



BOJ ***Reports & Research Papers***

Japan's Balance of Payments for 2011

July 2012

International Department

Bank of Japan

This report is an English translation of the Japanese original released on April 20, 2012.

Figures for 2011 were released on April 9, 2012.

Please contact below in advance to request permission when reproducing or copying the content of this report for commercial purposes.

International Department, Bank of Japan

P.O. Box 30, Nihonbashi, Tokyo 103-8660, Japan

Please credit the source when reproducing or copying the content of this report.

Contents

I. Summary	1
II. Current Account	2
A. Summary	2
B. Developments in the Main Components	2
1. Goods	2
2. Services	6
3. Income	6
4. Current transfers	7
III. Capital and Financial Account	8
A. Summary	8
B. Developments in the Main Components	9
1. Direct investment	9
a. Outward direct investment (assets)	9
b. Inward direct investment (liabilities)	10
2. Portfolio investment	11
a. Outward portfolio investment (assets)	11
b. Inward portfolio investment (liabilities)	13
3. Financial derivatives	15
4. Other investment	15
5. Capital account	15
Box 1 Current Account Balance and Balance on Goods Based on Earlier Editions of the <i>Balance of Payments Manual</i>	5
Box 2 Financial Donations from Abroad Related to the Great East Japan Earthquake	7
Box 3 Developments in Direct Investment by Type of Investment	10

I. Summary

Japan's current account surplus decreased to 9.6 trillion yen in 2011, down from 17.9 trillion yen in 2010, mainly because the balance on goods turned to a deficit. The capital and financial account shifted to net inflows of 6.3 trillion yen in 2011 from net outflows of 12.0 trillion yen in 2010, registering net inflows for the first time in seven years due to a decrease in net purchases of foreign securities by Japanese investors (outflows) and an increase in net purchases of Japanese securities by foreign investors (inflows) under portfolio investment. Reserve assets continued to increase, rising by 13.8 trillion yen in 2011, compared to an increase of 3.8 trillion yen in 2010, due to foreign exchange interventions and an increase in investment income on reserve assets.

Table 1: Japan's Balance of Payments

bil. yen, %

	2007	2008	2009	2010	2011	Highlights
Current account	24,934.1	16,661.8	13,735.6	17,887.9	9,550.7	The surplus decreased significantly, mainly because the balance on goods turned to a deficit. The surplus fell below 10 trillion yen for the first time since 1996.
Change from the previous year	+5,020.0	-8,272.4	-2,926.2	+4,152.3	-8,337.2	
Year-on-year percent change	+25.2	-33.2	-17.6	+30.2	-46.6	
Goods and services	9,825.3	1,889.9	2,124.9	6,564.6	-3,378.1	Turned to a deficit for the first time in 31 years since 1980.
Change from the previous year	+2,479.3	-7,935.3	+234.9	+4,439.8	-9,942.7	Turned to a deficit for the first time in 48 years since 1963.
Goods	12,322.3	4,027.8	4,038.1	7,978.9	-1,616.5	
Change from the previous year	+2,858.0	-8,294.6	+10.3	+3,940.9	-9,595.4	
Year-on-year percent change	+30.2	-67.3	+0.3	+97.6	Negative	Exports decreased.
Exports	79,725.3	77,334.9	50,857.2	63,921.8	62,724.8	
Imports	67,403.0	73,307.1	46,819.1	55,942.9	64,341.2	Imports increased for the second consecutive year.
Services	-2,497.1	-2,137.9	-1,913.2	-1,414.3	-1,761.6	The deficit increased for the first time in four years.
Transportation	-826.4	-731.6	-838.3	-662.3	-888.1	The deficit increased.
Travel	-2,019.9	-1,763.1	-1,388.6	-1,287.5	-1,296.3	The deficit increased for the first time in seven years.
Other services	349.3	356.9	313.7	535.6	422.9	The surplus decreased.
Income	16,467.0	16,123.4	12,774.2	12,414.9	14,038.4	The surplus increased for the first time in four years.
Of which:						The surplus increased mainly due to an increase in receipts of reinvested earnings.
Direct investment income	3,565.6	3,811.6	3,460.2	2,851.3	3,821.8	
Portfolio investment income	12,251.5	11,327.8	8,792.2	8,993.0	9,538.6	The surplus increased due to an increase in receipts of income on equity.
Current transfers	-1,358.1	-1,351.5	-1,163.5	-1,091.7	-1,109.6	The deficit increased slightly.
Capital and financial account	-22,538.3	-18,389.5	-12,644.7	-11,997.7	6,265.9	Shifted to net inflows for the first time in seven years.
Financial account ¹	-22,065.3	-17,831.2	-12,179.4	-11,563.6	6,237.7	Shifted to net inflows for the first time in seven years.
Direct investment	-6,005.4	-10,707.4	-5,872.5	-5,048.7	-9,266.5	Net outflows increased for the first time in three years.
Outward direct investment	-8,660.7	-13,232.0	-6,989.6	-4,938.8	-9,126.2	Net investments (outflows) increased for the first time in three years.
Inward direct investment	2,655.2	2,524.6	1,117.1	-109.9	-140.3	Registered net withdrawals (outflows) for the second consecutive year.
Portfolio investment ²	11,992.8	-24,321.8	-21,254.9	-16,236.1	15,296.5	Shifted to net inflows for the first time in four years.
Outward portfolio investment	-12,929.8	-13,978.2	-16,303.6	-25,834.1	-6,122.8	Net purchases (outflows) decreased, mainly due to a decrease in net purchases of foreign bonds and notes.
Equity securities	-2,957.6	-6,414.9	-3,030.2	-2,057.4	-928.8	
Bonds and notes	-10,247.8	-7,329.9	-13,173.6	-24,040.6	-5,925.8	
Money market instruments	275.6	-233.4	-99.7	263.8	731.8	Net purchases (inflows) increased, mainly due to an increase in net purchases of Japanese money market instruments.
Inward portfolio investment	24,922.6	-10,343.6	-4,951.3	9,598.0	21,419.3	
Equity securities	5,444.2	-7,464.1	964.2	2,919.7	550.7	
Bonds and notes	10,496.7	-4,419.1	-7,711.7	437.5	4,175.2	Net receipts (inflows) increased.
Money market instruments	8,981.7	1,539.6	1,796.2	6,240.8	16,693.4	
Financial derivatives	324.9	2,456.2	948.7	1,026.2	1,347.0	Net receipts (inflows) increased.
Other investment ²	-28,413.1	14,510.0	13,870.3	8,694.9	-1,147.1	Shifted to net outflows for the first time in four years.
Assets	-29,046.3	1,656.8	18,244.3	-8,412.0	-10,761.5	
Liabilities	633.2	12,853.1	-4,374.0	17,106.9	9,614.4	
Capital account	-473.1	-558.3	-465.3	-434.1	28.2	Turned to a surplus for the first time since 1985.
Of which:						
Capital transfers	-336.8	-387.2	-238.5	-328.5	37.5	
Changes in reserve assets¹	-4,297.4	-3,200.1	-2,526.5	-3,792.5	-13,789.7	Reserve assets increased significantly.
Errors and omissions	1,901.6	4,927.9	1,435.6	-2,097.7	-2,026.9	

