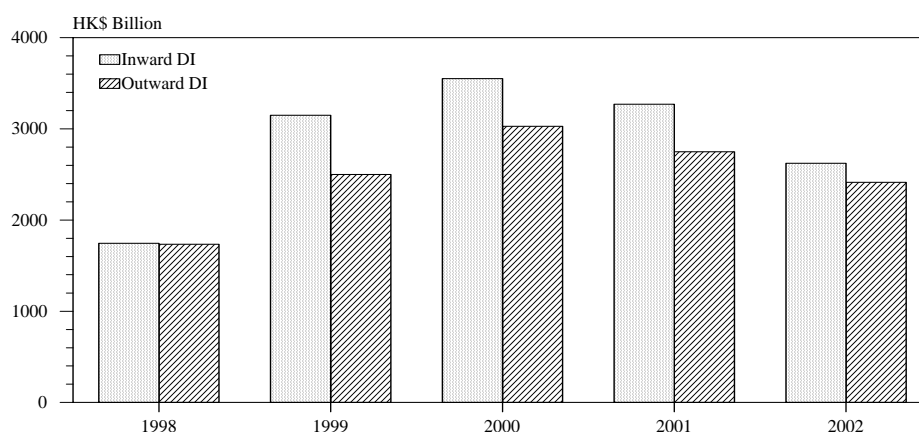


Box 2.4

Hong Kong's external direct investment

The stocks of Hong Kong's inward and outward direct investment (DI) were both very substantial over the past five years. At end-2002, the stocks of inward and outward DI at market value each amounted to about two times the size of Hong Kong's GDP.

Stocks of external DI at market value, 1998-2002



The British Virgin Islands, as a prominent offshore location for booking and channelling of funds, was both the largest immediate source of Hong Kong's inward DI and the largest immediate destination of Hong Kong's outward DI, accounting for 29.7% and 47.6% of the respective total stocks at market value at end-2002.

Taking such offshore locations apart, the mainland of China (Mainland) was the most important source of Hong Kong's inward DI, with its share in the stock of inward DI at market value leaping from 12.3% at end-1998 to 22.7% at end-2002. The Mainland was also the most important destination for Hong Kong's outward DI, with its share in the stock of outward DI at market value likewise on the rise, from 31.6% at end-1998 to 34.9% at end-2002. This was in line with Hong Kong's role as an important foothold and conduit for business between the Mainland and the rest of the world.

Amongst selected countries/territories and ranked by stock of inward DI at book value, Hong Kong was the second largest recipient of inward DI in East Asia at end-2002, next to the Mainland. Also, ranked by stock of outward DI at book value, Hong Kong was the second largest supplier of outward DI in East Asia at end-2002, next to Japan. Against the size of the economy as measured by GDP, the ratios of Hong Kong's stocks of inward and outward DI to GDP, at 181.6% and 165.3% respectively in 2002, way exceeded those for the selected economies in East Asia and also those for the industrialised economies.