier years have been destroyed; there are, therefore, gaps for 1961 and 1962, and for 1963 to 1965 as well for some items. The method used for estimation for these years was to fit a regression line to the per capita expenditure in 1966-1972 at constant prices, and extrapolate the trend to 1961. The total expenditure was then calculated by taking into consideration the mid-year population and changes in retail prices. The changes in the retail prices for these years were imputed from the results of the Cost of Living Survey, 1958-1963/64.

21. The use of the commodity flow method in this exercise was principally dictated by the fact that, because a large proportion of the commodities included in private consumption expenditure is imported, adequate and detailed trade statistics are available. Commodities produced domestically for local consumption are mainly foodstuffs whose annual output, both in value and in quantity terms, is 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 other years were based on these benchmark estimates projected backwards and forwards by changes in population, consumer prices and the relative importance of the commodity in consumers' expenditure.

22. Under the commodity flow method, consumers' expenditure on any particular commodity is taken to be the retail value of those parts of retained imports and domestically-produced commodities which were for private consumption. Generally, imported and domestically-produced commodities have been recorded at importers' and wholesalers' values respectively, and the retail value has then been arrived at by adding transport expenses and distributors' profit margin. The value of retained imports was derived by deducting from imports estimated re-exports. The margin between retail prices and import prices of imported goods varied considerably and, in general, a flat 30 per cent of the retained import value was added to imported goods. Domestically-produced goods were generally marked up by 15 per cent, although in certain cases, arising from information derived from the Census of Manufacturing Establishments (where information was at manufacturers' prices), the mark-up was 30 per cent.

23. Consumer goods and services have been classified into twelve sections; each of these have in turn been sub-divided into a number of groups, resulting in a total of 83 groups overall. The sources and methods for estimating consumers' expenditure on each group are described below.

#### Food

24. This section comprises 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, has been treated as a household purchase. That consumed in catering establishments has also been included, but valued at retail market prices, not at the prices paid by customers.

25. Bread and cereals: Rice, other cereals and cereal preparations, bread, cakes and biscuits. Rice is a basic food and supply almost entirely depends on imports. The estimate of expenditure on imported rice has been based on the value of retained imports. Estimates of expenditure on other cereals and cereal preparations, bread, cakes and biscuits were calculated from the value of imports, and local production was estimated from the Census of Manufacturing Establishments.

26. Meat and poultry: Pork, beef, other meat and poultry. The large majority of swine and beef cattle slaughtered for meat are imported. The value of pork and beef derived from local sources was obtained from the Annual Reports of the Agriculture and Fisheries Department, and the estimate of expenditure on imports from trade statistics. Expenditure on mutton, offal, bacon, ham, canned meat, sausages etc. (of which local production is negligible) was also estimated from retained import values. Expenditure on locally-bred poultry was estimated by multiplying the number of birds produced by their average retail price; the yearly production of poultry is given in the Agriculture and Fisheries Department's Annual Reports. However, average retail prices of poultry are not available for 1961-64 and they have had to be imputed from the relevant component index of the consumer price index.

27. 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 is caught by the local fishing fleet; on the other hand, local production of fresh water fish is unimportant in relation to imports. Estimates of expenditure on local production of fish, including other fish (mainly salted fish) and sea products, are based on the Agriculture and Fisheries Department's annual publication entitled "Fish and Fishery Products". Trade statistics were the source from which expenditure on imported fish and sea products was estimated.

28. 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 is locally-produced. Expenditure on local fresh eggs was derived from information obtained from the Agriculture and Fisheries Department. Figures on imports were derived from trade statistics.

29. Oils and fats: Peanut oil, lard, butter, margarine and other edible fats. Local oil manufacturing establishments supply a considerable proportion of the peanut oil consumed in Hong Kong. However, this is mainly processed from imported oil and information is not available as to the value added by the local establishments in the course of processing the imported oil. Expenditure on peanut oil has therefore been based on data from the Household Expenditure Surveys. The estimate of expenditure on butter, margarine and other edible fats was derived from trade statistics.

30. Vegetables and fruit: Fresh and preserved vegetables and fruit, beans and peas. Expenditure on locally-grown fresh vegetables (about half of total consumption) was estimated on the basis of the quantity figures supplied by the Agriculture and Fisheries Department. These quantity figures were valued at wholesale prices by applying the average annual price of local fresh vegetables sold through the Vegetable Marketing Organization, with the addition of a percentage retail mark-up. The value of retained imports of fresh vegetables was calculated in a similar manner. Estimated expenditure on fresh fruit of local production was also derived from the Agriculture and Fisheries Department's Annual Reports. Adjustments to both the vegetable and fruit estimates were made to allow for local production of preserved vegetable and fruit; these adjustments were determined in the light also 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.

31. 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.

32. 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 were dutiable commodities before 1973, and the value of locally-produced table waters was based on the duty-paid quantity figures supplied by the Commerce and Industry Department; for 1973, it has been based on the 1972 estimate and changes in population, retail price and relative importance in household expenditure. (A benchmark estimate of expenditure on 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 that its consumption growth pattern and all other table waters was the same for all the years.) The value of retained imports of these items was taken from trade statistics.

33. 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**

34. This covers beer and liquors. Alcoholic beverages are dutiable commodities, and expenditure on both locally-brewed and imported products is based on duty-paid quantity statistics supplied by the Commerce and Industry Department. The local production value for 1966-73 was taken to be the product of duty-paid quantities and their average retail prices. For 1961-65, such prices were imputed from relevant component indexes of the consumer price index. Estimates of retained imports were derived on the basis of the duty-paid quantities plus duties payable and a fixed mark-up.

#### **Tobacco**

35. Tobacco is also dutiable and duty-paid quantity data were consequently also available from the Commerce and Industry Department. Consumers' expenditure on both locally-manufactured and imported cigarettes, cigars and cut tobacco was estimated from duty-paid quantities, which were valued at retail prices by applying the average retail prices of one or more popular brands in each category. However such average retail prices were not available for 1961-65 and had to be imputed from the relevant component index of the consumer price index.

#### **Clothing and other personal effects**

36. 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 estimated expenditure on ready-made clothing. Tailoring charges and the purchases of materials by consumers were substantial; expenditure under these heads were based on the Household Expenditure Surveys, in the absence of other sources of information.

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

38. Other personal effects: Watches, cameras, optical goods, travel and sport goods, stationery, jewellery and other personal effects. Consumption of local production of these items is insignificant compared with imports. Consumers' expenditure was based on the Census of Manufacturing Establishments and trade statistics. Genuine jewellery exported from Hong Kong is 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**

39. Rent and rates. Expenditure on rent and rates for 1961-70 was made up as follows:—

- (i) Rents of Hong Kong Island, Kowloon and New Kowloon residential buildings (other than resettlement estates) were 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, include 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 Rating and Valuation Department rateable value figure. Expenditure on rates was based on government collection of rates which also includes non-residential buildings; this was broken down in the same manner as the rateable value.
- (ii) The rent and rates estimate of residential buildings (other than resettlement estates) in the New Territories (which is only partly rated) 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.

40. For years 1971–73, expenditure on rent for residential buildings, including public housing estates and that of the New Territories, was estimated by projecting forward the 1970 figure by changes in the component rent index of the consumer price index. Residential buildings newly completed and demolished during the period under review were also taken into account, on the basis of their rateable values. Expenditure on rates was derived from government collection of rates as for previous years.

41. Water. For 1961–70, 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. As from 1971 consumers' expenditure was taken to be equal to the amount of water bills issued to domestic consumers by the Waterworks Office.

42. Insurance and other housing charges. Insurance covers mainly insurance against fire. Available insurance statistics are very limited and the Household Expenditure Surveys were 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 Surveys.

### **Fuel and light**

43. This covers kerosene, liquefied petroleum gas, coal gas, electricity, firewood and other fuel (e.g. charcoal, candles, matches etc.). There is no domestic production of kerosene nor of liquefied petroleum gas and consumers' expenditure was based on the value of retained imports. The value of coal gas for domestic consumption in 1966–73 was obtained from the Annual Reports of the Hong Kong and China Gas Co. Ltd., while for 1961–65 it was calculated by multiplying the quantity consumed and the estimated average rate of charge imputed from the relevant component index of the consumer price index. Production statistics of electricity analysed by user were not available until 1970 and so pre-1970 consumption was assumed to be of the 1970 pattern. 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, but for 1961–65, such average charging price was not available and had to be derived in the same manner as for the estimate of consumption of coal gas. The estimate of expenditure on other fuel (with charcoal the major item) was made from the Census of Manufacturing Establishments and trade statistics.

### **Furniture, furnishings and household equipment**

44. This covers 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 were the sources from which consumers' expenditure on these items was obtained.

### **Household operation**

45. This covers domestic servants, cleaning services and non-durable 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. But such average wages were not available for 1961–65 and were imputed from the relevant component index of the consumer price index. Expenditure on cleaning services was calculated by assuming that one quarter of such households would clean windows and polish floors once a month and the average monthly charges were obtained from the records of the Consumer Price Index Section. The household data by income brackets were taken from the 1966 and 1971 Population Censuses and data for other 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 retained imports, and the estimate of local production was derived from the Census of Manufacturing Establishments. The shoe repairing, laundry and dry cleaning estimates were based on the Household Expenditure Surveys. An estimate of expenditure on hairdressing was made for 1970 from information supplied by a barbers' association. Expenditure for other years was based on the benchmark estimate projected backwards and forwards taking into account changes in the population and in the rates of charges.

