

Hong Kong's Balance of Payments and International Investment Position statistics for fourth quarter of 2018 and whole year of 2018

The Census and Statistics Department (C&SD) released today (March 22) the preliminary Balance of Payments (BoP) and International Investment Position (IIP) statistics of Hong Kong for the fourth quarter of 2018 and the whole year 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 surplus of \$24.0 billion (as a ratio of 3.2% to GDP) in the fourth quarter of 2018, as against a deficit of \$41.7 billion (as a ratio of 5.7% to GDP) in the third quarter of 2018. Reserve assets correspondingly increased by the same amount (\$24.0 billion) in the fourth quarter of 2018.

For 2018 as a whole, there was a BoP surplus of \$7.6 billion (as a ratio of 0.3% to GDP), compared with a surplus of \$250.5 billion (as a ratio of 9.4% to GDP) in 2017.

Current account

The current account recorded a surplus of \$42.1 billion (as a ratio of 5.6% to GDP) in the fourth quarter of 2018. This implies that Hong Kong continues to save more than invest, enabling Hong Kong to accumulate external financial assets (such as equity securities or debt securities) as a buffer against global financial volatilities. Compared with the current account surplus of \$21.7 billion (as a ratio of 3.0% to GDP) in the fourth quarter of 2017, the increase in surplus was mainly due to an increase in the services surplus, a decrease in the goods deficit and an increase in the net inflow of primary income.

The goods deficit decreased to \$37.8 billion in the fourth quarter of 2018, compared with the \$43.5 billion in the same quarter of 2017. Over the same period, the services surplus increased to \$65.7 billion in the fourth quarter of 2018, compared with the \$52.6 billion in the same quarter of 2017. The primary income inflow and outflow amounted to \$386.1 billion and \$366.9 billion respectively, thus yielding a net inflow of \$19.1 billion in the fourth quarter of 2018, compared with a net inflow of \$17.9 billion in the same quarter of 2017.

For 2018 as a whole, the current account surplus was \$122.5 billion (as a ratio of 4.3% to GDP), smaller than that of \$123.9 billion (as a ratio of 4.7% to GDP) in 2017, 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.

Financial account

An overall net outflow of financial non-reserve assets amounting to \$41.6 billion (as a ratio of 5.5% to GDP) was recorded in the fourth quarter of 2018, compared with an overall net outflow of \$69.1 billion (as a ratio of 9.5% to GDP) in the third quarter of 2018. The overall net outflow recorded in the fourth quarter of 2018 was the result of a net outflow of portfolio investment, partly offset by a net inflow of direct investment, a net inflow due to the cash settlement of financial derivatives and a net inflow of other investment.

In the fourth quarter of 2018, reserve assets increased by \$24.0 billion, as against a decrease of \$41.7 billion in the third quarter of 2018.

For 2018 as a whole, an overall net outflow of financial non-reserve assets amounting to \$175.0 billion (as a ratio of 6.1% to GDP) was recorded, as against an overall net inflow of \$174.7 billion (as a ratio of 6.6% to GDP) in 2017. The overall net outflow recorded in 2018 was the result of a net outflow of portfolio investment, partly offset by a net inflow of direct investment, a net inflow of other investment and a net inflow due to the cash settlement of financial derivatives.

In 2018, reserve assets increased by \$7.6 billion, compared with an increase of \$250.5 billion in 2017.

II. International Investment Position

At the end of the fourth quarter of 2018, both Hong Kong's external financial assets and liabilities stood at a very high level, amounting to \$42,933.5 billion (equivalent to 15.1 times of GDP) and \$32,793.6 billion (equivalent to 11.5 times of GDP) respectively, a typical feature of a prominent international financial centre.

After netting out the external financial liabilities from the external financial assets, Hong Kong's net external financial assets amounted to \$10,139.9 billion (equivalent to 3.6 times of GDP) at the end of the fourth quarter of 2018, compared with \$10,195.0 billion (also equivalent to 3.6 times of GDP) at the end of the third quarter of 2018. Hong Kong's net external financial assets to GDP ratio is one of the largest in the world, which provides the economy with a strong cushion against sudden external shocks.

III. External Debt

At the end of the fourth quarter of 2018, Hong Kong's gross ED amounted to \$13,257.6 billion (equivalent to 4.7 times of GDP). Compared with \$12,972.3 billion (equivalent to 4.6 times of GDP) at the end of the third quarter of 2018, gross ED increased by \$285.3 billion. This was mainly attributable to the increase in ED of the banking sector, partly offset by

the decreases in ED of other sectors and debt liabilities in direct investment (intercompany lending).

As one of the world's major financial centres, Hong Kong has a significant amount of ED held against the local banking sector arising through normal banking businesses. At the end of the fourth quarter of 2018, 62.8% of Hong Kong's ED was attributable to the banking sector. Other ED mainly consisted of ED of other sectors (21.6%) and debt liabilities in direct investment (intercompany lending) (15.4%).

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 fourth quarter of 2018 and the whole year of 2018 are only preliminary figures and are subject to revision upon the availability of more data.

More details of the statistics of BoP (including seasonally adjusted current account), 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, Fourth 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).