



IIP of Japan 2021

By Sonam Meena

Investment Position (IIP) is a financial statement of value and composition of Japan's external financial assets and liabilities outstanding at the end of each year.

IIP is press released after being reported to the Cabinet as the Foreign Exchange and Foreign Trade Law requires that this statistics are reported to the Cabinet by the end of May in the following year. Japan's International Investment Position at the year end 2021

Key information about Japan Net International Investment Position

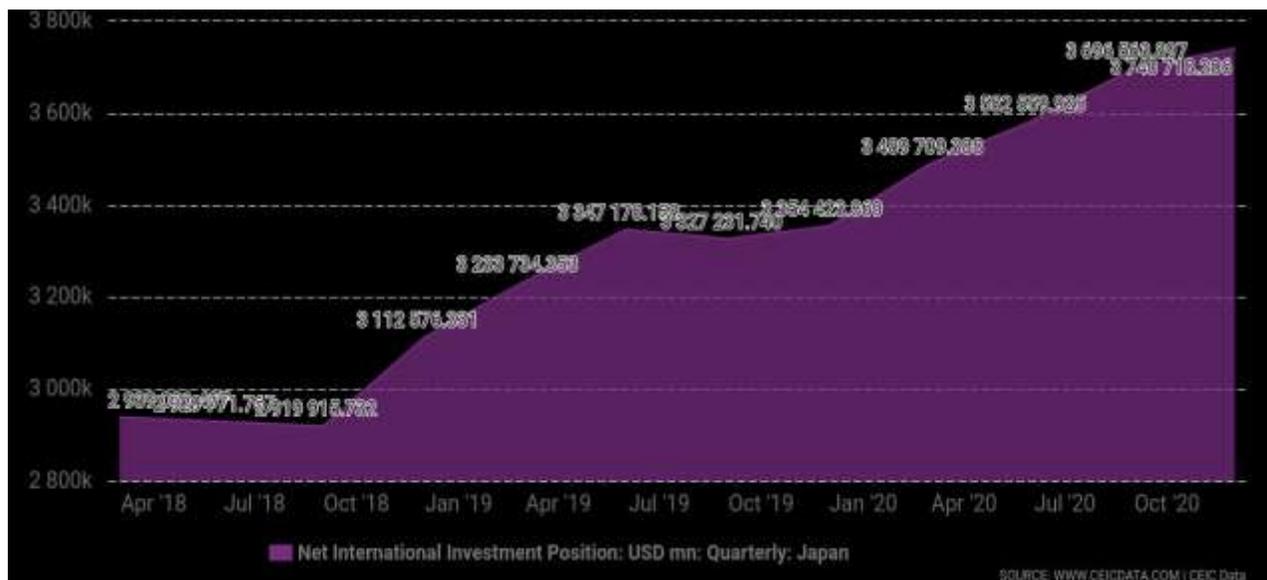
Japan Net International Investment Position reached 3,740.718 USD bn in Dec 2020, compared with 3,696.564 USD bn in the previous quarter.

Japan Net International Investment Position: USD mn data is updated quarterly, available from Jun 2010 to Dec 2020.

The data reached an all-time high of 3,740.718 USD bn in Dec 2020 and a record low of 2,698.743 USD bn in Jun 2015. Developments in Japan's International Investment Position (IIP) at Year-End 2021

Figure 1: Developments in the IIP1CEIC converts quarterly Net International Investment Position into USD. The Bank of Japan provides Net International Investment Position in local currency. The Federal Reserve Board period end market exchange rate is used for currency conversions. Net International Investment Position prior to Q1 2014 is sourced from the International Monetary Fund.

View Japan's Net International Investment Position from Jun 2010 to Dec 2020 in the chart:



What was Japan's Net International Investment Position in Dec 2020?

Japan Net International Investment Position reached 3,740.718 USD bn in Dec 2020, compared with 3,696.564 USD bn in the previous quarter. See the table below for more data.

Key information about Japan Exchange Rate against USD

Japan Exchange Rate against USD averaged 108.699 (JPY/USD) in Mar 2021, compared with 105.377 JPY/USD in the previous month.

Japan Exchange Rate against USD data is updated monthly, available from Jan 1957 to Mar 2021.

The data reached an all-time high of 360.000 in Dec 1970 and a record low of 76.643 in Oct 2011.