47. Health expenses: Medicines, drugs and medical treatment. The value of retained imports and an estimate of local production obtained from the Census of Manufacturing Establishments formed the basis for calculating expenditure on medicines. Medical treatment covers payments for consultations, expenditure in hospitals, X-ray clinics and medical laboratories, etc. Information of this kind is limited and the Household Expenditure Surveys formed the basis of the estimates of expenditure.

### **Transportation and Communication**

48. Purchases of motor cars, cycles and other vehicles and maintenance of motor vehicles. Expenditure on new motor cars, cycles and other vehicles was based on retained import values. Allowances were made for motor vehicles not for private use and for personal exports of used motor vehicles. Maintenance expenditure on motor vehicles was derived by multiplying the number of registered private motor cars and motor cycles by estimated annual maintenance cost.

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. However as such average retail price was not available for 1961-65, it had to be imputed from the relevant component index of the consumer price index. 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 was based on the numbers of such licences or forms issued during the year and the 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 average insurance charges, with an arbitrary percentage deducted as claims received by the insured; comprehensive insurance is not compulsory for car owners 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 annual 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 and the public transport companies.

52. Other transportation. Expenditure on taxis was based on the number of taxis and the estimated average annual revenue of each taxi. The annual 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—public light buses. The estimate was derived by multiplying together the number of public light buses, the estimated number of passenger trips and the average charge per trip. Other items included in this group were the Peak Tram (based on the number of passenger trips), Lion Rock Tunnel (based on revenue collected by government), Cross-harbour Tunnel (based on revenue collected), Macau ferries and hydrofoils (based on the number of passenger trips) and Pak Pai (unregistered taxis) with a residual item "other miscellaneous modes of transport" (based on the Household Expenditure Surveys).

53. Communication. This includes postages, telephone and telegram charges. Consumers' expenditure on postage and telegram was taken to be a percentage of the total revenue from sales of postage stamps. This percentage was determined by relating the expenditure on these items as recorded in the 1973/74 Household Expenditure Survey to the total revenue from sales of postage stamps of the same period. Expenditure on telephone services was estimated from information provided by the Hong Kong Telephone Company Ltd. on the number of domestic exchange lines, rates of charges and installation costs.

## **Recreation and entertainment**

54. Newspapers, periodicals, books, television licences and set rentals, hotel accommodation and other recreational expenses, cinema charges, betting and other recreational goods. The value of retained imports together with estimates of local production constituted the basis of expenditure on newspapers, periodicals and books. Local production of newspapers for 1970 was derived from the estimates of daily circulation of newspapers supplied by the Information Services Department. Expenditure for other years was based on the 1970 benchmark estimate projected both backwards and forwards taking into account changes in retail prices and in population. Local production 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 with average rate of charge. For tax purposes the Inland Revenue Department keeps records of the number of hotel rooms by grades, their average charges and the occupancy rates. Expenditure on hotel accommodation for 1967-73 was, therefore, calculated from these data. Such records were not, however, kept during the period 1961-66, and estimates for these years were then based on the number of tourists coming to Hong Kong provided by the Hong Kong Tourist Association and the average room charges imputed from the relevant component index of the consumer price index. "Other recreational expenses" include all expenses incurred in holiday-making. Expenditure on this by local residents was mainly estimated from the Household Expenditure Surveys while that by tourists was from information supplied by the Hong Kong Tourist Association. Except for 1973, estimates of expenditure on cinemas were obtained from cinema tax data. However, cinema tax was abolished from 1st April 1973; estimates for 1973 were based on a statistical return furnished by a local theatre and the results of a postal survey on box-office receipts of cinemas and theatres conducted by the Census and Statistics Department in 1974. Estimates of expenditure on bettings were based on information supplied by the Royal Hong Kong Jockey Club.

## **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 Surveys. Information on fees collected by universities was available in the University and Polytechnic Grants Committee's Annual Reports.

56. Financial and other services. Life insurance, service charges in restaurants, cafes, etc., brokers' commission in the purchases and sales of shares, stamp duties, and other services. Expenditure on the first two items was drawn from the Household Expenditure Surveys with adjustment for claims received by the insured in the case of life insurance. Brokers' commission on purchases and sales of shares was estimated on the basis of total turnover, adjusted by an estimated participation rate of private individuals in the stock market; such information was not available for 1961-65 and estimates for these years were based on the amount of contract note stamp duty collected. The expenditure on stamp duties represents an estimate of such duties paid by private individuals. Funeral expenditure and expenditure of private non-profit-making bodies were the most important items in "other services". The former was calculated by applying the number of registered deaths and the estimated expenditure in each case; the latter was estimated as the difference between their total current expenditure and their income from sales of goods and services produced, less expenditure accounted for elsewhere. The data were extracted from records and Annual Reports of Education Department, Registry of Trade Unions, University and Polytechnic Grants Committee, Medical and Health Department, Social Welfare Department and Treasury, as well as from the income and expenditure accounts statements supplied by these organisations in response to a postal survey conducted in 1974.

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

57. Expenditure by non-residents in the domestic market is 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; 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, tourist expenditure of residents and expenditure by residents on passenger fares. Methods and sources for estimating these expenditures are given under the heading of imports and exports of goods and services.

## GOVERNMENT CONSUMPTION EXPENDITURE AT CURRENT MARKET PRICES

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 6.

60. Government trading departments are distinguished from other government departments in that they are 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 are: (i) that the activity consists 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, account for the major part of their activities.

61. The departments or sections of departments taken as being engaged in trading activities are: Kowloon-Canton Railway; Post Office; Resettlement Department and Housing Division of the Urban Services Department (now Housing Department); and certain sections of the Public Works Department, namely Waterworks Office, Quarries Operation Section and the section dealing with works executed on private account. These departments or sections of departments are covered in the estimates of private consumption expenditure.

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

- (i) Compensation of employees, comprising wages and salaries, pensions and expenditure on housing and quarters for its staff.
- (ii) Purchases of goods and other services. This includes operating costs of government schools, hospitals, policing and social services; maintenance expenses of buildings and works; and expenditure on construction works, machinery, plant and equipment for military purpose. From this total it is 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 up to 1972 were obtained from the Annual Reports of the Accountant General which give 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. Since 1973, quarterly figures were available from the Treasury and such an adjustment was no longer required.

## GROSS DOMESTIC CAPITAL FORMATION AT CURRENT MARKET PRICES

64. 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 7 shows expenditure on gross domestic fixed capital formation analysed by product classification, while Table 8 gives an analysis by private and public sectors.

### Fixed capital formation

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

66. Land. Expenditure on land is defined as the net expenditure incurred in connection with the transfer of ownership of land and of the existing buildings and has been calculated as the sum of stamp duty collected by government, and legal fees charged based on the number of instruments registered in a year and their average rate of charge.

67. 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 was based on the Building Ordinance Office's monthly statistical returns on the cost of construction of newly completed buildings and construction for which occupation permits were issued. Although statistics on the total cost of construction of building works reported to the Rating & Valuation Department are also available, the consolidated cost in this case refers to building projects for which occupation permits were issued at different times in the past, and does not cover the New Territories. However, it was found that the cost appearing in the B.O.O.

returns is on average lower than that reported to the Rating & Valuation Department which defines the cost of construction as the sum of (a) total cost of site formation including retaining walls and roadways, and (b) total cost of construction including all fixtures, decorations, services and architect's fees. As this definition is closer to the national income concept, the cost shown in the B.O.O. returns was adjusted by a variable factor, obtained by comparing the cost of construction of an annual sample of newly completed buildings reported respectively to the Building Ordinance Office and the Rating & Valuation Department. Investment in private construction such as the Cross Harbour Tunnel, the Tsing Yi Bridge and the laying of electricity transmission lines etc. was included in the estimates from information supplied by those companies concerned. Also taken into account were solicitors' fees and stamps duty etc. connected with the legal transfer of buildings and construction. Solicitors' fees were estimated from statistics on consideration published by the Registrar General and the charge scales for solicitors' services. Stamp duty and other expenses payable to Government were taken from the Annual Reports of the Accountant General. Investment in this category in the government sector was obtained from an analysis of the Annual Reports of the Accountant General.

68. 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 part of investment in buildings and construction, whereas the latter was regarded as current expenditure.

69. 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 there 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 depends 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 backwards and forwards on the basis of the number of employees engaged in the related establishments to provide estimates for other 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.

#### **Stocks and work-in-progress**

70. 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 was included in the years' estimates of investment in building and construction.

### **IMPORTS AND EXPORTS OF GOODS AND SERVICES AT CURRENT MARKET PRICES**

71. This comprises the value of goods and non-factor services purchased from and sold to the rest of the world, including consumption expenditure by residents abroad and by non-residents in Hong Kong. The various estimates are shown in Table 9 and the sources and methods are given below.

