

Hong Kong's Balance of Payments and International Investment Position statistics for second quarter of 2021

The Census and Statistics Department (C&SD) released today (September 23) the preliminary Balance of Payments (BoP) and International Investment Position (IIP) statistics of Hong Kong for the second quarter of 2021. 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 \$37.6 billion (as a ratio of 5.6% to GDP) in the second quarter of 2021, as against a surplus of \$8.2 billion (as a ratio of 1.2% to GDP) in the first quarter of 2021. Reserve assets correspondingly decreased by the same amount (\$37.6 billion) in the second quarter of 2021.

Current account

The current account recorded a surplus of \$68.5 billion (as a ratio of 10.1% to GDP) in the second quarter of 2021. This implies that Hong Kong's savings was 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 \$58.0 billion (as a ratio of 9.2% to GDP) in the second quarter of 2020, the increase in surplus was mainly due to an increase in the net inflow of primary income, partly offset by an increase in the goods deficit and a decrease in the services surplus.

The goods deficit increased to \$31.5 billion in the second quarter of 2021, compared with \$20.0 billion in the same quarter of 2020. Over the same period, the services surplus decreased to \$20.8 billion in the second quarter of 2021, compared with \$22.1 billion in the same quarter of 2020. The primary income inflow and outflow amounted to \$478.7 billion and \$394.5 billion respectively, thus yielding a net inflow of \$84.2 billion in the second quarter of 2021, compared with a net inflow of \$60.8 billion in the same quarter of 2020.

Financial account

An overall net outflow of financial non-reserve assets amounting to \$125.3 billion (as a ratio of 18.5% to GDP) was recorded in the second quarter of 2021, compared with an overall net outflow of \$80.9 billion (as a ratio of 11.5% to GDP) in the first quarter of 2021. The overall net outflow recorded in the second quarter of 2021 was due to a net outflow of portfolio investment, partly offset by net inflows of direct investment, other investment and cash settlement of financial derivatives. In the second

quarter of 2021, reserve assets decreased by \$37.6 billion, as against an increase of \$8.2 billion in the first quarter of 2021.

II. International Investment Position

At the end of the second quarter of 2021, both Hong Kong's external financial assets and liabilities stood at a very high level, amounting to \$51,132.4 billion (equivalent to 18.4 times of GDP) and \$33,424.0 billion (equivalent to 12.0 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 \$17,708.4 billion (equivalent to 6.4 times of GDP) at the end of the second quarter of 2021, compared with \$16,818.5 billion (equivalent to 6.1 times of GDP) at the end of the first quarter of 2021. 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 second quarter of 2021, Hong Kong's gross ED amounted to \$14,232.8 billion (equivalent to 5.1 times of GDP). Compared with \$13,809.6 billion (equivalent to 5.0 times of GDP) at the end of the first quarter of 2021, gross ED increased by \$423.2 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 second quarter of 2021, 60.5% 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) (15.2%).

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 second quarter of 2021 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, Second Quarter 2021 published by the C&SD. Users can download the publication at the website of the C&SD

(www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1040001&scode=260).

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).