

External direct investment of Hong Kong in 2017

Hong Kong's external direct investment (DI) statistics for 2017 were released today (December 10) by the Census and Statistics Department (C&SD).

Positions of DI

At the end of 2017, the position of Hong Kong's DI liabilities increased by 19.8% over a year earlier to \$16,943.5 billion. Its ratio to the Gross Domestic Product (GDP) stood at 637% in 2017. The increase in the position of Hong Kong's DI liabilities in 2017 was mainly attributable to the increase in the total market values of Hong Kong enterprise groups (HKEGs) which had received DI from abroad and the positive DI inflow to Hong Kong during the year.

Analysed by immediate source of investment, the British Virgin Islands (BVI) was the most important source for Hong Kong's inward DI, with a share of 32.8% of the total position of Hong Kong's inward DI at end-2017.

The mainland of China (the Mainland) was the second largest source of investment, accounting for 25.5% of the total position of Hong Kong's inward DI at end-2017. The Mainland's investment in Hong Kong covered a wide range of economic activities, including investment and holding, real estate, professional and business services; banking; construction; and import/export, wholesale and retail trades.

Analysed by major economic activity of HKEGs which had received inward DI, those engaged in investment and holding, real estate, professional and business services took up the largest share, at 69.7% of the total position of Hong Kong's inward DI at end-2017. This was followed by banking, at 11.4%; and import/export, wholesale and retail trades, at 8.9%.

At the end of 2017, the position of Hong Kong's DI assets increased by 17.7% over a year earlier to \$15,922.9 billion. Its ratio to GDP was 598% in 2017. The increase in the position of DI assets in 2017 was mainly attributable to the increase in the total market values of non-resident enterprises which had received DI from Hong Kong and the positive DI outflow from HKEGs to enterprises outside Hong Kong during the year.

Analysed by immediate destination of investment, the Mainland was the most important destination for Hong Kong's outward DI, with a share of 38.3% of the total position of Hong Kong's outward DI at end-2017. Guangdong Province remained a popular location for Hong Kong's investment in the Mainland, accounting for 26.5% (or \$1,437.8 billion) of the total position of Hong Kong's outward DI in the Mainland. The most common economic activities undertaken by Hong Kong's direct investment enterprises in the Mainland were information and communications; investment and holding, real estate,

professional and business services; banking; and manufacturing.

The BVI was the second largest destination of investment, accounting for 34.5% of the total position of Hong Kong's outward DI at end-2017.

Analysed by major economic activity of HKEGs which had made outward DI, those engaged in investment and holding, real estate, professional and business services took up the largest share, at 80.5% of the total position of Hong Kong's outward DI at end-2017. This was followed by import/export, wholesale and retail trades, at 6.9%; and banking, at 2.5%.

Flows of DI

In 2017, total DI inflow amounted to \$979.6 billion, smaller than that of \$1,034.1 billion in 2016. On the other hand, total DI outflow in 2017 amounted to \$792.7 billion, larger than that of \$586.4 billion in 2016. Taking the inflow and outflow together, a net DI inflow of \$186.9 billion was recorded in 2017.

Analysed by immediate source of inward DI, the BVI was the major source of Hong Kong's DI inflow in 2017, amounting to \$329.9 billion. The Mainland came next, at \$179.2 billion. Analysed by major economic activity of HKEGs which had received DI inflow, those engaged in investment and holding, real estate, professional and business services attracted the largest amount of DI inflow in 2017, at \$537.9 billion.

Analysed by immediate destination of outward DI, the Mainland accounted for a predominant share of Hong Kong's DI outflow in 2017, at \$243.3 billion. Analysed by major economic activity of HKEGs which had made DI outflow, those engaged in investment and holding, real estate, professional and business services took up the largest amount of DI outflow, at \$480.0 billion.

Commentary

A Government spokesman said that, amid a synchronised global economic upswing in 2017, the positions of DI liabilities and assets at end-2017 in Hong Kong both grew at a double-digit pace over a year earlier. Relative to the size of the economy, the positions of DI liabilities and assets grew larger, amounting to 637% and 598% of GDP respectively. This manifested Hong Kong's status as an international financial centre and a premier business hub.

The spokesman noted that the Mainland continued to feature prominently in Hong Kong's external DI, both as a source and as a destination, covering a wide range of economic activities. Looking ahead, with a favourable business environment, Hong Kong's role in connecting the Mainland and the rest of the world will be even more prominent, as the Mainland's reform and opening-up continues to deepen. The Government will continue to strengthen Hong Kong's ties with other economies, and seize the vast opportunities in the development of the Guangdong-Hong Kong-Macao Bay Area and the Belt and Road Initiative.