#### **Exports of goods and services**

72. Merchandise. This covers 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.

73. Transportation, n.e.s. Included in this estimate are 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 size of crew carried by each vessel, and the estimated expenditure by each crew member.

74. Travel. Expenditure in Hong Kong by foreign tourists and military personnel of the United States are the major constituents. Surveys conducted by the Hong Kong Tourist Association provided the main source of data.

75. Other. This is composed of exports of other services of the government and other services not elsewhere stated. Included in the first item is 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. Estimates of both these 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. Included in the second item is 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

76. Merchandise. This covers the recorded total values, on c.i.f. basis, of imports of goods, including transactions in non-monetary gold and current coins. An adjustment was made for the water imported from China; this was not included in trade statistics from which the total values of imports were derived.

77. Transportation n.e.s. Expenditure by residents on passenger fares is the only item included in the estimate. Based on the statistics of residents returning from overseas travel supplied by the Hong Kong Tourist Association, and the estimated passenger fare, an estimate of expenditure on passenger fares was made for 1970 and subsequent years. It was assumed 20 percent of this estimate was incurred for business purposes and so only 80 percent was included in private consumption expenditure under expenditure of residents abroad. Figures for the previous years were estimated on the assumption that the annual growth rate before 1970 was 5 percent and that for 1970 was 10 percent.

78. Travel. Included in this estimate is the expenditure of Hong Kong students and tourists abroad. This 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 on the one hand, and the number of residents returning from Macau, China and other countries on the other. The number of residents returning from overseas travel other than Macau and China was available from the Hong Kong Tourist Association for 1970 and subsequent years. Figures for other years were estimated by assuming that the annual growth rate before 1970 was 5 percent and that for 1970 was 10 percent.

79. Other. This is divided into other services of the government and other services not elsewhere stated. The first mainly comprises 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. is classified as miscellaneous expenditure abroad of the government. Payments by the government for postal services rendered to Hong Kong by other countries are included in the second item. The amount of such payments was calculated from the Annual Reports of the Accountant General.

#### REVISIONS MADE TO THE ESTIMATES AT CURRENT MARKET PRICES

80. The revisions made this year were not large and were confined mainly to items within Private Consumption Expenditure and Gross Domestic Fixed Capital Formation. The amendments were the result of a change of source or of method of calculation, or of the addition of items which were not included at all in the previous estimates. Examples of items where revisions were due to changes in source or method were expenditure on telephones, postage and telegrams, television licences and set rentals, cinemas and theatres, betting, expenditure of private non-profit-making bodies, government consumption expenditure, and capital formation on buildings and construction of the private sector. An example of an additional item was legal fees in connection with capital formation of land. Other minor revisions related to other entertainment expenses and expenditure on meals by tourists, and expenditure of military personnel of other countries in Hong Kong, based on up-to-date statistics supplied by the Hong Kong Tourist Association.

81. The effect of these revisions on the estimates of gross domestic product is shown below:—

#### EFFECT OF REVISION TO THE ESTIMATES OF GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES

<i>GDP at current market prices</i>	1966	1967	1968	1969	1970	1971	1972
Estimates published last year HK\$m.	11,100	12,432	13,028	15,352	18,212	20,320	23,657*
Present estimates HK\$m.	11,110	12,391	13,242	15,499	18,501	20,829	24,047
Difference (as percentage of last year's estimates)	+0.1%	-0.3%	+1.6%	+1.0%	+1.6%	+2.5%	+1.6%

\* published as preliminary figure.

## CONSTANT PRICE ESTIMATES (BASE YEAR 1966)

82. Constant price estimates were made by deflating current values either by a price index, or by revaluing at base year prices. The consumer price index was available from 1963/64 only, and figures for period before 1963/64 were imputed from results of the Cost of Living Survey, 1958-1963/64, by assuming a constant rate of growth during these years. The method used in respect of specific items is indicated in the tabulation below:—

### DEFLATION OF ESTIMATES OF GROSS DOMESTIC PRODUCT

<i>Component Item</i>	<i>Method of Deflation</i>
<b>I. Private consumption expenditure</b>	
<i>a.</i> Commodity and service expenditure (other than expenditure of private non-profit-making bodies and tourist expenditure)	Deflated by consumer price indexes at group level or revalued at base year prices
<i>b.</i> Expenditure of private non-profit-making bodies	Deflated by a salary rate index for government employees
<i>c.</i> Expenditure abroad by residents	Revalued on the basis of estimated per capita expenditure by residents abroad in 1966
<i>d.</i> Expenditure by non-residents in Hong Kong	From 1961 to 1965, deflated by the general Consumer Price Index; from 1966, deflated by a tourist price index compiled by the Hong Kong Tourist Association
<b>II. Government consumption expenditure</b>	
<i>a.</i> Compensation of employees	Deflated by a specially constructed salary rate index for government employees based on the mid-point salary of each grade in the civil service
<i>b.</i> Purchases of goods and services	Deflated by a specially constructed price index of government purchases of goods and services calculated from government purchase records
<i>c.</i> Sales by government to households and enterprises	Deflated by a specially constructed index of sales by government to households and enterprises
<b>III. Capital formation</b>	
<i>a.</i> Land	Expenditure on legal fees was revalued at base year prices. Deflation on stamp duty was not necessary because the rates in respect of transfer of ownership of land have been assumed unchanged
<i>b.</i> Building and construction	Deflated by a cost index of buildings and construction prepared by the Architectural Office, Public Works Department
<i>c.</i> Plant, machinery and equipment	Deflated by an index of unit values of imported capital goods
<b>IV. Exports of goods and services</b>	
<i>a.</i> Merchandise	
(i) domestic export	From 1961 to 1967, deflated by an overall index of unit values of exports taken from an unpublished research paper by Dr. M. E. Morkre of the University of Hong Kong; after 1967, deflated by an overall index of unit values of exports compiled by the Census and Statistics Department
(ii) re-export	From 1961 to 1967, deflated by an overall index of unit values of imports taken from an unpublished research paper by Dr. M. E. Morkre of the University of Hong Kong; after 1967, deflated by an overall index of unit values of imports compiled by the Census and Statistics Department

<i>Component Item</i>	<i>Method of Deflation</i>
<i>b.</i> Transportation, n.e.s.	
(i) fuel oils	Revalued at base year prices
(ii) port and airport charges	Deflated by the respective charge rates
(iii) expenditure of foreign crews in H.K.	Revalued at base year prices
<i>c.</i> Travel	
(i) Expenditure of foreign tourists in H.K.	From 1961 to 1965, deflated by the general Consumer Price Index; from 1966, deflated by a tourist price index compiled by the Hong Kong Tourist Association
(ii) Expenditure of U.S. military personnel in H.K.	From 1961 to 1965, deflated by the general Consumer Price Index; from 1966, deflated by a tourist price index compiled by the Hong Kong Tourist Association
<i>d.</i> Other	
(i) Expenditure of foreign consuls and trade commissioners in H.K. including their personnel	Revalued at base year prices
(ii) Expenditure by U.K. troops stationed in H.K.	Revalued at base year prices
(iii) Communications—post	Deflated by the respective delivery charge rates
<b>V. Imports of goods and services</b>	
<i>a.</i> Merchandise	From 1961 to 1967, deflated by an overall index of unit values of imports taken from an unpublished research paper by Dr. M. E. Morkre of the University of Hong Kong; after 1967, deflated by an overall index of unit values of imports compiled by the Census and Statistics Department
<i>b.</i> Transportation n.e.s.	Revalued at base year prices
<i>c.</i> Travel	
(i) Expenditure of H.K. residents abroad	Revalued at base year prices
(ii) Expenditure of H.K. students abroad	Revalued at base year prices
<i>d.</i> Other	
(i) Expenditure abroad of overseas offices	Deflated by a combined consumer price index of selected countries
(ii) Miscellaneous expenditure abroad of the H.K. Government	Revalued at the base year exchange rate between Hong Kong currency and the U.K. currency
(iii) Communications—post	Deflated by the respective delivery charge rates

#### REVISIONS MADE TO THE METHODS OF DEFLATION

83. The revisions made this year involved either the calculation of new deflators or the adoption of more suitable deflators already in existence. Examples of new deflators compiled were the tourist price index, the salary rate index of government employees, the price index of government purchases of goods and services, and the price index of sales by government to households and enterprises. Belonging to the second category was the adoption of the P.W.D. cost of buildings and construction index.

84. The effect on the constant price estimates arising from the revisions made to the current price estimates and to the methods of deflation is shown below:—

#### EFFECT OF REVISIONS TO THE ESTIMATES OF GROSS DOMESTIC PRODUCT AT CONSTANT MARKET PRICES OF 1966

<i>GDP at constant market prices</i>	<i>1966</i>	<i>1967</i>	<i>1968</i>	<i>1969</i>	<i>1970</i>	<i>1971</i>	<i>1972</i>
Estimates published last year HK\$Mn.	11,100	12,196	12,375	14,185	15,175	15,448	16,682*
Present estimates HK\$Mn.	11,110	12,071	12,523	14,305	15,199	15,674	16,813
Difference (as percentage of last year's estimates)	+0.1%	-1.0%	+1.2%	+0.8%	+0.2%	+1.5%	+0.8%

\* published as preliminary figures.

