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**Japan's International Investment Position
at Year-End 2013**

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International Department

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Japan's international investment position (IIP) was released on May 27, 2014, by the Ministry of Finance and the Bank of Japan as the *International Investment Position of Japan (End of 2013)*. The regional breakdown is available on the Bank's web site (<http://www.boj.or.jp/en/index.htm/>).

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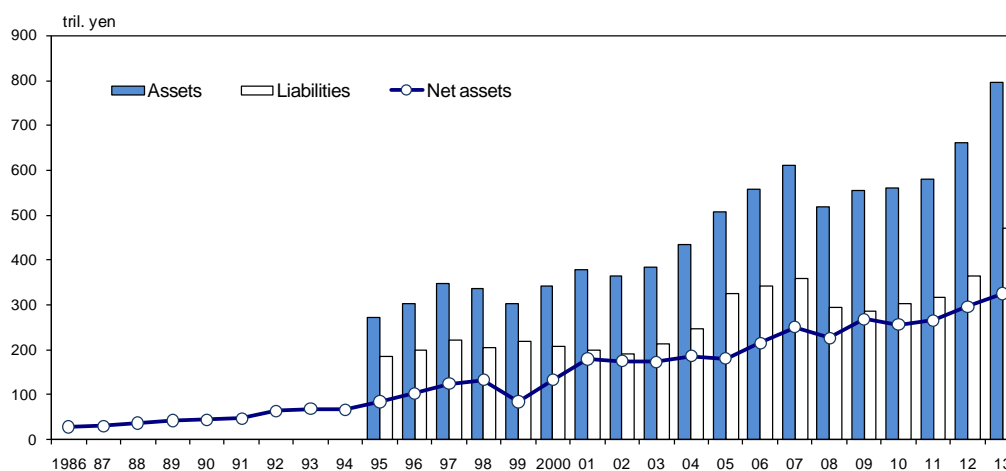
I. Summary

A. Developments in Japan's International Investment Position (IIP) at Year-End 2013

Japan's external financial assets increased in 2013 due to an increase in their yen value reflecting the yen's depreciation compared to the previous year end as well as due to net acquisitions of foreign financial instruments by Japanese investors. Meanwhile, Japan's external liabilities also increased in 2013 due to a rise in Japanese equity prices and net acquisitions of Japanese financial instruments by foreign investors. Japan's net asset position increased in 2013 as the increase in assets exceeded that in liabilities. Net assets stood at 325.0 trillion yen at year-end 2013, up from 296.3 trillion yen at year-end 2012.

The assets, liabilities, and net assets at year-end 2013 registered all record highs for the period that comparable data are available.¹

Figure 1: Developments in the IIP¹



Note: 1. Figures for year-end 1995 and after are calculated in accordance with the fifth edition of the *Balance of Payments Manual (BPM5)* issued by the International Monetary Fund (IMF).

B. Major Features of Each Category

(1) Direct investment (assets: 117.7 trillion yen; liabilities: 18.0 trillion yen)

Outward direct investment (assets) increased by 27.9 trillion yen or 31.1 percent.

Inward direct investment (liabilities) remained more or less unchanged.

(2) Portfolio investment (assets: 359.2 trillion yen; liabilities: 251.9 trillion yen)

Outward portfolio investment (assets) increased by 54.1 trillion yen or 17.7 percent.

Inward portfolio investment (liabilities) increased by 71.4 trillion yen or 39.5 percent.

(3) Financial derivatives (assets: 8.2 trillion yen; liabilities: 8.7 trillion yen)

Financial derivatives assets increased by 3.6 trillion yen or 77.5 percent.

Financial derivatives liabilities increased by 3.3 trillion yen or 62.5 percent.

(4) Other investment (assets: 178.4 trillion yen; liabilities: 193.6 trillion yen)

Other investment assets increased by 25.5 trillion yen or 16.7 percent.

Other investment liabilities increased by 31.6 trillion yen or 19.5 percent.

(5) Reserve assets (assets: 133.5 trillion yen)

Reserve assets increased by 24.1 trillion yen or 22.0 percent.

¹ Comparable data are available from year-end 1995 for assets and liabilities and from year-end 1986 for net assets.

II. Developments in Japan's IIP

A. By Factor

Japan's net asset position increased by 28.7 trillion yen in 2013. The change is attributable to the following factors.²

On the asset side, exchange rate changes pushed up assets, raising their yen value reflecting the yen's depreciation against major currencies such as the U.S. dollar and the euro. Transactions also contributed to the increase in assets, with the increase led by loans -- provided abroad through interoffice accounts -- and outward direct investment. Against this background, Japan's total external financial assets increased by 135.2 trillion yen.

On the liability side, transactions pushed up liabilities, with the increase led by net purchases of Japanese equity securities by foreign investors. Other changes such as the rise in Japanese equity prices also pushed up liabilities. Against this background, Japan's total external liabilities increased by 106.5 trillion yen.

Figure 2: Factors Underlying Changes in the IIP for 2013

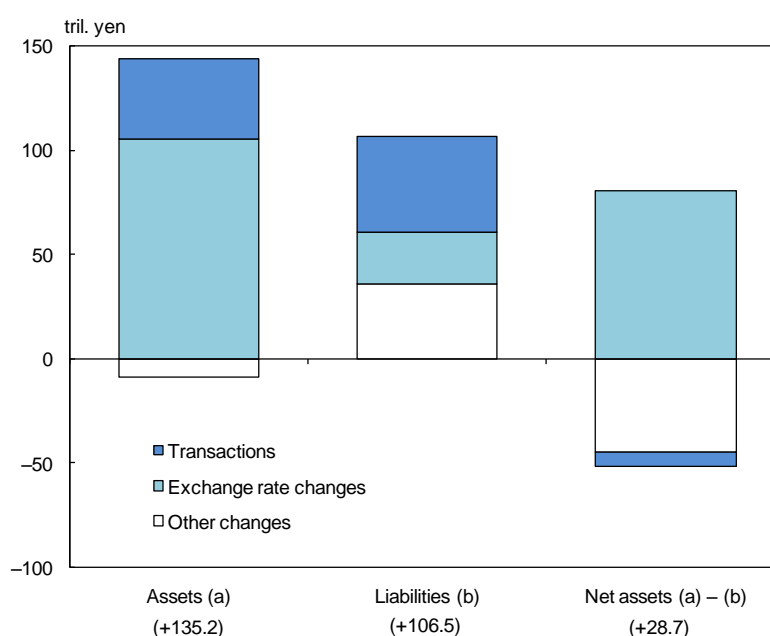


Table 1: Yen Exchange Rates at Year-End

	2010	2011	2012	2013
USD-JPY ¹	81.51	77.57	86.32	105.37
EUR-JPY ²	108.90	100.38	113.86	145.31

Notes: 1. Refers to the U.S. dollar in terms of yen. Mid-rates based on offer and bid rates quoted by interbank market participants in the Tokyo market as of 5 p.m. JST.

