I. Methodology

Concepts and definitions

Analytical framework: In Hong Kong, the compilation of balance of payments statistics is largely in conformity with the guidelines set out in the fifth edition of the IMF’s *Balance of Payments Manual (BPM5)*. The broad categories of data are presented under three headings, namely, the current account: exports and imports of goods, services, income, and current transfers; the capital account: capital transfers; financial account: inward and outward direct investment, assets and liabilities of portfolio investment, financial derivatives and other investment, reserve assets, and net errors and omissions.

Definition: The concepts and definitions adopted in the Hong Kong’s BoP account are largely in conformity with the guidelines set out in the *BPM5*. The balance of payments is a statistical statement that systematically summarises, for a specific time period, the economic transactions of Hong Kong with the rest of the world. Transactions between Hong Kong residents and non-residents consist of those involving goods, services, and income; those involving financial claims on, and liabilities to, the rest of the world; and those classified as transfers (such as gifts).

Scope

Scope of data

Transactions coverage: Standards and guidelines recommended in *BPM5* on residency are closely followed and all external transactions of the economy are covered. No external transaction is intentionally excluded or included. An enterprise is considered as a resident of an economy if it has any of the following features: (a) at least one production establishment in the host economy and plan to operate that establishment indefinitely or over a long period of time; (b) a complete and separate set of accounts of activities in the host economy; (c) any funds received for enterprise work for the enterprise account; (d) any income taxes paid to the government of the host economy; (e) land or business premises located in the host economy.

No separate estimate is made for external transactions in non-produced and non-financial assets due to the lack of information and the relative insignificance of such transactions in Hong Kong.

Geographic coverage: All territories under the administration of the Government of the HKSAR are covered.

Data on transactions with the mainland of China are treated as external transactions and are included in the BoP statistics of Hong Kong respectively.
Unrecorded activity
Unrecorded activity: External investment income flows vis-a-vis local enterprise groups as well as those flowing through local intermediaries and agents are comprehensively gauged in the “Survey of External Claims, Liabilities, and Income (SECLI)”. Income flows not going through the formal sector, if any, are not being covered. Unrecorded transactions, if any, will be estimated whenever applicable.

Classification/sectorization
Classification system: The classification system of BPM5 is largely adopted. The coding system for the compilation of BoP statistics as recommended by IMF’s Balance of Payments Codes for Standard Components and Additional Items is closely followed.

Basis for recording
Valuation
Valuation: In principle, data on positions and transactions are valued at market prices. In case market values are not available, estimates for them are made with reference to reported book values.

Conversion to unit of account: Source data reported in foreign currencies are converted to local currency using market exchange rates.

Recording basis
Recording of income: Transactions are recorded on an accrual basis in general. If accrual accounting is not in place, approximates are derived by using accounting and statistical models.

Grossing/netting procedures
Current and capital account transactions are recorded on a gross basis while financial account transactions are recorded on a net basis.

II. Accuracy and reliability
Source data
Source data collection programs
For Goods and Services, relevant data are obtained from other statistical systems of the C&SD, and necessary adjustments are made. For Income and Financial Account, data are basically obtained from Survey of External Claims, Liabilities and Income (SECLI). For Current and Capital Transfers, data models are used with parameters/basic inputs derived from case studies/administrative returns. Data on Reserve Assets are collected from the HKMA under SECLI. Details of the survey are given below.

Launched in May 1999, SECLI is conducted to collect data for compiling a complete set of detailed
BoP account, detailed direct investment (DI) and international investment position (IIP) and related statistics. The SECLI was enhanced in 2001 to collect additional data for compilation of external debt (ED).

**Goods:** Data on general merchandise and non-monetary gold are derived primarily from merchandise trade statistics which are compiled on the basis of trade declarations submitted by importers and exporters. Data source for statistics on goods for processing is the “Survey on Trade involving Outward Processing in the mainland of China”. Value of imports on a f.o.b. basis is converted from c.i.f. basis using data obtained from “Survey on Insurance and Freight Costs for Import Trade”.

**Services:** Data on trade in services are primarily collected from the “Annual Survey of Imports and Exports of Services (ASIES)”, supplemented by results from annual or quarterly surveys and administrative data sources. There are frame-updating operations to ensure that the coverage is comprehensive over time. Data from administrative sources include those from the Hong Kong Tourism Board, the Immigration Department, the Treasury, and the Customs and Excise Department.