## LIMITATIONS OF THE ESTIMATES

### AT CURRENT MARKET PRICES

85. The present estimates are essentially based on available statistics. These are relatively limited in the economic field in Hong Kong and consequently many rough estimates and guesses have had to be made. A general assessment of the limitations and reliability of the estimates is given in this section.

86. 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. One drawback to the commodity flow method where no estimate for changes in stocks of consumer goods or capital goods can be made is that, should the unknown stock changes be significant, the figures for private consumption expenditure and expenditure on fixed assets could be misleading. The omission of changes in raw material stocks could affect the total gross domestic product. 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.

87. 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. A very small investigatory survey has been conducted in the course of the year on the distributors' margins for selected imported goods; the results, although limited, did not suggest that the 30 per cent margin should be changed. Reliable estimates will become available from the Economic Census of Wholesale and Retail Trade, and Restaurants and Hotels planned for 1976.

88. 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 are assumed to have been unchanged. This is not of course the situation; and stock-piling or stock-depletion in any one year must affect the estimated value of the gross domestic product, but at this time no measure can be placed upon this item.

89. 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 other years' estimates were derived by projecting the 1970 estimates backwards and forwards by taking account of changes in population, consumer prices and the relative importance of the commodities in consumers' expenditure. 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 at present.

#### **Private consumption expenditure**

90. Broadly speaking, the estimates of expenditure on goods are more reliable than those on services. This is because almost all the goods estimates have their basis in reasonably firm 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 Surveys. Since no Household Expenditure Surveys were conducted in 1961–62 and some records for the 1963–65 Surveys have been destroyed, estimates for those items for 1961–65 based on this source had to be extrapolated from the trends of 1966–72 instead; they are thus less reliable.

91. The estimate for rent and rates is the largest single group estimate, amounting to about 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.

92. 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.

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

<i>Household rent per month HK\$</i>	<i>Mid-rent HK\$</i>	<i>No. of Households</i>	<i>Estimated monthly household rent HK\$</i>
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		<u>846,670</u>	<u>101,348,790</u>

94. The estimated annual household rent is, therefore, HK\$1,215.6 million (HK\$101.3 million × 12).

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

96. 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 postwar 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:—

<i>Type of dwelling</i>	<i>No. of dwellings</i>	<i>Average effective area sq. ft.</i>	<i>Average rent including rates as in Dec. 1970 HK\$/sq. ft.</i>	<i>Yearly rent including rates, of each dwelling HK\$</i>	<i>Total yearly rent, including rates HK\$</i>
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' quarter	4,600	—	—	720	3,312,000
Total	<u>257,600</u>				<u>1,382,971,400</u>

97. 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 HK\$60 a month.

98. For private pre-war dwellings, the monthly rent of each type of dwellings, 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:—

<i>Type of dwellings</i>	<i>No. of dwellings</i>	<i>Annual rent,</i>	<i>Total annual rent,</i>
		<i>including rates</i> <i>of each dwelling</i> HK\$	<i>including rates</i> 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
<b>Total</b>	<b>28,400</b>		<b>50,695,650</b>

99. 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 HK\$66.4 million.

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

<i>Type of dwelling</i>	<i>Estimated annual rent and</i> <i>rates in 1970</i> HK\$Mn.
Private dwelling	
Post-war ... ..	1,383.0
Pre-war ... ..	50.7
Resettlement estates ... ..	63.3
Resettlement cottage area ... ..	0.3
Government low-cost housing estates ... ..	23.1
Hong Kong Housing Society estates ... ..	21.0
Hong Kong Housing Authority estates ... ..	38.8
Government quarters ... ..	66.4
<b>Total ... ..</b>	<b>1,646.6</b>

101. 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 HK\$1,500–HK\$1,700 million.

#### RENT AND RATES (HK\$Mn) 1970

<i>Based on the 1971 Population</i> <i>and Housing Census</i>	<i>Based on the</i> <i>rateable value</i>	<i>Based on the estimated rent and</i> <i>rates of all types of dwellings</i>
1,533	1,546	1,647

102. The rateable values from which estimates for 1961–70 were derived have not been revised on an annual basis to reflect the current trend of letting values of buildings. However, the revised method for estimating the 1971–72 expenditure takes care of this. But rent for residential buildings newly completed and demolished in the New Territories other than Tsuen Wan has not been accounted for due to lack of data.

#### Government consumption expenditure

103. The estimate of government consumption expenditure is straight-forward, being based on the actual expenditure of each non-trading department as recorded in the Annual Reports of the Accountant General. The conversion of the financial year figures to a calendar year basis for the estimates of 1961–72 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.

## Gross domestic capital formation

104. Since stocks and work-in-progress have not been separately evaluated, the gross value of investment in fixed assets in this case is the same as the gross domestic capital formation. The coverage of the fixed assets estimates was probably quite good but the methods of estimation used had their drawbacks.

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

106. Building and construction. The source of information was the Building Ordinance Office's monthly statistical returns of the cost of construction of newly completed buildings and construction work for which occupation permits were issued, supplemented by information obtained from the Rating and Valuation Department. The device used to obtain the value of investment on building and construction in the private sector in a specific period was to assign to each usable floor area 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:—

(a) *For buildings completed in 1963–72*

<i>Usable floor area</i>	<i>Time required to complete</i>
Building under 30,000 sq. ft.	9 months
Buildings of 30,000 sq. ft. and over	15 months

(b) *For buildings completed in 1961–62.* Because usable floor area was not available from the statistical returns, the time a building required to complete was determined by the cost of construction:—

<i>Cost of construction</i>	<i>Time required to complete</i>
Buildings under HK\$1.2 million	9 months
Buildings HK\$1.2–1.9 million	12 months
Buildings HK\$2.0–4.9 million	15 months
Buildings HK\$5.0 million and over	18 months

The average time required to complete a building or construction was derived from an examination of buildings completed in the period 1970–73.

107. The above method of averaging the investment on a monthly basis is far from perfect. Margins in respect of property developers' profits and miscellaneous expenses which should be added on to the cost to the contractor, which is the basis of the estimates, have not been taken into account.

108. Squatter huts, village-type houses and similar own-account structures which should also be regarded as capital formation were not included, but to the extent that they are gradually giving way to resettlement estates and government low-cost housing, new investment in these types of dwelling is becoming unimportant.

109. 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.

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

111. 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 into account.

## Imports and exports of goods and services

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

113. 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 survey of 900 tourists to obtain, among other things, an estimate of total expenditure and of some of the items of expenditure by tourists. There may well be some under-estimation.

114. 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 while estimates for 1961-65 were projected from the 1966-73 series: hence estimates for these other years were less reliable.

115. 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. Almost all the missing items would be included under non-factor services and it is generally felt that exports of non-factor services, in the case of Hong Kong, always exceed imports. In order to make the estimates more complete therefore, 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

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

<i>Import</i>	<i>Export</i>
3. Film rentals	3. Film rentals
4. Communications	4. Communications
(a) Telephone	(a) Telephone
(b) Telegraph and radio	(b) Telegraph and radio
5. Banking commission	5. Banking commission
6. Agency fees	6. Agency fees

#### AT CONSTANT MARKET PRICES

116. The accuracy of constant price estimates depends both on the quality of the current price estimates and on that of the methods of deflation used. The paragraphs following point out the limitations and evaluate the general reliability of the method of deflation used.

117. In general a constant price index is most reliable if it is possible to revalue the quantity data at base year prices. Where this is not possible, a price index is normally used as a deflator. Where an aggregate has to be deflated, it is preferable to deflate the components separately by the corresponding price indexes rather than deflate the aggregate with an overall index. A drawback to unit price indexes is that it is difficult to allow for quality changes. Where no suitable index exists, it is necessary either to construct one or to use one already in existence that has some bearing on the data to be deflated or to impute on the basis of some correlative series. On the whole, many of the deflators used in the present set of estimates are far from ideal mainly because they were not originally designed for the purpose to which they have been put.

118. Private consumption expenditure. The deflators used for the years 1966 to 1973 were generally better than those for the earlier years. For example, in the majority of cases, the annual consumer price index for years before 1964 had to be imputed from the results of the Cost of Living Survey, 1958–1963/64. Again, while a tourist price index compiled by the Hong Kong Tourist Association specifically for this purpose was used to deflate the current estimates of expenditure of non-residents for the years 1966 to 1973, the overall general consumer price index—part of it imputed—had to be used for 1961 to 1965; and the goods and services in the expenditure basket of non-residents, mainly tourists, would be significantly different from those priced for the purposes of the general consumer price index.

119. Government consumption expenditure. All the deflators used were compiled specifically from government records related directly to the purposes to which they have been put. Consequently, the constant price estimates for these items are on the whole fairly reliable.

120. Capital formation. With the exception of land, the deflators used were designed originally for other purposes. Expenditure on buildings and construction, has been deflated by a cost index taking into consideration labour and material inputs only; also it is likely that the input composition of different types of building and construction would vary, so that ideally, more than one deflator would be required. The aggregate estimates of plant, machinery and equipment, whether imported or locally produced, have been deflated by a unit value index of imported capital goods covering the entire range of imported capital goods.

