

Japan's Balance of Payments Statistics and International Investment Position for 2022

**July 2023
International Department
Bank of Japan**

This report is an English translation of the Japanese original released on July 10, 2023.

Japan's balance of payments statistics for 2022 -- the annually revised figures for the first through the third quarter of 2022 and the second preliminary figures for the fourth quarter of 2022 -- were released on April 10, 2023, by the Ministry of Finance and the Bank of Japan in the Balance of Payments.

Japan's international investment position at year-end 2022 was released on May 26, 2023, by the Ministry of Finance and the Bank as the International Investment Position of Japan (End of 2022).

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Balance of Payments Division,
International Department, Bank of Japan
E-mail: boj-bop@boj.or.jp

Explanatory Notes

- Unless otherwise noted, the figures and charts in this report are based on data from the balance of payments (BOP) related statistics, such as the Balance of Payments and the International Investment Position, jointly released by the Bank of Japan and the Ministry of Finance.
- Figures from 2014 onward are compiled based on the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) published by the International Monetary Fund (IMF). In principle, figures before 2014 in this report use "historical data rearranged based on the BPM6," in which figures that were originally compiled based on the fifth edition of the Balance of Payments Manual (BPM5) were rearranged in accordance with the BPM6 to the greatest extent possible. However, unless otherwise stated, figures by partner economy, including those by region, have been compiled based on the BPM5. For this reason, the totals may differ from corresponding data underlying the charts using "historical data rearranged based on the BPM6." Moreover, for figures for portfolio investment and "other investment" under the financial account, those compiled based on the BPM5 excluding securities lending transactions are used so that the data are comparable with the BPM6-based data.
- In the Direct Investment by Region and Industry statistics, figures for flows under the financial account and those for positions are compiled based on the directional principle, while those for income under primary income in the current account are compiled based on the asset and liability principle. For the difference between the two principles, see [Recording Principles of Direct Investment](#) on the Bank's website. Moreover, the industry classification for flows and positions is based on the industry of the investee such as a subsidiary, while that for income is based on the industry of the payer.
- Most of Japan's BOP related data are available in the Bank's online data portal, the BOJ Time-Series Data Search (except for data on Direct Investment by Region and Industry, which are provided in file format on the Bank's website). In addition, a list of the series codes of data used in this report is provided on the Bank's website. A comprehensive list of BOP related statistics and details on how they are released are provided on the [Balance of Payments Related Statistics \(Data Based on the BPM6\)](#) page of the Bank's website. See also the [FAQs on the Balance of Payments Related Statistics](#) for more information.

Contents

| | Page |
|---|------|
| Summary | 2 |
| I. Developments in the Current Account in 2022 | 6 |
| A. Goods | 6 |
| B. Services | 8 |
| 1. Travel | 9 |
| 2. Other services | 10 |
| Appendix 1. Japan's Travel Receipts by Purpose of Travel and Comparison with Other Economies | 11 |
| C. Primary Income | 13 |
| Appendix 2. Direct Investment Income Receipts by Region and Industry | 14 |
| D. Secondary Income | 17 |
| II. Developments in the Financial Account in 2022 | 18 |
| A. Direct Investment Assets (Outward Direct Investment) | 18 |
| B. Direct Investment Liabilities (Inward Direct Investment) | 19 |
| Appendix 3. Developments in Direct Investment by Type of Investment | 20 |
| C. Portfolio Investment Assets | 22 |
| Appendix 4. Developments in Portfolio Investment Assets | 23 |
| D. Portfolio Investment Liabilities | 25 |
| E. Financial Derivatives (Other than Reserves) | 26 |
| F. Other Investment | 26 |
| Appendix 5. Key Features of BOP Flows in 2022 | 27 |
| III. Japan's IIP at Year-End 2022 | 28 |
| A. Summary | 28 |
| B. Year-on-Year Changes in Japan's IIP | 29 |
| C. Japan's IIP by Sector | 30 |
| D. Direct Investment Position and Portfolio Investment Position by Component | 31 |
| E. Direct Investment Position and Portfolio Investment Position by Region | 31 |
| F. Market Value Estimates of Direct Investment Position | 32 |
| G. Portfolio Investment Position by Currency | 32 |
| H. Debt Position (Assets/Liabilities) by Currency | 33 |
| I. Outward Direct Investment Position (Directional Principle Basis) | 34 |
| J. Inward Direct Investment Position (Directional Principle Basis) | 35 |
| K. International Comparison of Net IIP | 36 |
| Appendix 6. Update of the IMF's Balance of Payments and International Investment Position Manual | 37 |
| Reference: Basic Knowledge on the BOP | 40 |

Summary

- The current account surplus decreased to 11.5 trillion yen in 2022 from 21.5 trillion yen in 2021. The decrease reflects the fact that although the surplus on primary income increased, the goods balance turned to a deficit for the first time in seven years and the deficit on services increased.
- Looking at the breakdown, the goods balance turned to a deficit, reflecting the fact that although exports increased owing to the recovery in overseas economies, imports rose even more due to such factors as the surge in raw material prices. The deficit on services increased as the deficit on other business services rose, although the surplus on travel increased, albeit slightly. On the other hand, the surplus on primary income widened, mainly due to a rise in the surplus on direct investment income.
- Japan's travel receipts have been on an increasing trend since autumn 2022 following the relaxation of travel restrictions. Comparing travel receipts by purpose of travel for selected economies shows that the COVID-19 pandemic had a differential impact on tourism and education-related travel (see Appendix 1). With respect to direct investment income receipts by region and industry, it was investments in the mining industry in Oceania and in the manufacturing sector in Asia that made the largest contributions to the overall increase in receipts from 2021 to 2022 (see Appendix 2).
- Reflecting the surplus on the current account, the financial account registered net lending, which, however, decreased to 6.5 trillion yen in 2022 from 16.8 trillion yen in 2021. Looking at the breakdown, direct investment registered net lending, while portfolio investment registered net borrowing.
- Looking at developments in direct investment in 2022 classified by type of investment, for direct investment assets, the share of investment for the extension of capital for the expansion of overseas business operations increased. Meanwhile, with respect to direct investment liabilities, the share of merger and acquisition (M&A) type transactions continued to account for a significant share (see Appendix 3). A look at portfolio investment assets in terms of the International Transactions in Securities statistics in addition to the balance of payments (BOP) statistics indicates that sales of long-term debt securities due to the rise in FX-hedging costs and other factors spread to investors other than those designated as major investors (see Appendix 4).

- Looking at Japan's BOP in 2022 in terms of money flows, net lending (outflows) under other investment was more or less unchanged from 2021, reflecting the fact that while (1) the current account surplus, which gives rise to money inflows, decreased and (2) portfolio investment liabilities shifted to net sales (outflows), (3) net sales (inflows) under portfolio investment assets increased (see Appendix 5).
- Japan's net asset position marked a record high, rising to 418.6 trillion yen at year-end 2022 from 417.9 trillion yen at year-end 2021. This reflects an increase in the yen value of foreign currency-denominated assets due to the yen's depreciation. Among major economies, Japan at year-end 2022 continued to record the largest net asset position.
- In relation to statistical standards, international discussions on many different issues have been taking place in preparation for the updating of the International Monetary Fund (IMF)'s Balance of Payments and International Investment Position Manual (BPM) scheduled for 2025. One of the major issues being addressed in the ongoing discussions is the recording of crypto assets (see Appendix 6).

Balance of Payments (BOP) (Flows)

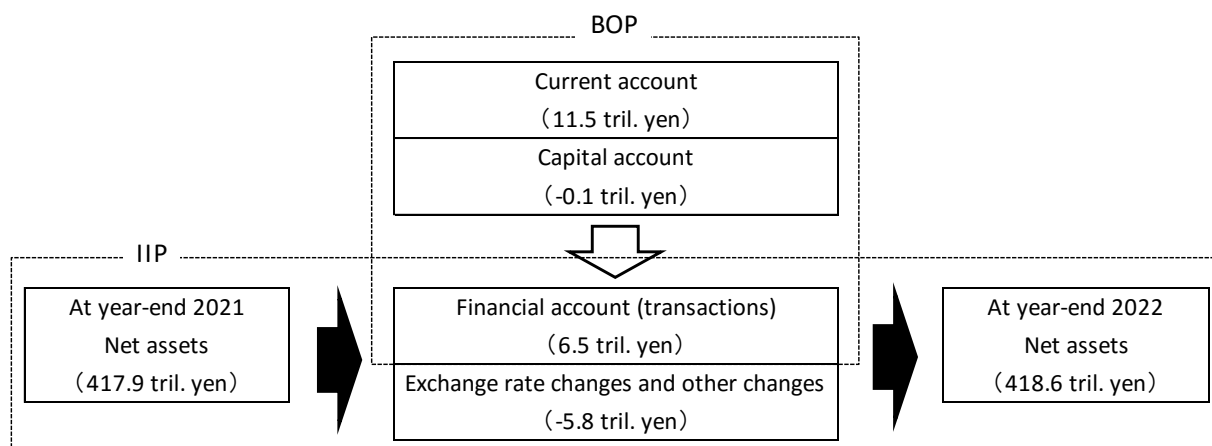
tril. yen

| | 2021 | 2022 | y/y chg. |
|--|-------|-------|----------|
| Current account | 21.5 | 11.5 | -10.0 |
| Goods | 1.8 | -15.7 | -17.5 |
| Services | -4.2 | -5.4 | -1.2 |
| Primary income | 26.4 | 35.2 | +8.8 |
| Secondary income | -2.4 | -2.5 | -0.1 |
| Capital account | -0.4 | -0.1 | +0.3 |
| Financial account | 16.8 | 6.5 | -10.3 |
| Direct investment | 19.2 | 17.0 | -2.3 |
| Portfolio investment | -21.9 | -19.3 | +2.7 |
| Financial derivatives (other than reserves) | 2.2 | 5.1 | +3.0 |
| Other investment | 10.5 | 10.7 | +0.3 |
| Reserve assets | 6.9 | -7.1 | -13.9 |
| Net errors and omissions | -4.3 | -4.9 | — |

IIP (Stocks)

tril. yen

| | Assets | | | Liabilities | | |
|--|---------------|---------------|----------|---------------|---------------|----------|
| | Year-end 2021 | Year-end 2022 | y/y chg. | Year-end 2021 | Year-end 2022 | y/y chg. |
| Total | 1,257.1 | 1,338.2 | +81.1 | 839.2 | 919.6 | +80.4 |
| Direct investment | 234.2 | 274.7 | +40.5 | 40.7 | 46.2 | +5.5 |
| Portfolio investment | 580.0 | 531.3 | -48.7 | 471.3 | 458.2 | -13.0 |
| Financial derivatives (other than reserves) | 35.5 | 76.8 | +41.2 | 35.1 | 77.4 | +42.3 |
| Other investment | 245.7 | 293.3 | +47.6 | 292.2 | 337.8 | +45.6 |
| Reserve assets | 161.8 | 162.1 | +0.4 | — | — | — |
| Net assets | 417.9 | 418.6 | +0.7 | | | |



I. Developments in the Current Account in 2022

A. Goods

The goods balance turned to a deficit of 15.7 trillion yen in 2022 from a surplus of 1.8 trillion yen in 2021 as the increase in imports exceeded that in exports.

Exports increased to 98.8 trillion yen in 2022 from 82.4 trillion yen in 2021 due to an increase in exports of a wide range of commodities, particularly to Asia. Imports climbed to 114.5 trillion yen in 2022 from 80.6 trillion yen in 2021, mainly due to an increase in imports of "mineral fuels" (such as crude oil and coal) from the Middle East and "other regions" including Australia, reflecting the rise in prices of such fuels.

Breaking down changes in trade indexes -- calculated based on the Trade Statistics of Japan (referred to as "Trade Statistics" hereafter) -- into the contribution of changes in quantities and changes in prices, changes in prices contributed significantly to the rise in both exports and imports. In contrast, the contribution of changes in quantities turned slightly negative for both.

Figure 1: Goods Balance

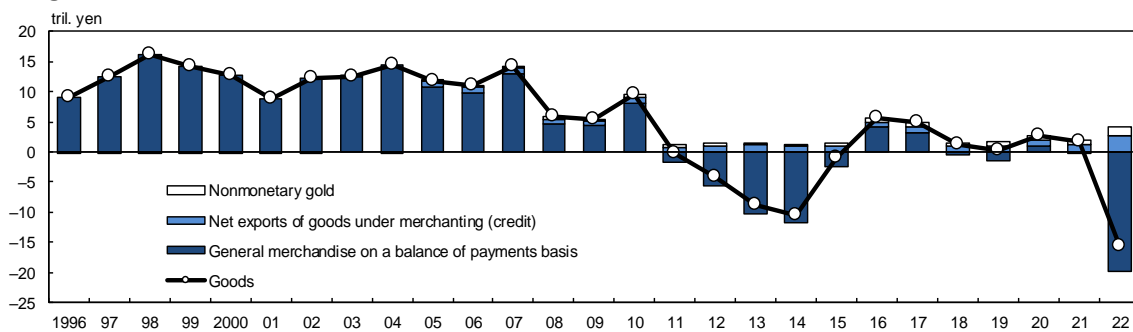


Figure 2: Goods by Region

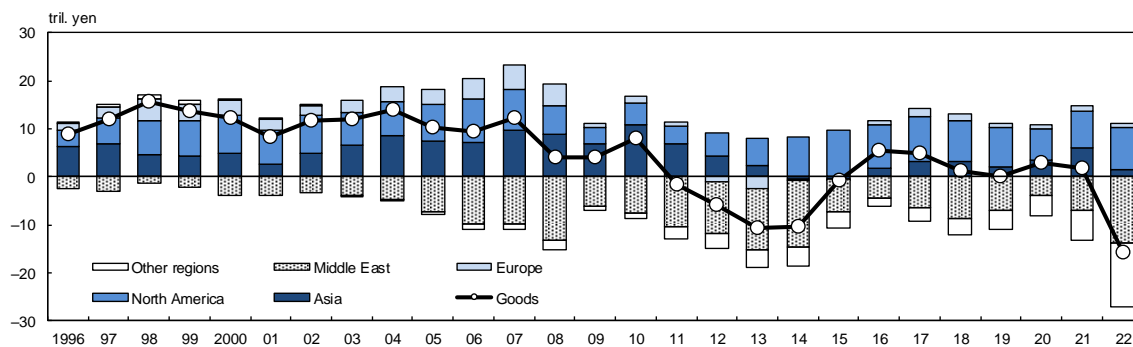


Figure 3: Exports by Region

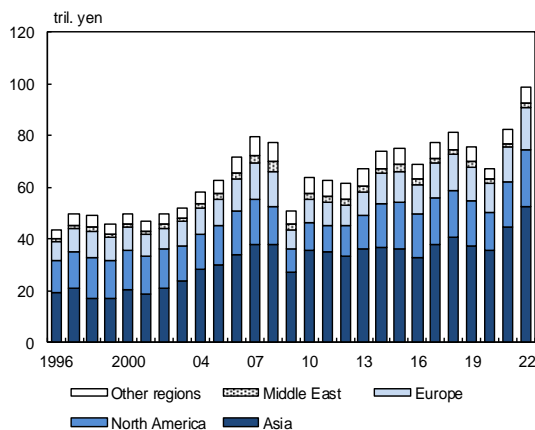


Figure 4: Imports by Region

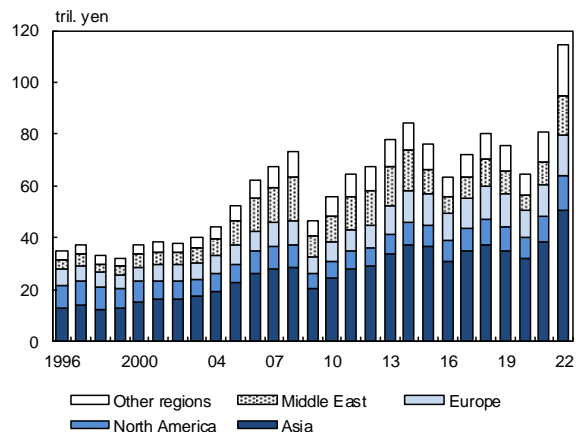
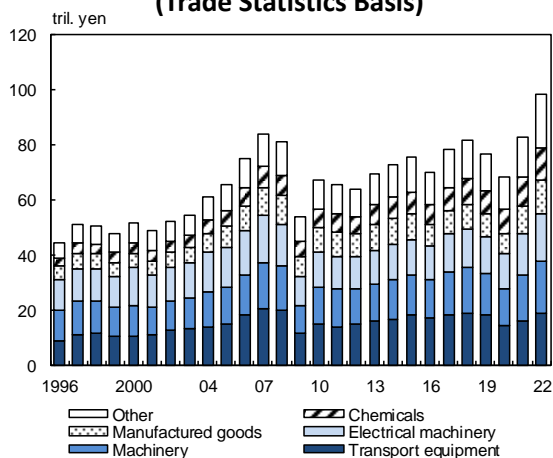
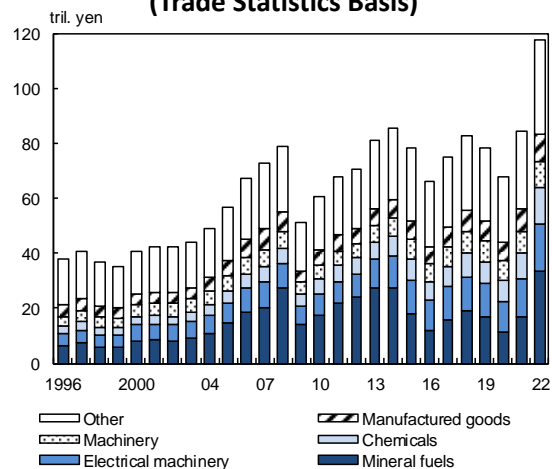


Figure 5: Exports by Commodity (Trade Statistics Basis)



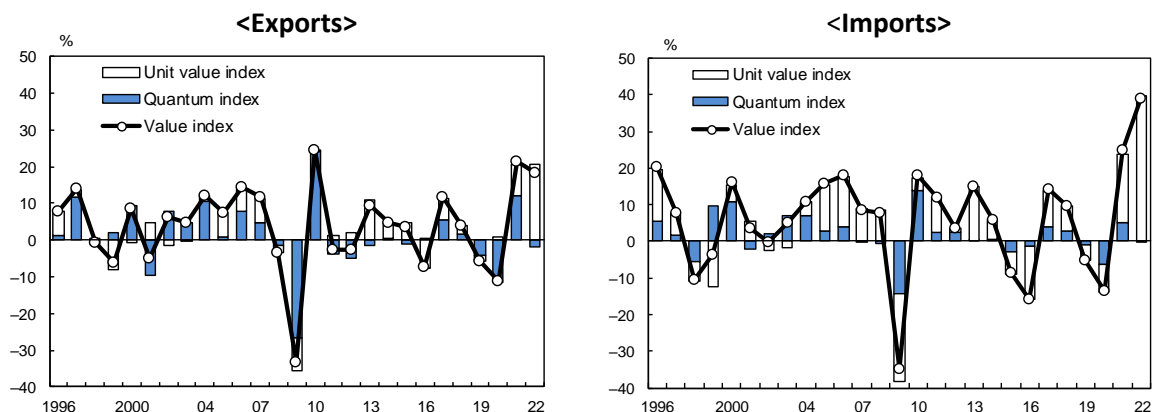
Source: Ministry of Finance (MOF), "Trade Statistics of Japan."

Figure 6: Imports by Commodity (Trade Statistics Basis)



Source: MOF, "Trade Statistics of Japan."

Figure 7: Year-on-Year Changes in Trade Indexes



Source: MOF, "Trade Statistics of Japan."