CEIC extends history for monthly average Exchange Rate against USD. Federal Reserve Board provides average Exchange Rate against USD. Exchange Rate against USD prior to January 1971 is sourced from the International Monetary Fund

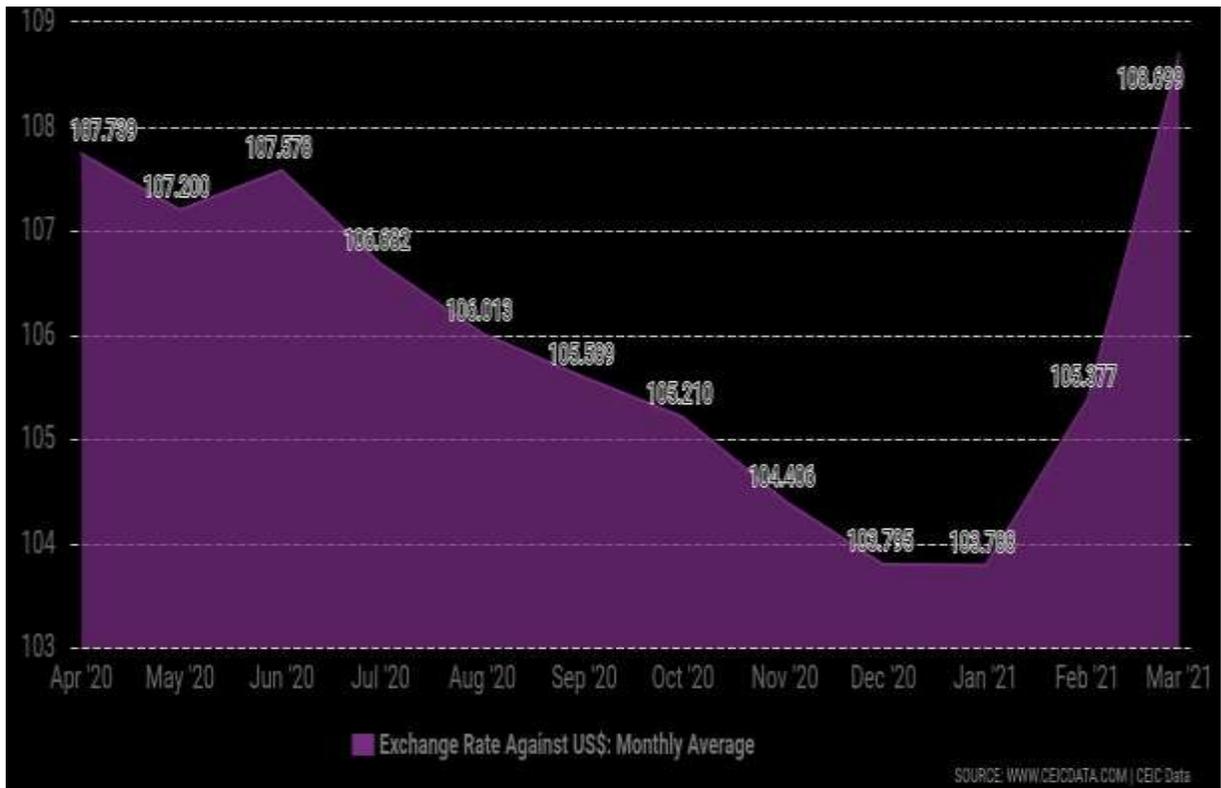
Key information about Japan Exchange Rate against USD

In the latest reports, Japan Short Term Interest Rate: Month End: TIBOR: Japanese Yen: 3 Months was reported at 0.057 % pa in Jul 2021.

Its Long Term Interest Rate (Bonds Yield: Government Bonds: Newly Issued: 10 Years: Month End) was reported at 0.090 % pa in Apr 2021.

The cash rate (Policy Rate: Mth End: Complementary Deposit Facility Interest Rate) was set at -0.100 % pa in Nov 2021.

View Japan's Exchange Rate against USD from Jan 1957 to Mar 2021 in the chart:



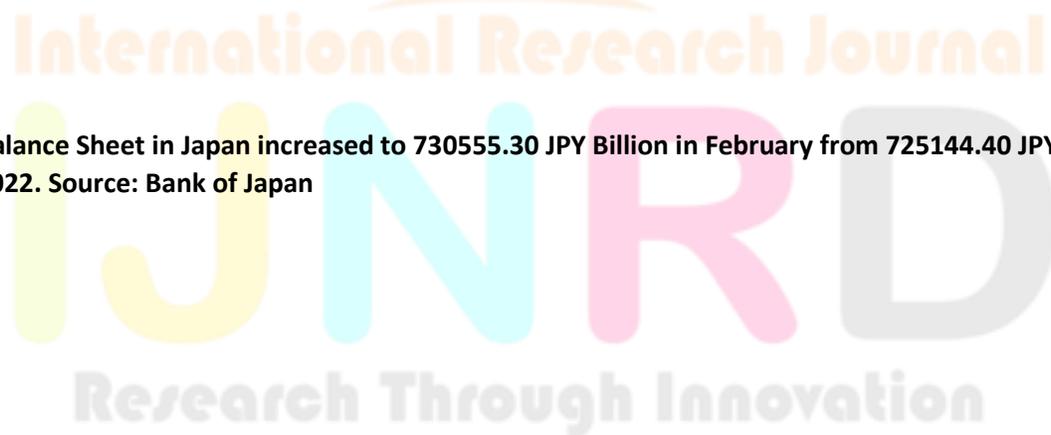
What was Japan's Exchange Rate against USD in Mar 2021?

2021?

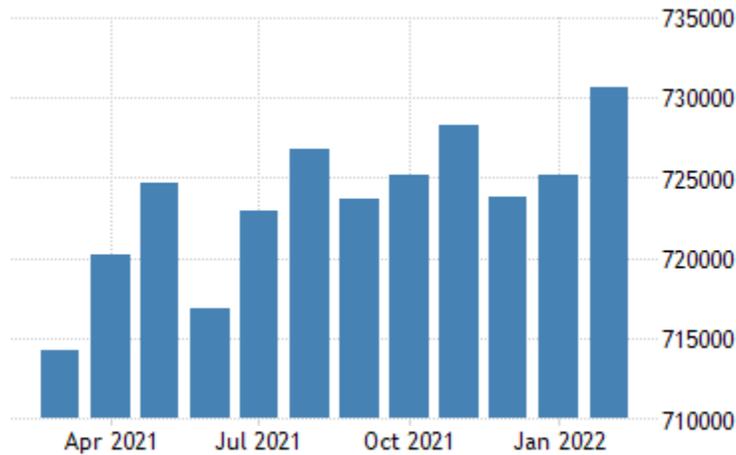
Japan Exchange Rate against USD averaged 108.699 (JPY/USD) in Mar 2021, compared with 105.377 JPY/USD in the previous month

By Component

Central Bank Balance Sheet in Japan increased to 730555.30 JPY Billion in February from 725144.40 JPY Billion in January of 2022. Source: Bank of Japan



