

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.

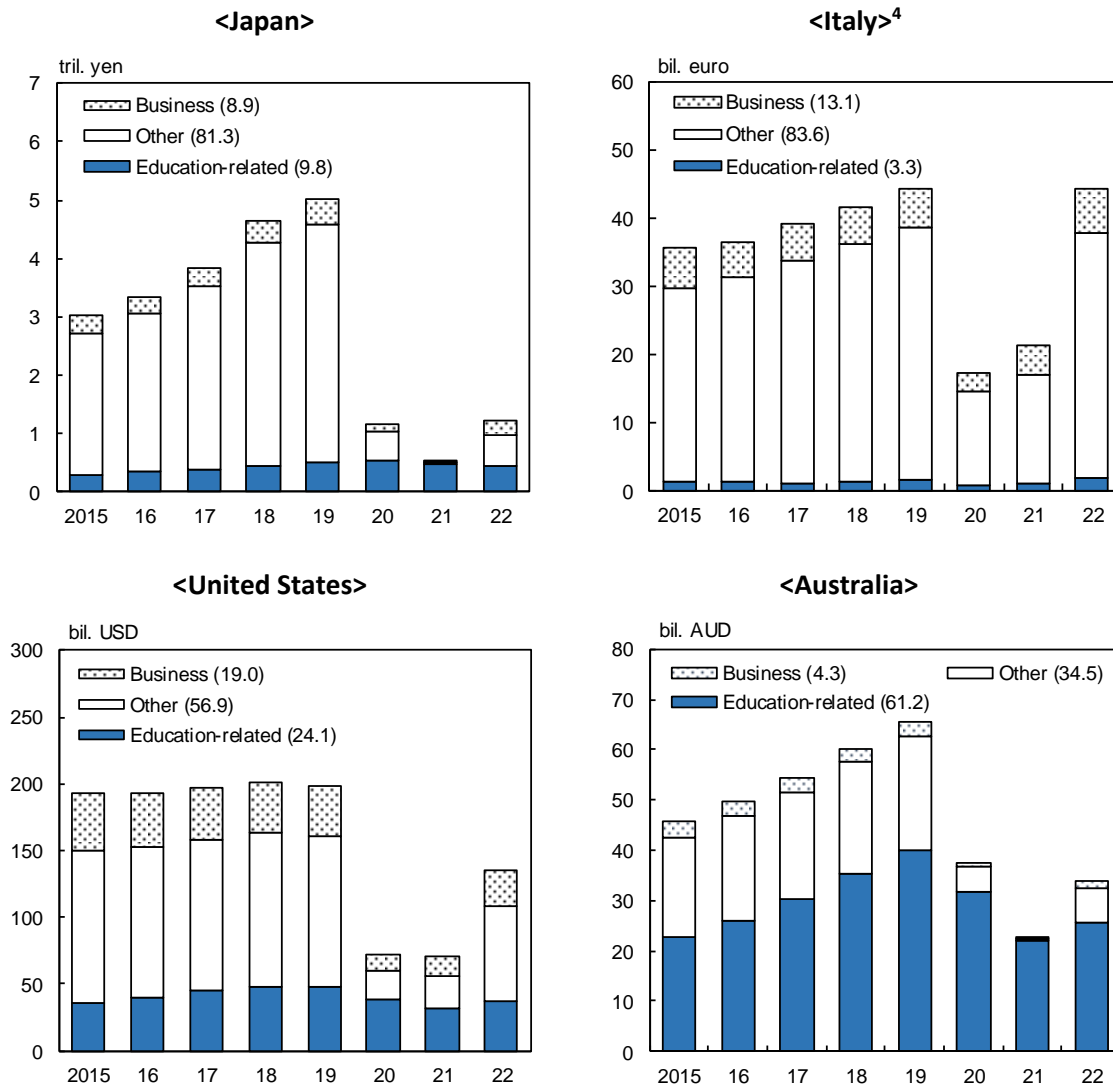
Subsequently, following the outbreak of COVID-19, other personal travel receipts fell dramatically, leading to a decline in overall travel receipts. In contrast, the change in education-related travel receipts remained marginal despite the pandemic.

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.

