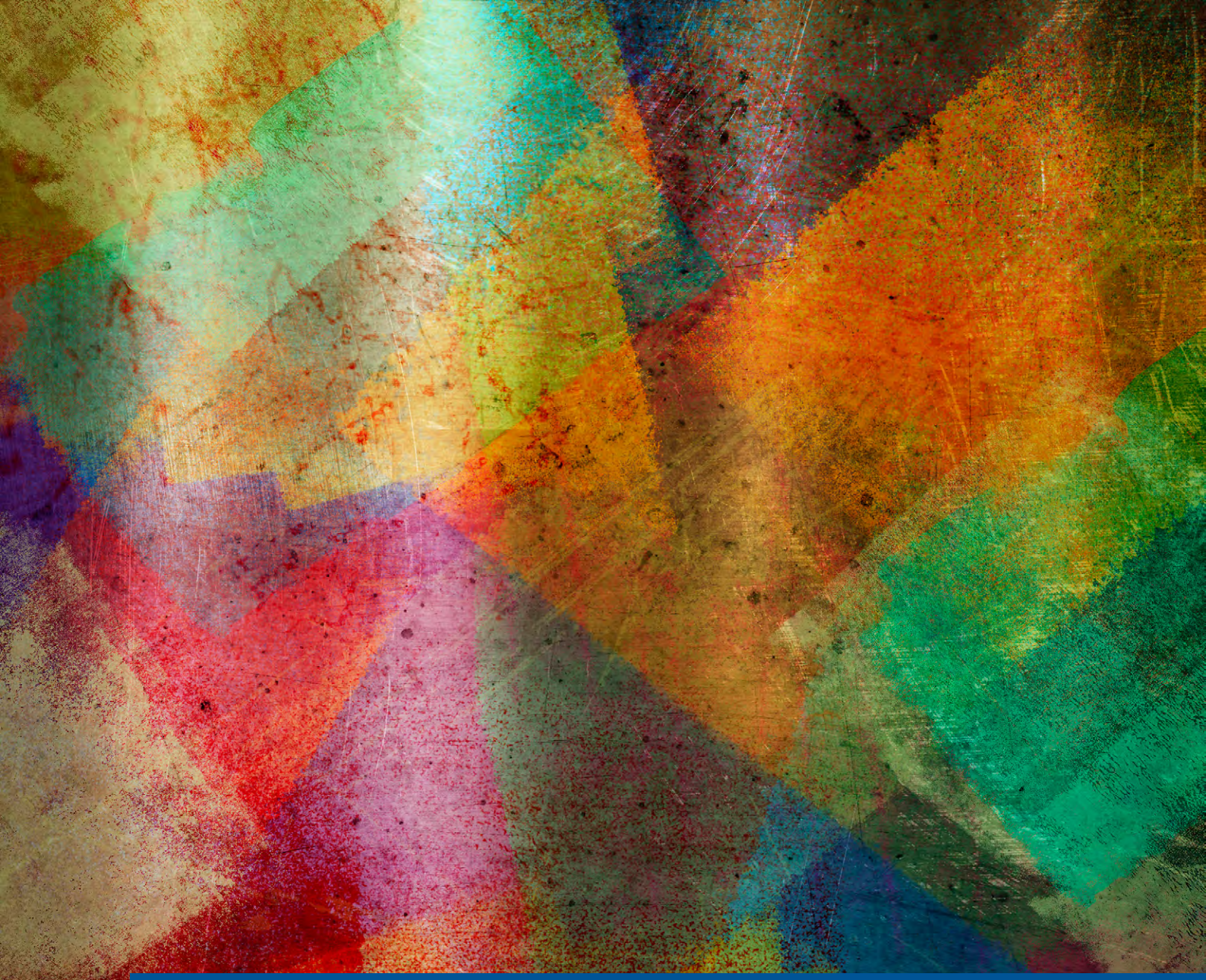

SEACEN CAPITAL FLOWS MONITOR 2019 *UPDATE*

December 2019

The South East Asian Central Banks (SEACEN) Research and Training Centre

The **SEACEN** Centre

SEACEN
CAPITAL FLOWS MONITOR
2019 *UPDATE*

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The South East Asian Central Banks (SEACEN)
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Notes:

The SEACEN Centre recognizes "China" as People's Republic of China; "Hong Kong" as Hong Kong SAR, China; and "Korea" as Republic of Korea.

USD and US$ refer to U.S. dollar.

IMF data accessed through CEIC Database. Data cut-off as 04 December 2019.

SEG economies include the nineteen economies of the SEACEN member central banks and monetary authorities in addition to Australia and Japan, which are also members of the SEACEN Expert Group (SEG) on Capital Flows. The complete list of twenty-one economies include Australia, Brunei Darussalam, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, Nepal, Papua New Guinea, Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand and Vietnam.

CONTENTS

ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BoP	Balance of Payments
BPM6	Balance of Payments Manual 6
IMF	International Monetary Fund
IIF	Institute for International Finance
IIP	International Investment Position
SEACEN	South East Asian Central Banks Research and Training Centre
SEG	SEACEN Expert Group on Capital Flows

CONCEPTS

Net IIP	Net International Investment Position, computed as the total foreign asset holdings minus total foreign liabilities.
Non-resident capital inflows	Net purchases of domestic assets by non-residents, commonly referred to *gross capital inflows*. This corresponds to financial account liabilities in the BoP's Financial Account Balance.
Net resident capital outflows	Computed as resident capital outflows minus nonresident capital inflows. Positive values may refer to situations where domestic residents are purchasing more foreign assets than non-residents purchasing domestic assets.
Resident capital outflows	Net purchases of foreign assets by domestic residents, commonly referred to *gross capital outflows*. This corresponds to financial account assets in the BoP's Financial Account Balance.

FOREWORD

Capital flows inform us about cross-border financial transactions and investments. They facilitate portfolio diversification and risk-sharing; and aid economic growth, financial development, and knowledge transfer. However, large capital inflows as well as large capital outflows can be disruptive, leading to sharp fluctuations in the exchange rate, the creation of asset price bubbles, excessive credit growth, sudden reversals and cross-border spillovers that could have a significant impact economic growth. Monitoring and understanding their recent trends and outlook as well as the underlying drivers remain important steps in managing capital flows.

As the Secretariat of the SEACEN Expert Group (SEG) on Capital Flows, which comprises SEACEN's nineteen-member central banks and monetary authorities including the Reserve Bank of Australia and Bank of Japan, the SEACEN Centre issues a bi-annual report on capital flows – the "SEACEN Capital Flows Monitor". It covers the SEG economies of Australia; Brunei Darussalam; Cambodia; China; Hong Kong; India; Indonesia; Japan; Korea; Lao PDR; Malaysia; Mongolia; Myanmar; Nepal; Papua New Guinea; the Philippines; Singapore; Sri Lanka; Chinese Taipei; Thailand and Vietnam. The report is released every June and December of the calendar year and covers a specified review period. The June issue reports on the previous year's trends and the outlook for the current year; while the December issue focuses on the current year's quarterly developments and an updated analysis of the current year.

The report has three sections. The first section serves as a review of recent trends in the composition of capital flows and key internal and external drivers of cross-border flows. It also discusses international investment positions, which is the existing stock of international investment assets and liabilities. The second section is an analytical chapter which focuses on a specific topic related to capital flows and international investment positions. For this issue, the analytical section discusses the linkage between foreign direct investment inflows and direct investment income payments. It highlights that growing direct investment income payments and/or deficits may render economies vulnerable if there are no offsetting surpluses from other current account balance categories. The third section presents standard indicators of capital flows and international investment positions for the SEG economies.

This report has been reviewed and approved by the Executive Director. Dr. Ole Rummel (Director of Macroeconomic and Monetary Policy Division - MMPM) also reviewed the report. Dr. Rogelio Mercado (Senior Economist, MMPM) authored Sections I and II, and supervised the production of the report. Mrs. Jami'ah Jaffar (Research Associate, MMPM) provided excellent research assistance and compiled data for Section III. Mr. Zamri Abu Bakar designed, typeset and layout the report.

The views expressed in this report are those of the authors and do not necessarily represent those of SEACEN or its member central banks/monetary authorities.

Mangal Goswami
Executive Director
The SEACEN Centre

December 2019

SECTION I: CAPITAL FLOWS TRENDS AND OUTLOOK

This section reviews the recent trends and compositions of capital flows and international investment positions of selected SEG member economies for the first half of 2019 (1H2019).[1]

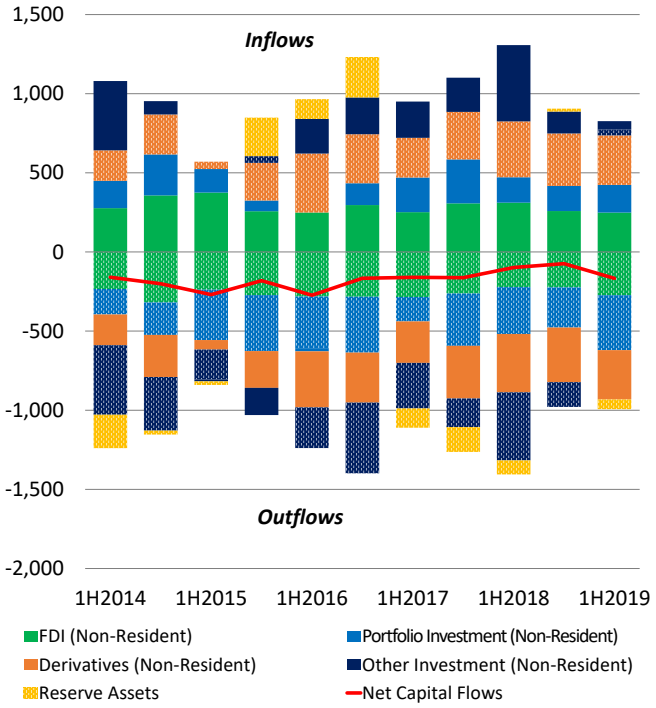
- *SEG economies, as a group, remained a net capital exporter with higher current account surpluses and higher net international investment position. Net resident capital outflows were up, driven by higher resident direct and portfolio outflows notably from SEG Advanced Economies.*
- *There were, however, marked differences in overall net positions and composition of capital flows across member economies. ASEAN4 economies saw significantly lower net non-resident capital inflows during this period.*
- *China recorded higher net non-resident capital inflows, buoyed by its inclusion in the Bloomberg Global Aggregate Bond Index in April 2019. China also saw an increase in current account surplus, despite ongoing trade disputes, supported by higher trade in goods surplus and primary income surplus.*
- *India also continued to receive net non-resident inflows, driven mainly by portfolio and FDI flows.*
- *SEG Frontier economies, which include Cambodia, Mongolia, and Nepal, reported higher net non-resident capital inflows mainly in FDI and other investments, mirroring higher current account deficits.*
- *ASEAN4, China, India, Japan, and SEG Frontier Economies accumulated a combined official reserve asset of about US$66 billion in 1H2019, a turnaround from official reserve decumulation of US$26 billion in 2H2018 mainly due to China.*

A. Recent Trends in Capital Flows and International Investment Positions

Net resident capital outflows of SEG member economies amounted to US$167 billion as of mid-2019.[2] Net acquisition of foreign assets by residents (financial account assets) reached US$333 billion, while net incurrence of liabilities to non-residents (financial account liabilities) summed up to US$166 billion, bringing the net resident capital outflows to around US$167 billion, excluding net errors and omissions **(Figure 1.1a)**. Most of net acquisition of foreign assets were in the form of portfolio debt securities and direct investments, respectively. Likewise, net incurrence of liabilities to non-residents were mostly in the form of direct investments, followed by portfolio and other investments, respectively. Net resident capital outflows in 1H2019 were considerably larger compared to the first and second halves of 2018, growing by around 126% from 2H2018 and 70% from 1H2018. The increase reflects higher resident direct and portfolio outflows despite a slowdown in resident other investment outflows compared to 2H2018.