Further Information

DI represents external investment in which an investor of an economy acquires a lasting interest and a significant degree of influence or an effective voice in the management of an enterprise located in another economy. For statistical purpose, an effective voice is taken as being equivalent to a holding of 10% or more of the voting power in an enterprise.

The DI statistics are compiled based on data obtained from the Survey of External Claims, Liabilities and Income conducted by the C&SD, supplemented by data from other sources.

According to the latest international statistical standards stipulated in the Sixth Edition of the Balance of Payments and International Investment Position Manual released by the International Monetary Fund and the Fourth Edition of Benchmark Definition of Foreign Direct Investment published by the Organisation for Economic Co-operation and Development, the aggregate DI figures (including DI assets and DI liabilities) presented above are compiled based on the "asset/liability principle", while detailed DI figures analysed by country/territory and by major economic activity of HKEGs presented above are based on the "directional principle". Owing to the adoption of different presentation principles, the aggregate DI figures are different from the overall totals of the detailed DI figures by country/territory or by major economic activity of HKEGs. However, the overall direct investment balance compiled from figures based on these two presentation principles respectively is the same.

Tables 1 and 2 show the positions and flows of inward DI in Hong Kong by selected major investor country/territory and by major economic activity of HKEGs respectively for 2016 and 2017. Similar statistics on outward DI from Hong Kong by selected major recipient country/territory and by major economic activity of HKEGs for 2016 and 2017 are presented in Tables 3 and 4.

Further details of DI statistics for 2017 are given in the report External Direct Investment Statistics of Hong Kong 2017. Users can download this publication free of charge at the website of the C&SD (www.censtatd.gov.hk/hkstat/sub/sp260.jsp?productCode=B1040003).

Enquiries about the DI statistics may be directed to the Balance of Payments Branch (2) of the C&SD at 3903 7024.

[Application for list of establishments](#)

from Central Register of Establishments

The Census and Statistics Department maintains a computerised Central Register of Establishments which contains information relating to some 410 000 active establishments in Hong Kong. Information kept in the Register is updated on a quarterly basis through feedback from various surveys of the department and administrative returns from relevant government departments. Information in respect of the third quarter of 2018 is now updated in the Register.

The Register serves mainly as the sampling frame for various economic surveys conducted by the department. In addition, many other government departments and private organisations also make use of the disclosable particulars kept in the Register for their surveys, publicity, business promotion, customer classification and research work. These disclosable particulars cover the name, address, type of business and employment size class of the establishments. They are available to the public in the following two forms.

20% sample listing

A sample listing containing 20% of the records randomly selected from the Register, together with disclosable particulars of the establishments, is available to users. Users may apply for all or part of the records in the 20% sample listing in writing by providing the following information:

- * Particulars of the applicant (including name, position, organisation, address, telephone, fax and email);
- * Details of the project (including name, purpose, expected completion date, and specifications of information required such as industries, employment sizes and districts); and
- * Medium of delivering the information (e.g. photocopy or CD-R and file format such as Visual FoxPro, Excel or text, if applicable).

The application can be faxed to 2827 2296, emailed to cre@censtatd.gov.hk or posted to the Employment Statistics and Central Register of Establishments Section, Census and Statistics Department, 20/F, Wanchai Tower, 12 Harbour Road, Wan Chai, Hong Kong.

The information can be supplied in the form of CD-R or photocopies at the following rates:

- * CD-R – a charge of about \$1,540 per listing, compiled to the user's requirements (exact amount depending on the complexity of the job concerned);

* Photocopies – a ready, standard listing is available for photocopying (in part if desired). A charge of \$1.30 per page is levied.

Matching operation with specified establishments

Users may apply to conduct matching operations for a list of establishments in their databases and then extract disclosable particulars for the matched establishments from the Register. The matching operation will be done using the application program supplied by the user and conducted on the computing facilities in the Department. Both the name and address of establishment will be used as matching keys.

Users may apply for this service item by submitting a proposal of the matching operation to the department. The proposal should cover the intended use of the information derived from the matching operation, the specifications of the establishment database provided by the user, the details of the matching process and the specifications of the output data.

The information can be supplied in the form of CD-R. A charge will be levied at the following rates:

- * a minimum charge of about \$4,800 for the service required (exact amount depending on the complexity of the matching operation conducted); plus
- * \$1 per matched record with information supplied to the user.