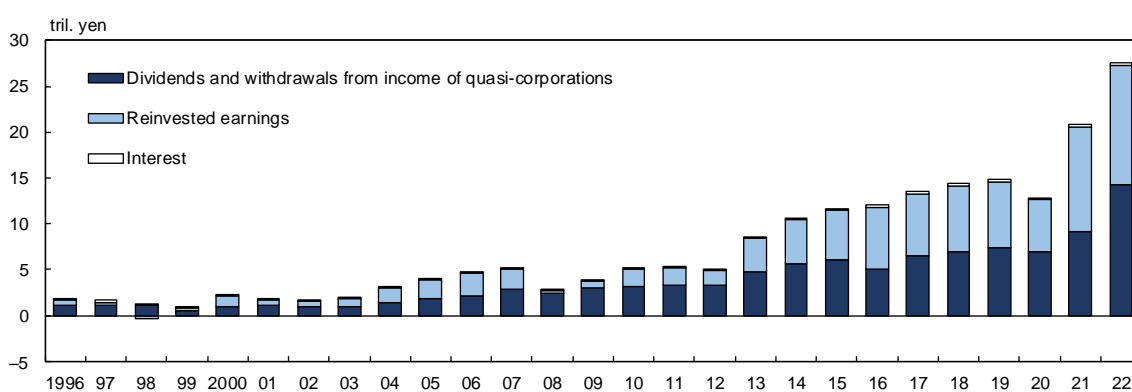
³ Figures in parentheses represent the shares of each component in 2019. "Other" includes sightseeing.

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

Appendix 2. Direct Investment Income Receipts by Region and Industry

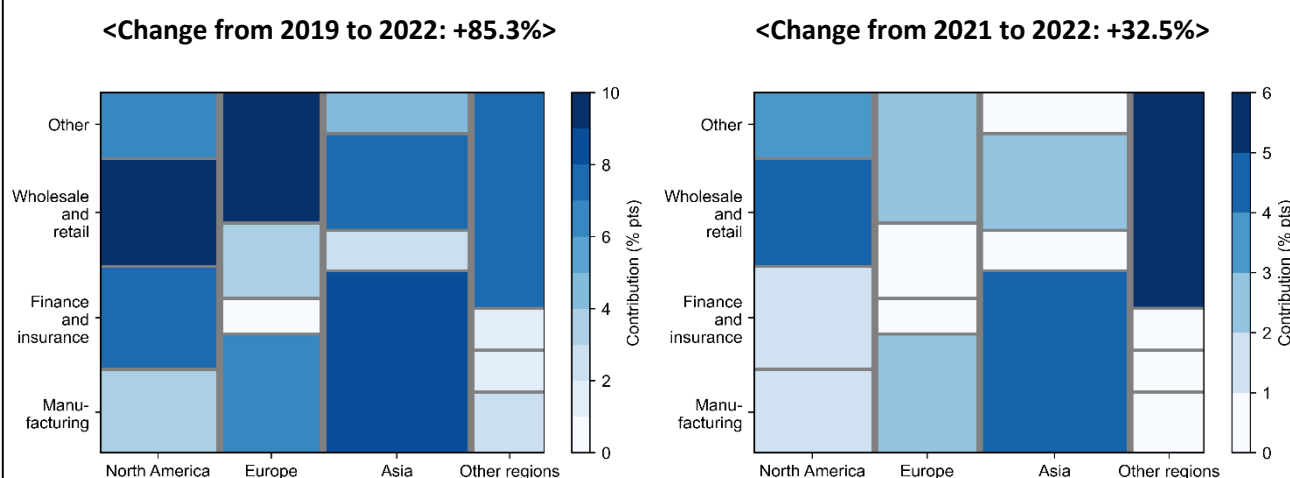
Receipts of direct investment income have increased for two consecutive years, reaching a record high in 2022, after having decreased in 2020 reflecting the spread of COVID-19. Receipts in 2022 increased substantially, exceeding the pre-pandemic level in 2019 by 85.3 percent.

