

## **Change in the Method for Compiling Direct Investment Position**

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Ministry of Finance

Bank of Japan

The Ministry of Finance and the Bank of Japan have partly changed the method for compiling the direct investment position. The new method is applied starting from today's release of "Japan's International Investment Position at Year-End 2006."

Aimed at improving the accuracy of statistics, the new method includes a wider range of data on investments and withdrawals to supplement the basic data on the direct investment position.

## Reference:

1. The main sources for the direct investment position are the following two reports submitted once a year (hereafter collectively the "reports on internal reserves"): (1) the report on the internal reserves of overseas direct investment enterprises submitted by resident enterprises that hold an equity stock of 1 billion yen equivalent or more in overseas direct investment enterprises; and (2) the report on the internal reserves of direct investment enterprises in Japan submitted by resident direct investment enterprises with capital of 1 billion yen or more.
2. In the previous method, the direct investment position at year-end is compiled using two sets of data. The first of these is the stock data obtained from the "reports on internal reserves," providing benchmark data for the end of March, when the majority of enterprises close their books. The second set of data is the flow data obtained from the "report on payments and receipts." The latter data for April-December are added to/subtracted from the former data to obtain the direct investment position at year-end.
3. The previous method, however, has the following shortcomings with regard to direct investments by/in enterprises that are not required to submit the "reports on internal reserves" (hereafter report-exempted enterprises). First, their investments/withdrawals of capital during January-March are not reflected in the statistics. And second, the cumulatively added/subtracted amounts of their investments/withdrawals of capital during April-December are discarded every year and are not reflected in the statistics at subsequent year-ends.
4. In the new method, data on investments/withdrawals of capital by report-exempted enterprises are extracted from the "report on payments and receipts" and are cumulatively added to/subtracted from the direct investment position.
5. The new method means (1) that the investments/withdrawals of capital during January-March by report-exempted enterprises are now reflected in the statistics and (2) that the cumulatively added/subtracted amounts of their investments/withdrawals of capital are included in the direct investment position at subsequent year-ends.

6. The new method has been applied to the compilation of the direct investment position at year-end 2006 to reflect the amounts of investments/withdrawals of capital since January 2005 by report-exempted enterprises.