121. Exports and imports of goods and services. The merchandise components have been deflated by indexes of unit values. Exports and imports of services were mostly re-valued at base year prices.

**TABLE 1—TOTAL EXPENDITURE ON THE GROSS DOMESTIC PRODUCT  
(AT CURRENT MARKET PRICES)**

	HK\$Mn.												
<i>G.D.P. Components</i>	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
1. Private Consumption Expenditure	5,270	5,872	6,483	7,157	8,068	9,127	9,758	10,751	12,064	13,806	15,806	17,130	22,588
2. Government Consumption Expenditure	424	445	483	562	657	766	848	921	1,017	1,190	1,269	1,581	1,953
3. Gross Domestic Fixed Capital Formation	1,317	1,727	2,294	2,708	3,016	2,598	2,192	2,054	2,500	3,624	4,860	5,431	6,717
4. Exports of Goods	4,218	4,707	5,322	6,012	6,897	7,945	9,240	10,869	13,515	15,598	17,605	19,796	26,470
5. <i>Less</i> Imports of Goods	6,177	6,887	7,744	8,709	9,285	10,401	10,853	12,743	15,358	17,930	20,647	21,992	29,454
6. Exports less Imports of Services	1,014	1,037	1,089	1,158	1,146	1,075	1,206	1,390	1,761	2,213	1,936	2,101	1,966
Total Expenditure on Gross Domestic Product at current market prices	6,066	6,901	7,927	8,888	10,499	11,110	12,391	13,242	15,499	18,501	20,829	24,047	30,240
7. <i>Less</i> Indirect Taxes less Subsidies	433	483	549	635	692	776	822	878	979	1,092	1,260	1,587	2,114
Total Expenditure on Gross Domestic Product at current factor cost	5,633	6,418	7,378	8,253	9,807	10,334	11,569	12,364	14,520	17,409	19,569	22,460	28,126
8. Per capita G.D.P. at current market prices (\$)	1,915	2,088	2,317	2,536	2,918	3,061	3,328	3,482	4,011	4,673	5,149	5,896	7,269

\* preliminary figures.

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**TABLE 2—TOTAL EXPENDITURE ON THE GROSS DOMESTIC PRODUCT  
(AT CONSTANT MARKET PRICES OF 1966)**

	HK\$Mn.												
<i>G.D.P. Components</i>	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
1. Private Consumption Expenditure	5,555	6,124	6,668	7,253	8,193	9,127	9,384	10,166	11,173	12,169	13,529	14,078	16,178
2. Government Consumption Expenditure	495	519	558	621	681	766	845	881	974	1,023	1,045	1,106	1,272
3. Gross Domestic Fixed Capital Formation	1,434	1,832	2,341	2,557	2,801	2,598	2,354	2,290	2,756	3,101	3,619	3,781	4,240
4. Exports of Goods	4,214	4,821	5,269	5,817	6,775	7,945	9,073	10,184	11,866	12,840	13,794	14,704	16,474
5. <i>Less</i> Imports of Goods	6,177	7,107	7,910	8,623	9,193	10,401	10,745	12,230	13,913	15,648	17,695	18,209	20,084
6. Exports less Imports of Services	1,127	1,140	1,161	1,197	1,166	1,075	1,160	1,232	1,449	1,714	1,382	1,353	832
Total Expenditure on Gross Domestic Product at constant market prices	6,648	7,329	8,087	8,822	10,423	11,110	12,071	12,523	14,305	15,199	15,674	16,813	18,912
7. Per capita G.D.P. at constant market prices (\$)	2,098	2,217	2,364	2,517	2,897	3,061	3,242	3,293	3,702	3,839	3,875	4,122	4,546

\* preliminary figures.

**TABLE 3—PRICE INDEX NUMBERS† OF GROSS DOMESTIC PRODUCT (1966=100)**

<i>G.D.P. Components</i>	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
1. Private Consumption Expenditure	95	96	97	99	98	100	104	106	108	113	117	122	140
2. Government Consumption Expenditure	86	86	87	90	96	100	100	105	104	116	121	143	154
3. Gross Domestic Fixed Capital Formation	92	94	98	106	108	100	93	90	91	117	134	144	158
4. Exports of Goods and Services	97	96	99	102	101	100	102	107	114	122	128	135	161
5. Imports of Goods and Services	99	97	98	101	101	100	101	104	110	114	117	121	145
Total Expenditure on Gross Domestic Product at market prices	91	94	98	101	101	100	103	106	108	122	133	143	160

\* preliminary figures.

† arrived at by dividing the current market price estimates by the corresponding estimates at 1966 prices.

**TABLE 4—COMPOSITION OF PRIVATE CONSUMPTION EXPENDITURE (AT CURRENT MARKET PRICES)**

<i>Description</i>	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
	HKSMn.												
1. Food	2,036	2,201	2,459	2,686	2,871	3,105	3,467	3,587	4,030	4,621	5,113	5,653	7,307
2. Beverages	131	154	174	216	240	255	267	278	339	395	485	551	638
3. Tobacco	221	249	298	271	305	263	303	290	303	337	340	372	375
4. Clothing and other personal effects	923	1,026	1,013	1,013	1,098	1,258	1,315	1,607	1,915	2,237	2,518	2,306	2,753
5. Rent and water charges	590	662	724	852	1,111	1,277	1,399	1,532	1,607	1,707	1,808	1,967	2,385
6. Fuel and light	118	129	136	147	159	191	213	228	250	265	333	352	414
7. Furniture, furnishings and household equipment	406	454	531	549	560	647	594	794	897	1,126	1,177	1,175	1,556
8. Household operations	59	72	92	116	105	127	135	165	215	245	292	343	498
9. Personal care and health expenses:													
A. Personal care	145	164	171	199	206	228	236	263	302	333	372	424	511
B. Health expenses	300	313	322	354	374	470	511	491	505	632	723	749	1,094
10. Transportation and communication	431	464	501	579	681	713	743	843	1,015	1,220	1,363	1,459	1,803
11. Recreation and entertainment	374	410	449	529	593	648	665	736	852	993	1,049	1,124	1,338
12. Miscellaneous services:													
A. Education and research	108	122	139	158	183	201	216	231	250	285	291	326	401
B. Financial and other services	263	291	334	383	432	481	514	640	750	912	1,078	1,550	2,328
Consumption expenditure of goods and services in the domestic market	6,105	6,711	7,343	8,052	8,918	9,864	10,578	11,685	13,230	15,308	16,942	18,351	23,401
13. Expenditure of residents abroad	414	434	455	476	502	532	534	587	650	752	909	1,238	1,696
14. Less expenditure of non-residents in the domestic market	1,249	1,273	1,315	1,371	1,352	1,269	1,354	1,521	1,816	2,254	2,045	2,459	2,509
Consumption expenditure of households and private non-profit institutions	5,270	5,872	6,483	7,157	8,068	9,127	9,758	10,751	12,064	13,806	15,806	17,130	22,588

\* preliminary figures.

**TABLE 5—PRIVATE CONSUMPTION EXPENDITURE IN THE DOMESTIC MARKET BY COMMODITY/SERVICE GROUPS AND SECTIONS  
(AT CURRENT MARKET PRICES)**

Commodity/service groups and sections	HK\$Mn.												
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
<b>I. Food</b>													
<i>Bread and cereals</i>	501	575	606	562	544	595	833	703	726	672	628	665	1,208
1. Rice	320	388	410	356	345	401	634	510	515	443	400	410	888
2. Other cereals and cereal preparations	61	62	58	72	73	69	78	91	98	107	108	116	143
3. Bread, cakes and biscuits	120	125	138	134	126	125	121	102	113	122	120	139	177
<i>Meat</i>	518	574	630	745	881	960	903	956	1,188	1,349	1,619	1,746	2,090
4. Pork, locally slaughtered	228	282	344	364	387	391	326	331	444	489	634	694	795
5. Beef, locally slaughtered	74	87	79	91	105	111	98	101	132	147	159	182	199
6. Other meat	93	85	87	131	168	198	208	240	267	305	343	349	476
7. Poultry	123	120	120	159	221	260	271	284	345	408	483	521	620
<i>Fish and sea products</i>	237	251	268	325	340	377	464	493	510	693	754	908	1,162
8. Fish, salt water	124	122	121	120	129	136	150	143	163	222	220	302	364
9. Fish, fresh water	32	40	47	70	76	96	140	148	167	185	227	254	313
10. Other fish	17	15	14	15	14	19	20	20	17	29	37	47	64
11. Sea products	64	74	86	120	121	126	154	182	163	257	270	305	421
<i>Milk and eggs</i>	136	127	168	178	191	207	219	245	280	296	331	347	405
12. Milk and milk powder	47	48	57	47	61	65	66	70	71	72	96	110	123
13. Fresh milk	15	14	13	16	18	20	21	22	24	25	30	33	36
14. Eggs	74	65	98	115	112	122	132	153	185	199	205	204	246
<i>Oils and fats</i>	50	57	69	68	71	81	89	89	97	113	126	124	195
15. Edible oils	36	41	52	50	52	59	67	68	73	87	87	94	145
16. Butter and margarine	14	16	17	18	19	22	22	21	24	26	39	30	50
<i>Vegetables and fruits</i>	281	289	336	395	447	464	530	587	672	874	917	1,075	1,275
17. Fresh vegetables	90	88	113	135	157	158	186	197	253	342	337	439	534
18. Fresh fruits	107	126	145	159	186	194	227	256	280	360	406	452	519
19. Other vegetables and fruits	67	65	70	92	101	110	105	121	123	156	162	170	201
20. Beans and peas	17	10	8	9	3	2	12	13	16	16	12	14	21
<i>Sugar and confectionery</i>	92	89	137	140	109	106	91	114	131	147	160	189	273
21. Sugar	70	63	107	102	60	58	39	49	55	71	83	108	185
22. Confectionery	22	26	30	38	49	48	52	65	76	76	77	81	88
<i>Coffee, tea, table waters, etc.</i>	92	104	107	120	125	142	147	161	181	193	250	265	293
23. Tea	28	27	23	24	28	32	29	34	27	31	49	41	49
24. Coffee, fruit juice, aerated waters and other soft drinks	64	77	84	96	97	110	118	127	154	162	201	224	244
<i>Other foods</i>	129	135	138	153	163	173	191	239	245	284	328	334	406
25. Other foods	129	135	138	153	163	173	191	239	245	284	328	334	406
<b>Total</b>	<b>2,036</b>	<b>2,201</b>	<b>2,459</b>	<b>2,686</b>	<b>2,871</b>	<b>3,105</b>	<b>3,467</b>	<b>3,587</b>	<b>4,030</b>	<b>4,621</b>	<b>5,113</b>	<b>5,653</b>	<b>7,307</b>

