

External direct investment of Hong Kong in 2023

Hong Kong's external direct investment (DI) statistics for 2023 were released today (December 10) by the Census and Statistics Department (C&SD).

Stocks of DI

At the end of 2023, the total stock of Hong Kong's inward DI (i.e. the position of Hong Kong's DI liabilities) increased by 6.2% over a year earlier to \$18,376.1 billion. Its ratio to the Gross Domestic Product (GDP) stood at 616% in 2023. The increase in 2023 was mainly attributable to the positive DI inflow to Hong Kong.

As for the total stock of Hong Kong's outward DI (i.e. the position of Hong Kong's DI assets), it increased by 3.8% over 2022 to \$17,702.9 billion. Its ratio to GDP was 594% in 2023. The increase in 2023 was mainly attributable to the positive DI outflow to enterprises outside Hong Kong, partly offset by the drop in the total market values of non-resident enterprises which had received DI from Hong Kong during the year.

Analysed by immediate source of investment, the mainland of China (the Mainland) and the British Virgin Islands (BVI) were the two largest sources for Hong Kong's inward DI, with a share of 31.1% and 30.5% respectively at end-2023. Analysed by major economic activity of Hong Kong enterprise groups (HKEGs) which had received inward DI, those engaged in investment and holding, real estate, professional and business services took up the largest share, at 67.1% at end-2023. This was followed by banking, at 11.6%; and import/export, wholesale and retail trades, at 10.8%.

Analysed by immediate destination of investment, the Mainland and the BVI were also the two largest destinations for Hong Kong's outward DI, with a share of 49.8% and 28.9% respectively at end-2023. 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 78.6% at end 2023. This was followed by import/export, wholesale and retail trades, at 8.4%.

Flows of DI

In 2023, total DI inflow amounted to \$954.9 billion, slightly smaller than that of \$958.4 billion in 2022. On the other hand, total DI outflow in 2023 amounted to \$752.9 billion, smaller than that of \$931.3 billion in 2022. Taking the inflow and outflow together, a net DI inflow of \$202.0 billion was recorded in 2023.

Analysed by immediate source of investment, the Mainland was the major source of Hong Kong's DI inflow in 2023, amounting to \$385.8 billion. The BVI

came next, at \$305.2 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 in 2023, at \$564.9 billion.

Analysed by immediate destination of investment, the Mainland accounted for a predominant share of Hong Kong's DI outflow in 2023, at \$402.9 billion. The BVI came next, at \$116.4 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, at \$470.8 billion.

Commentary

A Government spokesman said that Hong Kong's total DI inflow and total DI outflow remained significant at \$954.9 billion and \$752.9 billion respectively in 2023 despite heightened geopolitical tensions and tightened global financial conditions.

The stocks of overall inward and outward DI in Hong Kong were substantial at end-2023, at \$18,376.1 billion and \$17,702.9 billion (616% and 594% of GDP) respectively, making Hong Kong one of the world's major destinations for and sources of external DI. The vast stock of external DI testifies that Hong Kong continues to be an international centre for finance and commerce, as well as a base for multinational corporations to manage their investments and businesses.

Hong Kong's DI covers a large geographical spread and a wide range of economic activities, with the Mainland featuring prominently both as a source and as a destination.

The Government has stepped up its efforts to attract external DI and bring in more strategic enterprises from outside the city to set up headquarters or corporate divisions in Hong Kong. Up to November 2024, over 60 strategic enterprises have come to Hong Kong to set up or expand their operations. The Government will also soon submit a bill to the Legislative Council to introduce a mechanism to facilitate the re-domiciliation of companies to Hong Kong.

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.

According to the international statistical standards, the total stocks and flows of DI 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 are based on the "directional principle".

Owing to the adoption of different presentation principles, the total stocks and flows of DI are different from the sums 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 (i.e. stocks) and flows of inward DI in Hong Kong by selected major investor country/territory and by major economic activity of HKEGs respectively for 2022 and 2023. Similar statistics on outward DI from Hong Kong are presented in Tables 3 and 4.

More detailed statistics are given in the report "External Direct Investment Statistics of Hong Kong 2023". Users can browse and download this publication at the website of the C&SD (www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1040003&scode=260).

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