**Income:** The primary data source for statistics on investment income (including direct investment income, portfolio investment income and other investment income) is the SECLI. For direct investment, enterprise groups are used as units for data reporting.

**Current transfers:** Data models and administrative records are used for the estimation of current transfers. The input parameters for the data models are mainly derived from information collected from administrative returns and relevant organizations. As for transfers of the government sector, the data are obtained from government accounting records.

**Capital account:** Data models and official records are used for the estimation of capital transfers. The input parameters for the data models are mainly derived from information collected from administrative returns and relevant organisations. As for transfers of the government sector, the data is obtained from government accounting records.

**Direct investment:** Data collected from SECLI form the basis for the compilation of BoP statistics for various components of direct investment in the financial account. A Hong Kong enterprise group (HKEG) is taken as the unit for data reporting in SECLI. The Hong Kong parent company of a HKEG is designated as the target company for reporting data for the enterprise group as a whole since relevant data can normally be found in the consolidated accounts of an enterprise group. Individuals making direct investment outside Hong Kong, but not operating under a registered firm, are not covered by SECLI. Given the close economic links between Hong Kong and the mainland of China, it is common that some Hong Kong individuals have made direct
investment in the mainland of China without setting up companies in Hong Kong. To account for such external transactions not covered by SECLI, other data sources are used to derive estimates on the flows and positions of the corresponding direct investment.

**Portfolio investment:** Data on portfolio investment items are collected from SECLI. The major data suppliers for reporting portfolio investment are local financial intermediaries or agents such as banks, securities houses, share registrars, nominees, custodians, trustees and fund managers that are often engaged in external financial investment activities. They are required to report data on external claims and liabilities, including those they invest on their own account as well as those on behalf of their clients (including households, commercial companies, charitable organisations and government).

**Financial Derivatives:** Data on financial derivatives are collected from SECLI. The major data suppliers are local financial intermediaries or agents such as banks, securities houses, share registrars, nominees, custodians, trusts and fund managers that often engage in external financial investment activities. They are required to report data on external claims and liabilities they invest on their own account and those on behalf of their clients.

**Other investment:** The SECLI provides the necessary data for the compilation of statistics on other investment in the financial account. The main target respondents are local financial intermediaries or agents. They are required to report data on external claims and liabilities they invest on their own account and those on behalf of their clients.

**Reserve assets:** Data on transactions in foreign exchange reserves are obtained from the Hong Kong Monetary Authority (HKMA), which records data on transaction flows and stock position.

**Source data definitions, scope, classifications, valuation, and time of recording**

A complete set of well-structured SECLI questionnaire including a checklist, data reporting instructions and a separate reference guide is adopted in the SECLI to collect the required data from the respondents for the Income and Financial Account accurately. Detailed reporting requirements are given in the data reporting instructions, while relevant explanatory notes as well as other useful information for assisting respondents to report relevant data are provided in the reference guide. The specially designed data entry forms and supplementary information sheets are for respondents to fill in the required data. The use of checklists is to enable easy identification of specific reporting sections that need to be completed by a respondent. Separate reporting instructions are designed for different business sectors to facilitate survey respondents in easily focusing on the reporting requirements that are relevant to them.

Through the carefully designed questions, respondents can be appropriately classified and provided data in accordance with the concepts and definitions adopted in the survey, which follow closely the
guidelines set out in the *BPM5*. For those required data being collected by existing statistical systems of C&SD, such as statistics on trade in goods and services, appropriate adjustments are applied on the existing statistics to ensure compliance with *BPM5*.

In addition, new developments in the external environment are regularly monitored to ensure that the existing data collection program remains comprehensive.

**Source data timeliness**

Surveys for providing source data for BoP compilation are conducted on a continuous basis with specific individual survey cycle. Enumerators working in the surveys are required to complete data collection for a survey period before the end of that survey cycle. Deadlines are stated clearly in the survey questionnaires.