Related Last Unit Reference

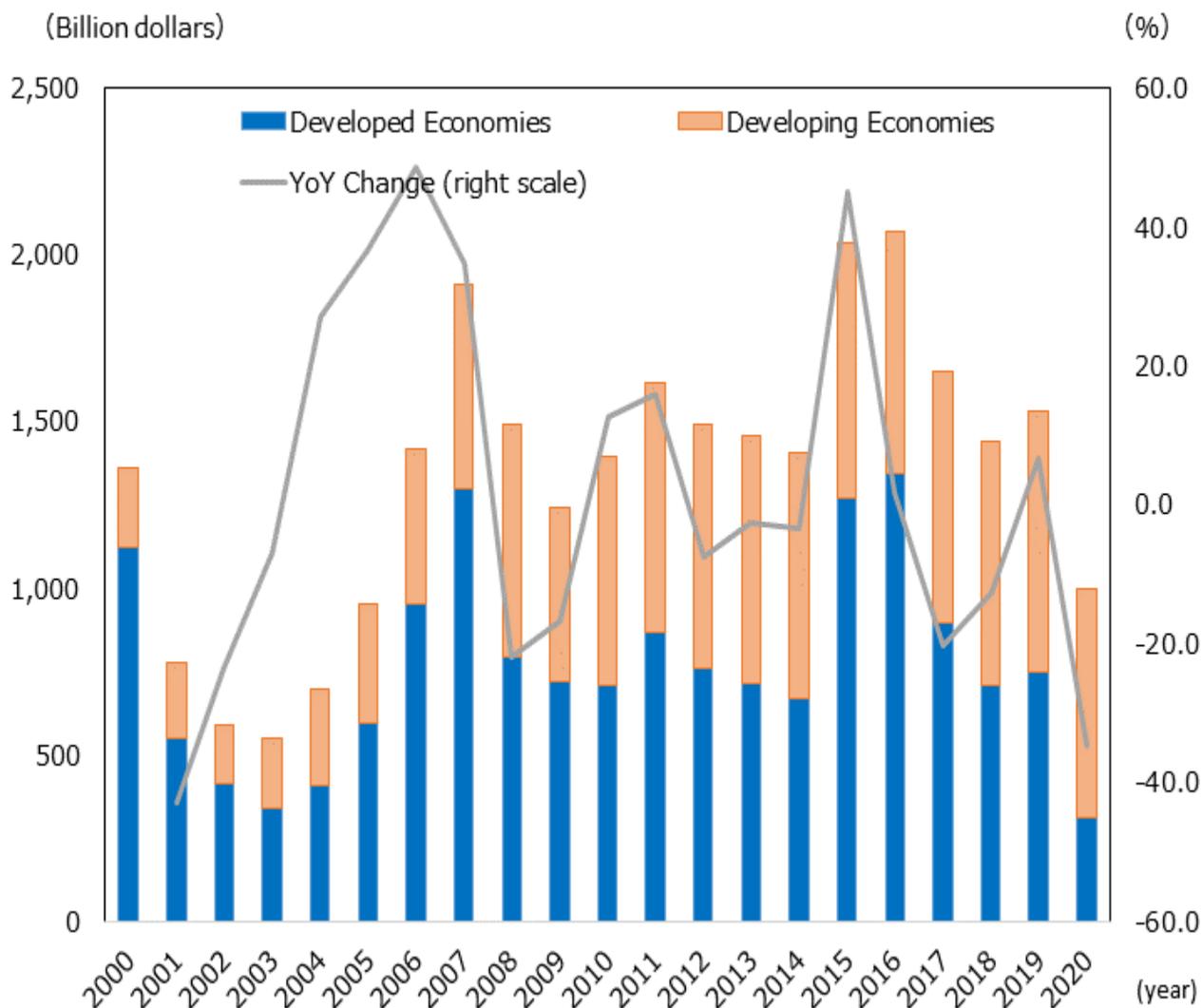


Interest Rate	-0.10	percent	Mar 2022
Money Supply M1	998924.30	JPY Billion	Feb 2022
Money Supply M0	113312.20	JPY Billion	Feb 2022
Money Supply M2	1179160.10	JPY Billion	Feb 2022
Money Supply M3	1541633.10	JPY Billion	Feb 2022
Central Bank Balance Sheet	730555.30	JPY Billion	Feb 2022
Loans to Private Sector	503822.90	JPY Billion	Feb 2022
Deposit Interest Rate	0.00	percent	Apr 2022
Loan Growth	0.40	percent	Feb 2022

Global FDI in 2020 fell 34.7% year-on-year to 999 billion dollars

According to the United Nations Conference on Trade and Development (UNCTAD), global inward direct investment (net, flow; hereafter, inward FDI) was \$999 billion in 2020 (Chart 1-5). It fell 34.7% from the previous year due largely to the impact of COVID-19, the amount of decline exceeded that of the 2008-2009 financial crisis, and it fell below \$1 trillion for the first time since 2005.

Chart 4: Trends in Global Inward FDI



: “Developed economies” is as defined by UNCTAD. The amount of inflow to developing economies is computed by subtracting that of developed economies from that of the world.

Source: “World Investment Report 2021”(UNCTAD)