(Reference) While the Trade Statistics are the main data source for goods in Japan's BOP statistics, the definitions of exports and imports of goods differ between the two statistics and certain adjustments are made to compile the BOP. The major differences are as follows:

| | Trade Statistics | Goods in the BOP |
|-------------------|--|--|
| Valuation | Exports: FOB (Free on Board), i.e., the price of goods at the frontier of the exporting economy is recorded. Imports: CIF (Cost, Insurance, and Freight), i.e., including insurance premiums and freight charges in addition to the price of goods. | Exports: FOB Imports: FOB |
| Coverage | Goods that have crossed Japan's customs frontier. | Goods whose ownership has changed between residents and nonresidents. 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. |

B. Services

The deficit on services increased to 5.4 trillion yen in 2022 from 4.2 trillion yen in 2021, mainly due to a further rise in the deficit on "other services."

By region, the increase in the deficit was led by a rise in the deficit vis-à-vis North America and "other regions," especially Central and South America.

Figure 8: Services Balance¹

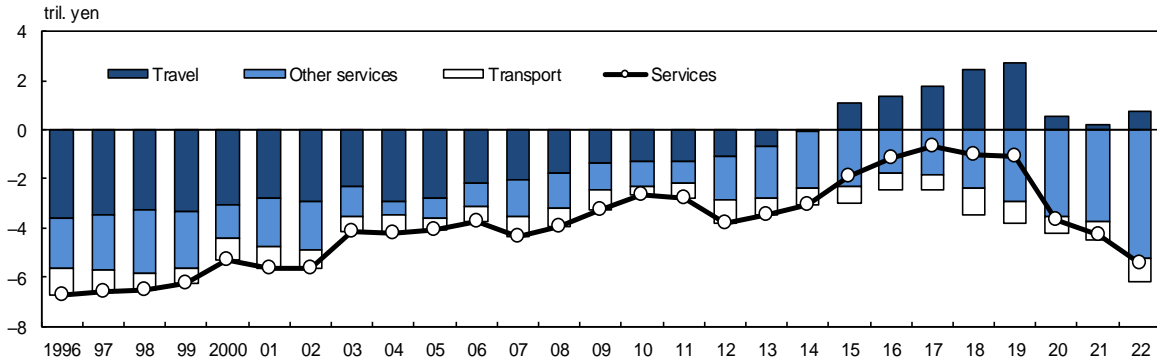


Figure 9: Services Credit and Debit

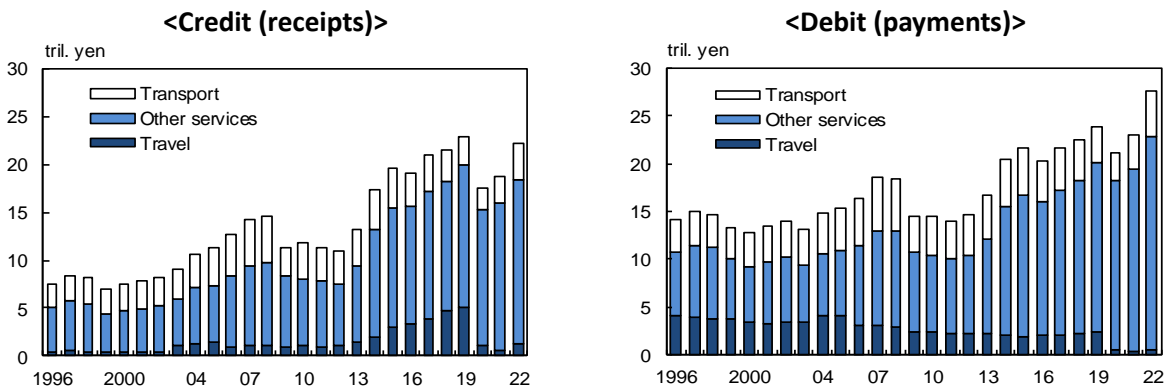
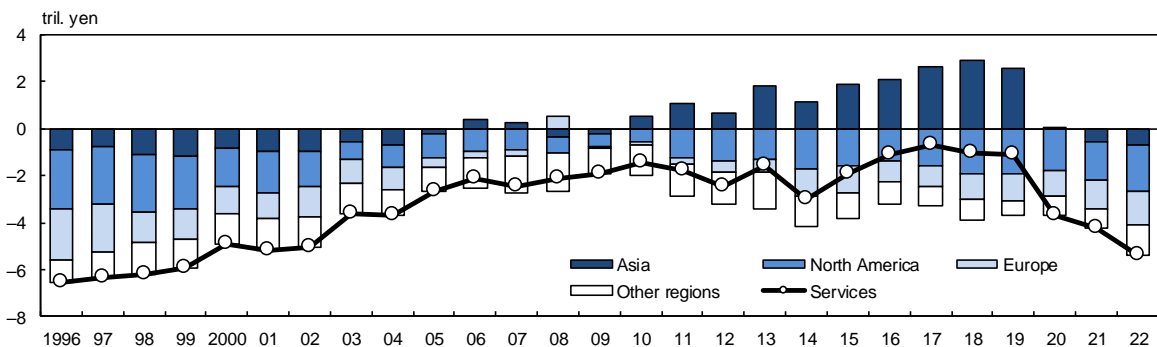


Figure 10: Services by Region



¹ For data from 2014 onward, "other services" include the estimated values of transactions worth 30 million yen or less.

1. Travel

The surplus on travel increased, albeit slightly, to 0.7 trillion yen in 2022 from 0.2 trillion yen in 2021, because the increase in the number of inbound travelers exceeded that of outbound travelers amid the relaxation of COVID-19 entry restrictions to Japan from autumn 2022.

Figure 11: Travel Balance

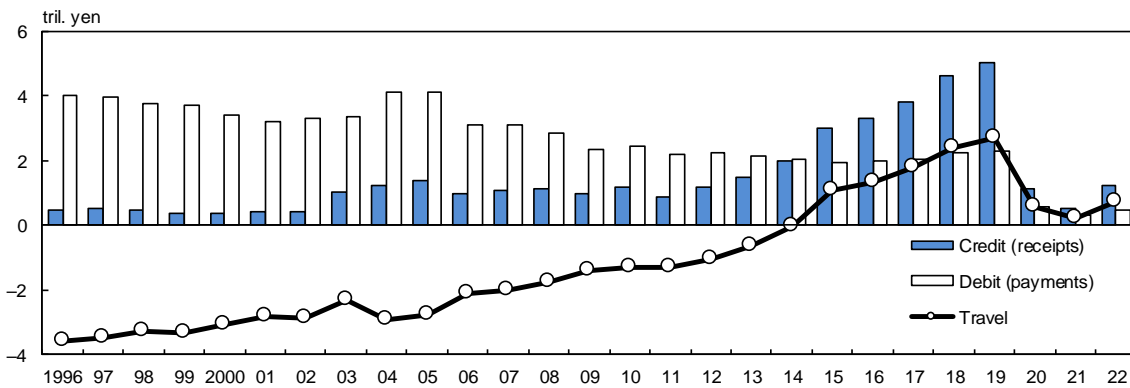


Figure 12: Travel by Partner Economy

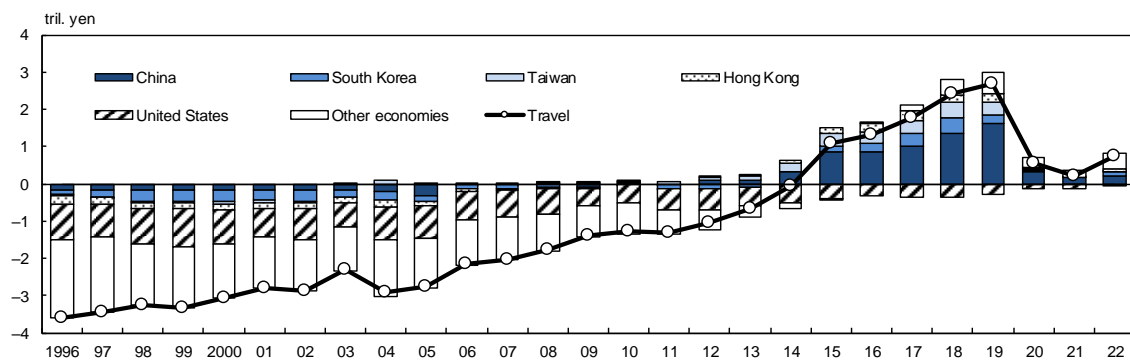
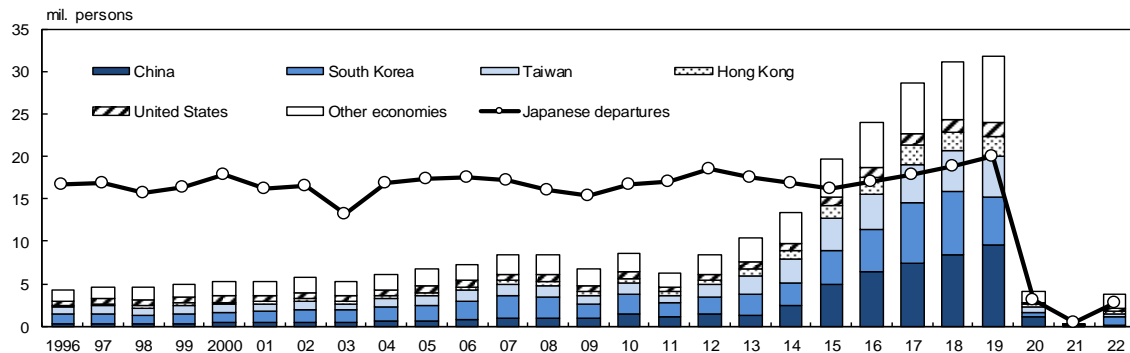


Figure 13: Number of Foreign Arrivals by Partner Economy and Number of Japanese Departures



Sources: Immigration Services Agency of Japan; Japan National Tourism Organization (JNTO).

2. Other services

The deficit on other services increased, mainly due to the rise in the deficit on "other business services."

The surplus on "charges for the use of intellectual property n.i.e." increased to 2.5 trillion yen in 2022 from 2.0 trillion yen in 2021, reflecting the rise in receipts of "charges for the use of industrial property n.i.e." due to an increase in the production and sales of Japanese manufacturers' overseas affiliates. By region, receipts of "charges for the use of intellectual property n.i.e." increased particularly from North America and Europe.

Figure 14: Other Services Balance

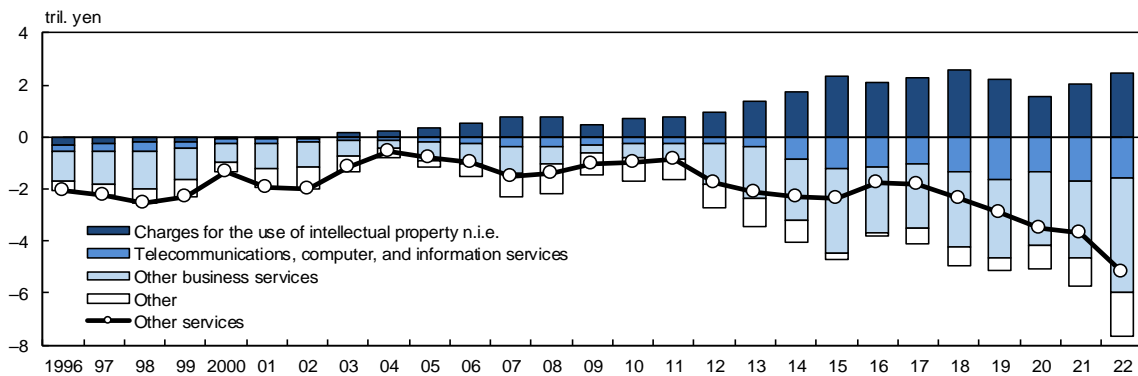


Figure 15: Charges for the Use of Intellectual Property n.i.e.

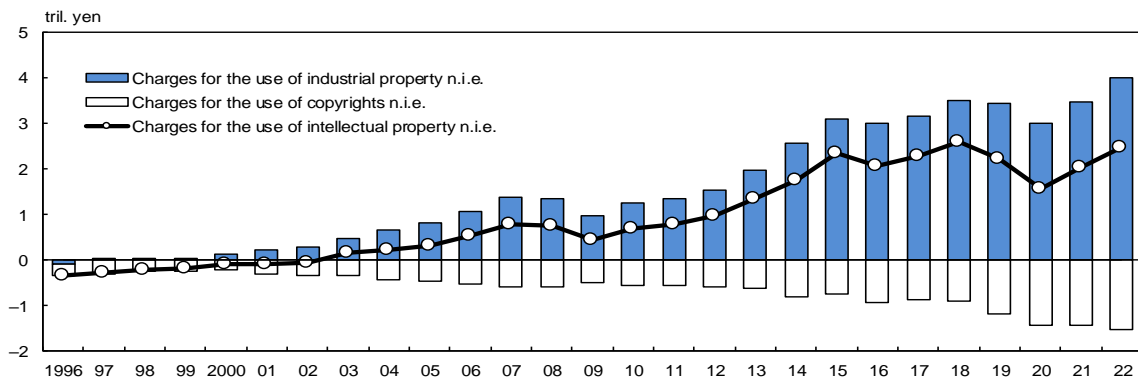
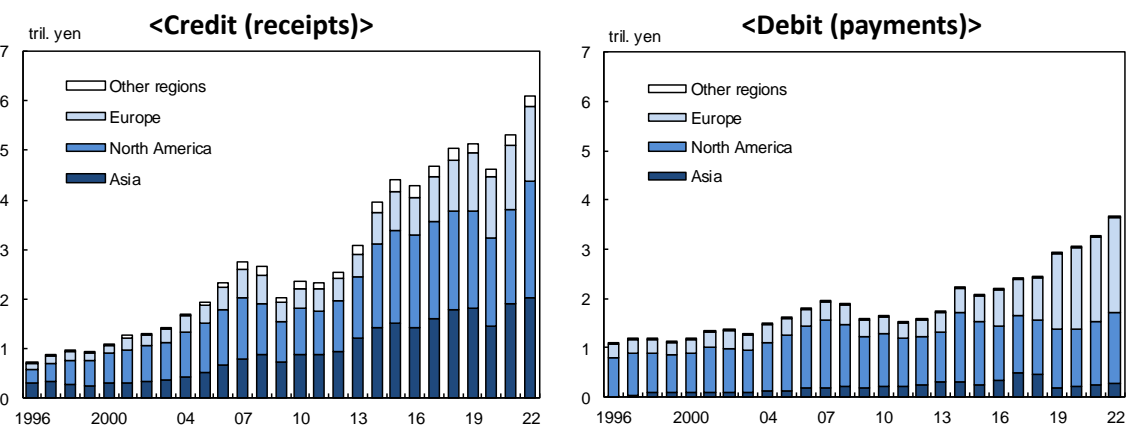


Figure 16: Charges for the Use of Intellectual Property n.i.e. by Region



Appendix 1. Japan's Travel Receipts by Purpose of Travel and Comparison with Other Economies

"Travel" in the BOP covers goods and services acquired by travelers (i.e., nonresidents) in an economy during a visit to that economy. Travelers comprise not only tourists, but also business travelers and international students. In Japan's BOP, "travel" is classified by purpose of travel into the following categories.²

Table A.1.1: Classification by Purpose of Travel

| Purpose | Expenditures on goods and services to be recorded |
|-------------------|---|
| Business | Goods and services acquired for personal use by persons whose primary purpose of travel is business. |
| Personal | Goods and services acquired by persons whose purpose of travel is other than business. |
| Education-related | Tuition fees as well as living and other expenses paid by international students. |
| Other | Expenditures such as of persons going abroad for sightseeing, to participate in recreational and cultural activities, and to receive medical treatment. |

Looking at Japan's travel receipts by purpose of travel, in 2019 -- before the outbreak of COVID-19 -- other personal travel, which primarily covers expenditures of tourists, accounted for more than 80 percent of total receipts, while business travel and education-related travel, which cover expenditures by business travelers and international students, respectively, each accounted for less than 10 percent.

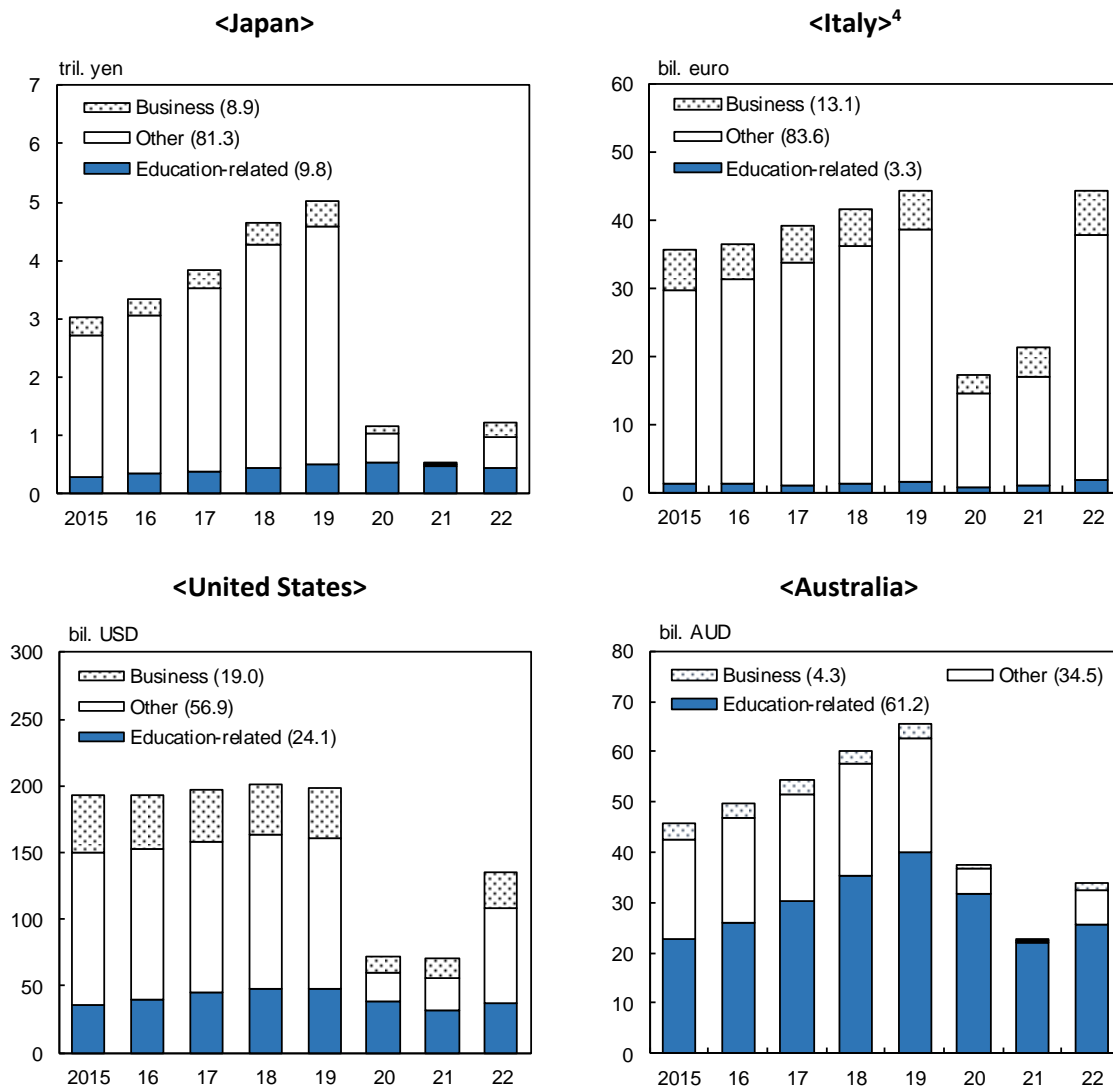
Subsequently, following the outbreak of COVID-19, other personal travel receipts fell dramatically, leading to a decline in overall travel receipts. In contrast, the change in education-related travel receipts remained marginal despite the pandemic.

