

# LCQ16: Macroeconomic data of Hong Kong

Following is a question by the Hon Luk Chung-hung and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (April 28):

Question:

Regarding the macroeconomic data of Hong Kong, will the Government inform this Council:

(1) of the (i) compensation of employees (CoE), (ii) gross operating surplus (GOS), (iii) ratio of CoE to Gross Domestic Product (GDP) (i.e. labour's share of national income) and (iv) respective contributions of CoE and GOS to rate of change in nominal GDP in percentage-point, in each year from 2012 to 2020; and

(2) when conducting a test by applying a time-series econometric model, how the changes in the labour's share of national income in Hong Kong during the aforesaid period were affected by the following determinants: (i) trade openness, (ii) the size of public sector, (iii) the statutory minimum wage, (iv) the year-on-year growth in real GDP and (v) technological progress?

Reply:

President,

After consulting the Census and Statistics Department and the Office of the Government Economist, my reply to Hon Luk Chung-hung's question is as follows:

(1) According to the Census and Statistics Department's latest data up to 2019, the relevant statistics are set out at Annex.

(2) Labour's share of national income, measured in terms of the ratio of compensation of employees (CoE) to Gross Domestic Product (GDP), is commonly used as a crude indicator of income distribution among labour and capital in an economy. Between 2012 and 2019, the ratio of CoE to GDP hovered around 52 per cent, indicating a broadly stable labour's share of national income.

Using the time-series econometric model in the box article "Labour's share of national income in Hong Kong" in the "2013 Economic Background and 2014 Prospects" published by the Government and updating the analysis with data up to 2019, the results show that trade openness, size of public sector, Statutory Minimum Wage, year-on-year growth in real GDP, and technological progress all have statistically significant impacts on Hong Kong's labour's share of national income. In gist, trade openness is negatively correlated to labour's share of national income, while size of public sector, Statutory Minimum Wage, and technological progress are positively correlated to

labour's share of national income.

Yet, it is worth noting that labour's share of national income will also be affected by other factors, such as economic structure and educational attainment of the labour force, and these other factors may also interact with the aforementioned five factors. Hence, the above simple econometric analysis is only meant to provide crude statistical results for reference, instead of conducting a thorough analysis on the change in the respective share.