2. Refers to the euro in terms of yen, calculated using the USD-JPY rates shown above and the EUR-USD rates released by the European Central Bank (ECB) as of 2:15 p.m. CET.

Sources: Bank of Japan; ECB.

² The following three factors account for changes in the asset and liability position: (1) "transactions," which indicate changes in assets and liabilities as a result of transactions between residents and nonresidents (this factor is equivalent to the sum of the balance of the financial account and changes in reserve assets recorded in the balance of payments [BOP] statistics for the year); (2) "exchange rate changes," which indicate changes in the yen value of assets and liabilities resulting from fluctuations in exchange rates; and (3) "other changes," which comprise factors other than the two described above such as changes in the value of assets and liabilities resulting from fluctuations in stock and bond prices.

Table 2: Factors Underlying Changes in Assets and Liabilities¹**Assets**

tril. yen

	2012	2013	y/y chg.	Transactions	Exchange rate changes	Other changes
Total	661.9	797.1	+135.2	+38.9	+105.3	-9.0
Direct investment	89.8	117.7	+27.9	+13.2	+14.6	+0.1
Portfolio investment	305.1	359.2	+54.1	-6.1	+48.6	+11.6
Equity securities	59.5	74.8	+15.3	-6.6	+12.2	+9.7
Debt securities	245.6	284.5	+38.8	+0.5	+36.4	+1.9
Bonds and notes	243.3	281.7	+38.3	+0.3	+36.1	+1.9
MMIs ²	2.3	2.8	+0.5	+0.2	+0.3	-0.0
Financial derivatives	4.6	8.2	+3.6	+11.9	+0.0	-8.3
Other investment	152.9	178.4	+25.5	+16.0	+17.3	-7.7
Of which:						
Loans	87.3	111.6	+24.3	+15.5	+9.9	-1.0
Reserve assets	109.5	133.5	+24.1	+3.9	+24.8	-4.6

Liabilities

tril. yen

	2012	2013	y/y chg.	Transactions	Exchange rate changes	Other changes
Total	365.6	472.1	+106.5	+45.6	+24.8	+36.1
Direct investment	17.8	18.0	+0.2	+0.2	—	-0.1
Portfolio investment	180.5	251.9	+71.4	+17.9	+1.5	+51.9
Equity securities	83.6	150.9	+67.4	+17.0	—	+50.4
Debt securities	96.9	100.9	+4.0	+0.8	+1.5	+1.6
Bonds and notes	49.5	51.5	+2.0	-1.4	+1.5	+1.9
MMIs	47.4	49.4	+1.9	+2.2	+0.0	-0.3
Financial derivatives	5.3	8.7	+3.3	+11.4	—	-8.1
Other investment	161.9	193.6	+31.6	+16.1	+23.2	-7.7
Of which:						
Loans	101.9	130.5	+28.6	+15.1	+14.6	-1.1

Notes: 1. Totals may not add up due to rounding. "—" denotes not applicable. The same applies to the remainder of this report.

2. "MMIs" stands for money market instruments. The same applies to the remainder of this report.

B. By Component

On the asset side, Japanese holdings of debt securities increased by 38.8 trillion yen from year-end 2012, reflecting the increase in their yen value due to the yen's depreciation. In addition, direct investment assets increased by 27.9 trillion yen as a result of net investments by Japanese investors.

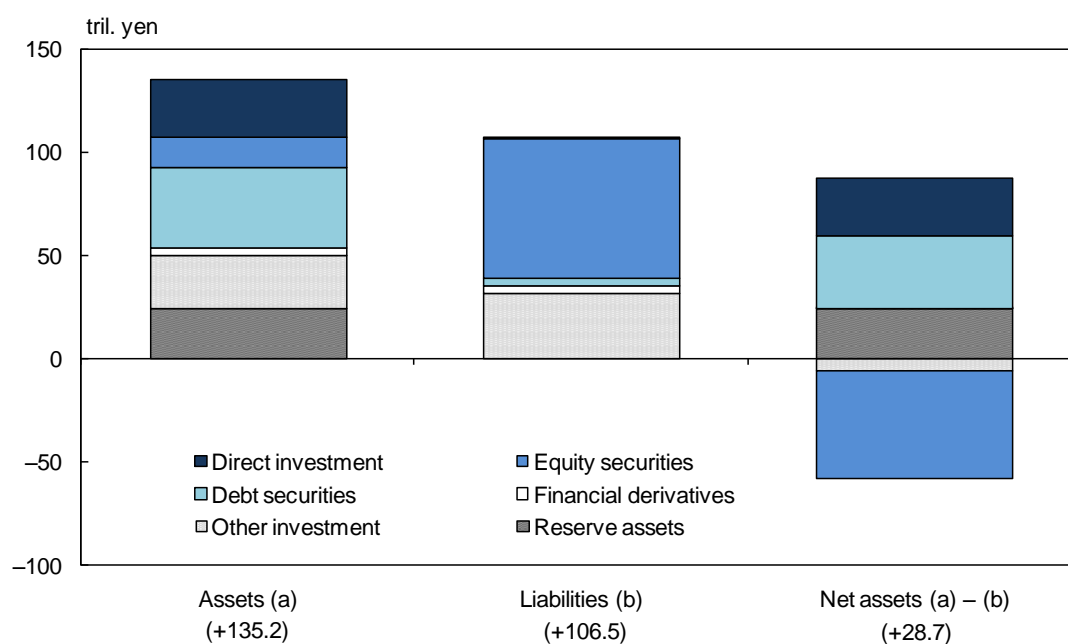
On the liability side, foreign holdings of equity securities increased by 67.4 trillion yen from year-end 2012 due to the rise in Japanese equity prices and net purchases by foreign investors.

