



Inward direct investment

Figure 1 – Foreign direct investment inflow ranking

	2019	2018	2017	2016	2015
United States	1	1	1	1	1
Mainland	2	2	2	3	5
Singapore	3	5	6	6	8
Netherlands	4	3	8	19	3
Ireland	5	200	11	13	2
Brazil	6	9	7	10	9
Hong Kong	7	4	3	4	4
United Kingdom	8	8	5	2	13
British Virgin Islands	9	10	10	9	18
India	10	13	13	12	11

Figure 2 – Inflow of direct investment liabilities

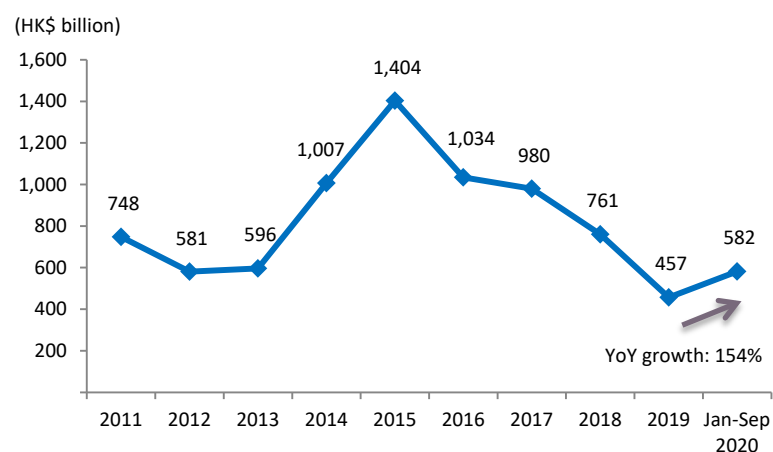
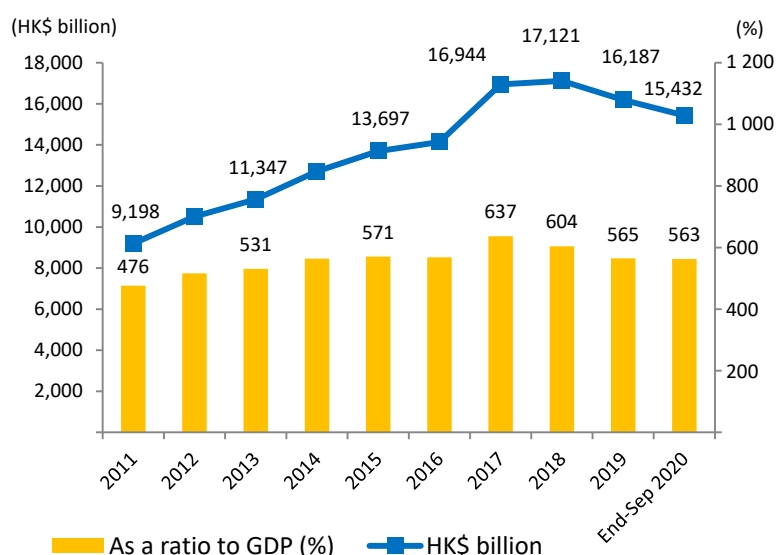


Figure 3 – Position of inward direct investment (as at year-end)