1. SEG economies include the nineteen economies of SEACEN member central banks and monetary authorities in addition to Australia and Japan, which are also members of SEACEN Expert Group (SEG) on Capital Flows. The complete list of twenty-one economies include Australia, Brunei Darussalam, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, Nepal, Papua New Guinea, Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand and Vietnam. However, since not all economies report quarterly Balance of Payments (BoP) and International Investment Position (IIP) data to the International Monetary Fund (IMF), all figures and data included in this section of the report correspond to the subset of SEG member economies with available quarterly data. These economies include Australia, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Mongolia, Nepal, Philippines, Singapore, Chinese Taipei, and Thailand. Data from the IMF (downloaded from the CEIC database) are consistently classified and standardized series in U.S. dollars across economies. The IMF BoP Statistics are largely the same as the SEG Database, although the IMF data provides a more detailed and granular presentation which is needed for the analysis in this report.
2. The value of US$167 billion net capital flows refers to net acquisition of foreign assets by residents minus net incurrence of liabilities to non-residents. Based on the balance of payments identity, if net errors and omissions is nil, then the net financial account balance should take the opposite value of the current account plus capital account balance.

Figure 1.1a: Capital Flows - SEG Economies
(USD billions)

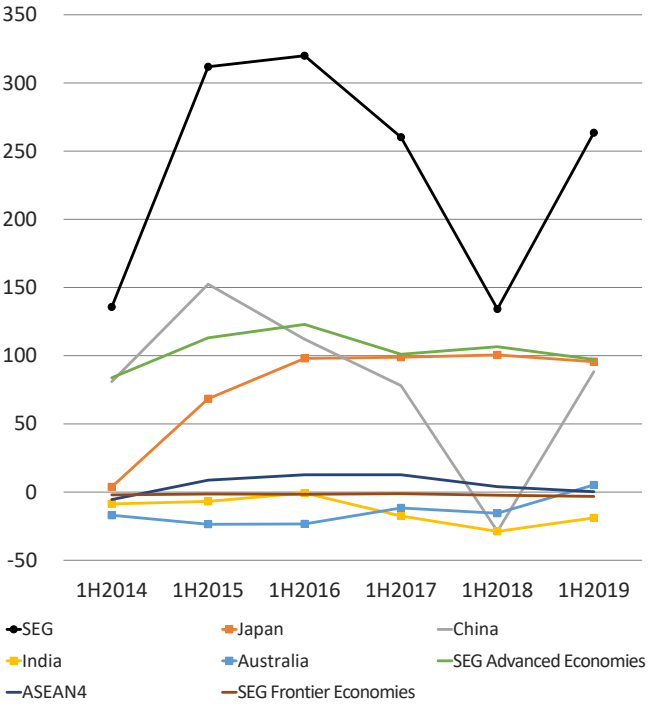


Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets. SEG economies include Australia; Cambodia; China; Hong Kong; India; Indonesia; Japan; Korea; Mongolia; Nepal; Philippines; Singapore; Chinese Taipei; and Thailand. Refer to IMF Balance of Payments Manual 6 for the definition of investor resident and non-resident.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics and national source accessed through CEIC.

The increase in net resident capital outflows of SEG economies corresponded with the increasing current account surplus to US$263 billion in 1H2019, which was more than the surplus of US$207 billion posted in 2H2018 (Figure 1.1b). The decline in trade in goods surplus in 1H2019, by around 7.3% from 2H2018, was offset by smaller trade in services deficit and larger primary income surplus. The trade in goods surplus remained the key driver of the current account surplus, particularly for China, Korea, Singapore, and Chinese Taipei. In the case of China, the increase in current account surplus, despite ongoing trade disputes, was supported by higher trade in goods surplus and primary income surplus. For Japan, the current account surplus came mainly from higher overseas net investment earnings. Australia, Hong Kong, and Thailand also registered current account surpluses in 1H2019, while Cambodia, India, Indonesia, Mongolia, Nepal, and the Philippines reported current account deficits during the period. Notably, the current account deficit of India and Indonesia narrowed in 1H2019, compared to 2H2018. As a group, the surplus generated by some economies was larger than the deficits of others, resulting in an overall current account surplus in 1H2019.

Figure 1.1b: Current Account Balance
(USD billions)

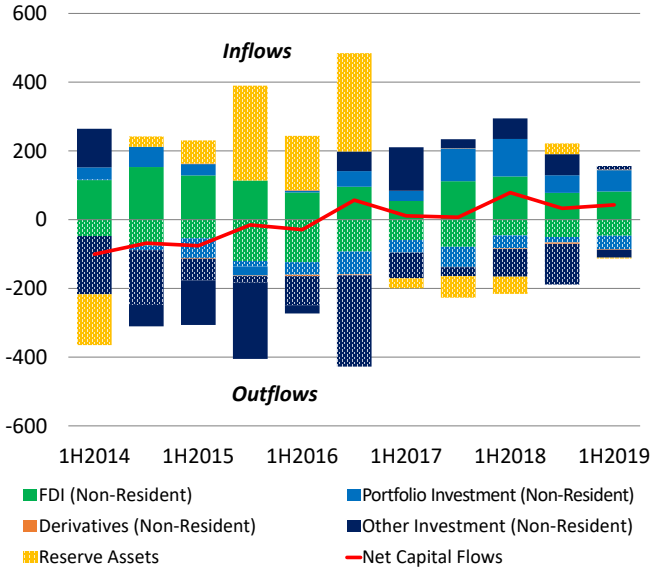


Notes: SEG economies include Australia; Cambodia; China; Hong Kong; India; Indonesia; Japan; Korea; Mongolia; Nepal; Philippines; Singapore; Chinese Taipei; and Thailand. SEG Advanced Economies include Hong Kong, Korea, Singapore, and Chinese Taipei. ASEAN4 includes Indonesia, Philippines, and Thailand. SEG Frontier Economies include Cambodia, Mongolia, and Nepal.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics and national source accessed through CEIC.

Although SEG economies posted continued net resident capital outflows in 1H2019, there appeared to be marked differences in overall net positions and composition of capital flows across member economies. Japan posted net resident capital outflows of around US$139 billion in 1H2019, mainly driven by large resident direct and portfolio investment abroad **(Figure 1.2a)**. China recorded net non-resident capital inflows of around US$43 billion, driven by non-resident direct and portfolio investment inflows. The increase in non-resident portfolio inflows was buoyed by its inclusion in the Bloomberg Global Aggregate Bond Index in April 2019. Its official reserve accumulation amounted to US$2 billion in 1H2019, which is a turnaround from the US$31 reserve deaccumulation in 2H2018 **(Figure 1.2b)**. India also had net non-resident capital inflows in 1H2019, amounting to US$20 billion. Foreign capital inflows were mostly in the form of other investment followed by foreign direct and portfolio investment flows, respectively **(Figure 1.2c)**. Australia posted net resident capital outflows of US$0.2 billion during the period, which was a shift in its position as it usually registered net non-resident inflows **(Figure 1.2d)**.

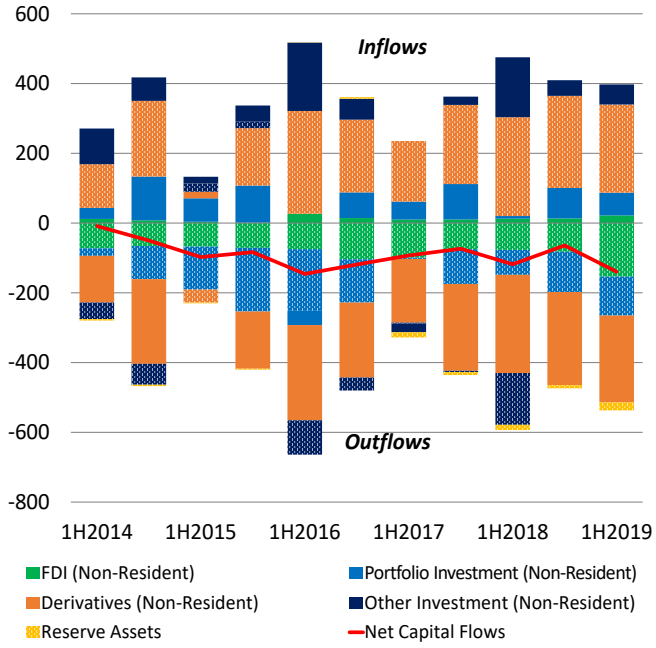
Figure 1.2b: Capital Flows - China
(USD billions)



Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics.

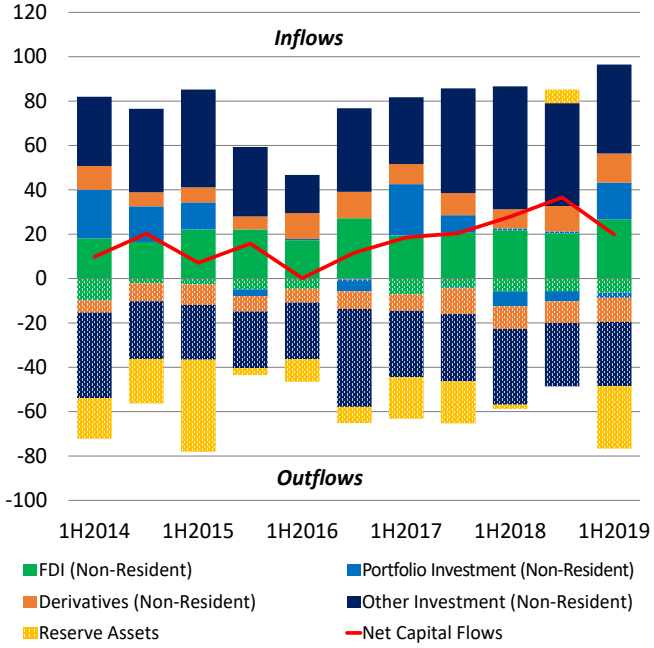
Figure 1.2a: Capital Flows - Japan
(USD billions)



Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics.

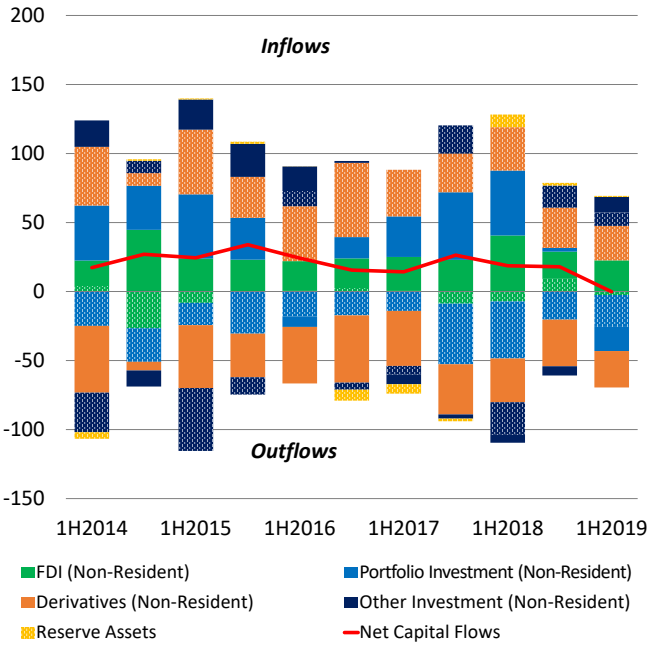
Figure 1.2c: Capital Flows - India
(USD billions)



Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics.