Table 3: IIP by Component

tril. yen

	Assets		Liabilities		Net assets	
		y/y chg.		y/y chg.		y/y chg.
Total	797.1	+135.2	472.1	+106.5	325.0	+28.7
Direct investment	117.7	+27.9	18.0	+0.2	99.8	+27.7
Portfolio investment	359.2	+54.1	251.9	+71.4	107.4	-17.3
Equity securities	74.8	+15.3	150.9	+67.4	-76.2	-52.1
Debt securities	284.5	+38.8	100.9	+4.0	183.5	+34.9
Bonds and notes	281.7	+38.3	51.5	+2.0	230.1	+36.3
MMIs	2.8	+0.5	49.4	+1.9	-46.6	-1.4
Financial derivatives	8.2	+3.6	8.7	+3.3	-0.4	+0.3
Other investment	178.4	+25.5	193.6	+31.6	-15.2	-6.1
Of which:						
Loans	111.6	+24.3	130.5	+28.6	-18.9	-4.3
Reserve assets	133.5	+24.1	—	—	133.5	+24.1

Figure 3: Contribution to Year-on-Year Changes in the IIP by Component



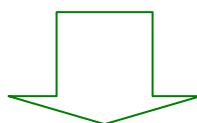
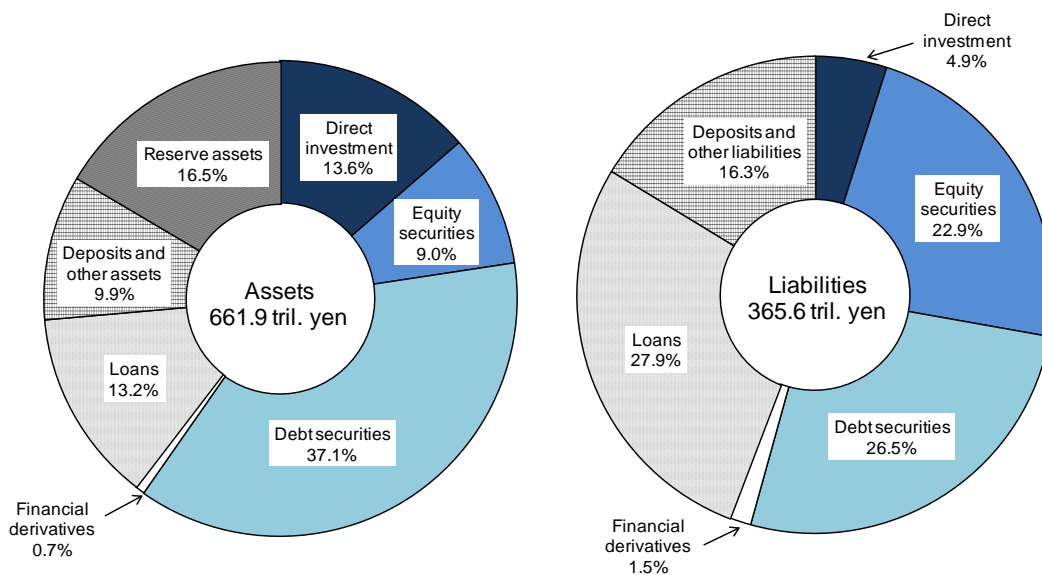
C. Share by Component

On the asset side, the share of direct investment increased due to net investments by Japanese investors.

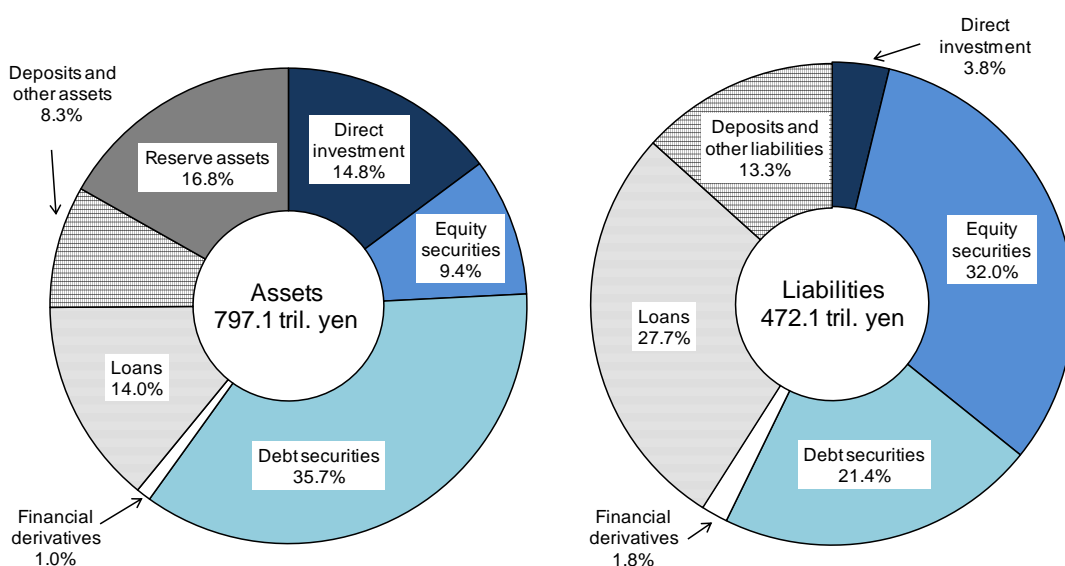
On the liability side, the share of equity securities increased significantly due to the rise in Japanese equity prices and net purchases by foreign investors.

Figure 4: Share by Component

(1) At Year-End 2012



(2) At Year-End 2013



D. By Sector

Breaking down changes in net assets held by residents in Japan by sector shows the following.³

Net assets held by the public sector increased by 21.8 trillion yen from year-end 2012, mainly due to the increase in reserve assets.

Net assets of banks increased by 9.3 trillion yen, mainly reflecting the increase in Japanese holdings of foreign debt securities (assets).