Notes: 1. Negative figures in the financial account and changes in reserve assets represent financial outflows (i.e., increases in assets and decreases in liabilities).

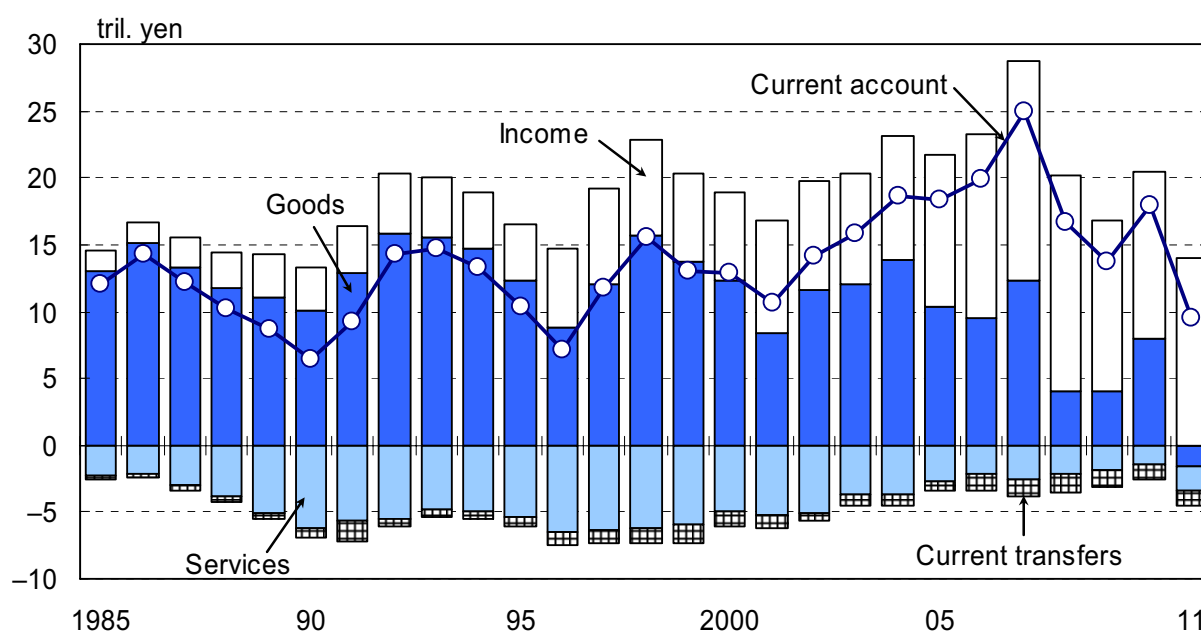
2. Figures for portfolio investment and other investment in the financial account exclude securities lending transactions.

II. Current Account

A. Summary

The current account surplus decreased, mainly because the balance on goods turned to a deficit. The balance on goods turned to a deficit for the first time since 1963 due to a decrease in exports and an increase in imports. The deficit on services increased mainly because the deficit on transportation increased. The surplus on income increased due to increases in direct investment income and portfolio investment income. The deficit on current transfers increased due to an increase in payments.

Figure 1: Current Account



B. Developments in the Main Components

1. Goods

Exports decreased to 62.7 trillion yen in 2011 from 63.9 trillion yen in 2010 mainly due to the effects of the Great East Japan Earthquake, while imports increased to 64.3 trillion yen in 2011 from 55.9 trillion yen in 2010, led by items such as mineral fuels. As a result, the balance on goods turned to a deficit for the first time in 48 years since 1963, turning from a surplus of 8.0 trillion yen in 2010 to a deficit of 1.6 trillion yen in 2011.¹

¹ In the *Trade Statistics of Japan* (hereafter "trade statistics"), a deficit on goods was recorded for the first time in 31 years since 1980. A smaller surplus or larger deficit on goods tends to be recorded in the trade statistics than in the balance of payments statistics, because freight charges and insurance premiums are included in imports in the trade statistics but not in the balance of payments statistics.