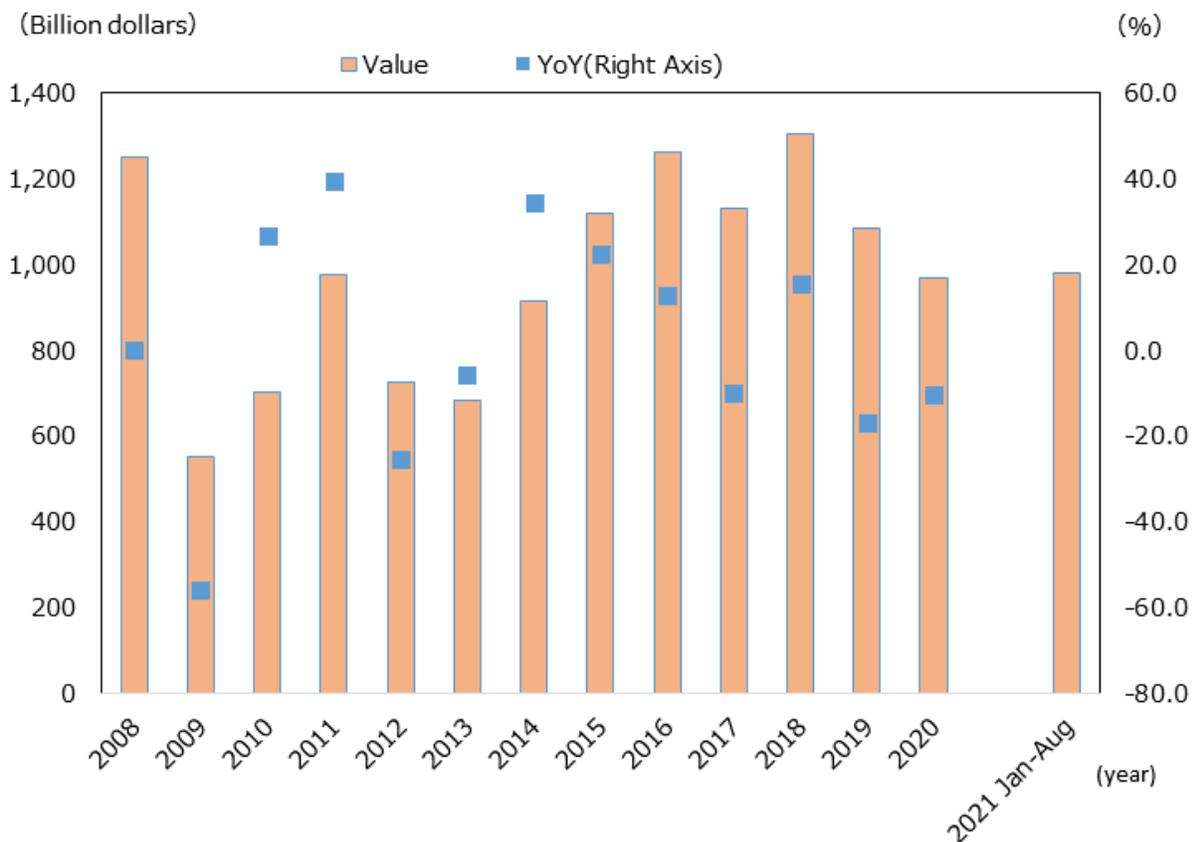
The amount of investment in developed economies decreased by 58.3% year-on-year to \$312 billion, and that in emerging economies decreased by 12.1% to \$687 billion (Chart 1-6). Both regions saw a year-on-year decrease. In particular, the investment amount in developed economies fell to the 2003 level. In 2020, inward FDI in developed economies accounted for 31.3% of the total, while emerging economies accounted for 68.7%, resulting in a record-high percentage for the latter. Developed economies’ share shrank due to a significant year-on-year decline, while emerging economies’ share exceeded 50% for three consecutive years since 2018.

Number of global Greenfield investments declined for the second consecutive year

According to the fDi Markets (Financial Times), in 2020, the number of global Greenfield investments*3 (based on the date of publication) was 11,781, down 30.2% from the previous year (Chart 1-8). Due to the impact of COVID-19, the number of Greenfield investments fell sharply, marking the second consecutive year-on-year decline from the record high in 2018. In January-August of 2021, the number of greenfield investments has been sluggish even compared to the same period of the most recent two years, suggesting that it will take time for the number of global greenfield investments to pick up.

Chart 5 Trends in Global Greenfield Investment

Source) "fDi Markets" (Financial Times) (as of Oct.11th, 2021)



Looking at the number of investment projects in 2020 by investor country and region, the U.S. accounted for the largest number at 2,446 cases, down 32.9% from the previous year, followed by the U.K. (1,138 cases, down 28.7%), and Germany (1,051 cases, down 28.6%) (Chart 1-9). Although investments from all the top 10 countries and regions decreased from the previous year, there was little change in the ranking of countries and regions. Except Japan and China (excluding Hong Kong), all countries were Western countries..