Looking at travel receipts by purpose of travel in other economies shows distinctive patterns unique to each economy. During the pre-pandemic period, other personal travel receipts accounted for more than 80 percent of total receipts in Italy, as in Japan. On the other hand, although in the United States, too, other personal travel receipts accounted for a large share, business and education-related travel receipts also made up fairly sizeable shares. Meanwhile, in Australia, education-related travel receipts accounted for about 60 percent of total receipts, which was higher than in the other economies.

² In the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6), business travel and personal travel are standard components under "travel."

Since the decline in education-related travel receipts from 2019 through 2020 and 2021 was much smaller than that in other personal travel receipts, the decline in total travel receipts was much less pronounced for Australia, where education-related travel receipts accounted for more than half of total receipts, than for the other economies.

Figure A.1.1: Travel Receipts by Purpose of Travel for Selected Economies³



Sources: Australian Bureau of Statistics; Bank of Italy; U.S. Bureau of Economic Analysis.

³ Figures in parentheses represent the shares of each component in 2019. "Other" includes sightseeing.

⁴ Italy's education-related travel receipts include expenditures of travelers visiting the country to receive medical treatment.

C. Primary Income

The surplus on primary income increased to 35.2 trillion yen in 2022 from 26.4 trillion yen in 2021. The surplus on "direct investment income" rose significantly on the back of the favorable business performance of overseas subsidiaries. The surplus on "portfolio investment income" also widened.

Looking at direct investment income by region, a rise in the surplus on such investment income was seen in a wide range of regions, including North America.

Looking at portfolio investment income by component, the surplus on such investment income widened mainly because receipts of "dividends on equity excluding investment fund shares" and "interest" increased.

Figure 17: Primary Income Balance

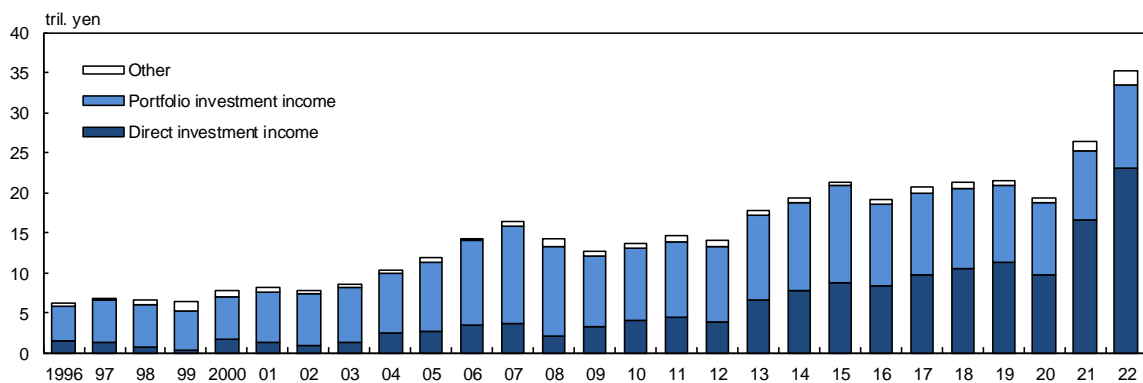


Figure 18: Direct Investment Income by Region

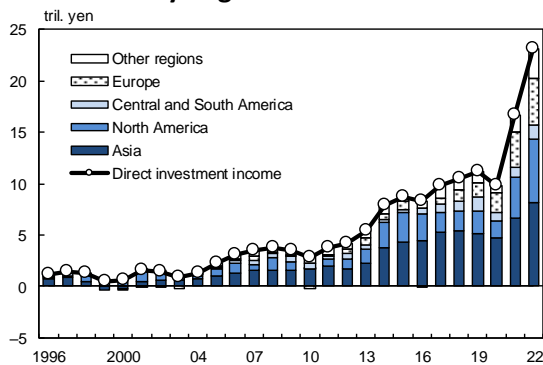


Figure 19: Direct Investment Income by Industry

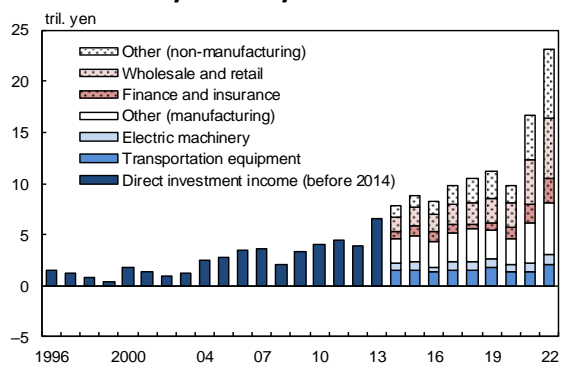


Figure 20: Portfolio Investment Income by Region

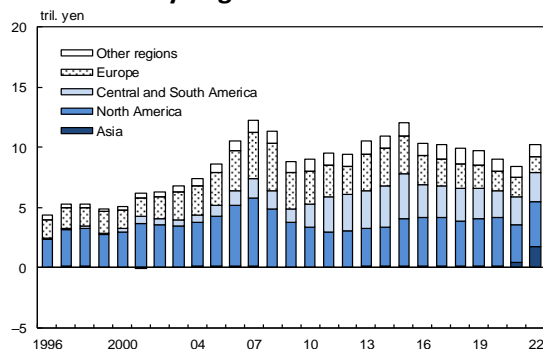
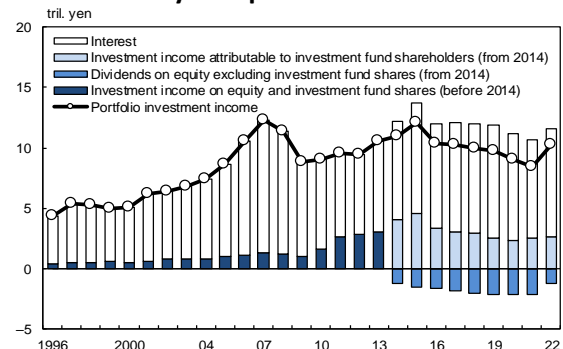


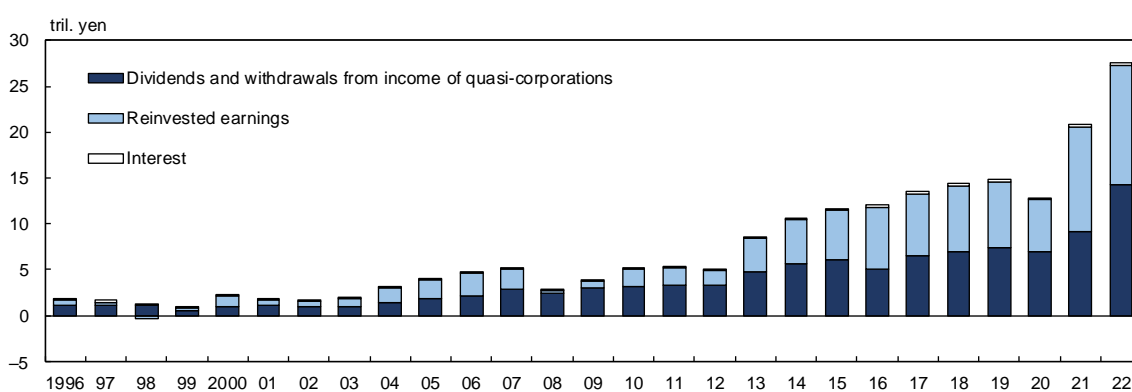
Figure 21: Portfolio Investment Income by Component



Appendix 2. Direct Investment Income Receipts by Region and Industry

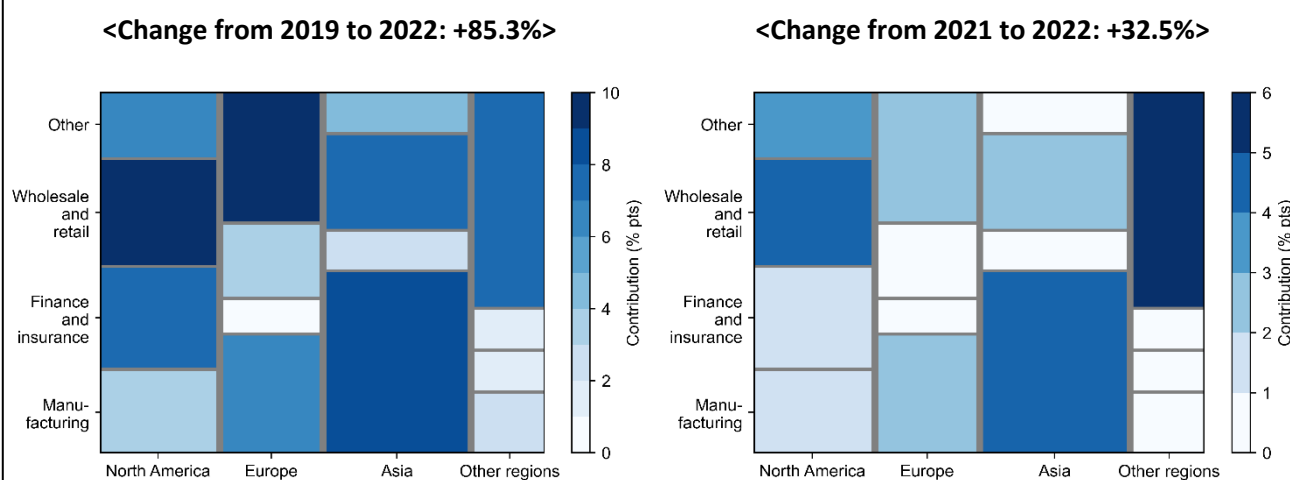
Receipts of direct investment income have increased for two consecutive years, reaching a record high in 2022, after having decreased in 2020 reflecting the spread of COVID-19. Receipts in 2022 increased substantially, exceeding the pre-pandemic level in 2019 by 85.3 percent.

Figure A.2.1: Direct Investment Income Receipts (Credit)



This appendix examines the contributions of major regions and industries to the increase in direct investment income receipts from the pre-pandemic year of 2019 to 2022 and from 2021 to 2022. Starting with changes from 2019 to 2022, income receipts from direct investments in the "wholesale and retail" industry in North America and in "other" industries in Europe made the largest contributions to the overall increase in receipts. The increase in receipts from investments in the "wholesale and retail" industry in North America likely is due to the steady rise in sales by local distributors, regional holding companies, and other affiliates. Meanwhile, a closer look at the increase in receipts from investments in "other" industries in Europe reveals that the "communications" industry was a major contributor. By contrast, looking at changes from 2021 to 2022 shows that during this period it was income receipts from direct investments in "other" industries in "other regions" that made the most notable contribution to the overall increase. Taking a closer look suggests that this increase was largely due to the increase in receipts from investments in the "mining" industry in Oceania, reflecting the strong business performance of overseas subsidiaries driven by such factors as the rise in mineral fuel prices.

Figure A.2.2: Contributions of Major Regions and Industries to the Increase in Direct Investment Income Receipts⁵



Meanwhile, income receipts from direct investments in the "manufacturing" sector in Asia made a considerable contribution to the increase in receipts both from 2019 to 2022 and from 2021 to 2022, accounting for a large and stable share of direct investment income receipts. A breakdown of receipts from direct investments in the "manufacturing" sector in Asia by major economy and industry shows that those from direct investments in the "transportation equipment" industry in China and Thailand accounted for significant shares and made considerable contributions to the overall increase in receipts. While the timing at which receipts from investments in the "transportation equipment" industry peaked and bottomed out differs across economies, reflecting such factors as supply-chain disruptions triggered by the spread of COVID-19, it appears that the business performance of the industry has been recovering recently. That is, direct investment income receipts from China have been recovering due to a pick-up in the rate of return as well as an increase in the direct investment position reflecting additional investments, while receipts from Thailand, where the direct investment position remained more or less unchanged, have recovered due to a resurgence in the rate of return in 2022.

⁵ The areas represent the share of each region and industry in direct investment income receipts in 2022. The colors represent the contribution of each region and industry to the overall increase in receipts.

Figure A.2.3: Contributions of Major Economies and Industries to the Increase in Income Receipts from Direct Investment in the Manufacturing Sector in Asia⁶

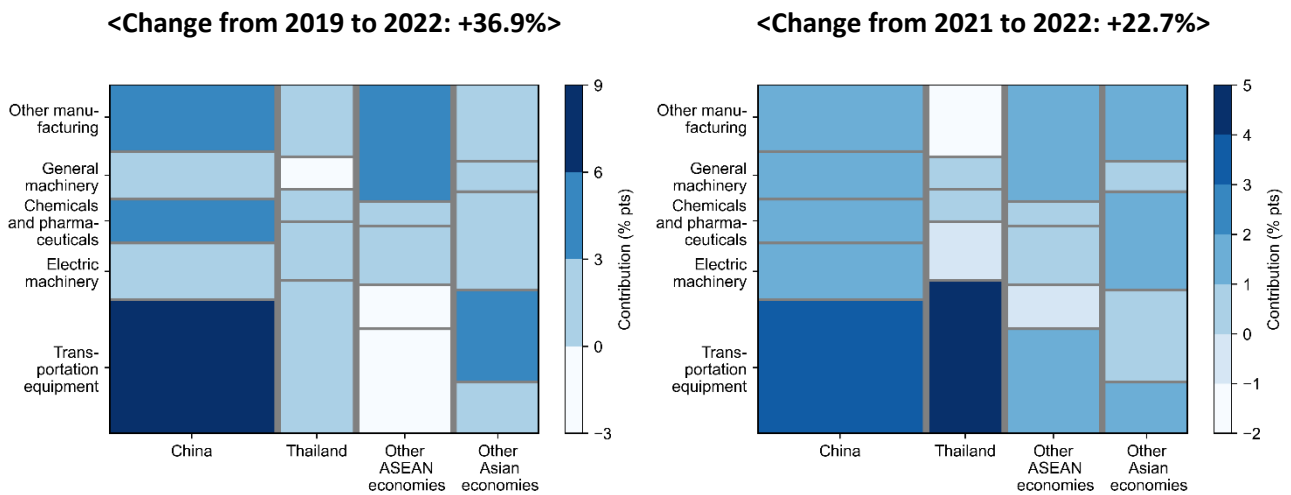
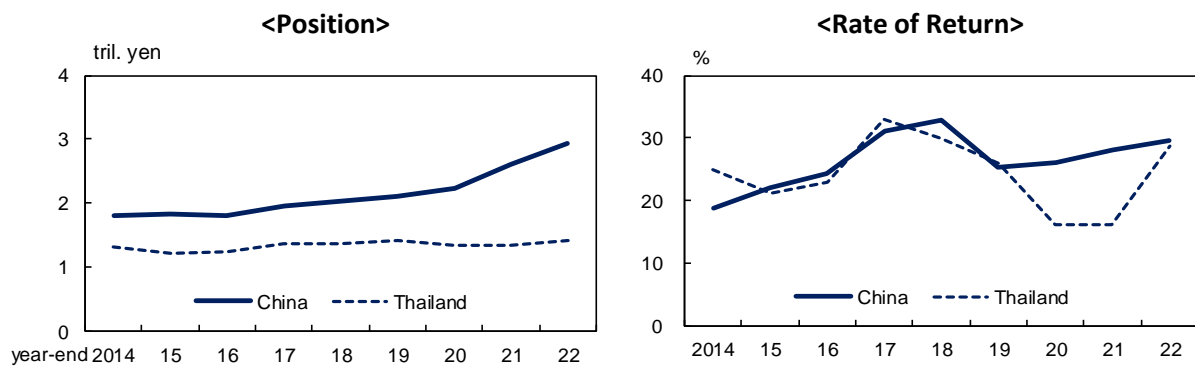


Figure A.2.4: Outward Direct Investment in the Transportation Equipment Industry in China and Thailand⁷



⁶ The areas represent the share of each economy and industry in direct investment income receipts in 2022. The colors represent the contribution of each economy and industry to the overall increase in receipts.

⁷ The rate of return is calculated by dividing the annual direct investment income receipts in the current year by the outward direct investment position at the previous year-end.

D. Secondary Income

As for secondary income, the deficit widened to 2.5 trillion yen in 2022 from 2.4 trillion yen in 2021, primarily reflecting an increase in payments of "other current transfers," such as reinsurance premiums, in the "financial corporations, nonfinancial corporations, households, and NPISHs" sector.⁸

By region, the deficit vis-à-vis "other regions" such as Central and South America increased.

Figure 22: Secondary Income Balance

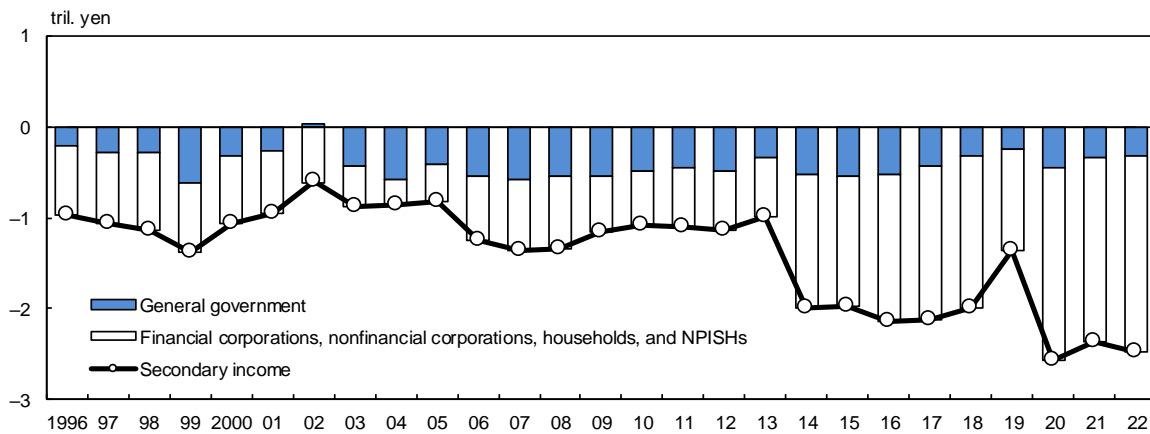
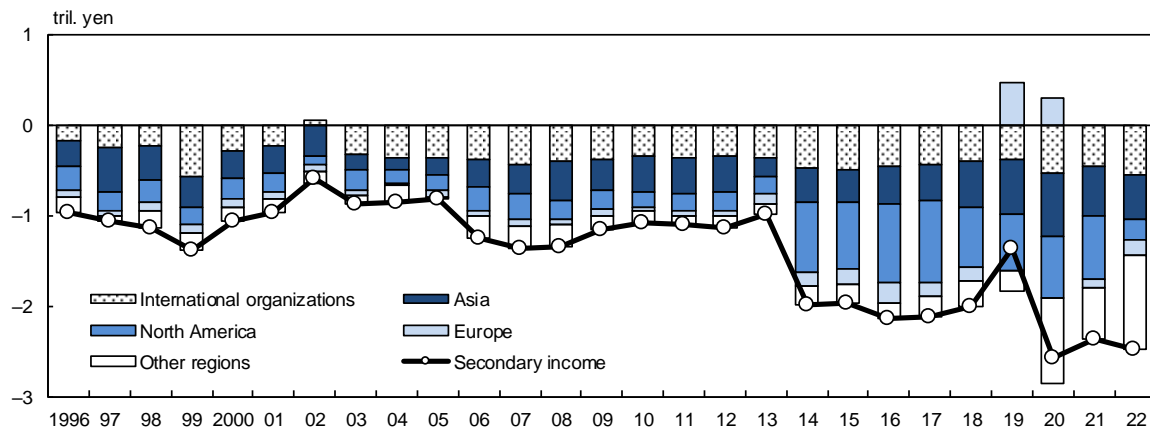


Figure 23: Secondary Income by Region



⁸ "NPISHs" stands for "nonprofit institutions serving households."