Enquiries

Further details about the above service items can be obtained from the Employment Statistics and Central Register of Establishments Section of the department at Tel: 2582 4760; fax: 2827 2296; or email: cre@censtatd.gov.hk.

Interest rate of the third interest payment for Silver Bond Series due 2020

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority, as representative of the Hong Kong Special Administrative Region Government, announces today (December 10) the relevant per annum interest rate for the third interest payment of Silver Bond Series due 2020 (Issue Number 03GB2006R) (the Bonds) issued under the Retail Bond Issuance Programme of the Government Bond Programme.

According to the Issue Circular dated June 1, 2017 for the Bonds, the third interest payment of the Bonds is scheduled to be made on December 24, 2018, and the relevant interest rate is scheduled to be determined and announced on December 10, 2018 as the higher of the prevailing Floating Rate and Fixed Rate.

On December 10, 2018, the Floating Rate and Fixed Rate are as follows:-

Floating Rate: +2.43 per cent (Annex)

Fixed Rate: +2.00 per cent

Based on the Floating Rate and Fixed Rate set out above, the relevant interest rate for the third interest payment is determined and announced as 2.43 per cent per annum.

[Planned system maintenance for Faster Payment System in December](#)

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced today (December 10) that the Hong Kong Interbank Clearing Limited (HKICL), the operator of the FPS, has scheduled the following system maintenance window of the FPS in December. During the period, all the FPS real-time services, including real-time funds transfers and registration of mobile number or email address with the FPS as an account proxy for receiving funds, will be suspended.

Date	Time
December 16 (Sunday)	3am – 6am

The public may contact their banks or stored value facility operators for more details regarding the availability of the related services that may be affected by the above planned system maintenance exercise.

The HKICL may schedule FPS system maintenance window from time to time. Such information will be available on the FPS website fps.hkicl.com.hk/eng/fps/news_&_publications.php.

Record of discussion of meeting of Exchange Fund Advisory Committee Currency Board Sub-Committee held on October 29

The following is issued on behalf of the Hong Kong Monetary Authority:

(Approved for issue by the Exchange Fund Advisory Committee on November 26)

Report on the Currency Board Operations (June 15 – October 8)

The Currency Board Sub-Committee noted that during the review period, the Hong Kong dollar (HKD) traded within a range of 7.8090 – 7.8500 against the US dollar (USD). Since the first triggering on April 12, the weak-side Convertibility Undertaking (CU) was triggered 27 times and the Hong Kong Monetary Authority bought HK\$103.5 billion under the weak-side CU. Correspondingly, the Aggregate Balance and the Monetary Base declined to HK\$76.58 billion and HK\$1,616.14 billion respectively at the end of the review period. Partly reflecting squaring of interest carry trade positions amid tightening of interbank liquidity ahead of the quarter-end, the HKD exchange rate strengthened in late September, before easing gradually at the end of the review period.

The Sub-Committee noted that largely reflecting reduced interbank liquidity following triggering of the weak-side CU, expectation of US rate hikes, IPO-related funding demand, and seasonal liquidity needs, HKD interbank interest rates broadly picked up during the review period.

The Sub-Committee further noted that, in accordance with the Currency Board principles, all changes in the Monetary Base had been fully matched by changes in foreign reserves.

The Report on Currency Board Operations for the period under review is at the Annex.

Monitoring of risks and vulnerabilities

The Sub-Committee noted that in the US, growth momentum remained strong but its outlook was clouded by trade tensions with its trading partners. Inflationary pressures continued to build up, and the Federal Reserve signalled further gradual tightening ahead.

The Sub-Committee noted that in emerging market economies (EMEs), the recent slump in the Turkish lira and the Argentine peso had sparked

volatility in EME currencies and stocks. Nonetheless, EMEs with stronger fundamentals (mostly in Asia) had been faring better.

The Sub-Committee noted that in Mainland China, growth momentum showed some moderation but economic restructuring remained on track. While the renminbi had depreciated amid the US-China trade conflicts, capital outflow pressure had been limited so far.

The Sub-Committee noted that in Hong Kong, downside risks to growth increased amid stronger external headwinds. That said, banks' asset quality stayed healthy. In addition, the sizeable Monetary Base and the robust banking system provided strong buffer to external shocks.

Linked Exchange Rate System (LERS) Operations since the three refinements – mechanism and theory

The Sub-Committee noted a study which provided a theoretical explanation of the HKD exchange rate dynamics and interest rate differential between the HKD and the USD since 2008. The study found that the LERS had been working according to its design.