

Foreign Direct Investment In Japan Rises Over 60% In April–September 2003

Outflows of foreign direct investment from Japan to other countries during the first half of fiscal 2003 (April–September) were up 24.5% from a year before to US\$21,266 million; inflows of FDI to Japan during the same six months surged 61.4% to US\$8,315 million.

Major increase in outward FDI by manufacturers

On December 10 the Ministry of Finance released a report on Japan's inward and outward flows of foreign direct investment during the first half of fiscal 2003 (April–September). Outward FDI continued to rise steadily, following a 13.6% advance in fiscal 2002 (ended March 2003), and inward FDI registered a sharp gain, following an increase of only 3.0% in fiscal 2002.

By type of industry, manufacturing-sector FDI outflows during the first half of fiscal 2003 jumped 43.9% from a year before to US\$9,936 million. The electrical machinery and chemical industries led this sector, with their outward FDI rising 4.3-fold and 4.9-fold, respectively. The nonmanufacturing sector recorded an increase of 11.9%, to US\$11,113 million. The figure for the financial services industry, which accounts for about 40% of the sector's outward FDI, declined by 26.1% from a year before, but this was more than offset by increases in investment by other industries, notably retail and wholesale trade, which rose 2.4-fold, and mining, which was up 4.3-fold. The sharp increase in mining reflected moves by Japanese trading companies to acquire rights to natural resources overseas.

In geographical terms, direct investment by Japanese firms in North America rose by a multiple of 2.4 to US\$7,414 million, accounting for 34.9% of total outward FDI. The figure for Latin America increased by 25.8% to US\$2,997

million, driven by a sharp increase in investment in Brazil.

Inward FDI in financial services jumps 2.6-fold

Breaking down inward FDI by type of industry, we find that the nonmanufacturing sector, which saw a drop of 24.3% in fiscal 2002, registered a big increase in the first half of fiscal 2003, with a year-on-year rise of 85.5% pushing the figure up to US\$6,231 million. The major source of the surge was in the financial services industry, where investment was up 2.6-fold at US\$4,604 million.

The real estate industry also recorded a substantial advance, thanks largely to increased investment in Japan by North American firms; the figure for April–September 2003 rose 2.9-fold to US\$467 million. FDI in the manufacturing sector came to US\$2,085 million, up 16.4%. The chemical industry, which accounts for around 40% of the figure for manufacturing, recorded an increase of 44.1% to US\$768 million, following a substantial rise in fiscal 2002.

By country and region, FDI from Europe surged 4.5-fold to US\$2,429 million. Investment from the Netherlands was US\$947 million, up 6.6-fold from a year earlier, and investment from Ireland, which was virtually nil during fiscal 2002, suddenly jumped to US\$763 million. FDI from Latin America roughly doubled, rising to US\$2,951 million. Much of this increase was due to investment from the Cayman Islands, which was up 23.8% (the Caymans have for some time been a prominent source of investment in Japan), and from Bermuda, which jumped from an insignificant figure in fiscal 2002 to a huge US\$1,147 million in the first half of fiscal 2003.

Dollar-denominated statistics on inward and outward FDI are available (in Japanese) at the JETRO website (<http://www.jetro.go.jp/ec/j/trade/>).

Note: The figures released by the Ministry of Finance are in yen; we have

converted them to US dollars using the Bank of Japan's average figures for the Tokyo interbank rate.

Direct Investment 1st. half (April ~ September), F.Y. 2003 (flow; unit:\$million, %)

	Value	year-to-year comparison
Outward Direct Investment	21,266	24.5
Manufacturing	9,936	43.9
Non-Manufacturing	11,113	11.9
Branches	218	-14.1
North America	7,414	138.5
Latin America	2,997	25.8
Asia	2,501	-5.2
Europe	7,990	2.2
Inward Direct Investment	8,315	61.4
Manufacturing	2,085	16.4
Non-Manufacturing	6,231	85.5
North America	1,619	-16.4
Latin America	2,951	96.9
Asia	547	191.3
Europe	2,429	346.3