II. Developments in the Financial Account in 2022

A. Direct Investment Assets (Outward Direct Investment)

Net acquisitions of direct investment assets amounted to 23.2 trillion yen in 2022, remaining more or less unchanged from the 23.0 trillion yen in 2021. This was mainly because net acquisitions of "equity other than reinvestment of earnings" declined, while net executions of "reinvestment of earnings" increased.

Looking at outward direct investment by region and industry based on the directional principle, net investments decreased, particularly in the "non-manufacturing" sector in Europe.

Figure 24: Direct Investment Assets

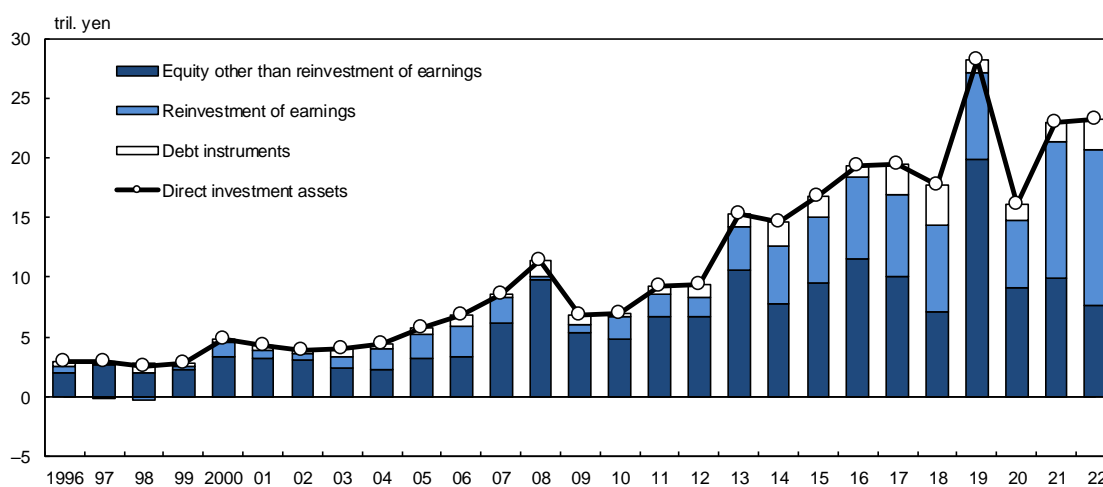
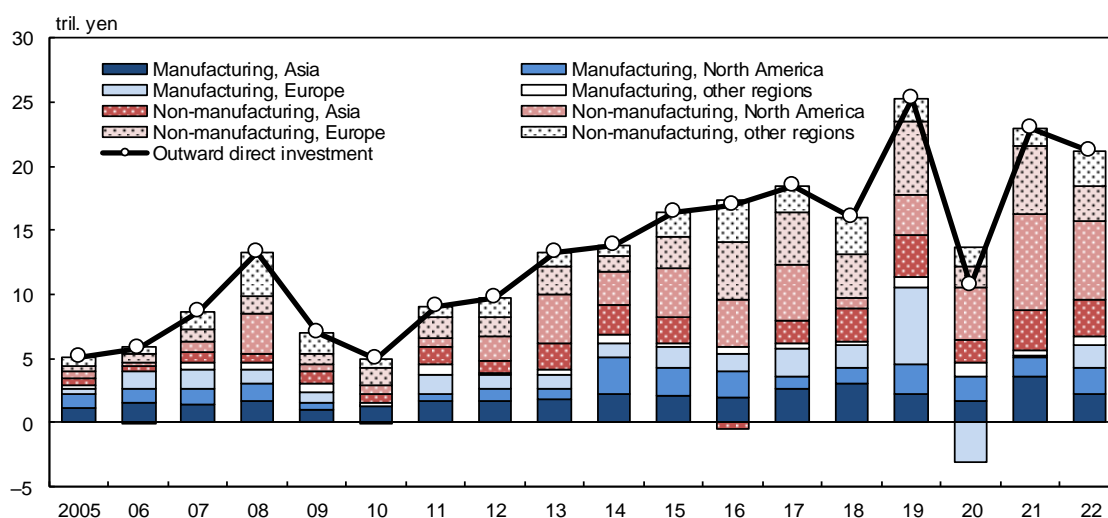


Figure 25: Outward Direct Investment by Region and Industry (Directional Principle Basis)



B. Direct Investment Liabilities (Inward Direct Investment)

Net incurrence of direct investment liabilities increased to 6.2 trillion yen in 2022 from 3.8 trillion yen in 2021, mainly because investment in "debt instruments" shifted to net incurrence due to an increase in loans from overseas subsidiaries.

Looking at inward direct investment by region and industry based on the directional principle, net investments in the "non-manufacturing" sector from North America and in the "manufacturing" sector from Europe increased.

Figure 26: Direct Investment Liabilities

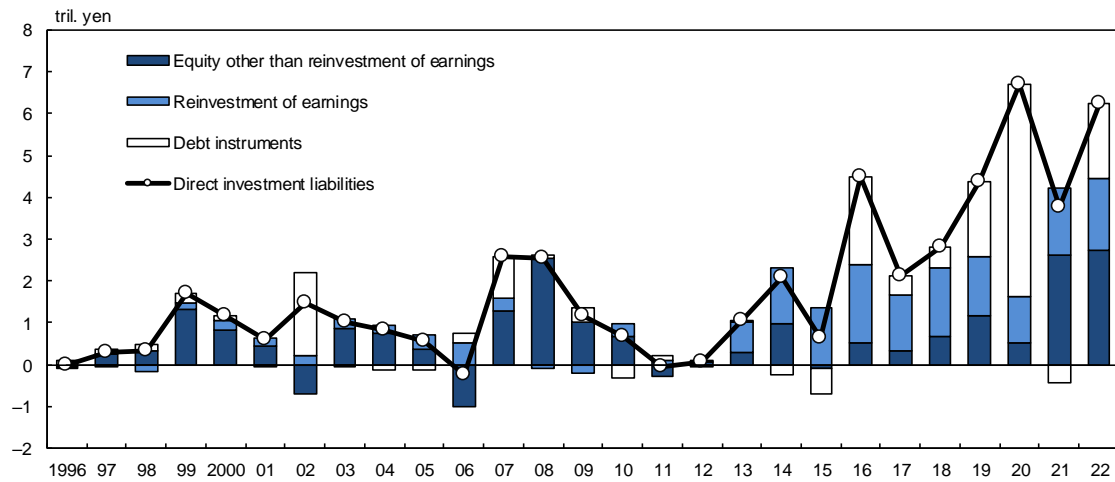
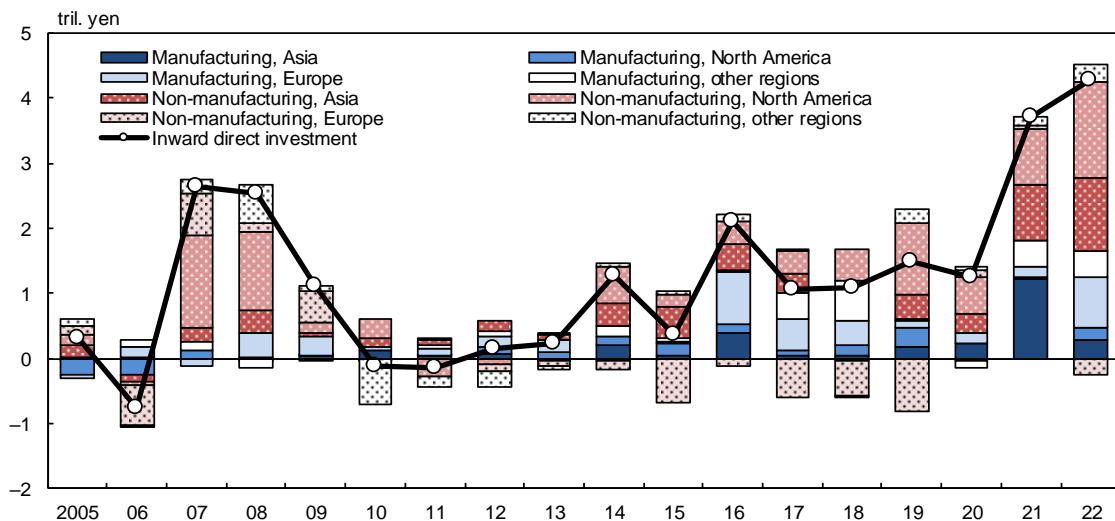


Figure 27: Inward Direct Investment by Region and Industry (Directional Principle Basis)

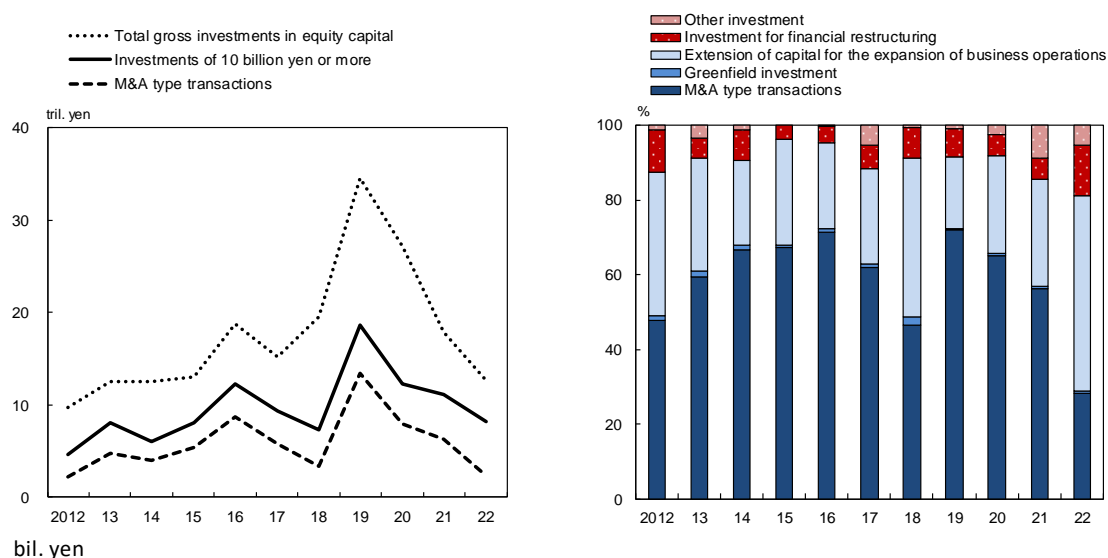


Appendix 3. Developments in Direct Investment by Type of Investment⁹

Developments in direct investment classified by type of investment show the following. Starting with direct investment assets, in 2022, the share of "extension of capital for the expansion of overseas business operations" by Japanese firms increased and exceeded that of "M&A type transactions" consisting of the acquisition of foreign firms by Japanese firms. "Greenfield investment" -- in which new enterprises are established by investors -- continued to be low.

Investments under direct investment liabilities remained low compared to those under direct investment assets. A breakdown by type of investment shows that, in 2022, "M&A type transactions" intended for the acquisition of Japanese firms by foreign investors continued to account for a significant share.

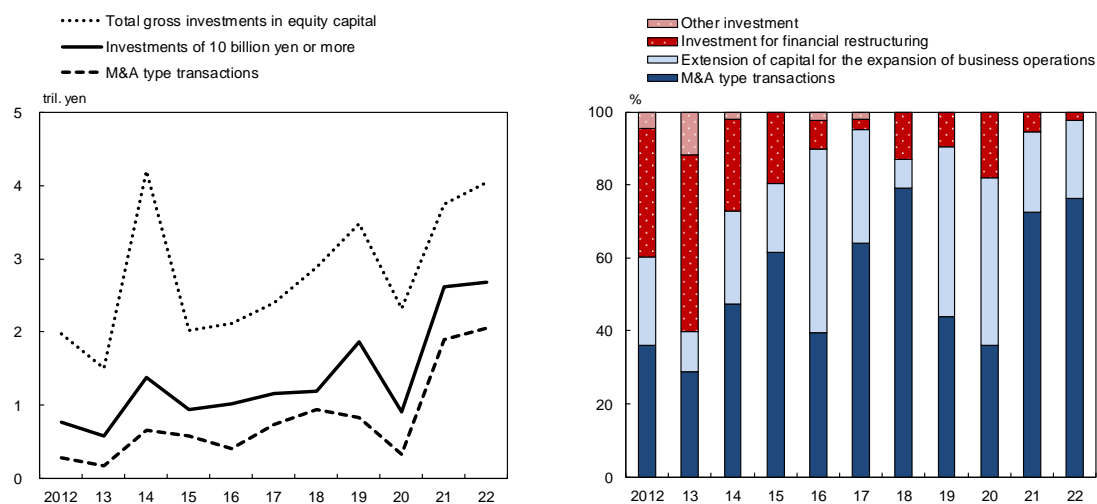
Figure A.3.1: Direct Investment Assets by Type of Investment (Gross Value Basis, Investments of 10 Billion Yen or More)



| Direct investment assets | M&A type transactions | Greenfield investment | Extension of capital for the expansion of business operations | Investment for financial restructuring | Other investment | Total gross investments in equity capital |
|--------------------------|-----------------------|-----------------------|---|--|------------------|---|
| 2012 | 2,224.6 | 65.2 | 1,795.0 | 524.1 | 64.1 | 9,783.7 |
| 2013 | 4,750.3 | 143.4 | 2,411.4 | 435.2 | 273.8 | 12,491.6 |
| 2014 | 4,013.9 | 81.9 | 1,370.2 | 484.9 | 77.2 | 12,565.4 |
| 2015 | 5,419.2 | 55.1 | 2,285.7 | 304.9 | — | 12,998.0 |
| 2016 | 8,761.7 | 101.5 | 2,848.8 | 530.0 | 38.0 | 18,785.4 |
| 2017 | 5,798.5 | 77.7 | 2,375.5 | 594.2 | 497.9 | 15,233.4 |
| 2018 | 3,391.3 | 172.9 | 3,096.0 | 600.7 | 38.6 | 19,572.6 |
| 2019 | 13,405.4 | 52.0 | 3,584.7 | 1,353.5 | 193.7 | 34,600.0 |
| 2020 | 7,949.1 | 79.0 | 3,226.2 | 681.4 | 306.9 | 27,177.1 |
| 2021 | 6,223.3 | 58.3 | 3,179.3 | 624.4 | 978.0 | 17,902.0 |
| 2022 | 2,318.4 | 62.5 | 4,312.3 | 1,122.8 | 439.7 | 12,682.8 |

Note: Total gross investments in equity capital include investments below 10 billion yen.

Figure A.3.2: Direct Investment Liabilities by Type of Investment (Gross Value Basis, Investments of 10 Billion Yen or More)



bil. yen

| Direct investment liabilities | M&A type transactions | Greenfield investment | Extension of capital for the expansion of business operations | Investment for financial restructuring | Other investment | Total gross investments in equity capital |
|-------------------------------|-----------------------|-----------------------|---|--|------------------|---|
| 2012 | 277.3 | — | 187.7 | 270.5 | 35.5 | 1,973.7 |
| 2013 | 165.8 | — | 63.8 | 276.6 | 68.2 | 1,496.4 |
| 2014 | 656.9 | — | 351.1 | 345.3 | 29.5 | 4,202.8 |
| 2015 | 577.1 | — | 177.2 | 183.4 | — | 2,028.8 |
| 2016 | 403.8 | — | 513.1 | 83.3 | 22.3 | 2,122.7 |
| 2017 | 736.4 | — | 358.5 | 35.2 | 21.7 | 2,393.1 |
| 2018 | 936.2 | — | 91.4 | 154.4 | — | 2,892.8 |
| 2019 | 821.3 | — | 864.9 | 178.4 | — | 3,482.9 |
| 2020 | 327.0 | — | 416.1 | 164.6 | — | 2,323.7 |
| 2021 | 1,900.1 | — | 570.2 | 145.4 | — | 3,753.6 |
| 2022 | 2,045.3 | — | 569.5 | 62.3 | — | 4,045.2 |

Note: Total gross investments in equity capital include investments below 10 billion yen.

⁹ Reference figures. In accordance with the BPM6 and the Organisation for Economic Co-operation and Development (OECD) Benchmark Definition of Foreign Direct Investment, Fourth Edition (BD4), 2008, direct investment transactions (gross investments in equity capital) are classified into the following five types of investment based on the purpose of investment in the ultimate investee enterprises: (1) M&A type transactions: investment for the acquisition of existing shares; (2) greenfield investment: investment for the establishment of new enterprises; (3) extension of capital for the expansion of business operations: investment for the expansion of business operations; (4) investment for financial restructuring: investment for debt repayment or loss reduction; and (5) other investment: other investment including investment in corporate-type investment trusts.

The classification is applied only to direct investment transactions (gross investments in equity capital) of 10 billion yen or more.

Figures before 2014 based on the fifth edition of the Balance of Payments Manual (BPM5) have been retroactively revised as far back as possible and have been reclassified to the extent possible for comparability following current international standards.

C. Portfolio Investment Assets

Net sales of foreign securities by Japanese investors increased to 22.9 trillion yen in 2022 from 0.6 trillion yen in 2021.

Investment in foreign equity and investment fund shares shifted to net purchases, because while net purchases of "investment fund shares or units" continued, net sales of "equity securities other than investment fund shares" decreased. By region, investment in North American securities shifted to net purchases.

Investment in long-term debt securities shifted to net sales mainly due to increased net sales by "deposit-taking corporations, except the central bank" and "life insurance companies," marking the largest net sales since 1996, from when comparable data are available. By partner economy, U.S. securities led the shift to net sales.