FDI Flow to Japan

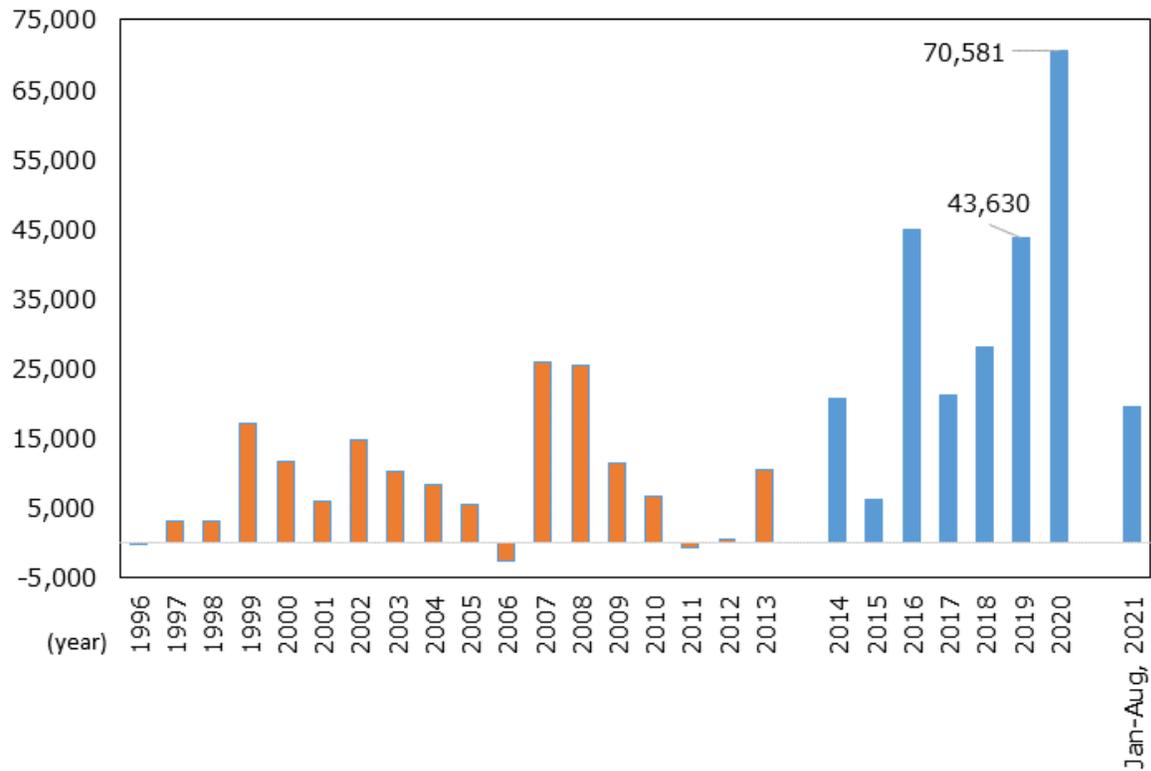
Inward FDI to Japan rose to 7.1 trillion yen in 2020

In 2020, inward FDI to Japan (net, flow) was 7.1 trillion yen, up 61.8% from the previous year (Chart 1-20). This is the largest amount since 2014, for which comparable data is available, far exceeding the amount of 4.5 trillion yen in 2016

.Chart 60 FDI Flow to Japan

Note: The figures before 2013 are calculated based upon a different principle.