TABLE 5—Contd.

Commodity/service groups and sections	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	HK\$Mn.		
												1972	1973*	
<b>II. Beverages</b>														
26. Alcoholic drink, imported	64	82	98	131	158	177	191	199	256	314	399	466	537	
27. Alcoholic drink, locally brewed	67	72	76	85	82	78	76	79	83	81	86	85	101	
Total	131	154	174	216	240	255	267	278	339	395	485	551	638	
<b>III. Tobacco</b>														
28. Cigarettes and tobacco, imported	104	120	143	141	159	146	146	153	159	192	216	237	259	
29. Cigarettes and tobacco, locally made	117	129	155	130	146	117	157	137	144	145	124	135	116	
Total	221	249	298	271	305	263	303	290	303	337	340	372	375	
<b>IV. Clothing and Other Personal Effects</b>														
30. Clothing	305	348	360	426	450	409	458	457	558	595	716	856	944	
31. Clothing materials and tailoring charges	50	55	55	67	71	102	95	88	93	99	101	85	134	
32. Footwear	60	69	74	99	100	101	88	99	116	117	124	143	168	
33. Watch, camera and optical goods	159	177	151	159	158	194	247	324	446	511	480	466	445	
34. Sports goods and other personal effects	92	99	107	137	116	130	123	158	196	240	252	303	405	
35. Stationery	21	26	29	39	39	31	38	52	50	70	75	80	104	
36. Jewellery	236	252	237	86	164	291	266	429	456	605	770	373	553	
Total	923	1,026	1,013	1,013	1,098	1,258	1,315	1,607	1,915	2,237	2,518	2,306	2,753	
<b>V. Rent and Water Charges</b>														
37. Rent and rates	564	631	695	815	1,056	1,196	1,311	1,416	1,475	1,546	1,667	1,819	2,141	
38. Water	15	14	9	14	32	46	42	52	59	63	65	74	78	
39. Fire insurance														
40. Other housing charges	11	17	20	23	23	35	46	64	73	98	76	74	166	
Total	590	662	724	852	1,111	1,277	1,399	1,532	1,607	1,707	1,808	1,967	2,385	
<b>VI. Fuel and Light</b>														
41. Firewood	9	6	4	2	1	2	1	1	1	1	1	1	1	
42. Kerosene	44	49	50	53	53	68	77	73	74	65	91	72	77	
43. Other fuel	11	11	10	9	9	8	7	8	9	10	10	9	13	
44. Electricity	47	55	63	73	79	89	99	113	126	145	166	187	208	
45. Liquefied petroleum gas	—	1	3	3	7	14	19	23	28	31	50	66	94	
46. Coal gas	7	7	6	7	10	10	10	10	12	13	15	17	21	
Total	118	129	136	147	159	191	213	228	250	265	333	352	414	
<b>VII. Furniture, Furnishings and Household Equipment</b>														
47. Furniture	53	56	64	75	78	116	75	84	93	107	175	154	232	
48. Radio, T.V., sewing machine and other consumer durables	185	225	276	253	252	302	329	481	597	738	732	751	914	
49. Glass, crockery and earthenware	37	40	43	55	70	71	56	68	71	91	98	101	139	
50. Hardware, iron-mongery and cutlery	40	41	46	64	53	58	58	79	61	94	100	112	116	
51. Soft furnishings	91	92	102	102	107	100	76	82	75	96	72	57	155	
Total	406	454	531	549	560	647	594	794	897	1,126	1,177	1,175	1,556	
<b>VIII. Household Operations</b>														
52. Other household goods	18	21	28	36	21	32	37	45	46	51	57	58	89	
53. Domestic help	41	51	64	80	84	95	98	120	169	194	235	285	409	
Total	59	72	92	116	105	127	135	165	215	245	292	343	498	

TABLE 5—Contd.

Commodity/service groups and sections	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	HKSMn. 1972 1973*	
<b>IX. Personal Care and Health Expenses</b>													
<i>Personal care</i>	145	164	171	199	206	228	236	263	302	333	372	424	511
54. Soaps, detergents, and toilet requisites	59	67	69	84	92	104	104	129	144	151	177	205	240
55. Laundry and dry cleaning	3	5	5	6	3	6	8	7	11	6	5	7	15
56. Hair dressing	80	89	94	106	108	115	122	124	144	174	188	210	252
57. Shoe repairing	3	3	3	3	3	3	2	3	3	2	2	2	4
<i>Health expenses</i>	300	313	322	354	374	470	511	491	505	632	723	749	1,094
58. Medicines and drugs	230	235	242	272	295	351	359	386	384	458	575	591	700
59. Medical treatment	70	78	80	82	79	119	152	105	121	174	148	158	394
Total	445	477	493	553	580	698	747	754	807	965	1,095	1,173	1,605
<b>X. Transportation and Communication</b>													
60. Purchase of motor cars	52	57	55	73	92	72	66	102	156	199	213	227	327
61. Maintenance of motor vehicles	10	12	14	16	17	20	21	23	28	34	39	45	57
62. Petrol and oil	53	54	57	62	66	73	79	84	92	102	120	135	156
63. Motor licences, insurance, parking fees and driving instructors' fees	18	19	24	29	32	38	46	47	63	75	82	104	129
64. Purchase of cycles and other vehicles	3	4	7	12	14	15	6	4	7	4	10	11	17
65. Railway fares	5	5	6	8	8	7	7	7	7	8	9	10	11
66. Bus and tram fares	113	126	135	143	152	160	137	155	160	157	166	216	249
67. Ferry fares	28	31	34	38	41	43	42	45	49	52	55	50	40
68. Other transport	127	132	143	166	221	241	286	310	372	496	556	529	665
69. Postage, telephone, telegrams	22	24	26	32	38	44	53	66	81	93	113	132	152
Total	431	464	501	579	681	713	743	843	1,015	1,220	1,363	1,459	1,803
<b>XI. Recreation and Entertainment</b>													
70. Newspapers and periodicals	74	78	83	89	93	95	100	107	111	122	128	143	197
71. Books including textbooks	29	32	35	43	45	45	45	47	47	49	55	59	57
72. Toys	42	41	36	37	54	81	86	99	125	145	156	185	227
73. T.V. licences and set rentals	13	14	16	19	23	26	31	35	34	42	41	26	21
74. Cinema entertainment	77	88	97	116	131	145	145	145	148	157	164	166	198
75. Other entertainment and holiday expenses	99	110	130	171	194	201	204	242	308	385	393	427	501
76. Betting, horse and other	40	47	52	54	53	55	54	61	79	93	112	118	137
Total	374	410	449	529	593	648	665	736	852	993	1,049	1,124	1,338
<b>XII. Miscellaneous Services</b>													
<i>Education and research</i>	108	122	139	158	183	201	216	231	250	285	291	326	401
77. Education	108	122	139	158	183	201	216	231	250	285	291	326	401
<i>Financial and other services</i>	263	291	334	383	432	481	514	640	750	912	1,078	1,550	2,328
78. Meals bought away from home (service charges only)	134	151	180	199	216	230	243	322	363	442	458	591	872
79. Other services	19	21	21	23	24	22	24	30	37	44	62	65	91
80. Life insurance													
81. Expenditure of private non-profit-making bodies	100	112	127	154	186	225	243	279	333	394	470	600	814
82. Brokers' commissions in the transaction of stocks	7	5	4	5	4	3	3	6	9	17	48	161	303
83. Stamp duties	3	2	2	2	2	1	1	3	8	15	40	133	248
Total	371	413	473	541	615	682	730	871	1,000	1,197	1,369	1,876	2,729
<b>GRAND TOTAL</b>	<b>6,105</b>	<b>6,711</b>	<b>7,343</b>	<b>8,052</b>	<b>8,918</b>	<b>9,864</b>	<b>10,578</b>	<b>11,685</b>	<b>13,230</b>	<b>15,308</b>	<b>16,942</b>	<b>18,351</b>	<b>23,401</b>

\* preliminary figures.

