## B.7. Investment income flows

Investment income relates to all three categories of investment: portfolio investment, direct investment and other investment. Since 1997, the United States has generated the largest net income (credits minus debits) in absolute value. The bulk of US income stems from direct investment and, to a lesser extent, from other investment, whereas net income from portfolio investment is negative.

The United Kingdom generates the second largest investment income derived exclusively from direct investment; net income from both other investment categories is negative. The same holds true for France. Japan's overall positive income is attributable to portfolio investments and Germany's to other investment. Since 2005 Canada has recorded net losses on all three categories of investment.

If net investment income is compared not in absolute value but relative to countries' GDP, the gains recorded in 2008 by the United States and the United Kingdom amount to only 0.9% and 2.7% of their respective GDP. In 2008, Japan, with 3.1%, had the largest positive net investment income relative to GDP, followed by Sweden (2.3%), Denmark (2.1%) and Germany (1.7%).

The largest net investment loss in 2008, relative to GDP, was incurred by Ireland (–14.4%).

### Sources

- International Monetary Fund, *Balance of Payments Statistics.*
- OECD, *National Accounts of OECD Countries Database*, December 2009.

### For further reading

- International Monetary Fund (1995), *Balance of Payments Manual*, 5th edition (BPM5).

### *Investment income*

Investment income – property income in the System of National Accounts (SNA) – covers income derived from a resident entity's ownership of foreign financial assets. The most common types of investment income are income on equity (dividends) and income on debt (interest). Dividends, including stock dividends, are the distribution of earnings allocated to shares and other forms of participation in the equity of incorporated private enterprises, co-operatives and public corporations. Interest, including discounts in lieu of interest, comprises income on loans and debt securities (*i.e.* such financial claims as bank deposits, bills, bond notes and trade advances). Net interest flows arising from interest rate swaps also are included. The components of investment income are classified as direct investment, portfolio investment and other investment income.

*Direct investment income* is broken down into income on equity (dividends, branch profits and reinvested earnings) and income on debt (interest).

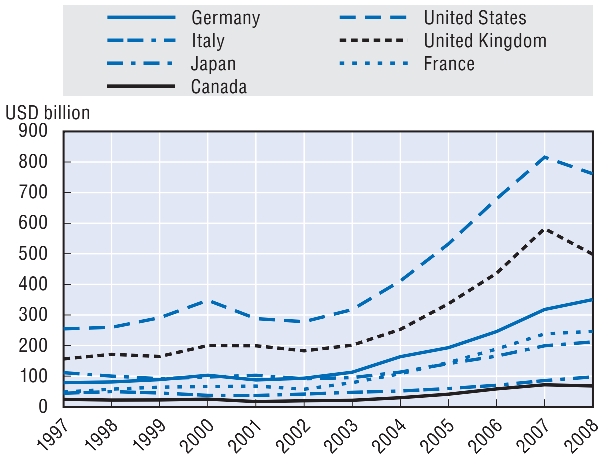
*Portfolio investment income* comprises income transactions between residents and non-residents and is derived from holdings of shares, bond notes and money market instruments, and associated financial derivatives. It is broken down into income on equity (dividends) and income on debt (interest).

*Other investment income* covers interest receipts and payments on all other resident claims (assets) on and liabilities to non-residents respectively. This category also includes, in principle, imputed income to households from net equity in life insurance reserves and in pension funds.

*Source: International Monetary Fund Balance of Payments Manual*, 5th edition, § 274-281.