Developments by region and by commodity are as follows. Figures for both exports and imports are based on the trade statistics.²

Table 2: Exports by Region and by Commodity

tril. yen

	2010	2011	Change from the previous year	Contribution to overall export growth (% points)
Total exports	67.4	65.5	-1.9	-2.7
Asia	37.8	36.7	-1.1	-1.7
North America	11.2	10.7	-0.5	-0.7
Central and South America	3.9	3.5	-0.3	-0.5
EU	7.6	7.6	+0.0	+0.0
Others	6.9	7.0	+0.1	+0.1
Transport equipment	15.3	14.0	-1.2	-1.8
Of which:				
Motor vehicles	9.2	8.2	-1.0	-1.4
Ships	2.2	2.0	-0.2	-0.3
Electrical machinery	12.7	11.6	-1.1	-1.6
Of which:				
Semiconductors, etc.	4.2	3.6	-0.6	-0.9
Visual apparatus	0.9	0.8	-0.2	-0.2
Parts of audio, visual app.	0.6	0.4	-0.1	-0.2
Machinery	13.3	13.8	+0.5	+0.7
Of which:				
Metalworking machinery	0.9	1.2	+0.3	+0.4
Others	26.2	26.1	-0.1	-0.1

Source: Ministry of Finance, *Trade Statistics of Japan*.

² The trade statistics are the main data source for goods in the balance of payments statistics. The definitions of exports and imports differ between the two statistics and certain adjustments are made to compile the balance of payments statistics. The major differences are described below:

	Trade Statistics	Goods in the Balance of Payments Statistics
Price quoted	Exports: FOB (Free on Board), i.e., the price of goods at the border of the exporting country is recorded. Imports: CIF (Cost, Insurance, and Freight), i.e., freight charges and insurance premiums are recorded in addition to the price of goods.	Exports: FOB Imports: FOB
Coverage	Goods that have crossed the customs frontier of the reporting economy	Goods whose ownership has changed between residents and nonresidents (in principle). Returned goods are excluded.
Time of recording	Exports: When the ship or aircraft carrying the goods leaves the port Imports: When import of the goods is permitted	When ownership changes

Table 3: Imports by Region and by Commodity

tril. yen

	2010	2011	Change from the previous year	Contribution to overall import growth (% points)
Total imports	60.8	68.1	+7.3	+12.1
Asia	27.5	30.4	+2.9	+4.7
Middle East	10.4	12.8	+2.4	+4.0
EU	5.8	6.4	+0.6	+1.0
Oceania	4.3	4.9	+0.6	+0.9
North America	6.9	7.0	+0.1	+0.2
Others	5.8	6.6	+0.8	+1.3
Mineral fuels	17.4	21.8	+4.4	+7.3
Of which:				
Petroleum	9.4	11.4	+2.0	+3.3
Liquefied natural gas	3.5	4.8	+1.3	+2.2
Petroleum products	1.6	2.2	+0.6	+1.0
Coal	2.1	2.5	+0.3	+0.6
Chemicals	5.4	6.1	+0.7	+1.2
Manufactured goods	5.4	6.1	+0.7	+1.1
Foodstuffs	5.2	5.9	+0.7	+1.1
Raw materials	4.8	5.3	+0.5	+0.8
Of which:				
Iron ore and concentrates	1.4	1.7	+0.4	+0.6
Others	22.6	23.0	+0.4	+0.6

Source: Ministry of Finance, *Trade Statistics of Japan*.

Box 1 Current Account Balance and Balance on Goods Based on Earlier Editions of the *Balance of Payments Manual*

In response to inquiries from data users, the tables below show current account data series through 1995 compiled based on earlier editions of the *Balance of Payments Manual* (the *Manual*).³ The figures are on a calendar-year basis and have been previously published in the Bank of Japan's *Balance of Payments Monthly* and *Balance of Payments of Japan*. Data series through 1984 are not comparable to data from 1985 onward because those through 1984 are compiled in U.S. dollars and based on a different compilation method.

Table 1 for Box 1: Figures from 1946 through 1956 (Based on the Second Edition of the *Manual*¹⁾

mil. U.S. dollars

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Current account	-78	46	75	207	476	329	225	-205	-51	227	-34
Of which: Goods	-236	-266	-282	-192	38	-287	-407	-790	-427	-53	-131

Note: 1. Published by the IMF in 1950 for the compilation of balance of payments statistics.

Source: *Balance of Payments of Japan* (1954–1959).

Table 2 for Box 1: Figures from 1957 through 1978 (Based on the Third Edition of the *Manual*¹⁾

mil. U.S. dollars

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Current account	-620	264	361	143	-982	-48	-780	-480	932	1,254	-190
Of which: Goods	-402	370	362	268	-558	401	-166	377	1,901	2,275	1,160

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Current account	1,048	2,119	1,970	5,797	6,624	-136	-4,693	-682	3,680	10,918	16,534
Of which: Goods	2,529	3,699	3,963	7,787	8,971	3,688	1,436	5,028	9,887	17,311	24,596

Note: 1. Published by the IMF in 1961.