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

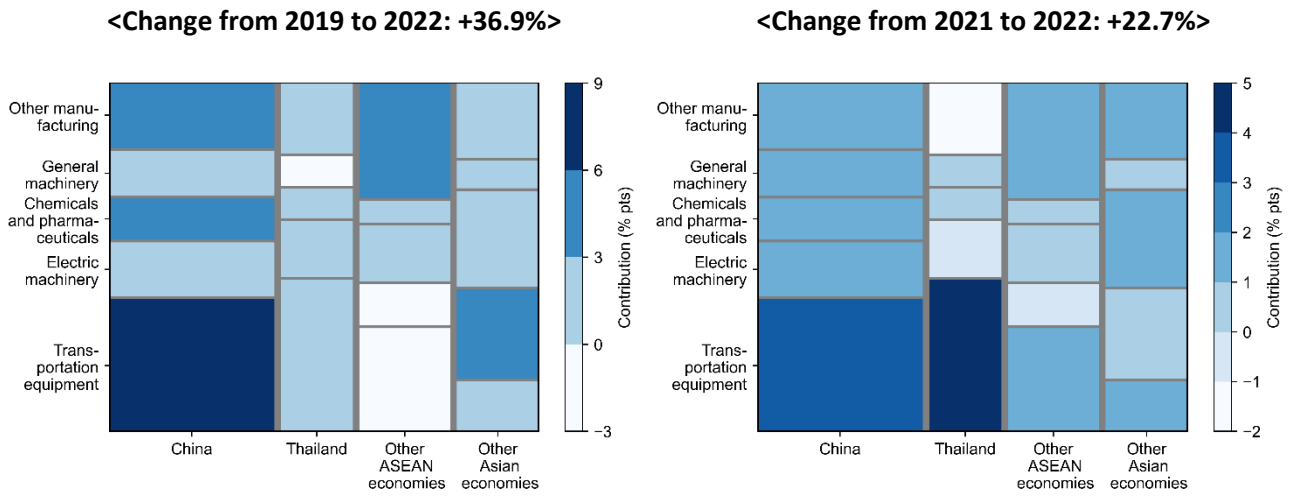
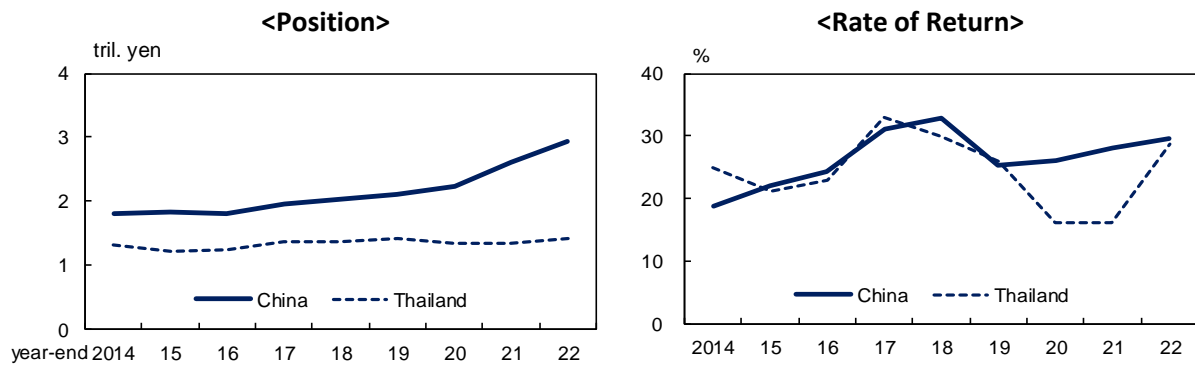


Figure A.2.4: Outward Direct Investment in the Transportation Equipment Industry in China and Thailand⁷



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.