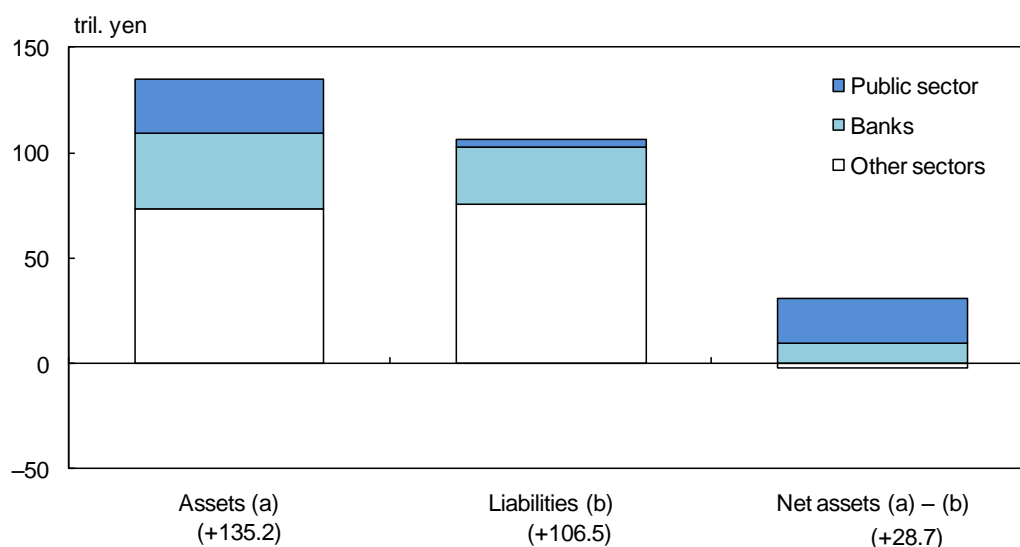
The net asset holdings of other sectors decreased by 2.5 trillion yen. This was mainly due to the increase in foreign holdings of Japanese equity securities (liabilities), which was partly offset by the increase in outward direct investment (assets).

Table 4: IIP by Sector

tril. yen

	Assets		Liabilities		Net assets	
		y/y chg.		y/y chg.		y/y chg.
Total	797.1	+135.2	472.1	+106.5	325.0	+28.7
Public sector	160.8	+25.9	97.6	+4.1	63.2	+21.8
Banks	217.9	+35.8	155.5	+26.5	62.4	+9.3
Other sectors	418.4	+73.4	218.9	+75.8	199.4	-2.5

Figure 5: Contribution to Year-on-Year Changes in the IIP by Sector



³ The three sectors are the following: the "public sector," which includes the general government, the monetary authorities, and governmental financial institutions; "banks," which include commercial banks and other deposit-taking corporations such as cooperative-type financial institutions; and "other sectors," which include trust accounts of trust banks, life and non-life insurance companies, investment trusts, financial instruments firms, nonfinancial corporations, and individuals. The assets and liabilities for each sector refer to the external assets and liabilities held by that sector.

E. By Maturity⁴

On the liability side, the share of long-term instruments increased from year-end 2012 reflecting the increase in foreign holdings of Japanese equity securities due to the rise in Japanese equity prices.

Table 5: Share by Maturity¹

tril. yen

	Assets			Liabilities		
		Percentage share			Percentage share	
			y/y chg. (% points)			y/y chg. (% points)
Total	797.1	100.0	—	472.1	100.0	—
Long-term	543.6	68.2	-0.8	234.6	49.7	+4.3
Short-term	253.5	31.8	+0.8	237.5	50.3	-4.3

Note: 1. Long- and short-term items are classified as follows:

Long-term: direct investment, equity securities, bonds and notes, loans (long-term), trade credits (long-term), and other assets and liabilities (long-term).

Short-term: MMIs, financial derivatives, loans (short-term), trade credits (short-term), currency and deposits, other assets and liabilities (short-term), and reserve assets.

⁴ For both assets and liabilities, long-term instruments are those with an original maturity of more than one year and those with no stated maturity such as equity securities, while short-term instruments are those with an original maturity of one year or less. Reserve assets, for which a maturity breakdown is not publicly available, are classified as short-term instruments here for simplicity, given that they are external assets that are readily available to and controlled by the monetary authorities. In addition, for simplicity, currency and deposits are also classified as short-term instruments as a maturity breakdown of deposits is not available due to data limitations.

F. By Region⁵

Developments by region in the direct and portfolio investment positions can be summarized as follows.

On the asset side, investment in North America and the European Union (EU) increased because of the increase in the yen value of assets due to the yen's depreciation. Investment in Asia also increased, led by direct investment.

On the liability side, investment from North America and the EU increased due to the rise in Japanese equity prices as well as net acquisitions of Japanese financial instruments.

Table 6: Direct and Portfolio Investment by Region

Assets

tril. yen

	Total (a+b)		Direct investment (a)		Portfolio investment (b)	
		y/y chg.		y/y chg.		y/y chg.
Total	476.9	+82.0	117.7	+27.9	359.2	+54.1
Asia	42.5	+9.4	32.7	+7.8	9.8	+1.7
North America	167.0	+33.4	36.7	+10.7	130.3	+22.6
EU	146.0	+31.1	27.3	+6.8	118.7	+24.3
Central and South America	75.7	+7.6	11.5	+1.2	64.2	+6.4
Oceania	21.0	+0.3	6.2	+0.5	14.8	-0.2
Others	24.7	+0.3	3.3	+1.0	21.4	-0.7

Liabilities

tril. yen

	Total (a+b)		Direct investment (a)		Portfolio investment (b)	
		y/y chg.		y/y chg.		y/y chg.
Total	269.8	+71.5	18.0	+0.2	251.9	+71.4
Asia	37.0	-2.8	2.6	+0.2	34.4	-3.0
North America	91.6	+36.0	5.7	+0.2	86.0	+35.8
EU	93.0	+27.1	7.2	+0.2	85.8	+26.9
Central and South America	9.0	+1.1	1.2	-0.3	7.8	+1.5
Oceania	3.6	+1.3	0.2	+0.0	3.4	+1.3
Others	35.6	+8.8	1.1	-0.1	34.4	+8.9

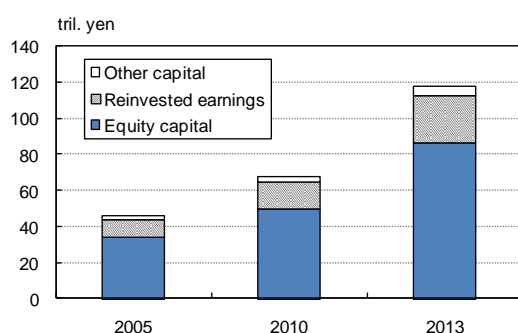
⁵ Among the main functional categories in the IIP, regional data are compiled and released for the direct and portfolio investment positions.

