

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

The Census and Statistics Department (C&SD) released today (December 21) the preliminary Balance of Payments (BoP) and International Investment Position (IIP) statistics of Hong Kong for the third 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 \$41.7 billion (as a ratio of 5.7% to GDP) in the third quarter of 2018, compared with a deficit of \$48.5 billion (as a ratio of 7.2% to GDP) in the second quarter of 2018. Reserve assets correspondingly decreased by the same amount (\$41.7 billion) in the third quarter of 2018.

Current account

The current account recorded a surplus of \$45.8 billion (as a ratio of 6.3% to GDP) in the third 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 \$57.4 billion (as a ratio of 8.4% to GDP) in the third quarter of 2017, the decrease in surplus was mainly due to an increase in the goods deficit, partly offset by an increase in the net inflow of primary income and an increase in the services surplus.

The goods deficit increased to \$53.4 billion in the third quarter of 2018, compared with the \$16.6 billion in the same quarter of 2017. Over the same period, the services surplus increased to \$63.0 billion in the third quarter of 2018, compared with the \$53.3 billion in the same quarter of 2017. The primary income inflow and outflow amounted to \$432.8 billion and \$391.1 billion respectively, thus yielding a net inflow of \$41.7 billion in the third quarter of 2018, compared with a net inflow of \$25.9 billion in the same quarter of 2017.

Financial account

An overall net outflow of financial non-reserve assets amounting to \$69.1 billion (as a ratio of 9.5% to GDP) was recorded in the third quarter of 2018, compared with an overall net outflow of \$93.5 billion (as a ratio of 13.8% to GDP) in the second quarter of 2018. The overall net outflow recorded in the third quarter of 2018 was the result of a net outflow of other investment and a net outflow of portfolio investment, partly offset by a net inflow of direct investment and a net inflow due to the cash settlement of

financial derivatives.

In the third quarter of 2018, reserve assets decreased by \$41.7 billion, compared with a decrease of \$48.5 billion in the second quarter of 2018.

II. International Investment Position

At the end of the third quarter of 2018, both Hong Kong's external financial assets and liabilities stood at a very high level, amounting to \$43,210.1 billion (equivalent to 15.4 times of GDP) and \$33,015.1 billion (equivalent to 11.7 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 \$10,195.0 billion (equivalent to 3.6 times of GDP) at the end of the third quarter of 2018, compared with \$10,978.2 billion (equivalent to 4.0 times of GDP) at the end of the second 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 third quarter of 2018, Hong Kong's gross ED amounted to \$12,972.3 billion (equivalent to 4.6 times of GDP). Compared with \$13,057.3 billion (equivalent to 4.7 times of GDP) at the end of the second quarter of 2018, gross ED decreased by \$85.1 billion. This was mainly attributable to the decreases in ED of the banking sector and debt liabilities in direct investment (intercompany lending), partly offset by the increase in ED of other sectors.

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 third quarter of 2018, 61.3% of Hong Kong's ED was attributable to the banking sector. Other ED mainly consisted of ED of other sectors (22.5%) and debt liabilities in direct investment (intercompany lending) (16.0%).

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.

With the incorporation of the latest data from surveys and other sources, the statistics on BoP, IIP and ED for 2017 have been revised. As regards the statistics on BoP, IIP and ED for the third quarter of 2018, they 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, Third 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).