Figure 1.2d: Capital Flows - Australia
(USD billions)

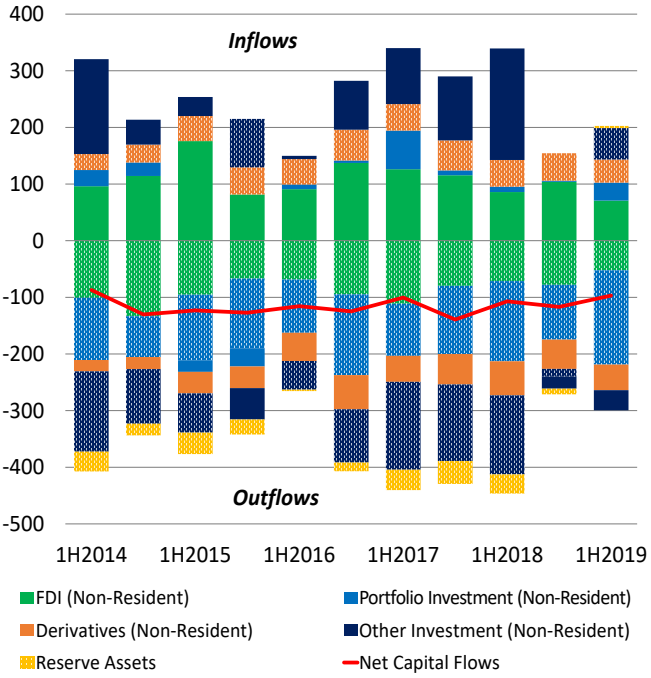


Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics.

As a subgroup, SEG Advanced Economies, which include Hong Kong, Korea, Singapore and Chinese Taipei, registered net resident capital outflows of around US$97 billion in 1H2019 **(Figure 1.2e)**. The net capital outflows broadly corresponded to the subgroup's overall current account surplus. In fact, each of the member economies sustained their current account surplus during the period. Across investment types, net capital outflows from these highly open economies were mainly in the form of net resident portfolio outflows, which amounted to US$135 billion in 1H2019. In contrast, ASEAN4 economies recorded net non-resident capital inflows amounting to S$3 billion in 1H2019, significantly lower than the net non-resident capital inflows of US$16 billion in 2H2018 **(Figure 1.2f)**.[3] Within the group, net non-resident capital inflows to Indonesia and Philippines outweighed Thailand's net resident capital outflows, resulting in overall net non-resident capital inflows for the group. Foreign direct investment remained the largest investment type for the group, followed by non-resident portfolio inflows. SEG Frontier Economies, which include Cambodia, Mongolia, and Nepal, also reported net non-resident capital inflows of about US$3 billion **(Figure 1.2g)**. Net capital inflows were mostly in foreign direct investments.

Figure 1.2e: Capital Flows - SEG Advanced Economies
(USD billions)

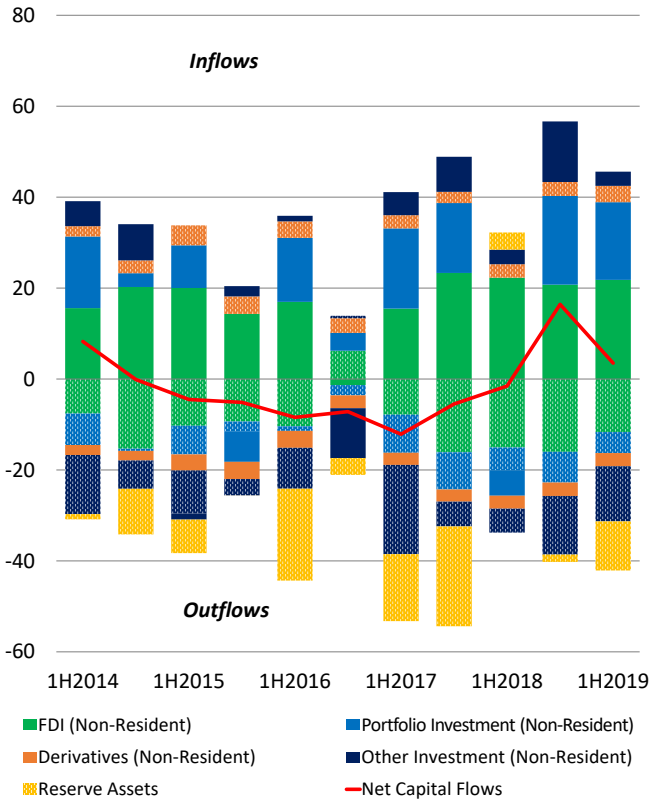


Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets. SEG Advanced Economies include Hong Kong, Korea, Singapore, and Chinese Taipei.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics and national source accessed through CEIC Database.

3. Values include Indonesia, Philippines, and Thailand. There are no quarterly 2019 IMF BoP data for Malaysia as of 20 December 2019.

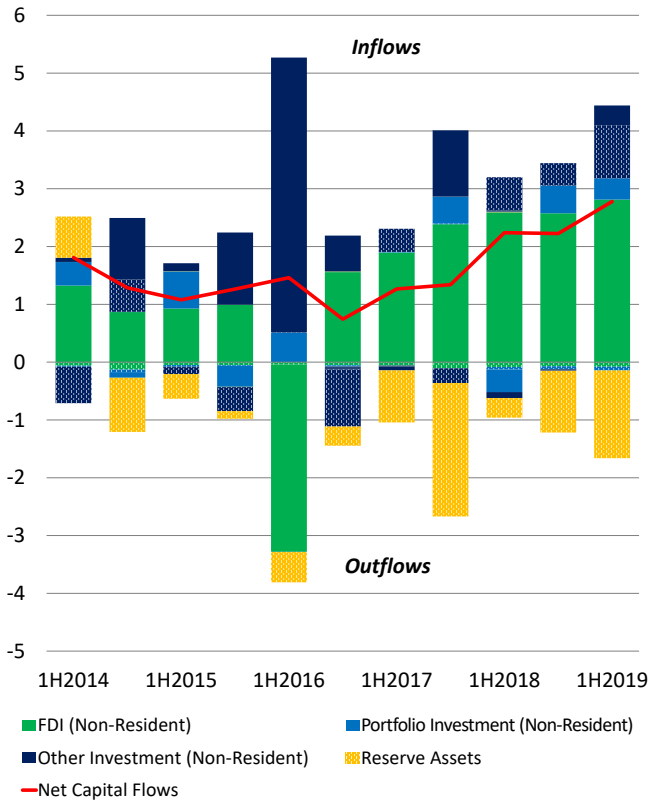
Figure 1.2f: Capital Flows - ASEAN4
(USD billions)



Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets. ASEAN4 includes Indonesia, Malaysia, Philippines and Thailand. However, Malaysia is excluded as it does not have quartetly data from IMF Balance of Payments Statistics in 2019.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics.

Figure 1.2g: Capital Flows - SEG Frontier Economies
(USD billions)



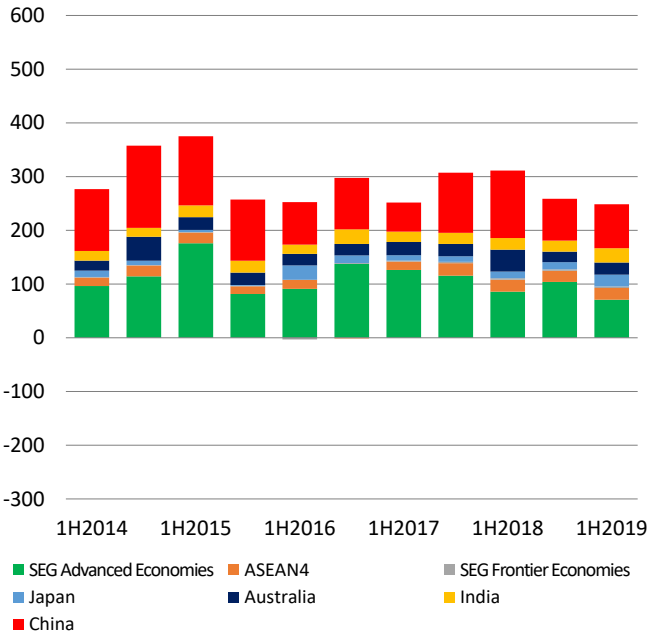
Notes: Solid fill refers to non-resident capital flows, while those with pattern fill refers to resident capital flows. Net capital flows are computed as financial account liabilities minus financial account assets. SEG Frontier Economies include Cambodia, Mongolia, and Nepal.

Source: SEACEN staff calculations using data from the IMF's Balance of Payment Statistics and national source accessed through CEIC.

The composition of non-resident capital inflows continued to vary within SEG member economies, reflecting diverse economic structures and different levels of financial development. Foreign direct investment inflows in 1H2019 mostly went to China and SEG Advanced Economies, reflecting their continued attractiveness as export-oriented investment destinations. ASEAN4, Australia, India, and Japan received roughly equal amounts of foreign direct investment of about US$22-27 billion, while SEG Frontier Economies had US$3 billion **(Figure 1.3a)**. In terms of portfolio investments, China and Japan each received around US$60 billion portfolio inflows in 1H2019. These two economies alone account for over 70% of foreign portfolio inflows in SEG economies. SEG Advanced Economies received US$32 billion portfolio inflows, while

ASEAN4 and India each had US$17 billion. Australia witnessed a reversal of portfolio investment inflows amounting to US$17 billion during the period **(Figure 1.3b)**. For other investments, China and SEG Advanced Economies posted a reversal of foreign other investment inflows in 1H2019, amounting to around US$60 billion. The rest of SEG economies had a combined non-resident other investment inflow, which includes banking sector flows, amounting to US$113 billion **(Figure 1.3c)**. Among the SEG economies, ASEAN4, China, India, Japan, SEG Frontier Economies accumulated a combined official reserve asset of about US$66 billion in 1H2019, most notably Japan and India. In contrast, Australia and SEG Advanced Economies undertook official reserve decumulation of around US$5 billion in the same period **(Figure 1.3d)**.

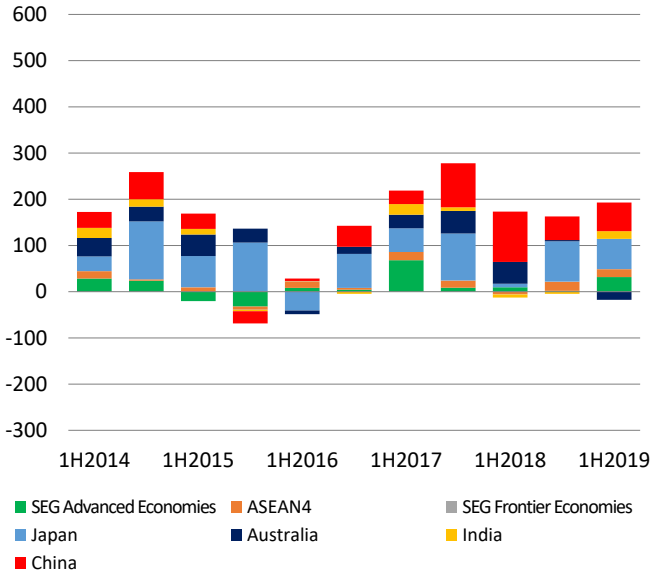
Figure 1.3a: Non-Resident Foreign Direct Investment Flows
(USD billions)



Notes: SEG Advanced Economies include Hong Kong, Korea, Singapore, and Chinese Taipei. ASEAN4 includes Indonesia, Philippines, and Thailand. SEG Frontier Economies include Cambodia, Mongolia, and Nepal.

Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics, and national source accessed through CEIC Database.

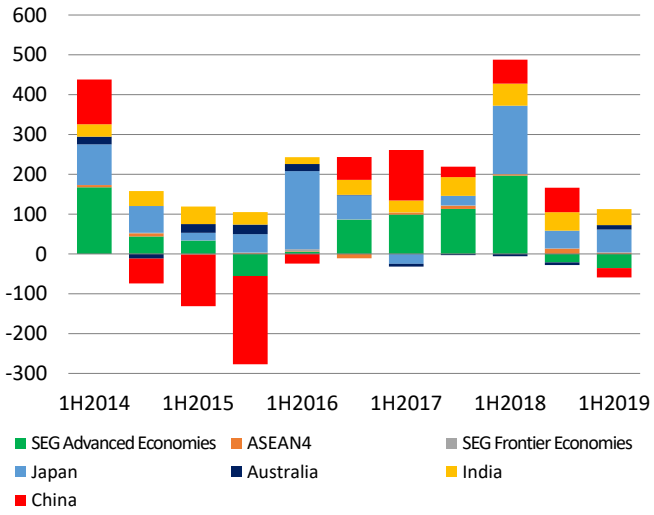
Figure 1.3b: Non-Resident Portfolio Investment Flows
(USD billions)



Notes: SEG Advanced Economies include Hong Kong, Korea, Singapore, and Chinese Taipei. ASEAN4 includes Indonesia, Philippines, and Thailand. SEG Frontier Economies include Cambodia, Mongolia, and Nepal.

Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics, and national source accessed through CEIC Database.

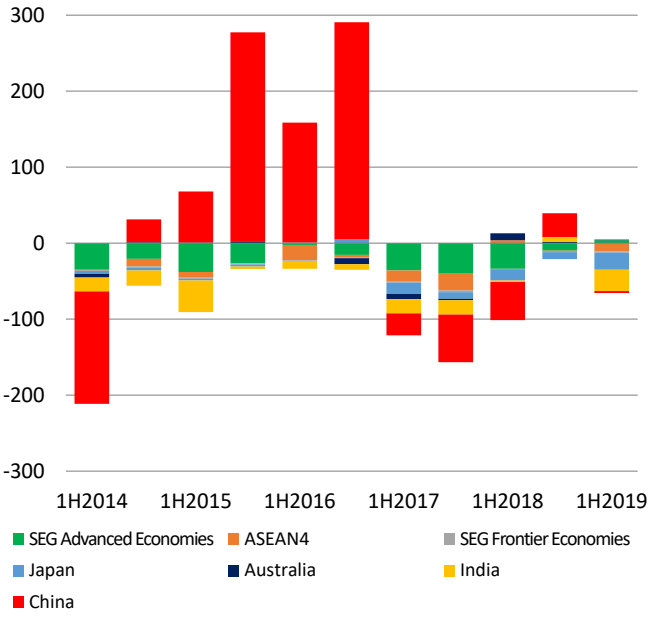
Figure 1.3c: Non-Resident Other Investment Flows
(USD billions)



Notes: SEG Advanced Economies include Hong Kong, Korea, Singapore, and Chinese Taipei. ASEAN4 includes Indonesia, Philippines, and Thailand. SEG Frontier Economies include Cambodia, Mongolia, and Nepal.

Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics, and national source accessed through CEIC Database.

Figure 1.3d: Official Reserve Asset Flows
(USD billions)

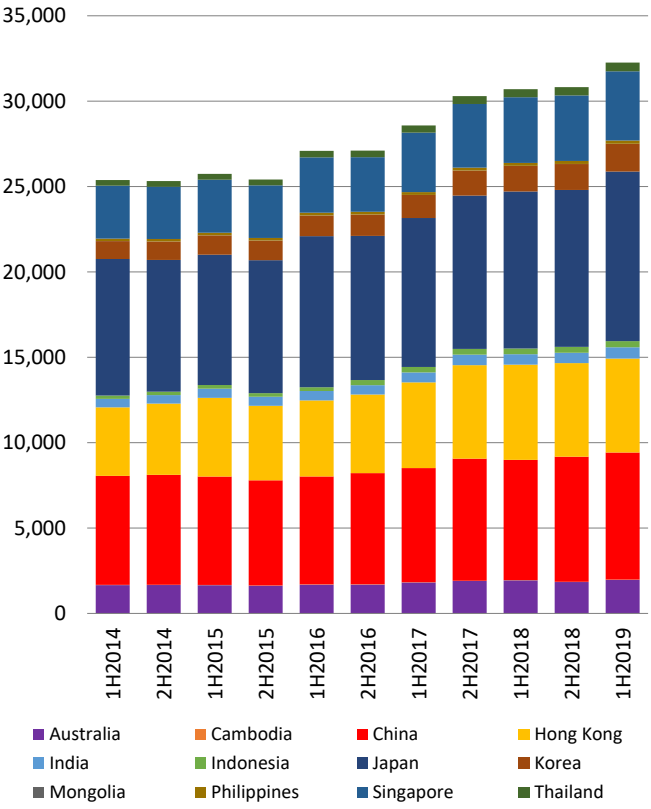


Notes: SEG Advanced Economies include Hong Kong, Korea, Singapore, and Chinese Taipei. ASEAN4 includes Indonesia, Philippines, and Thailand. SEG Frontier Economies include Cambodia, Mongolia, and Nepal. Positive values are official reserve asset decumulation; and negative values are accumulation.

Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics, and national source accessed through CEIC Database.

Total international investment assets of SEG economies reached US$32.3 trillion as of 1H2019, up by 4.7% from US$30.8 trillion at end-2018.[4]
Among SEG economies, Japan had the highest international financial assets amounting to US$9.9 trillion, followed by China and Hong Kong with US$7.4 trillion and US$5.5 trillion, respectively. These three SEG economies alone accounted for more than two-thirds of the group's total international investment assets as of 1H2019 **(Figure 1.4a)**. Across asset types, portfolio investments dominated asset holdings, followed by foreign direct investment, other investment, and official reserve assets, each having around US$6.5 trillion. But portfolio investment assets were equally distributed between portfolio equities and portfolio debt with each amounting to US$4.8 billion as of 1H2019 **(Figure 1.4b)**. Excluding financial derivatives and official reserves, the debt-equity ratio stood at 0.90 in 1H2019, which was lower than 0.92 as of end-2018. Compared to 2014-16 when the debt-equity ratio stood at 1.0, the continued decline of debt-equity ratio for international investment assets indicates a growing preference for equity-type investments which could offer better returns during normal conditions.

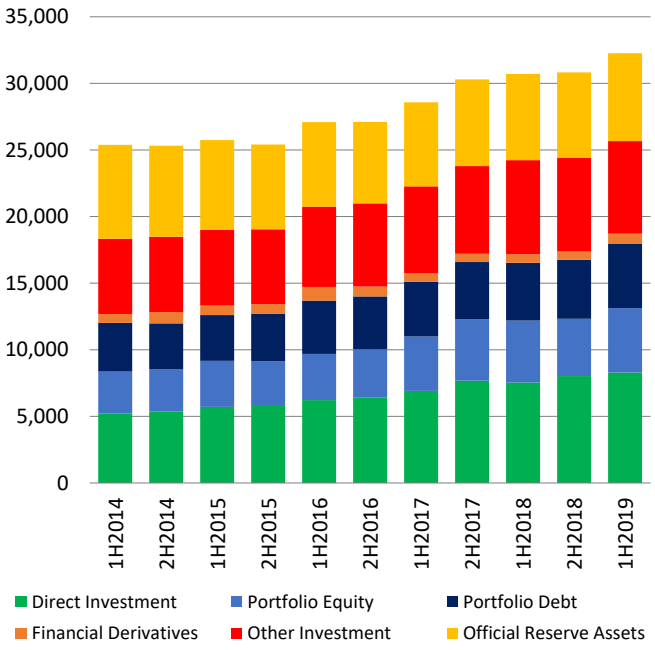
Figure 1.4a: International Investment Assets
(USD billions)



Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics.

4. SEG economies for international investment position include Australia, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Mongolia, Philippines, Singapore, and Thailand. Chinese Taipei and Nepal are excluded due to unavailable data as of 20 December 2019.

Figure 1.4b: International Investment Assets, by Investment Type
(USD billions)

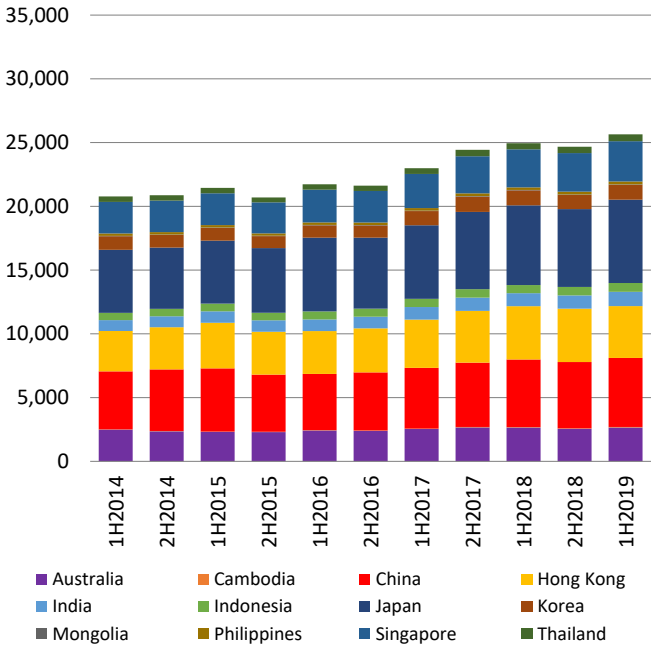


Note: Sample includes Australia, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Mongolia, Philippines, Singapore, and Thailand.

Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics.