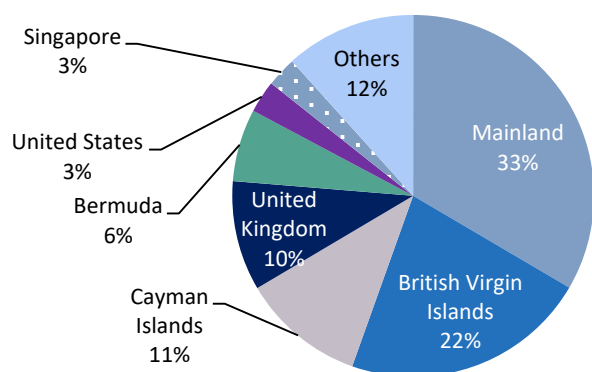


Highlights

- Foreign direct investment refers to an investment reflecting a lasting interest and control by a foreign investor in an enterprise based in another economy. As an international trade hub and financial centre, Hong Kong has been one of the world's top recipients of inward direct investment, also known as direct investment liabilities. During 2015-2018, Hong Kong's inflow of inward direct investment ranked third/fourth. However, it slid to the seventh position in 2019 (Figure 1).
- Hong Kong's direct investment inflow recorded a sharp drop of 40% to HK\$457 billion in 2019, due mainly to the drop of investment inflow to "investment and holding, real estate, professional and business services" enterprises, at 51% during the year. After the steep decline in 2019, inflow of inward direct investment to Hong Kong saw a strong rebound in 2020, growing by 154% year-on-year ("YoY") to HK\$582 billion in the first nine months of the year (Figure 2). In comparison, the world's total direct investment inflow is estimated to have plunged by 42% in 2020.
- Hong Kong's position/stock of inward direct investment, which measures the value of foreign investors' equity in and net loans to Hong Kong enterprises, recorded moderate decline in 2019 and the first nine months of 2020, after its peak in 2018 (Figure 3). The ratio of inward direct investment position to Gross Domestic Product ("GDP") has stayed above 500% in recent years, reflecting the highly externally-oriented nature of Hong Kong's economy, featuring substantial amounts of cross-boundary investment.

Inward direct investment (cont'd)

Figure 4 – Position of inward direct investment by source (as at end-December 2019)



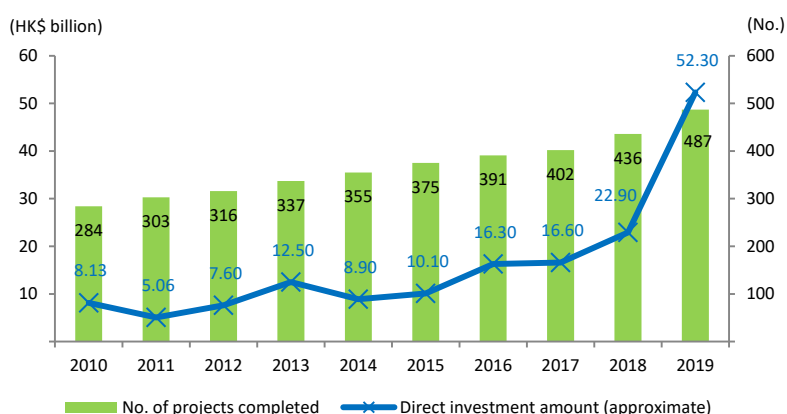
Note: Excluding inward direct investment from non-operating enterprises set up by Hong Kong companies in offshore financial centres.

Figure 5 – Position of inward direct investment by business sector (as at year-end)

	2009	2012	2015	2018	2019
Investment & holding, real estate, professional & business services	66%	69%	67%	69%	66%
Banking	11%	12%	11%	12%	13%
Import/export, wholesale & retail trades	10%	9%	11%	9%	11%
Financing (except banking, investment & holding companies)	3%	3%	3%	3%	3%
Construction	1%	2%	3%	2%	2%
Other activities	9%	6%	6%	5%	5%
Total	100%	100%	100%	100%	100%

Note: The classification is according to the major economic activity of the whole enterprise group in Hong Kong. It does not necessarily reflect the economic activity in which the funds are ultimately used.

Figure 6 – Investment projects assisted by InvestHK



Note: A completed project refers to one where an overseas, a Mainland or Taiwan company has established a presence or undergone a significant expansion in Hong Kong with the assistance of InvestHK.

Highlights

- The Mainland is the top source of Hong Kong's inward direct investment, accounting for 33% of its inward direct investment position as at end-December 2019, in line with the close economic links between the two places. The British Virgin Islands and the Cayman Islands are the second and third largest sources of inward direct investment as both are offshore financial centres commonly used by non-resident enterprises to redirect funds to Hong Kong. **(Figure 4)**

- "Investment and holding, real estate, professional and business service" took up the largest share of Hong Kong's inward direct investment, accounting for 66% of the inward direct investment position as at end-December 2019. This is followed by banking and "import/export, wholesale and retail trades" **(Figure 5)**. The shares of the various business sectors in Hong Kong's inward direct investment position have stayed relatively stable over the past decade, although the share of banking has seen some moderate increase.

- Invest Hong Kong ("InvestHK") is the government department responsible for attracting direct investment and supporting overseas and Mainland businesses to set up or expand in Hong Kong. The number of investment projects facilitated by InvestHK has been increasing each year, reaching 487 in 2019. The inward direct investment amount involved has also exhibited strong growth in recent years, jumping by 128% year-on-year to over HK\$52.3 billion in 2019 **(Figure 6)**, despite the overall decline in inward investment inflow to Hong Kong during the year.

Data sources: Latest figures from Census and Statistics Department, InvestHK, and United Nations Conference on Trade and Development.

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16 March 2021
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