

Hong Kong's Balance of Payments and International Investment Position statistics for the second quarter of 2018

The Census and Statistics Department (C&SD) released today (September 21) the preliminary Balance of Payments (BoP) and International Investment Position (IIP) statistics of Hong Kong for the second quarter of 2018. This release also included the preliminary External Debt (ED) statistics of Hong Kong for the same period.

I. Balance of Payments

Hong Kong recorded a BoP deficit of \$48.5 billion (as a ratio of 7.2% to GDP) in the second quarter of 2018, as against a surplus of \$73.8 billion (as a ratio of 10.7% to GDP) in the first quarter of 2018. Reserve assets correspondingly decreased by the same amount (\$48.5 billion) in the second quarter of 2018.

Current account

On a year-on-year comparison, the current account recorded a surplus of \$15.7 billion (as a ratio of 2.3% to GDP) in the second quarter of 2018, compared with a surplus of \$19.1 billion (as a ratio of 3.0% to GDP) in the same quarter of 2017. The decrease in the current account surplus was mainly due to an increase in the goods deficit, partly offset by an increase in the services surplus and an increase in the net inflow of primary income.

The goods deficit increased to \$91.8 billion in the second quarter of 2018, compared with the \$67.7 billion in the same quarter of 2017. This was due to a larger increase in imports of goods relative to that in respect of exports of goods. Over the same period, the services surplus increased to \$56.2 billion in the second quarter of 2018, compared with the \$41.1 billion in the same quarter of 2017. This was due to a larger increase in exports of services relative to that in respect of imports of services. The overall balance on goods and services recorded a deficit of \$35.6 billion in the second quarter of 2018, compared with a deficit of \$26.6 billion in the same quarter of 2017.

The primary income inflow and outflow amounted to \$459.3 billion and \$402.7 billion respectively, thus yielding a net inflow of \$56.6 billion in the second quarter of 2018, compared with a net inflow of \$50.4 billion in the same quarter of 2017.

The secondary income inflow and outflow amounted to \$3.1 billion and \$8.5 billion respectively, resulting in a net outflow of \$5.3 billion in the second quarter of 2018, compared with a net outflow of \$4.7 billion in the

same quarter of 2017.

On a seasonally adjusted quarter-to-quarter comparison basis, the current account credit and the current account debit in the second quarter of 2018 decreased by 0.6% and 1.5% respectively from the first quarter of 2018.

Capital and financial account

In the second quarter of 2018, a net outflow of \$0.8 billion was recorded in the capital account, compared with a net outflow of \$0.1 billion in the first quarter of 2018.

An overall net outflow of financial non-reserve assets amounting to \$93.5 billion (as a ratio of 13.8% to GDP) was recorded in the second quarter of 2018, as against an overall net inflow of \$29.3 billion (as a ratio of 4.3% to GDP) in the first quarter of 2018. The overall net outflow recorded in the second quarter of 2018 was the result of a net outflow of portfolio investment and a net outflow of other investment, partly offset by a net inflow of direct investment and a net inflow due to the cash settlement of financial derivatives.

Direct investment recorded a net inflow of \$68.1 billion in the second quarter of 2018, as against a net outflow of \$19.7 billion in the first quarter of 2018. Portfolio investment recorded a net outflow of \$158.1 billion in the second quarter of 2018, compared with a net outflow of \$245.7 billion in the first quarter of 2018. Financial derivatives recorded a net inflow of \$0.5 billion in the second quarter of 2018, as against a net outflow of \$3.8 billion in the first quarter of 2018. Other investment recorded a net outflow of \$4.1 billion in the second quarter of 2018, as against a net inflow of \$298.5 billion in the first quarter of 2018.

In the second quarter of 2018, reserve assets decreased by \$48.5 billion, as against an increase of \$73.8 billion in the first quarter of 2018.

II. International Investment Position

At the end of the second quarter of 2018, Hong Kong's external financial assets and liabilities amounted to \$43,751.9 billion and \$32,773.8 billion respectively. After netting out the external financial liabilities from the external financial assets, Hong Kong was a net creditor. Hong Kong's net external financial assets amounted to \$10,978.2 billion (as a ratio of 397% to GDP) at the end of the second quarter of 2018, compared with \$11,633.8 billion (as a ratio of 428% to GDP) at the end of the first quarter of 2018.

The ratios of both Hong Kong's external financial assets and liabilities to GDP at the end of the second quarter of 2018 remained at a very high level, at 15.8 times and 11.8 times respectively, reflecting that Hong Kong is a highly externally oriented economy and also a major financial centre in the region with considerable cross-territory investment.