Different from other existing surveys conducted by the C&SD, the SECLI adopts an integrated survey approach with three reporting frequencies. Under this approach, all prominent data suppliers selected in the sample are required to report data on direct investment (DI), portfolio investment (PI) and other investment (OI) on a quarterly basis, of which some are required to report PI data on a monthly basis. The less prominent data suppliers are required to fill in survey returns on either quarterly or annual basis. This concept of “One Survey, Three Frequencies” helps to minimise the reporting burden to some extent.

**Assessment of source data**

For compiling BoP statistics of Hong Kong, comprehensive consistency checking and revision study are performed before the data are published. All survey data are carefully edited, and the statistics must be gone through a comprehensive checking and validation mechanism. Any dubiously reported data will be carefully verified with respondents. Validity checks are computerized to minimize error from data entry, coding and reporting etc. Imputation techniques for missing data were in place under the compilation system. There are compilation manuals that document the detailed compilation procedures for each of the published components of the BoP account. The questionnaires are designed in a way that makes them easy to complete and appropriate for computer processing and the survey samples are selected using scientific random sampling techniques.

As a significant portion of survey data are collected through fieldwork, a designated team was set up in 2002 within C&SD to perform a management audit exercise on fieldwork control procedures. The focus of the management audit is to ascertain whether reported control procedures have been effectively implemented in the survey systems.

Non-sampling errors are carefully controlled with the strength of the C&SD field teams. The field teams would arrange face-to-face interviews with the data suppliers to avoid misclassification and
measurement error by giving clear explanation and assisting them in completing the returns, and
non-response rate is significantly reduced by continuous persuasion. In addition, there are in-house
operations and checking to reduce non-sampling errors, such as frequent updating of the survey
frame; checking for validity and high-valued/unalusual transactions; and conducting research work on
special topics on BoP to ensure conceptual consistency and comprehensiveness of the system.

Another important step of consistency checking is to cross-check the BoP statistics with news and
other information available at the public domain. For example, international banking statistics
released by the Bank for International Settlements, and local banking statistics published by the
Hong Kong Monetary Authority are regularly used for validation of BoP statistics at aggregate
level. The underlying reasons accounting for any major changes in trends and movements will be
analysed and documented.

Revisions to the BoP statistics are regularly assessed and the magnitudes of such revisions for
individual BoP components are closely monitored. The additional information leading to each
revision will be examined and documented as source of reference.

**Statistical techniques**

**Source data statistical techniques**

Sound statistical models are employed to ensure that the BoP statistics of Hong Kong are
comprehensive when direct data collection for some BoP components via survey is not feasible or
not cost effective. For example, data models are used for estimating current and capital
transfers. As the economic and social situation affecting transfers have been changing rapidly in
recent years, the models are reviewed annually to ensure soundness in input data and methods.

**Goods:** Goods cover general merchandise, goods for processing, repairs on goods, goods procured
in ports by carriers and non-monetary gold. Data on general merchandise and non-monetary gold
are derived primarily from merchandise trade statistics which are compiled on the basis of trade
declarations submitted by importers and exporters. As inward processing trade as well as outward
processing trade in areas other than the mainland of China is relatively insignificant for the HKSAR,
statistics on such processing trade are not separately identified but included under general
merchandise. Owing to practical difficulties in separately identifying statistics for repairs on goods
and goods procured in ports by carriers, such statistics are embedded in the figures on general
merchandise. Import statistics produced by the merchandise trade statistics system are valued on
c.i.f. basis and adjustments are made to convert the value of imports to a f.o.b. basis. The
f.o.b./c.i.f. ratio for the adjustments is estimated from data obtained from the “Survey on Insurance
and Freight Costs for Import Trade”.

**Services:** The coverage and classification of estimates on trade in services are largely in line with
recommendations of *BPM5*. 
**Income:** Income data are collected with taxes being deducted at source.

**Current transfers:** For the estimation of transfers using data models, assumptions are made in formulating some of the input parameters to be used in the models. These assumptions include the percentage of remittances of emigrants and the financial assistance for local students provided by universities abroad. Reconciliation work is conducted whenever possible to compare the data on official aid disbursements (in the form of goods) with the corresponding information as reported in the merchandise trade statistics system.

**Capital account:** Capital transfers are estimated using data models and official records. However, owing to the lack of information on transactions with non-residents in “non-produced, non-financial assets” and the relative insignificance of these assets in Hong Kong, the balance of this component is taken to be zero.