Sources: *Balance of Payments of Japan* (1961–1964) and *Balance of Payments Monthly* (Feb. 1969, No. 31–June 1979, No. 155).

Table 3 for Box 1: Figures from 1979 through 1995 (Based on the Fourth Edition of the *Manual*¹⁾

mil. U.S. dollars

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Current account	-8,754	-10,746	4,770	6,850	20,799	35,003	49,169	85,845	87,015	79,631	57,157
Of which: Goods	1,845	2,125	19,967	18,079	31,454	44,257	55,986	92,827	96,386	95,012	76,917

	1990	1991	1992	1993	1994	1995
Current account	35,761	72,901	117,551	131,448	129,140	110,581
Of which: Goods	63,528	103,044	132,348	141,514	145,944	134,885

Note: 1. Published by the IMF in 1977.

Source: *Balance of Payments Monthly* (Apr. 1980, No. 165–Dec. 1995, No. 353).

³ Japan's balance of payments statistics in their current form are based on the fifth edition of the *Manual* and have been compiled and disseminated since 1996. Data series from 1985 through 1995 originally compiled based on the fourth edition of the *Manual* have been converted to conform with the current statistics and are available on the BOJ Time-Series Data Search (http://www.stat-search.boj.or.jp/index_en.html). However, in this report, data for 1985 through 1995 based on the fourth edition are shown to allow comparison with earlier data.

2. Services

The deficit on services increased to 1.8 trillion yen in 2011, up from 1.4 trillion yen in 2010, mainly because the deficit on transportation increased.

Table 4: Services

bil. yen

	2010	2011	Change from the previous year	Major factors
Services	-1,414.3	-1,761.6	-347.3	—
Transportation	-662.3	-888.1	-225.8	The deficit increased since sea and air freight receipts decreased reflecting a decrease in exports and a fall in sea freight rates.
Of which:				
Sea transport	-209.6	-322.4	-112.8	
Air transport	-445.7	-560.5	-114.9	
Travel	-1,287.5	-1,296.3	-8.8	While the number of Japanese traveling abroad increased slightly, payments decreased due to a decrease in per capita expenditures. Receipts also decreased due to a decrease in the number of foreign visitors to Japan.
Credit	1,158.6	875.2	-283.4	
Debit	2,446.2	2,171.6	-274.6	
Other services	535.6	422.9	-112.7	The surplus decreased due to a decrease in the surplus on merchanting and other trade-related services.
Credit	7,828.4	7,679.1	-149.3	
Debit	7,292.9	7,256.2	-36.6	
Of which:				The surplus decreased since receipts decreased reflecting a fall in revenues on merchanting.
Merchanting and other trade-related services	1,132.6	914.9	-217.7	
Credit	2,076.7	1,903.8	-172.9	
Debit	944.1	988.9	+44.8	
Miscellaneous business, professional, and technical services	-1,085.1	-1,200.4	-115.3	The deficit increased as payments for other business/professional services increased.
Credit	1,383.2	1,434.5	+51.3	
Debit	2,468.3	2,634.9	+166.6	
Insurance services	-485.1	-410.9	+74.2	The deficit decreased as payments for reinsurance services decreased.
Credit	111.8	132.3	+20.5	
Debit	596.8	543.2	-53.7	
Royalties and license fees	694.3	790.1	+95.9	The surplus increased as payments for royalties from the electric machinery and pharmaceuticals industries decreased.
Credit	2,342.2	2,319.0	-23.2	
Debit	1,648.0	1,528.9	-119.0	

3. Income

The surplus on income increased to 14.0 trillion yen in 2011, up from 12.4 trillion yen in 2010. The surplus on direct investment income increased due to an increase in receipts of reinvested earnings.⁴ The surplus on portfolio investment income increased due to an increase in receipts of income on equity.

⁴ Reinvested earnings are direct investors' shares of earnings that subsidiaries do not distribute as dividends but accumulate as retained earnings. In the balance of payments statistics, reinvested earnings are recorded under income. At the same time, the same amount with the opposite sign is recorded under direct investment, as this amount is deemed to be reinvested in the enterprise as a direct investment. As Japan's balance of payments statistics are compiled based on annual financial statements of companies, the business performance of overseas subsidiaries is reflected with a time lag. For example, changes in the retained earnings of overseas subsidiaries recognized in parent companies' financial statements for the fiscal year ending March 2011 are reflected in Japan's balance of payments statistics from September 2011 through August 2012.

Table 5: Income

bil. yen

	2010	2011	Change from the previous year	Major factors
Income	12,414.9	14,038.4	+1,623.5	—
Of which:				
Direct investment income	2,851.3	3,821.8	+970.5	The surplus increased due to an increase in receipts of reinvested earnings.
Credit	3,357.8	4,701.2	+1,343.3	Receipts of reinvested earnings increased reflecting a recovery in the business performance of overseas subsidiaries of Japanese companies. Total receipts increased by 40 percent from the previous year.
Of which:				
Dividends and distributed branch profits	3,131.5	3,237.4	+105.9	
Reinvested earnings	153.2	1,420.6	+1,267.4	
Debit	506.5	879.3	+372.8	Reinvested earnings turned positive reflecting a recovery in the business performance of Japanese subsidiaries of foreign companies. Total payments increased by 70 percent from the previous year.
Of which:				
Dividends and distributed branch profits	725.2	690.6	−34.6	
Reinvested earnings	−257.6	155.4	+413.1	
Portfolio investment income	8,993.0	9,538.6	+545.6	The surplus increased due to an increase in receipts of income on equity.
Income on equity	1,638.6	2,621.6	+983.0	Receipts increased by 40 percent from the previous year as Japanese-owned assets in foreign investment trusts and distribution of profits from such trusts increased.
Credit	3,144.6	4,364.1	+1,219.5	
Debit	1,506.0	1,742.5	+236.5	
Income on debt	7,354.4	6,916.9	−437.4	Receipts decreased as the amount of Japanese-owned assets fell and the yen value of receipts decreased due to the yen's appreciation.
Credit	8,224.8	7,816.5	−408.3	
Debit	870.4	899.5	+29.2	

