

Release Date: Tokyo, December 12, 1997

**1997 CANADIAN EMBASSY SURVEY
JAPANESE PORTFOLIO INVESTMENT IN CANADA**

HIGHLIGHTS

- 5259/062
- Based on an analysis of the 1997 Survey results, the total value (in Canadian dollars) of the Canadian securities and loans held by all Japanese institutional investors on March 31, 1997 is conservatively estimated to be \$43.0 billion, down \$0.5 billion from the estimate based on the 1996 Survey. Replies were received from 99 of the 103 institutions surveyed (96.1%).
 - From early summer 1996, and throughout the fall and winter, the fiscal turn-around in Canada received widespread coverage in the Japanese press. There was, therefore, an increasingly positive perception by investors of Canada as a credit risk.
 - The first three quarters of FY 1996 recorded solid increases in Japanese holdings of Canadian securities. The final quarter of the fiscal year, however, was a time of considerable volatility both domestically in Japan and on international financial markets. The Tokyo Stock Exchange fell sharply at the beginning of 1997 affecting the value of the undisclosed reserves of many Japanese financial institutions.
 - Some Canadian holdings were sold between January and March 1997 reflecting the need for Japanese institutions to generate profits for the end-of-year book balancing and a heightened concern about a possible weakening of the Canadian dollar.
 - Retail investors, included in this survey for the first time, increased their Canadian holdings from \$330 million to approximately \$4.0 billion, a 10-fold increase.
 - Comparing the replies of the 97 Japanese institutional investors that responded to both our 1996 and 1997 Surveys, the value of their holdings of Canadian securities and loans declined 12.5%. Exchange rate movements account for some of this fall (4.1%) but the decline in holdings of provincial enterprise and municipal bonds was particularly notable (54.3% and 51.9% respectively). The fall in holdings of provincial bonds (15%) was more than compensated by the relatively large amount of dual currency bonds issued by provincial governments held by individuals. On the other hand, the institutional holdings of federal government bonds by all Japanese institutions increased 10.4% while equity investments nearly doubled (up 96%), although admittedly from a relatively low base.

For further information please contact **John C. Sloan, Counsellor (Finance)**, Canadian Embassy, Tokyo Tel: (03) 5412-6294 Fax: (03) 5412-6260 or **Masaharu Iwata, Staff Economist**, Canadian Embassy, Tokyo Tel: (03) 5412-6200.