Figure 28: Portfolio Investment Assets

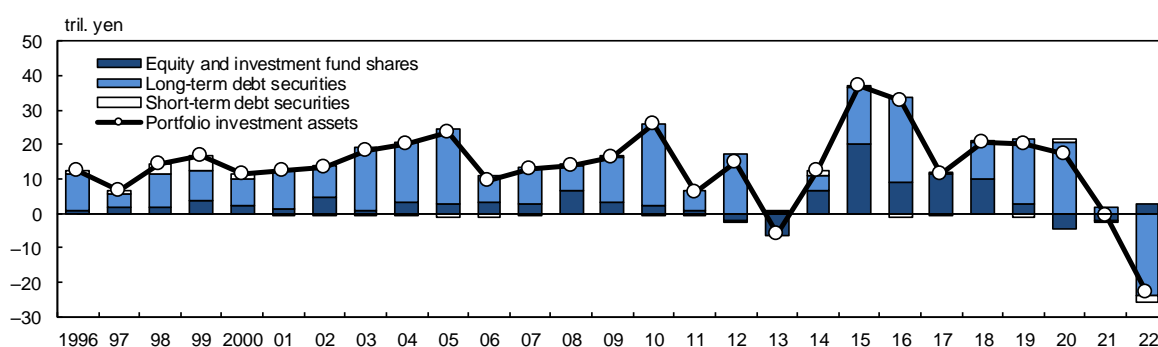


Figure 29: Equity and Investment Fund Shares by Component (Assets)

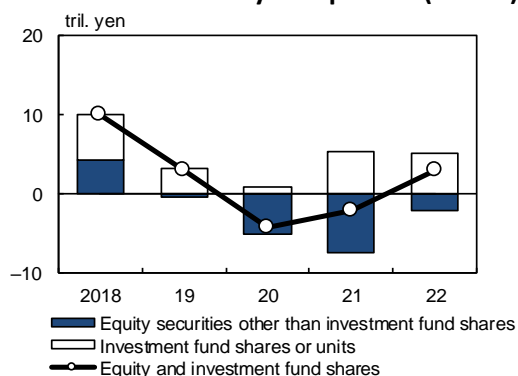


Figure 30: Equity and Investment Fund Shares by Region (Assets)

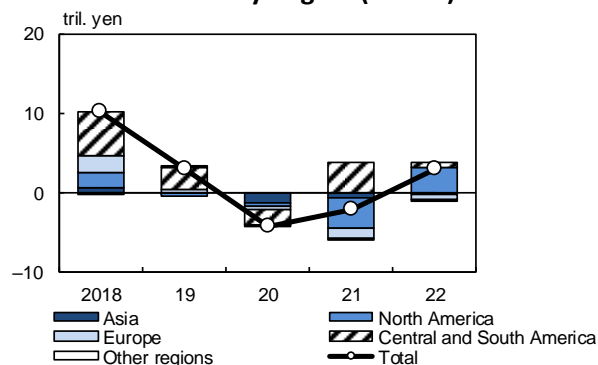


Figure 31: Long-Term Debt Securities by Type of Investor (Assets)

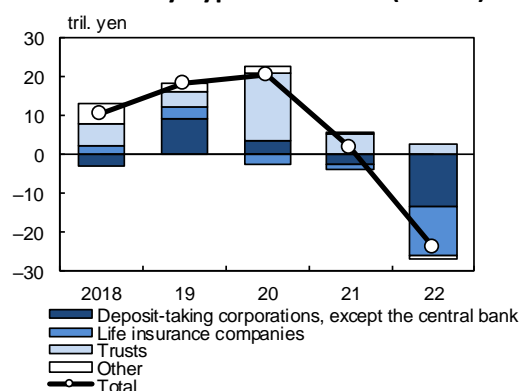
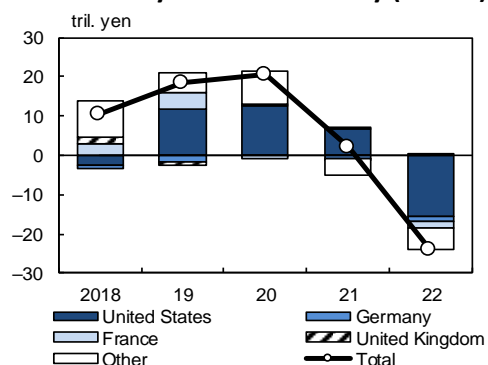


Figure 32: Long-Term Debt Securities by Partner Economy (Assets)



Appendix 4. Developments in Portfolio Investment Assets

In 2022, investment in foreign securities by Japanese investors marked the largest net sales since 1996, from when comparable data are available (Figure 28). This was primarily due to substantial sales of long-term debt securities by a wide range of Japanese investors. While overseas central banks raised their policy interest rates in response to globally elevated inflation, there were notable sales of long-term debt securities by "deposit-taking corporations, except the central bank," reflecting the drop in bond prices. Meanwhile, with widening interest rate differentials between Japan and abroad, there were moves by such investors as "life insurance companies" to reduce investment in long-term debt securities in response to rising costs to hedge foreign exchange rate risks (FX-hedging costs).

Figure A.4.1:
Investment in Long-Term Debt Securities
by Type of Investor

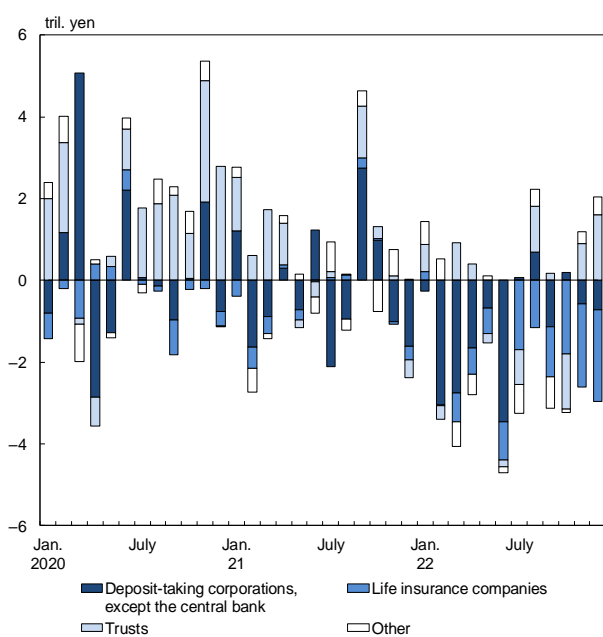
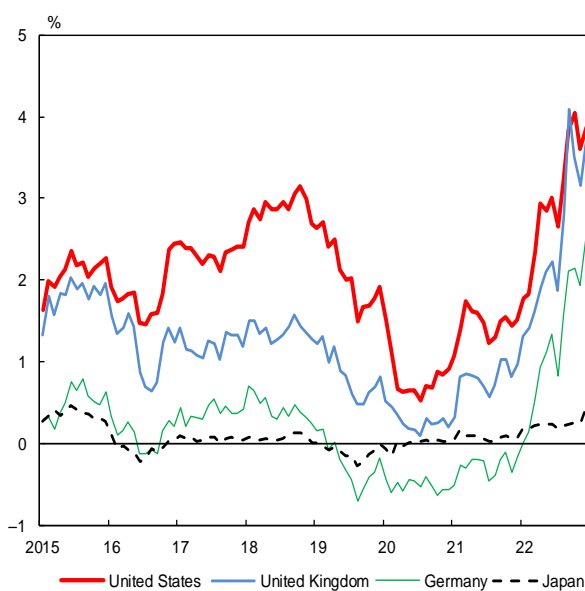


Figure A.4.2:
Yields on 10-Year Government Bonds
of Major Economies



Source: Bloomberg.

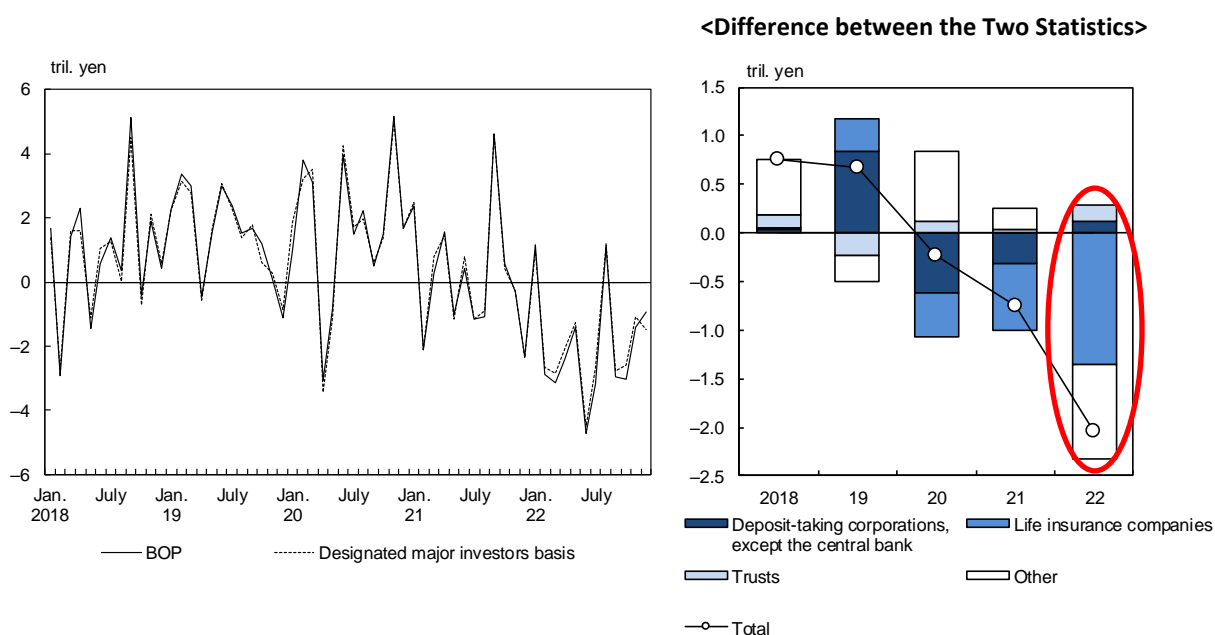
In Japan, in addition to the BOP statistics, another set of statistics recording developments in portfolio investment assets and liabilities is the International Transactions in Securities (based on reports from designated major investors) released by the Ministry of Finance (MOF). The statistics are compiled based only on reports from major financial institutions designated by the Minister of Finance and are made available to the public close to real time, in that monthly figures are released in the following month after the relevant transactions take place.¹⁰

¹⁰ In addition to monthly data, weekly data are also made available.

By contrast, the BOP statistics, for which monthly figures are released two months after the relevant month, cover data from reporters other than designated major investors, including relatively small financial institutions and nonfinancial institutions. They also cover cross-border transactions pertaining to the issuance and redemption of securities.¹¹

Comparing figures for investment in long-term debt securities by Japanese investors between the two sets of statistics shows that although the trends remained very similar, there were relatively large divergences in 2022. Looking at figures by type of investor indicates that in the BOP statistics net sales by "life insurance companies" were larger than in the International Transactions in Securities statistics, indicating that sales of long-term debt securities due to the rise in FX-hedging costs and other factors spread to life insurance companies other than those designated as major investors.

Figure A.4.3: Investment in Long-Term Debt Securities in the BOP Statistics and the International Transactions in Securities Statistics (Based on Reports from Designated Major Investors)



Source: MOF.

¹¹ Regarding securities issued by financial institutions and general business corporations for the purpose of raising funds, the issuance and redemption of securities in Japan by nonresidents, such as of samurai bonds, are recorded under portfolio investment assets, while the issuance and redemption of securities abroad by residents are recorded under portfolio investment liabilities.

D. Portfolio Investment Liabilities

Investment in Japanese securities by foreign investors shifted to net sales of 3.6 trillion yen in 2022 from net purchases of 21.3 trillion yen in 2021.

Investment in Japanese equity and investment fund shares shifted to net sales, because investment in "equity securities other than investment fund shares" shifted to net sales. Investment in Japanese long-term debt securities shifted to net sales, registering the largest net sales since 1996, from when comparable data are available. Net purchases of Japanese short-term debt securities increased.

Figure 33: Portfolio Investment Liabilities

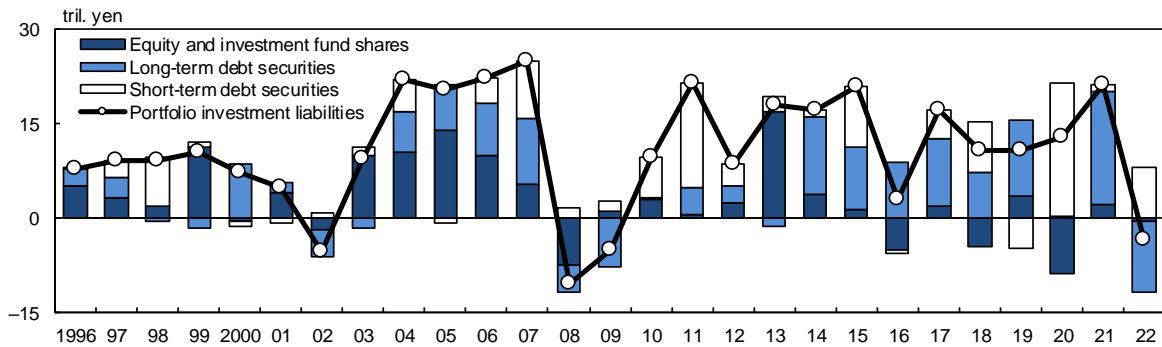


Figure 34: Equity and Investment Fund Shares by Component (Liabilities)

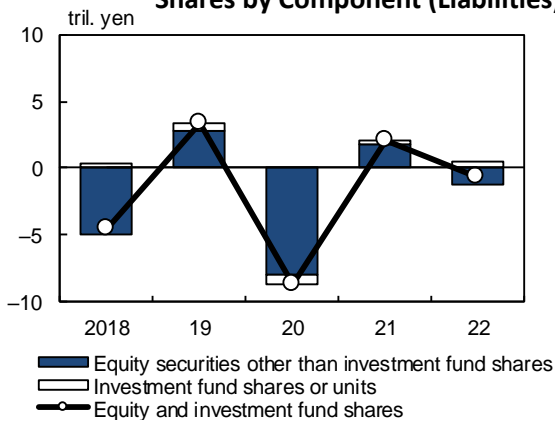


Figure 35: Equity and Investment Fund Shares by Region (Liabilities)

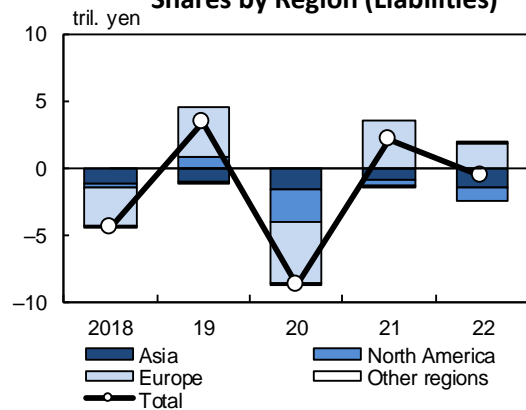


Figure 36: Long-Term Debt Securities (Changes in Liabilities by Region)¹²

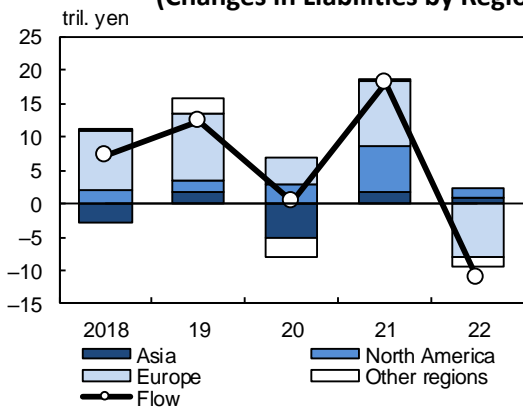
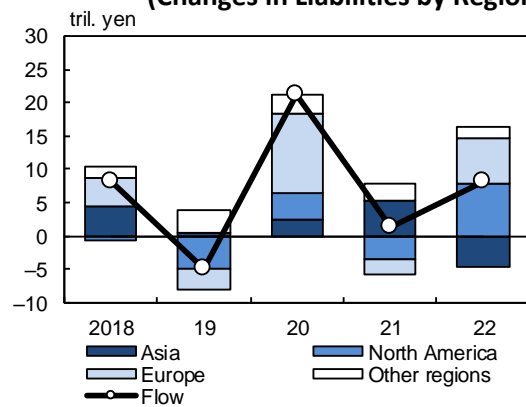


Figure 37: Short-Term Debt Securities (Changes in Liabilities by Region)¹²

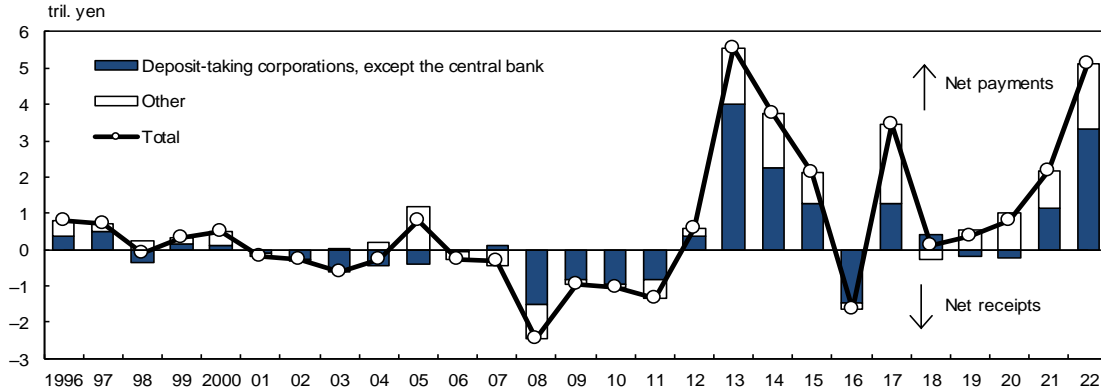


¹² There are discrepancies between the flows and the sums of changes in liabilities by region.

E. Financial Derivatives (Other than Reserves)

Net payments of financial derivatives (other than reserves) increased to 5.1 trillion yen in 2022 from 2.2 trillion yen in 2021, mainly because net payments in the "deposit-taking corporations, except the central bank" sector increased.

Figure 38: Financial Derivatives (Other than Reserves) by Sector



F. Other Investment

Net lending under other investment amounted to 10.7 trillion yen in 2022, remaining more or less unchanged from 10.5 trillion yen in 2021. This mainly reflects an increase in net lending under "loans" and an increase in net borrowing under "currency and deposits."