Box 1 Developments in Outward Direct Investment

1. Developments in Japan's Outward Direct Investment: A Comparison between Year-End 2005, 2010, and 2013

Looking at developments in the outward direct investment position shows that assets have increased steadily since year-end 2005 and at year-end 2013, partly reflecting the depreciation of the yen, reached 117.7 trillion yen, registering a record high since year-end 1996, from when comparable data are available (see Figure 1 for Box 1).

Figure 1 for Box 1: Developments in Japan's Outward Direct Investment Position



Reference 1 for Box 1: Yen Exchange Rates at Year-End

	2005	2010	2013
USD-JPY ¹	117.48	81.51	105.37
EUR-JPY ²	139.70	108.90	145.31

Notes: 1. Refers to the U.S. dollar in terms of yen. Mid-rates based on offer and bid rates quoted by interbank market participants in the Tokyo market as of 5 p.m. JST.

2. Refers to the euro in terms of yen, calculated using the USD-JPY rates shown above and the EUR-USD rates released by the ECB as of 2:15 p.m. CET.

Sources: Bank of Japan; ECB.

2. Developments by Industry and Region: A Comparison between Year-End 2005 and 2013

Looking at developments in the outward direct investment position by industry shows that assets have increased significantly not only in the manufacturing industry, but also in a host of other industries such as mining, wholesale and retail, and finance and insurance.

Looking at a regional breakdown of investment by industry shows that investments in Asia (including China) and North America contributed to the increase in a wide range of industries including manufacturing, wholesale and retail, and finance and insurance, indicating that these regions are important production and sales bases for Japanese enterprises (see Table 1 for Box 1).

Regarding the mining industry, Japan has invested actively in resource-rich countries in Oceania (specifically Australia) as well as in Europe, particularly the United Kingdom, where the regional headquarters of many multinational firms are located. Regarding the finance and insurance industry, notable investment has been observed in Central and South America, led by the Cayman Islands, where the costs of setting up and running a business are generally said to be relatively low.

Table 1 for Box 1: Developments by Industry and Region in the Outward Direct Investment Position: Changes from Year-End 2005 to Year-End 2013¹

	Total	Manufacturing			Mining			Wholesale and retail			Finance and insurance				
		Of which: Asia	Europe	North America	Of which: Oceania	Europe	Of which: North America	Asia	Of which: North America	Asia	Central and South America				
2005	45,605.4	27,289.5	7,311.3	6,343.7	11,929.2	915.4	439.2	240.7	5,023.2	2,314.0	1,010.5	7,846.7	2,085.3	1,034.1	2,526.3
2013	117,726.5	54,977.6	20,237.0	15,107.6	14,890.4	9,431.3	3,236.6	2,710.2	14,787.4	7,585.5	3,340.0	23,541.3	7,191.4	5,065.1	5,818.5
Change from 2005	72,121.0	27,688.0	12,925.7	8,763.9	2,961.1	8,515.9	2,797.4	2,469.5	9,764.2	5,271.5	2,329.4	15,694.7	5,106.0	4,031.0	3,292.3
Contribution to overall change (% points)	(+158.1)	(+60.7)	(+28.3)	(+19.2)	(+6.5)	(+18.7)	(+6.1)	(+5.4)	(+21.4)	(+11.6)	(+5.1)	(+34.4)	(+11.2)	(+8.8)	(+7.2)

Note: 1. Figures for "Europe" at year-end 2005 are the sum of figures for "Western Europe" and "Eastern Europe, Russia, etc."

3. Developments by Country

Looking at a breakdown of Japan's outward direct investment position by country⁶ shows that, in addition to the United States and China, Japan has a large amount of direct investment assets in the Netherlands and the United Kingdom, which are home to the regional headquarters of relatively many multinational firms, partly because these countries offer considerable institutional support for business operations, including tax benefits, as well as in Australia, which has many natural resources (see Table 2 for Box 1).

The Netherlands and the United Kingdom are among the major countries with the largest inward direct investment positions worldwide (see Table 3 for Box 1), reflecting the fact that firms not only from Japan but from around the globe actively invest in these countries taking advantage of the institutional benefits they offer.

The two countries are also among the top outward investors, indicating that they act as a hub for the global investment activities of firms.⁷

Table 2 for Box 1: Japan's Outward Direct Investment Position at Year End by Country

tril. yen

Rank	Country	2013	2005	Change
1	United States	34.9	17.6	+17.3
2	China	10.3	2.9	+7.4
3	Netherlands	10.2	4.1	+6.1
4	United Kingdom	7.1	2.9	+4.3
5	Australia	5.7	1.2	+4.5

Table 3 for Box 1: International Comparison of Inward Direct Investment Positions at Year-End 2012

mil. USD

Rank	Country ¹	Amount	Ratio to GDP ²
1	Netherlands	3,670,121	476%
2	United States	2,650,832	16%
3	Luxembourg	2,440,342	4426%
4	China	2,068,027	25%
5	United Kingdom	1,271,425	51%
...			
14	Australia	571,886	37%
...			
27	Japan	205,752	3%

Notes: 1. Covers CDIS participants only.

2. Ratio to GDP in 2012.

Sources: IMF, *Coordinated Direct Investment Survey* (CDIS) and *International Financial Statistics* (IFS).

Reference 2 for Box 1: International Comparison of Outward Direct Investment Positions at Year-End 2012

mil. USD

Rank	Country ¹	Amount	Ratio to GDP ²
1	Netherlands	4,504,713	585%
2	United States	4,453,307	27%
3	Luxembourg	2,942,800	5337%
4	United Kingdom	1,810,315	73%
5	France	1,568,775	60%
...			
8	Japan	1,037,698	17%
...			
15	Australia	385,821	25%

Notes: 1. Covers CDIS participants only. (Data for China are not available.)

2. Ratio to GDP in 2012.

Sources: IMF, CDIS and IFS.

(Reference) CDIS

The *Coordinated Direct Investment Survey* (CDIS) is a project led by the IMF aimed at obtaining detailed data on the cross-border direct investment positions of each economy.

