

Hong Kong's Balance of Payments and International Investment Position statistics for fourth quarter of 2020 and whole year of 2020

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 2020 and the whole year of 2020. 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 \$233.5 billion (as a ratio of 32.7% to GDP) in the fourth quarter of 2020, compared with a surplus of \$19.3 billion (as a ratio of 2.8% to GDP) in the third quarter of 2020. Reserve assets correspondingly increased by the same amount (\$233.5 billion) in the fourth quarter of 2020.

For 2020 as a whole, there was a BoP surplus of \$263.0 billion (as a ratio of 9.7% to GDP), as against a deficit of \$8.9 billion (as a ratio of 0.3% to GDP) in 2019.

Current account

The current account recorded a surplus of \$30.9 billion (as a ratio of 4.3% to GDP) in the fourth quarter of 2020. This implies that Hong Kong's savings is greater than its investment, 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 \$44.5 billion (as a ratio of 6.0% to GDP) in the fourth quarter of 2019, the decrease in surplus was mainly due to a decrease in the goods balance, partly offset by an increase in the services surplus and an increase in the net inflow of primary income.

The goods account recorded a deficit of \$8.3 billion in the fourth quarter of 2020, as against a surplus of \$11.9 billion in the same quarter of 2019. Over the same period, the services surplus increased to \$17.1 billion in the fourth quarter of 2020, compared with the \$12.2 billion in the same quarter of 2019. The primary income inflow and outflow amounted to \$348.4 billion and \$321.6 billion respectively, thus yielding a net inflow of \$26.8 billion in the fourth quarter of 2020, compared with a net inflow of \$25.7 billion in the same quarter of 2019.

For 2020 as a whole, the current account surplus was \$179.0 billion (as a ratio of 6.6% to GDP), larger than that of \$170.8 billion (as a ratio of 6.0% to GDP) in 2019, mainly due to a decrease in the goods deficit and an

increase in the net inflow of primary income, partly offset by a decrease in the services surplus.

Financial account

An overall net inflow of financial non-reserve assets amounting to \$170.9 billion (as a ratio of 23.9% to GDP) was recorded in the fourth quarter of 2020, as against an overall net outflow of \$108.0 billion (as a ratio of 15.4% to GDP) in the third quarter of 2020. The overall net inflow recorded in the fourth quarter of 2020 was mainly due to net inflows of other investment and direct investment, partly offset by a net outflow of portfolio investment.

In the fourth quarter of 2020, reserve assets increased by \$233.5 billion, compared with an increase of \$19.3 billion in the third quarter of 2020.

For 2020 as a whole, an overall net inflow of financial non-reserve assets amounting to \$22.9 billion (as a ratio of 0.8% to GDP) was recorded, as against an overall net outflow of \$245.6 billion (as a ratio of 8.6% to GDP) in 2019. The overall net inflow recorded in 2020 was the result of net inflows of other investment, direct investment, and cash settlement of financial derivatives, which were largely offset by a net outflow of portfolio investment.

In 2020, reserve assets increased by \$263.0 billion, as against a decrease of \$8.9 billion in 2019.

II. International Investment Position

At the end of the fourth quarter of 2020, both Hong Kong's external financial assets and liabilities stood at a very high level, amounting to \$48,767.7 billion (equivalent to 18.0 times of GDP) and \$32,077.3 billion (equivalent to 11.8 times of GDP) respectively, a typical feature of a prominent international financial centre.

Hong Kong's net external financial assets (i.e. assets minus liabilities) amounted to \$16,690.4 billion (equivalent to 6.2 times of GDP) at the end of the fourth quarter of 2020, compared with \$15,054.2 billion (equivalent to 5.5 times of GDP) at the end of the third quarter of 2020. 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 2020, Hong Kong's gross ED amounted to \$13,824.4 billion (equivalent to 5.1 times of GDP). Compared with \$13,317.7 billion (equivalent to 4.9 times of GDP) at the end of the third quarter of 2020, gross ED increased by \$506.6 billion. This was mainly attributable to the increases in ED of the banking sector, 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 2020, 60.7% of Hong Kong's ED was attributable to the banking sector. Other ED mainly consisted of ED of other sectors (24.1%) and debt liabilities in direct investment (intercompany lending) (15.1%).

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.

Table 1 presents Hong Kong's BoP. Table 2 presents the detailed current account, while Table 3 presents the detailed capital and financial account. Table 4 shows Hong Kong's IIP, and Table 5 shows Hong Kong's ED.

Statistics on BoP, IIP and ED for the fourth quarter of 2020 and the whole year of 2020 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 2020 published by the C&SD. Users can download this publication 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).