**TABLE 6—GOVERNMENT CONSUMPTION EXPENDITURE (AT CURRENT MARKET PRICES)**

<i>Description</i>												HK\$Mn.	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
1. Compensation of Employees	308	335	370	435	498	588	613	685	762	868	973	1,347	1,469
2. Purchases of goods and other services	134	134	142	159	194	216	274	280	301	382	361	306	572
3. <i>Less</i> Sales by Non-trading Government Departments to Households and Enterprises	18	24	29	32	35	38	39	44	46	60	65	72	88
Government Consumption Expenditure	424	445	483	562	657	766	848	921	1,017	1,190	1,269	1,581	1,953

\* preliminary figures.

**TABLE 7—GROSS DOMESTIC FIXED CAPITAL FORMATION BY PRODUCT CLASSIFICATION (AT CURRENT MARKET PRICES)**

<i>Product Classification</i>												HK\$Mn.	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
I. Land	42	44	50	60	55	52	42	44	52	77	99	161	215
II. Building and Construction	613	898	1,337	1,657	1,913	1,509	1,087	862	889	1,370	2,015	2,357	2,937
A. Residential:													
(i) Residential	221	367	623	636	381	281	178	161	170	273	417	403	488
(ii) Combined residential and non-residential	36	81	151	295	565	445	295	188	184	256	425	703	789
B. Non-Residential	161	202	256	393	586	427	343	283	284	478	639	624	783
C. Other construction and works	195	248	307	333	381	356	271	230	251	363	534	627	877
III. Plant, Machinery and Equipment	662	785	907	991	1,048	1,037	1,063	1,148	1,559	2,177	2,746	2,913	3,565
A. Transport equipment	218	280	266	243	243	240	231	259	305	443	506	530	637
B. Machinery and other plant and equipment	444	505	641	748	805	797	832	889	1,254	1,734	2,240	2,383	2,928
GROSS DOMESTIC FIXED CAPITAL FORMATION	1,317	1,727	2,294	2,708	3,016	2,598	2,192	2,054	2,500	3,624	4,860	5,431	6,717

\* preliminary figures.

**TABLE 8—GROSS DOMESTIC FIXED CAPITAL FORMATION BY PUBLIC AND PRIVATE SECTORS  
(AT CURRENT MARKET PRICES)**

<i>Product Classification</i>	<i>Economic sector</i>	<i>HK\$Mn.</i>												
		1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
<b>I. Land</b>	Public	—	—	—	—	—	—	—	—	—	—	—	—	—
	Private	42	44	50	60	55	52	42	44	52	77	99	161	215
<b>II. Building and Construction</b>	Public	266	349	451	478	553	479	383	325	298	346	528	627	974
	Private	347	549	886	1,179	1,360	1,030	704	537	591	1,024	1,487	1,730	1,963
<b>A. Residential:</b>														
(i) Residential														
	Public	52	74	124	135	129	125	120	101	91	104	112	90	128
	Private	169	293	499	501	252	156	58	60	79	169	305	313	360
(ii) Combined residential and non-residential														
	Public	—	—	—	—	—	—	—	—	—	—	—	—	—
	Private	36	81	151	295	565	445	295	188	184	256	425	703	789
<b>B. Non-residential</b>	Public	43	58	58	51	89	66	54	55	61	62	108	101	96
	Private	118	144	198	342	497	361	289	228	223	416	531	523	687
<b>C. Other construction and works</b>	Public	171	217	269	292	335	288	209	169	146	180	308	436	750
	Private	24	31	38	41	46	68	62	61	105	183	226	191	127
<b>III. Plant, Machinery and Equipment</b>	Public	27	33	34	32	38	40	30	28	27	37	41	59	93
	Private	635	752	873	959	1,010	997	1,033	1,120	1,532	2,140	2,705	2,854	3,472
<b>A. Transport equipment</b>														
	Public	9	13	7	6	8	9	6	6	7	9	12	19	16
	Private	209	267	259	237	235	231	225	253	298	434	494	511	621
<b>B. Machinery and other plant and equipment</b>														
	Public	18	20	27	26	30	31	24	22	20	28	29	40	77
	Private	426	485	614	722	775	766	808	867	1,234	1,706	2,211	2,343	2,851
<b>GROSS DOMESTIC FIXED CAPITAL FORMATION</b>														
	Public	293	382	485	510	591	519	413	353	325	383	569	686	1,067
	Private	1,024	1,345	1,809	2,198	2,425	2,079	1,779	1,701	2,175	3,241	4,291	4,745	5,650
	Total	1,317	1,727	2,294	2,708	3,016	2,598	2,192	2,054	2,500	3,624	4,860	5,431	6,717

\* preliminary figures.

TABLE 9—COMPOSITION OF IMPORTS AND EXPORTS OF GOODS AND SERVICES (AT CURRENT MARKET PRICES)

	HK\$Mn.												
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
EXPORTS OF GOODS AND SERVICES													
I. Merchandise (f.o.b.)	4,150	4,635	5,251	5,940	6,828	7,856	9,139	10,735	13,381	15,431	17,413	19,575	26,205
II. Transportation n.e.s.													
<i>Expenditure in H.K. of foreign airline and shipping companies</i>													
1. Fuel oils	68	72	71	72	69	89	101	134	134	167	192	221	265
2. Port and airport charges	8	10	12	13	15	18	22	27	32	41	53	57	63
Other port and airport revenue	3	3	4	5	6	7	8	9	13	21	23	24	33
Expenditure of foreign crews in H.K.	13	14	15	16	17	19	21	22	24	29	33	36	44
Sub-total	92	99	102	106	107	133	152	192	203	258	301	338	405
III. Travel													
Expenditure of foreign tourists in H.K.	454	521	604	702	726	702	787	1,001	1,354	1,820	1,650	2,106	2,203
Expenditure of U.S. military personnel in H.K.	695	650	605	560	515	451	443	393	329	288	242	189	111
Sub-total	1,149	1,171	1,209	1,262	1,241	1,153	1,230	1,394	1,683	2,108	1,892	2,295	2,314
IV. Other													
<i>Government n.e.s.</i>													
1. Expenditure of foreign consuls and trade commissioners in H.K., including their personnel	6	6	6	6	6	7	7	7	7	8	8	9	10
2. Expenditure by U.K. troops stationed in H.K.	81	82	85	87	88	90	96	98	102	109	112	119	141
<i>Other services</i>													
1. Communications—post	4	4	4	4	3	5	5	4	6	6	6	4	7
Sub-total	91	92	95	97	97	102	108	109	115	123	126	132	158
Total Exports of Goods and Services	5,482	5,997	6,657	7,405	8,273	9,244	10,629	12,430	15,382	17,920	19,732	22,340	29,082
IMPORTS OF GOODS AND SERVICES													
I. Merchandise (c.i.f.)	6,177	6,887	7,744	8,709	9,285	10,401	10,853	12,743	15,358	17,930	20,647	21,992	29,454
II. Transportation n.e.s.													
Passenger fares	196	206	216	227	239	250	263	276	290	319	383	529	706

TABLE 9—Contd.

	HK\$Mn.												
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973*
<b>III. Travel</b>													
Expenditure of H.K. residents abroad	256	269	283	297	312	327	300	335	377	453	564	797	1,140
Expenditure of H.K. students abroad	35	36	37	36	41	48	60	73	91	106	118	130	156
Sub-total	291	305	320	333	353	375	360	408	468	559	682	927	1,296
<b>IV. Other</b>													
<i>Government n.e.s.</i>													
1. Expenditure abroad of overseas offices	†	1	1	1	1	1	1	1	1	2	3	4	6
2. Miscellaneous expenditure abroad of the H.K. Government	16	16	16	16	22	24	51	58	57	57	40	34	30
<i>Other services</i>													
1. Communications—post	21	25	26	28	29	36	39	50	59	68	70	66	62
Sub-total	37	42	43	45	52	61	91	109	117	127	113	104	98
<b>Total Imports of Goods and Services</b>	6,701	7,440	8,323	9,314	9,929	11,087	11,567	13,536	16,233	18,935	21,825	23,552	31,554
<b>EXPORTS LESS IMPORTS OF GOODS AND SERVICES</b>	-1,219	-1,443	-1,666	-1,909	-1,656	-1,843	-938	-1,106	-851	-1,015	-2,093	-1,212	-2,472
<i>add 5% of the calculated total exports of goods and services to account for those items not included in the above estimates</i>	274	300	333	370	414	462	531	622	769	896	987	1,117	1,454
<b>ADJUSTED NET IMPORTS AND EXPORTS OF GOODS AND SERVICES</b>	-945	-1,143	-1,333	-1,539	-1,242	-1,381	-407	-484	-82	-119	-1,106	-95	-1,018

\* preliminary figures.