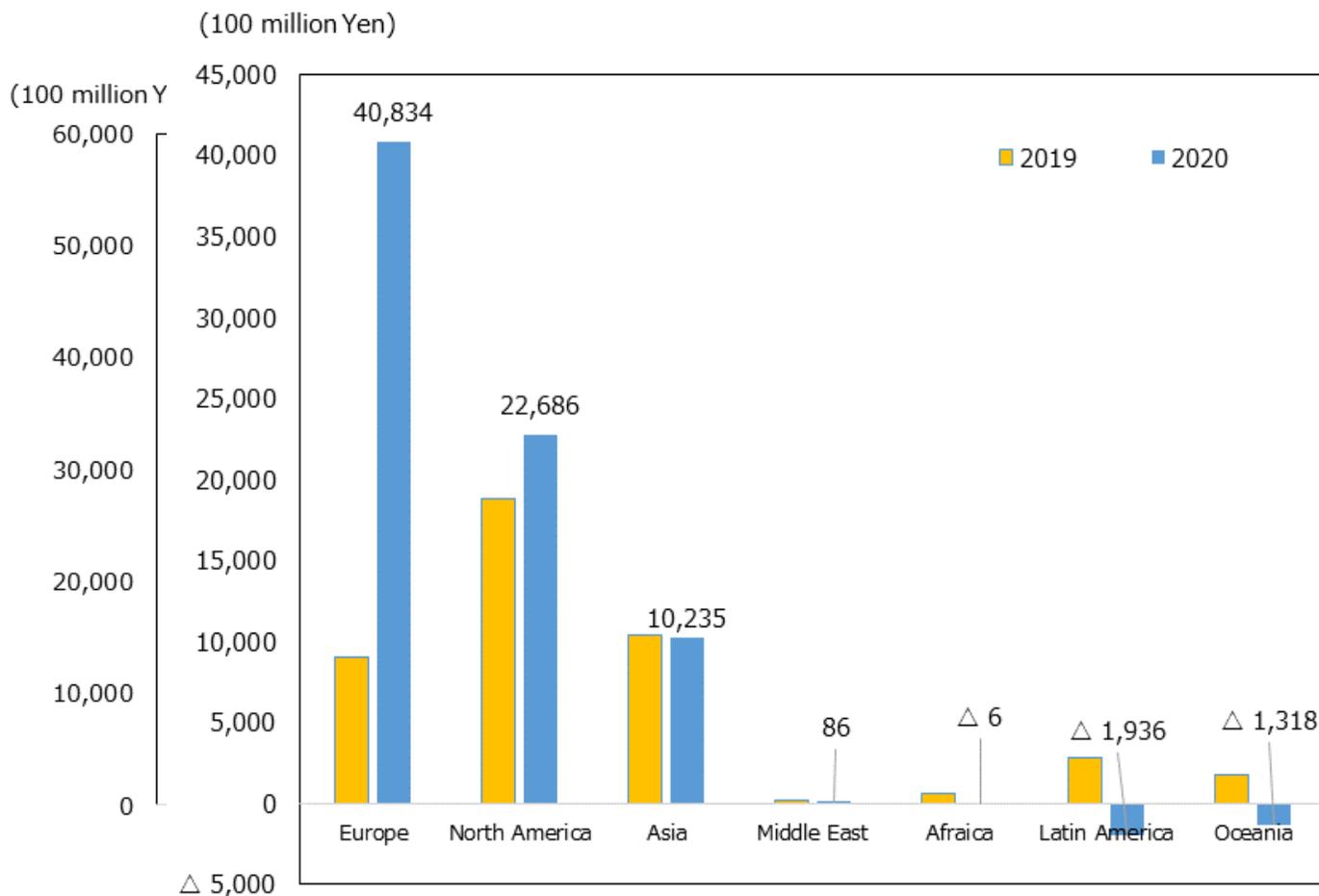
(100 million Yen)



Source: "Balance of Payments" (Ministry of Finance, Bank of Japan)



Chart 7 FDI Flow to Japan by Form of Capital



By region, Europe accounted for the largest share of FDI flow to Japan in 2020 at 4.1 trillion yen, up 351.3% from the previous year, followed by North America at 2.3 trillion yen, up 20.6%, and Asia at 1 trillion yen, down 1.6% (Chart 1-22)