Figure 39: Other Investment

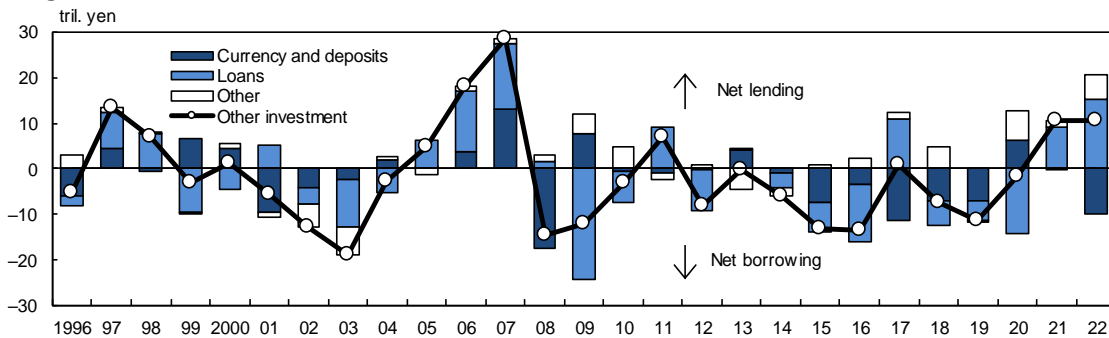


Figure 40: Currency and Deposits

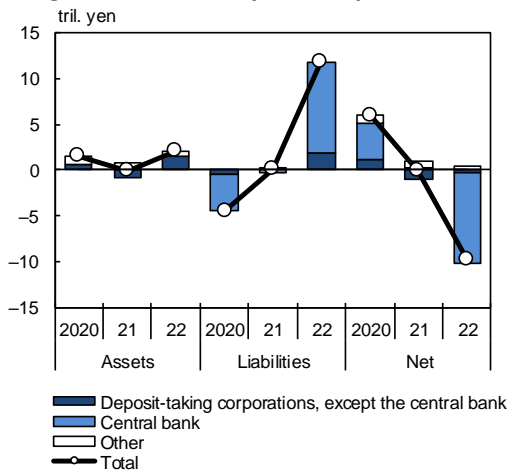
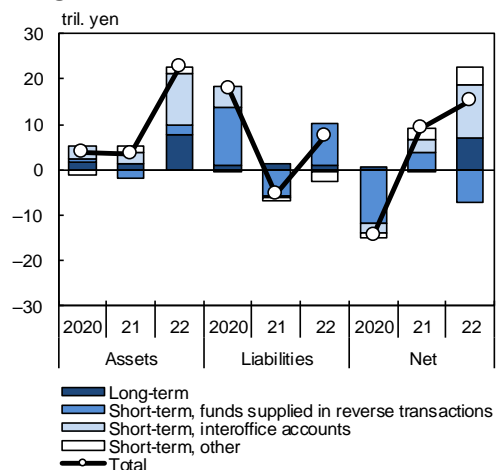


Figure 41: Loans



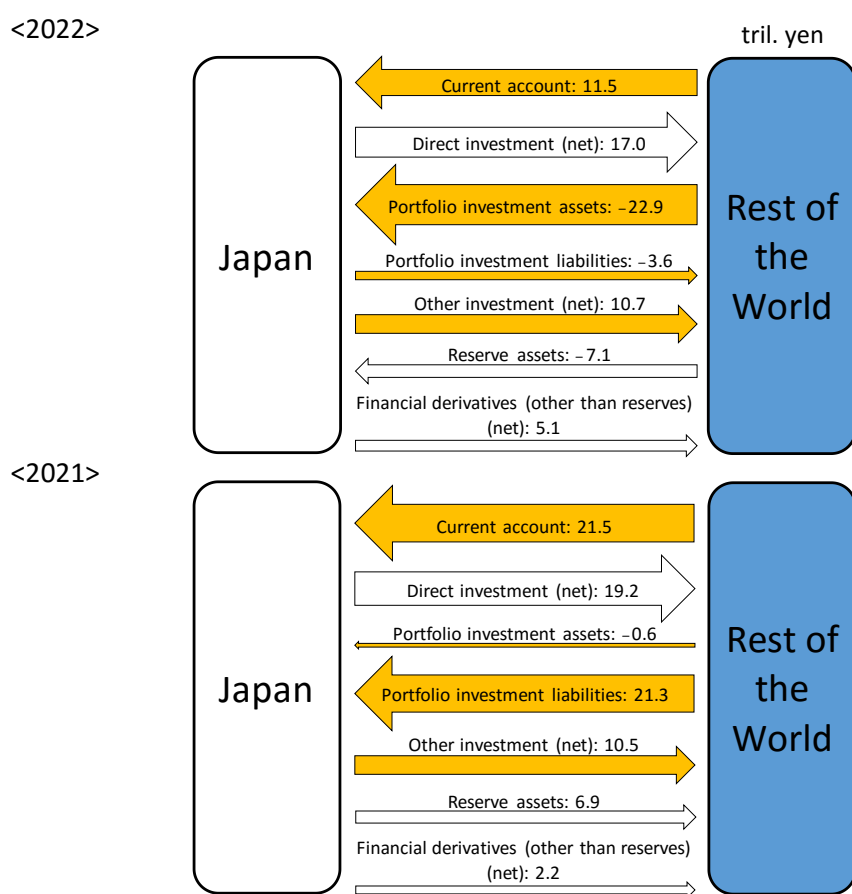
Appendix 5. Key Features of BOP Flows in 2022

Looking at Japan's BOP in 2022 in terms of money flows resulting from selected components, the current account surplus, which gives rise to money inflows, decreased as the goods balance turned to a deficit, mainly reflecting the rise in commodity prices.

In the financial account, with overseas central banks raising their policy interest rates, net sales of foreign securities (inflows), especially of long-term debt securities, by Japanese investors (i.e., portfolio investment assets) increased, mainly due to a drop in bond prices. Meanwhile, investment in Japanese securities by foreign investors (i.e., portfolio investment liabilities) shifted to slight net sales (outflows) amid the upward pressure on interest rates. Net lending (outflows) under direct investment was more or less unchanged from 2021.

"Other investment" covers money flows resulting from current account transactions as well as financing associated with investment activities such as direct and portfolio investment. Thus, reflecting the decrease in the current account surplus, the increase in net sales under portfolio investment assets, and the shift to net sales under portfolio investment liabilities, net lending (outflows) under "other investment" was more or less unchanged from 2021.

Figure A.5.1: Money Flows Resulting from Selected Components¹³



¹³ The arrows represent money flows. Negative values for components of the financial account represent net sales.

III. Japan's International Investment Position (IIP) at Year-End 2022

A. Summary

Japan's external financial assets and liabilities both increased, mainly due to increases in "other investment." External financial assets climbed to 1,338.2 trillion yen at year-end 2022 from 1,257.1 trillion yen at year-end 2021, while liabilities increased to 919.6 trillion yen at year-end 2022 from 839.2 trillion yen at year-end 2021.

Japan's net asset position marked a record high, rising to 418.6 trillion yen at year-end 2022 from 417.9 trillion yen at year-end 2021.

Figure 42: Assets

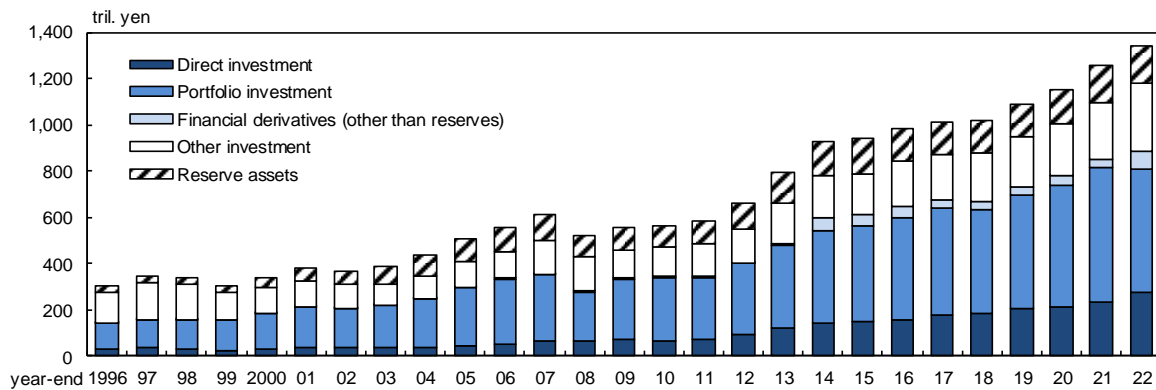


Figure 43: Liabilities

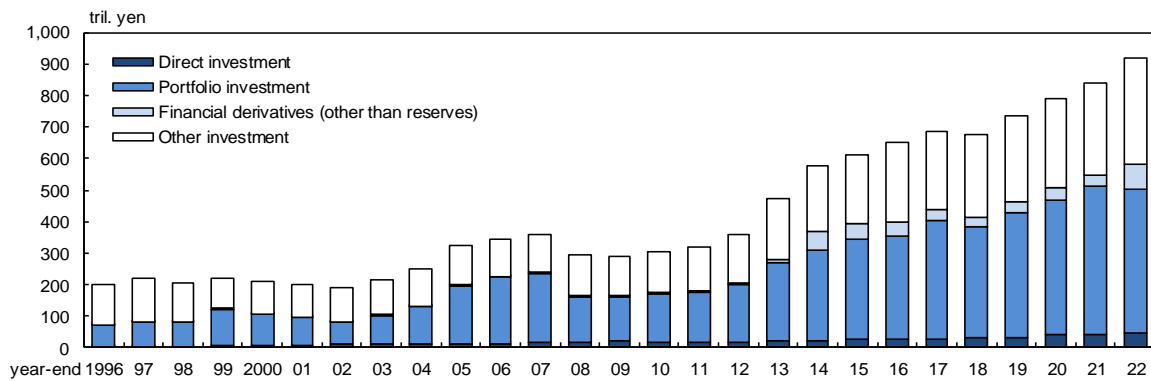
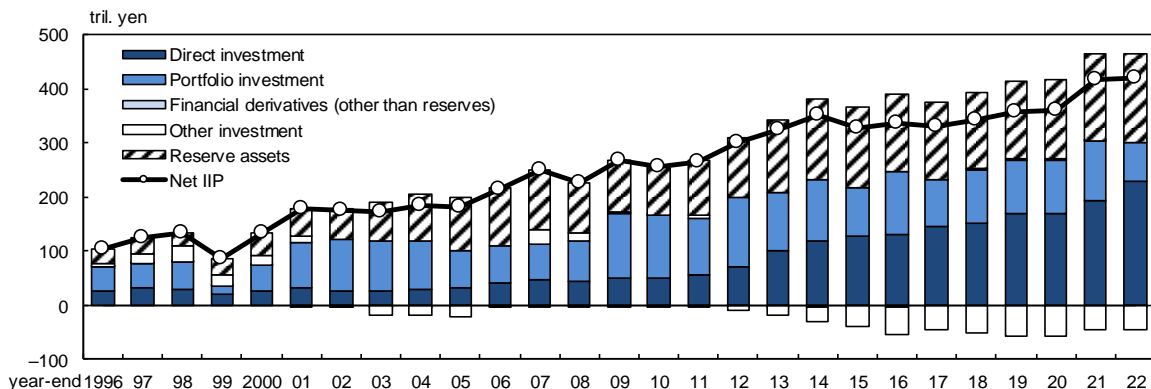


Figure 44: Net IIP



B. Year-on-Year Changes in Japan's IIP

Looking at year-on-year changes in the IIP by component, "direct investment" pushed up net assets, while "portfolio investment" pushed down net assets.

By factor, "exchange rate changes" made the largest contribution to the increase in net assets, while "other changes" worked in the direction of reducing net assets. Looking at "other changes" by component, "portfolio investment" made the largest contribution to the decrease in both assets and liabilities. This is primarily attributable to valuation losses on portfolio investments driven by the drop in both foreign and Japanese bond and stock prices.

Figure 45: Year-on-Year Changes in the IIP by Component

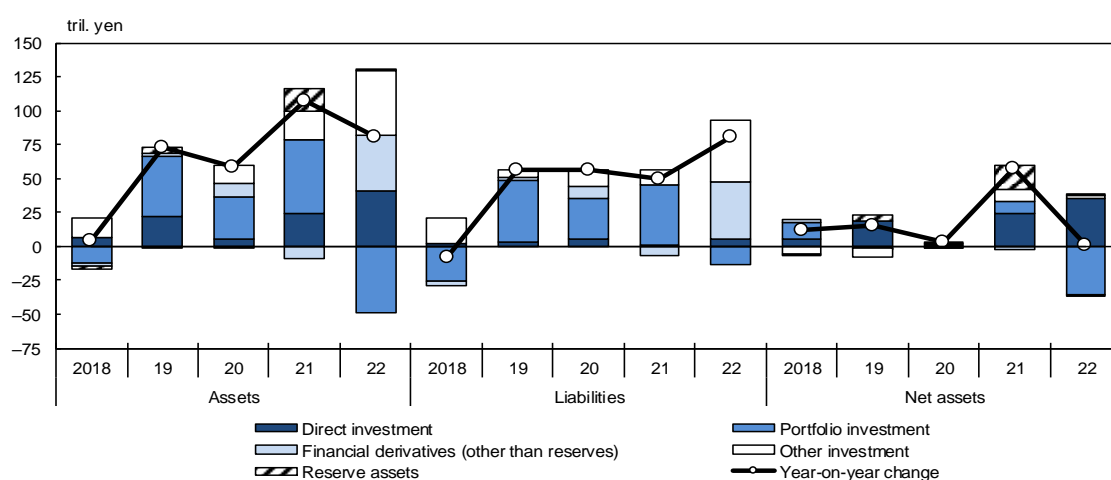
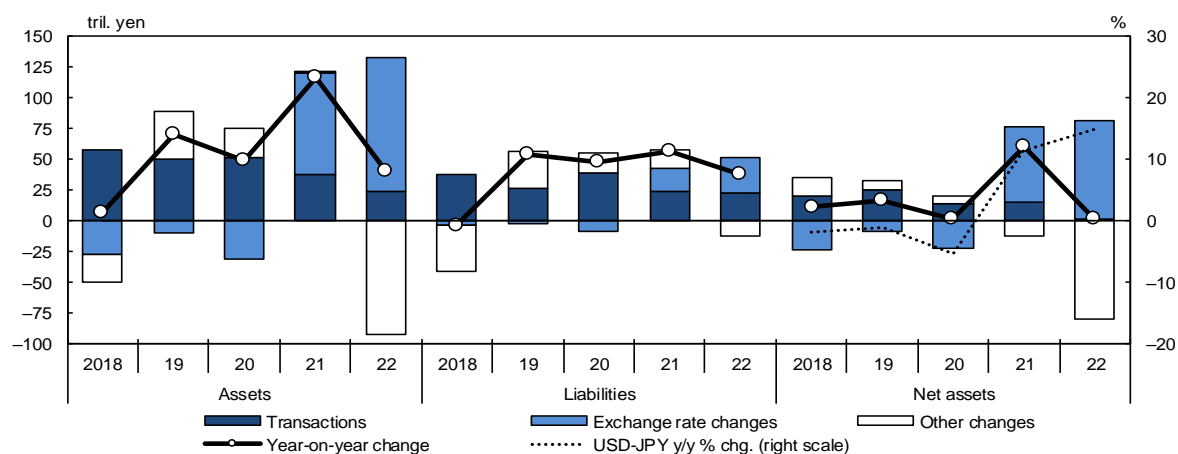


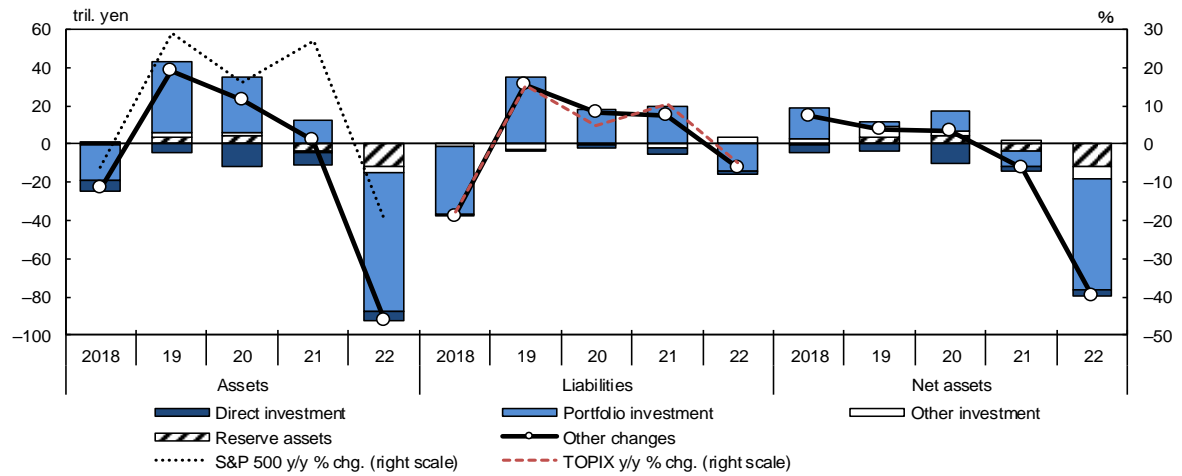
Figure 46: Year-on-Year Changes in the IIP by Factor¹⁴ excluding Financial Derivatives (Other Than Reserves)¹⁵



¹⁴ Year-on-year changes in the IIP by factor before 2022 do not add up as the figures for "exchange rate changes" and "other changes" do not reflect annual revisions.

¹⁵ Except for items such as the payment of option premiums, financial derivatives at their inception generally do not involve transactions that are recorded in the financial account, and investment positions change during the contract period in accordance with price changes in the underlying assets. Since the settlement of positions is recorded in the financial account as a reduction in assets and

Figure 47: Other Changes by Component excluding Financial Derivatives (Other Than Reserves)¹⁶

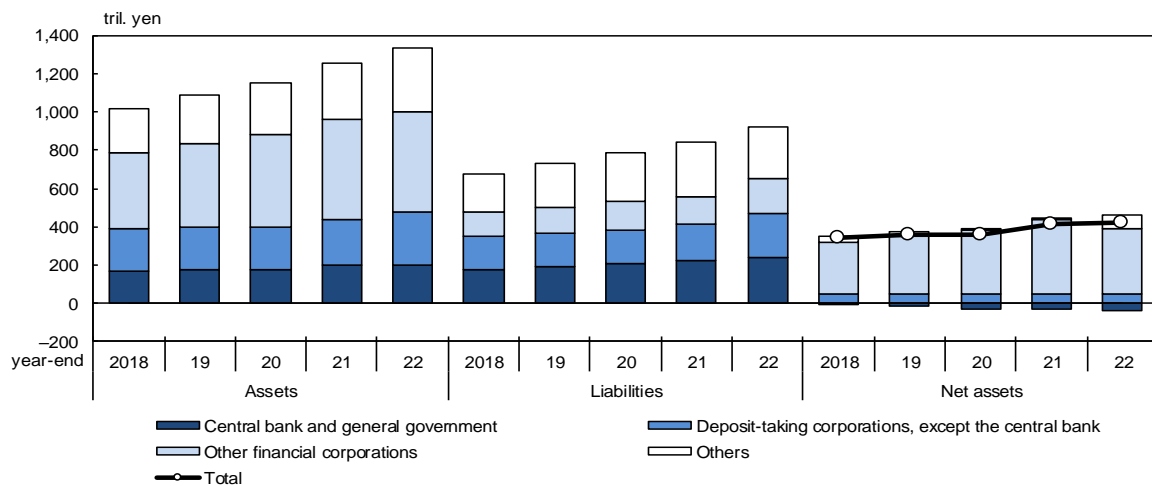


Source: Bloomberg.

C. Japan's IIP by Sector

Looking at the IIP by sector, assets increased led by a rise in the assets of "others," while liabilities increased led by a rise in the liabilities of "deposit-taking corporations, except the central bank."

Figure 48: IIP by Sector¹⁷



liabilities, increases in the financial derivatives positions are in principle due to "other changes" and decreases due to "transactions." (Meanwhile, changes due to "exchange rate changes" are generally zero since the main source data are reported in yen terms.) Therefore, since the impact of price changes differs from that for other functional categories, this report presents changes in Japan's IIP by factor excluding financial derivatives.

¹⁶ See footnote 15.

¹⁷ All direct investment is included in "others."

D. Direct Investment Position and Portfolio Investment Position by Component

Looking at the direct investment position by component, both assets and liabilities rose, with the rise in the former led by an increase in "equity other than reinvestment of earnings" and the rise in the latter led by an increase in "debt instruments." As for the portfolio investment position, both assets and liabilities decreased, with the decrease in the former led by a fall in "long-term debt securities" and the decrease in the latter led by a fall in "equity and investment fund shares."

Figure 49: Direct Investment Position by Component¹⁸

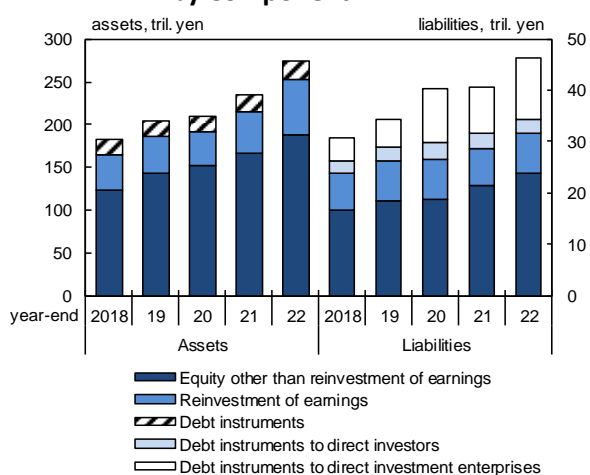
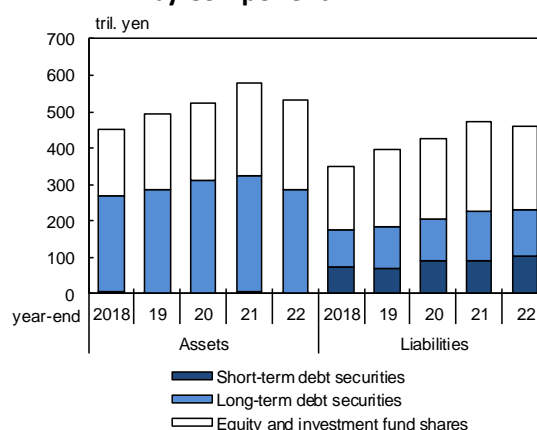


Figure 50: Portfolio Investment Position by Component



E. Direct Investment Position and Portfolio Investment Position by Region

Looking at the direct investment position by region, both assets and liabilities increased, with the former led by investment in North America and the latter led by investment from Europe and North America. As for the portfolio investment position, assets decreased driven by a decline in investment in North America, while liabilities decreased due to a decline in investment from such regions as Europe.

