E.2. Portfolio assets by type of instrument and by currency

Cross-border portfolio investments take the form of equity securities and debt securities which in turn are classified by maturity as short-term or long-term instruments.

During the past decade, even if the share of debt securities worldwide has been more prominent as compared to equity securities, differences in their share of overall cross-border portfolio investments are generally not too significant. In year 2002 the share of debt securities was exceptionally high representing 66% of total portfolio assets but dropped gradually to 55% of total in 2007 when, in contrast, in absolute amounts their value more than doubled reaching USD 21.6 trillion. Assets on equity securities increased from USD 2.6 trillion in 1997 to USD 17.8 trillion in 2007.

During the period 2004-07, equity securities accounted, on average, for 46% (USD 11.6 trillion) of OECD portfolio assets. In eight OECD countries, equity securities accounted for more than 50% of their total assets: Canada (80%), Hungary (78%), New Zealand (77%), United States (72%), Iceland (71%), Australia (67%), Sweden (66%), and Korea (53%).

The share of debt securities represents, on average, more than 50% of portfolio assets of the remaining twenty two OECD countries during the same period. In only eight of them debt securities account for more than 70% of total portfolio assets: Turkey (94%), Greece (86%), Japan (79%), Portugal (78%), Austria and the Slovak Republic (77%), Spain (76%), and France (72%).

OECD countries' debt security holdings are mostly long-term instruments while short-term instruments, on average, account for less than 10%. In many OECD countries short-term instruments represent less than 5% of their total holdings in debt instruments. There are, however, some exceptions. In 2007, Poland's holdings in debt securities were equally divided into short and long-term instruments. In the same year, short-term instruments accounted for 36% of debt securities held by Ireland, 18% by the United States, 14% by Luxembourg and Switzerland, 11% by Mexico and 10% by Greece.

The analysis of securities by currency of denomination also informs on the extent of globalisation of portfolio investments. Nevertheless, statistics on such breakdowns are not available for all OECD countries as shown in Figures E.2.7 and E.2.8. During the period 2003-06, portfolio assets of eight EU countries, Austria, Denmark, France, Greece, Hungary, Italy, Poland and Portugal were, for the most part, instruments denominated in Euro as opposed to the US dollar and other currencies. Portfolio holdings of two other OECD countries, Japan and Korea, were mostly instruments denominated in US dollars. In general, the share of the US dollar is more significant in equity securities while a larger share of debt securities are denominated in euros. Switzerland has a rather singular position while both equity and debt holdings are proportionally distributed between instruments denominated in US dollars, euros and other currencies.

Source

- IMF, *Co-ordinated Portfolio Investment Survey*.

For further reading

- *IMF Co-ordinated Portfolio Investment Survey Guide, 2nd edition*, 2002

Portfolio investment: types of securities

Security: a financial instrument that is designed to be traded, *i.e.*, it is characterised by its negotiability. Securities include:

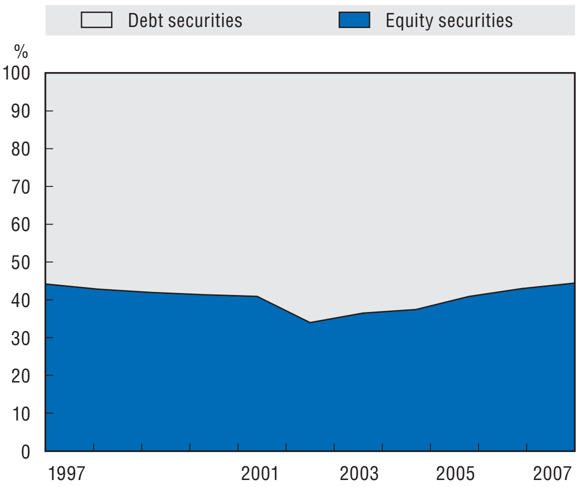
Equity securities comprise all instruments and records acknowledging, after the claims of all creditors have been met, claims on the residual values of incorporated enterprises. Shares, stocks, participations or similar documents (such as American Depositary Receipts) usually denote ownership of equity (see also B5).

Long-term debt securities cover instruments such as bonds, debentures, and notes that usually give the holder the unconditional right to a fixed money income or contractually determined variable money income and have an original term to maturity of more than one year.

Short-term debt securities cover treasury bills, commercial paper, and bankers' acceptances that generally give the holder the unconditional right to a stated fixed sum of money on a specified date. These instruments are usually traded on organised markets at a discount and have an original term to maturity of one year or less.