4. Current transfers

The deficit on current transfers remained at around 1.1 trillion yen, registering a slight increase in 2011, as the deficit on other transfers increased.

Table 6: Current Transfers

bil. yen

	2010	2011	Change from the previous year	Major factors
Current transfers	−1,091.7	−1,109.6	−17.9	—
Public sector	−480.0	−453.1	+27.0	The deficit decreased.
Other sectors	−611.6	−656.5	−44.9	The deficit increased. Payments for workers' remittances decreased while the deficit on other transfers increased, with the payments of compensation, settlement money, etc., and tax payments to foreign governments by Japanese private companies more than offsetting receipts of financial donations related to the Great East Japan Earthquake.
Workers' remittances	−229.4	−185.8	+43.5	
Other transfers	−382.3	−470.7	−88.4	
Credit	714.6	827.0	+112.4	
Debit	1,096.9	1,297.7	+200.8	

Box 2 Financial Donations⁵ from Abroad Related to the Great East Japan Earthquake

Following the earthquake, Japan received financial donations from over 150 countries and territories amounting to 119.4 billion yen in 2011 (March through December). In the balance of payments statistics, financial donations are in principle recorded as other transfers under current transfers.

⁵ Including relief money to be handed to disaster victims and overseas relief funds for operations sent to the Japanese Red Cross Society from Red Cross and Red Crescent Societies abroad as well as other charitable contributions related to the earthquake.

Table 1 for Box 2: Receipts of Financial Donations (from March through December 2011)^{1,2}

bil. yen

Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
6.6	17.4	16.1	13.1	4.8	6.0	3.2	43.4	5.0	3.8

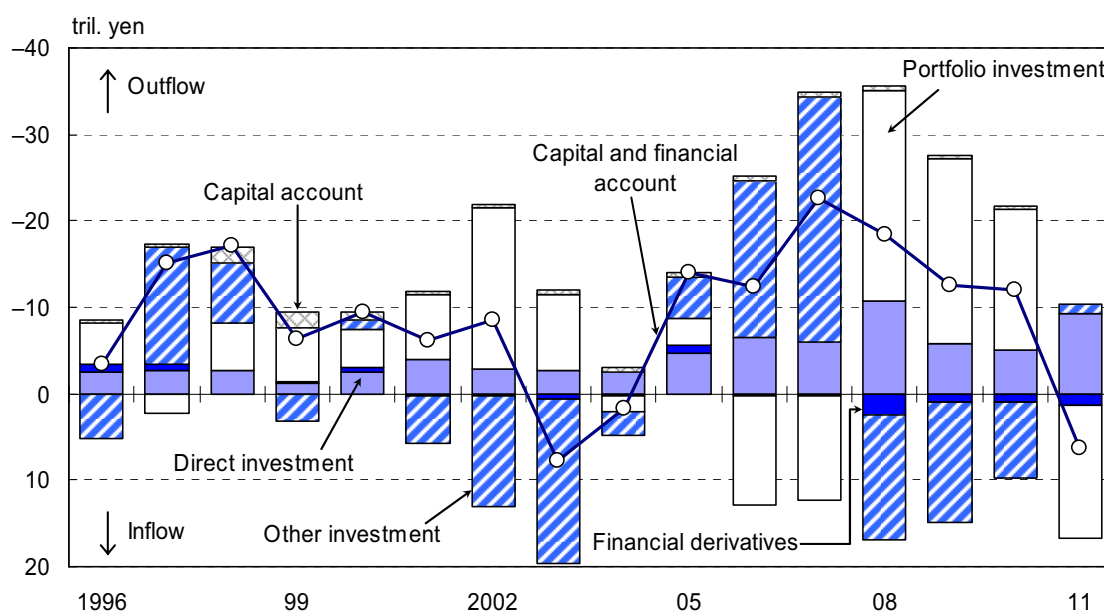
Notes: 1. The figures are the total of relief money, relief funds, and other contributions from abroad related to the Great East Japan Earthquake. Emergency assistance in the form of medical support, relief operations, relief supplies, etc., is excluded.

2. The figures partly include small-scale financial donations which fall below the reporting threshold of 30 million yen.

III. Capital and Financial Account^{6,7}

A. Summary

The capital and financial account shifted to net inflows of 6.3 trillion yen in 2011 from net outflows of 12.0 trillion yen in 2010, registering net inflows for the first time in seven years. Net outflows of direct investment increased as net investments of outward direct investment (outflows) increased. Portfolio investment shifted to net inflows for the first time in four years due to a decrease in net purchases of foreign bonds and notes (outflows) and to an increase in net purchases of Japanese money market instruments (inflows). Financial derivatives registered net inflows for the sixth consecutive year. Other investment shifted to net outflows for the first time in four years.