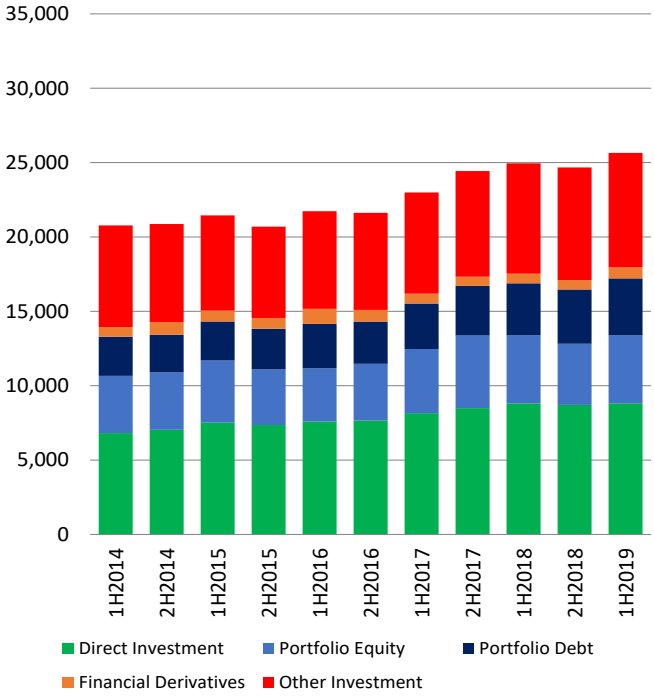
Total international investment liabilities of SEG economies also increased to US$25.6 trillion as of 1H2019, up by 4% from US$24.7 trillion at end-2018. Among SEG economies, Japan had the highest international financial liabilities amounting to US$6.5 trillion, followed by China and Hong Kong, China with US$5.4 trillion and US$4.1 trillion, respectively. Australia and Singapore reported total international investment liabilities of US$2.7 trillion and US$3.2 trillion respectively **(Figure 1.5a)**. Across investment types, foreign direct and portfolio investment liabilities had around US$8.5 trillion each. But for portfolio investment, portfolio equities were significantly larger at US$4.6 trillion than portfolio debt at US$3.8 trillion **(Figure 1.5b)**. The debt-equity ratio stood at 0.86 as of 1H2019, lower than 0.88 at end-2018, reflecting a tilt towards equity liabilities.

Figure 1.5a: International Investment Liabilities
(USD billions)



Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics.

Figure 1.5b: International Investment Liabilities, by Investment Type
(USD billions)

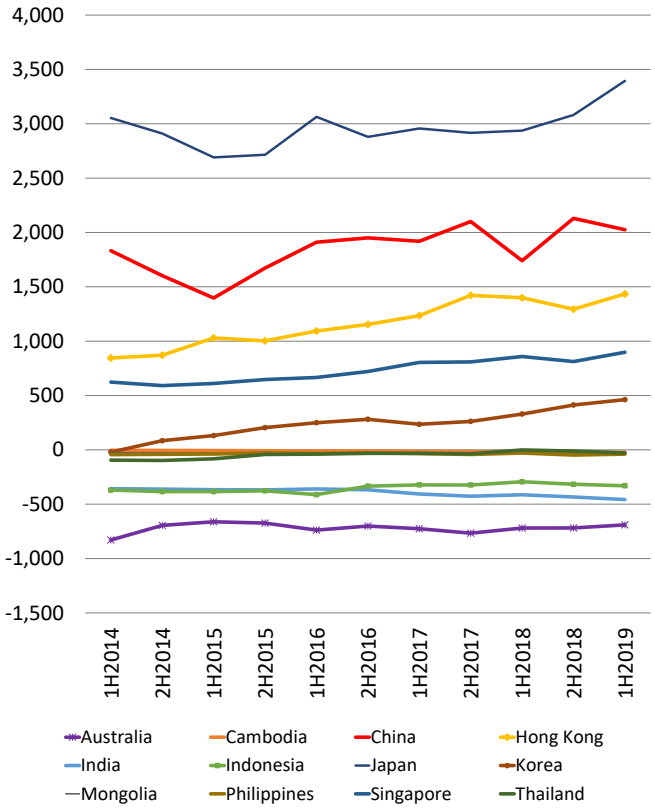


Note: Sample includes Australia, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Mongolia, Philippines, Singapore, and Thailand.

Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics.

SEG economies, as a group, remained a net capital exporter as of end-June 2019 with its positive net international investment position at US$6.6 trillion, slightly higher than US$6.1 trillion in end-2018. However, within SEG economies, there was a clear divide between net capital exporters and net capital importers **(Figure 1.6)**. Japan, China, Hong Kong, Singapore, and Korea have been net capital exporters since 2014; whereas Australia, Cambodia, India, Indonesia, Mongolia, Philippines, and Thailand have been net capital importers since 2014. However, external positions not only depend on cumulative current account balances, but also on valuation effects, which could increase or decrease the value of international assets relative to international liabilities or vice-versa, thereby affecting the overall net position.

Figure 1.6: Net International Investment Position
(USD billions)



Sources: SEACEN staff calculations using data from IMF's Balance of Payments Statistics.

B. Outlook on Capital Flows[5]

As a group, SEG economies will sustain its net capital exporter position in 2019. The positive shift in capital flows outcome for 2019 relative to the outlook released in the SEACEN Capital Flow Monitor 2019 (June) issue is supported by several upside factors. First, the easing of trade tensions backed by loosening trade restrictions will help boost current account balances of SEG economies. Most notably, China is expected to report a higher current account surplus in 2019, compared to 2018. This will translate to higher resident capital outflows. Second, accommodative monetary policy in 2019 has continued to encourage resident investors to search for yields especially under a risk-on scenario. Lastly, investors may continue to differentiate among emerging economies based on the individual economy's fundamentals and country-specific factors, driving some of the resident outflows into the region. In addition, the inclusion in global benchmark indices of large emerging economies in the region such as China will likely help attract capital inflows.

But there are downside risks to capital flows in the region. A sharper global growth slowdown and policy uncertainty could dampen market sentiment and trigger market turbulence. Moreover, weaker-than-expected domestic and global growth and a deterioration of trade ties could weigh down corporate earnings in the final quarter of 2019 which may lead to a decline in the value of foreign investments, prompting investors to take a more cautious approach to cross-border investments. That said, continued accommodative monetary policy stance and supportive global liquidity conditions should help counter these downside risks.

5. The outlook discussed in this section is mostly based on SEACEN staff assessment of economic and financial projections and prospects from IMF's World Economic Outlook (October 2019).

SECTION II: UNDERSTANDING THE LINKAGE BETWEEN FDI INFLOWS AND DIRECT INVESTMENT INCOME PAYMENTS AND THEIR IMPLICATIONS FOR CURRENT ACCOUNT BALANCE

This section provides some insights into the challenges related to foreign direct investment inflows as they may be associated with relatively high primary investment income payments, putting pressure on current account balances. It underscores the importance of having surpluses in other categories of the current account in offsetting the impact of the direct investment income deficits.

A. The Link Between Foreign Direct Investment Inflows and Foreign Direct Investment Income Payments

Among the various types of foreign investments, economies strive to attain more foreign direct investment inflows due to their direct and indirect benefits. Across types of capital inflows, foreign direct investments (FDI) offer long-term growth-enhancing benefits, particularly for emerging and developing economies. FDI inflows foster technology and skills transfers, yield more domestic investments, boost growth for economies with more human capital, and promote adherence to international standards and best practices. These direct and indirect benefits of FDI inflows are further supported by their resiliency during economic downturns and crises; as well as relative stability compared to other types of capital inflows.[1] For instance, **Table 2.1** indicates that across disaggregated types of capital inflows, FDI inflows are the most stable for selected SEG economies.[2] In addition, the long-term nature of FDI makes it an ideal type of capital inflow. But empirical evidence on their growth-enhancing impact remains inconclusive.[3]

Table 2.1: Volatility of Capital Inflows

	IND	IDN	KOR	MYS	PHL	THA	Mean	AUS	JPN
Equity Other Than Reinvested Earnings	0.6	0.2	0.3	1.3	0.5	0.7	0.6	2.0	0.1
Reinvested Earnings	0.1	...	0.2	0.7	0.2	0.7	0.4	0.4	0.1
Direct Investment Debt	0.1	0.4	0.1	0.6	0.7	0.6	0.4	0.8	0.1
Portfolio Equity	0.9	0.1	1.5	1.7	0.4	1.8	1.1	1.5	1.2
Portfolio Debt Securities	0.6	0.4	1.3	3.1	1.2	1.0	1.3	3.3	1.5
Financial Derivatives	0.4	0.0	3.3	0.4	0.1	0.8	0.8	2.1	2.9
Currency & Deposits	1.2	0.0	0.5	1.7	0.5	0.8	0.8	1.2	1.0
Loans	0.8	0.4	1.6	0.9	1.3	3.6	1.4	1.1	1.5
Trade Credit & Advances	0.4	0.0	0.3	0.8	0.0	1.1	0.4	0.1	0.1
Other Accounts Payable	0.4	0.1	0.1	0.5	0.3	0.2	0.3	0.2	0.3

Notes: Values refer to the standard deviation of annual capital inflows in percent of nominal GDP from 2000-18.
IND = India; IDN = Indonesia; KOR = Korea; MYS = Malaysia; PHL = Philippines; THA = Thailand; AUS = Australia; and JPN = Japan.
Source: SEACEN staff calculations using data from the IMF's Balance of Payments Statistics accessed through CEIC Database.

1. See Borensztein et al. (1998), Bosworth and Collins (1999); and Loungani and Razin (2001).
2. In this section, we focus on a subset of SEG economies with available data on foreign direct investment inflows, primary income direct investment debits, and international stock of foreign direct investment liabilities. These economies include Cambodia, India, Indonesia, Korea, Malaysia, Philippines, Sri Lanka, Chinese Taipei, and Thailand.
3. See Alfaro et al. (2004), Batten and Vo (2009), Bermejo-Carbonell and Werner (2018), Carkovic and Levine (2005), de Mello (1999), Gourinchas and Jeanne (2013), Li and Liu (2005), Lucas (1990), Mencinger (2003); and Reisen and Soto (2001).

Notwithstanding the benefits of FDI inflows, they can create pressures on external balances offsetting some of the potential benefits. First, FDI may be financed by borrowing in the domestic credit market. Consequently, the share of domestic investment financed by foreign savings may not be as large as expected. Second, financial transactions, including FDI, are subject to *reversals*. For instance, foreign subsidiary can borrow in the domestic credit market and then lend the money back to their parent company elsewhere; or when parent company gets into financial trouble, they may tap into their subsidiary's balance sheet. Third, economies that have provided fiscal incentives to attract foreign direct investors are subject to loss of potential revenues, particularly for emerging and developing economies.

In addition, foreign direct investments may lead to higher direct investment income payments which can negatively impact an economy's current account balance. Foreign direct investment inflows are direct investment liabilities to non-residents, which are reported as one of the functional categories under the Financial Account Balance of the BoP. As such, a foreign investor has control or significant degree of influence on the management of an enterprise that resides in another economy. This direct investment relationship entails financial transactions between the foreign direct investor and domestic resident enterprise in the form of dividends and withdrawals from income, reinvested earnings, or interest payments. These transactions are recorded as primary income direct investment debits in the Current Account Balance of the BoP. Consequently, there is an interlinkage between foreign direct investment liabilities and the direct investment primary income debits. Specifically, increasing FDI inflows may lead to larger foreign direct investor withdrawals and dividend payments, reinvested earnings, and interest payments from the domestic resident enterprise. For economies with smaller direct investment income from abroad, larger direct investment income payments to foreign investors may have a negative impact the current account balance if there are no offsetting surpluses from other categories within the current account balance.[4]

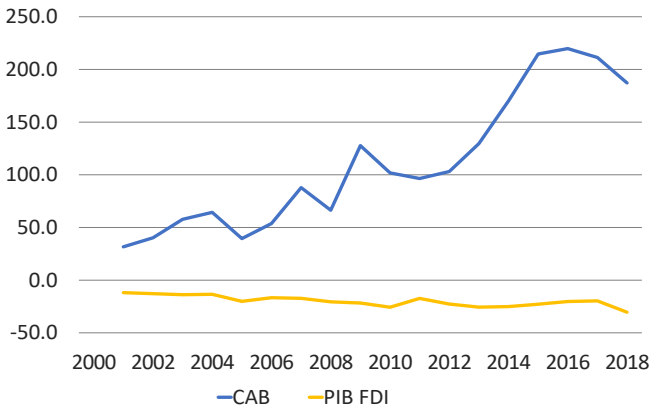
4. Offsetting accounts may come from the goods and services trade balance, secondary income, and other income accounts as reported in the Current Account Balance under BPM6.