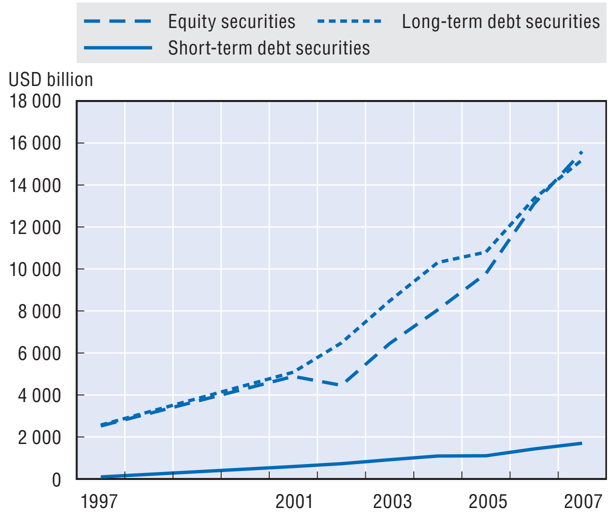
E.2. Portfolio assets by type of instrument and by currency

Figure E.2.5. **Share of equity and debt securities: in total portfolio assets, world-wide, 1997-2007**[1]



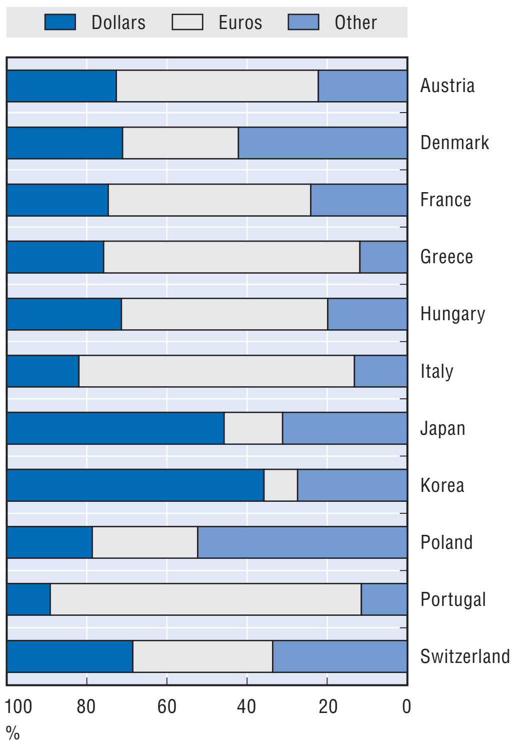
StatLink http://dx.doi.org/10.1787/842654045186

Figure E.2.6. **OECD portfolio assets by type of instrument, 1997-2007**[1]



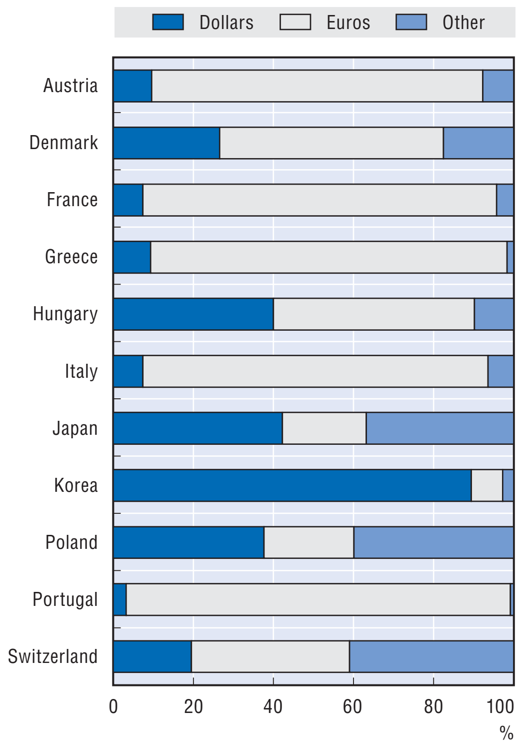
StatLink http://dx.doi.org/10.1787/842657062060

Figure E.2.7. **OECD equity securities holdings by currency of denomination, average 2003-06**



StatLink http://dx.doi.org/10.1787/842660641861

Figure E.2.8. **OECD debt securities holdings by currency of denomination, average 2003-06**



StatLink http://dx.doi.org/10.1787/842708500333

1. The survey does not cover 1998, 1999 and 2000.

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OECD