

**2010 Update of CEPA's Impact on the Hong Kong economy
(Individual Visit Scheme)**

BACKGROUND

- (1) To update the impact of CEPA Individual Visit Scheme (IVS) on the Hong Kong economy, the Hong Kong Tourism Board (HKTB) has conducted a dedicated face-to-face survey of a random sample of IVS visitors from mid-November to mid-December in 2009. The survey attempts to gauge the influence of more convenient and flexible measures to facilitate Mainland visitors to Hong Kong under the IVS, and identify any consequential changes in the travel behaviour of the IVS visitors. The economic impact of IVS is thus estimated based on these survey results, and assisted by analysis of the past data on IVS visitors.

METHODOLOGY

- (2) Since the first introduction of IVS in July 2003, the trend of incremental IVS visitors (i.e. those additional visits by Mainland visitors to Hong Kong as induced by the convenience and flexibility of using IVS) has been constantly tracked and analysed. The estimates of incremental IVS visitors over the past six years are summarized in *Table 1* below.
- (3) Since April 2009, the Mainland government introduced a one-year multiple-entry Individual Visit endorsement for eligible Shenzhen permanent residents ("M permit") to give greater convenience to their visits to Hong Kong. The new visa arrangement conceivably has encouraged individual travellers to make more frequent visits to Hong Kong, which in turn has provided a new impetus to our inbound tourism growth. From 1 April to 31 December 2009, there were 1 472 208 M permit arrivals, constituting 8.2% of total Mainland visitors. Comparing to 2004, the share of overnight Shenzhen visitors in total overnight Mainland visitors rose from 12.7% to 15.8% in 2009. Likewise for same-day visitors, Shenzhen's share also increased notably from 46.4% in 2004 to 54.3% in 2009.

Table 1: Mainland visitors to Hong Kong and estimates of incremental IVS visitors

	Mainland visitors	Incremental IVS	Incremental IVS as share of Mainland visitors
	(No.)		(%)
2004	12 245 862	2 513 524	(20.5)
2005	12 541 400	2 721 388	(21.7)
2006	13 591 342	3 272 029	(24.1)
2007	15 485 789	4 037 559	(26.1)
2008	16 862 003	4 761 297	(28.2)
2009* (Overall)	17 956 731	6 074 523	(33.8)
<i>Of which:</i>			
<i>“M Permit”</i>	1 472 208	758 383	
<i>net of “M Permit”</i>	16 484 523	5 316 140	

Note: (*) HKTB’s estimates.

- (4) Taking the effect of “M permit” into account, the observed percentage share of incremental IVS visitors in total Mainland visitors rose from 28.2% in 2008 to 33.8% in 2009. Netting out the effect of incremental “M permit” arrivals, the corresponding figure was about 32%.
- (5) In this round of the IVS impact assessment update, the estimation methodology has been adjusted to enable separate measure of the impacts of Shenzhen arrivals plus arrivals from Guangdong (excluding Shenzhen) and rest of Mainland other than Guangdong (non-Guangdong).
- (6) According to the per capita spending of IVS visitors by place of residence in **Table 2** and per capita spending pattern of IVS visitors in **Table 3**, the incremental IVS visitor arrivals and their spending are estimated in **Table 4**.

Table 2: Per capita spending of IVS visitors by place of residence in 2009 (HK\$)

	Same-day	Overnight
Shenzhen	\$2 564	\$3 752
Guangdong (Overall)	\$2 638	\$4 037
Non-Guangdong	\$4 061 (*)	\$11 637

Note: (*) HKTB’s estimates based on small sample size.

Table 3: Per capita spending and spending pattern of IVS visitors (HK\$)

Per capita spending	Overnight visitors	Same-day visitors
2004	\$3 305	\$1 644
2005	\$3 829	\$1 663
2006	\$4 170	\$1 985
2007	\$4 978	\$2 232
2008	\$5 367	\$2 517
2009	\$6 511	\$2 719
<i>2008/09 (% change)</i>	(21.3%)	(8.0%)

Spending pattern in 2009^(^):	Overnight visitors	Same-day visitors
<i>Hotel and boarding houses</i>	8.3%	0.2%
<i>Restaurants</i>	7.9%	2.7%
<i>Retail trade</i>	77.8%	92.2%
<i>Local transport</i>	2.8%	2.9%
<i>Others</i>	3.3%	2.1%

Note: (^) Sum of figures may not equal to 100% due to rounding.