Therefore, understanding the dynamic linkages between foreign direct investments and direct income payments is important in assessing the sustainability of current account balances as well as in implementing policies that enhance the benefits for FDI while minimising their potential costs.

B. FDI Inflows and Direct Investment Income Payments in Asian Economies

Across a sample of SEG economies, direct investment primary income balance may or may not have significant impact on the overall current account balance position. For current account surplus economies, direct investment income payments (debits) amounted to around US$30 billion in 2018 for selected SEG economies, while overall current account surplus reached US$190 billion in the same year **(Figure 2.1)**. In contrast, for selected SEG economies with current account deficits, direct investment income payments amounted to around US$40 billion in 2018, while current account deficit reached US$110 billion **(Figure 2.2)**. These imply that, for current account surplus economies, direct investment income payments are offset by surpluses in other categories of the current account, including trade balance in goods and services, other investment income, and secondary income. However, for current account deficit economies, direct investment income deficits added to the drag in the overall current account balance.

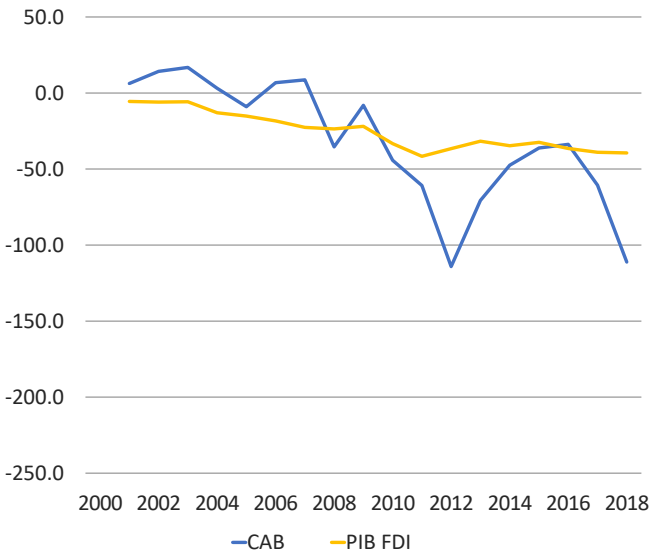
Figure 2.1: Current Account Balance and Primary Income Direct Investment Balance - Current Account Surplus Economies
(USD billion)



Notes: Notes: CAB = current account balance, PIB FDI = primary income balance direct investment. Surplus economies include Korea, Malaysia, Chinese Taipei, and Thailand.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

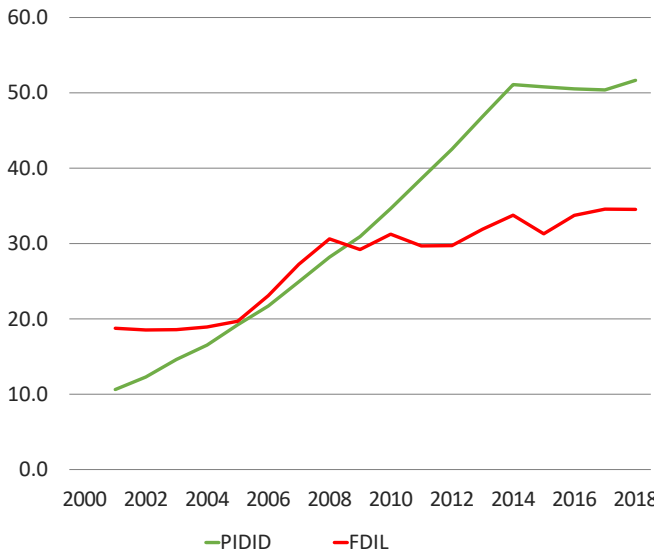
Figure 2.2: Current Account Balance and Primary Income Direct Income Balance - Current Account Deficit Economies
(USD billion)



Notes: Notes: CAB = current account balance, PIB FDI = primary income balance direct investment. Deficit economies include Cambodia, India, Indonesia, Philippines, and Sri Lanka.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

Figure 2.3: Primary Income Direct Income Debit and FDI Inflows - Current Account Surplus Economies
(USD billion)

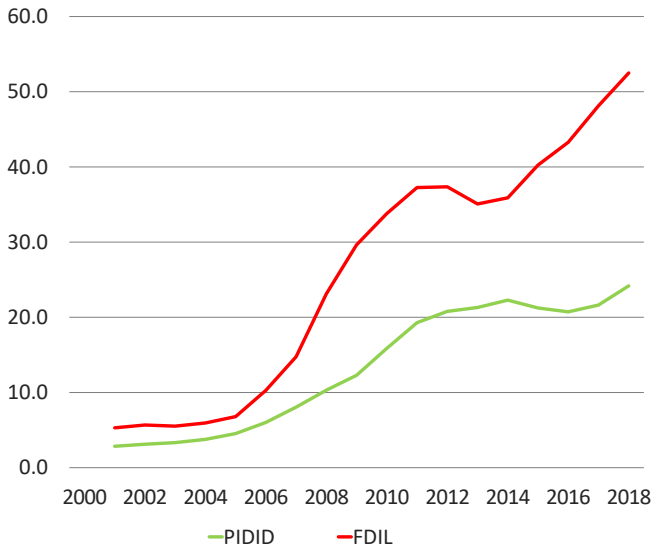


Notes: PIDID = primary income direct investment debit, FDIL = FDI inflows. Values are five-year moving averages. Surplus economies include Korea, Malaysia, Chinese Taipei, and Thailand.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

Current account surplus economies tend to have higher direct investment income payments than FDI inflows; while deficit economies tend to have larger FDI inflows than direct investment payments. These indicate that at some point direct investment income payments may exceed foreign direct investment inflows. For current account surplus economies, the shift from higher FDI inflows to higher direct investment income payments happened over the last decade **(Figure 2.3)**. In contrast, current account deficit economies have persistently had higher FDI inflows than direct investment income payments **(Figure 2.4)**. In the case of Indonesia, which has current account deficits, direct investment income payments are usually higher than FDI inflows **(Figure 2.5)**. Nonetheless, the composition of direct investment income payments is similar for both surplus and deficit economies as most take the form of withdrawals and dividend payments.

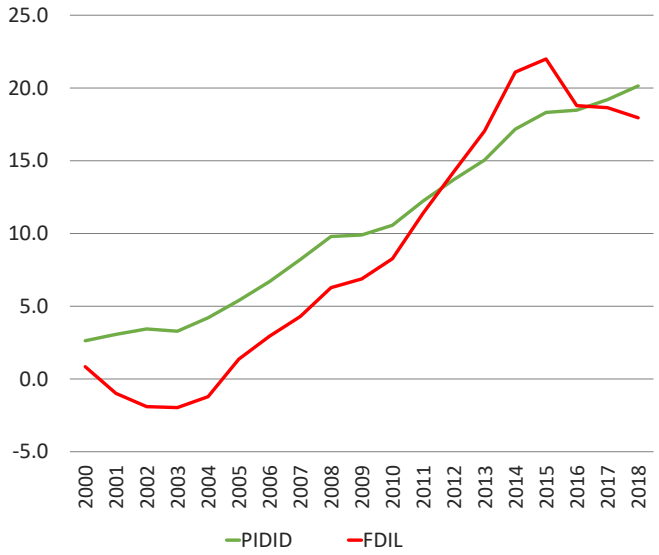
Figure 2.4: Primary Income Direct Income Debit and FDI Inflows - Current Account Deficit Economies
(USD billion)



Notes: PIDID = primary income direct investment debit, FDIL = FDI inflows. Values are five-year moving averages. Deficit economies include include Cambodia, India, Philippines, and Sri Lanka.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

Figure 2.5: Primary Income Direct Income Debit and FDI Inflows - Indonesia
(USD billion)

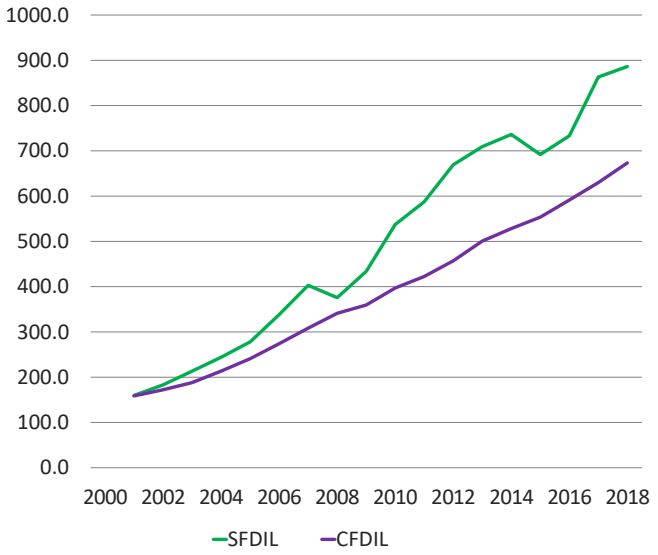


Notes: PIDID = primary income direct investment debit, FDIL = FDI inflows. Values are five-year moving averages.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

Nonetheless, direct investment income payments are state contingent depending on profitability and market value of foreign direct investments. As most direct investment income debits take the form of withdrawals and dividend payments, direct investment income payments will depend on whether the foreign controlled resident enterprises are earning profits, increasing enterprise market value, and/or the direct investor needs to make withdrawals. For current account surplus economies, the stock of foreign direct investment liabilities is greater than the cumulative foreign direct investment inflows, suggesting increasing valuation effects (**Figure 2.6**).[5] In contrast, for current account deficit economies, the stock of foreign direct investment liabilities is roughly the same as the cumulative foreign direct investment inflows, implying lesser valuation effects (**Figure 2.7**).