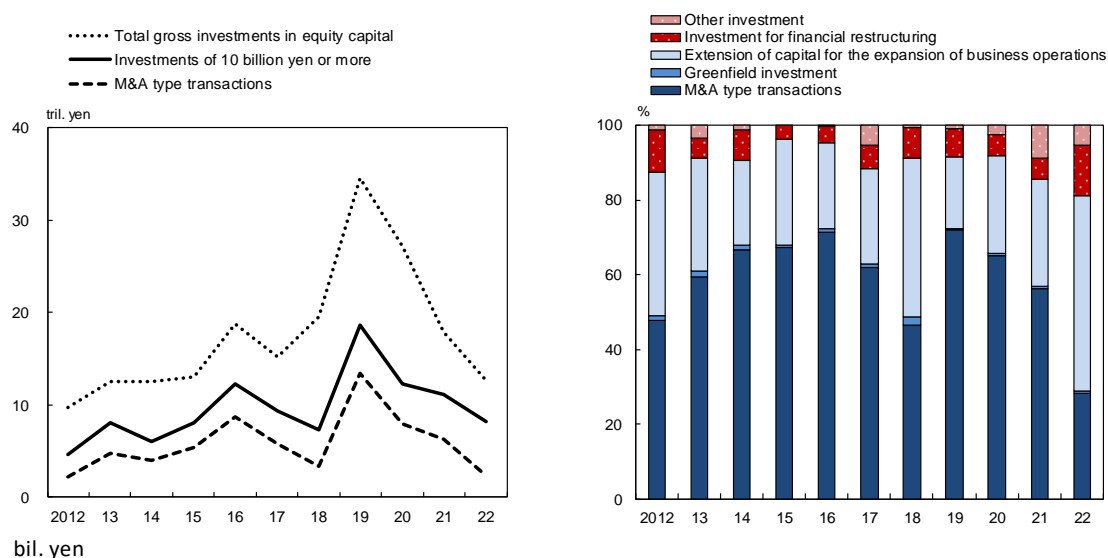
⁷ The rate of return is calculated by dividing the annual direct investment income receipts in the current year by the outward direct investment position at the previous year-end.

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.

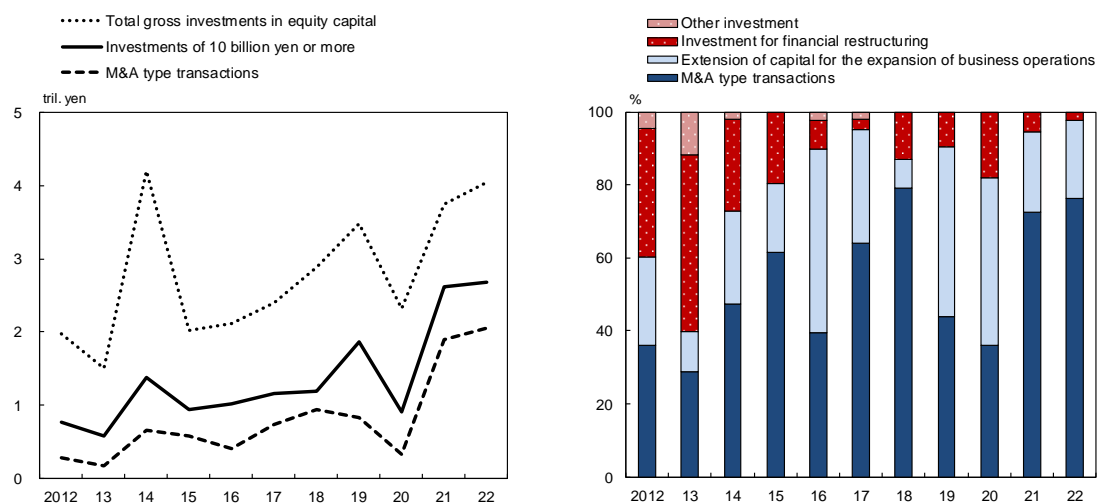
Figure A.3.1: Direct Investment Assets by Type of Investment (Gross Value Basis, Investments of 10 Billion Yen or More)



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.

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

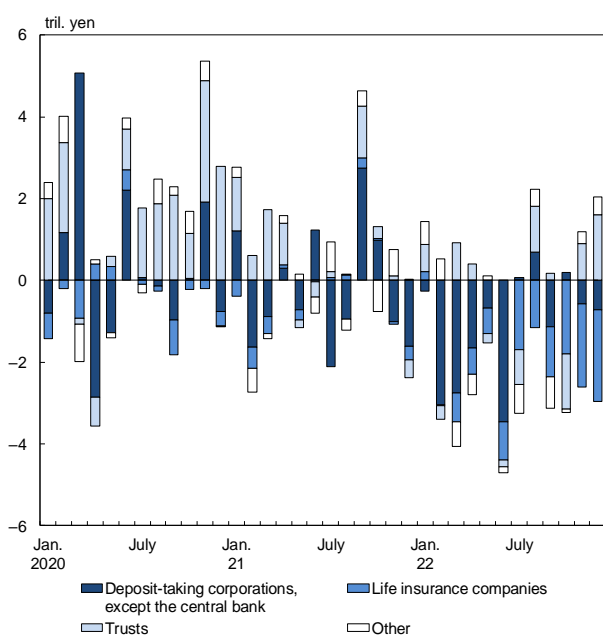
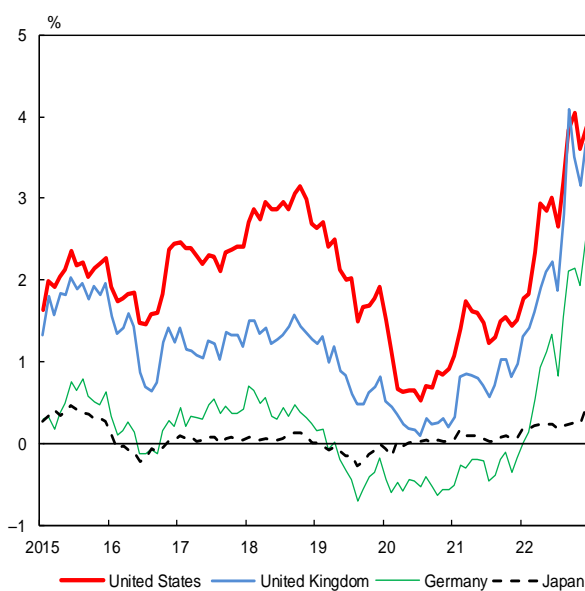