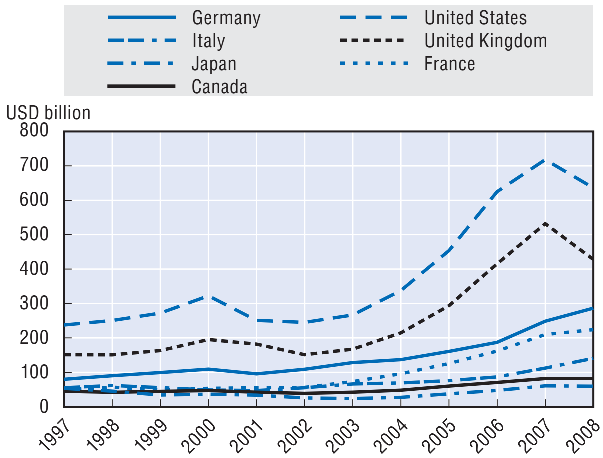
## B.7. Investment income flows

Figure B.7.1. **G7 countries' credit flows, 1997-2008**



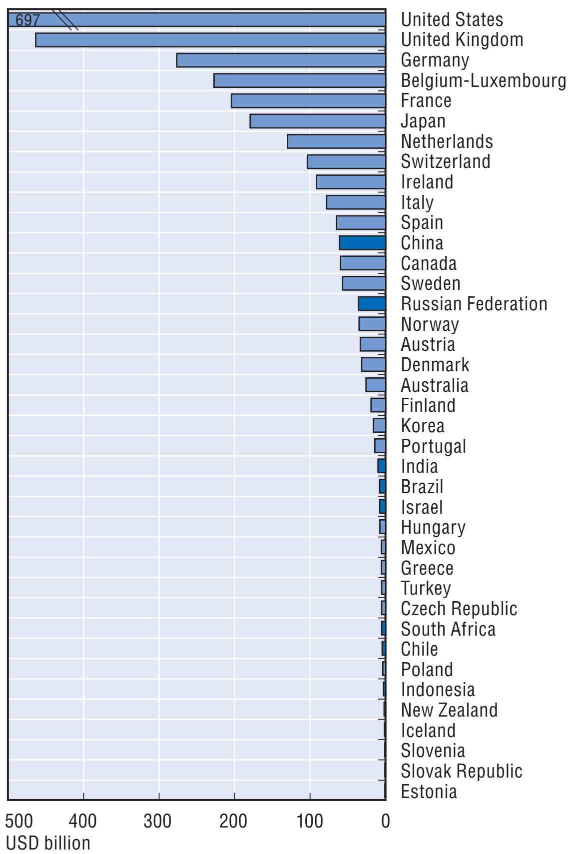

StatLink http://dx.doi.org/10.1787/840072036161

Figure B.7.2. **G7 countries' debit flows, 1997-2008**



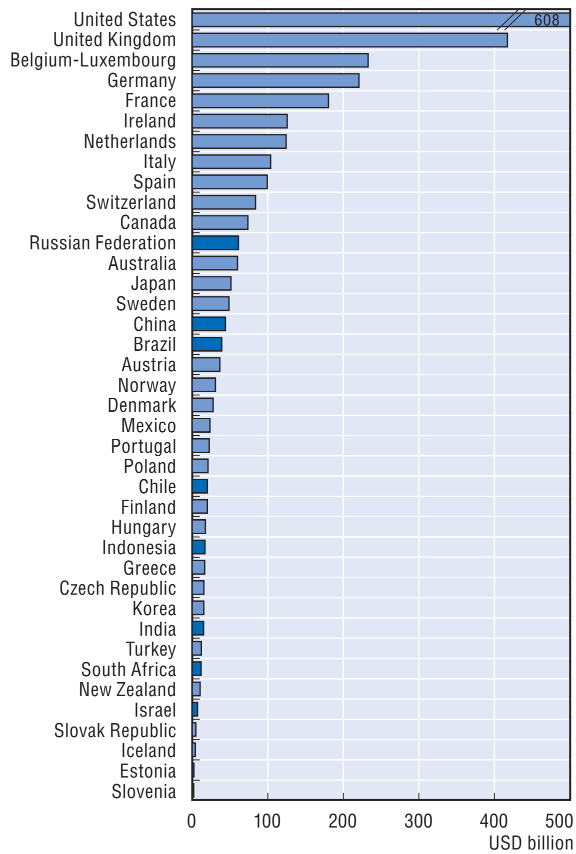

StatLink http://dx.doi.org/10.1787/840140848800

Figure B.7.3. **Average credit flows, 2005-08**



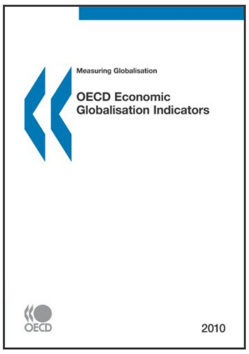

StatLink http://dx.doi.org/10.1787/840224870354

Figure B.7.4. **Average debit flows, 2005-08**




StatLink http://dx.doi.org/10.1787/840253318867

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

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