External financial assets

Within the total value of external financial assets at the end of the second quarter of 2018, direct investment was the largest component, accounting for 37.3% (\$16,303.7 billion) of the total value. Portfolio investment (\$13,655.3 billion) and other investment (\$9,711.4 billion) contributed 31.2% and 22.2% respectively.

External financial liabilities

Within the total value of external financial liabilities at the end of the second quarter of 2018, 53.6% (\$17,550.5 billion) was in the form of direct investment. Other investment (\$10,268.1 billion) and portfolio investment (\$4,338.5 billion) contributed 31.3% and 13.2% respectively.

III. External Debt

At the end of the second quarter of 2018, Hong Kong's gross ED (measuring total outstanding gross external liabilities other than equity liabilities) amounted to \$13,057.3 billion (as a ratio of 472% to GDP). Compared with \$12,775.6 billion (as a ratio of 470% to GDP) at the end of the first quarter of 2018, gross ED increased by \$281.7 billion. This was mainly attributable to the increases in ED of other sectors, ED of the banking sector and debt liabilities in direct investment (intercompany lending).

Sectoral analysis

At the end of the second quarter of 2018, a major proportion of Hong Kong's ED was attributable to the banking sector, accounting for 62.4% of the total. Other ED mainly consisted of ED of other sectors (20.8%) and debt liabilities in direct investment (intercompany lending) (16.7%).

ED of the banking sector increased from \$8,071.3 billion at the end of the first quarter of 2018 (as a ratio of 297% to GDP) to \$8,141.8 billion at the end of the second quarter of 2018 (as a ratio of 294% to GDP). ED of other sectors, debt liabilities in direct investment (intercompany lending) and ED of the Government and the Hong Kong Monetary Authority amounted to \$2,710.8 billion, \$2,174.3 billion, \$26.5 billion and \$3.9 billion respectively at the end of the second quarter of 2018.

Further information

BoP is a statistical statement that systematically summarises, for a specific time period (typically a year or a quarter), the economic transactions of an economy with the rest of the world (i.e. between residents and non-residents).

IIP is a balance sheet showing the stock of external financial assets and liabilities of an economy at a particular time point. The difference between the external financial assets and liabilities is the net IIP of the economy, which represents either its net claim on or net liability to the rest of the world.

Gross ED, at a particular time point, is the outstanding amount of those actual current, and not contingent, liabilities that are owed to non-

residents by residents of an economy and that require payment of principals and/or interests by the debtors at some time points in the future.

BoP and IIP statistics of Hong Kong are compiled in accordance with international standards as stipulated in the Sixth Edition of the Balance of Payments and International Investment Position Manual released by the International Monetary Fund (IMF) in 2009. ED statistics of Hong Kong are compiled according to the 2013 External Debt Statistics: Guide for Compilers and Users published by the Inter-agency Task Force on Finance Statistics chaired by the IMF. Concepts inherent in these two international guidelines are harmonised with each other.

Table 1 presents Hong Kong's BoP by standard component. Table 2 presents the detailed current account analysed by sub-account component, while Table 3 presents the detailed capital and financial account analysed by sub-account component. Table 4 shows Hong Kong's IIP by broad component, and Table 5 shows Hong Kong's ED by standard component.

Statistics on BoP, IIP and ED for the second quarter of 2018 are only preliminary figures, and are subject to revision upon the availability of more data.

More details of the statistics of BoP, IIP and ED, together with the conceptual and methodological details, are presented in the publication Balance of Payments, International Investment Position and External Debt Statistics of Hong Kong, Second Quarter 2018 published by the C&SD. Users can download this publication free of charge at the website of the C&SD (www.censtatd.gov.hk/hkstat/sub/sp260.jsp?productCode=B1040001).

For enquiries about the BoP, IIP and ED statistics, please contact the Balance of Payments Section of the C&SD (Tel: 3903 6979; fax: 2116 0278; email: bop@censtatd.gov.hk).

SCED to visit United States and Canada

The Secretary for Commerce and Economic Development, Mr Edward Yau, will leave Hong Kong tomorrow (September 22) for duty visits to Washington, DC, in the United States (US) and Ottawa and Montreal in Canada from September 23 to 29 to consolidate and strengthen economic ties between Hong Kong and the two countries. Mr Yau will also officiate at an event to celebrate the inaugural direct flight between Hong Kong and Washington, DC.

During his stay in Washington, DC, between September 23 and 26 (Eastern Standard Time), Mr Yau will meet with senior government officials, congressional members, think tanks and leaders of chambers or business organisations to exchange views on Hong Kong-US trade and economic relations and update them on the latest economic developments in Hong Kong. He will pay

a courtesy call to the Chinese Embassy in the United States of America.