Table 4: Incremental IVS visitor arrivals and tourist spending

	Incremental IVS visitor arrivals		Incremental IVS tourist spending^(*)
	(million)		(HK\$ million)
2004	2.51	(27.6%)	6 734
2005	2.72	(36.1%)	6 644
2006	3.27	(37.6%)	10 131
2007	4.04	(40.3%)	16 067
2008	4.76	(44.3%)	18 882
2009	6.07	(47.7%)	26 366
			<i>Of which:</i>
			<i>“M Permit”</i>
			2 193
			<i>net of “M Permit”</i>
			24 173

Notes: () % of same-day visitors of IVS.

(*) Include spending on cross-boundary transport.

ESTIMATED VALUE-ADDED and EMPLOYMENT IMPACT

(7) From the estimated incremental spending, and applying the relevant GDP multipliers, the contributions to value-added and employment in the Hong Kong economy are derived. This is summarized as follows:

Table 5: Contributions of the Individual Visit Scheme by selected sectors*

	Overall Economy	<i>Of which</i>				Cross boundary passenger services ⁺
		Hotel and boarding houses ⁺	Retail trade ⁺	Restaurants ⁺	Other personal services ^{#+}	
Incremental Spending						(HK\$ Million)
2004	6 734	413	4 736	900	431	254
2005	6 644	138	5 374	667	264	201
2006	10 131	510	7 938	776	503	404
2007	16 067	1 014	12 400	1 136	892	624
2008	18 882	1 082	15 071	1 077	823	829
2009	26 366	1 409	21 458	1 566	1 473	459
<i>Of which[@]:</i>						
<i>“M Permit”</i>	<i>2 193</i>	<i>62</i>	<i>1 898</i>	<i>96</i>	<i>116</i>	<i>21</i>
<i>net of “M Permit”</i>	<i>24 173</i>	<i>1 347</i>	<i>19 560</i>	<i>1 470</i>	<i>1 357</i>	<i>438</i>
Value added[^]						(HK\$ Million)
2004	4 714	246	727	329	222	80
2005	4 651	85	833	241	140	60
2006	7 092	293	1 155	275	266	133
2007	9 801	595	1 850	404	466	191
2008	11 518	635	2 249	382	430	254
2009	16 136	877	3 512	581	695	123
<i>Of which[@]:</i>						
<i>“M Permit”</i>	<i>1 342</i>	<i>39</i>	<i>311</i>	<i>36</i>	<i>55</i>	<i>6</i>
<i>net of “M Permit”</i>	<i>14 794</i>	<i>838</i>	<i>3 201</i>	<i>546</i>	<i>640</i>	<i>117</i>
Employment[^]						(persons engaged)
2004	19 158	790	6 306	3 141	870	74
2005	17 815	213	6 779	2 204	500	51
2006	28 020	1 000	10 674	2 643	990	130
2007	32 921	1 435	13 103	2 893	1 679	228
2008	38 009	1 531	15 926	2 740	1 549	303
2009	50 281	1 950	22 424	3 619	2 676	211
<i>Of which[@]:</i>						
<i>“M Permit”</i>	<i>4 183</i>	<i>86</i>	<i>1 984</i>	<i>221</i>	<i>211</i>	<i>6</i>
<i>net of “M Permit”</i>	<i>46 098</i>	<i>1 864</i>	<i>20 440</i>	<i>3 397</i>	<i>2 465</i>	<i>204</i>

Notes: (+) These are the first round net contributions by selected sectors.

(#) Other personal services include travel agent, airline ticket agents, domestic transport and other personal entertainment.

(*) In the present round of assessment, spendings of incremental IVS arrivals by place of residence are estimated. As a result, the IVS contributions are not strictly comparable to corresponding figures in previous years.

(^) The overall impact has covered the first and the subsequent rounds of impact on the economy. As a result, the summation of the first round impact on the different sectors is smaller than that on the overall economy.

(@) “M permit” and net of “M Permit” figures may not add up to total due to rounding.

- (8) To conclude, the net contribution of IVS (including the impact of “M permit”) to the Hong Kong economy in 2009 amounted to HK\$16.1 billion in value-added, and 50 300 in number of jobs. Of which, incremental “M permit” arrivals contributed HK\$1.3 billion in value-added and 4 200 jobs. The overall effect has reflected the first and subsequent rounds of impact.

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