

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

The Census and Statistics Department (C&SD) released today (June 22) the preliminary Balance of Payments (BoP) and International Investment Position (IIP) statistics of Hong Kong for the first 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 surplus of \$73.8 billion (as a ratio of 10.7% to GDP) in the first quarter of 2018, compared with a surplus of \$73.5 billion (as a ratio of 10.2% to GDP) in the fourth quarter of 2017. Reserve assets correspondingly increased by the same amount (\$73.8 billion) in the first quarter of 2018.

Current account

On a year-on-year comparison, the current account recorded a surplus of \$16.3 billion (as a ratio of 2.4% to GDP) in the first quarter of 2018, compared with a surplus of \$20.2 billion (as a ratio of 3.2% to GDP) in the same quarter of 2017. The decrease in the current account surplus was 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.

The goods deficit increased to \$76.9 billion in the first quarter of 2018, compared with the \$56.6 billion in the same quarter of 2017. This was due to a larger increase in imports of goods relative to that in respect of exports of goods. Over the same period, the services surplus increased to \$74.5 billion in the first quarter of 2018, compared with the \$61.8 billion in the same quarter of 2017. This was due to a larger increase in exports of services relative to that in respect of imports of services. The overall balance on goods and services recorded a deficit of \$2.4 billion in the first quarter of 2018, as against a surplus of \$5.3 billion in the same quarter of 2017.

The primary income inflow and outflow amounted to \$349.6 billion and \$325.4 billion respectively, thus yielding a net inflow of \$24.2 billion in the first quarter of 2018, compared with a net inflow of \$19.8 billion in the same quarter of 2017.

The secondary income inflow and outflow amounted to \$3.1 billion and \$8.6 billion respectively, resulting in a net outflow of \$5.6 billion in the first quarter of 2018, compared with a net outflow of \$4.9 billion in the same quarter of 2017.

On a seasonally adjusted quarter-to-quarter comparison basis, the current account credit and the current account debit in the first quarter of 2018 increased by 4.8% and 4.6% respectively from the fourth quarter of 2017.

Capital and financial account

In the first quarter of 2018, a net outflow of \$0.1 billion was recorded in the capital account, compared with a net outflow of \$0.4 billion in the fourth quarter of 2017.

An overall net inflow of financial non-reserve assets amounting to \$29.3 billion (as a ratio of 4.3% to GDP) was recorded in the first quarter of 2018, compared with an overall net inflow of \$41.8 billion (as a ratio of 5.8% to GDP) in the fourth quarter of 2017. The overall net inflow recorded in the first quarter of 2018 was the result of a net inflow of other investment, partly offset by a net outflow of portfolio investment, a net outflow of direct investment and a net outflow due to the cash settlement of financial derivatives.

Direct investment recorded a net outflow of \$19.7 billion in the first quarter of 2018, as against a net inflow of \$121.8 billion in the fourth quarter of 2017. Portfolio investment recorded a net outflow of \$245.7 billion in the first quarter of 2018, compared with a net outflow of \$13.6 billion in the fourth quarter of 2017. Financial derivatives recorded a net outflow of \$3.8 billion in the first quarter of 2018, as against a net inflow of \$19.7 billion in the fourth quarter of 2017. Other investment recorded a net inflow of \$298.5 billion in the first quarter of 2018, as against a net outflow of \$86.0 billion in the fourth quarter of 2017.

In the first quarter of 2018, reserve assets increased by \$73.8 billion, compared with an increase of \$73.5 billion in the fourth quarter of 2017.

II. International Investment Position

At the end of the first quarter of 2018, Hong Kong's external financial assets and liabilities amounted to \$43,623.6 billion and \$31,989.8 billion respectively. After netting out the external financial liabilities from the external financial assets, Hong Kong was a net creditor. Hong Kong's net external financial assets amounted to \$11,633.8 billion (as a ratio of 428% to GDP) at the end of the first quarter of 2018, compared with \$10,893.7 billion (as a ratio of 409% to GDP) at the end of the fourth quarter of 2017.

The ratios of both Hong Kong's external financial assets and liabilities to GDP at the end of the first quarter of 2018 remained at a very high level, at 16.0 times and 11.8 times respectively, reflecting that Hong Kong is a highly externally oriented economy and also a major financial centre in the region with considerable cross-territory investment.

External financial assets

Within the total value of external financial assets at the end of the first quarter of 2018, direct investment was the largest component,

accounting for 36.9% (\$16,117.7 billion) of the total value. Portfolio investment (\$13,871.8 billion) and other investment (\$9,511.6 billion) contributed 31.8% and 21.8% respectively.

External financial liabilities

Within the total value of external financial liabilities at the end of the first quarter of 2018, 53.0% (\$16,962.2 billion) was in the form of direct investment. Other investment (\$10,068.9 billion) and portfolio investment (\$4,336.7 billion) contributed 31.5% and 13.6% respectively.

III. External Debt

At the end of the first quarter of 2018, Hong Kong's gross ED (measuring total outstanding gross external liabilities other than equity liabilities) amounted to \$12,775.6 billion (as a ratio of 470% to GDP). Compared with \$12,220.5 billion (as a ratio of 459% to GDP) at the end of the fourth quarter of 2017, gross ED increased by \$555.1 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).

Sectoral analysis

At the end of the first quarter of 2018, a major proportion of Hong Kong's ED was attributable to the banking sector, accounting for 63.2% of the total. Other ED mainly consisted of ED of other sectors (19.8%) and debt liabilities in direct investment (intercompany lending) (16.7%).

ED of the banking sector increased from \$7,697.4 billion at the end of the fourth quarter of 2017 (as a ratio of 289% to GDP) to \$8,071.3 billion at the end of the first quarter of 2018 (as a ratio of 297% to GDP). ED of other sectors, debt liabilities in direct investment (intercompany lending) and ED of the Government and the Hong Kong Monetary Authority amounted to \$2,535.1 billion, \$2,138.6 billion, \$26.4 billion and \$4.1 billion respectively at the end of the first quarter of 2018.

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 first quarter of 2018 are only preliminary figures, and are subject to revision upon the availability of more data.

More details of the statistics of BoP, 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, First 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).