Figure 51: Direct Investment Position by Region

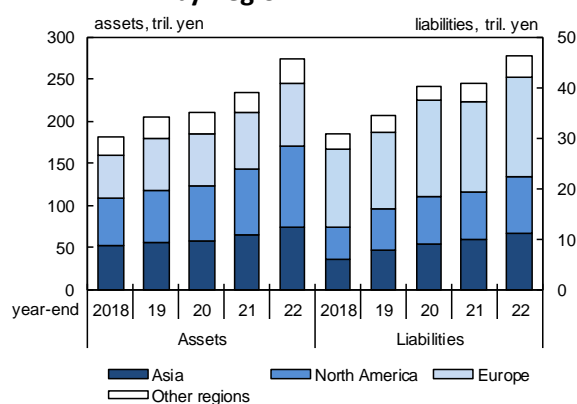
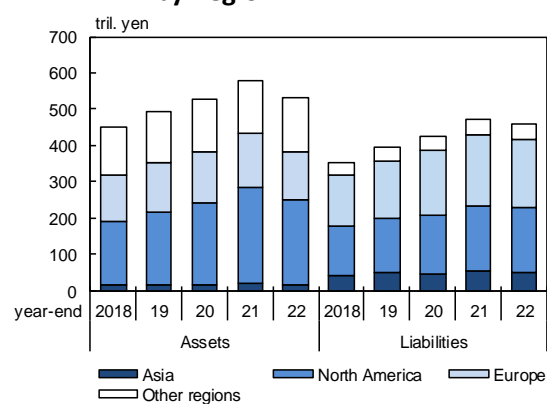


Figure 52: Portfolio Investment Position by Region

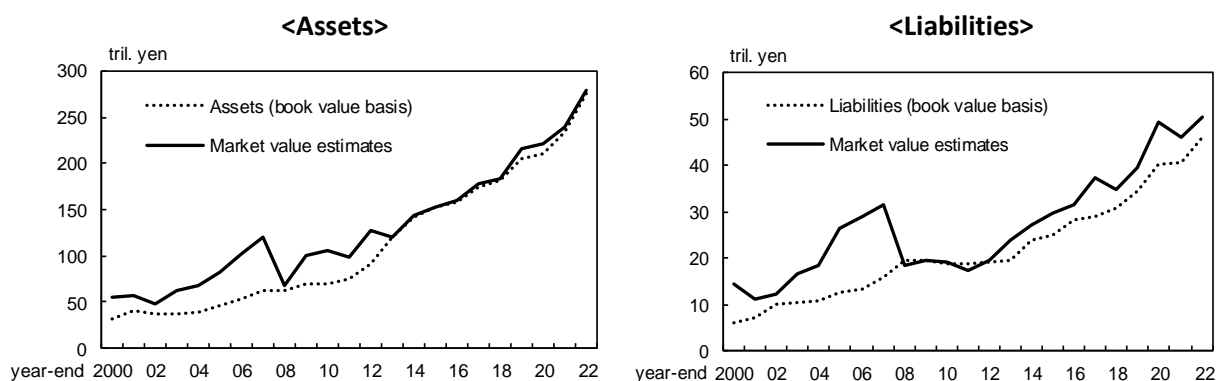


¹⁸ On the liabilities side, "debt instruments to direct investors" represent liabilities vis-à-vis overseas parent companies (direct investors) etc., while "debt instruments to direct investment enterprises" represent liabilities vis-à-vis overseas subsidiaries etc.

F. Market Value Estimates of Direct Investment Position

Looking at the direct investment position estimated using market values, assets and liabilities stood at 278.1 trillion yen and 50.3 trillion yen, respectively (on a book value basis, assets and liabilities amounted to 274.7 trillion yen and 46.2 trillion yen, respectively).

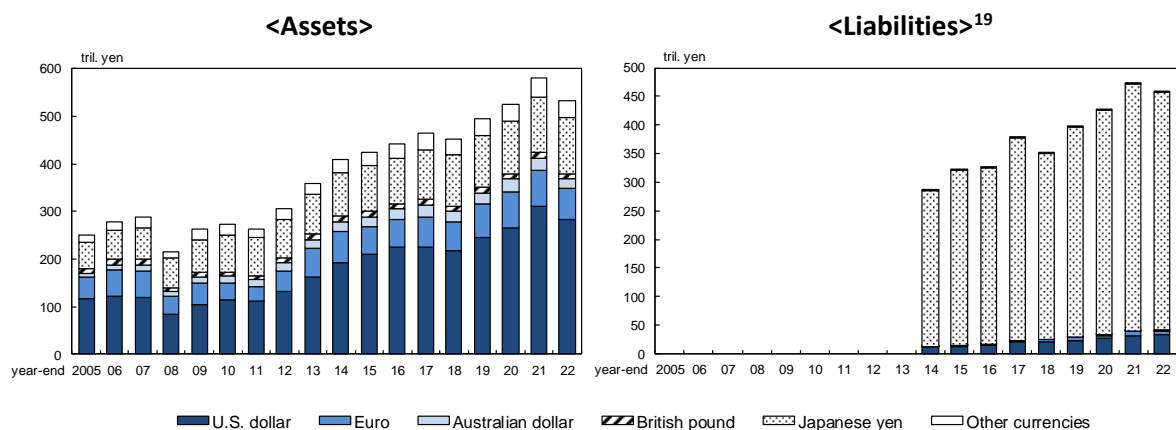
Figure 53: Market Value Estimates of Direct Investment Position



G. Portfolio Investment Position by Currency

Looking at the portfolio investment position by currency, the decrease in assets was mainly due to a fall in U.S. dollar-denominated long-term debt securities, while the decrease in liabilities was led by a fall in yen-denominated equities.

Figure 54: Portfolio Investment Position by Currency



¹⁹ Figures for the portfolio investment position (liabilities) by currency have been released starting with those for year-end 2014.

H. Debt Position (Assets/Liabilities) by Currency²⁰

Looking at the debt position by currency in terms of foreign currency and Japanese yen, both assets and liabilities increased led by rises in those that are short-term and denominated in yen. Foreign currency-denominated assets declined, led by a decrease in long-term debt securities, while liabilities increased, driven by a rise in other short-term instruments such as accounts payable.

Figure 55: Debt Position by Currency (Foreign Currency/Japanese Yen) and Maturity

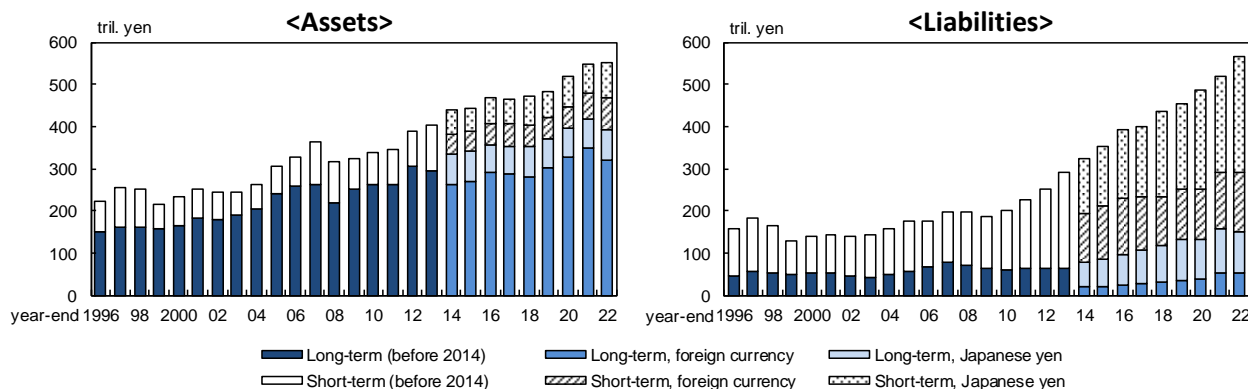


Figure 56: Foreign Currency-Denominated Debt Position by Component

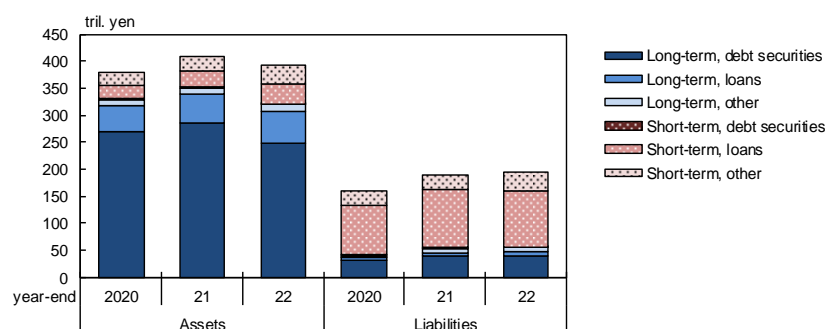
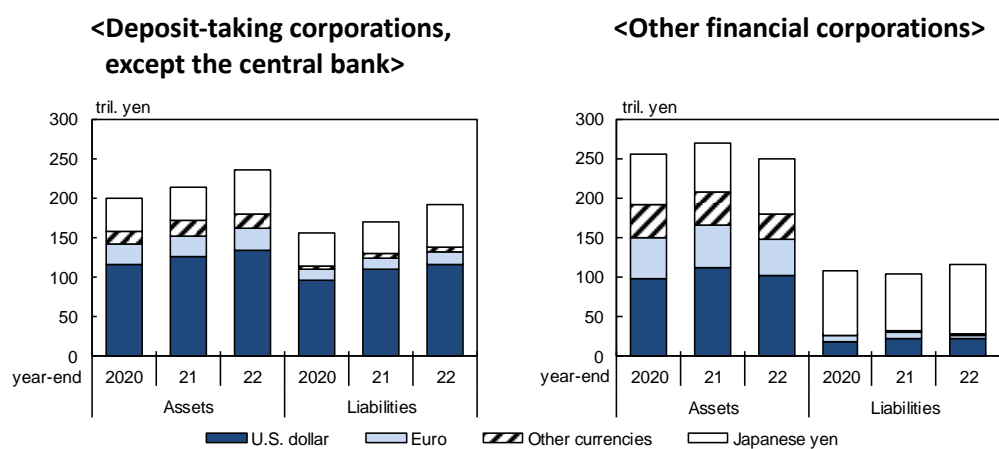


Figure 57: Debt Position by Currency



²⁰ Figures in the Debt Position (Assets/Liabilities) by Currency (Foreign Currency/Japanese Yen) and Debt Position (Assets/Liabilities) by Currency include debt instruments under "portfolio investment" and "other investment." That is, equity instruments are excluded.

I. Outward Direct Investment Position (Directional Principle Basis)

The outward direct investment position based on the directional principle increased. By region and industry, a major reason for the increase was the rise in the investment position in the "non-manufacturing" sector in North America.

By industry, the investment positions in industries such as "finance and insurance" and "wholesale and retail" rose.

Figure 58: Outward Direct Investment Position by Region and Industry

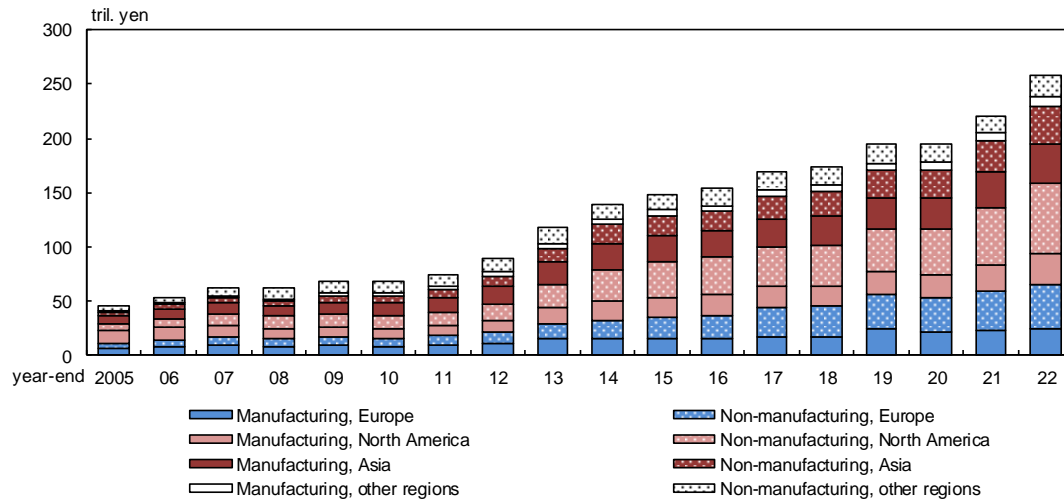


Figure 59: Outward Investment Position in the Manufacturing Sector

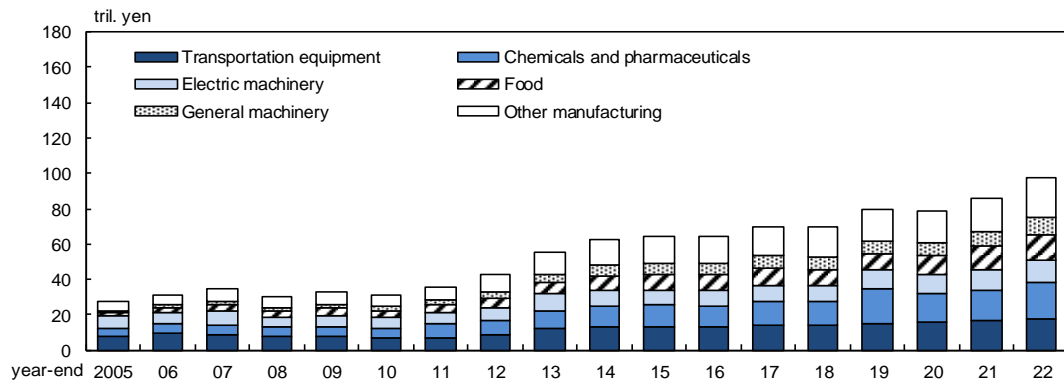
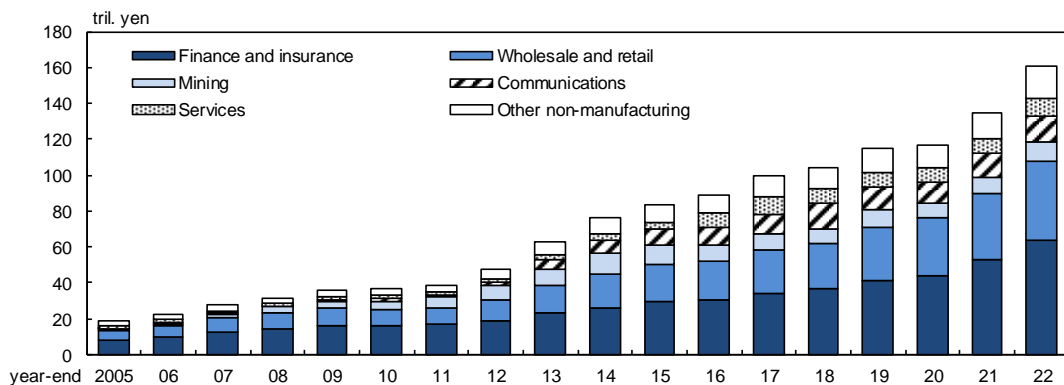


Figure 60: Outward Investment Position in the Non-Manufacturing Sector



J. Inward Direct Investment Position (Directional Principle Basis)

The inward direct investment position based on the directional principle increased. By region and industry, the inward investment position in the "non-manufacturing" sector vis-à-vis Asia and North America saw an increase.

By industry, the investment positions in "finance and insurance" and "other non-manufacturing," such as transportation, climbed.

Figure 61: Inward Direct Investment Position by Region and Industry

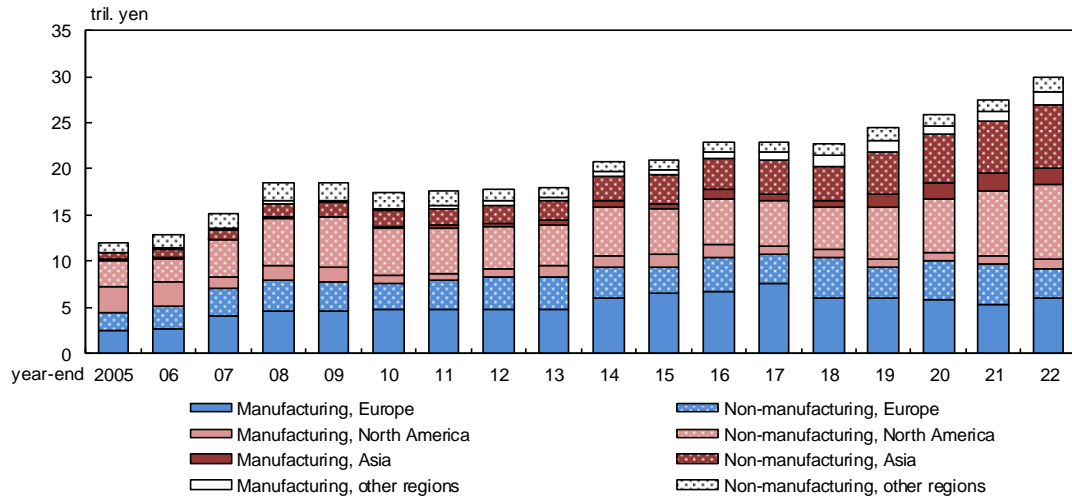


Figure 62: Inward Investment Position in the Manufacturing Sector

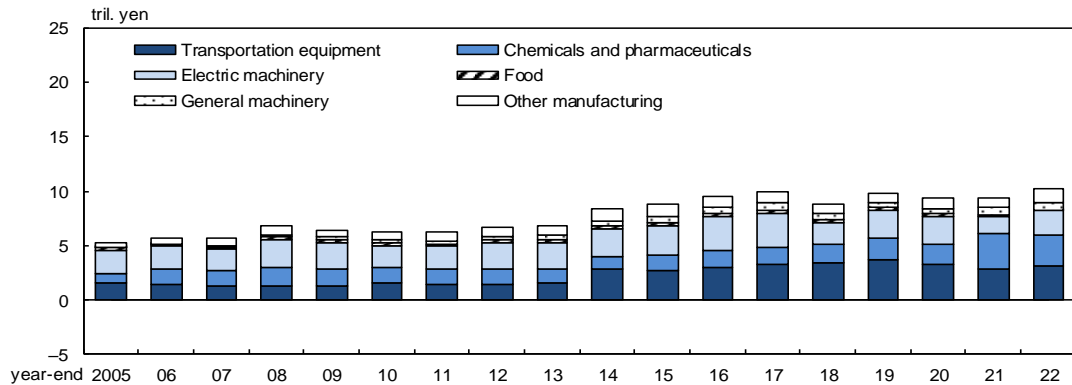
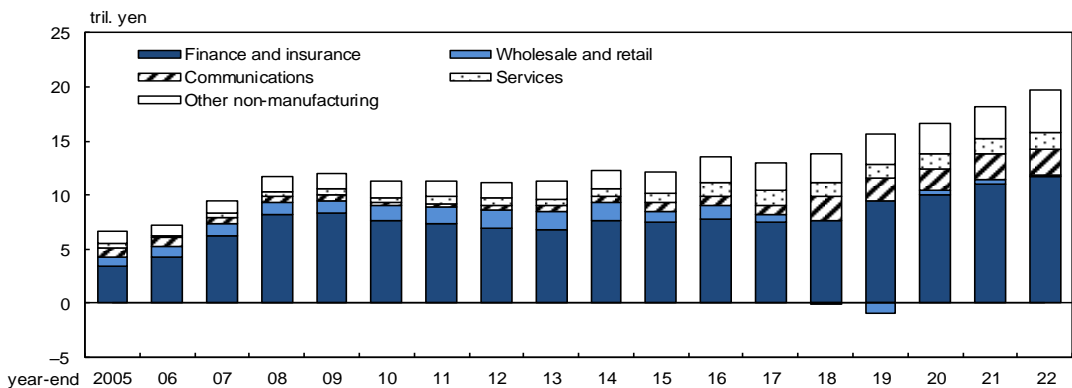