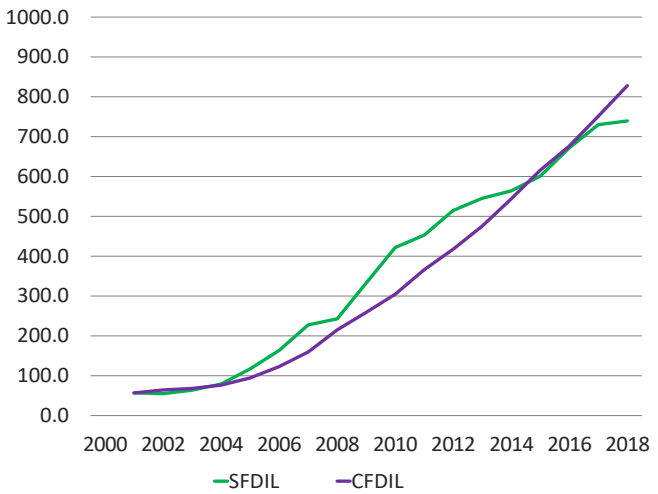
Figure 2.6: Stock FDI Liabilities and Cumulative FDI Inflows - Current Account Surplus Economies
(USD billion)



Notes: SFDIL = stock FDI liabilities, CFDIL = cumulative FDI inflows. Cumulative FDI inflows are computed by adding the stock of FDI liabilities in the first year and FDI inflows in subsequent years. Surplus economies include Korea, Malaysia, Chinese Taipei, and Thailand.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

Figure 2.7: Stock Foreign Direct Investment Liabilities and Cumulative FDI Inflows - Current Account Deficit Economies
(USD billion)



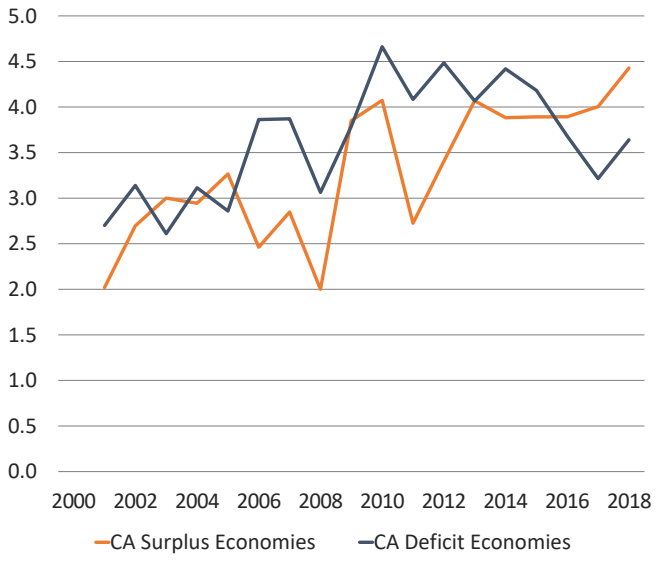
Notes: SFDIL = stock FDI liabilities, CFDIL = cumulative FDI inflows. Cumulative FDI inflows are computed by adding the stock of FDI liabilities in the first year and FDI inflows in subsequent years. Deficit economies include Cambodia, India, Indonesia, Philippines, and Sri Lanka.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

5. Cumulative foreign direct investment inflows are computed by adding the stock of FDI liabilities in the first year and FDI inflows in subsequent years. This pertains to cumulative FDI stock in second year onwards, and it differs from the reported stock of FDI liabilities from the International Investment Position as it strips out valuation effects and other data changes.

Although the share of direct investment income payments to overall current account payments (debits) are roughly equal for current account surplus and deficit economies, individual economy shares reveal more variation. The median shares of direct investment income payments to overall payments for current account surplus and deficit economies fall within the range of 3.5 percent to 4.5 percent, suggesting that the share is relatively small compared to overall current account payments **(Figure 2.8)**. But there is a wide variation within the sample of SEG economies. For instance, direct investment income debit is around 2 percent of Korea's overall current account debits in 2018, while in the case of Indonesia, it accounts for around 9 percent.

Figure 2.8: Share of Primary Income Direct Investment Debits to Total Current Account Debits (in percent of total)



Notes: Current account surplus economies include Korea, Malaysia, Chinese Taipei, and Thailand. Current account deficit economies include Cambodia, India, Indonesia, Philippines, and Sri Lanka.

Source: SEACEN staff calculations using data from IMF Balance of Payment Statistics accessed through CEIC Database.

These stylised facts suggest the importance of trade balance, secondary income, as well as other categories of primary income such as portfolio and other investment income balance in offsetting direct investment income deficits. Moreover, they imply that growing direct investment income payments and/or deficits may render current account deficit economies to be more vulnerable as there are no offsetting surpluses from other current account balance categories. In contrast, for current account surplus economies, higher direct investment income payments may have a more stabilising effect on the overall current account balance, i.e. it limits further accumulation of overall current account balance surpluses. Hence, for selected SEG economies, higher direct investment income payments may pose a greater challenge to an economy's current account balance depending on whether there are offsetting surpluses from other categories.

C. Considerations

Given that direct investment income payments can put pressure on the current account balance, several considerations are noted. First, there is a need to better understand the evolution, drivers, and mechanics of direct investment income payments. This will provide insights on the appropriate long-term investment policies for both emerging and developing economies. For instance, knowing under what conditions foreign investors undertake direct income withdrawals will be indicative of future path of primary income balance. Second, more granular analyses on foreign direct investment inflows and direct investment income payments are needed. More detailed data on the type of foreign direct investment inflows, either greenfield and mergers & acquisitions, as well as granular breakdown of withdrawals and dividend payments may allow deeper analysis on the link between different types of FDI inflows and direct investment income payments, as they have important implications on the current account balance.

SECTION III: KEY INDICATORS

Table 3.1: Net Resident Capital Outflows

	USD billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	-58.3	-39.7	-40.7	-36.6	-4.7	-3.1	-2.9	-2.6
Brunei	4.5	6.5	1.2	0.2	34.9	57.3	9.7	1.5
Cambodia	-1.3	-1.4	-1.5	-2.5	-7.1	-6.9	-6.6	-10.3
China	91.5	-27.6	-18.0	-111.7	0.8	-0.2	-0.1	-0.8
Hong Kong	16.6	13.0	9.7	23.3	5.4	4.0	2.8	6.4
India	-22.9	-11.8	-39.0	-64.5	-1.1	-0.5	-1.5	-2.4
Indonesia	-17.9	-17.2	-17.1	-32.0	-2.1	-1.8	-1.7	-3.1
Japan	180.9	264.7	166.3	182.2	4.1	5.4	3.4	3.7
Korea	101.0	103.3	92.7	71.8	6.9	6.9	5.7	4.2
Lao PDR	-2.7	-2.7	-2.0	-2.3	-19.1	-17.0	-11.6	-13.0
Malaysia	0.5	1.3	4.9	-2.7	0.2	0.4	1.5	-0.7
Mongolia	-1.1	-0.8	-1.1	-1.9	-9.0	-7.4	-9.9	-14.9
Myanmar	-4.0	-3.9	-4.8	-1.9	-6.3	-6.4	-7.8	-2.8
Nepal	2.6	0.5	-0.3	-1.7	11.9	2.6	-1.1	-5.7
Papua New Guinea	4.9	5.2	5.3	…	22.6	24.9	23.8	…
Philippines	4.9	-0.9	-3.7	-10.9	1.7	-0.3	-1.2	-3.3
Singapore	52.6	54.8	53.4	62.0	17.1	17.2	15.8	17.0
Sri Lanka	-2.3	-2.2	-2.1	-3.3	-2.9	-2.6	-2.4	-3.7
Chinese Taipei	96.6	76.1	71.9	86.8	18.4	14.3	12.5	14.7
Thailand	22.7	33.7	38.4	28.0	5.6	8.2	8.4	5.6
Vietnam	-7.0	-2.3	-7.5	-2.4	-3.7	-1.2	-3.4	-1.0

Notes: … data unavailable from the IMF. Positive (negative) values mean an increase (decrease) in net resident investment abroad. Net resident outflows refer to financial account assets minus financial account liabilities. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations and estimates using data from IMF BoP Statistics and World Economic Outlook Database, and national sources.

Table 3.2: Financial Account Assets (Resident Capital Outflows)

	USD billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	34.1	-59.5	-0.9	-4.5	2.8	-4.7	-0.1	-0.3
Brunei	4.2	6.2	1.8	0.9	32.8	54.4	14.7	6.3
Cambodia	1.2	1.5	2.0	0.8	6.8	7.6	8.8	3.1
China	-9.5	232.0	423.9	372.1	-0.1	2.1	3.5	2.8
Hong Kong	90.6	91.5	250.8	135.2	29.3	28.5	73.4	37.3
India	118.4	107.0	128.3	88.2	5.6	4.7	4.8	3.2
Indonesia	20.4	-3.8	30.0	13.2	2.4	-0.4	3.0	1.3
Japan	279.8	106.5	-93.2	-29.0	6.4	2.2	-1.9	-0.6
Korea	88.3	110.9	129.4	114.0	6.0	7.4	8.0	6.6
Lao PDR	0.4	0.1	0.7	0.3	2.6	0.3	4.2	1.9
Malaysia	-1.6	16.2	17.7	8.0	-0.5	5.4	5.6	2.2
Mongolia	0.0	0.4	1.3	-0.1	0.0	3.7	10.9	-0.6
Myanmar	0.5	-1.1	-0.1	-0.1	0.8	-1.8	-0.2	-0.1
Nepal	3.0	1.2	0.7	-0.3	13.8	5.5	2.6	-1.2
Papua New Guinea	5.0	4.9	4.4	…	23.1	23.7	19.7	…
Philippines	8.8	4.6	5.9	5.1	3.0	1.5	1.9	1.5
Singapore	119.8	168.6	183.6	175.7	38.9	53.0	54.2	48.3
Sri Lanka	0.9	0.0	2.9	-0.6	1.1	0.0	3.3	-0.7
Chinese Taipei	74.8	98.9	94.3	82.7	14.2	18.6	16.4	14.0
Thailand	11.1	32.2	61.1	34.5	2.8	7.8	13.4	6.8
Vietnam	9.5	14.4	22.6	17.8	5.0	7.1	10.3	7.4

Notes: … data unavailable from the IMF. Positive (negative) values refer to an increase (decrease) in resident investment abroad. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations and estimates using data from IMF BoP Statistics and World Economic Outlook Database, and national sources.

Table 3.3: Financial Account Liabilities (Non-Resident Capital Inflows)

	USD billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	92.5	-19.7	39.7	32.1	7.5	-1.6	2.9	2.3
Brunei	-0.3	-0.3	0.6	0.7	-2.1	-2.9	5.0	4.8
Cambodia	2.5	2.9	3.4	3.3	13.9	14.4	15.4	13.5
China	-101.0	259.6	441.9	483.8	-0.9	2.3	3.7	3.6
Hong Kong	74.1	78.5	241.1	111.9	23.9	24.5	70.6	30.8
India	141.2	118.8	167.3	152.7	6.7	5.2	6.3	5.6
Indonesia	38.3	13.4	47.1	45.2	4.5	1.4	4.6	4.4
Japan	98.8	-158.2	-259.5	-211.2	2.3	-3.2	-5.3	-4.2
Korea	-12.6	7.6	36.8	42.2	-0.9	0.5	2.3	2.5
Lao PDR	3.1	2.8	2.7	2.7	21.8	17.3	15.7	14.8
Malaysia	-2.1	14.9	12.8	10.7	-0.7	4.9	4.0	3.0
Mongolia	1.1	1.2	2.4	1.9	9.0	11.2	20.9	14.3
Myanmar	4.5	2.8	4.7	1.8	7.1	4.6	7.6	2.7
Nepal	0.4	0.6	0.9	1.3	1.9	2.9	3.7	4.5
Papua New Guinea	0.1	-0.3	-0.9	…	0.5	-1.2	-4.1	…
Philippines	3.8	5.5	9.5	16.0	1.3	1.8	3.0	4.8
Singapore	67.2	113.8	130.2	113.8	21.8	35.8	38.5	31.2
Sri Lanka	3.2	2.2	5.1	2.7	4.0	2.7	5.7	3.1
Chinese Taipei	-21.7	22.8	22.4	-4.1	-4.1	4.3	3.9	-0.7
Thailand	-11.6	-1.5	22.7	6.5	-2.9	-0.4	5.0	1.3
Vietnam	16.5	16.7	30.1	20.2	8.6	8.3	13.7	8.4

Notes: … data unavailable from the IMF. Positive (negative) values mean an increase (decrease) in non-resident investment in the domestic economy. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations and estimates using data from IMF BoP Statistics and World Economic Outlook Database, and national sources.