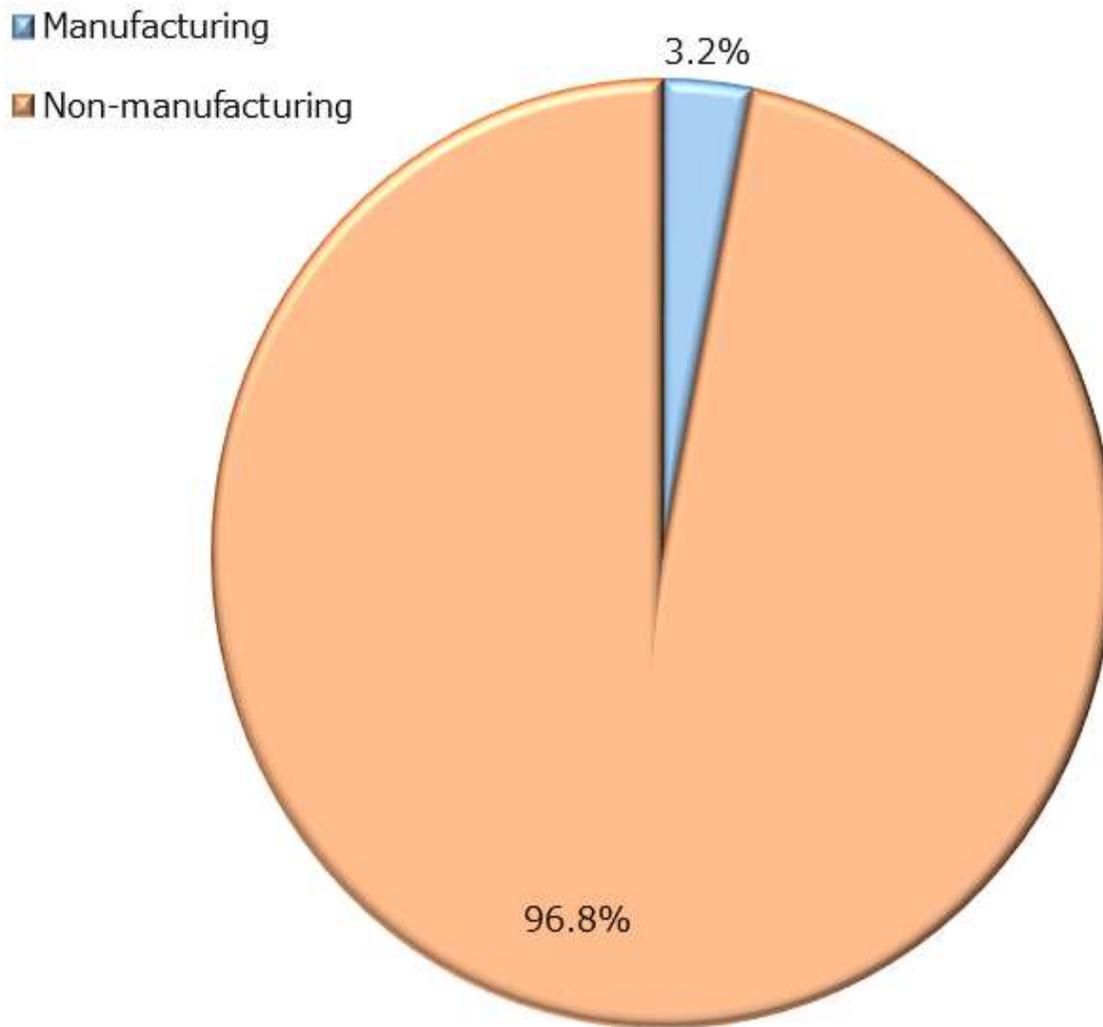
.Chart1-8 FDI Flow to Japan by Region

Among Europe that accounted for the largest share of FDI flow to Japan, the U.K. invested the largest amount of all countries and regions at 3.3 trillion yen, up 969.9% from the previous year, and Switzerland the third largest at 800 billion yen, up 704.4%. The investment from these two countries accounted for the majority of the investment from Europe. The U.S., the second largest, invested 2.3 trillion yen, a 21.1% year-on-year increase. Looking at investments from the U.K., the U.S., and Switzerland, the top countries in the amount of FDI flow to Japan in 2020, debt instrument accounted for the largest portion

Non-manufacturing sector accounted for the majority of FDI flow to Japan by industry

According to the statistics for FDI by industry, FDI flow to Japan fell 26.8% from the previous year to 1.1 trillion yen in 2020, the first year-on-year decline in three years since 2017. The non-manufacturing sector accounted for the majority with 1.1 trillion yen (96.8% of the total), and the manufacturing sector with 0.03 trillion yen (3.2% of the total) (Chart 1-24).

Chart9 FDI Flow to Japan by Industry



Looking at the amount of FDI Flow to Japan in 2020 by industry, non-manufacturing industry accounts for 96.8% and manufacturing industry accounts for 3.2% of the total.

Note: Based upon different principles from statistics for FDI by region.

Source: "Balance of Payments" (MoF, BoJ)

In terms of specific industries, the financial and insurance industry accounted for the largest share at 1.2 trillion yen, down 3.7% year on year, overwhelming other industries. It was about six times as much as the transportation equipment industry, which accounted for the next largest share (200 billion yen, down 18.4% YoY) (Chart 1-25). Looking at investment by country in the financial and insurance industry, the U.S. saw a 40.5% year-on-year decline to 700 billion yen, but Singapore nearly tripled its investment from the previous year to 400 billion yen. In addition, there was an increase in investment from European countries, resulting in an overall investment amount at the same level as the previous year. In the manufacturing industry, electrical machinery, which usually has a relatively large value, fell 90.4% year on year to 30 billion yen, and chemicals and pharmaceuticals saw a net withdrawal of 200 billion yen, constraining the overall figure.

Conclusion

2020, inward foreign direct investment (net, flow) rose 61.8% from the previous year to 7.1 trillion yen, the highest amount since 2014, for which comparable data is available. By region, Europe was the largest at 4.1 trillion yen, up 351.3% from the previous year.

The stock of foreign direct investment in Japan at the end of 2020 was 39.7 trillion yen, a record high for the seventh consecutive year.

The amount of FDI in Japan from January to August 2021 decreased by 64.4% from the same period of the previous year. The number of Greenfield investments (83) during the same period was also lower compared to the previous year (144), and it is necessary to closely monitor the trend in new investment projects in the future.