**Direct investment:** The SECLI is designed for collecting all quarterly and annual data required for compiling detailed statistics on direct investment. A Hong Kong enterprise group (HKEG) is taken as the unit for data reporting on direct investment in SECLI. The HKSAR parent company of a HKEG is designated as the target company for reporting data for the enterprise group as a whole, and relevant data can normally be found in the consolidated account of the enterprise group. Any transaction flows derived from changes in positions are adjusted to exclude any valuation and other changes. Financial derivatives transactions involving affiliated enterprises are classified and presented under the financial derivatives category.

**Portfolio investment:** The SECLI is designed for collecting all quarterly and annual data required for compiling detailed statistics on portfolio investment. Any transaction flows derived from changes in positions are adjusted to exclude any valuation and other changes. Repurchase agreements are treated as loans.

**Financial derivatives:** Recommendations as specified in *Financial Derivatives: A Supplement to the BPM5* published by the IMF are closely followed in compiling the statistics. Net cash settlement payments in interest rate swaps and forward rate agreements are taken as financial account transactions. Financial derivatives transactions involving affiliated enterprises are classified and presented under the financial derivatives category.

**Other investment:** The SECLI is designed for collecting all quarterly and annual data required for compiling detailed statistics on other investment. Any transaction flows derived from changes in positions are adjusted to exclude any valuation and other changes. To make up for any omission of data on offshore deposits placed by HKSAR non-bank residents, reconciliation work are regularly conducted to compare survey estimates with relevant statistics published by the Bank for International Settlements.
**Reserve assets:** Reserve assets for the HKSAR refer to foreign exchange reserves. The net changes are due to transactions and any valuation and other changes are excluded.

**Other statistical procedures**

**Seasonal adjustment:** At present, there is no plan for compiling seasonally adjusted BoP statistics.

**Geographic detail:** Certain geographic breakdowns for some components of BoP account are compiled. These breakdowns include statistics on direct investment income and other investment income in the current account, as well as on direct investment and other investment in the financial account.

**Data validation**

**Validation of intermediate results**
Statistics and reports published by international and local organizations, such as banking statistics published by the HKMA, and the BIS, are used to check the validity of the BoP statistics. News on prominent external transactions, such as mergers and acquisitions, are used to verify data suppliers’ returns. Also, any unusual movements of the BoP components will be examined and cross-checked with news and all other available relevant information.

**Assessment of intermediate data**
Statistics from external sources, such as banking statistics published by the HKMA, and the BIS, are used for consistency checking on banks’ data collected under SECLI. Position data on foreign currency reserve assets published by the HKMA are used for checking transaction flows data on Reserve Assets. IIP statistics are used for assessing investment income payments and receipts. Consistencies on flow-stock relationship and investment yield are ensured at company level with reference to the data on stocks, flows, incomes and valuation changes are being collected under SECLI. Consistency checking is a general practice on the compilation of trade statistics and is implemented smoothly.

In compiling trade in services attributable to travel-related activities, a data model is used. The resulting statistics depend on the number of visitors, average length of stay and average amount of money spent. Therefore, the relationship as described should hold in general.

**Assessment of discrepancies and other problems in statistical outputs**
Errors and omissions are monitored and bilateral comparisons/reconciliations are conducted with data of other countries and international organizations.

**Revision studies**
Revisions to the BoP statistics are periodically assessed and the percentage changes resulting from each revision closely monitored.
III. Serviceability

Periodicity and timeliness
Quarterly BoP statistics are released less than one quarter after the end of the reference quarter.

Consistency

Internal consistency
Detailed compilation manuals are put in place to spell out the operational procedures for compiling each and every components of the BoP account. These manuals are useful in maintaining consistent compilation and editing procedures over time. With the application of benchmarking procedures which employ relevant indicators and common reference points against which the statistics are measured, any discrepancy between annual and quarterly statistics is removed and the consistency of BoP statistics over time is ensured.

Concepts, definitions, and classifications for producing quarterly and annual BoP statistics are in compliance with BPM5.

Quarterly and annual statistics are reconciled. NEOs for the reference periods so far published are stable and small (as ratios to gross current account transactions).

