

External direct investment of Hong Kong in 2017

Hong Kong's external direct investment (DI) statistics for 2017 were released today (December 10) by the Census and Statistics Department (C&SD).

Positions of DI

At the end of 2017, the position of Hong Kong's DI liabilities increased by 19.8% over a year earlier to \$16,943.5 billion. Its ratio to the Gross Domestic Product (GDP) stood at 637% in 2017. The increase in the position of Hong Kong's DI liabilities in 2017 was mainly attributable to the increase in the total market values of Hong Kong enterprise groups (HKEGs) which had received DI from abroad and the positive DI inflow to Hong Kong during the year.

Analysed by immediate source of investment, the British Virgin Islands (BVI) was the most important source for Hong Kong's inward DI, with a share of 32.8% of the total position of Hong Kong's inward DI at end-2017.

The mainland of China (the Mainland) was the second largest source of investment, accounting for 25.5% of the total position of Hong Kong's inward DI at end-2017. The Mainland's investment in Hong Kong covered a wide range of economic activities, including investment and holding, real estate, professional and business services; banking; construction; and import/export, wholesale and retail trades.

Analysed by major economic activity of HKEGs which had received inward DI, those engaged in investment and holding, real estate, professional and business services took up the largest share, at 69.7% of the total position of Hong Kong's inward DI at end-2017. This was followed by banking, at 11.4%; and import/export, wholesale and retail trades, at 8.9%.

At the end of 2017, the position of Hong Kong's DI assets increased by 17.7% over a year earlier to \$15,922.9 billion. Its ratio to GDP was 598% in 2017. The increase in the position of DI assets in 2017 was mainly attributable to the increase in the total market values of non-resident enterprises which had received DI from Hong Kong and the positive DI outflow from HKEGs to enterprises outside Hong Kong during the year.

Analysed by immediate destination of investment, the Mainland was the most important destination for Hong Kong's outward DI, with a share of 38.3% of the total position of Hong Kong's outward DI at end-2017. Guangdong Province remained a popular location for Hong Kong's investment in the Mainland, accounting for 26.5% (or \$1,437.8 billion) of the total position of Hong Kong's outward DI in the Mainland. The most common economic activities undertaken by Hong Kong's direct investment enterprises in the Mainland were information and communications; investment and holding, real estate,

professional and business services; banking; and manufacturing.

The BVI was the second largest destination of investment, accounting for 34.5% of the total position of Hong Kong's outward DI at end-2017.

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 80.5% of the total position of Hong Kong's outward DI at end-2017. This was followed by import/export, wholesale and retail trades, at 6.9%; and banking, at 2.5%.

Flows of DI

In 2017, total DI inflow amounted to \$979.6 billion, smaller than that of \$1,034.1 billion in 2016. On the other hand, total DI outflow in 2017 amounted to \$792.7 billion, larger than that of \$586.4 billion in 2016. Taking the inflow and outflow together, a net DI inflow of \$186.9 billion was recorded in 2017.

Analysed by immediate source of inward DI, the BVI was the major source of Hong Kong's DI inflow in 2017, amounting to \$329.9 billion. The Mainland came next, at \$179.2 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 of DI inflow in 2017, at \$537.9 billion.

Analysed by immediate destination of outward DI, the Mainland accounted for a predominant share of Hong Kong's DI outflow in 2017, at \$243.3 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 of DI outflow, at \$480.0 billion.

Commentary

A Government spokesman said that, amid a synchronised global economic upswing in 2017, the positions of DI liabilities and assets at end-2017 in Hong Kong both grew at a double-digit pace over a year earlier. Relative to the size of the economy, the positions of DI liabilities and assets grew larger, amounting to 637% and 598% of GDP respectively. This manifested Hong Kong's status as an international financial centre and a premier business hub.

The spokesman noted that the Mainland continued to feature prominently in Hong Kong's external DI, both as a source and as a destination, covering a wide range of economic activities. Looking ahead, with a favourable business environment, Hong Kong's role in connecting the Mainland and the rest of the world will be even more prominent, as the Mainland's reform and opening-up continues to deepen. The Government will continue to strengthen Hong Kong's ties with other economies, and seize the vast opportunities in the development of the Guangdong-Hong Kong-Macao Bay Area and the Belt and Road Initiative.

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.

The DI statistics are compiled based on data obtained from the Survey of External Claims, Liabilities and Income conducted by the C&SD, supplemented by data from other sources.

According to the latest international statistical standards stipulated in the Sixth Edition of the Balance of Payments and International Investment Position Manual released by the International Monetary Fund and the Fourth Edition of Benchmark Definition of Foreign Direct Investment published by the Organisation for Economic Co-operation and Development, the aggregate DI figures (including DI assets and DI liabilities) 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 presented above are based on the "directional principle". Owing to the adoption of different presentation principles, the aggregate DI figures are different from the overall totals 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 and flows of inward DI in Hong Kong by selected major investor country/territory and by major economic activity of HKEGs respectively for 2016 and 2017. Similar statistics on outward DI from Hong Kong by selected major recipient country/territory and by major economic activity of HKEGs for 2016 and 2017 are presented in Tables 3 and 4.

Further details of DI statistics for 2017 are given in the report External Direct Investment Statistics of Hong Kong 2017. Users can download this publication free of charge at the website of the C&SD (www.censtatd.gov.hk/hkstat/sub/sp260.jsp?productCode=B1040003).

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