Figure 2: Capital and Financial Account

⁶ In this report, figures for portfolio investment and other investment exclude securities lending transactions because they are large and volatile, and including them would therefore make it difficult to grasp trends in securities transactions and loans respectively.

⁷ Negative figures in the financial account represent financial outflows (i.e., increases in external assets held by residents and decreases in liabilities to nonresidents). The same applies to the remainder of the report.

B. Developments in the Main Components

1. Direct investment

Table 7: Direct Investment

bil. yen

	2010	2011	Change from the previous year	Major factors
Direct investment	-5,048.7	-9,266.5	-4,217.8	—
Outward direct investment	-4,938.8	-9,126.2	-4,187.4	Investments increased, particularly in emerging economies such as those in Asia. Large-scale M&A type transactions in a wide range of industries increased. Reinvested earnings of Japanese firms also increased, reflecting a recovery in the business performance of overseas subsidiaries.
Investments (-)	-11,910.7	-17,951.8	-6,041.1	
Withdrawals	6,971.9	8,825.6	+1,853.7	
Inward direct investment	-109.9	-140.3	-30.4	Registered net withdrawals (outflows) for the second consecutive year as foreign disinvestments continued and new investments decreased.
Investments	4,964.1	3,342.4	-1,621.6	
Withdrawals (-)	-5,073.9	-3,482.7	+1,591.2	

a. Outward direct investment (assets)

Direct investment abroad by Japanese investors registered net outflows of 9.1 trillion yen in 2011, increasing for the first time in three years.

By region, net investments to all regions, particularly to Europe and Asia, exceeded the previous year's level.

Table 8: Outward Direct Investment by Region

bil. yen

	2009	2010	2011	Change from the previous year
Outward direct investment	-6,989.6	-4,938.8	-9,126.2	-4,187.4
Asia	-1,942.7	-1,903.5	-3,120.9	-1,217.3
Of which: P.R. China	-649.2	-628.4	-1,004.6	-376.2
Thailand	-152.3	-198.3	-557.6	-359.2
Indonesia	-45.9	-40.9	-287.6	-246.7
North America	-1,020.7	-781.0	-1,187.9	-406.9
Of which: U.S.A.	-998.9	-796.8	-1,153.0	-356.3
Central and South America	-1,627.2	-479.4	-878.6	-399.3
Of which: Brazil	-351.3	-374.5	-653.6	-279.1
Oceania	-702.9	-564.9	-699.9	-134.9
Europe	-1,668.0	-1,278.1	-3,143.7	-1,865.7
Of which: U.K.	-204.5	-385.5	-1,121.7	-736.2
Denmark	-5.1	-7.0	-1,032.5	-1,025.6
Netherlands	-631.4	-294.9	-425.6	-130.6
Others	-28.1	68.1	-95.1	-163.2

b. Inward direct investment (liabilities)

Direct investment in Japan by foreign investors registered net withdrawals (outflows) of 0.1 trillion yen, as investments from North America as well as Central and South America registered net withdrawals.

Table 9: Inward Direct Investment by Region

bil. yen

	2009	2010	2011	Change from the previous year
Inward direct investment	1,117.1	-109.9	-140.3	-30.4
Asia	104.1	262.8	111.2	-151.6
North America	164.7	282.7	-264.2	-546.9
Of which: U.S.A.	175.8	278.0	-270.2	-548.3
Central and South America	64.0	-704.1	-112.4	+591.7
Of which: Mexico	—	-663.8	-19.7	+644.1
Cayman Islands	88.2	50.7	-105.1	-155.7
Europe	772.0	46.9	107.6	+60.6
Of which: U.K.	527.7	417.1	146.0	-271.1
Others	12.3	1.8	17.4	+15.6

Box 3 Developments in Direct Investment by Type of Investment⁸

In the tables below, direct investment in equity capital from 2005 through 2011 was classified by type of investment⁹ (only large-value transactions <of 10 billion yen or over> were classified into (1), (2), (3), or (4)):

- (1) M&A type transactions: investment that does not increase tangible fixed assets, such as the acquisition of shares;
- (2) greenfield investment: investment that increases tangible fixed assets, such as factories and other facilities, in the ultimate investee enterprises;
- (3) investment for financial restructuring: investment for debt repayment or loss reduction;
- (4) investment in corporate type investment trusts and acquisition of participation certificates; and
- (5) investment of less than 10 billion yen.

For outward direct investment, large-value M&A type transactions increased significantly in 2011. By contrast, for inward direct investment, large-value M&A type transactions decreased in 2011, while no large-value transaction of greenfield investment has been registered for the third consecutive year.

⁸ For details of the types of investment, see "Japan's Balance of Payments for 2005" released on August 18, 2006, available on the Bank of Japan's web site (<http://www.boj.or.jp/en/index.htm>).

⁹ Investment here refers to the gross value of equity capital transactions, excluding withdrawals.

