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Is the Preference for Foreign Investments Increasing?

Overseas financial assets held by households as a whole remain sluggish, but the preference for overseas investments has grown stronger amongst those building personal assets.

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Summary

- This paper analyzes the current situation of overseas financial asset investment on the part of households. It has been pointed out that this area has been growing in importance in recent years, and this report explores the future outlook.
- In estimating the share of overseas financial asset management on the part of households, it was confirmed that it has remained flat in recent years. In addition, the pace of growth in the amount outstanding of overseas financial assets held by households has been slow, and in particular, the amount outstanding of overseas financial assets held through investment trusts has not recovered to the level before the global financial crisis.
- Looking at the flow of funds in open investment trusts, the international bond type has been in a net outflow trend in recent years. On the other hand, the international equity type has been in a net inflow trend. In particular, it is noteworthy that the net inflow of funds in passive international equity type has been steadily increasing since 2019, and this seems to be attributable to the inflow of funds of those who intend to form assets from a long-term perspective.
- A survey of the status of investment trust ownership by age indicates that the ownership rate of foreign equity type investment trusts has increased significantly among younger people. A survey of investment trusts held in Tsumitate NISA (Dollar-Cost Averaging NISA) shows that foreign equity type investment trusts have the highest ownership ratio, suggesting that the working-age population who have begun investing in recent years are increasingly interested in investing abroad.
- As the amount of financial assets held by working-age population (particularly young people) is small, it is difficult to reflect the heightened preference for overseas investments in the figures for households as a whole. However, in the medium-to long-term, the overseas orientation may appear more clearly in the figures for households as a whole.

Attention

This report is a summary translation. The official document is only in Japanese.