Participants in the CDIS are required to provide data on inward direct investment positions and are encouraged to provide data on outward direct investment positions. 88 economies provided data on inward and 64 on outward direct investment positions for the 2012 year-end survey (China provided data only on inward direct investment positions).

See "Coordinated Direct Investment Survey" on the IMF web site (<http://cdis.imf.org/>) for details.

⁶ The breakdown covers 33 countries, for which data are disseminated.

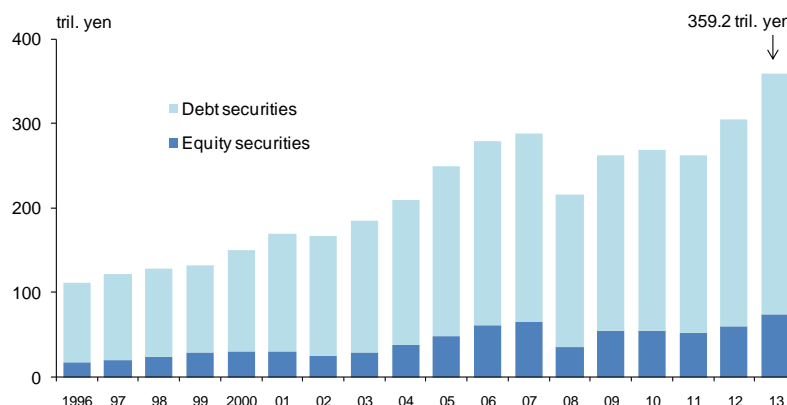
⁷ The inward and outward investment positions of the Netherlands and Luxembourg are extremely large because of direct investment flows to third countries via holding companies located in the two countries.

Box 2 Developments in Outward Portfolio Investment

1. Developments in Japan's Outward Portfolio Investment

Looking at developments in the outward portfolio investment position shows that assets have generally increased over the years -- with the major exception being the significant decrease in 2008 due to the global financial crisis -- and reached 359.2 trillion yen at year-end 2013, registering a record high since year-end 1996, from when comparable data are available (see Figure 1 for Box 2).

Figure 1 for Box 2: Developments in Japan's Outward Portfolio Investment Position^{1,2}



Notes: 1. Data are as of the end of the year.

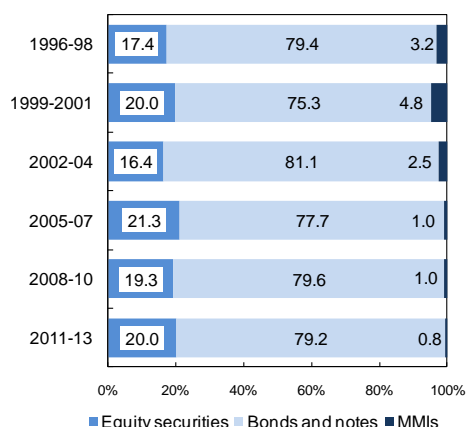
2. "Debt securities" are the sum of bonds and notes and MMIs. The same applies to the remainder of this box.

2. Breakdown by Instrument: Equity and Debt Securities

Looking at a breakdown of outward portfolio investment position by instrument at year-end 2013 shows that debt securities account for a share of 79 percent, considerably exceeding the share of equity securities, which account for 21 percent. These shares have remained largely unchanged since year-end 1996, indicating that Japanese investors' preference for debt securities when conducting outward portfolio investment has remained unchanged for almost 20 years (see Figure 2 for Box 2).

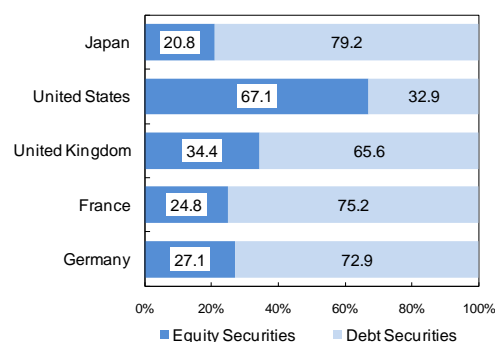
Comparing this pattern for Japan with that for other major countries shows that whereas for the United States, equity securities account for almost 70 percent of outward portfolio investment, for the United Kingdom, France, and Germany, debt securities account for the majority, although the shares are somewhat lower than for Japan (see Figure 3 for Box 2).

Figure 2 for Box 2: Developments in the Share of Equity and Debt Securities in Japan's Outward Portfolio Investment Position¹



Note: 1. Figures are the averages for each period.

Figure 3 for Box 2: Share of Equity and Debt Securities in Outward Portfolio Investment Positions: Japan and Major Western Countries¹



Note: 1. Data for Japan are as of year-end 2013, while those for the four other countries are as of year-end 2012.

Source: IMF, *Coordinated Portfolio Investment Survey* (CPIS).

Next, comparing Japan's outward portfolio investment broken down into equity and debt securities with that of other major countries using data from the IMF's CPIS shows that whereas Japan ranks sixth in terms of equity securities, it ranks first in terms of debt securities, reflecting its holdings of a large amount of bonds and notes. Overall, Japan ranks third in terms of outward portfolio investment (see Table 1 for Box 2). Further, looking at Japan's outward investment position in debt securities by country and region shows that the United States and Europe together account for about 70 percent (see Figure 4 for Box 2).

Table 1 for Box 2: International Comparison of Portfolio Investment Positions by Instrument at Year-End 2012^{1,2}

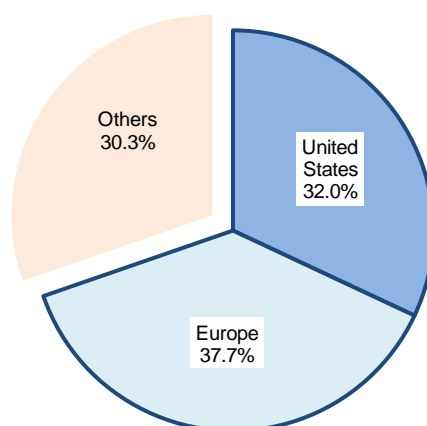
Total mil. USD			Equity securities mil. USD			Debt securities mil. USD		
Rank	Country	Amount	Rank	Country	Amount	Rank	Country	Amount
1	United States	7,917,764	1	United States	5,311,506	1	Japan	2,838,097
2	United Kingdom	3,551,807	2	United Kingdom	1,220,533	2	United States	2,606,258
3	Japan	3,525,267	3	Luxembourg	1,202,086	3	United Kingdom	2,331,274
4	Luxembourg	3,056,548	4	Germany	747,415	4	Germany	2,012,726
5	Germany	2,760,141	5	Netherlands	720,123	5	France	1,932,302
			6	Japan	687,170			

Notes: 1. Figures do not include securities held as reserve assets.