Table 1 for Box 3: Outward Direct Investment by Type of Investment On a Gross Value Basis

bil. yen

	(1) M&A type transactions	(2) Greenfield investment	(3) Investment for financial restructuring	(4) Investment in corporate type investment trusts, etc.	(5) Investment of less than 10 billion yen
2005	1,114.6	147.0	35.9	443.1	2,846.9
2006	1,433.8	236.0	247.9	599.9	3,411.5
2007	3,120.3	295.9	382.8	1,151.7	4,476.8
2008	4,731.7	441.9	632.2	2,291.6	3,238.9
2009	2,317.7	46.1	484.5	1,697.9	3,137.8
2010	2,545.3	192.9	112.1	583.8	2,847.1
2011	5,153.4	228.2	222.2	297.4	4,687.0

Table 2 for Box 3: Inward Direct Investment by Type of Investment On a Gross Value Basis

bil. yen

	(1) M&A type transactions	(2) Greenfield investment	(3) Investment for financial restructuring	(4) Investment in corporate type investment trusts, etc.	(5) Investment of less than 10 billion yen
2005	650.6	—	31.3	59.7	1,159.2
2006	1,623.5	10.0	39.0	33.3	1,279.7
2007	2,710.4	21.7	86.7	12.0	1,330.2
2008	1,740.0	10.0	193.1	—	2,315.5
2009	722.3	—	182.1	—	813.3
2010	2,074.7	—	180.7	—	1,262.3
2011	862.9	—	47.0	—	780.7

2. Portfolio investment

a. Outward portfolio investment (assets)

Net purchases of foreign securities by Japanese investors (outflows) decreased to 6.1 trillion yen in 2011 from 25.8 trillion yen in 2010 mainly due to a decrease in net purchases of bonds and notes.

Net purchases of foreign equity securities (outflows) decreased to 0.9 trillion yen in 2011 from 2.1 trillion yen in 2010, reflecting a decrease in net purchases by banks and trust banks through trust accounts.

By region, while net purchases of North American equity securities remained more or less unchanged from the previous year's level, net purchases of Central and South American equity securities decreased, and investments in Asian equity securities shifted to net sales.

Table 10: Outward Investment in Equity Securities

bil. yen

	2009	2010	2011	Change from the previous year
Outward investment in equity securities	-3,030.2	-2,057.4	-928.8	+1,128.6
Of which: Banks (trust accounts) ¹	-2,436.9	-1,736.8	-896.9	+839.9
Investment trust management companies	-843.0	-68.9	-171.4	-102.5
Asia	-373.3	-96.2	273.1	+369.3
North America	-1,676.1	-1,284.4	-1,197.6	+86.8
Of which: U.S.A.	-1,541.3	-1,205.9	-1,132.5	+73.3
Central and South America	27.7	-307.8	-50.5	+257.3
Of which: Brazil	-305.1	31.3	219.0	+187.6
Cayman Islands	409.1	-285.9	-225.3	+60.6
Others	-1,008.6	-369.0	46.3	+415.3

Note:1. Consist of figures for trust accounts for banks and trust banks.

Net purchases of foreign bonds and notes (outflows) decreased significantly to 5.9 trillion yen in 2011 from 24.0 trillion yen in 2010, as net purchases by banks and investment trust management companies decreased significantly, and investments by life and non-life insurance companies shifted to net sales.

By region, net purchases of North American as well as Central and South American bonds and notes decreased, while investments in European bonds and notes shifted to net sales.

Table 11: Outward Investment in Bonds and Notes

bil. yen

	2009	2010	2011	Change from the previous year
Outward investment in bonds and notes	-13,173.6	-24,040.6	-5,925.8	+18,114.8
Of which: Banks ¹	-7,771.6	-10,831.5	-1,314.6	+9,516.9
Life and non-life insurance companies	-1,678.6	-3,806.7	604.5	+4,411.2
Investment trust management companies	-3,200.0	-4,950.1	-491.3	+4,458.8
Asia	-78.3	-290.2	-577.6	-287.3
North America	-6,266.1	-13,080.9	-457.7	+12,623.2
Of which: U.S.A.	-6,440.3	-12,759.5	-580.8	+12,178.8
Central and South America	-518.2	-6,994.9	-3,526.1	+3,468.8
Of which: Mexico	-585.1	-932.0	233.1	+1,165.1
Cayman Islands	240.5	-5,925.2	-3,477.5	+2,447.7
Oceania	-2,134.4	-1,368.0	-1,337.4	+30.7
Europe	-3,871.0	-1,916.2	465.4	+2,381.6
Of which: U.K.	-951.8	-1,331.6	-1,602.3	-270.7
Netherlands	-351.5	-306.8	-740.9	-434.0
Spain	-701.5	378.4	-0.9	-379.2
France	-503.2	746.4	477.2	-269.2
Italy	-442.3	-127.6	1,000.9	+1,128.5
Germany	-297.9	-132.2	2,021.7	+2,153.9
Others	-305.6	-390.3	-492.4	-102.2

Note:1. Consist of figures for banking accounts of banks and trust banks.

b. Inward portfolio investment (liabilities)

Net purchases of Japanese securities by foreign investors¹⁰ (inflows) increased to 21.4 trillion yen in 2011 from 9.6 trillion yen in 2010 mainly due to an increase in net purchases of money market instruments.

Net purchases of Japanese equity securities (inflows) decreased to 0.6 trillion yen in 2011 from 2.9 trillion yen in 2010 due to a decrease in investments from Europe and North America.

Table 12: Inward Investment in Equity Securities

bil. yen

	2009	2010	2011	Change from the previous year
Inward investment in equity securities	964.2	2,919.7	550.7	-2,368.9
Asia	-720.5	103.9	-10.1	-114.0
Of which: Singapore	138.7	99.4	81.7	-17.7
Hong Kong	-858.9	0.7	-88.3	-89.0
North America	-140.4	1,156.5	574.7	-581.8
Of which: U.S.A.	-140.2	1,155.1	575.8	-579.3
Europe	1,948.4	1,727.7	47.5	-1,680.2
Of which: U.K.	1,224.0	1,983.1	363.5	-1,619.6
France	829.6	-193.7	-352.9	-159.1
Others	-123.3	-68.4	-61.3	+7.1

Net purchases of Japanese bonds and notes (inflows) increased to 4.2 trillion yen in 2011 from 0.4 trillion yen in 2010 due to an increase in investments from Europe, particularly from the United Kingdom.