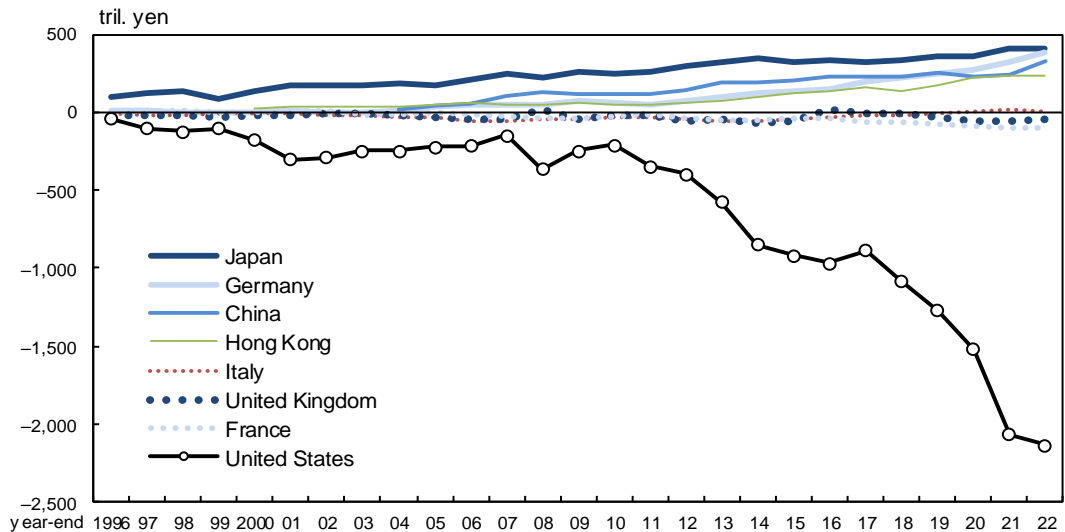
Figure 63: Inward Investment Position in the Non-Manufacturing Sector



K. International Comparison of Net IIP

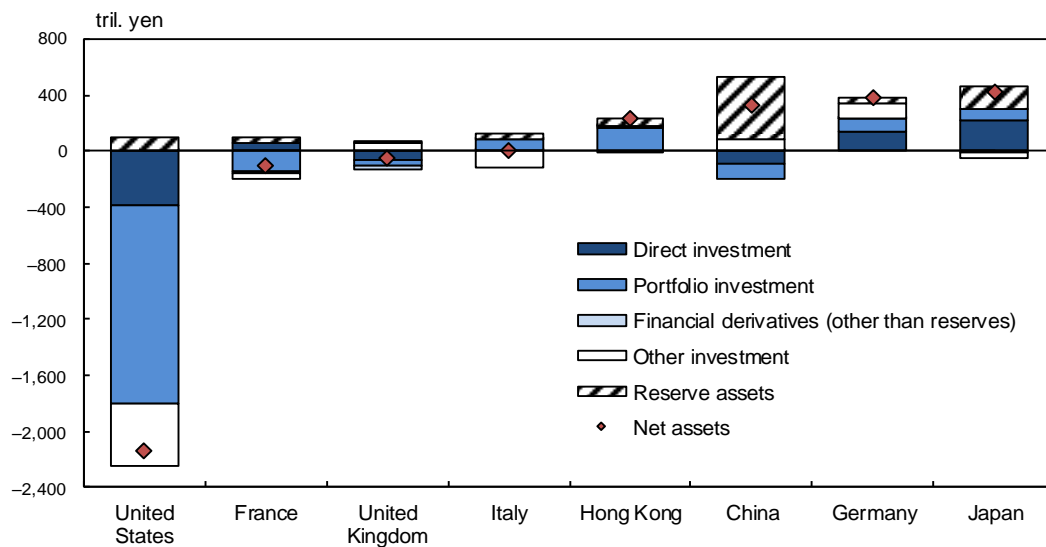
Among major economies that release IIP data, Japan at year-end 2022 continued to record the largest net asset position, amounting to 418.6 trillion yen.

Figure 64: International Comparison of Net IIP (Time Series)



Source: International Monetary Fund (IMF).

Figure 65: International Comparison of Net IIP at Year-End 2022



Source: IMF.

Appendix 6. Update of the International Monetary Fund (IMF)'s Balance of Payments and International Investment Position Manual (BPM)

The BOP statistics are compiled by each economy in accordance with the BPM published by the IMF. The BPM has been revised every 10 years or so to reflect such factors as changes in the international economic and financial landscape and the growing diversity of user needs. At present, Japan's BOP statistics are compiled based on the latest version, which is the sixth edition of the BPM (BPM6) published in 2008.

Currently, the IMF Committee on Balance of Payments Statistics (BOPCOM) is working on an update of the BPM6 with the aim of publishing an updated version of the manual (BPM7) in 2025 that is consistent with the update of the System of National Accounts (SNA). Japan has been taking part in the discussions at the BOPCOM meetings on the update.

Since the launch of the discussions on the BPM6 update in 2020, more than 70 issues initially identified have been covered. This appendix presents major issues on which several rounds of discussions have been held and on which broad agreement regarding the treatment in the new manual has been reached during the recent meetings in October 2022 and March 2023, jointly held by BOPCOM and the Advisory Expert Group on National Accounts (AEG) established by the United Nations (UN) Statistics Division.

Crypto assets²¹

No definite international consensus has been established on the treatment of crypto assets, and they therefore are not currently recorded in the BOP statistics. While so far there is more or less a consensus that stablecoins and other crypto assets with a corresponding liability should be recorded as financial assets, the debate over the recording of Bitcoin and other crypto assets without a corresponding liability (non-liability crypto assets) has not been settled, with views almost equally divided as to whether such crypto assets should be recorded as financial or nonfinancial assets.

In order to determine how non-liability crypto assets should be incorporated into the updated versions of the BPM and the SNA, the IMF and the UN undertook a user consultation from the end of January through early March 2023. A wide range of countries and international organizations provided responses to the consultation. Of the 155 valid responses, 78 preferred treating non-liability crypto assets as nonfinancial assets, of which the majority preferred treating them as nonproduced assets, while 49 preferred treating them as financial assets.

²¹ For details, see "[F.18 The Recording of Fungible Crypto Assets in Macroeconomic Statistics](#)" available on the IMF website. For the results of the user consultation, see "[ISSUES NOTE: Recording of Fungible Crypto Assets in Macroeconomic Statistics: Unbacked Crypto Assets](#)" available on the IMF website.

Given the results of the consultation, the treatment of non-liability crypto assets was reconsidered at the BOPCOM-AEG joint meeting held in March 2023. At the meeting, based on the view that discussions on this issue had been exhausted at the moment, a provisional decision was taken to treat Bitcoin and other non-liability crypto assets as nonfinancial assets (and within this category as nonproduced assets) and that the entities concerned would move forward with plans to start compiling statistical data on crypto assets.

Marketing assets²²

Under both the SNA and BPM, marketing assets such as brand names, logos, and trademarks are currently classified as nonproduced nonfinancial assets. On a conceptual basis, however, marketing assets could be regarded as produced assets in the sense that the brand value they contain is created as a result of investment by firms. Therefore, the classification of marketing assets has been re-examined. In order to test the feasibility of measuring the value of marketing assets, a global consultation of SNA compilers and others was conducted from late October 2022 through late January 2023. The results of the consultation confirmed that data sources for measuring the value of marketing assets are available.

At the BOPCOM-AEG joint meeting held in March 2023, taking the results of the global consultation into account, it was agreed that marketing assets should be treated as produced assets. Going forward, practical guidance is to be developed.

Management expenses of investment funds²³

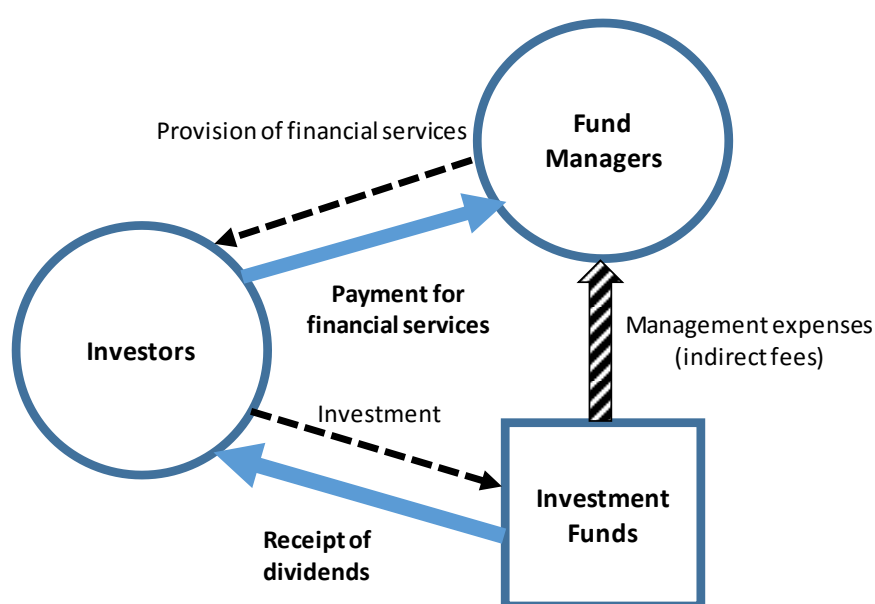
Fees borne by investors in an investment fund consist not only of charges paid directly by the investors to the fund managers but also of management expenses -- typically a certain annual percentage of the fund's net assets -- paid indirectly to the fund managers out of the income generated by, or out of the assets of, the fund. Currently, the statistical treatment of such management expenses is not yet clear. Since, conceptually, such expenses are regarded to be borne by investors, it has been suggested that these indirect flows should be recorded in the statistics. A number of options for the recording of these flows have been put forward, depending on whether investment funds are treated as financial service providers. Following discussions, it was proposed that management expenses, or indirect fees, should be regarded as expenses paid by investors to fund managers out of dividends due to be paid by investment funds to investors, and that these indirect flows should be recorded as dividends and financial services that do not incur any payment.

²² For details, see "[G.9 Payments for Nonproduced Knowledge-Based Capital \(Marketing Assets\)](#)" available on the IMF website. For the results of the consultation, see "[G.9 Payments for Nonproduced Knowledge-based Capital: Testing Results](#)" available on the IMF website.

²³ For details, see "[D.16 Treatment of Retained Earnings](#)" available on the IMF website.

However, in practice, it would be difficult to accurately measure the amounts of such indirect fees, so that they would likely need to be estimated, for example by multiplying investment positions by the management expense ratio (MER). This would involve considerable challenges, as the estimates could differ substantially depending on the MER used. Thus, some oppose the proposal of recording management expenses that are not paid directly by investors to fund managers. In addition, it has been argued that if indirect fees are going to be estimated, the estimation principles should be laid down by internationally agreed guidelines, and indirect flows for the payment of management expenses should be presented separately as independent components.

Figure A.6.1: Proposal for the Recording of Investment Fund Management Expenses



Note: The proposed recording method is indicated by the solid lines.

Annotated Outlines for BPM7 chapters and annexes listing key points of the update of the manual, including the issues raised above, were drawn up and made available for global consultations from December 2022 through June 2023.²⁴ The IMF will move forward with drafting the BPM7 based on the Annotated Outlines. Once the views of compilers and data users obtained through the global consultations and the upcoming regional outreach seminars are incorporated, the provisional version of the BPM7 will be released on the IMF website in the first half of 2024, followed by the final version in the first half of 2025.

In Japan, concrete discussions regarding the start of compiling BPM7-based statistics will also take place, although the date for the switchover to the BPM7 is yet to be decided.

²⁴ While the structure of the BPM7 will essentially follow that of the BPM6, six chapters and five annexes will be added, so that it will consist of 20 chapters and 14 annexes in total.

Reference: Basic Knowledge on the BOP

The BOP is a set of statistics that records various transactions of an economy with the rest of the world in a systematic manner. The statistics are compiled in accordance with the BPM6 and are based on double-entry accounting. Specifically, trade in goods and services and financial transactions are categorized based on the standard components of the BPM6, and equal amounts are recorded on the credit and the debit side.

This section, to provide some basic knowledge for understanding the BOP, outlines the components of the statistics and explains double-entry accounting.

Components of the BOP

In the BPM6, the BOP consists of three major standard components: the current account, the financial account, and the capital account. The current account comprises goods, services, primary income, and secondary income, while the financial account comprises direct investment, portfolio investment, financial derivatives (other than reserves), other investment, and reserve assets.

In principle, transactions recorded in Japan's BOP statistics are classified according to the nature of the economic value provided and are recorded under the components shown in the BPM6. The main types of transactions included in each component are as follows:

| | |
|---|--|
| Current account | Transactions in goods and services as well as receipts/payments of income. |
| Goods | Exports/imports of goods and intermediary trade (i.e., merchanting). |
| Services | Travel, transport, charges for the use of intellectual property, and other service transactions related to business activities. |
| Primary income | Receipts/payments of dividends paid out of earnings and interest on debt securities. |
| Secondary income | Receipts/payments of insurance premiums/claims and compensation for damages, contributions to international organizations, and remittances for living expenses of family members. |
| Capital account | Debt forgiveness and transfer of assets through inheritances. |
| Financial account | Transactions involving the acquisition/disposal of external financial assets and incurrence/repayment of external liabilities. |
| Direct investment | Investments for the acquisition of firms and establishment of subsidiaries, as well as withdrawals. |
| Portfolio investment | Sales/purchases of equity as well as sales/purchases and issuances/redemptions of debt securities. |
| Financial derivatives (other than reserves) | Receipts/payments of forward trading gains/losses and notional exchange gains/losses on currency swaps. |
| Other investment | Loans, receipts/payments of deposits, and creation/extinction of other financial assets and liabilities (e.g., accounts receivable/payable resulting from the time difference between the contract date and settlement of securities). |
| Reserve assets | Changes in foreign currency holdings as a result of foreign exchange market interventions and increases due to the receipt of interest income. |

Double-entry accounting in the BOP

In the BOP statistics, each transaction consists of two entries, a credit entry and a debit entry, of equal value, and the sum of the credit entries and the sum of the debit entries are in principle the same. The following are recorded as credits: exports of goods and services, income receipts, transfer receipts, decreases in financial assets, and increases in liabilities. Conversely, the following are recorded as debits: imports of goods and services, income payments, transfer payments, increases in financial assets, and decreases in liabilities.

The following concrete transaction examples illustrate how the BOP statistics are compiled based on double-entry accounting:

- (1) Export of motor vehicles to an overseas firm, receipt of export proceeds worth 80

| | | |
|----------|----|--|
| Exports | 80 | (Credit – Export of goods) |
| Currency | 80 | (Debit – Increase in financial assets) |

- (2) Remittance of dividends of 10 to an overseas investor holding shares in a Japanese firm

| | | |
|-----------|----|---|
| Currency | 10 | (Credit – Decrease in financial assets) |
| Dividends | 10 | (Debit – Income payments) |

- (3) Remittance by a Japanese parent company of funds of 40 for the establishment of an overseas subsidiary

| | | |
|----------|----|---|
| Currency | 40 | (Credit – Decrease in financial assets) |
| Shares | 40 | (Debit – Increase in financial assets) |

- (4) Receipt in cash of a loan of 100 from an overseas bank

| | | |
|----------|-----|--|
| Loan | 100 | (Credit – Increase in liabilities) |
| Currency | 100 | (Debit – Increase in financial assets) |

| | Credit (Receipts) | Debit (Payments) | Net | Balance |
|------------------|-------------------|-------------------|-----|---------|
| Current account | 80 | 10 | +70 | +70 |
| Goods | 80 ⁽¹⁾ | | +80 | +80 |
| Services | | | 0 | 0 |
| Primary income | | 10 ⁽²⁾ | -10 | -10 |
| Secondary income | | | 0 | 0 |
| Capital account | | | 0 | 0 |

| | Assets | | | Liabilities | | | Balance |
|---|--------------------------------------|---------------------------------------|------|--------------------|-------|------|---------|
| | Credit | Debit | Net | Credit | Debit | Net | |
| Financial account | 50 | 220 | +170 | 100 | 0 | +100 | +70 |
| Direct investment | | 40 ⁽³⁾ | +40 | | | 0 | +40 |
| Portfolio investment | | | 0 | | | 0 | 0 |
| Financial derivatives (other than reserves) | | | 0 | | | 0 | 0 |
| Other investment | 10 ⁽²⁾ +40 ⁽³⁾ | 80 ⁽¹⁾ +100 ⁽⁴⁾ | +130 | 100 ⁽⁴⁾ | | +100 | +30 |
| Reserve assets | | | 0 | | | | 0 |
| Net errors and omissions | | | | | | | 0 |

For instance, in example (1), the transaction will be recorded as a credit of 80 under "goods" in the current account, and the currency receipt of 80 will be recorded as a debit under "other investment (financial assets)" in the financial account. In example (4), the transaction will be recorded in the financial account as a credit of 100 under "loans" in "other investment (liabilities)" and as a debit of 100 under "currency and deposits" in "other investment (financial assets)."

Balances in the BOP statistics are obtained as follows. The current and capital accounts are calculated as "credit minus debit," while the financial account is calculated as "net acquisition of financial assets (debit minus credit) minus net incurrence of liabilities (credit minus debit)." In this report, if the net acquisition of financial assets minus the net incurrence of liabilities in the financial account is positive, this will be referred to as "net lending," and if it is negative, this will be referred to as "net borrowing." By definition, the following identity holds:

$$\text{Current account balance} + \text{Capital account balance} - \text{Financial account balance} + \text{Net errors and omissions} = 0$$

In terms of the aforementioned examples, this means:

$$\text{Current account balance (+70)} + \text{Capital account balance (0)} - \text{Financial account balance (+70)} = 0$$

Meanwhile, "net errors and omissions" are an adjustment item to account for statistical errors. In compiling the actual BOP statistics, it is not always possible to collect information on the credit and debit sides of a certain transaction within the same period, given that the vast number of transactions are aggregated based on various types of reports and sources. In addition, even for the same transaction, the amounts recorded in different sources may disagree due to different valuation methods. For these reasons, in practice, the totals on the credit and the debit side do not agree with each other, resulting in errors in the compilation of the statistics. To adjust for such errors, the BOP statistics provide for "net errors and omissions."