2. Covers CPIS participants only.

Source: IMF, CPIS.

Figure 4 for Box 2: Japan's Outward Investment Position in Debt Securities by Region at Year-End 2013



(Reference) CPIS

The *Coordinated Portfolio Investment Survey* (CPIS) is a project led by the IMF aimed at obtaining detailed data on the cross-border portfolio investment positions of each economy.

Participants in the CPIS are required to provide data on outward portfolio investment positions by instrument, and are encouraged to provide data on these positions by currency and by sector of the holder as well as data on inward portfolio investment positions. 78 economies participated in the CPIS for the 2012 year-end survey (economies such as China, Saudi Arabia and the United Arab Emirates did not participate).

See "Coordinated Portfolio Investment Survey" on the IMF web site (<http://cpis.imf.org/>) for details.

G. International Comparison of Net IIP

Among major countries that release IIP data, Japan appears to be the country with the largest net asset position at year-end 2013.

Table 7: International Comparison of Net IIP

tril. yen

Country	Year ¹	Net IIP
Japan	2013	325.0
China	2013	207.6
Germany	2013	192.2
Switzerland	2013	103.6
Hong Kong	2013	80.8
Russia	2012	11.5
Canada	2013	2.6
United Kingdom	2013	-3.7
France	2012	-50.4
Italy	2013	-67.7
United States	2013	-482.0

Note: 1. Year end.

Source: Ministry of Finance.

H. Direct Investment Estimated on a Market Value Basis⁸

Japan's net asset position at year-end 2013 calculated using direct investment assets and liabilities estimated on a market value basis amounted to 372.9 trillion yen, exceeding the net asset position with direct investment on a book value basis by 47.9 trillion yen.

On a market value basis, estimated outward direct investment (assets) increased by 42.8 trillion yen from year-end 2012 to 170.2 trillion yen. Reflecting the rise in foreign equity prices, the increase on a market value basis was much greater than that on a book value basis, which was 27.9 trillion yen. Estimated inward direct investment (liabilities) increased by 3.2 trillion yen to 22.6 trillion yen, reflecting the rise in Japanese equity prices, while the amount on a book value basis remained more or less unchanged.

Table 8: Direct Investment Assets and Liabilities Estimated on a Market Value Basis

tril. yen

	2012		2013		y/y chg.	
		Book value		Book value		Book value
Outward direct investment (assets)	127.4	89.8	170.2	117.7	+42.8	+27.9
Inward direct investment (liabilities)	19.4	17.8	22.6	18.0	+3.2	+0.2

Table 9: Net Assets Estimated with Direct Investment on a Market Value Basis

tril. yen

	2012		2013		y/y chg.	
		Book value		Book value		Book value
Net assets	332.3	296.3	372.9	325.0	+40.6	+28.7

⁸ Direct investment in Japan's IIP is recorded on a book value basis. However, in view of the fact that the BPM5 recommends the direct investment position should be recorded on a market value basis, and also in response to the needs of statistics users, estimates of the direct investment position on a market value basis from year-end 1999 onwards have been released as reference figures since May 2007. The direct investment position on a market value basis is calculated as follows:

Direct investment position = (1) equity capital (estimated on a market value basis) + (2) reinvested earnings (book value) + (3) other capital (book value).

For more details, see "Release of the Market-Value Estimate of the Direct Investment Position" released on May 25, 2007, available on the Bank's web site (http://www.boj.or.jp/en/statistics/outline/notice_2007/ntbop16.htm/).

Table 10: Japan's IIP Estimated with Direct Investment on a Market Value Basis

tril. yen

Year ¹	Assets		Liabilities		Net assets	
		Of which: Direct investment		Of which: Direct investment		Of which: Direct investment
2000	363.7	54.5	216.8	14.4	146.9	40.1
2001	397.6	57.4	204.9	11.1	192.7	46.4
2002	376.5	47.1	193.4	12.2	183.1	34.9
2003	411.4	61.8	219.6	16.4	191.9	45.4
2004	462.4	67.1	256.4	18.5	205.9	48.6
2005	543.4	82.8	339.8	26.2	203.6	56.6
2006	606.9	102.3	359.1	28.9	247.8	73.4
2007	669.3	120.6	376.6	31.5	292.6	89.1
2008	525.6	68.2	293.2	18.4	232.4	49.8
2009	586.5	99.8	287.7	19.5	298.8	80.3
2010	598.1	105.6	306.0	19.2	292.0	86.3
2011	605.3	98.1	315.8	17.3	289.4	80.8
2012	699.5	127.4	367.2	19.4	332.3	108.0
2013	849.6	170.2	476.7	22.6	372.9	147.6

Note: 1. Year end.

Appendix: Japan's IIP (2007-2013)