¹⁰ The regional classification of inward portfolio investment is based on the location of the counterparty to the transaction, not the location of the ultimate investor. For example, an inward portfolio investment by a French investor through a securities company in the United Kingdom would be recorded as an investment from the United Kingdom, not from France. As a result, countries with large financial markets such as the United Kingdom and the United States tend to account for a large amount of investments.

Table 13: Inward Investment in Bonds and Notes

bil. yen

	2009	2010	2011	Change from the previous year
Inward investment in bonds and notes	-7,711.7	437.5	4,175.2	+3,737.7
Asia	26.4	122.6	290.9	+168.3
Of which: P.R. China	-120.0	-37.4	541.4	+578.8
Hong Kong	-109.4	400.9	-397.7	-798.5
North America	-264.4	676.7	1,149.0	+472.4
Of which: U.S.A.	-214.2	676.7	1,072.5	+395.8
Central and South America	33.6	-416.5	-303.2	+113.3
Of which: Cayman Islands	25.3	-396.8	-274.7	+122.1
Europe	-6,788.6	162.9	3,403.6	+3,240.7
Of which: U.K.	-4,388.5	118.5	3,124.8	+3,006.2
France	-1,920.0	-55.6	506.0	+561.6
Belgium	458.5	249.4	653.6	+404.2
Luxembourg	-223.3	-108.9	-425.4	-316.5
Russia	-265.4	-333.8	-364.5	-30.7
Others	-718.7	-108.1	-365.2	-257.1

Net purchases of Japanese money market instruments (inflows) increased to 16.7 trillion yen in 2011 from 6.2 trillion yen in 2010, registering a record high since comparable data started to be compiled in 1996.

By region, while net purchases of Japanese money market instruments particularly by U.K. investors increased significantly, net sales by investors from Asia, North America, and the Middle East increased.

Table 14: Inward Investment in Money Market Instruments (MMIs)

bil. yen

	2009	2010	2011	Change from the previous year
Inward investment in MMIs	1,796.2	6,240.8	16,693.4	+10,452.6
Asia	-844.5	-2,860.5	-7,470.5	-4,610.0
Of which: P.R. China	41.3	-430.4	-4,018.8	-3,588.4
North America	-1,892.8	-3,902.1	-7,512.2	-3,610.2
Of which: U.S.A.	-1,305.7	-3,836.2	-7,456.6	-3,620.4
Europe	10,416.0	20,371.5	43,831.1	+23,459.6
Of which: U.K.	28,848.2	38,011.8	64,901.7	+26,889.9
France	-13,760.3	-15,437.9	-13,755.4	+1,682.5
Luxembourg	-2,672.2	-602.7	-4,411.5	-3,808.7
Middle East	-1,123.6	-1,206.8	-6,885.1	-5,678.3
Of which: U.A.E.	-635.0	-1,135.1	-6,182.8	-5,047.6
International organizations	-4,149.6	-5,675.1	-4,184.8	+1,490.3
Others	-609.4	-486.2	-1,085.1	-598.9

3. Financial derivatives

Net receipts (inflows) associated with financial derivatives increased for the sixth consecutive year to 1.3 trillion yen in 2011, up from 1.0 trillion yen in 2010.

4. Other investment

Other investment shifted to net outflows of 1.1 trillion yen in 2011 from net inflows of 8.7 trillion yen in 2010, registering net outflows for the first time in four years.

On the asset side, net outflows increased to 10.8 trillion yen in 2011 from 8.4 trillion yen in 2010 due to increases in remittances of foreign currency funds to overseas offices through interoffice accounts and in transactions with repurchase agreements reflecting overseas needs for yen funds.

On the liability side, net inflows decreased to 9.6 trillion yen in 2011 from 17.1 trillion yen in 2010, mainly due to repayment of yen funds borrowed through interoffice accounts.

5. Capital account

The capital account turned to a surplus of 0.03 trillion yen in 2011 from a deficit of 0.43 trillion yen in 2010, registering a surplus for the first time since 1985.¹¹

Table 15: Capital Account

bil. yen

	2010	2011	Change from the previous year	Major factors
Capital account	-434.1	28.2	+462.3	—
Capital transfers	-328.5	37.5	+366.1	Registered a surplus for the first time since 1985, mainly because receipts of reinsurance claims related to the Great East Japan Earthquake were recorded as capital transfers. ¹
Credit	11.5	400.3	+388.8	
Debit	340.1	362.8	+22.7	
Acquisition/disposal of non-produced, nonfinancial assets	-105.6	-9.3	+96.3	The deficit decreased as a result of sales of natural resource rights.

Note:1. For details, see "Change in the Classification of Insurance Claims in the Balance of Payments Statistics" released on August 8, 2011, on the Bank's web site. Receipts of insurance claims related to the Great East Japan Earthquake, which are recorded under capital transfers, were as follows: 56.3 billion yen from April through June; 181.4 billion yen from July through September; and 148.2 trillion yen from October through December.

¹¹ Before 1985 figures for the capital account were not compiled.