On September 25, Mr Yau will officiate at a gala reception and dinner hosted by Cathay Pacific Airways Limited to mark its inaugural direct flight between Hong Kong and Washington, DC. He will also witness the signing of the Statement of Intent on Smart Technology Collaboration by the US Department of Commerce and the Hong Kong Productivity Council.

On September 26, he will deliver a keynote speech at a seminar entitled "The United States, Hong Kong & China: Innovation Economies in the 21st Century" co-organised by the Hong Kong Economic and Trade Office, Washington, DC (Washington ETO) and the Atlantic Council. He will also address a business luncheon co-organised by the Washington ETO and Cathay Pacific, and supported by the American Chamber of Commerce in Hong Kong, Invest Hong Kong and the US Chamber of Commerce.

Mr Yau will then proceed to Canada in the evening on September 26. On the following day in Ottawa, he will call on senior government officials and Canadian Parliament members to discuss issues relating to trade and economic co-operation between Hong Kong and Canada. He will also meet with key members of the Hong Kong-Canada Business Association Ottawa. In Montreal, he will meet with senior government officials responsible for trade matters.

Mr Yau will return to Hong Kong on September 29 (Hong Kong time). During his absence, the Under Secretary for Commerce and Economic Development, Dr Bernard Chan, will be the Acting Secretary for Commerce and Economic Development.

[Approved Sai Ying Pun and Sheung Wan Outline Zoning Plan amended](#)

The Town Planning Board today (September 21) announced amendments to the approved Sai Ying Pun and Sheung Wan Outline Zoning Plan (OZP).

The amendments mainly involve rezoning of an area at In Ku Lane from "Government, Institution or Community" to an area shown as "Pedestrian Precinct/Street". Opportunity is also taken to amend the Explanatory Statement of the OZP to reflect the above amendment and to update the general information of various land use zonings and the planning area, where appropriate.

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The draft Urban Renewal Authority Queen's Road West/In Ku Lane Development Scheme Plan (DSP) No. S/H3/URA3/1 has replaced that part of the draft Sai Ying Pun and Sheung Wan OZP No. S/H3/32 delineated and described in the DSP from the date the exhibition of the DSP is first notified in the

Gazette on September 21.

The draft Sai Ying Pun and Sheung Wan OZP No. S/H3/32, incorporating the amendments, is now available for public inspection during office hours at the Secretariat of the Board, the Planning Enquiry Counters of the Planning Department in North Point and Sha Tin, the Hong Kong District Planning Office and the Central and Western District Office.

Any person can make written representations in respect of the amendments to the Secretary of the Board on or before November 21. Representations made to the Board will be available for public inspection.

Copies of the draft Sai Ying Pun and Sheung Wan OZP are available for sale at the Map Publications Centres in North Point and Yau Ma Tei. The electronic version of the OZP can be viewed at the Board's website (www.info.gov.hk/tpb).

Draft Urban Renewal Authority Queen's Road West/In Ku Lane Development Scheme Plan published

The Town Planning Board today (September 21) announced the publication of the draft Urban Renewal Authority (URA) Queen's Road West/In Ku Lane Development Scheme Plan (DSP) No. S/H3/URA3/1.

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The scheme area covers about 0.2 hectares and is designated as "Residential (Group A)23". The scheme is for a composite residential/commercial development with a government refuse collection point, a public toilet, a neighbourhood elderly centre sub-base and a public open space. The affected five-a-side soccer pitch of Li Sing Street Playground within the scheme area, and the adjacent basketball court, will be reprovided with a re-arranged layout, and will be implemented as advance works of the proposed development.

In accordance with section 25(9) of the URA Ordinance, the draft DSP replaces the draft Sai Ying Pun and Sheung Wan Outline Zoning Plan in relation to the area delineated and described in the draft DSP.

The draft Queen's Road West/In Ku Lane DSP No. S/H3/URA3/1 is now available for public inspection during office hours at the Secretariat of the Board, the Planning Enquiry Counters of the Planning Department in North Point and Sha Tin, the Hong Kong District Planning Office and the Central and Western District Office.

Any person can make written representations in respect of the draft DSP

to the Secretary of the Board on or before November 21. Representations made to the Board will be available for public inspection.

Copies of the draft DSP are available for sale at the Map Publications Centres in North Point and Yau Ma Tei. The electronic version of the plan can be viewed at the Board's website (www.info.gov.hk/tpb).

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Friday, September 21, 2018 is 104.4 (up 0.1 against yesterday's index).