Assets¹

bil. yen

Assets	2007	2008	2009	2010	2011	2012	2013
1. Direct investment	61,858	61,740	68,210	67,691	74,289	89,813	117,726
2. Portfolio investment ²	287,687	215,682	261,989	269,207	262,324	305,112	359,215
Equity securities	65,376	35,817	54,687	55,262	51,750	59,475	74,760
Public sector	0	24	7	10	8	8	13
Banks	1,543	1,313	1,296	1,365	1,320	1,499	1,804
Other sectors	63,832	34,480	53,384	53,888	50,422	57,967	72,943
Debt securities	222,311	179,865	207,302	213,944	210,574	245,637	284,455
Bonds and notes	219,430	177,204	204,812	211,400	208,575	243,335	281,674
Public sector	565	461	470	513	439	498	358
Banks	65,335	53,588	64,174	68,909	70,295	84,640	106,121
Other sectors	153,531	123,155	140,168	141,978	137,841	158,198	175,196
MMIs	2,881	2,661	2,490	2,544	1,999	2,302	2,780
Public sector	7	4	4	1	0	0	2
Banks	1,351	1,293	1,139	891	532	745	448
Other sectors	1,523	1,365	1,347	1,652	1,466	1,557	2,331
3. Financial derivatives	4,442	7,022	4,251	4,287	4,188	4,623	8,207
Public sector	0	0	0	0	0	0	0
Banks	1,877	4,335	2,284	2,005	1,634	1,140	1,413
Other sectors	2,564	2,687	1,967	2,282	2,554	3,483	6,795
4. Other investment ²	146,227	141,752	123,599	129,700	140,192	152,891	178,398
Loans	97,191	91,118	72,021	71,270	82,284	87,314	111,639
By sector:							
Public sector	16,521	16,472	17,450	17,726	16,891	18,107	20,187
Banks	52,200	53,435	34,987	35,588	43,280	48,833	65,800
Other sectors	28,470	21,211	19,585	17,956	22,113	20,374	25,652
By maturity:							
Long-term	35,012	35,325	38,837	39,922	42,271	48,904	57,645
Short-term	62,179	55,793	33,183	31,347	40,013	38,410	53,994
Trade credits	6,450	4,986	5,008	5,049	4,511	4,793	5,880
By sector:							
Public sector	826	726	710	695	578	380	364
Other sectors	5,625	4,260	4,298	4,354	3,933	4,413	5,516
By maturity:							
Long-term	1,418	1,239	1,209	1,164	899	613	518
Short-term	5,032	3,747	3,799	3,884	3,612	4,180	5,362
Currency and deposits	25,289	17,846	14,232	14,359	14,661	15,301	18,152
Public sector	0	0	0	0	0	1	2
Banks	16,806	11,234	8,468	7,981	8,281	7,862	7,633
Other sectors	8,483	6,612	5,764	6,378	6,381	7,438	10,517
Other assets	17,297	27,803	32,339	39,023	38,735	45,483	42,728
By sector:							
Public sector	5,968	5,976	5,871	6,052	6,199	6,440	6,388
Banks	9,310	19,933	24,693	31,511	31,083	37,311	34,649
Other sectors	2,018	1,893	1,775	1,459	1,453	1,731	1,692
By maturity:							
Long-term	11,823	12,363	13,238	15,683	14,779	14,258	11,254
Short-term	5,474	15,440	19,101	23,340	23,957	31,225	31,475
5. Reserve assets	110,279	92,983	96,777	89,330	100,517	109,464	133,529
Total assets	610,492	519,179	554,826	560,215	581,509	661,902	797,077

Notes: 1. Figures are as of the end of the year.

2. Figures for portfolio investment and other investment exclude securities lending transactions.

Liabilities and Net Assets¹

bil. yen

Liabilities	2007	2008	2009	2010	2011	2012	2013
1. Direct investment	15,145	18,456	18,425	17,502	17,548	17,808	17,976
2. Portfolio investment ²	221,487	139,907	141,496	152,051	157,481	180,504	251,861
Equity securities	142,031	68,625	76,372	80,537	65,841	83,556	150,947
Banks	9,185	5,314	5,086	6,423	5,060	7,425	13,816
Other sectors	132,847	63,311	71,286	74,114	60,782	76,131	137,132
Debt securities	79,456	71,282	65,124	71,514	91,639	96,948	100,914
Bonds and notes	60,203	50,650	42,236	42,877	45,730	49,504	51,543
Public sector	47,782	41,586	33,751	35,058	39,313	42,374	42,442
Banks	3,382	2,344	2,907	2,773	2,573	3,053	4,621
Other sectors	9,040	6,721	5,578	5,046	3,843	4,077	4,481
MMIs	19,253	20,632	22,889	28,638	45,909	47,444	49,371
Public sector	19,162	20,572	22,786	28,625	45,907	47,052	49,278
Banks	0	0	0	0	2	392	93
Other sectors	90	60	103	13	0	0	0
3. Financial derivatives	4,964	7,761	5,213	5,267	5,641	5,326	8,656
Public sector	0	0	0	0	0	0	0
Banks	2,420	4,839	2,989	2,679	2,200	1,615	1,684
Other sectors	2,544	2,922	2,224	2,588	3,441	3,711	6,973
4. Other investment ²	118,674	127,146	121,445	129,488	135,413	161,950	193,576
Loans	84,909	76,479	80,125	83,860	85,513	101,944	130,531
By sector:							
Public sector	1,475	1,588	2,963	1,962	2,144	1,641	3,329
Banks	48,218	45,890	51,884	54,249	50,693	65,238	83,995
Other sectors	35,216	29,001	25,279	27,648	32,676	35,065	43,207
By maturity:							
Long-term	16,393	17,350	16,702	14,810	13,596	11,910	11,599
Short-term	68,516	59,129	63,423	69,050	71,917	90,034	118,932
Trade credits	2,676	2,279	2,391	2,378	2,411	2,517	2,981
By sector:							
Public sector	0	0	0	0	0	0	0
Other sectors	2,676	2,279	2,391	2,378	2,411	2,517	2,981
By maturity:							
Long-term	126	151	154	142	129	129	125
Short-term	2,550	2,128	2,237	2,236	2,282	2,388	2,857
Currency and deposits	10,515	21,846	10,302	10,730	11,176	12,133	11,236
Public sector	20	11,817	70	10	1,371	407	186
Banks	10,495	10,029	10,232	10,720	9,805	11,726	11,050
Other liabilities	20,573	26,543	28,626	32,520	36,314	45,356	48,828
By sector:							
Public sector	386	443	2,055	1,914	1,906	2,065	2,415
Banks	16,790	23,175	23,906	28,184	31,609	39,522	40,238
Other sectors	3,397	2,926	2,665	2,422	2,800	3,768	6,176
By maturity:							
Long-term	1,488	2,217	3,937	3,822	3,920	3,087	2,422
Short-term	19,086	24,326	24,689	28,698	32,394	42,269	46,407
Total liabilities	360,271	293,271	286,580	304,308	316,083	365,588	472,070
Total net assets	250,221	225,908	268,246	255,906	265,426	296,315	325,007
Public sector	65,340	40,641	59,663	46,758	33,990	41,357	63,193
Banks	57,933	53,541	40,037	43,222	54,484	53,059	62,370
Other sectors	126,949	131,726	168,546	165,927	176,952	201,899	199,444

Notes: 1. Figures are as of the end of the year.

2. Figures for portfolio investment and other investment exclude securities lending transactions.