Figure A.4.2:
Yields on 10-Year Government Bonds
of Major Economies



Source: Bloomberg.

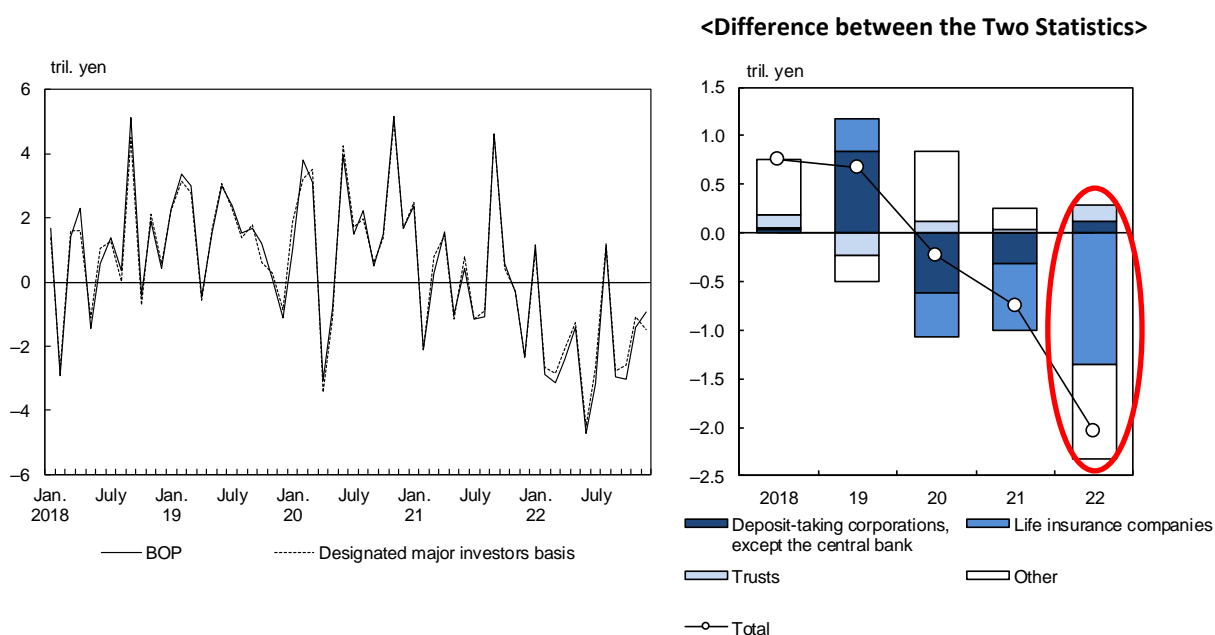
In Japan, in addition to the BOP statistics, another set of statistics recording developments in portfolio investment assets and liabilities is the International Transactions in Securities (based on reports from designated major investors) released by the Ministry of Finance (MOF). The statistics are 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.