Temporal consistency
The quarterly BoP statistics are consistent over the entire period since the first release of the statistics for the reference year of 1998 and reference quarter of Q1 1999. When there are methodological changes, they will be introduced as a non-routine revision exercise and these changes will be explained in public documents.

Intersectoral and cross-domain consistency
BoP statistics on Goods, Services and Income statistics are consistent with that of National Accounts statistics. Financial flows of the banking sector are cross-checked with the banking statistics published by the HKMA and the BIS. Consistency between Investment Income and position data is checked.

Goods: Data on general merchandise and non-monetary gold are derived primarily from merchandise trade statistics which are compiled on the basis of trade declarations submitted by importers and exporters. Data source for statistics on goods for processing is the “Survey on Trade involving Outward Processing in the mainland of China”. The f.o.b./c.i.f. ratio for the adjustments is estimated from data obtained from the “Survey on Insurance and Freight Costs for Import Trade”.

Services: Data on trade in services are primarily collected from the “Annual Survey of Imports and Exports of Services (ASIES)”, supplemented by results from annual or quarterly surveys and administrative data sources.
Reserve assets: Data on transactions in foreign exchange reserves are obtained from the Hong Kong Monetary Authority, which records data on transaction flows and stock position.

The revision policy for the goods and services components in the BoP account is in line with that for the GDP estimates.

Revision

Revision schedule

The data are preliminary when first released and are subject to revision when the estimates on individual components are updated upon the availability of more data.

The revision policy for the goods and services components in the BoP account is in line with that for the GDP estimates, i.e., the goods and services components for the current year and the preceding two years are subject to revision. For other components in the BoP account, the quarterly data for a year would be revised in December of the next year.

Revised BoP figures will first be published on the C&SD’s website and press release, and then in the quarterly report Balance of Payments Statistics of Hong Kong and other publications such as Hong Kong Monthly Digest of Statistics.

Identification of preliminary and/or revised data

Users are alerted that the initially published figures are preliminary when first released and are subject to revision when the estimates on individual components are updated upon the availability of more data. Preliminary and revised figures are clearly identified as such in the press release and quarterly report Balance of Payments Statistics of Hong Kong.

Dissemination of revision studies and analyses

The preliminary estimates are subsequently revised when more complete data become available. Revisions to the BoP statistics are regularly assessed and the magnitudes of such revisions for individual BoP components are closely monitored. The additional information leading to each revision will be examined and documented as source of reference.

IV. Accessibility

Data

Statistical presentation

BoP account disseminated contains:
(1) detailed current account, including imports and exports of goods and services, the latter with breakdowns by transportation, travel, insurance services, financial services and other services; inflow and outflow of investment income by component (i.e. direct investment income, portfolio...
investment income and other investment income) and compensation of employees; and inflow and outflow of current transfers by sector (i.e. general government and other sectors);

(2) detailed capital and financial account, including inflow and outflow of capital transfers by sector (i.e. general government and other sectors); inward and outward direct investment by component; assets and liabilities of portfolio investment and other investment by component by sector (i.e. banks and other sectors); assets and liabilities of financial derivatives by sector (i.e. banks and other sectors); and net change in reserve assets; and

(3) net errors and omissions.

Time series of the annual detailed BoP account starting from 1998 and quarterly statistics for the past four years are available in the quarterly report Balance of Payments Statistics of Hong Kong. General observations about the current quarter’s figures are highlighted in the quarterly report to facilitate proper interpretation of the results by the users. Charts showing the net flows of the sub-accounts are also available in the quarterly report.

Dissemination media and format
Updated BoP statistics are released to the public through quarterly press releases according to the pre-announced schedule. Relevant information is also posted onto the C&SD website (http://www.censtatd.gov.hk) at the same time.

The download version of the quarterly report Balance of Payments Statistics of Hong Kong can be downloaded free of charge at the C&SD website (http://www.censtatd.gov.hk/products_and_services/products/publications/index.jsp). Tables of BoP statistics are available in PDF, HTML and worksheet formats on the C&SD website, also free of charge, to address the needs of different users. Charts are available to facilitate users in interpreting the results at a glance.

The same level of details of the BoP account is also published in the Hong Kong Monthly Digest of Statistics and the Hong Kong Annual Digest of Statistics.

