

**1996 CANADIAN EMBASSY SURVEY
JAPANESE PORTFOLIO INVESTMENT IN CANADA**

Highlights

- During fiscal year 1995-96, troubled with non-performing loans and uncertainty as to the pace of Japanese economic recovery, Japanese institutional investors remained cautious in their foreign portfolio investments. Consistent with this mood, the overall value of Canadian securities and loans held by Japanese institutional investors declined modestly.
- **Based on an analysis of the 1996 Survey results, the total value (in Canadian dollars) of Canadian securities and loans held by all Japanese investors at the end of March 1996 is estimated to be about \$43.5 billion, down slightly from our estimate in 1995.**
- Comparing the replies of the 100 firms that responded to both our 1995 and 1996 Surveys, the value of Japanese holdings of Canadian securities and loans declined 3.1%, with holdings of all bonds (federal, provincial and corporate) being affected. Partially compensating for these declines was a significant increase (25.9%) in the value of loans to Canadian entities and a return by Japanese investors to investing in Canadian stocks (up by 41.7%), albeit from a small base.
- In terms of currencies, at the end of March 1996, 42.4% of Japanese holdings of Canadian securities and loans were denominated in Canadian dollars, down somewhat from last year's 44.6%, with yen denominated holdings rising modestly from 35.2% to 36.4%. As for bond holdings alone, more than half of Japanese holdings (56.0%) were still denominated in Canadian dollars, but the yen-denominated component rose from 24.1% to 26.9%.
- Japanese life insurance companies appear to have stabilized their Canadian holdings, reducing their bond holdings (-10.9%), but increasing by almost the same amount (9.4%) the value of loans extended to Canadian entities. Marine & Fire Insurance companies reduced their Canadian holdings significantly (-51.1%), but Investment Trust & Management companies (6.2%), banks (62.1%) and leasing companies (31.9%) increased their holdings.
- **The Survey results indicate that, despite being buffeted by financial, economic and political uncertainties within both Japan and Canada, Japanese institutional investors continue to be important investors in Canadian securities and loans. Although down modestly in overall terms, it is encouraging to note that some investors significantly expanded their exposure to Canada over the course of the past year.**
- Replies were received from 102 of the 104 Japanese institutions surveyed (98.1%).

For further information concerning this Survey, please contact:
David B. Iwaasa, Counsellor (Finance) Canadian Embassy, Tokyo
Telephone (03) 3408-2101 Facsimile (03) 3408-6786

43-260-000