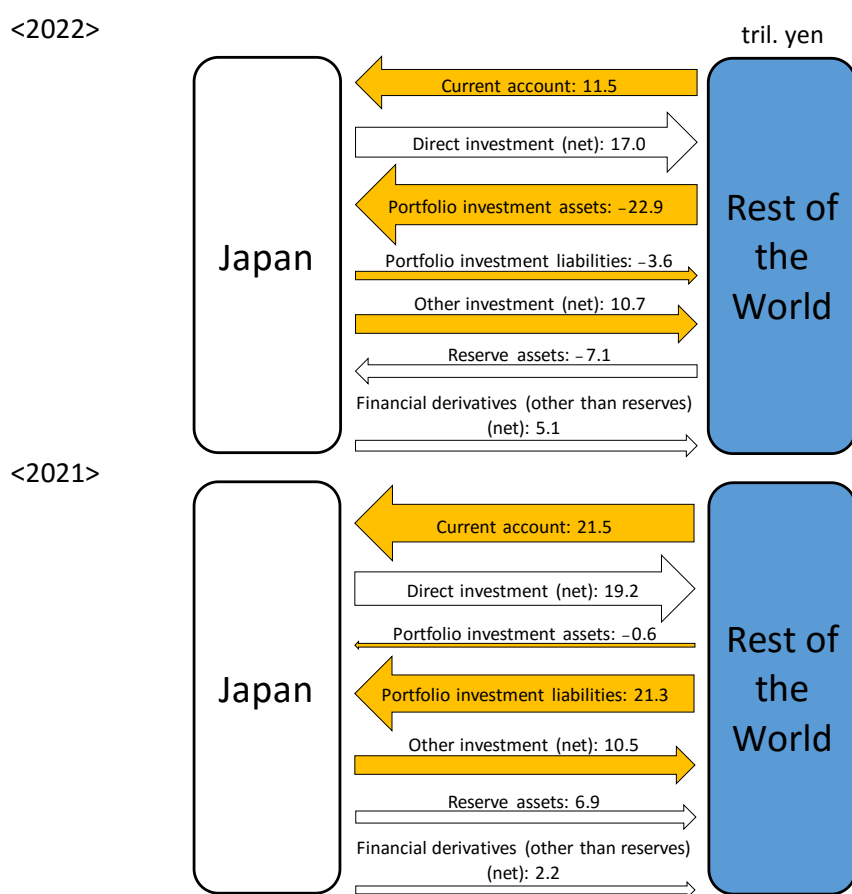
Appendix 5. Key Features of BOP Flows in 2022

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.

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

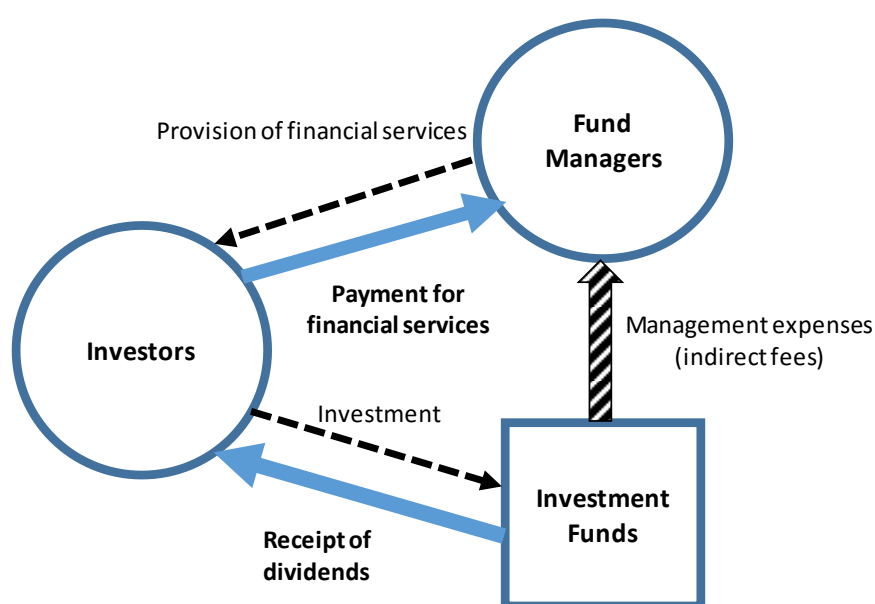
Fees borne by investors in an investment fund consist not only of charges paid directly by the investors to the fund managers but also of management expenses -- typically a certain annual percentage of the fund's net assets -- paid indirectly to the fund managers out of the income generated by, or out 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.