Table 3.4: Current Account Balance

	USD Billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	-57.0	-41.0	-35.8	-29.7	-4.6	-3.2	-2.6	-2.1
Brunei	2.2	1.5	2.0	1.1	16.7	12.9	16.4	7.9
Cambodia	-1.6	-1.7	-1.8	-3.0	-8.7	-8.6	-8.1	-12.2
China	304.2	202.2	195.1	49.1	2.7	1.8	1.6	0.4
Hong Kong	10.3	12.7	15.9	15.6	3.3	4.0	4.6	4.3
India	-22.5	-12.1	-38.2	-65.6	-1.1	-0.5	-1.4	-2.4
Indonesia	-17.5	-17.0	-16.2	-31.0	-2.0	-1.8	-1.6	-3.0
Japan	136.5	197.0	201.6	174.7	3.1	4.0	4.1	3.5
Korea	105.1	97.9	75.2	76.4	7.2	6.5	4.6	4.4
Lao PDR	-2.3	-1.4	-1.3	-1.4	-15.8	-8.7	-7.4	-7.9
Malaysia	9.1	7.1	9.0	7.6	3.0	2.4	2.8	2.1
Mongolia	-0.9	-0.7	-1.2	-1.9	-8.1	-6.3	-10.1	-14.6
Myanmar	-2.8	-1.8	-4.5	-2.1	-4.5	-2.9	-7.3	-3.1
Nepal	2.4	-0.2	-1.0	-2.8	11.4	-0.8	-4.1	-9.6
Papua New Guinea	4.5	5.2	5.5	…	20.9	25.0	24.8	…
Philippines	7.3	-1.2	-2.1	-8.7	2.5	-0.4	-0.7	-2.6
Singapore	53.0	55.7	55.4	65.1	17.2	17.5	16.4	17.9
Sri Lanka	-1.9	-1.7	-2.3	-2.8	-2.3	-2.1	-2.6	-3.2
Chinese Taipei	72.8	71.3	83.1	70.8	13.8	13.4	14.5	12.0
Thailand	27.8	43.4	44.1	32.4	6.9	10.5	9.7	6.4
Vietnam	-2.0	0.6	-1.6	5.9	-1.1	0.3	-0.7	2.4

Notes: … data unavailable from the IMF. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations using data from IMF BoP Statistics and World Economic Outlook Database, and national sources.

Table 3.5: Net International Investment Position (Net IIP)

	USD billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	-673.7	-701.2	-766.8	-719.0	-54.5	-55.3	-55.3	-50.6
Brunei	…	…	…	…	…	…	…	…
Cambodia	-8.4	-10.2	-15.0	-19.3	-46.7	-50.9	-67.6	-78.9
China	1,672.8	1,950.4	2,100.7	2,130.1	14.9	17.4	17.4	15.9
Hong Kong	1,003.1	1,153.8	1,421.2	1,294.3	324.3	359.6	415.9	356.8
India	-368.4	-367.3	-426.6	-433.8	-17.5	-16.0	-16.1	-16.0
Indonesia	-376.8	-333.8	-323.4	-316.7	-43.8	-35.8	-31.8	-31.0
Japan	2,715.2	2,879.2	2,916.6	3,081.3	61.9	58.4	60.0	62.0
Korea	204.4	281.1	261.7	412.9	13.9	18.7	16.1	24.0
Lao PDR	…	…	…	…	…	…	…	…
Malaysia	25.4	15.6	-7.5	-18.8	8.4	5.2	-2.3	-5.2
Mongolia	-28.6	-29.3	-32.0	-33.6	-243.7	-263.0	-280.3	-258.5
Myanmar	-9.8	-25.2	-30.3	-31.8	-15.5	-41.7	-49.3	-46.4
Nepal	4.0	4.3	3.8	…	18.6	20.3	14.9	…
Papua New Guinea	…	…	…	…	…	…	…	…
Philippines	-28.2	-28.0	-42.7	-48.1	-9.6	-9.2	-13.6	-14.5
Singapore	647.1	721.0	809.5	812.0	210.1	226.7	239.2	223.0
Sri Lanka	-43.0	-44.6	-47.9	-50.4	-53.4	-54.1	-54.4	-56.7
Chinese Taipei	1,080.7	1,108.6	1,182.8	1,280.5	205.6	208.6	205.7	217.1
Thailand	-42.8	-32.4	-36.4	-11.3	-10.7	-7.8	-8.0	-2.2
Vietnam	…	…	…	…	…	…	…	…

Notes: … data unavailable from the IMF. Net IIP refers to total international investment assets minus total international investment liabilities. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations using data from IMF International Investment Position and World Economic Outlook Database; and national sources.

Table 3.6: Total International Investment Assets

	USD billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	1,622.6	1,689.7	1,897.0	1,835.2	131.4	133.3	136.8	129.2
Brunei	…	…	…	…	…	…	…	…
Cambodia	16.3	18.1	17.5	18.2	90.1	90.5	78.7	74.5
China	6,155.8	6,507.0	7,148.8	7,324.2	54.8	58.0	59.3	54.8
Hong Kong	4,364.2	4,609.1	5,478.6	5,480.4	1,410.7	1,436.4	1,603.3	1,510.9
India	531.3	543.1	614.3	606.0	25.3	23.7	23.2	22.3
Indonesia	212.4	300.5	338.4	347.8	24.7	32.2	33.3	34.0
Japan	7,787.5	8,444.1	8,975.7	9,185.2	177.4	171.4	184.7	184.7
Korea	1,144.0	1,245.1	1,461.6	1,520.4	78.0	83.0	90.0	88.4
Lao PDR	…	…	…	…	…	…	…	…
Malaysia	387.6	385.7	418.3	407.0	128.6	128.0	131.1	113.5
Mongolia	3.9	4.3	5.6	6.2	33.3	38.7	48.7	47.3
Myanmar	10.7	9.5	9.6	9.6	16.9	15.7	15.6	13.9
Nepal	9.4	10.2	10.7	…	43.7	48.4	42.5	…
Papua New Guinea	…	…	…	…	…	…	…	…
Philippines	155.1	161.3	171.5	176.5	53.0	52.9	54.7	53.3
Singapore	3,079.8	3,200.0	3,726.2	3,836.6	999.9	1,006.1	1,101.1	1,053.6
Sri Lanka	10.7	10.3	12.7	12.1	13.3	12.5	14.4	13.6
Chinese Taipei	1,664.4	1,776.9	1,984.7	2,048.9	316.7	334.4	345.2	347.3
Thailand	339.0	382.4	461.4	482.7	84.5	92.7	101.3	95.6
Vietnam	…	…	…	…	…	…	…	…

Notes: … data unavailable from the IMF. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations using data from IMF International Investment Position and World Economic Outlook Database, and national sources.

Table 3.7: Total International Investment Liabilities

	USD billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	2,296.3	2,390.9	2,663.8	2,554.2	185.9	188.6	192.1	179.9
Brunei	...	...	...	...	...	...	...	...
Cambodia	24.7	28.3	32.5	37.5	136.8	141.4	146.3	153.5
China	4,483.0	4,556.7	5,048.1	5,194.1	39.9	40.6	41.9	38.9
Hong Kong	3,361.0	3,455.3	4,057.5	4,186.1	1,086.5	1,076.8	1,187.4	1,154.1
India	899.8	910.5	1,040.9	1,039.8	42.8	39.8	39.2	38.2
Indonesia	589.3	634.3	661.7	664.6	68.5	68.1	65.2	65.0
Japan	5,072.3	5,564.9	6,059.0	6,103.8	115.6	113.0	124.7	122.8
Korea	939.5	964.0	1,199.9	1,107.5	64.1	64.2	73.9	64.4
Lao PDR	...	...	...	...	...	...	...	...
Malaysia	362.1	370.0	425.8	425.7	120.2	122.8	133.5	118.7
Mongolia	32.5	33.7	37.6	39.8	276.9	301.6	328.9	305.8
Myanmar	20.5	34.7	39.8	41.4	32.4	57.5	64.9	60.3
Nepal	5.4	5.9	6.9	...	25.2	28.0	27.5	...
Papua New Guinea	...	...	...	...	...	...	...	...
Philippines	183.3	189.3	214.2	224.6	62.6	62.1	68.3	67.9
Singapore	2,432.7	2,479.0	2,916.7	3,024.6	789.8	779.4	861.9	830.6
Sri Lanka	53.7	54.9	60.6	62.5	66.7	66.6	68.8	70.3
Chinese Taipei	583.7	668.3	801.9	768.4	111.1	125.8	139.5	130.3
Thailand	381.8	414.8	497.8	494.0	95.1	100.6	109.3	97.8
Vietnam	...	...	...	...	...	...	...	...

Notes: ... data unavailable from the IMF. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations using data from IMF International Investment Position and World Economic Outlook Database, and national sources.

Table 3.8: Official Reserve Assets

	USD billion				% of GDP			
	2015	2016	2017	2018	2015	2016	2017	2018
Australia	49.3	55.1	68.8	57.5	4.0	4.3	5.0	4.0
Brunei	…	…	…	…	…	…	…	…
Cambodia	5.1	6.8	8.8	10.2	28.2	33.7	39.6	41.6
China	3,406.1	3,097.8	3,235.9	3,168.0	30.3	27.6	26.8	23.7
Hong Kong	358.8	386.2	431.6	424.4	116.0	120.4	126.3	117.0
India	350.0	359.5	409.7	396.1	16.6	15.7	15.4	14.6
Indonesia	105.9	116.4	130.2	120.7	12.3	12.5	12.8	11.8
Japan	1,232.8	1,220.4	1,261.3	1,265.3	28.1	24.8	26.0	25.4
Korea	367.9	371.1	389.2	403.6	25.1	24.7	24.0	23.5
Lao PDR	…	…	…	…	…	…	…	…
Malaysia	95.3	94.5	102.1	101.4	31.6	31.4	32.0	28.3
Mongolia	1.3	1.3	3.0	3.5	11.3	11.7	26.4	27.3
Myanmar	4.4	4.9	5.2	5.6	6.9	8.1	8.5	8.2
Nepal	8.2	8.9	9.4	…	38.3	41.8	37.2	…
Papua New Guinea	…	…	…	…	…	…	…	…
Philippines	80.7	80.7	81.6	79.2	27.6	26.5	26.0	23.9
Singapore	248.2	246.3	279.8	287.3	80.6	77.4	82.7	78.9
Sri Lanka	7.3	6.0	8.0	6.9	9.1	7.3	9.0	7.8
Chinese Taipei	430.7	439.0	456.7	466.8	81.9	82.6	79.4	79.1
Thailand	156.5	171.9	202.6	205.6	39.0	41.7	44.5	40.7
Vietnam	…	…	…	…	…	…	…	…

Notes: … data unavailable from the IMF. Data accessed through CEIC Dataset as of 4 December 2019.

Sources: SEACEN staff calculations using data from IMF International Investment Position and World Economic Outlook Database, and national sources.

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SEACEN Capital Flows Monitor 2019

The SEACEN Capital Flows Monitor 2019 is a bi-annual report on cross-border capital flows of SEACEN member economies, including Australia and Japan which are members of the SEACEN Expert Group (SEG) on Capital Flows. The report discusses recent trends and outlook on capital flows and international investment positions; and includes a thematic chapter on FDI inflows and direct investment income payments. It also presents statistical tables on key external indicators related the Balance of Payments Statistics and International Investment Position.

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