† Less than 0.5.

## APPENDIX

### ESTIMATES OF GROSS DOMESTIC PRODUCT FOR

1970 TO 1972

### MADE USING THE INCOME APPROACH

#### Introduction

1. The original estimates of gross domestic product using the income approach for 1970 and 1971 were made by Mr. H. A. FELL of the United Kingdom's Overseas Development Administration during his visit in Hong Kong from 14th November to 20th December, 1972. The intention of preparing such an estimate was to make an independent check on the order of magnitude of the expenditure estimates. These estimates were revised by the Census and Statistics Department in last year's booklet. In the course of the year, estimates for 1972 have been prepared and 1970 and 1971 estimates further revised. The estimates are given below.

2. The Census and Statistics Department intends to improve these income estimates, with a view to publishing them yearly together with the expenditure estimates.

#### The Estimates

3. Table 1 below shows the revised income and expenditure estimates for the years 1970 to 1972. The income estimates are broken down into compensation of employees, operating surplus and indirect taxes. Compensation of employees represents about 60 per cent of the total. It should be noted, however, that due to the format of data available, income accruing to partners and proprietors of unincorporated firms paying tax have been excluded from this component and included instead under operating surplus.

**Table 1 Gross Domestic Product and Expenditure: 1970-1972**

	1970 (HK\$Mn)	1971 (HK\$Mn)	1972 (HK\$Mn)
Compensation of Employees	10,051	11,900	13,560
Operating Surplus (gross of depreciation)	7,175	8,499	11,500
Indirect Taxes less Subsidies	1,092	1,260	1,587
Difference between income estimate and expenditure estimate	+183	-830	-2,600
<b>GROSS DOMESTIC PRODUCT</b>	<b>18,501</b>	<b>20,829</b>	<b>24,047</b>
Private Final Consumption Expenditure	13,806	15,806	17,130
Government Final Consumption Expenditure	1,190	1,269	1,581
Gross Domestic Fixed Capital Formation	3,624	4,860	5,431
Exports less Imports of Goods and Services	-119	-1,106	-95
<b>EXPENDITURE ON THE GROSS DOMESTIC PRODUCT</b>	<b>18,501</b>	<b>20,829</b>	<b>24,047</b>

4. Table 2 gives estimates of the contribution by economic sectors to the gross domestic product:—

**Table 2 Gross Domestic Product by Industrial Origin: 1970—1972**

<i>ISIC Major Division</i>	1970		1971		1972	
	HK\$Mn	%	HK\$Mn	%	HK\$Mn	%
1. Agriculture and Fishing	378	2.2	407	2.0	443	1.8
2. Mining and Quarrying	28	0.2	36	0.2	36	0.2
3. Manufacturing	5,735	33.3	6,229	30.5	7,146	28.5
4. Electricity, Gas and Water	334	1.9	369	1.8	424	1.7
5. Construction	555	3.2	823	4.0	1,084	4.3
6. Wholesale and Retail Trade, and Restaurants and Hotels	3,660	21.3	4,359	21.4	5,291	21.1
7. Transport, Storage and Communication	1,331	7.7	1,409	6.9	1,513	6.0
8. Financing, Insurance, Real Estate and Business Services	2,762	16.0	3,406	16.7	5,361	21.4
9. Community, Social and Personnel Services	2,333	13.6	3,228	15.8	3,613	14.4
10. Activities not Adequately Defined	110	0.6	133	0.7	149	0.6
All industries (GROSS DOMESTIC PRODUCT at factor cost)	17,226	100.0	20,399	100.0	25,060	100.0
Indirect Taxes less Subsidies	1,092		1,260		1,587	
Difference between income estimate and expenditure estimate	+183		—830		—2,600	
<b>GROSS DOMESTIC PRODUCT at current market prices</b>	<b>18,501</b>		<b>20,829</b>		<b>24,047</b>	

5. Manufacturing is the most important sector, contributing about 30 per cent of the total. Wholesale and retail trade, and restaurants and hotels come next, accounting for over 20 per cent. These estimates, however, are only a rough guide to the relative weight of the different activities, and great caution is required.

6. The contribution of the construction industry, for example, is estimated to be around 4 per cent. This is contrary to the common notion as to the importance of the construction industry in Hong Kong. An explanation can be in the fact that a distinction of definition exists between construction activity on sites on the one hand and real estate dealing and development on the others. This distinction, which is in fact a feature of records available to the Census and Statistics Department and which also accords with international recommendations, leads to a relatively low figure for the construction industry and a correspondingly high one for the financing, insurance, real estate and business services sector.

7. A second example is that the contribution of the financing, insurance, real estate and business services sector shows a significant increase from 17 per cent in 1971 to 21 per cent in 1972. This is due to the rapid growth in the stocks and shares and real estate markets in that year on the one hand, and the inclusion of a significant, but unknown, amount of capital gain in the estimates on the other. In calculating the operating surplus, the main source of information is the tax statistics of the Inland Revenue Department in which capital gain from dealings in stocks and shares and real estate by this sector is treated as part of the taxable income and consequently no separate figures for capital gain are available. In national income concepts, capital gain is treated as a transfer payment and is not part of the gross domestic product. The net effect is thus an over-estimation of the absolute level of total gross domestic product and the share contributed by this economic sector.

8. In national accounts, interest is regarded as a redistribution of income, in the same way as dividends on equity capital. For profits tax purposes, however, interest paid is treated as a deductible expense and includes interest received as a trading profit. To adjust the figures for national accounts purposes it is therefore necessary to reverse this treatment of interest. For manufacturing and trading concerns the result will, in most cases, be to increase their operating surplus, since they probably pay more interest on bank overdrafts, mort-

gages, etc. than they receive on any surplus funds invested. For banks and other financial institutions the reverse is the case, and if interest were wholly eliminated they would be generally be shown as making a loss since their receipts from fees and charges to customers would not be sufficient to cover their payments to employees and other expenses. To avoid this anomaly SNA\* provides that the operating surplus of financial institutions is to be shown including their receipts, less payment, of interest and other investment income. To keep to the basic concept however, this balance of interest received less payments is treated as a concealed charge for services rendered by the banks to their customers and is deducted, in one sum, from the total of operating surplus, without being apportioned between industries. It is not possible to make these adjustments. When adjustments are made, they will probably not have much effect on the total operating surplus but will result in a different industrial pattern.

9. It is hoped that when more data become available from the round of economic censuses planned for the coming years, the estimates can be put on a firmer basis.

#### **Method of Estimation**

10. The paragraphs which follow give a brief outline of the way compensation of employees and operating surplus have been calculated.

11. 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.

12. For each category except for the agriculture and fishing sector, 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. These earnings were then multiplied 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; a more accurate description would be compensation of those in employment. For the agriculture and fishing sector, the method of estimating the compensation of employees and operating surplus has been revised. They are now based on the total value of production in a year published in the Agriculture and Fisheries Department's Annual Reports, as well as a breakdown of total value of production by compensation of employees, operating surplus and intermediate inputs, also provided by that department.

13. Income of proprietors and partners in unincorporated businesses which were liable to profits tax was recorded on the one hand in the figures for operating surplus while calculating business profits and on the other hand in the figure for compensation of employees which represent the product of the economically active population (inclusive of the proprietors and partners in question) and their estimated average earnings. In order to eliminate this, the number of persons whose income was duplicated was estimated and their income computed from average earnings was subtracted from the figures on compensation of employees.

14. The statistical information on wages and salaries was obtained from a number of sources. The main ones were: the Labour Department, the Government Pay Investigation Unit, the Hong Kong Productivity Centre, the Agriculture and Fisheries Department, and sundry official publications.

15. The sources which provided the data on earnings of employees for 1971 also were able to provide similar data for the other two years. One exception was the Hong Kong Productivity Centre for 1972 who did not conduct a survey in that year, and the average earnings derived from this source for 1972 were assumed to grow by the same percentage as indicated by wage statistics of the Labour Department. The 1970 and 1972 average earnings were then multiplied by the numbers in employment in various categories, projected from the 1971 Census figures by the employment growth rate of each industry (with occupational distribution held constant) estimated from employment statistics of the Labour Department.

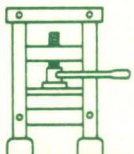
16. The estimates of operating surplus (profits, interest, property income, etc.) were based on up-to-date tax statistics provided by the Inland Revenue Department. For the years in question, profits tax figures are

\* United Nations: "A System of National Accounts."

related to profits earned roughly a year earlier but interest and property tax 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.

17. As depreciation allowance given for tax purposes is different from the concept of consumption of capital in national accounting, the tax statistics cannot be utilised. Thus no separate estimate on depreciation is made.

18. In the expenditure estimates, government trading bodies were 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 surplus of these government trading departments should be included in the income estimates. However they are not taxable and therefore they will not have been covered by the figures derived from profits tax. An appropriate consequential adjustment was made in the estimates.



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Printed by the Government Printer, Hong Kong

Code No.: J357375  
Price: \$4.00