Hard copy – New release
The data are released in a press release issued to the media through the Information Services Department (ISD). Copies can be obtained by the public free of charge at 8/F., Murray Building, Garden Road, Hong Kong, China; Phone: 852 2842 8747; Fax: 852 2845 9078.

Hard copy – Monthly bulletin
Hong Kong Monthly Digest of Statistics is available for a fee at the Publications Unit of the C&SD (19/F., Wanchai Tower, 12 Harbour Road, Wan Chai, Hong Kong, China; Phone: 852 2582 3025;
Hard copy – Quarterly bulletin

Hard copy – Other

Electronic – On-line bulletin or data

The data are posted on the C&SD website under the section “Statistical Tables” (http://www.censtatd.gov.hk/hong_kong_statistics/statistical_tables/index.jsp).

General information including prices and methods of ordering is contained in the section on “Products and Services” (http://www.censtatd.gov.hk/products_and_services/index.jsp) available on the C&SD website.

Download versions of publications are available free of charge at the website of the C&SD (http://www.censtatd.gov.hk/products_and_services/products/publications/index.jsp).

Hong Kong Special Administrative Region of the People’s Republic of China’s National Summary Data Page (NSDP)

*Advance release calendar*
An advance release calendar that gives the precise release dates for the next calendar year is announced to the mass media in September of each year. These dates are also available on the C&SD website (http://www.censtatd.gov.hk). Copies of the advance press release schedule can be obtained from the Technical Secretariat, 21/F., Wanchai Tower, 12 Harbour Road, Wan Chai, Hong Kong, China; Phone: 852 2582 4958; Fax: 852 2157 9296. In addition, a calendar of the release dates for the four months ahead is published in the *Hong Kong Monthly Digest of Statistics*.

The dates, once announced, are strictly adhered to.
Simultaneous release
The data are released simultaneously to all interested parties by issuing the press release “Hong Kong’s Balance of Payments Statistics for the xx Quarter of 20xx” to the media through the Information Services Department (ISD) at 16:30 hours Hong Kong time (i.e. GMT 08:30) on the scheduled date of release and posted on the C&SD website (http://www.censtatd.gov.hk) shortly afterwards. The press release also announces the date on which relevant publications will be available for sale to the public, and indicates that enquiries can be directed to the contact officer at the C&SD.

Interested users can also register with the C&SD (http://www.censtatd.gov.hk) to receive free e-mail notification of latest press releases, statistics and publications of BoP statistics.

Dissemination on request
Requests for additional statistics which are not available from the existing tabulations will be considered on a case-by-case basis having regard to such factors as the nature of the request, data relevance and precision, and data confidentiality. Where applicable and in consultation with users, customised tabulations will be provided at a charge under the cost recovery principle.

Metadata
Dissemination of documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques

Disseminated level of detail
Detailed concepts and methods for compiling the BoP account are included in the quarterly report Balance of Payments Statistics of Hong Kong, the report Balance of Payments Statistics of Hong Kong 1997 to 1999, and in the feature articles of the Hong Kong Monthly Digest of Statistics. Pamphlets on BoP accounts and related statistics are also available for enhancing the public’s general understanding of the BoP statistics.

Assistance to users
**Dissemination of information on contact points**

Details of contact for enquiries, including phone number, fax number, email address and office address, are clearly given in the quarterly report *Balance of Payments Statistics of Hong Kong*, the *Performance Pledge* of the C&SD and on the C&SD website (http://www.censtatd.gov.hk). The information is readily available to the public.

Free information pamphlets on BoP accounts and related statistics are also available for enhancing the public’s general understanding of the BoP statistics.

Prompt and knowledgeable support is provided in accordance with the performance pledge of the C&SD. The timeliness of response to enquiries from the public is regularly monitored.

**Availability of documents and services catalogs**

The availability of the reports *Balance of Payments Statistics of Hong Kong* is publicised in the quarterly press releases for disseminating the updated BoP statistics, and also in the *Catalogue of Statistical Products and Services* published annually by the C&SD. Such information is also available on the C&SD website (http://www.censtatd.gov.hk).

Lists of publications, feature articles and other services available are also obtainable from the website of the Census and Statistics Department (http://www.censtatd.gov.hk/products_and_services/products/publications/index.jsp).